



## ***Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01***

# **General Section**

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## 1. INTRODUCTION

### 1.1. COMPANY PROFILE

Gilardoni S.p.A. a Socio Unico (hereinafter *Gilardoni*) is a leading Italian company in the design and manufacture of x-ray and ultrasonic equipment, components and services in the medical, non-destructive testing and security sectors.

*Gilardoni* was founded in 1947 by Dr Arturo Gilardoni who set himself the goal and mission of creating world-class research laboratories and a structure capable of producing, distributing, selling and servicing innovative products everywhere. Today, Dr *Gilardoni's* vision has produced a company that operates in the following sectors:

- Security;
- Medical;
- NDT - Non-destructive testing;
- OEM - Components.

### 1.2. SECURITY

*Gilardoni* offers a complete line of solutions for the needs of the security market, from systems for screening carry-on baggage, with automatic detection of solid and liquid explosives, to systems for screening hold baggage, pallets and containers. In addition to supplying standard systems, *Gilardoni* makes available the skills of its R&D to carry out customisations that can best meet the specific needs of its customers.

### 1.3. MEDICAL

Right from the start, *Gilardoni* has set itself the goal of being at the highest technological level in the field of medical radiology. In over 60 years of activity, *Gilardoni* has installed thousands of X-ray devices, always at the state of the art, in a sector that is constantly and rapidly evolving, making its quality known and appreciated both in Italy and abroad.

### 1.4. NDT - NON-DESTRUCTIVE TESTING

The *Gilardoni* NDT product range includes X-ray and ultrasonic products. Radioscopy as a method of non-destructive testing allows the radiological image to be obtained in real-time, thus enabling high productivity to be achieved in the inspection of large batches of specimens. Non-destructive testing with ultrasound is widely applied in the metal industry and in the overhaul and maintenance of structures, plants and means of transport.

### 1.5. OEM – COMPONENTS

Over the years, *Gilardoni* has developed a wide range of OEM components, capable of satisfying the most diverse application needs of a constantly evolving market. OEM production includes both standard components and numerous dedicated solutions, i.e. made to specific customer requirements. *Gilardoni* meets both European and other countries' standards, such as FDA and UL.

### 1.6. CERTIFICATIONS

*Gilardoni's* quality control system is certified ISO 9001 and 13485 by IMQ in compliance with specific standards and product standards having global validity; moreover, its research laboratories are certified as "highly qualified" by Ministerial Decree 9-10-1985 - Law 46/82 Art. 4. *Gilardoni* sees itself as a high-quality market-oriented industry providing value-added solutions that fully satisfy customers. *Gilardoni* is present in Italy with its manufacturing plant in Mandello del Lario (province of Lecco).

### 1.7. REGULATORY SUMMARY OF LEGISLATIVE DECREE 231/01

For the first time in our legal system, Legislative Decree 231 of 2001 introduced the criminal liability of entities, <sup>1</sup> in addition to that of the natural person who materially committed the offence.

At the time of its introduction, this regulatory innovation was of great importance, as it established that the entity is liable for offences committed by its top management ("senior management" subjects) or even by mere employees ("subordinate" subjects), provided that they have acted in the interest or to the advantage of the entity.

The Legislative Decree provides that the entity is liable only in the case of offences committed in its interest or to its advantage by:

- persons in positions of representation, administration or management of the entity or of one of its organisational units with financial and functional autonomy;
- persons exercising, also de facto, the management and control of the entity;

<sup>1</sup> For the definition of entity, see the following paragraph 2.5 "Recipients of Legislative Decree 231/01".

- persons subject to the direction or supervision of the persons referred to in points 1 and 2.
- They contribute to avoiding or at least mitigating liability if the entity proves (Art. 6):
- that the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models capable of preventing offences of the kind committed;
  - that the task of supervising the functioning of and compliance with the models and ensuring that they are updated has been entrusted to a body of the entity endowed with autonomous powers of initiative and control;
  - that the persons who have committed the offence have fraudulently evaded the organisation and management models;
  - that there has been no omission or insufficient supervision by the body of the entity endowed with autonomous powers of initiative and control.

The adoption of Organisation and Management Models and the creation of supervisory boards with the task of overseeing the actual effectiveness of the Model constitute appropriate means of preventing offences committed by employees and officers - also allowing for disciplinary action - and avoiding the extension of liability from the offender to the company.

Adoption of the Organisation, Management and Control Model is not mandatory and therefore failure to adopt it in itself does not entail any sanctions, but does expose the entity to liability for the offences committed by directors and employees, also directly affecting the economic interests of shareholders, in the event of the application of sanctions (so much so that shareholders will be entitled to bring liability actions against inert directors who, by failing to adopt the Model, have prevented the entity from benefiting from the mechanism of "exemption" from liability).

Consequently, in the event of an offence, the entity will be able to benefit from the exemption provided for by the law in question if it is equipped with the Model and all the conditions laid down in the aforementioned Article 6 are met. Therefore, although the adoption of such models is optional, an adequate preventive control system provided by the adoption of the Model ensures that risks are reduced as much as possible or at least to an "acceptable" level. This will be achieved by carefully monitoring risks through the identification of the business sector at risk and the way in which prejudicial events occur.

## 2. THE REGULATORY FRAMEWORK OF LEGISLATIVE DECREE 231/01

### 2.1. INTRODUCTION

Legislative Decree Legislative Decree 231/01, issued in implementation of the delegation referred to in Article 11 of Law no. 300 of 29 September 2000, aimed to bring Italian legislation on the liability of entities into line with the provisions of certain international conventions ratified by our country.

In particular, with the entry into force of Legislative Decree 231/01, a form of administrative liability of entities, such as companies, associations and consortia, deriving from the commission or attempted commission of certain offences, expressly referred to by Legislative Decree 231/01, by Senior Executives or Subordinates (collectively, the "Recipients"), in the interest or to the advantage of the entity, was also introduced in Italy.

*Gilardoni* is not liable, on the other hand, if the aforementioned persons have acted exclusively in their own interest or in the interest of third parties (Art. 5, paragraph 2, Legislative Decree 231/01).

### 2.2. PROSECUTION IN ITALY FOR OFFENCES COMMITTED ABROAD

Legislative Decree 231/01 also provides for prosecution in Italy in respect of offences committed abroad by Senior Executives or Subordinates of the entity, in the interest or to the advantage of the entity:

if the entity has its head office in the territory of the Italian State;

if the natural person who committed the offence is prosecuted in Italy;

if the State of the place where the offence was committed does not proceed against the entity.

The administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

### 2.3. PREDICATE OFFENCES - CATEGORIES AND TYPES OF OFFENCES UNDER LEGISLATIVE DECREE 231/01

The relevant offences, pursuant to Legislative Decree 231/2001 and subsequent additions thereto, for the purposes of establishing the entity's administrative liability, are expressly listed by the Legislator. These offences fall within the detailed categories of the so-called "predicate" offences and are set out in Annex A "Offences envisaged by Legislative Decree 231/01 and the ways in which they are committed" to this General Section.

### 2.4. CRITERIA FOR IMPUTATION OF LIABILITY TO THE ENTITY

In the event of the commission of one of the predicate offences, the Entity is punishable only if certain conditions, defined as criteria for attributing the offence, are met. These criteria are distinguished into "objective" and "subjective".

a) The first objective criterion that must exist for the Entity to be punishable is that the offence committed must be included among those expressly indicated as predicate offences in the Decree.

b) The second objective criterion is that the offence must be committed in the interest or to the advantage of the Entity. It must, therefore, have been committed in a field inherent to the specific activities of the Company and the latter must have benefited from it, even if only potentially. The existence of at least one of the two conditions, alternative to each other, is sufficient:

- the "interest" exists when the offender has acted with the intention of favouring the Company, regardless of whether this objective was then actually achieved;
- the "advantage" exists when the Company has gained or could have gained, from the offence a positive result, whether economic or otherwise.

The Entity's liability exists not only when it has gained an immediate pecuniary advantage from the commission of the offence, but also in the event that, even in the absence of such a result, the act is motivated by the interest of the Entity. Improving one's position on the market or concealing a financial crisis situation, for example, are cases that involve the interests of the Entity without, however, bringing it an immediate and direct economic benefit.

c) The third objective criterion is that the predicate offence must have been committed by one or more qualified persons, i.e. by "persons who hold positions of representation, administration or management of the Entity or of one of its organisational units with financial and functional autonomy" or by those who "exercise, also de facto, the management and control" of the Entity (so-called "top management"), or by "persons subject to the direction and supervision of one of the Senior Management" (so-called "subordinates").

The perpetrators of the offence from which the Entity may incur administrative liability may therefore be:

- (i) persons in a "senior position", such as, for example, the legal representative, the director or the general manager, as well as persons who exercise, also de facto, management and control of the Entity;
- (ii) "subordinate" persons, typically employees, but also persons external to the Entity, who have been entrusted with a task to be carried out under the direction and supervision of senior management.

Where more than one person takes part in the commission of the offence (hypothesis of concurrence of persons in the offence pursuant to Article 110 of the Penal Code), it is not necessary for the "qualified" person to carry out the typical action provided for by the criminal law. It is sufficient that it knowingly makes a causal contribution to the commission of the offence.

The provisions of the Decree exclude the liability of the Entity, in the event that the Entity - prior to the commission of the Offence - has adopted and effectively implemented an "Organisation and Management Model" capable of preventing the commission of Offences of the kind committed. The Entity's liability, in this respect, is attributable to the "failure to adopt or to comply with due standards" relating to the organisation and activity of the Entity, a defect attributable to corporate policy or to structural and prescriptive shortcomings in the company's organisation. Basically, in order for the Offence not to be subjectively imputed to it, the Entity must prove that it has done everything in its power to prevent, in the exercise of its business activity, the commission of one of the Offences provided for in the Decree (on the conditions for exemption from liability provided for in the Decree, see paragraph 1.5 below).

## **2.5. RECIPIENTS OF LEGISLATIVE DECREE 231/01**

The law indicates as recipients:

- entities endowed with legal status;
- companies having legal status;
- companies and associations, including those without legal status (Art. 1, para. 2).

The legislative decree, first of all, identifies the entities provided with legal status. These are entities that enjoy patrimonial autonomy, differentiated from the remaining entities that, although they are autonomous legal entities, do not have the distinction of common assets from those of individual members or associates.

Therefore, the main recipients are as follows:

- entities with legal status
- corporations
- cooperative societies
- foundations
- recognised associations
- private and public economic entities
- private entities exercising a public service by virtue of a concession, convention, equality or similar administrative act
- entities without legal status
- partnerships
- EEIGs (European Economic Interest Groupings)
- Consortia

- unrecognised associations.

The subjects excluded from the discipline are:

- the State;
- territorial public bodies (Regions, Provinces and Municipalities);
- entities performing functions of constitutional importance (Art. 1, para. 3).

Excluded entities include those that perform functions of constitutional importance such as, for example:

- political parties;
- trade unions;
- the two Chambers of Parliament;
- the Secretary-General of the Presidency of the Republic;
- the Constitutional Court;
- the National Economic and Labour Council;
- the Superior Council of Magistracy.

Enterprises run on a sole proprietorship basis, even if in the form of a family business, are excluded from this regulation.

## 2.6. SANCTIONS THAT MAY BE IMPOSED ON THE ENTITY

As mentioned in the "regulatory summary", the commission of offences pursuant to Legislative Decree 231/01 results in the application of sanctions. The sanctions that may be imposed on the entity for administrative offences dependent on the offence are:

fines;

bans/ disqualification sanctions;

confiscation;

publication of judgement.

**Fines** are indisputable and are levied in accordance with the quota system. The amount of a quota, in a number not less than one hundred nor more than one thousand, ranges from a minimum of Euro 258.23 to a maximum of Euro 1,549.37.

The judge determines the number of quotas in proportion to the severity of the offence, the degree of liability of the Entity, and the activity carried out to eliminate or mitigate the consequences of the offence and to prevent the commission of further offences.

The value of the quota is also set on the basis of the economic and asset conditions of the entity in order to ensure the effectiveness of the sanction.

The disqualification sanctions are:

- a ban on conducting business;
- suspension or revocation of authorisations, licences or concessions functional to the commission of the offence;
- the prohibition to contract with the Public Administration, except in order to obtain the performance of a public service;
- exclusion from facilitations, financing, contributions or subsidies and possible revocation of those already granted;
- a ban from advertising goods or services.

**Disqualification** sanctions apply in relation to offences, for which they are expressly provided for when at least one of the following conditions is met:

- the Entity has derived a significant profit from the offence and the offence was committed by persons in a senior position or subject to the direction of others, where the commission of the offence was determined or facilitated by serious organisational deficiencies;
- in the event of reiteration of offences (reiteration occurs when the Entity, already definitively convicted at least once for an offence dependent on an offence, commits another offence in the five years following the final conviction).

**Publication** of the conviction may be ordered when a disqualification sanction is imposed on the entity. The sentence is published once only, in excerpts or in full, in one or more newspapers indicated by the judge in the sentence, as well as by posting in the municipality where the entity has its head office. Publication of the ruling is carried out by the clerk of the judge and at the expense of the entity.

The confiscation of the price or profit of the offence is always ordered against the entity upon conviction, except for the part that can be returned to the injured party.

The rights acquired by third parties in good faith are not affected. When it is not possible to carry out the specified confiscation, it may concern sums of money, goods or other utilities with a value equivalent to the price or profit of the offence.

### 2.7. ORGANISATION AND MANAGEMENT MODELS

As mentioned above, Legislative Decree 231/01 provides, in principle, for forms of exemption from administrative liability for entities. In particular, Article 6 of Legislative Decree 231/01 provides that, in the event of an offence committed by a Senior Party, the entity is not liable if it proves that:

- the management body adopted and effectively implemented before the offence was committed, organisation and management models capable of preventing offences of the kind committed;
- the task of supervising the functioning and observance of the models and ensuring that they are updated has been entrusted to a board set up by *Gilardoni* and endowed with autonomous powers of initiative and control (hereinafter "Supervisory Board");
- the persons committed the offence by fraudulently evading the organisation and management models;
- there has been no omission or insufficient supervision by the Supervisory Board.

Therefore, in the case of offences committed by Senior Executives, there is a presumption of liability for the entity due to the fact that these persons express and represent the policy, and therefore, the will of the entity itself. However, this presumption can be overcome if the entity succeeds in demonstrating the existence of the above-mentioned four conditions set out in Article 6 of Legislative Decree 231/01.

In that case, although the Senior Manager is personally liable, the entity is not liable under Legislative Decree 231/01.

Legislative Decree 231/01, therefore, as far as the liability of the entities is concerned, assigns a justifying value to the organisation and management models to the extent that the latter prove, on the basis of a judgement expressed *ex-ante* in accordance with the criterion of subsequent prognosis, to be suitable for preventing the offences referred to in the aforementioned decree and, at the same time, are effectively implemented by the management body.

Similarly, Article 7 of Legislative Decree 231/01 establishes the entity's administrative liability for offences committed by Subordinates if their commission was made possible by the failure to comply with management or supervisory obligations. In any case, non-compliance with such management or supervisory obligations is excluded if the entity proves that it has adopted and effectively implemented, prior to the commission of the offence, an Organisation and Management Model capable of preventing offences of the kind committed. In this case, the adoption of the Organisation and Management Model by the entity constitutes a presumption in its favour that places the burden of proof on the prosecution to prove the failure to adopt and effectively implement the Model.

### 2.8. CATEGORY GUIDELINES

Legislative Decree 231/01 provides that the organisation and management models may be adopted on the basis of codes of conduct drawn up by the associations representing the entities and communicated to the Ministry of Justice, which is given the power to formulate, in agreement with the competent Ministers, within 30 days, observations on the suitability of the models to prevent offences, provided that they guarantee the requirements set out in Article 6, paragraph of Legislative Decree 231/01.

The main purpose of this regulatory provision is to promote, among the members of trade associations, the alignment to the principles expressed by Legislative Decree 231/01 and, likewise, to stimulate the drafting of structured codes that can serve as a point of reference for operators about to draw up an Organisation and Management Model.

In structuring this Model, *Gilardoni* made reference to the "Guidelines for the construction of organisation, management and control models pursuant to Legislative Decree 231/01" of March 2014, published by Confindustria.



### 3. ORGANISATION AND MANAGEMENT MODEL AND ITS CONTENTS

#### 3.1. CONTENTS OF THE ORGANISATION AND MANAGEMENT MODEL

*Gilardoni*, consistent with its own governance system and the ethical standards it has adopted, has adopted an Organisation and Management Model in compliance with the provisions of Legislative Decree 231/01 (hereinafter the "Model").

This document contains a general illustration of the Model and the main provisions aimed at preventing the commission or attempted commission of the offences set forth in Legislative Decree 231/01 and was adopted by the Board of Directors.

In particular, pursuant to Article 6, paragraph 2 of Legislative Decree 231/01, an Organisation and Management Model must meet the following requirements:

- identify activities exposed to the risk of offences being committed;
- envisage specific protocols for planning the formation and implementation of the entity's decisions according to risk prevention (i.e. in relation to the offences to be prevented);
- identify methods of managing financial resources suitable to prevent the commission of offences;
- provide for obligations to inform the Supervisory Board on the operation of and compliance with the models;
- introduce an adequate disciplinary system to sanction non-compliance with the measures indicated in the Model.

*Gilardoni's* Model, illustrated in this document and its annexes, consists of the organic set of principles, rules, procedures and internal provisions, circulars, organisational schemes relating to the management and control of corporate and instrumental activities. The Model is aimed at the implementation and diligent management of a control system of sensitive activities for the prevention of the commission or attempted commission of the offences provided for in Legislative Decree 231/01.

These provisions may be written or oral, of general application or limited to categories of subjects or individuals, permanent or temporary.

#### 3.2. RECIPIENTS OF THE COMPANY'S ORGANISATIONAL MODEL

This Model applies, at all times and without exception, to all members of the Board of Directors, the Board of Statutory Auditors and the Auditing Firm and to all persons linked by employment relationships with *Gilardoni*. Even *Gilardoni's* Suppliers and Partners, as well as external Collaborators, are required to comply with the Code of Ethics when dealing or acting in the name and on behalf of *Gilardoni*.

All these subjects, both internal and external to the Company, working, directly or indirectly, for *Gilardoni* (e.g. Agents, Distributors, Contractors, Collaborators in any capacity, Consultants, Appointed Professionals, Suppliers, Commercial and Technological Partners, whatever the relationship that binds them to the same), are also defined in the Model with the term "Recipients".

Recipients, in the performance of their respective activities, shall comply with:

- The laws and regulations, Italian or foreign, applicable to the case;
- The Code of Ethics;
- The Guidelines of Conduct;
- The general rules issued for the purposes of Legislative Decree 231/01;
- The resolutions of the Board of Directors;
- The minutes and any resolutions of the Committees as provided for by the existing Governance system;
- The resolutions/circulars of the Management;
- The internal procedures, operating instructions, organisation charts, job descriptions, quality, environmental and occupational health and safety management systems;
- The internal procedures making explicit reference to the Model and introduced to mitigate the risk of offences and supplement those indicated above;
- The service provisions (circulars) issued by the competent organisational units and hierarchical superiors;
- The contents of the training of Employees and Collaborators;
- The provisions of the disciplinary system set out in the National Labour Collective Agreement (CCNL).

All the rules, introduced by the above-mentioned sources, are integral parts of the Organisational Model. The constant updating of the Model is the task of those who are competent to issue the above rules, each one for the sphere respectively entrusted to him/her.

### 3.3. NATIONAL AND INTERNATIONAL LAW

Recipients are required to comply with the provisions of public, Italian or foreign, state, regional or local regulatory sources, of constitutional, primary or secondary rank.

*Gilardoni*, consistently with the commitment to legality reflected in the Code of Ethics, considers that it expressly requires compliance with the law, thus also giving this source contractual relevance and incorporating these rules in the Model.

It is important to remember that compliance with the law is required irrespective of the actual knowledge the person has of it. It is therefore the task of each person to know and observe the rules of law, in particular those relating to their field of activity. In case of doubts on the scope or interpretation of legal provisions, the competent corporate structures should be consulted.

### 3.4. ARTICLES OF ASSOCIATION

The Articles of Association constitute the fundamental document on which *Gilardoni*'s corporate governance system is based. Some principles of corporate governance are set forth in the Articles of Association, the specific aspects of *Gilardoni*'s corporate governance system are reported in Chapter 5.

### 3.5. CODE OF ETHICS

The Code of Ethics pays particular attention to the objective of commitment to the Company and the stakeholders, in the belief that competitiveness and the pursuit of profit must be accompanied by ethical sensitivity, social involvement and respect for the environment.

In addition to the creation of an organisational and corporate Model, suitable for effectively managing business risk, *Gilardoni* has deemed it necessary to formalise and disseminate, to all Recipients, a document expressing the main principles of ethics by which *Gilardoni* is inspired.

For this reason, *Gilardoni* has adopted a Code of Ethics that is an integral part of the Model.

### 3.6. CODE OF CONDUCT

The "Code of Conduct" adopted in addition to the principles contained in the Code of Ethics, are an integral part of it and provide the Recipients of the Code of Ethics and of the Model with the operational lines of conduct to be complied with and the control principles to be applied in the performance of the activities carried out in *Gilardoni* and assessed as "at risk" of commission of offences.

Application of the Code of Conduct is compulsory for the following categories of Recipients of the Code: the Directors, Employees, Collaborators, Contractors, Agents, Distributors, Business Agents and in general all members of the commercial network operating on behalf of *Gilardoni*. The violation of the Code of Conduct entails the application of the Disciplinary System as indicated in the *Gilardoni* Organisational Model and Code of Ethics.

### 3.7. REGULATIONS ISSUED FOR THE PURPOSES OF LEGISLATIVE DECREE 231/01

The activity of analysing company processes made it possible to identify those activities potentially suitable for the risk of commission of the offences provided for by Legislative Decree 231/01 and the *process owners*<sup>2</sup> pertaining to them.

For each sensitive process, specific interviews were held with the *owners* of the processes within which potential "risk activities" could be identified, in order to identify the existing operating and management methods and the control elements present to protect them.

Therefore, the adequacy of the existing rules and procedures was assessed and, where necessary, the need for the introduction of rules and controls to prevent or at least significantly reduce the risk of offences being committed ("actions to be taken") was elaborated or better specified.<sup>3</sup>

### 3.8. OTHER INTERNAL RULES

In addition to the provisions of the Code of Ethics, there are rules laid down by other sources, in particular by other resolutions of the Board of Directors.

The rules laid down by these sources are adequately publicised, ensuring that they are known, as the case may be, to the general public or to individual categories of recipients.

Whoever issued the rule shall also decide on the form of the relevant provisions and publicity. In any case, if the rule is not issued in writing, it shall be made known through appropriate forms of communication, including by e-mail or training initiatives for resources.

<sup>2</sup> The "process owner" is the person who coordinates the organisational structures and operational activities carried out at all levels of a given process.

<sup>3</sup> See the information sheets in "Special Section B" and "Special Section C".

### 3.9. INTERNAL PROCEDURES AND CIRCULARS

When provisions are issued by means of procedures and circulars, they comply with the following characteristics:

1. they are uniquely identified (alphanumeric coding, revision number, date of issue of the revision, etc.);
2. they always contain the indication of the organisational unit and/or the person responsible for initiating the procedure or circular and the endorsement of the Management;
3. they contain the subject matter;
4. they contain both provisions of a technical nature and provisions relating to changes in the management structure;
5. they are made available on the company intranet.

### 3.10. INTERNAL CONTROL SYSTEM

The System of Internal Controls for *Gilardoni* consists of the set of rules, procedures and organisational structures aimed at ensuring the proper functioning and good performance of the company and guaranteeing, with a reasonable margin of safety:

- the efficiency and effectiveness of company processes;
- adequate control of risks;
- the reliability and integrity of accounting and management information;
- the safeguarding of assets;
- the compliance of business activities with current legislation, company directives and procedures.

*Gilardoni's* system of internal controls reflects the dynamic structure of company "processes". In this sense, it involves, with different roles: the Board of Directors, Management, department heads and all other company functions, envisaging the performance of control activities as an integral part of the daily activities carried out by the Company.

## 4. STRUCTURE OF THE ORGANISATION AND MANAGEMENT MODEL

### 4.1. STRUCTURE AND COMPONENTS OF THE MODEL

On the basis of the Guidelines issued by Confindustria (Confederation of Italian Industry), *Gilardoni* has drawn up an **Organisation and Management Model** that consists of:

1. **General Section** (section in question) which describes, among other things:
  - the main contents of Legislative Decree 231/01 for the purposes of developing the Organisational Model;
  - the structure, the identification of "risk" activities, the control principles of the Organisational Model;
  - the mechanisms for implementing the Model, including the operating mechanisms and competences of the Supervisory Board;
  - the set of general information concerning the organisational profile of *Gilardoni* (also in terms of Corporate Governance);
  - the existing system of procedures (protocols);
  - the sanctions system, which provides for sanctions against employees, directors and other recipients and has been included in the General Section.
- **General Section - Annex A** - Offences envisaged by Legislative Decree 231/01 and the ways in which they are committed.
- **General Section - Annex B** - List of procedures of the Organisational Model.
- **General Section - Annex C** – Organisational chart.
2. **Special Sections** that identify and describe instrumental activities and processes at risk of offences and assess the associated risks. These sections consist of:
  - a. **Special Section A:** Methods for mapping and assessing risk areas
  - b. **Special Section B:** Preliminary analysis of functions at risk (mapping of sensitive functional areas)
  - c. **Special Section C:** Mapping of sensitive processes
3. **Code of Ethics**
4. **Code of Conduct** (Annexed to the Code of Ethics)

Furthermore, although they have not been developed and applied specifically or exclusively as components of the Organisational Model pursuant to Legislative Decree 231/01, the following are assimilated and are an integral part of the Model due to their risk mitigation value:

1. **Risk Assessment Document - D.V.R.** (pursuant to Legislative Decree 81/08) for the parts of the document and fulfilments of the decree in question and relating to the mitigation of the risk of committing the negligent offences of homicide and serious and very serious injuries.
2. **Quality Management System** (ISO 9001). *Gilardoni* has established a Quality Management System. Some procedures and documents of the System are to be considered applicable as exempt protocols of this Model. The list of procedures of the Quality System is reported in Annex B of this General Section.
3. **Information Security Management System (ISMS)** represents the reference system for the protection and proper management of the company's information assets. It is expressed in detail in a Manual, Policies, Guidelines, Procedures and Instructions.

The ISMS is built on the basis of international standards on information security management and personal data protection, including:

- Standard ISO/IEC 27001 - Information security management systems;
- Standard ISO/IEC 29151 - Code of practice for personally identifiable information protection;
- Standard ISO/IEC 31000 - Risk management principles and guidelines;
- Standard NIST SP 800-171 - Protecting unclassified Information in non-federal Information systems and organisation.

The DPMS (Data Protection Management System) implements security measures to ensure compliance with the expected requirements of confidentiality, integrity and availability of information.

4. **Data Protection Management System (DPMS)** is the system related to the management of Personal Data Security (pursuant to Legislative Decree 196/03 / GDPR). It is relevant to the Organisational Model for the parts of the document and fulfilments of the decree in question and relating to mitigating the risk of computer crimes being committed and maintaining the completeness, availability and integrity of data.
5. **Common and ancillary parts of the Model**, which consist of Procedures (protocols), forms developed ad hoc for the Model. These are general rules issued for the purposes of Legislative Decree 231/01 (Procedures) governing various areas of activity with the particular, though not exclusive, aim of preventing the commission of the offences referred to in the decree in question. The Model also includes those procedures (protocols), forms, provisions and circulars developed for management purposes that may represent measures to mitigate the risk of offences being committed.

#### 4.2. DEFINITION OF PROTOCOLS

Protocols can be understood as all those corporate measures that can be likened, by their direct or indirect purposes, to elements for mitigating the risk of offences. The categories of protocols according to the Confindustria guidelines<sup>4</sup> can be listed as:

- a) *Sufficiently formalised and clear organisational system*, especially with regard to the allocation of responsibilities, hierarchical reporting lines and description of tasks, with specific provision for control principles such as, for example, the cross-checking of functions.
- b) *Manual and computerised procedures* to regulate the performance of activities by providing appropriate checkpoints. Particularly effective as a preventive measure is the control instrument represented by the separation of duties between those performing crucial phases (activities) of a risky process.
- c) *Authorisation and signature powers*. In general terms, a proper system must ensure (quoting from the guidelines):
  1. that the exercise of corporate powers within a decision-making process is carried out by positions of responsibility consistent with the importance and/or criticality of certain economic transactions;
  2. that the decision-making process is attended by persons who actually carry out the activities that are the subject of the exercise of powers and who act under the directives of the latter;
  3. that the entity is only validly committed to third parties - e.g. customers, suppliers, banks, public administrations, etc. – only by a specified number of persons holding a written power of attorney where the relevant powers are specifically indicated.
- d) *Management control system* capable of providing timely warning of the existence and emergence of general and/or particular critical situations.
- e) *Communication to and training of personnel*.
- f) *Verification system*. The organisational models must also be periodically verified by persons other than those who are to operate them, and these verifications must be appropriately documented.
- g) *Disciplinary system and sanction mechanisms*.
- h) *Code of Ethics with reference to the offences considered*.

4 The Confindustria Guidelines were updated in March 2014.

## 5. CORPORATE GOVERNANCE

### 5.1. ARTICLES OF ASSOCIATION

The Articles of Association constitute the fundamental document on which *Gilardoni's* corporate governance system is based.

### 5.2. CORPORATE BODIES

The Company's *governance* model aims to formalise the system of values it intends to promote by creating a suitable and exemplary organisational structure.

The Company has adopted the so-called "*traditional*" system of administration and control (*governance*) in its Articles of Association.

The Articles of Association provide for the following corporate bodies and offices:

the Shareholders' Meeting;

the Board of Directors;

the Chairman of the Board of Directors;

the Board of Statutory Auditors.

Please refer to *Gilardoni's* Articles of Association and the Chamber of Commerce Certificate for details of corporate offices and related powers.

### 5.3. ORGANISATIONAL STRUCTURE IN THE FIELD OF HEALTH AND SAFETY AT WORK

With regard to health and safety at work, by virtue of the provisions of the Consolidated Law on Safety and Hygiene at Work, the Company has adopted an organisational structure that complies with that provided for by the regulations in force in order to eliminate or, where this is impossible, reduce - and thus manage - risks for workers.

Where possible, the Company has adopted an internal organisation of powers that is consistent with the corporate structure by means of a system of proxies and powers of attorney, in compliance with the provisions of current legislation.

The following roles and the activities attributed to them are identified in the Procedure "Guidelines for Occupational Safety and Health Management" (PM014):

1. Employer;
2. Company Doctor;
3. Health and Safety Officer;
4. Safety Officers;
5. Workers' Safety Representative;
6. Supervisors and delegates;
7. Workers.

### 5.4. SUPERVISORY BOARD

The Supervisory Board is the internal body of the entity provided for in Article 6 of Legislative Decree 231/2001.

The Supervisory Board has the task of supervising:

the effectiveness and adequacy of the Model in relation to the corporate structure and its actual capacity to prevent the commission of offences;

compliance with the provisions of the Model by the Corporate Bodies, the Employees and the other Recipients, in the latter case also through the competent corporate functions;

the appropriateness of updating the Model itself, where there is a need to adapt it to changed company and/or regulatory conditions.

The members of the Supervisory Board are appointed by the Board of Directors and their term of office is established at the time of appointment.

For further details and information on this, please refer to the last chapter of this document and the Regulation of the Supervisory Board.

## 6. MAPPING AND ASSESSMENT OF 231 OFFENCE RISKS

### 6.1. WORKING GROUP

In order to analyse and verify the level of suitability of the company's organisation and existing internal provisions, in relation to the requirements of Legislative Decree 231/2001 and with a view to preventing the risks of offences envisaged by the Decree itself, and with a view to intervening by supplementing the existing control system with new "protocols", a Working

Group was set up at the start of the project, comprising external consultants who are experts in the legislation in question, *risk management, governance* and company organisation.

During late 2017 and early 2018, the Working Group carried out an analysis of the existing organisation and documentation, mainly through specific interviews and questionnaires sent to the Heads of departments and main business processes (*Process Owners*)<sup>5</sup>, who preside over the activities within which potential 231 offence risks may arise.

The contents, which emerged during each interview or questionnaire, were reported in specific diagrams where the company activities at risk 231 were identified, the existing control systems, and any areas for improvement aimed at mitigating the risk of offence 231.

During these interviews, the relevant aspects were reported in the "Special Sections" of *Gilardoni's* Model 231, in which the following were respectively assessed:

at a preliminary and synthetic level the 231 offence risks ("Special Section B"),

the criminal offence risks were subsequently examined in greater detail with respect to the so-called "sensitive activities" ("Special Section C").

Any subsequent risk reduction actions that were deemed appropriate to further reduce the risk level were shared with the Top Management.

On the basis of *Gilardoni's* dimensional and operational characteristics, the Working Group then defined the structure of this Model and drafted the documentation.

In particular, the Consultants, and the working group in general, examined the adequacy of the existing company protocols, verifying the Code of Ethics, the Organisational System, the System for Assigning Powers of Attorney, and the existing management systems.

Then, consistently with the Confindustria 231 Guidelines, improvement points were identified, with the formulation of actions that should be taken to further reduce the risk level (so-called *gap-analysis*).

Finally, the Working Group shared the 231 Organisational Model produced with the company managers.

## 6.2. METHODS FOR MAPPING AND ASSESSING AREAS OF RISK (SPECIAL SECTION A)

For the purpose of identifying "the activities within the scope of which offences may be committed" (see Art. 6.2, lett. a) of Legislative Decree 231/01), the so-called "sensitive" or "at risk" areas were identified, i.e. those company processes and activities in which the risk of committing Legislative Decree 231/01 offences could be determined.

At the same time, the conducts and activities that, in the corporate context, could be relevant pursuant to Legislative Decree 231 were identified.

The methods adopted for risk assessment is described in Special Section A "Methods for mapping and assessing risk areas".

## 6.3. PRELIMINARY ASSESSMENT OF THE FUNCTIONS AT RISK (SPECIAL SECTION B)

Due to the extent assumed by the classes of offences included in Legislative Decree 231/01, the different probability and significance of the impact they may have on the company's business, the particular characteristics of the company and the sector to which it belongs, an initial "*preliminary*" assessment was made of the impact of the offences referred to in Legislative Decree 231 on *Gilardoni*.

In order for the Model to present homogeneity in the treatment of the 231 offence risks and the relevant preventive protocols, and in order to achieve alignment with the cases proposed in the "*case studies*" set out in the Confindustria 231 Guidelines, the "summary" assessments have focused on the classes of offence proposed in the previous § 2.3.

The main objective of the first "summary" assessment is to discern among the various 231 offences, those categories of offences that may present "by their nature" a "significant" risk.

Therefore, the Working Group carried out a formal preliminary assessment of the 231 offence risks, for the different types of offence (as described in "Special Section A").

A "qualitative" risk assessment criterion was used (see document Special Section A and B), which considers five measurement ranges (5. high - 4. medium/high - 3. medium - 2. medium/low - 1. low) and which also provides for the identification of "non-feasible offence" (NF) and "non-applicable offence" (NA).

## 6.4. MAPPING OF SENSITIVE PROCESSES (SPECIAL SECTION C)

In order to identify the corporate areas at risk, the so-called "sensitive" activities were identified, i.e. those specific activities for the performance of which the presence of conditions that could lead to the commission of offences was identified.

Through interviews with company managers, for each "sensitive" activity, the following were taken into account:

- naming and describing the area at risk of offences;

<sup>5</sup> The "process owner" is the person who coordinates the organisational structures and operational activities carried out at all levels of a given process.



- identifying the offences that could be committed within the area;
- identifying the corporate functions and roles involved;
- assessing the extent of the "gross potential" (or "inherent") risk;
- identifying the main controls and monitoring that insist on the risk area;
- assessing the extent of the "actual net" risk (or "residual risk") after controls;
- defining, if necessary, the "actions to be taken" to further contain the risk.

In particular, for each of the "sensitive" activities identified ("Special Section C"), a specific analysis was carried out, through interviews and questionnaires obtained from Company Managers, in order to detect the existing operational and management methods and to assess the appropriateness or otherwise of the existing company protocols, as well as their level of dissemination and awareness.

In this regard, a paragraph was developed containing a summary description of existing controls and monitoring (or "protocols") and risk assessments. Finally, where necessary, the need for action ("actions to be taken") <sup>6</sup> aimed at preventing, or at least significantly reducing, the risk of offences being committed has been indicated.

## 7. SUPERVISORY BOARD PURSUANT TO LEGISLATIVE DECREE 231/01

### 7.1. APPOINTMENT AND COMPOSITION OF THE SUPERVISORY BOARD AND ITS REQUIREMENTS

In compliance with the provisions of Article 6, paragraph 1, letter b) of Legislative Decree 231/01, *Gilardoni* identifies the Supervisory Board (hereinafter also "Board" or "SB") in a structure that reports to the Board of Directors, taking the Confindustria Guidelines as a reference in the structuring and allocation of the powers of the board.

The Board of Directors decides, on the basis of assessments of opportunity and necessity, whether to give the SB the characteristics of a collegial structure ("compound") or of a monocratic structure ("single-member").

The SB may consist of one ("monocratic") or two to five ("collegial") effective members. In the event of several members, the SB will appoint the Chairman from among them.

The members of the SB remain in office for three years, and the mandate may be renewed for the same period. Appointments for shorter periods are possible.

The members of the SB shall be chosen from persons with knowledge of *Gilardoni's* operations, experts in legal matters, inspection and control procedures, consultancy and managerial skills and knowledge of the company's operating procedures, and must meet the integrity requirements set out in Article 109 of Legislative Decree 385 of 1 September 1993.

The members of the SB must not be related to the Top Management, nor may they be linked to the Company by significant economic interests (e.g. significant shareholdings); moreover, they must be free from any situation that could concretely generate a conflict of interest.

With the appointment resolution, the Board of Directors fixes any remuneration due to the members of the Supervisory Board for the task assigned to each. In the case of an external member, the remuneration is definitely assigned. The appointment of the SB, its duties and powers, shall be promptly communicated to the *Gilardoni* structure.

In compliance with the Confindustria Guidelines, *Gilardoni's* Supervisory Board has been structured to meet the following requirements:

- **autonomy and independence:** these requirements refer to the Board as a whole and must characterise its action. It should be noted that the members may perform, in various capacities and with varying degrees of intensity, operational activities: the performance of these activities could undermine the objectivity of judgement. For this reason, those corporate activities have been identified for each member of the Supervisory Board for which a lack of segregation of duties between operation and control can be configured. In cases of matters where a conflict of interest can be identified, the members shall abstain from all decision-making activities and their activity shall be limited to advisory functions.
- **professionalism:** understood as the set of tools and techniques required to perform the assigned activity, whether of an inspection or advisory nature;
- **continuity of action:** in order to ensure effective and constant implementation of the Model, the SB structure is provided with an adequate budget and adequate resources. The members of the SB plan and devote significant time to supervisory activities in *Gilardoni*

<sup>6</sup> See the specific chapters of "Special Section B" and "Special Section C", devoted respectively to "sensitive activities" and "instrumental processes".

In the performance of the tasks entrusted to it, the Supervisory Board may avail itself of the collaboration of qualified external persons, making use of their respective skills and professionalism in the performance of supervisory and control activities. This choice enables the Supervisory Board to ensure a further and high level of professionalism and continuity of action.

For these purposes, the necessary instruments must be established that provide for service levels, information flows and precise obligations of loyalty and confidentiality towards the Supervisory Board.

The members of the SB must not be bearers of subjective legal situations of incompatibility including, by way of example:

- having been the subject of a final criminal conviction with particular regard to the offences provided for by Legislative Decree 231/01.

If the incompatibility requirements are no longer met, during the term of office, the office is forfeited. In such a case, the Board of Directors shall promptly appoint a replacement for the lapsed member, in compliance with the guiding principle of the choice previously indicated, after ascertaining the existence of the requirements of professionalism and integrity.

The member of the Supervisory Board may be revoked at any time for just cause and/or for a justified reason by the Board of Directors, which must promptly provide for his replacement, always in compliance with the guiding principle of the choice indicated above.

### **7.2. DUTIES OF THE SUPERVISORY BOARD**

The Supervisory Board is entrusted with the following tasks:

- Providing for the dissemination, knowledge and understanding of the Model within the company;
- Supervising compliance with the Model;
- Collecting, processing and storing all information relevant to the verification of compliance with the Model;
- Supervising the effectiveness of the Model over time, with particular reference to the conduct observed within the company;
- Updating the Model in the event it becomes necessary and/or appropriate to make corrections and adjustments thereto, following changes in corporate and/or legislative conditions;
- Promptly reporting to the Board of Directors any breach of the Model deemed to be relevant, which has come to its knowledge as a result of a report by employees or which has been ascertained by the SB itself. In the case of anonymous and non-written reports, the SB shall assess, at its own discretion, the seriousness of the breach reported;
- Communicating and reporting periodically (at least every six months) to the Board of Directors on the activities carried out, the reports received, the corrective and improvement measures of the Model and their implementation status. Transmitting, on an annual basis, to the Board of Directors a report containing the following elements: the overall activities performed during the year; the activities that could not be performed for justified reasons of time and resources; the necessary and/or appropriate corrective and improvement measures of the Model and their implementation status.
- Identifying and assessing the appropriateness of including termination clauses in contracts with Consultants, Collaborators, Attorneys, Agents, Distributors and Third Parties that have relations with the Company, in the context of corporate activities potentially exposed to the commission of the offences referred to in the aforementioned Decree;
- Promoting and disseminating knowledge of the principles contained in the Code of Ethics and their translation into consistent conduct by the various corporate actors, identifying the most appropriate training and communication interventions within the relevant annual plans;
- Periodically checking and monitoring the activities/operations at risk identified in the Model and carrying out a review of the company activities with the aim of identifying the activities at risk of offences and suggesting their updating and integration, where appropriate;
- Setting up specific "dedicated" information channels by e-mail, aimed at facilitating the flow of reports and information to the SB;
- Reporting, on the basis of the results obtained, to the competent corporate structures for the drafting of operational and control procedures aimed at adequately regulating the performance of activities, in order to implement the Model.

### **7.3. POWERS OF THE SUPERVISORY BOARD**

In order to perform the duties listed in the preceding paragraph, the SB is vested with the following powers:

- Issue internal provisions aimed at regulating the activity of the SB. These shall be adequately justified (e.g. provisions dictated by situations of urgency or opportunity), shall be issued autonomously by the Supervisory Board, and shall not be in conflict with the rules of the Company;



- Have access to any company document relevant to the performance of the functions assigned to the SB pursuant to Legislative Decree 231/2001;
- Make use of external consultants of proven professionalism in cases where this is necessary for the performance of verification and control activities or for updating the Model;
- Require that any employee and/or manager of the Company promptly provide the information, data and/or news requested from them to identify aspects related to the various corporate activities relevant to the Model and to the verification of its actual implementation by the corporate organisational structures (in case of non-cooperation, the SB shall report to the Board of Directors);
- Prompt the competent structures for the application of disciplinary measures in the event of ascertained violations of the Model and its constituent elements;
- Promote the activation of any disciplinary proceedings.

#### **7.4. INFORMATION FLOWS AND REPORTS TO THE SUPERVISORY BOARD**

The Supervisory Board must be promptly informed, by means of a dedicated system of internal communication, of those acts, conduct or events which may lead to a breach of the Model or which, more generally, are relevant for the purposes of Legislative Decree 231/01.

In this regard, the following general provisions apply:

- any reports relating to the commission, or reasonable danger of commission, of the offences referred to in Legislative Decree 231/01 or in any case relating to conduct in general that may lead to a breach of the Model shall be collected;
- an employee who wishes to report a violation (or alleged violation) of the Model may contact his or her direct superior or report directly to the Supervisory Board;
- the other subjects that have contractually regulated cooperation relations with *Gilardoni*, with regard to the relations and activities carried out towards *Gilardoni*, shall report directly to the Supervisory Board;
- in order to effectively collect the above-mentioned reports, the Supervisory Board shall promptly and extensively inform all the persons concerned of the manner and form in which such reports are to be made;
- at its discretion and under its responsibility, the Supervisory Board assesses the reports received and the cases in which it is necessary to take action.

Whistleblowers acting in good faith are protected against any form of retaliation, discrimination or penalisation.

#### **7.5. COLLECTION AND STORAGE OF INFORMATION**

In addition to reports of violations of a general nature described above, information concerning the following shall be immediately forwarded to the Supervisory Board:

- measures and/or news coming from judicial police bodies, or from any other Authority, from which it can be inferred that investigations are being carried out, even against unknown persons, for offences contemplated by Legislative Decree 231/01 and that may involve *Gilardoni*;
- requests for legal assistance made by employees in the event of legal proceedings being initiated against them and in relation to offences covered by Legislative Decree 231/01, unless expressly forbidden by the judicial authority;
- reports prepared by the heads of organisational units and corporate functions as part of their control activities, from which facts, acts, events or omissions emerge with critical profiles with respect to compliance with the provisions of Legislative Decree 231/01;
- information on disciplinary proceedings carried out and any sanctions issued, in relation to the offences provided for by Legislative Decree 231/01, or of the measures for dismissing such proceedings and the reasons thereof.

Any information, notification or report foreseen by the Model is kept by the Supervisory Board in a dedicated file.

#### **7.6. REPORTS OF THE SUPERVISORY BOARD TO CORPORATE BODIES**

The Supervisory Board informs the Board of Directors on the application and implementation of the Model, as well as on the emergence of any critical aspects and on the need for amendments.

The Supervisory Board prepares:

- within 90 days of the end of each financial year, a report summarising the activities carried out during the past year and a plan of the activities planned for the current year, to be submitted to the Board of Directors;
- immediately, a communication concerning the occurrence of extraordinary situations (e.g. violations of the principles contained in the Model, etc.) and in the event of reports received or other cases of urgency, to be submitted to the Board of Directors for examination.

## 8. CHECKS, UPDATES AND ADJUSTMENTS OF THE MODEL

### 8.1. SUPERVISORY BOARD

The Supervisory Board is delegated to take care of updating the entire Model and to submit it to the Board of Directors for approval when amendments are made.

Amendments are changes to all parts of the model and annexes. They are made when it becomes opportune, also due to the introduction of relevant new laws, or relevant new provisions of the Model, even if not annexed to this document.

Following significant amendments, this document is again submitted to the Board of Directors for approval.

### 8.2. CHECKS AND CONTROLS ON THE MODEL

The Supervisory Board draws up an annual supervision programme through which it plans, in principle, its verification and control activities.

The programme contains a calendar of the activities to be performed during the year, also providing for the possibility of carrying out unscheduled checks and controls.

In carrying out its activities, the Supervisory Board may avail itself of the support of persons with specific skills in the corporate sectors, such as:

- departments and units of *Gilardoni*;
- qualified third parties or persons performing activities under outsourcing contracts.

The Supervisory Board shall be granted, during planned audits and inspections, the broadest powers in order to effectively perform the tasks entrusted to it.

### 8.3. UPDATING AND ADAPTION OF THE MODEL

The Board of Directors, also making use of the proposals and suggestions of the Supervisory Board, is responsible for updating the Model and adapting it to changes in organisational structures, operational processes and the results of controls.

The Supervisory Board performs tasks and powers with regard to the care, development and promotion of the constant updating of the Model. To this end, it may make observations and proposals, concerning the organisation and the control system, to the Board of Directors and the organisational units for the relevant aspects.

Amendments are changes to all parts of the model and annexes. They are made when it becomes opportune, also due to the introduction of relevant new laws, or relevant new provisions of the Model with regard to all its parts.

Following significant changes, the Model is again submitted to the Board of Directors for approval.

Revisions of the Model's procedures that do not imply substantial changes and refer to parts of the procedures already covered and do not imply additions of activities or the inclusion of new persons and new responsibilities are not considered relevant. In these cases, the changes are entrusted to the Managing Director or other internal persons delegated to him/her.

The Supervisory Board verifies and urges that the changes to the Model resolved upon by the Board of Directors be made operative, within the timeframe indicated and to ensure the dissemination of the contents within *Gilardoni* and to the extent necessary, also outside the same.

In order to ensure that changes to the Model are made with the necessary timeliness and streamlining, in order to minimise misalignments between operational processes, on the one hand, and the prescriptions contained in the Model and their dissemination, on the other, the Board of Directors has decided to delegate to the Supervisory Board the task of periodically reporting the need to make any changes to the Model.

In the context of the annual report, the Supervisory Board may submit to the Board of Directors any information on the changes it proposes to make to the Model itself, so that the Board of Directors, in the exercise of its exclusive competence in the matter, may resolve on the matter.

## 9. INFORMATION FLOWS AND COMMUNICATIONS

### 9.1. INFORMATION MANAGEMENT AND DISSEMINATION POLICY

In order to effectively implement the adopted Model, *Gilardoni* intends to ensure correct and complete disclosure of its contents and principles inside and outside its structure.

In particular, the aim of *Gilardoni* is to extend the communication of 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 *Gilardoni*'s objectives by virtue of contracts and over whom *Gilardoni* is able to exercise management or supervision.

In the event of regulatory innovations or partial or substantial changes to the Model, it shall take steps to promptly inform and disseminate the new contents to all Recipients.

### **9.2. DISSEMINATION OF THE MODEL AND TRAINING**

For the purposes of the effectiveness of this Model, it is the Company's objective to ensure the proper dissemination and knowledge of the rules of conduct contained herein to the resources already present in the company and to those to be recruited, with a different degree of depth in relation to the different level of involvement of those resources in activities at risk.

The information and training system is supervised and supplemented by the activity carried out in this field by the Supervisory Board, in cooperation with the head of the company Departments or Areas involved in the application of the Model from time to time.

#### **9.2.1. INITIAL COMMUNICATION**

This Model is communicated to all the resources present in the company at the time of its adoption. To this end, a dedicated section has been set up within the company Intranet site dedicated to the subject and updated by the Supervisory Board, where the documents describing the Model reside. New employees are given an information set, consisting of the Code of Ethics and the Organisational Model, to ensure that they are provided with the knowledge considered of primary importance.

#### **9.2.2. PUBLICITY**

For the purposes of the validity of the sanctions system, publicity is also complied with by posting this Model and the Code of Ethics on the company notice board.

#### **9.2.3. TRAINING**

Training activities, aimed at disseminating knowledge of the regulations pursuant to Legislative Decree 231/2001, are differentiated in terms of content and delivery methods according to the qualification of the recipients, the risk level of the area in which they operate and whether or not they have functions of representation of the Company. In particular, the Company provides for different levels of information and training through dissemination tools such as, by way of example, periodic targeted seminars, occasional update e-mails and internal information notes.

Differentiated training contents are defined according to the Recipients, the nature and propensity to the risk of offences being committed according to their role. For example. senior management, white-collar workers, middle management and blue-collar workers.

Training for these subjects is held at least every two years and in any case according to the regulatory changes that have taken place in the meantime. The methods of delivery may be: classroom, computer-based (online) and self-instruction following delivery of the training material (newly recruited). At the end of or during the training, checks are conducted on the participants' learning of the course content.

All recipients are obliged to participate in the training as planned by the Company in coordination with the Supervisory Board.

Initial communication and periodic training activities for company personnel are documented by the Supervisory Board.

### **9.3. CONTRACTUAL CLAUSES WITH THIRD PARTIES AND SUPPLIERS**

In order to avoid conduct in contrast with the provisions of the Model, *Gilardoni* shall also agree to standard clauses with business partners and suppliers that contractually commit the latter not to adopt acts or engage in conduct that may result in a violation of the Model.

## **10. DISCIPLINARY AND SANCTIONS SYSTEM**

### **10.1. FUNCTIONS OF THE DISCIPLINARY AND SANCTIONS SYSTEM**

Article 6, paragraph 2, lett. e) and Article 7, paragraph 4, lett. b) of Legislative Decree 231/01 indicate, as a condition for the effective implementation of the Organisation and Management Model, the introduction of a disciplinary system capable of sanctioning non-compliance with the measures indicated in the Model. The definition of an effective disciplinary system is an essential prerequisite for the validity of the Model.

The sanctions set out by the disciplinary system will be applied to all violations of the provisions of this Model, regardless of the outcome of any criminal investigation instigated by law enforcement agencies in the event that the behaviour to be sanctioned falls within the scope of offences identified pursuant to Italian Legislative Decree 231/01.

## 10.2. MEASURES AGAINST EMPLOYEES

*Gilardoni* has, therefore, adopted a Disciplinary System mainly aimed at sanctioning the violation of the principles, rules and measures provided for in the Model and relative Protocols, in compliance with the provisions of the national collective bargaining agreement, as well as the laws and regulations in force.

On the basis of this Disciplinary System, both violations of the Model and relative Protocols, committed by persons in "senior management" positions - insofar as they hold representative, administrative or managerial positions within the Entity or one of its organisational units with financial and functional autonomy, or have the power, even only de facto, to manage or control the Entity - and violations perpetrated by persons "subordinate" to the management or supervision of others or operating in the name and/or on behalf of *Gilardoni*, are punishable.

Violation of the individual provisions and behavioural rules set out in the Model by *Gilardoni* employees, subject to the National Collective Contract applied and in force, always constitutes a disciplinary offence.

The procedures contained in the Model, with which non-compliance shall lead to sanctions, are communicated to all employees by means of the tools provided for in Section 7.4 "Information flows and reports to the Supervisory BOARD" of the Model and are binding for all *Gilardoni* employees

Each time a breach of the Model is reported by the Supervisory Board, disciplinary action shall be taken to ascertain responsibility for the breach. In particular, during the investigation phase, the employee will be notified in advance of the charge and will also be granted a reasonable period of time to present his defence and justifications to the charge. Once responsibility has been established, a disciplinary sanction proportionate to the severity of the violation committed will be imposed on the offender.

The sanctions that can be imposed on *Gilardoni*'s employees, in compliance with the provisions of Article 7 of Law no. 300 of 30 May 1970 (the so-called Workers' Statute) and any special applicable regulations, are those provided for by law and by the sanctions system of the Labour Agreements, namely:

1. verbal reprimand for minor offences;
2. written reprimand for reoccurrence of offences referred to in point 1);
3. a fine of an amount not exceeding 4 hours of normal pay referred to in Article 193;
4. suspension from remuneration and work for a maximum of 10 days;
5. disciplinary dismissal without prior notice and with other consequences of reason and law.

The type and severity of sanction imposed will also depend on the following:

- the intention of the behaviour or the level of negligence, imprudence or lack of foresight shown, with regard also to whether the event could have been foreseen;
- the worker's overall behaviour, with particular regard to whether the worker has been the subject of previous disciplinary action, within the limits of the law;
- the worker's duties;
- the position and level of responsibility and autonomy of the people involved in the violation;
- any other particular circumstances surrounding the disciplinary offence.

It is understood that all the provisions and guarantees laid down by law and by the Employment Contracts concerning the disciplinary procedure will be followed; in particular, the following will be observed:

- the obligation - in relation to the application of any disciplinary sanction - to previously send notification of investigation to the employee and to hear the employee's defence;
- the obligation - except for verbal reprimands - to put the accusation in writing and that the sanction is not issued unless the number of days specifically indicated for each sanction in Employment Contracts have passed from the notification of investigation.

As regards the investigation of offences, disciplinary proceedings and the imposition of sanctions, the powers already conferred, within the limits of the respective delegated powers and competences, on managers and hierarchical managers remain valid.

*Gilardoni* intends to bring to the knowledge of its employees the provisions and behavioural rules contained in the Model, the violation of which constitutes a disciplinary offence, as well as the applicable sanctioning measures, taking into account the severity of the offences.

## 10.3. MEASURES AGAINST MANAGERS

In the event of a violation of the provisions and rules of conduct contained in the Model by executives, the following disciplinary measures shall be imposed on the perpetrators of the conduct complained of.

### 10.3.1. WARNING LETTER

This measure is applied when conduct is detected, in the performance of activities in activities at risk, that constitutes minor violations of the provisions of the Model.

### 10.3.2. TERMINATION OF THE RELATIONSHIP

This measure is applied when conduct is found, in the performance of activities in activities at risk, to constitute serious violations of the provisions of the Model.

Alternatively, the measures deemed most appropriate will be imposed in accordance with the provisions of the National Collective Labour Agreement for Managers in the Trade Sector.

## 10.4. MEASURES AGAINST DIRECTORS AND AUDITORS

Violations of the principles and measures set out in the Model adopted by the Company by Directors and/or Auditors must be promptly reported by the SB to the entire Board of Directors and the Board of Statutory Auditors.

Disciplinary sanctions also apply to Directors and/or Auditors who, through negligence or lack of foresight, have not been able to identify and consequently eliminate violations of the Model's provisions and, in the most severe cases, commission of offences.

The most appropriate disciplinary sanction to be applied to Directors and/or Auditors who violate the Model's provision will be decided on by the Board of Directors, having heard the opinion of the Board of Statutory Auditors with a resolution voted on by an absolute majority of those present, excluding the Director(s) who have committed the offences.

Particularly, in the event that one or more Directors commit minor violations of the Model's provisions, the Board of Directors may directly impose a disciplinary sanction consisting of a formal written reprimand or a temporary withdrawal of responsibilities.

However, in the event that one or more Directors commit particularly serious violations of the Model's provisions in that they are singularly aimed at facilitating or committing an alleged offence, the Board of Statutory Auditors or the Board of Directors must convene a Shareholders' Meeting, which will assess whether or not to dismiss the Director or Auditor and/or resolve to take civil liability action against the Director or Auditor.

## 10.5. MEASURES AGAINST OTHER RECIPIENTS

Any breach by Suppliers, Procurers, Agents, Distributors, Dealers, Partners, Contractors, Resellers, Partners, Appointed Professionals or External Collaborators of the provisions and rules of conduct provided for by the Model applicable to them, or the possible commission of the offences contemplated by Legislative Decree 231/01 by them, shall, as far as possible, be sanctioned in accordance with the provisions of the specific clauses of the relevant contracts. These clauses may provide, purely by way of example, the right to terminate the contract and/or the payment of penalties (in accordance with the clauses included ad hoc in the relevant contracts), without prejudice to any claim for compensation if such conduct causes concrete damage to the Company.

## 10.6. MEASURES TO PROTECT AND SANCTION THE WHISTLEBLOWER

If the measures to protect the whistleblower are violated and the identity of the whistleblower is disclosed, without the circumstances provided for by law, or if retaliation or direct or indirect discriminatory acts are adopted against the whistleblower for reasons directly or indirectly linked to the whistleblowing, sanctions shall be applied to the persons responsible for the aforementioned violations, on the basis of the criteria indicated in the previous paragraphs of this Chapter 10.

Similarly, those who make, with wilful misconduct or gross negligence, reports that turn out to be unfounded shall be subject to the sanctions system indicated in the preceding paragraphs of this Chapter 10.

## 11. DISCLOSURE OF THE ORGANISATIONAL MODEL

This Organisation Model has been approved by the Board of Directors of *Gilardoni*.

The company undertakes to make this Organisation Model pursuant to Legislative Decree 231/01 known to all Recipients.

## 12. GLOSSARY

### 12.1. GENERAL FEATURES

The terms used in this document are defined below:

**"Senior Management"**: the persons who hold positions of representation, administration or management of the entity or of one of its organisational units with financial and functional autonomy, as well as the persons who exercise, also de facto, the management and control of the same.

**"231 offence-risk activities"**: the so-called 'sensitive' activities, i.e. those specific activities in the course of the performance of which the presence of conditions that may lead to the commission of offences has been detected.

**"Legislative Decree 231/01" or "Legislative Decree" or "Decree"**: Legislative Decree 231 of 8 June 2001, as amended and supplemented.

**"Legislative Decree 81/08"**: Legislative Decree 81 of 9 April 2008, which came into force on 15 May 2008, containing the "Consolidation Act on the protection of health and safety in the workplace".

**"Recipients"**: the persons who hold positions of representation, administration or management of the entity or one of its organisational units with financial and functional autonomy, the persons who exercise, also de facto, the management and control of the same, as well as the persons subject to the management or supervision of one of the aforementioned persons, i.e. the Senior Management and Subordinates.

**"Confindustria Guidelines"**: the "Guidelines for the construction of organisation, management and control models pursuant to Legislative Decree 231/2001" issued by Confindustria in March 2014.

**"Organisation and Management Model" or "Model"**: all the documents and rules listed in § 3.1 of this document.

**"P.A."**: the Public Administration, including its officials and persons in charge of a public service;

**"Sensitive Processes"**: *Gilardoni's* activities within the scope of which there is a risk of commission of offences;

**"Instrumental Processes"**: processes, within the scope of which and in principle, instruments could be created or conditions or means could be configured for the commission of the offences referred to in Legislative Decree 231/01.

**"Offences"**: the offences envisaged by Legislative Decree 231/2001;

**"Subordinates"**: the persons subject to the management or supervision of persons belonging to senior management.

**"Third parties"**: customers, external collaborators and Partners.

### **13. ANNEXES TO THE GENERAL SECTION**

The following are an integral part of this General Section of the Organisational Model:

Annex A - Offences envisaged by Legislative Decree 231/01 and the ways in which they are committed.

Annex B - List of Organisational Model procedures.

Annex B01 - Quality System procedures.