

Organizational, Management and Control Model of PetrolValves pursuant to Legislative Decree no. 231 of 2001

GENERAL PART

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1. Legislative Decree no. 231 of 2001

1.1. The administrative liability regime of legal entities

Legislative Decree of June 8, 2001 no. 231 introduced in Italy the administrative liability of legal entities, companies and associations (also for those associations not having legal character) for facts related to the commission of crimes.

Such decree provides a direct liability of legal entities with the application of sanctions, subsequent to the verification of certain crimes committed, in the interest or advantage of the Company, by its legal representatives, managers and employees.

The criminal judge competent for crimes committed by such persons verifies also the breaches to be referred to the company. Such element, together with the fact that the same decree expressly provides the extension to the company of all the guarantees provided for the charged person, allows, in practice, the setting a criminal liability of companies.

Sanctions applicable to the company, in case of commission by a subject of the company of one of the crimes for which the application of such decree is envisaged, are of pecuniary nature and could provide disqualification, in addition to the requisition of the profits deriving from the crime and the publication of the judgment by the competent Court.

Monetary sanctions apply always through a “quotas” system, the amount of which is set forth by the judge on the basis of particular parameters, among which the seriousness of the event and the degree of liability of the company.

Disqualification sanctions are:

- disqualification from carrying out the activity in which the crime has been committed;
- suspension or revocation of the authorizations, licenses or concessions which were used in relation to the commission of the offence;

- prohibition from contracting with the public administration, except for obtaining a public service;
- exclusion from subsidies, funding, contributions or grants and possible revocation of those already awarded;
- prohibition from advertising goods or services.

Such sanctions, on request of the Public Prosecutor in case of serious suspect of liability of the company and real risk of reiteration of the offence, are applicable by the judge also with an interim protective purpose. The judge could also apply preventive seizure on goods that can be confiscated and conservative seizure in case of risk of loss of guarantees concerning possible credits of the State (justice expenses, monetary sanctions).

Currently, crimes for which direct liability of companies is envisaged are:¹

- **crimes against Public Administrations.:** embezzlement from the State (art. 316 bis of the criminal code), misappropriation of funds from the State (art. 316 ter of the criminal code), extortion (art. 317 of the criminal code), corruption for an official action (art. 318 of the criminal code), corruption regarding acts contrary to official duties (art. 319 of the criminal code), corruption for judicial acts (art. 319 ter of the criminal code), undue induction to provide or promise benefits (art. 319 quater of the criminal code), instigation to corruption (art. 322 of the criminal code), defrauding the State or other public entity (art. 640, paragraph 2, n. 1 of the criminal code), aggravated fraud concerning public funds (art. 640 bis of criminal the code), computer fraud damaging the State or other public entity (art. 640 ter of the criminal code) (artt. 24 and 25 of legislative decree no. 231 of 2001);
- **computer crimes and illegal process of data**, as provided by article 7 of law dated March 18, 2008, no. 48: computer documents (art. 491-bis of the criminal code); illegal access to computerized systems (art. 615-ter of the criminal code); illegal possession and spreading of access codes for computerized systems (art. 615-quater of the criminal code); spreading of equipment, devices or computer programs aimed

¹The list reported hereto and in the following pages has an illustrative nature and does not contain all the articles of the criminal code recalled by Legislative Decree no. 231 of 2001. For an extensive dissertation, please see the attached document named “List of crimes.”

at damaging or interrupting a computer system (art. 615-quinquies of the criminal code); illegal interception, impediment or interruption of computer communications (art. 617-quater of the criminal code); damaging computerized information, data or programs (art. 635 bis of the criminal code) damaging computerized information, data and programs used by the State or another public entity or in any case of public utility (art. 635-ter of the criminal code); damaging computerized systems (art. 635-quater of the criminal code); damaging computerized systems of public utility (art. 635-quinquies of the criminal code); computer fraud by an individual who is responsible for certifying computer signatures (art. 640-quinquies of the criminal code) (art. 24 bis of Legislative Decree no. 231 of 2001);

- **criminal association crimes** set forth by Law no. 94 of 2009: criminal association (art. 416 of the criminal code); “mafia style” criminal association, also if foreign (art. 416 bis of the criminal code); criminal-political electoral exchange (art. 416 ter of the criminal code); restraint of an individual for extortion (art. 630 of the criminal code); association aimed at the illegal trafficking of narcotic or psychotropic substances (art. 74 of D.P.R. of October 9, 1990, no. 309); illegal making, introduction in the State, sale, assignment, detention and carrying in a public, or open to public, area of war weapons, part of them, explosives, illegal weapons, as well as common fire-weapons, save for those listed under art. 2, par. 3, of Law no. 110 of April 18, 1975 (article 407, par. 2, lett. a), number 5), of the criminal procedure code) (art. 24 ter of Legislative Decree no. 231 of 2001)
- **crimes in false coins, public credit card, in stamp values and tools or identification signs** (artt. 453 and ff. of the criminal code) as provided by Law Decree no. 350 of 2001, converted in Law no. 409 of 2001; Law no. 99 of 2009 extended the applicability of Decree 231 also in case of forging, altering or using brands, signs or patents, models and designs (article 473 of the criminal code) and of introducing into the State of products with false signs (art. 474 of the criminal code) (art. 25 bis of Legislative Decree no. 231 of 2001);
- **crimes against industry and trade** provided by Law no. 99 of 2009: interference with freedom of industry and trade (art. 513 of the criminal code), fraudulent interference in trade activities (art. 515 of the criminal code), selling non-genuine food items as genuine (art. 516 of the

criminal code), selling industrial products with false signs (art. 517 of the criminal code), creating and trading in goods made by appropriating industrial ownership titles (art. 517-ter of the criminal code), forging geographic origin indications or names of the origin of food products (art. 517-quater of the criminal code); unfair competition with threats or violence (art. 513 bis of the criminal code); fraud against national industries (art. 514 of the criminal code) (art. 25 bis 1 of Legislative Decree no. 231 of 2001);

- **company crimes** provided by the civil code, following Legislative Decree no. 61 of 2002: false company communications (art. 2621 of the civil code); false company communications damaging shareholders or creditors (art. 2622 of the civil code); obstructed control (art. 2625 the civil code); wrongful repayment of contribution (art. 2626 of the civil code); illegal distribution of profits and reserves (art. 2627 of the civil code); illegal transactions on shares, or quotas or of the controlling company (art. 2628 of the civil code); transactions prejudicial to creditors (art. 2629 of the civil code); failure to report a conflict of interests (art. 2629-bis of the civil code); fictitious creation of the corporate capital (art. 2632 of the civil code); undue distribution of company's assets by the liquidators (art. 2633 of the civil code); corruption among privates (art. 2635 of the civil code); illegal influence over shareholders' meetings (art. 2636 of the civil code); stock manipulation (art. 2637 of the civil code); obstructing the duties of public supervisory authorities (art. 2638 of the civil code) (art. 25 ter of Legislative Decree no. 231 of 2001);
- **crimes regarding terrorism or subversion of democracy** provided by the criminal code or special laws, pursuant to Law no. 7 of 2003 containing the "Ratification and execution of the International Convention for the suppression of the financing of terrorism, executed in New York on December 19, 1999 and subsequent rules to amend the national laws" (art. 25 quater of Legislative Decree no. 231 of 2001);
- **crimes related to mutilation of female genital organs** (art. 583 bis of the criminal code), as provided by Law no. 7 of 2006 (art. 25 quater 1 of Legislative Decree no. 231 of 2001);
- **crimes against individual personality** provided by the criminal code: reducing or maintaining individuals into slavery or servitude (art. 600 of the criminal code); prostitution of minors (art. 600-bis of the criminal

- code); pornography involving minors (art. 600-ter of the criminal code); possession of pornographic materials involving minors (art. 600-quater of the criminal code); virtual pornography involving minors (art. 600-quater 1 of the criminal code); tourism aimed at the exploitation of the prostitution of minors (art. 600-quinquies of the criminal code); purchase and sale of slaves (art. 602 of the criminal code); enticement of minors (art. 609 undecies of the criminal code) (art. 25 quinquies of Legislative Decree no. 231 of 2001);
- **market abuse crimes** pursuant to artt. 184 and 185 of Legislative Decree no. 58 of 1998 (art. 25 sexies of Legislative Decree no 231 of 2001);
 - **manslaughter or culpable serious or very serious injuries** (art. 589 and 590, paragraph 3, of the criminal code) committed in breach of accident and protection of health and safety provisions at work, as provided by Law 123 of 2007 and Legislative Decree no. 81 of 2008 (art. 25 septies of Legislative Decree no. 231 of 2001);
 - **crimes of receiving, money laundering and use of money, goods or profits from illegal activities** (artt. 648, 648 bis and art. 648 ter of the criminal code), as provided by Legislative Decree no. 231 of 2007 (art. 25 octies of Legislative Decree no. 231 of 2001);
 - **crimes relating to the breach of copyright** as provided by Law of April 22, 1941, no. 633, to which the application of Legislative Decree 231 of 2001 was set forth by Law no. 99 of 2009 (art. 25 novies of Legislative Decree no. 231 of 2001);
 - **crime of inducing individuals into not making statements or into making false statements to judicial authorities** (art. 377 bis of the criminal code), as provided by Law no. 166 of 2009, art. 4 (art. 25 decies of Legislative Decree no. 231 of 2001);
 - **environmental crimes**, provided by Legislative Decree of July 7, 2011 no. 121 (art. 25 undecies of Legislative Decree no. 231 of 2001);
 - **crime relating to the use of citizens of foreign countries whose permanence on the Italian territory is irregular** (art. 22, paragraph 12-bis, of Legislative Decree of July 25, 1998, no. 286) provided by Legislative Decree of July 16, 2012, no. 109 (art. 25 duodecies of Legislative Decree no. 231 of 2001);
 - **transnational crimes** provided by the criminal code and special laws, as indicated by Law no. 146 of 2006 “Ratification and execution of the

UN Convention and Protocols against transnational organized crime, adopted by the General Meeting of November 15, 2000 and May 31, 2001”.

Legislative Decree no. 231 of 2001 is applicable to crimes committed by:

- apical subjects, being directors, general managers, persons in charge of a branch, directors of areas of the company with autonomous financial and functional powers, as well as those having, *de facto*, management and control powers;
- persons subject to the direction or control of the abovementioned subjects, including also persons that are controlled by the company for which they act, also if they are not formally employees.

A fundamental condition in order to consider the company liable for a crime is that the fact is committed in the interest or benefit of the same company.

Therefore, the company is liable either if the author of the crime committed it to pursue an exclusive or concurrent interest of the company or if the company receives a benefit from the crime. In such latter case, however, the liability of the company is excluded if the author of the crime pursued exclusively a personal interest or an interest different from the one of the company.

1.2. The adoption of the Organizational, Management and Control Model aimed at avoiding any administrative liability

Legislative Decree no. 231 of 2001, in case of crime committed by an apical subject, excludes the liability of the company in case the same proves that:

- the managing body of the company adopted and effectively implemented, before the occurrence of the crime, an organizational and management model appropriate for avoiding the commission of crimes of the same kind as the one occurred;
- the duty of supervising on the functioning, effectiveness and compliance of the Model, as well as its updating, has been granted to a body of the company provided with autonomous powers of action and control;

- the people who committed the crime did it on purpose and with fraud of the Model;
- the supervisory body did not omit or provide its supervision in an unsatisfactory manner.

In case of a crime committed by a person subject to the direction or control of another person, the company is responsible if the commission of the crime was possible because of the non-compliance of the direction or supervision obligations.

In any case, the non-compliance of the direction or supervision obligations is excluded if the company has adopted and effectively implemented, before the occurrence of the crime, an organizational and management model appropriate for avoiding the commission of crimes of the same kind as the one occurred.

The Model shall comply with different needs:

- to identify the “risk areas” or the activities in which the crimes can be committed;
- to set forth specific procedures aimed at programming the development and implementation of the company’s decisions in relation to the avoidance of the crimes;
- to point out the terms and conditions of management of the financial resources in order to avoid the commission of the crimes;
- to set forth information obligations *vis-à-vis* the Supervisory Body;
- to introduce a new disciplinary system appropriate for sanctioning the breach of any provision of the organizational Model.

In relation to the nature and size of the organization, as well as the type of activity carried out, the Model shall provide measures appropriate to guarantee the carrying out of the activity in compliance with law and to find and eliminate risk situations promptly.

The effective implementation of the Model requires a periodic verification and the possible amendment of the same when relevant breaches of provisions are discovered or when amendments in the organization or in the activities of the company occurred. Therefore, the abovementioned system cannot, in

order to work with efficacy, be an *una tantum* activity but it shall be translated into a continuous process (or in any case carried out with an adequate periodicity).

1.3. The guidelines drafted by the Trade Associations

Art. 6, paragraph 3, of the Legislative Decree no. 231 of 2001, provides that the models can be adopted on the basis of behavior codes drafted by associations representing categories of entities and communicated to the Ministry of Justice.

In light of such provision, all the main trade associations approved and published their own behavior codes.

With respect to the guidelines of the trade associations, D.M. of June 26, 2003 no. 201 (Regulation containing “provisions concerning verification procedure of administrative crimes of entities, companies and associations also without a legal character”) restates that the associations representatives of entities communicate to the Ministry of Justice the behavior codes containing specific and concrete indications for the adoption and implementation of the organizational and management models and provides expressly that, elapsing thirty days from the date of reception by the Ministry of Justice of the behavior codes without the formulation of remarks by the latter, the behavior codes become effective.

In particular, it is appropriate to recall that Confindustria on March 31, 2008 updated its “guidelines for the construction of the organizational, management and control models”. The Ministry considered appropriate such version drafted by Confindustria.

2. Adoption of the Model in PetrolValves S.p.A.

2.1 Targets to be achieved with the adoption of the Model

In order to guarantee the accuracy in the management of the company's activities and in order to spread and promote integrity and transparency, the Company considered appropriate to comply with the provisions of the Legislative Decree no. 231 of 2001 and to adopt an organizational, management and control model to prevent risks concerning the commission of crimes provided by the same Decree.

The decision of the Company to adopt the Organizational, Management and Control Model was implemented in order to protect its image, interests and the expectations of its employees, shareholders, customers and clients, and to make aware all the employees and persons that act in the name and on behalf of the Company of the adoption of correct behaviors in order to avoid the commission of crimes.

PetrolValves adopted its Organizational, Management and Control Model taking into particular consideration, in addition to all applicable laws, the guidelines of Confindustria.

The Model was approved and adopted by the Board of Directors, in compliance with art. 6.1, lett. a, which provides that the Model as expression of the Managing Body of the company.

In addition to the adoption of the Organizational, Management and Control Model, in compliance with article 6, paragraph 1, lett. b, the Board of Directors appointed a Supervisory Body with the task of guaranteeing the efficacy of the same Model, as well as to verify its compliance and updating.

2.2 Target and principles of the Model

The Organizational, Management and Control Model aims to fulfil the need of the Company of improving its internal control system and to avoid risks concerning the commission of crimes.

Such target is achieved through the setting of “sensitive” activities, the adoption of an organic and organized system of procedures and a risk-control system.

The main principles of the Model shall:

- let aware the potential author of the crime that he/she is committing a crime contrary to the principles and interests of the company also when apparently the same crime would cause a benefit to the company;
- allow controlling sensitive activities and intervene to prevent the commission of crimes and possibly strengthen the internal control system amending procedures, authorization levels or support systems.

With respect to the drafting of this Organizational, Management and Control Model:

- the areas where there is risk of commission of crimes pursuant to the Legislative Decree no. 231 of 2001 were identified, through the analysis of the activities carried out, the applicable procedures, customs and authorization levels. For an exam of the modalities followed in the complex and articulate Risk Assessment Activity please see section 7 “Results of the Risk Assessment Activity”;
- adequate internal control system were defined for the areas at risk, in order to prevent the commission of crimes, and appropriate organizational procedures were drafted;
- financial resources management process was analyzed;
- a Supervisory Body was identified, to which the task of controlling the correct application of the Model through the monitoring of activities and the definition of information from sensitive areas was granted;
- tasks and powers, such as to guarantee the effective control on the application and adequacy of the Organizational, Management and Control Model, also to figure out the exemption of liability, were granted to such body and apical managers;
- in compliance with applicable laws, a disciplinary system to apply in case of breach of the Organizational, Management and Control Model was provided;

- awareness and training, at all levels, on the procedures and compliance with the behavior rules provided by the Model was carried out.

Purpose of the Model is the adoption of an organized, formalized and clear system with respect to the granting of liabilities, hierarchical dependence and description of tasks, with a specific provision of control principles.

2.3 The relevance of the Ethic Code of PetrolValves

The Ethic Code of PetrolValves S.p.A., which is part of the Model, contains the general principles and behavior rules to which the Company recognizes positive ethical value and to which all the Addressees of the Ethic Code shall comply with. They are all the directors, statutory auditors, employees, including managers, as well as the persons who, also if external to the Company, act, directly or indirectly, in the interest of the same.

Such values are based on the following principles: compliance with laws, accuracy, neutrality, honesty, integrity and transparency.

3. The organizational system of PetrolValves S.p.A.

3.1 Brief description of the activities of PetrolValves S.p.A.

Petrolvalves S.p.A. is one of the main manufactures specialized in valves for gas, petroleum and energy sectors.

Although PetrolValves produces valves for standard applications, the company is characterized by the ability to continuously produce valves always more sophisticated from an engineering point of view for the various categories of gas, petroleum and energy sectors.

The production line of PetrolValves regards the following sectors: refining, petrochemical, electrical plants, sea platforms, undersea installations, transportation of petroleum and gas, perforation.

3.2 The Governance System

PetrolValves, a joint stock company, adopted the following governance system.

The Board of Directors

Such administrative body is granted with the broadest powers for the ordinary and extraordinary management of the company and has the faculty to carry out all the acts that it deems appropriate to achieve the company's purpose, excluding only those powers that the applicable laws and the by-laws grant without exemptions to the shareholders.

The Board of Directors can delegate all or part of its powers to an executive committee composed of some of its members or one or more of its members, to be exercised also severally (art. 2381 of the civil code).

The Board of Directors of PetrolValves can be composed by 2 to 9 members.

Internal Committees of the Board of Directors

The Board of Directors has established 3 internal committees pursuant to art. 2381 of civil code and to art.18 of the Bylaws.

This Committees are composed by 5 members, each of them with their regulation and are the following:

- Executive Committee;
- Appointment and remuneration Committee;
- Control and risks Committee.

The Board of Statutory Auditors

The Board of Statutory Auditors is composed of three effective members and two alternative members and takes care of the compliance with all the duties established by the applicable laws and the by-laws.

The Audit Company

In compliance with the provisions of the civil code, PetrolValves granted to an audit company the audit control function.

3.3 Activity areas and organizational structure

The company, under the organizational profile, has its registered office in Milan and a productive plant in Castellanza (VA).

The company has also offices in the United States, Norway, United Kingdom, Italy, Kazakhstan, Cina, Brazil, Saudi Arabia, Australia and Singapore.

For a detailed description of the organizational structure please see the company's organizational charts drafted by the Company, which points out the hierarchical structure of the involved professional persons.

The company's organizational charts shall be considered part of the Model.

3.4 The certifications of PetrolValves S.p.A.

PetrolValves decided to establish, document, implement and update a Quality Management, Safety and Environment System, in compliance with requirements provided by the following provisions:

- UNI EN ISO 9000 ed. 2005; UNI EN ISO 9001 ed. 2008; UNI EN ISO 9004 ed. 2009;
- UNI EN ISO 14001: ed. 2004;
- BS OHSAS 18001: ed. 2007;
- API Q 1 ninth edition, June 2003,

and to constantly improve its efficacy to guarantee the compliance with law requirements, satisfaction of the clients, in compliance with health and security of its own employees, visitors and suppliers and with respect to citizens residing in the areas near the company, with particular respect to the laws applicable in environmental and safety matters and the continuous improvement of the company's services, gradually reducing the impact of its activities on the environment.

The company has also the following product certificates: API 6A License, API 6D License, API 6DSS License, API 17D License, API 600 License.

3.5 Financial resources management system

Article 6, paragraph 2, lett. c, of the Legislative Decree no. 231 of 2001 sets forth that the Models provide modality of financial resources management aimed at avoiding the commission of crimes. The ratio of such provision has to be found in the fact that various types of crimes can be relevant for the Legislative Decree no. 231 of 2001 and can be realized through the financial resources of the company.

The financial resources management system was analyzed in order to verify that the same is based on specific **control principles** such as:

- separation of the offices in the key phases of the process;
- traceability of the acts and authorization levels to associate to the relevant transactions;
- monitoring the correct execution of the various phases of the process:
 1. request of payment specifically formalized;
 2. authorization by the competent office;
 3. control of correspondence between received goods and ordered goods;
 4. verification of the payment;
 5. control of the invoice;
 6. inserting in bookkeeping records;
- the documentation showing the controls carried out.

4. Structure of the Organizational, Management and Control Model: General Part and Special Part

The Organizational, Management and Control Model is composed by a General Part and various Special Parts.

The General Part, composed of this document, describes the contents and impacts of the Legislative Decree no. 231 of 2001, the basic principles and targets of the Model, the tasks of the Supervisory Body, the modalities of adoption, spreading, updating and application of the contents of the Model, as well as the provisions of the disciplinary system.

The Special Part is composed by:

- the mapping of the sensitive areas and the analysis of the potential risks;
- the Special Parts dedicated to crimes in relation to which the Legislative Decree no. 231 of 2001 shall be applied, describing in detail:
 - the crimes provided by the relevant articles of the Legislative Decree no. 231 of 2001;

- the sanctions provided by such articles;
 - the areas at risk of commission of crimes with respect to such criminal cases;
 - the general behavior rules in the areas at risk of crimes;
 - the particular behavior rules in the area at risk of direct crimes and at risk of indirect instrumental crimes;
 - the description of the sensitive activities, with indication of the involved company's functions, the modalities of commission of crimes and preventive controls;
 - the tasks of the Supervisory Body referring to the particular Special Part;
- protocols concerning sensitive areas (procedures).

The Special Parts, as already said, are divided on the basis of hypothesis of crimes for which the rules on the administrative liability of entities shall be applied, and were drafted on the basis of the mapping of risks activity, which identified the relevant hypothesis of crimes in connection with the activity of PetrolValves.

They are:

1. Special Part – Crimes regarding corruption and other crimes against Public Administrations;
2. Special Part – Computer crimes and illegal processing of data;
3. Special Part – Criminal association crimes and transnational crimes;
4. Special Part – False coins, public credit cards, stamp values;
5. Special Part – Crimes against industry and trade and false in instruments or identification signs;
6. Special Part – Company crimes;
7. Special Part – Crimes regarding terrorism or subversion of democracy (art. 25 *quater*);
8. Special Part – Manslaughter and culpable serious or very serious injuries committed in breach of accident and protection of health, hygiene and safety provisions at work (art. 25 *septies*);
9. Special Part – Receiving, money laundering and use of money, goods or profits from illegal activities (art. 25 *octies*);
10. Special Part – Crimes relating to the breach of copyright (art. 25 *novies*);

11. Special Part – Crimes of inducing individuals into not making statements or into making false statements to judicial authorities (art. 25 *decies*);
12. Special Part – Environmental crimes (art. 25 *undecies*);
13. Special Part – Crimes relating to the use of citizens of foreign countries whose permanence on the Italian territory is irregular (art. 25 *duodecies*).

On the basis of controls and behavior standards indicated in the various Special Parts, it is shown that the activities of PetrolValves S.p.A. are carried out taking into consideration:

- the absolute compliance with any applicable laws;
- the adhesion to the Ethic Code of PetrolValves;
- the separation of liabilities and offices within the same process;
- the sharing of decisions;
- the traceability of the relevant phases;
- the filing of the documentation.

The Organizational, Management and Control Model is completed with the contents of the Ethic Code adopted by the Company.

5. Amendments and integrations to the Organizational, Management and Control Model

Being the Model a deed of the apical managers, the subsequent amendments and integrations shall be approved by the Board of Directors of the Company, such as:

1. the amendment to the tasks of the Supervisory Body;
2. the appointment of a different Supervisory Body;
3. the updating of the document after the re-organization of the company's structure;
4. the provision or elimination of Special Parts;
5. the provision of new areas at risk;
6. the amendments to the name of company's departments;
7. the amendment or updating of company's procedures and/or of other parts of the Model.

Amendments from no. 4 to no. 7, which represent non substantial amendments since they do not concern the structure of the Model, can be decided by the Managing Director or the Chairman of the Board of Directors.

The various company's Functions on the basis of the recommendations provided by the Supervisory Body are liable for the drafting and updating of the organizational procedures. Within each Function the liable subject for such activities is identified.

6. The Supervisory Body

6.1 Selection of the Supervisory Body

The Supervisory Body is appointed by the Board of Directors that shall establish its duration.

PetrolValves, after having verified the possible existence, within the company's structure, of an appropriate structure to be in charge of the Supervisory Body, appointed a collegial body.

The composition of the Supervisory Body is in compliance with the requirements of the Legislative Decree no. 231 of 2001 and the indications provided on the matter by the trade associations.

Art. 6, paragraph 1, let. b) of the Legislative Decree no. 231 of 2001 in fact provides that the task of controlling the functioning and compliance of the Organizational, Management and Control Model and the updating is granted to a body of the company with autonomous powers of action and control.

The body in charge of controlling the functioning and the compliance of the Organizational, Management and Control Model set out by PetrolValves shall have the following requirements:

- **autonomy and independence**, since the same is a subject that reports directly to the apical administrative bodies;
- **professional competence**, since the same has significant instruments and competences that allow it to carry out effectively the relevant

activity. The Supervisory Body could, in case of need of specific technical competences, be supported by external advisors;

- **continuing activity**, since the same is an **ad hoc structure** and aimed at the controlling activity on the Model, as well as without operative tasks that could allow it to take decisions with economical-financial effects.

6.2 Causes of ineligibility and incompatibility

With respect to causes of ineligibility and incompatibility, it should be pointed out that:

- The members of the Supervisory Body shall not have parents among the apical managers of the Company, neither they shall be linked by economic interests or any situation that could cause conflict of interests, with the exclusion of employment relationships.

Should the Chairman or a member of the Supervisory Body be in one of the abovementioned situations of incompatibility, the Board of Directors, following the appropriate verifications and having heard the interested person, establishes a terms of not less of thirty days within which the incompatibility situation shall cease. Elapsed such term, if such situation is not ceased, the Board of Director will revoke the mandate.

- The following persons cannot be appointed members of the Supervisory Body: (a) person against which the penal action has been carried out or a limiting personal freedom measure for one of the crimes provided by the Decree has been adopted and the relevant procedure is ongoing; (b) person who has received a conviction, also not final, for one of the crimes provided by the Decree.

6.3 Office cessation

The revocation of the Supervisory Body and of each member shall be decided exclusively by the Board of Directors.

Each member of the Supervisory Body cannot be revoked, except in case of justified cause. Justified cause shall mean:

- disqualification or ineligibility, or a serious illness that would make a member of the Supervisory Body inadequate for carrying out his/her supervisory activities, or an illness that, in any case, would mean an absence from the workplace for a period longer than six months;
- the granting to the Supervisory Body of roles or responsibilities, or the verification of events, which are in conflict with the requirement of autonomy and control, independence and continuing activity that are required to the Supervisory Body;
- a serious breach of any of the duties of the Supervisory Body;
- a final conviction of the Company pursuant to the Decree or a penal procedure closed with the application of a sanction on the basis of a request of the involved parties so called “plea bargaining”, in which it is proved by documents that or from the documents “the missing or insufficient control” by the Supervisory Body is proved pursuant to art. 6, paragraph 1, let. D) of the Decree;
- a final conviction towards the members of the Supervisory Body to have personally committed one of the crimes provided by the Decree;
- a final conviction towards a member of the Supervisory Body providing a disqualification, even temporary, from holding public office or temporary disqualification from holding management offices in any company.

In the abovementioned cases, in which a conviction has been issued, the Board of Directors, until the conviction becomes final, could suspend the powers of the member of the Supervisory Body.

Each member of the Supervisory Body could resign in any time from the office with a notice of at least 3 months.

6.4 Tasks, requirements and powers of the Supervisory Body

The tasks of the Supervisory Body of PetrolValves are the following:

- evaluating the real adequacy of the Organizational, Management and Control Model in order to prevent the crimes of the Legislative Decree no. 231 of 2001;

- monitoring the effectiveness of the Organizational, Management and Control Model, verifying the compliance with effective conducts and pointing out possible breaches;
- verifying the existence of effectiveness requirements and adequacy of the Organizational, Management and Control Model;
- updating the Organizational, Management and Control Mode, should the carried out analyses point out the necessity of amendments or updating following law amendments, changes in the company structure or in the carried out activities.

In this respect, to the Supervisory Body the following powers are granted:

- periodically, carrying out, in the areas at risk, verifications on single transactions or acts, with the help of those responsible for the relevant Company's departments;
- involving in the audits, also directly, those responsible for the relevant Company's departments;
- carrying out, without notice, in the areas at risk, controls above the effective compliance of the procedures and other applicable systems;
- constantly monitoring the development of the company's organization and business sectors, in order to promote the possible updating, also through external advisors, of the list of the company's areas at risk of commission of crimes, with the help of those responsible for the relevant company's departments;
- requesting to those responsible for each area at risk the information considered relevant in order to verify the effectiveness and the adequacy of the Model, and, if it is necessary, a periodical self-evaluation by each department;
- collecting warnings of any employee in connection with:
 - possible critical situations of measures provided by the Organizational, Management and Control Model;
 - breaches of the same;
 - any situation that could expose the company to risk of crimes;
- collecting and filing in an *ad hoc* archive:
 - documents, any time that they are updated, concerning procedures and other measures provided by the Organizational, Management and Control Model;

- information collected or received during the carrying out of its activity;
- evidence of the various activities carried out;
- the documentation concerning the meetings with the company's administrative bodies to which the Supervisory Body reports;
- verifying that all the people responsible of areas at risk guarantee the knowledge and compliance, by all the employees that hierarchically report to them, of procedures or possible other rules of interest;
- coordinating with the interested responsible persons to guarantee the constant training of employees in connection with issues of the Legislative Decree no. 231 of 2001;
- providing recommendations to the other interested company's departments, for drafting new procedures and adopting other organizational measures, as well as, if necessary, for the amendments to the applicable procedures and measures;
- monitoring, also with the help of the Legal Affairs and/or of external advisors, the rules relevant for the effectiveness and adequacy of the Organizational, Management and Control Model;
- scheduling periodical meetings with those interested responsible for company's departments, in order to collect useful information or amendments to the Organizational, Management and Control Model;
- disposing of an *ad hoc* fund for the exercise of its tasks, as approved by the Board of Directors;
- autonomously granting professional mandates to advisors (persons or companies) in relation to the matters of the Legislative Decree no. 231 of 2001;
- if necessary, proposing in writing amendments to the Organizational, Management and Control Model to the Board of Directors for the subsequent approval;
- verifying the execution of the amendments to the Organizational, Management and Control Model previously proposed;
- accessing to all the company's documentation relevant in order to verify the adequacy and compliance of the Organizational, Management and Control Model and Ethic Code.

The activities carried out by the Supervisory Body cannot be evaluated by any other company's body, it being understood that, however, the managing body is in any case required to carry out a control activity on the adequacy of its own activity, since the same has the liability of effectiveness and implementation of the Model.

In order to fully carry out its tasks, the Supervisory Body has adequate financial resources and has the faculty to use the relevant company structures. Moreover, although the same maintains the title to exercise its activities, it could be supported by external advisors.

The Supervisory Body drafts a regulation of its activities (time of controls, individuation of criteria and procedures of analysis, scheduling the activities, recording the meetings, etc.).

6.5 Reporting activities vis-à-vis the company's administrative bodies

The Supervisory Body reports the results of its activity to the Board of Directors and to the Board of Statutory Auditors.

In particular, the Supervisory Body:

- constantly reports its activity to the Managing Director or the Chairman of the Board of Directors;
- any six-month term reports to the Board of Directors, in writing, about its controlling activity, maintenance and updating of the Organizational, Management and Control Model;
- sends a copy of the abovementioned report to the Board of Statutory Auditors;
- immediately reports to the Board of Directors and the Managing Director or to the Chairman of the Board of Directors facts proving serious critical situations of the Organizational, Management and Control Model;
- presents to the Board of Directors, if necessary, and/or the Managing Director or the Chairman of the Board of Directors, proposal of amendments and/or integrations of the Organizational, Management

and Control Model, taking into consideration possible critical situations, for the subsequent approval of the same.

6.6 Reporting vis-à-vis the Supervisory Body

The controlling activity on the effectiveness of the Organizational, Management and Control Model and verification of possible breaches of the same and of the Ethic Code is facilitated by the information that those responsible for company's departments must provide to the Supervisory Body as provided even by art. 6, paragraph 2, let. D) of the Legislative Decree no. 231 of 2001.

Such obligation, concerning those responsible for company's areas at risk of crime, concerns the periodical results of the activities carried out by the same and atypical situations or issues observed among the available information.

Moreover, all the information having relevant elements with respect to the controlling activity shall be communicated to the Supervisory Body, such as:

- decisions concerning any request, issuance and use of public funds;
- deeds and/or information of any judicial police body, or any other authority, from which it arises the carrying out of investigations, also against unknown persons, for the crimes provided by the Legislative Decree;
- request of legal assistance presented by employees and/or managers with respect to which the judicial authority is investigating for one of the crimes provided by the Legislative Decree no. 231 of 2001;
- summaries of tenders obtained thanks to the participation to national or European competitions or private negotiations;
- reports, drafted by those responsible of Areas/Departments of the company in charge of the controlling activity, from which facts, deeds, events or omissions with critical profiles with respect to the Decree can arise;
- copy of periodical reports concerning health and safety at work (for example, copy of the Document of Risk Evaluation, of its possible updating, etc.) as well as with respect to accidents, injuries, inspections and/or any other circumstance relevant in order to apply the Model;

- information concerning mandates granted by public entity or other subjects that carry out public utility functions;
- results of possible investigation committees or internal reports from which liabilities for crimes provided by Legislative Decree no. 231 of 2001 arise;
- summaries of the sensitive activities carried out;
- any possible amendment and/or integration to delegation and proxies;
- information concerning the effective execution, at all company's levels, of the Organizational, Management and Control Model, with evidence of the possible subsequent disciplinary procedures and applied sanctions or deeds of filing with relevant explanations.

In order to integrate such reporting system, periodical communications drafted by the Administrative Direction with respect to the lack of critical situations arising during its activity shall be considered as relevant elements of the system of control on financial flows.

The Supervisory Body has the duty to request, if necessary, possible integrations of information, which shall be communicated by each company's department.

All employees aware of information concerning behaviors not in compliance with the provisions of the Organizational, Management and Control Model and Ethic Code, issued by the company, have the obligation to inform the Supervisory Body thereof.

Moreover, such obligation is included in the broader duty of diligence and loyalty of employees; his/her compliance cannot cause the application of disciplinary sanctions and the confidentiality of those whom communicate breaches shall be guaranteed in order to avoid the risk of reprisals.

The information received by the Supervisory Body shall be used in order to improve the planning of its controlling activities and cannot cause a subsequent verification of all the communicated facts, since the decision to act after a warning is at the own discretion and liability of the Supervisory Body.

The Addressees of the Ethics Code can send reports, with reference to breaches committed by Directors and/or employees, to the Supervisory Body, in accordance with art. 5 lett a) and b) of Legislative Decree no. 231 of 2001, based on:

- objective, precise and consistent evidences of punishable conducts under Legislative Decree no. 231 of 2001 and
- about breaches of the Model and the Ethics Code

they have become aware in the performance of their duties.

The reports can be submitted:

- in writing, addressed to the Supervisory Board, through the mailboxes located at the Company,
- by e-mail to the following email address: odv@petrovalves.it.

It is possible to file an anonymous report, but the Company discourages to do so.

In any event, the reporting person will be protected under art. 6, par. 2-*bis*, 2-*ter*, 2-*quater*, of Legislative Decree no.231 of 2001 in these ways:

- confidentiality of the whistleblower;
- any form of retaliation, discrimination or victimization is not tolerated and
- in case any of this form takes act, the burden of proof is on the employer to demonstrate that the dismissal or the downgrading was due to reasons other than the employee's allegation.

The reporting process is structured as follows:

- 1st stage – **Opening of the investigation**: the process starts when the Supervisory Board becomes aware of the report through the channels listed above.
- 2nd stage – **Preliminary stage**: when the Supervisory Board receives the report makes a first evaluation in compliance with art. 6, par. 2, of the Legislative Decree no. 231 of 2001 and it may decide as follows:
 - to archive the report because of its inconsistency under Legislative Decree no. 231 of 2001;
 - to archive the report because of its inconsistency under Legislative Decree no. 231 of 2001, but it can inform the proper Company's functions if the report is relevant under other circumstances;
 - to analyse the report whether it is relevant pursuant to Legislative Decree no. 231 of 2001.

- 3rd stage – **Investigation/Assessment on the merit:** once it is established the consistency of the report pursuant to art. 6, par. 2-*bis*, of Legislative Decree no. 231 of 2001, the Supervisory Board starts investigating in assessing the merits of the report. The activity is carried out with the support of the competent Company's functions, external consultants and, if necessary, by using the annual budget.
- 4th stage – **Conclusion of the investigation:** as soon as the assessment is terminated, the Supervisory Board shall:
 - archive the investigation in the event of a negative result or
 - in the event of a positive result it may:
 1. communicate the outcome to the Board of Directors and the Board of Auditors by writing, providing the details of the activity undertaken and suggesting the application of disciplinary sanctions when applicable;
 2. inform the competent Company's functions (if necessary) for the purpose of their specific obligations.

Whenever possible both the reporting person and the alleged infringer must be informed on the developments of their case. Specifically, these are the possible channels of communication with the reporting person (when non-anonymous):

- at the opening of the investigation when the report is received;
- after the investigation without disclosing the decisions taken.

On the other end, the alleged infringer is informed only when during the investigations it is necessary to adopt specific measures towards him or her and in any case in compliance with the applicable National Collective Agreement and the Worker's Statute.

6.7 Effectiveness of the resolutions

For the validity of the resolutions of the Supervisory Body, the attendance of the majority of its members² is required. For sensitive resolutions or resolutions concerning particular relevant issues with respect to the apical

²Half plus one of the members.

area of the company, the attendance of all the members of the Supervisory Body is required.

The resolutions of the Supervisory Body are adopted by the majority of the members in attendance. The vote is recorded, except for the case in which it is differently provided by the same Supervisory Body.

7. Results of Risk Assessment activity

The crimes, with respect to which the administrative liability of entities is applicable, are briefly listed in the Model in the paragraph related to the description of the rules contained in the Legislative Decree no. 231 of 2001. Such crimes are treated in deep in the List of crimes, as well as in the Special Parts, which represent the result of the risk assessment activity carried out by PetrolValves and contain the indication of controls adopted by the company to prevent the identified risks.

As it is known, the identification of areas in which crimes provided by the Legislative Decree no. 231 of 2001 can possibly be committed means that within the company all the processes are evaluated. The company's document named "Risk assessment" summarizes the result of such analysis. In particular, in order to guarantee an adequate compliance of the Model with the structure of the company, the following operative approach shall be followed:

A) INDIVIDUATION OF AREAS AT "RISK OF CRIMES"

A1. Identification of "231" crimes potentially relevant

In such phase, the relevant crimes for the Company were identified, within crimes provided by the Decree, taking into consideration: the nature of the activities carried out, the characteristics of the involved transactions, the "history" of the entity.

A2. Identification of the main possible modalities of realization of crimes

With respect to crimes identified as relevant in the previous phase, the main possible modalities of realization were identified as examples.

A3. Identification of the main areas/activities interested by possible cases of crime and relevant organizational units

The main areas at risk of crime and, for each one, of the sensitive activities, together with the related organizational units, were identified on the basis of the current organizational structure of the Company.

For each crime the areas subject to analysis are divided into:

- Areas at risk of crime;
- Collateral Areas, or areas that, managing financial instruments (and/or other similar instruments), can support the commission of crimes in the areas at risk of crime.

B) ANALYSIS OF PREVENTIVE CONTROLS: RISK ASSESSMENT & GAP ANALYSIS

For each area at risk, the following activities were carried out:

- identification and evaluation of the existing controls;
- identification of possible lacks and/or areas of improvement in the controlling system;
- formulation of suggestions for solving identified critical situations/areas of improvement;

all of the above is done through the analysis of the available documentation and the execution of interviews with the Management of the Company and those interested persons in charge.

The mapping of the activities at risk shall be constantly updated, either in case of amendment to the company's process or law amendments concerning the list of crimes for which the Legislative Decree no. 231 of 2001 is applied. The results arising from the mapping of the activities at risk will be subject to a periodical specific reporting by the Supervisory Body to the Board of Directors.

With particular respect to crimes of manslaughter and culpable serious or very serious injuries committed in breach of accident and protection of health and safety at work rules, the company carried out an appropriate analysis in order to identify the possible areas at risk, not excluding any activity, since such crimes can involve all the departments of the company. .

At the end of the risk assessment, it arose that, with particular respect to the activity carried out by PetrolValves, the crimes at possible risk of commission shall be identified in the following crimes:

- crimes against Public Administration (artt. 24 and 25)
- computer crimes and illegal process of data (art 24 *bis*)
- criminal association crimes (art. 24 *ter*)
- crimes in false coins, public credit card, in stamp values and tools or identification signs (art. 25 *bis*)
- crimes against industry and trade (art. 25 *bis* 1)
- company crimes (art. 25 *ter*)
- crimes regarding terrorism or subversion of democracy (art. 25 *quater*)
- manslaughter and culpable serious or very serious injuries committed in breach of rules concerning accident and protection of health, hygiene and safety at work (art. 25 *septies*)
- crimes of receiving, money laundering and use of money, goods or profits from illegal activities (art. 25 *octies*)
- crimes relating to the breach of copyright (art. 25 *novies*)
- crime of inducing individuals into not making statements or into making false statements to judicial authorities (art. 25 *decies*)
- environmental crimes (art. 25 *undecies*)
- crime relating to the use of citizens of foreign countries whose permanence on the Italian territory is irregular (art. 25 *duodecies*)
- transnational crimes.

The following crimes were not reported to possible profiles of risks:

- Art. 25 *quater* 1 – Crimes related to mutilation of female genital organs
- Art. 25 *quinquies* - Crimes against individual personality
- Art. 25 *sexies* - Market abuse crimes.

For an effective prevention activity aimed at avoiding the commission of crimes, which the Model intends to pursue, specific internal control systems were provided on the basis of:

- compliance with law provisions, internal rules and behavior principles;

- adequate recording of documents and traceability of relevant transactions (eg. minutes, notes, resolutions concerning the access to funds) so to verify any transactions, activity or action;
- formal separation of functions and signatures (eg. function requiring the acquisition different from the one issuing the payment), to avoid the concentration over a sole subject of the management of an entire process;
- clear definition of tasks and liabilities, with a detailed indication of the limits for the approval of expenses;
- compliance with the Ethic Code, behavior rules and organizational procedures, drafted by the company in order to rule any company's activity and comply the same to criteria of transparency and ethics;
- appropriate requirements of independence, autonomy, professional competences and continuing activity of the Supervisory Body;
- obligation of periodical reporting of relevant information, by each company's department to the Supervisory Body, in order to guarantee a control system able to provide a quick warning of the existence of general or particular critical situations;
- obligation to provide documents concerning the carried out controls (eventually, through the drafting of minutes);
- application of sanctions for the breach of rules provided by the Ethic Code and the Organizational, Management and control Model.

With respect to safety and health at work the company cares of:

- hiring and qualification of employees;
- organization of work and of desktops;
- purchase of goods and services and communication of the appropriate information to suppliers and contractors;
- ordinary and extraordinary maintenance;
- qualification and choice of suppliers and contractors;
- management of the emergencies;
- procedures to manage differences with respect to established targets and rules of the control system.

The management of health and safety at work provides a phase of verification of the maintenance of risks protection and prevention measures, adopted and evaluated appropriate and effective. The technical, organizational and procedural measures of prevention and protection carried out by the company are subjected to planned monitoring, as provided by the management system of health and safety at work adopted by the company.

8. Training of the addressees of the Model and spreading of the same within the company

8.1 Training of the personnel and spreading of the Model within the Company

The Human Resource department organizes the correct training of employees with respect to the application of the Organizational, Management and Control Model.

Such training is subject to the verification of the Supervisory Body.

The modalities of spreading the information can be carried out as follows:

- training sessions;
- information notes;
- annual communications concerning possible amendments of the Organizational, Management and Control Model;
- *ad hoc* notices published on the company's intranet.

In order to facilitate the training of the Personnel in connection with the contents of the Model and Ethic Code, the company can proceed either through training lessons or specific on line training programs.

Training programs and contents of information notices shall be shared with the Supervisory Body.

The company considers the specific training in health and safety at the work as an essential component of the Model.

The carrying out of tasks that can have an influence on health and safety at the work requires an appropriate competence, to be verified and increased through training and preparation aimed at guaranteeing that all the employees, at any level, are aware of the importance of compliance of their

actions with the Model, as well as the possible consequences due to behaviors that are different from the rules contained in the same.

Each employee shall receive a sufficient and appropriate training with particular respect to his/her work and tasks. Such training shall occur at the moment of hiring, transfer or change of tasks or introduction of new work equipment, new technologies, new substances, etc.

The company shall proceed with the training pursuant to the need verified periodically.

8.2 Information to external partners

In the letters of mandate to external partners (agents, advisors, suppliers of goods and services) *ad hoc* information notes shall be attached with respect to the application of the Organizational, Management and Control Model and of the Ethic Code.

In the supply agreements or collaboration agreements (agency, partnership, etc.) specific clauses shall be also inserted concerning the compliance with the Ethic Code that provides, in case of breach, injunctions to the compliance with such rules or the application of sanctions or the termination of the agreement.

9. Sanctioning system

9.1 Disciplinary system

A qualifying point in the drafting of the Organizational, Management and Control Model of the Legislative Decree no. 231 of 2001 is represented by the drafting of an adequate disciplinary system, able to sanction the missing compliance of measures indicated in the same Model, in the Ethic Code and in the organizational procedures.

Subjects to sanctions are, in particular, either the breaches of the Model committed by the subjects in an “apical” position, having powers of representation, management and direction of the entity or of an organizational unit with financial and functional autonomy, or having the power, even if only in fact, of management and control of the entity; subject to sanctions are also

the breaches of the Model committed by the members of the controlling bodies and the breaches committed by subjects under the direction and control of another entity, or acting in the name and on behalf of the Company.

The abovementioned breaches damage the fidelity relationship with the entity and represent a breach of the obligations of diligence and loyalty of employee pursuant to artt. 2104 and 2105 of the civil code.

Therefore, since the rules provided by the Model and the Ethic Code were adopted autonomously by the company, independently from the crime that possible behaviors can cause, the application of disciplinary sanctions does not depend from the result of a possible criminal proceedings.

The new rules will be subject to the procedural guarantees of Law no. 300 of 1970 (so called Bylaws of employees) and specific rules of National Collective Agreement.

This disciplinary system, in addition to the publication in the company's intranet, is affixed at the registered office of the Company, in a place accessible to all, in order to guarantee its entire knowledge by the addressees indicated below.

The non-compliance with the rules contained in the Legislative Decree no. 231 of 2001 and measures provided in the Model and Ethic Code represents a valid reason for the termination of the relevant agreement with subjects that do not have subordination obligations towards which the application of general measure of the civil code shall be applied.

Type and amount of sanction will be established with respect to:

- intention of behavior or degree of negligence, imprudence or inexperience with respect to the predictability of the event;
- overall behavior of the author of the disciplinary offence, with particular respect to the existence or not of disciplinary precedents of the same, within the limits provided by applicable laws;
- tasks of the author of the disciplinary offence;
- the functional position of the involved persons in the facts representing the breach;
- other particular circumstances that concern the disciplinary breach.

The Supervisory Body, verified possible breaches, communicates it to the Human Resource Department for the subsequent necessary actions.
The Supervisory Body shall be informed with respect to the results of the disciplinary proceeding.

Sanctions towards employees

Behaviors of employees in breach of singular behavior rules contained in the Organizational, Management and Control Model and the Ethic Code are defined disciplinary offences.

The sanctions applicable to employees are those provided, in compliance of procedures and limits of article 7 of the Law dated May 30, 1970 no. 300 (Bylaws of employees), by the National Collective Agreement (“CCNL”) of the metalworker sector (Titolo VII, artt. 8 and ss.).

Each considered circumstance and sanction provided for the commission of the same facts has its own relevance according to the seriousness of the breach.

The applicable sanctions are the following:

- VERBAL WARNING;
- WRITTEN ADMONITION;
- FINE (in compliance with the maximum limit of 3 hours of salary);
- SUSPENSION FROM WORK AND SALARY UP TO A MAXIMUM OF 3 DAYS;
- TERMINATION WITH NOTICE;
- TERMINATION WITHOUT NOTICE.

In particular, in application of the National Collective Agreement, it is provided that:

- 1) There is a case OF VERBAL WARNING, when the employee that broke one of the internal procedures and/or the principles provided by the Organizational, Management and Control Model and/or of the Ethic Code, had, in the execution of activities in the “sensitive” areas, a behavior not in compliance with the provisions contained in such documents. In those behaviors, it should be pointed out a

- non-compliance with provisions communicated by the Company with services orders or any other appropriate instruments.
- 2) There is a case of WRITTEN ADMONITION, when the employee that broke again and again the internal procedures and/or the principles provided by the Organizational, Management and Control Model and/or of the Ethic Code, had, in the execution of activities in the “sensitive” areas, a behavior more than once not in compliance with the provisions contained in such documents. In such behaviors, it should be pointed out the continuous non-compliance with provisions communicated by the Company with services orders or any other appropriate instruments.
 - 3) There is a case of FINE not higher than three hours of salary, when the employee that broke one of the internal procedures and/or the principles provided by the Organizational, Management and Control Model and/or of the Ethic Code, had, in the execution of activities in the “sensitive” areas, a behavior not in compliance with the provisions contained in such documents, and it exposed the company to a situation of risk of commission of one of the crimes for which the Legislative Decree no. 231 of 2001 shall apply.
 - 4) There is a case of SUSPENSION FROM WORK AND SALARY UP TO A MAXIMUM OF 3 DAYS, when the employee that broke the internal procedures and/or the principles provided by the Organizational, Management and Control Model and/or of the Ethic Code, had, in the execution of activities in the “sensitive” areas, a behavior not in compliance with the provisions contained in such documents, as well as carrying out acts contrary to the company’s interest, damaged the company and exposed it to a concrete situation of danger for the integrity of the company’s goods. In such behaviors, it should be pointed out a damage or a risk for the integrity of the goods of the company or the execution of acts contrary to its interests, even arising from a non-compliance with provisions communicated by the Company with services orders or any other appropriate instruments.
 - 5) There is a case of TERMINATION WITH NOTICE, when the employee had, in the execution of activities in areas at risk, a behavior not in compliance with the provisions of the

Organizational, Management and Control Model and/or of the Ethic Code, aimed at the commission of a crime punished by the Legislative Decree no. 231 of 2001. In such behavior, it should be pointed out a serious damage or a situation of significant possible damage;

- 6) There is a case of TERMINATION WITHOUT NOTICE, when the employee had, in the execution of activities in areas at risk, a behavior in serious breach of the provisions of the Organizational, Management and Control Model and/or of the Ethic Code such as to cause the concrete application towards the company of the measures provided by the Legislative Decree no. 231 of 2001. Such behavior causes the loss of the company's fidelity *vis-à-vis* the employee.

Sanctions towards managers

In case of breach by managers of the principles indicated in the Organizational, Management and Control Model and/or in the Ethic Code or of adoption, in the execution of the activities in the areas at risk, of a behavior not in compliance with the provisions contained in such documents, more appropriate measures, with respect to what provided in the National Collective Agreement of Managers, shall apply.

Since, as provided in the National Collective Agreement of Managers of Industry Company for what *"is not differently regulated by this agreement, collective agreement provisions and applicable law for employees at the top level employed by the company to which the managers belong to shall apply"*, with respect to the identification of behaviors that could receive a sanction and relevant measures please see previous paragraph, from no. 1 to 6.

Sanctions in case of breach of the Whistleblowing Policy

Failure to comply with the rules set forth in art. 6, par. 2-*bis*, of Legislative Decree no. 231/2001 would be sanctioned by the Company based on the internal procedures set out by the Company and by the applicable Collective Agreement in the following cases:

- breaches of the confidentiality measures;

- unfounded reports made with intent or gross negligence.

9.2 Other measures in case of breach of the provisions of the Model

Sanctions towards Directors

Those who have apical position within the company have the duty to guide the company ethic and comply their activity with the principles of legality, transparency and accuracy. In case of breach of the Model and/or of the Ethic Code by the Directors, the Supervisory Body shall promptly inform the entire Board of Directors and the entire Board of Statutory Auditors, that could take any appropriate initiative allowed by the law, among which the following sanctions:

- written admonition;
- injunction to comply with the provisions of the Model;
- a monetary sanction;
- the revocation of possible proxies.

Should the breaches be so serious to damage the fidelity relationship between the subject and the company, the Board of Directors shall call a Shareholders' meeting in order to propose the revocation of the mandate.

Sanctions towards the Statutory Auditors

In case of breach of the Model and/or of the Ethic Code by the Statutory Auditors, the Supervisory Body shall promptly inform the entire Board of Directors and the entire Board of Statutory Auditors, which could take any appropriate initiative allowed by law. Should certain breaches be so serious to determine a justified cause of revocation, the Board of Directors shall call a Shareholders' meeting to propose deeds of competence.

Sanctions towards external partners

Behaviors taken by autonomous employees (occasional partners, advisors, etc.) that breach the behavior lines indicated in the Organizational, Management and Control Model and/or in the Ethic Code would cause the application of clauses provided in the agreement (penalty and/or termination of the agreement), as well as of general provisions of law in case of non-fulfilment and justified cause of withdrawal.