



CEFLA Co-operative Society

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

in terms of Legislative Decree No. 231/2001

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GENERAL SECTION

1. INTRODUCTION

1.1 Administrative liability of the Entities

Law No. 300 of 29 September 2000, in compliance with the obligations prescribed by the OCSE convention of September 1997 and by other international protocols, has delegated to the Government the task of drawing up and defining a system of administrative liability for sanctions resting on entities and companies.

In order to give effect to the enabling law, **Legislative Decree No. 231 of 8 June 2001**, which was converted into law on 4 July 2001 and relates to the **"Regulation of administrative liability resting on juristic personas, companies and associations, including those devoid of juristic personality"**, was eventually issued.

In terms of article 1(2) of Legislative Decree No. 231/2001, the subjects addressed by the legislation have been identified as being entities vested with juristic personality, companies and associations, including those devoid of juristic personality, apart from the State, the local public bodies, the other public bodies of a non-economic nature and the bodies carrying out functions of constitutional relevance.

According to what is stipulated by article 5 of Legislative Decree No. 231/2001, the entities thus identified are administratively liable for the perpetration of offences, as graphically illustrated by the Legislator in the selfsame legislative decree and any subsequent amendments thereto, wherever such offences have been committed, in their interest and to their benefit, by:

a) persons who are tasked with functions of representation, management or direction of the Entity or an organizational unit thereof endowed with financial and operational autonomy, as well as persons who carry out, even factually, the management and control of the Entity (the so-called "senior management");

b) persons subjected to the management or supervision of one of the subjects referred to in subparagraph a).

Note should be taken of the fact that, as the offence must have been committed by the subjects referred to in subparagraphs a) or b) in the interest and to the benefit of the Entity itself, the liability of the Entity is excluded wherever the physical person who commits the offence acted in his own exclusive interest or in the interest of third parties.

The distinction between the two categories of subjects (members of senior management and subordinates under management and supervision) is undoubtedly significant, inasmuch as it results in a different grading of responsibility on the part of the Entity involved, as well as a different expectation about the onus of proof; in the case of offences committed by members of senior management, in fact, the Entity is presumed to be liable due to the circumstance that the said subjects embody and represent the corporate policy of the Entity itself, and thus its external will and conduct.

The administrative liability of the Entity in terms of Legislative Decree No. 231/2001 is not conditional on the perpetration of any offence, but only on the perpetration of one or more of the offences specifically set out in Chapter I, Section III, under articles 24, 25B, 25C, 25D, 25E, 25F, 25G, 25H, 25I and 25J of Legislative Decree No. 231/2001 (the so-called "presumption-triggering offences").

Initially envisaged in respect of offences against the Public Administration or against the assets of Public Administration, the sphere of liability of the Entity has been extended, pursuant to legislative provisions enacted subsequently to Legislative Decree No. 231/2001, to other types of offences. The following is a more detailed list of **the offences currently envisaged by Legislative Decree No. 231/2001**¹:

- unlawful receipt of public donations, fraud against the State or a public Body or for the sake of obtaining public donations, and IT fraud against the State or a public Body (article 24 of Legislative Decree No. 231/2001);
- IT crimes and unlawful processing of data (article 24B of Legislative Decree No. 231/2001, as introduced by Law No. 48 of 18 March 2008);
- organized crime offences (article 24C of Legislative Decree No. 231/2001, as introduced by article 59 of Law 94/2009);
- corruption and extortion (article 25 of Legislative Decree No. 231/2001) and exercising undue duress to give or promise to give a utility (the latter having been added by article 1(75)(i) of Law No. 190/2012);
- counterfeiting money, credit cards offered to the public, revenue stamps, and identification tools or marks (article 25B of Legislative Decree No. 231/2001, as added by article 6 of Law No. 409 of 23 November 2001 and as amended by article 7 of Law No. 99/2009 of 23 July 2009);
- crimes against industry and commerce (article 25B(1) of Legislative Decree No. 231/2001, as introduced by article 15(7) of Law No. 99 of 23 July 2009 headed "Provisions on the development and internalization of businesses as well as provisions in the field of energy");
- corporate crimes (article 25C of Legislative Decree No. 231/2001, as added by article 3 of Legislative Decree No. 61 of 11 April 2002 and as supplemented by article 31 of Law No. 262 of 28 December 2005); introduction of the offence of corruption as between private individuals in those instances envisaged by article 2635(3) of the Civil Code (offence introduced by article 1(77) of Law No. 190 of 2012);
- crimes of terrorism or subversion of democracy (article 25D of Legislative Decree No. 231/2001, as added by article 3 of Law No. 7 of 14 January 2003);
- practices of female genital mutilation (article 25E(i) of Legislative Decree No. 231/2001, as introduced by article 8 of Law No. 7 of 9 January 2006);
- personality infringements (article 25F of Legislative Decree No. 231/2001, as added by article 5 of Law No. 228 of 11 August 2003);
- market abuses (abuse of privileged information and manipulation of the market) (article 25F 231/2001, as added by article 9 of Law No. 62 of 18 April 2005; see also article 187E of Legislative Decree No. 58 of 24 February 1998);
- transnational crimes (Law No. 146 of 16 March 2006 headed "Ratification of the Palermo convention on organized crime" has extended the operative ambit of Legislative Decree No. 231/2001 to a broad range of new offences);

¹ As a result of the future introduction in Decree No. 231, on the Legislator's part, of new categories of specific offences, an integration of the Model will later become necessary.

- culpable homicide and assault with the intent to cause serious or grievous bodily harm, committed through the breach of rules for the prevention of accidents and the protection of health and hygiene in the workplace (article 25G of Legislative Decree No. 231/2001, as added by article 9 of Law No. 123 of 3 August 2007 and as amended by article 300 of the Legislative Decree, which gives effect to the delegation of powers referred to in Law No. 123 of 2007);
- receipt, laundering and utilization of money, goods or utilities from an unlawful source (as introduced by EC Law 2005 approved through Law No. 29 of 25 January 2006 and by article 63 of Legislative Decree No. 231 of 21 November 2007);
- offences involving copyright infringements (article 25I of Legislative Decree No. 231/2001, as introduced by article 7 of Law No. 99/2009 of 23 July 2009);
- exercise of undue duress to refrain from making statements or to make false statements to the judicial authority (article 25I of Legislative Decree No. 231/2001, as introduced by article 4 of Law 116/2009);
- crimes against the environment (article 25J of Legislative Decree No. 231/2001, as introduced by Legislative Decree No. 121 of 7 July 2011, which gives effect to directive 2008/99/CE on protecting the environment from criminal offences, as well as to directive 2005/35/CE relating to the pollution caused by ships and to the introduction of sanctions against infringements);
- utilization of citizens of third countries who are illegal residents (article 25L of Legislative Decree No. 231/2001, as introduced by Legislative Decree No. 109/2012).

Article 7 of Legislative Decree No. 231/2001, in fact, envisages that in the event of an offence committed by a subject under management or supervision, "the Entity shall be liable if the perpetration of the offence has been made possible by non-compliance with the obligations of management or supervision". In any case, non-compliance with the obligations of management or supervision shall be excluded in those instances where the Entity, prior to the perpetration of the offence, has adopted and effectively implemented an organization, management and control model which is suitably apt to prevent offences of the type that factually occurred.

It is accordingly clear that the Entity's liability essentially rests on an "organizational culpability", which is not triggered off wherever an organizational model apt to prevent the perpetration of the contemplated offences, through the adoption and effective implementation of organization, management and controls models, to be elaborated even on the strength of codes of conduct drawn up by the representative sectoral associations, has been implemented (article 6(3)).

Adoption of the organizational model accordingly represents an indispensable condition for invoking exemption from liability, but is not a sufficient condition per se.

In particular, having regard to the extensive scope of delegated powers and to the risk of offences being committed, **the model shall have to fulfil the following needs:**

- identifying the risk areas as far as perpetration of the offences envisaged by Legislative Decree No. 231/2001 is concerned;
- drawing up specific protocols with a view to planning the formulation and implementation of the Entity's resolutions pertaining to the offences to be prevented;

- providing methods of managing financial resources which are fit to prevent the perpetration of the said offences;
- prescribing information requirements vis-à-vis the body vested with the task of supervising the way the model operates and is complied with;
- setting up a disciplinary system which might suitably sanction non-compliance with the measures set out in the model.

It is further necessary that the task of supervising the operation, due compliance and updating of the organizational model as drawn up has been entrusted to an **apposite Supervisory Board**, equipped with autonomous powers of initiative and control.

Lastly, as regards **the sanctioning body** tasked with enforcing the precepts of the organizational model, the application to the Entity of an administrative sanction of a pecuniary nature (as expressed in ratios) is envisaged in respect of every type of offence expressly set out in Legislative Decree No. 231/2001.

In respect of some specific offences, in particular those relating to the relationships with the Public Administration, the following penalties are additionally envisaged:

- sanctions of an interdicting nature, such as the suspension or revocation of permits, licenses or concessions, a ban on contacting the Public Administration, interdiction from the exercise of one's activities, the exclusion or revocation of facilitations, financing, contributions or subsidies, and the prohibition to publicize goods and services;
- confiscation of the price or profit obtained through the offence;
- publication of the conviction and sentence.

1.2 Sources of the Model

By express legislative provision (article 6(3) of Legislative Decree No. 231/2001), the organization and management models might be adopted on the strength of codes of conduct drawn up by the associations representing the Entities, as notified to the Minister of justice.

As regards drawing up its own organization and management model, CEFLA has expressly taken into account, in addition to the provisions of Legislative Decree No. 231/2001, the ministerial report accompanying its text, and the guidelines set out by Confindustria (General Federation of Italian Industry).

2. THE MODEL

2.1 Guiding principles and aims of the Model

The choice by CEFLA's Board of Directors to equip itself with an organization and management Model is part and parcel of the Company's broader policy of sensitivity to the needs of a transparent and correct management of the Company, consonantly with the applicable legislation and the fundamental principles of business ethics while pursuing its corporate object.

Through the adoption of the Model, the Board of Directors **intends pursuing the following objectives:**

- conferring upon the methods of exercising powers a formalized structure, by clearly indicating the subjects vested with decision-making, those vested with managerial powers, and those vested with powers to authorize expenses, the specific types of activities in respect of which they exercise such powers, and the limits such powers are subjected to;
- avoiding excessive concentrations of power, particularly as regards transactions exposed to the risk of crimes or unlawful conduct, in the hands of single offices within the Entity or single persons therein, thereby giving concrete effect to the principle of operational separation/avoidance of any conflict of interests;
- avoiding the convergence of spending powers and associated monitoring powers, and distinguishing powers of authorization from organizational and managerial powers;
- envisaging the formalization, including to the outside world, of the powers of representation;
- ensuring that task allocations are official, clear and organic, by resorting in their regard to formal procedures, thereby avoiding both power vacuums and overlapping responsibilities;
- ensuring the verifiability, documentability, consistency and congruence of every company operation;
- guaranteeing the effective correspondence between the representation models of the organizational structure and the practices as concretely implemented on the ground;
- prioritizing, when giving effect to decisions which might expose the Entity to liability for administrative offences as defined, transparency in the formulation of the said decisions and the resultant activities, along with a constant monitoring opportunity.

The present Model has been adopted by the Board of Directors **pursuant to a resolution dated 28 October 2013.**

Given that the Model is "an act issuing forth from the governing body", in conformity with the stipulations of article 6(I)(a) of the Decree, any subsequent amendments and supplements thereto shall be the prerogative of the Board of Directors, including the eventual introduction of additional Special Sections relating to novel types of offences which Legislative Decree No. 231/2001 might envisage in future.

The present Model is arranged into a **"General Section" and a "Special Section"** drawn up in respect of all the different categories of offences as set out in the Decree.

The General Section includes an introduction specifically targeting the structure of the Decree, the methodological approach used in drawing up the Model, and the aspects, rules and guidelines of the Model. The Special Section deals with the exegesis of the significant rules pertaining to the various categories of Offences, the perpetration of which is notionally conceivable as being in CEFLA's interest or accruing to its benefit, with the concrete illustration of the relevant forms of conduct, with the sensitive processes/activities within the reality of the Company, and with the existing supervisory structures and monitoring instruments adopted by it.

The Addressees of the Model include both subjects occupying senior management posts and subjects under someone else's management and supervision. The provisions set out hereunder apply to both categories of subjects, unless otherwise indicated.

Consonantly with the applicable legislation and with Confindustria's Guidelines, the following are **founding elements of the Model**:

- the present document;
- the Statute;
- the rules on conduct, values and principles of the Company;
- the existing Internal Control System;
- the totality of existing operational powers of attorney and delegations of functions;
- the sanctioning and disciplining system;
- the procedures and protocols adopted by CEFLA pursuant to the Model.

The Model is completed by its attachments, which are an integral part thereof:

- Attachment 1: List of offences and related sanctions in terms of Legislative Decree No. 231/2001
- Attachment 2: Legislative Decree No. 231/2001
- Attachment 3: Risk assessment document
- Attachment 4: Matrix on procedural handling of offences

2.3 Methodological approach

In terms of article 6(2)(a) of Legislative Decree No. 231/2001, the Model ought to preliminarily identify the activities within the ambit of which the offences contemplated by Legislative Decree No. 231/2001 might be committed. Confindustria's Guidelines propose in that connection to conduct an in-depth investigation of the Entity's overall organization, alternatively an in loco inspection of its areas, departments and offices, the associated functions and procedures, and the external entities which in one way or another are related to the Entity itself.

The mapping of sectors "at risk" demands continuous updates in relation to organizational, legislative or market changes which might be faced by the Entity within the context of its own entrepreneurial, institutional and corporate activity.

The job of realizing the Model has accordingly evolved through a number of phases, infused with the fundamental principles of documentability and verifiability of all the activities, so as to enable one to understand and reconstruct every step and operation that has been implemented as well as its congruence with the prescriptions of Legislative Decree No. 231/2001.

Phase I: collation and analysis of all the essential documentation

During that phase, which is aimed at drawing up the supporting documentation and planning the activity of detection, punctual analyses have been carried out on the currently existing documentation:

- organogram;
- statute;
- operating manuals/procedures;
- regulations;

- delegations of functions and powers of attorney.

The said documents have accordingly been examined, with a view to establishing an information platform for CEFLA's structure and operation, as well as the distribution of powers and responsibilities.

Phase II: identification of the activities at risk

A process of identification and analysis of CEFLA's entire activity was engaged in, which specifically aimed at ascertaining both the exact contents, concrete operational methods and distribution of responsibilities and the likelihood that the specific categories of offences set out in Legislative Decree No. 231/2001 might be committed.

The areas exposed to the risk of perpetration of the offences deemed significant by Legislative Decree No. 231/2001 have accordingly been identified and shared through a series of interviews involving a plurality of subjects vested with different responsibilities of a specific nature, in order to enable a joint examination of what had been submitted by the interviewed persons, who were identified as being the subjects responsible for and being in any event best acquainted with operations within any single activity sector. The **utilized method** has consisted in the method of "**Control and Risk Assessment**": the person in charge of every process identified as being sensitive has been asked to assess the frequency and likelihood of witnessing the potential perpetration, in the course of conducting an activity, of unlawful acts of a criminal character, as well as to assess the nature of existing external controls (e.g. those of an organizational type linked to the clear identification and separation of responsibilities and functions; those of a procedural type linked to the formalization of activities into internal rules, etc) and their effectiveness.

The activity areas exposed to the risk of perpetration of offences have been identified as follows:

- Administration area;
- Commercial area;
- Production/Operations Management Area;
- Purchasing Area;
- Staff Management Area;
- Management of Workplace Safety Area;
- Environmental Management Area;
- Other Support Processes.

Detailed mention of the processes which have been analyzed within the single areas, as regards every single offence, is found in the Special Section.

The outcomes of the meetings have been documented through synoptic description cards (which are set out as an attachment headed "Risk assessment document").

The said cards, besides illustrating the contents and operational methods of each organizational unit, capture the concrete risk profiles of the potential offences envisaged by Legislative Decree No. 231/2001. The reason for the existence or otherwise of a risk profile is indicated in respect of each activity.

In order to additionally verify the concrete nature and accuracy of the situation as highlighted in the cards, the same have been subjected to examination and approval on the part of the interviewed subjects.

Phase III: identification and analysis of the current risk monitoring structures

In the course of interviewing the subjects in charge of processes identified as being at risk, the request was put forward to illustrate the operational practices and the concrete and suitable controls in place to monitor the risk thus identified; on the basis of the said assessments, the level of critical exposure (high, medium, low) in terms of effective risk profile as defined by Legislative Decree No. 231/2001 has been determined within the ambit of every process.

The finding of the activity has been documented in the aforesaid description cards.

Phase IV: gap analysis

The risk situation and the related monitoring steps as recorded in the cards have been compared with the needs and requirements laid down by Legislative Decree No. 231/2001, with a view to identifying shortcomings in the current system. Thenceforth, an assessment was conducted, jointly with the subject in charge of the process at risk found not to be sufficiently monitored, as regards the interventions which were deemed most effectively suited to the concrete prevention of the risk possibilities as identified, by further taking into account the existence of operational rules and practices.

With regard to the risk areas as detected, therefore, the appropriate corrective measures for improving the control system and reducing the level of critical exposure have been identified.

Phase V: definition of protocols

A verification exercise regarding the consistency of the existing protocols has been conducted in respect of every operational unit wherein a latent risk has been genuinely found to exist, and, wherever necessary, identification has been made of the need to define a protocol on decision-making setting out the body of regulations which the subject in charge of an operational unit has helped illustrate as being the aptest one to govern the identified risk profile.

The protocols are inspired by the rule of enabling the documentability and verifiability of the various phases in the decisional process, so that one might retrace his steps to the original motivation which steered the decision in question.

The said protocols, as regards the activity spheres deemed to be at risk following due assessment, have to set up specific internal control procedures, such as separation of functions, participation by more than one subject in the same decisional activity, and specific authorization and documentation obligations, in order for them to represent a valid tool to prevent the perpetration of offences. Steps were accordingly taken to define suitable practices/forms of conduct to enable CEFLA to combat the perpetration of offences, including through an allocation of authorization powers in harmony with the allocated tasks and responsibilities.

Each of the aforesaid protocols on decision-making is formally received by the reference operational unit, thereby making the rules on conduct set out therein official and mandatory vis-à-vis whoever might happen to carry out the activity within the ambit of which a risk has been identified.

3. COMPANY ORGANIZATION AND STRUCTURE

3.1 Corporate object

CEFLA Co-operative Society is a worldwide multi-business reality which is orientated towards an ongoing innovation of its products and services. It operates in 4 business areas:

- **SYSTEMS DIVISION:** it plans and realizes complex systems of a civil, industrial and environmental nature, as well as systems for the retrieval and production of energy, including from alternative and renewable sources;
- **FINISHING DIVISION:** it designs and manufactures finishing lines – painting and qualitative transformation – for the markets of wood, glass, plastic, metal and fibre cement;
- **FURNISHING DIVISION:** it designs and manufactures furnishing systems, cash counters, integrated racks, settings and Pop Art designs for points of sale of any format and relating to any type of goods;
- **DENTAL DIVISION:** it designs and manufactures integrated dental treatment centres, multimedia devices, digital radiography devices, sterilization devices as well as related accessories and dynamic instruments aimed at ensuring optimal solutions placed at the service of dental surgeries.

3.2 Company Organs and corporate functions

The company organs are contemplated and set out in the Statute currently in force. Allocation of tasks to the company organs is regulated by law and by Statute.

It is the Administrative Body's prerogative to notify all employed staff of the statute in force. The responsibilities of the company organs, particularly those of the administrative body, are described in detail in the company Statute. The tasks and responsibilities allocated to the other Company Organs are devolved upon in the same fashion.

The organogram is periodically updated by General Management, which avails itself in that regard of the services of Human Resources Management, so as to always ensure a clear formal definition of the tasks allocated to every person within the Company. The organogram enables the identification, at any given time, of the subjects occupying so-called senior management posts and those subjected to their management and supervision. The organogram:

- I) embodies the overall and finalized framework of the Company structure;
- II) specifies the interrelationship of objectives and allocated responsibilities;
- III) records the organizational position of employees.

The organogram enables the identification, at any given time, of the subjects occupying so-called senior management posts and those subjected to their management and supervision.

4. THE SUPERVISORY BOARD (SB)

4.1 The governing legislation

Art. 6 (1) of Legislative Decree No. 231/2001 stipulates that the Entity is not liable for the unlawful conduct if it succeeds in proving:

- that the governing body has adopted and implemented a suitable organizational Model;
- that the task of supervising the operation and due compliance of the said Model and seeing to it that it is updated has been entrusted to a body of the Entity equipped with autonomous powers of initiative and control.

The legislative prescription of a "body of the Entity", together with the remarks made on the issue in the explanatory memorandum to Legislative Decree No. 231/2001, evince the fact that it cannot be possibly identified with a subject external to the Entity itself.

4.2 Pre-requisites of the Supervisory Board

As clarified by Confindustria's Guidelines as well, in order to abide by the legislative norms and to be able to carry out its tasks in the best manner, the Supervisory Board must comply with specific characteristics, namely:

- **stability and continuity.** the Supervisory Board must be established within the company organization on a stable basis, so as to be able to exercise its activity of monitoring and updating the Model in an ongoing manner, by giving effect to all the changes necessitated by any possible transformation of the company activity or organization. It must turn into a constant reference point for all those wishing to report things or request feedback and views about conduct to be engaged in;
- **independence and autonomy.** the Supervisory Board must be able to carry out its functions based on an independent judgment and autonomous initiative and operation, so as to be able to supervise the implementation of the model on the part of the Entity's top executive organs as well. The said characteristics presuppose a Supervisory Board which is located, within the company organogram, in a hierarchically high position, and which reports exclusively to the very top echelons of the company (Chairman, Vice-Chairman, Board of Directors), while its members are detached from the operational management of the Entity;
- **professionalism.** it is necessary to ensure the concrete possibility of the Supervisory Board operating within a context which calls for ability to assess and manage risks as well as for expertise and know-how in the field of analysis of procedures, company organization and control, and professional conduct;
- **integrity.** the members of the Supervisory Board must meet the requirements of moral authority and integrity.

4.3 Appointment and composition of the Supervisory Board

By virtue of CEFLA's specific corporate reality, on 22th May 2014, Cefla's General Shareholders meeting ratified the previous Board of Directors's resolution by assigning the role of Supervisory Board to a collegial body.

Therefore General Shareholders, pursuant to such resolution, officially established its Supervisory Board with the appointment of the members.

The members of the Board have been accordingly identified as follows:

- an internal member, in charge of the Legal Affairs Office;
- an internal member, in charge of the Internal Control Office or an equivalent function,
- an outside professional, vested with responsibilities in the field of management control functions (e.g. a member of the Board of Auditors).

The decision to opt for such a composition has been determined by the fact that the aforesaid subjects have been deemed to be the fittest ones to take up the role of Supervisory Board, given that, besides meeting the requirements of autonomy, independence, professionalism and continuity of action which are demanded by that function, and being endowed with specific capabilities in the field of monitoring and consultative activities, they likewise possess those formal subjective requirements, such as honourability and lack of conflicts of interests or kinship relationships with the company organs and top echelons, which further ensure the autonomy and independence the task allocated to it calls for.

The following **grounds of incompatibility or removal** from office are accordingly envisaged:

- finding oneself in the conditions envisaged by article 2382 of the Civil Code, namely, legal interdiction, incapacitation, insolvency or conviction for an offence which entails the legal interdiction, albeit a temporary one, from public offices, or the incapacitation from holding managerial posts;
- being members of the Board of Directors or chief executive officers of CEFLA or the Independent Audit Firm tasked with auditing the company, pursuant to the applicable legislation, or auditors mandated by such Firm to carry out auditing functions;
- having marriage, kinship or affinity relations, up to the fourth degree, with the subjects referred to in the preceding sub-paragraph;
- having entertained, over the last two years, relationships of work as independent contractors or employees with entities with which, or against which, it is possible to commit the offences and unlawful facts referred to in Legislative Decree No. 231/2001;
- directly or indirectly entertaining economic relationships with CEFLA, with its subordinates or parent company, with its executive directors, which are of such a relevance as to adversely impact on the exercise of independent judgment or to jeopardise independence.

Any removal from the function or post occupied by one of the Supervisory Board's members necessarily entails an assessment by the Board of Directors of whether he should be replaced within the Supervisory Board.

The Supervisory Board's members shall have to meet the requirements of integrity stipulated by CEFLA in respect of all directors, and must not have been convicted, even on a suspended basis, of one of the offences set out by Legislative Decree No. 231/2001.

Prior and subsequently to the interested person being installed in office, the Board of Directors shall periodically assess the continuing fulfilment of the aforesaid requirements on

the part of the Supervisory Board's members. The supervening failure to fulfil any one of them, as well as the emergence of grounds of incompatibility, during the currency of the mandate, shall entail the removal from membership of the Supervisory Board, whereupon the Board of Directors shall timely attend to the appointment of the vacant member in conformity with the principles set out here above.

The members of CEFLA's Supervisory Board's **hold office for 3 budgetary years and can be re-elected, while its members can only be removed by the Board of Directors for a just cause.** In the latter event, the Board of Directors shall timely attend to the replacement of the member thus removed.

The Supervisory Board ceases to operate upon the revocation of the mandate from all its members. In that event, the Board of Administrators shall timely attend to its re-establishment.

Having paid regard to the allocated tasks and responsibilities, as well as the specific professional know-how which is requested, the Supervisory Board can avail itself of support from other internal functions and also from external consultants.

The fee allocated to the Supervisory Board's members is set by the Board of Directors at the time of appointment and stays unchanged throughout the term of office.

The Board of Directors approves, on an annual basis and pursuant to the Supervisory Board's suggestion, the estimate of all the expenses, including those of extraordinary character, which are necessary for carrying out the supervisory and monitoring activity envisaged by the Model, as well as the statement of expenditure for the previous year.

4.4 Tasks and operational rules of the Supervisory Board

4.4.1 The regulatory framework

With regard to the Supervisory Board's tasks, article 6(1)(b) of Legislative Decree No. 231/2001 stipulates that it should:

- supervise the operation and due compliance of the Model;
- attend to its updating.

With regard to the pre-requisites of the Supervisory Board, the selfsame legislative provision stipulates that it should be equipped with autonomous powers of initiative and control.

4.4.2 Tasks and powers of the Supervisory Board

The following are the **functions and tasks** which are allocated by the Board of Directors to the Supervisory Board:

- assessing the suitability and adequacy of the Model in relation to the specific activities carried out by the Entity and its organization, with a view to averting the perpetration of the categories of offence to prevent which the Model has been introduced;
- monitoring the concordance of the conduct concretely engaged in within the Entity with what the Model envisages, by highlighting any discrepancy so as to possibly introduce changes which bring it in line with the activities factually undertaken;
- seeing to the task of updating the Model by ascertaining any possible change to the company conditions and by analysing the effectiveness and functionality of the proposed amendments.

In order to carry out the said tasks, without hereby attempting any exhaustive list of the activities to be undertaken, the Supervisory Board shall have to:

- monitor and interpret the relevant legislation and ascertain the adequacy of the Model in respect of such legislation, by reporting to the Board of Directors the potential intervention areas;
- formulate proposals on the need to update and adjust the adopted Model;
- ensure, with help from the competent company structures, due maintenance and updating of the system of identification, mapping and classification of the areas at risk, for the sake of monitoring activities;
- elaborate the findings of the monitoring activities in the light of the verification exercises which have been conducted;
- report to the Board of Directors news of any possible breach of the Model;
- draw up periodical information reports to the Board of Directors and the Board of Auditors, as detailed in paragraph 3.4.4. hereunder;
- monitor the initiatives aimed at disseminating the Model and making it known, as well as those aimed at ensuring the flow of information to the Supervisory Board.

With regard to the specific task of monitoring and updating the Model, the Supervisory Board shall subject it to two kinds of periodical verifications:

- **verifications of the acts:** a verification of the main company acts and of the most significant contracts concluded by CEFLA within the ambits of activities at risk;
- **verifications of the practices/procedures:** a verification of the effective operation of the Model and related procedures, consonantly with the professional standards envisaged by CEFLA.

The said verifications pay regard to any feedback which might be received and the outcomes of interviews to be conducted with addressees of the Model.

Without derogating from the internal supervisory functions stipulated by law, the activities undertaken by the Supervisory Board cannot be entrusted to the control of any other company body or structure.

The members of the Supervisory Board shall have to comply with their duties with the due diligence of an agent and are responsible for the veracity of their assertions.

In order to comprehensively discharge its functions, the Supervisory Board shall have to:

- be endowed with adequate financial means to carry out the supervisory and monitoring activity stipulated by the Model. In that regard, the Board of Directors annually approves, pursuant to the Supervisory Board's suggestion, the estimate of expenditure for a current year as well as the statement of expenditure pertaining to the previous year;
- be equipped with powers to request and acquire data, documents and information from and to every level or sector of CEFLA;
- be equipped with powers to investigate, inspect and ascertain conduct (if need be by questioning staff on a guaranteed confidential and anonymous basis), as well as to propose possible sanctions against the subjects who have failed to abide by what is stipulated in the Model.

All documentation pertaining to the activity carried out by the Supervisory Board (feedback, information, inspections, verifications, reports and so on) shall be stored for a period of 5 years at least (without that derogating from any additional filing obligations as prescribed by specific legal rules) in an apposite archive, access to which shall be the exclusive prerogative of members of the Supervisory Board.

4.4.3 Operational rules

The Supervisory Board thus established shall attend to the task of **drawing up its own operational rules in the form of a specific set of regulations**, which has to be in line with the principles taken into account in the formulation of the Model and the implementation of the company activities.

It shall be the prerogative of the Supervisory Board itself to attend to the appointment, from among its members, of a member vested with the functions of Chairman and another member vested with the functions of Secretary.

When absent or incapacitated, the Chairman shall be replaced in respect of all his tasks by the eldest member of the Board.

The Supervisory Board shall meet at least once per semester, by the Chairman convening the same.

It shall be additionally convened by the Chairman whenever he deems it necessary, at the scheduled place, pursuant to an apposite notice sent to all the members, as well as upon request by even a single member thereof or upon request by other company organs such as the Board of Auditors or the Board of Directors.

Convening the Board shall take place, save in urgent cases, by means of a written notice setting out the items on the agenda and accompanied by whatever information is necessary for the debate.

The Chairman and the Secretary shall draw up and sign the minutes of the meetings, which shall then be chronologically filed under the care of the Secretary.

The validity of resolutions shall depend upon the presence of a majority of the members in office.

The resolutions shall be adopted by an absolute majority of votes. In the event of an equal vote either way, the vote of the person chairing the meeting shall prove decisive.

Unjustified absence from more than two consecutive meetings shall entail removal from office.

Participation in the meetings of the Supervisory Board, in the capacity of informers and consultants, shall extend to other subjects (members of the Board of Auditors, Independent Auditors etc) whenever they are expressly invited by the Supervisory Board.

4.4.4 Relationships between the Supervisory Board and the Company Organs

While duly abiding by the principles of autonomy and independence, it is necessary, so as to enable the Supervisory Board to express maximum operational effectiveness, to establish **specific channels of communication and adequate mechanisms of collaboration between the Supervisory Board and the other Company Organs** of CEFLA.

To that end, the Supervisory Board shall submit a report to the Board of Directors and to the Board of Auditors:

- in the aftermath of a particularly significant meeting, upon the Chairman's suggestion, as regards the activity undertaken;
- annually, as regards the state of implementation of the Model, by highlighting the verification and monitoring activities which have been carried out, the outcome of such activities, any shortcoming of the Model which might have emerged, and suggestions on actions which might be engaged in. On that occasion, the Supervisory Board shall likewise submit the annual plan of verification exercises it has drawn up for the following year.

The Supervisory Board might request that it be consulted upon by the Board of Directors whenever it deems it necessary that an examination be conducted or an intervention be made by the said organ in respect of issues pertaining to the operation and effective implementation of the Model.

The Supervisory Board might in turn be convened at any given time by the Board of Directors and by other Company Organs in order for it to report on specific events or situations relating to the operation of the Model and due compliance with it.

In order to ensure an effective flow of information, the Supervisory Board has the additional opportunity, for the sake of fully and correctly exercising its powers, to ask for clarifications or information on the part of the Chairman directly.

4.4.5 Flow of information towards the Supervisory Board

As part of the requirements the Model is called upon to fulfil, Legislative Decree No. 231/2001 makes mention of establishing information obligations vis-à-vis the Supervisory Board.

The flow of information relates to the entire spectrum of information and documents which must be brought to the knowledge of the Supervisory Board, consonantly with what the protocols stipulate, on the part of the Addressees of the Model and/or the Functions concerned.

More specifically:

- a) **obligations to report infringements** resting on all the Addressees of the Model;
- b) **obligations to provide information relating to official acts** resting on the Addressees of the Model and/or the Functions concerned.

The following stipulations apply to sub-paragraph a):

- the feedback shall have to be in writing and in other than an anonymous form;
- the Supervisory Board shall assess all the feedback it has received and take resultant initiatives at its own reasonable discretion and under its own responsibility, by possibly listening to the source of the feedback and/or the person responsible for the alleged breach, and by motivating in writing any possible refusals to proceed with an internal investigation;
- the Supervisory Board shall guarantee the persons providing the feedback against any form of retaliation, discrimination or punishment, by further ensuring that the identity of the person supplying any such feedback shall remain confidential, without that derogating from any legal obligations or from the need to protect the rights of the Company or individuals who have been accused erroneously or in bad faith.

In order to facilitate the flow of feedback and information to the Supervisory Board, the establishment of specific information channels is envisaged.

The Supervisory Board shall have to be kept abreast, through apposite feedback, by employees, company organs and collaborators, in respect of events which might give rise to the Company's liability in terms of the Decree.

In particular, the Addressees shall be obliged to forward to the Supervisory Board any feedback pertaining to the perpetration, or belief in the reasonable likelihood of the perpetration, of Offences by employees and collaborators they have become acquainted with.

The feedback shall have to reach the Supervisory Board other than in an anonymous form, by sending it to the e-mail address specifically set aside for that purpose (odvsegnalazioni@cefla.it). The persons submitting feedback in good faith shall have to be guaranteed against any form of retaliation or punishment, without that derogating from any legal obligations or from the need to protect the rights of the Company or individuals who have been accused erroneously or in bad faith.

In the event that an employee wants to provide feedback on an infringement (or an alleged infringement) of the Model, he might report it to his direct superior. In the event that the report fails to yield any result, or the employee feels uncomfortable about approaching his direct superior so as to submit his feedback, he might report the matter directly to the Supervisory Board. The collaborators, as far as their activity undertaken with or on behalf of the Company is concerned, shall have to submit a report directly to the Supervisory Board.

The Supervisory Board shall assess the feedback received and any resultant measure which might apply to the specific case in conformity with what is stipulated by the sanctioning system.

The Supervisory Board shall collect any possible feedback, including that received from third parties (such as for instance clients' complaints, which relate to the infringement/suspected infringement of the Model or more generally to forms of conduct which are out of line with the rules on conduct adopted by CEFLA.

With regard to paragraph b) here above, the following information shall have to be promptly forwarded to the Supervisory Board:

- the system of delegated functions and the organogram as it might be in force from time to time;
- the provisions and/or the news emanating from organs of the Judicial Police or from any other Authority, from which one evinces that investigations, including investigations against unknown persons, are underway in respect of the offences set out in Legislative Decree No. 231/2001 which have been committed in CEFLA's interest or for its benefit;
- the commencement of judicial proceedings in respect of the offences referred to in Legislative Decree No. 231/2001;
- every record/document relating to public financing which the Company might have received;
- the summary reports drawn up in pursuance of public tenders or private negotiations with Public Entities;

- the reports which might have been drawn up by the persons in charge of company functions within the ambit of their activities from which one might evince facts, acts, events or omissions having critical risk profiles as regards due compliance with Legislative Decree No. 231/2001;
- the organizational and prescriptive interventions aimed at ensuring the effective adoption of the Model at all company levels;
- the news pertaining to pending disciplinary proceedings and to any sanctions which might have been imposed, alternatively, the decision to close any such file, together with the relevant motivations.

5. DELEGATED AND ORIGINAL POWERS

The managers' powers are identified in the Company Statute and the relevant resolutions of the Board of Directors.

The formal provisions allocating to CEFLA's staff powers and/or authorizations to operate within the ambit of their functions are set out in the resolutions of the Board of Directors and in the powers of attorneys or delegations of functions which apply within the specific activity areas.

A power of attorney is the act by which a persona (either physical or juristic) confers on another persona the power to represent it, as expressly stipulated by the Civil Code, in issues pertaining to representation, and which is normally authenticated by a notary, who verifies the signature and powers of the signatory.

A **power of attorneys** manifests in the power of the delegated person to represent the company with regard to the undertaking of some activities; it might be either general (in that its object consists in undertaking one or more juridical acts and extends to all the business dealings of the represented subject, alternatively to an entire category of business dealings) or specific (in that it is conferred on an ad hoc basis in respect of specific acts only), and it has effective force vis-à-vis outsiders.

The document which specifies the delegated powers and related autonomies is signed by the Chairman and is authenticated by the notary, who attends to the necessary formalities. The power of attorney specifies the spending powers, the signing powers, the activities which might be undertaken, and any possible legal representation in judicial proceedings.

A **delegation of functions** is the formalization (other than in notarial form as a rule) of a mandate to carry out an activity within the delegating company's organization.

The essential requirements of the system of delegations of functions, as regards the objective of effectively preventing offences, are the following:

- all those who entertain relationships with the Public Administration on the Company's behalf shall have to be equipped with delegated functions for that purpose;
- the delegations of functions shall have to be consistent with the position occupied by the delegated subject within the organogram and with the responsibilities allocated to him, and shall have to be constantly updated so as to bring them in line with organizational changes;
- each delegation shall specifically define:

- the powers of the delegated person;
- the subject to whom the delegated person hierarchically reports;
- the managerial powers conferred, consistently with the company objectives;
- the spending powers, consistently with the functions conferred.

The essential requirements of the system of powers of attorneys, as regards the objective of effectively preventing offences, are the following:

- the general powers of attorneys are exclusively conferred on subjects equipped with a delegation of functions and must be consistent with the functions thus delegated;
- the general powers of attorneys specify the powers conferred and are accompanied by an apposite company notice setting out the scope of extension of the powers of representation and the applicable numerical ceilings;
- the methods of updating the powers of attorney are specified in a separate procedure.

6. DISSEMINATION OF THE MODEL AMONG STAKEHOLDERS

For the sake of an effective implementation of the present Model, it is necessary to **ensure a correct knowledge and dissemination of the rules on conduct** set out therein as apply to both employees and collaborators. Such an objective concerns the whole spectrum of company resources, whether pre-existing or to be introduced in future. The level of training and information is actualized at different levels of particularization, depending on the different level of involvement in sensitive activities on the part of the resources themselves.

Hereunder we set out the activities identified as being necessary for a correct and exhaustive notification of the Model to CEFLA's employees and collaborators and for their training.

a) Supply of information and training as regards employees

- Dissemination of the Model (if possible on the Company's website) and notification to all the employees of the factual adoption of the Model pursuant to Legislative Decree No. 231/2001:
 - In electronic form and/or paper form
 - Escorted by an acknowledgment of receipt and acceptance
- Notification to all the employees of the operational parts of the model which are of interest to them
- Delivery to new employees of an appropriate memo informing them of the adopted Model (e.g. a specific memo to be handed along with other documentation upon their employment)
- Training activity aimed at disseminating knowledge of the governing legislation referred to in the Decree, which shall be separately structured, in terms of its contents and the methods of its implementation, in accordance with the specific qualification of the different addressees, the risk level attaching to the areas in which they operate, and whether or not they exercise functions of representation of the company (training for employees operating in a managerial capacity, training for employees who do not operate in a managerial capacity)

b) Supply of information and training as regards collaborators/professional assistants

- Notification to all the subjects/partners who entertain with CEFLA contractually regulated relationships (e.g. conventions, framework contracts of purchase etc) of the factual adoption of the Model.
- The insertion, within every contract of supply, service and consultancy (within the main body of the text or as an attachment), of an acknowledgment of due cognizance of the provisions of Legislative Decree No. 231/2001 and the stipulations of the Model together with a commitment to abide by it.

7. GENERAL RULES ON CONDUCT WHICH APPLY TO THE ADDRESSEES

All the Addressees of the Model shall refrain from engaging in conduct which has the potential to facilitate one of the specific types of offence envisaged by Legislative Decree No. 231/2001. When carrying out their own work activities, moreover, they shall abide by:

- CEFLA's values and principles;
- the provisions of the Model, in particular the present general provisions and the specific provisions set out in the special section;
- the procedures and protocols adopted.

The subjects occupying senior management posts shall give due effect to their respective functions in compliance with the delegated functions and the powers conferred on them, and shall further give due effect to:

- the provisions of the Statute;
- the resolutions of the Board of Directors.

The subjects occupying senior management posts, as well as those in responsible positions, shall additionally have to constantly and scrupulously comply with the obligations of management and supervision resting in them on account of the position each one of them occupies.

The subjects who are under someone else's management or supervision shall carry out CEFLA's operating instructions and provisions, so long as they conform to the law in force and do not conflict with the contents of the Model.

8. DISCIPLINARY SYSTEM

8.1 General principles

In order to assess the effectiveness and suitability of the Model in preventing the offences listed by Legislative Decree No. 231/2001, it is necessary that the Model should identify and sanction the forms of conduct which might facilitate the perpetration of offences. That is so given the fact that article 6(2) of Legislative Decree No. 231/2001, when setting out the elements to be found within the models drawn up by a business, expressly stipulates under sub-paragraph e) that the business is bound to "***introduce a disciplinary system which is fit to sanction non-compliance with the measures set out in the model***".

More specifically, the said system specifies the sanctions and their methods of implementation which apply to the subjects (employees or third parties) who are responsible for unlawful conduct or for any infringement of the rules set out in the documents which the Model consists of.

CEFLA, consistently with the National Collective Agreement as applied, envisages a gradual approach to the applicable sanctions commensurately with the different levels of danger which the conduct in question might pose as a result of the perpetration of offences, as well as, subordinately, an approach which pays due regard to the principle of proportionality between the instance of non-compliance ascertained and the sanction imposed for it.

The disciplinary System, once the potential infractions have been identified, proceeds to specify the applicable types of sanctions, which are distinguished on the basis of the category under which the subject responsible for the unlawful conduct falls, regard having been paid to the applicable legal norms governing work relationships, particularly the following:

- National Collective Agreement governing Metal Sector employees vested with other than managerial functions;
- National regulatory and economic agreement governing managers of industrial companies which are members of Confindustria;
- Article 7 of Law No. 300 of 20 May 1970 (Workers' Statute), headed "Disciplinary Sanctions";
- Law No. 604 of 15 July 1966 (Rules on individual dismissals);
- Article 2104 of Chapter V of the Civil Code, headed "Diligence on the part of employees"; article 2104 thereof, headed "Duty of loyalty"; article 2106 thereof, headed "Disciplinary Sanctions"; articles 2118-2119 thereof, headed "Dismissal with or without notice"; article 2392 thereof, headed "Liability (of Directors) to the Company"; art. 2407 thereof, headed "Liability (of Auditors)"; article 2409 thereof, headed "Lodging a complaint with the court"; and article 2409F thereof, headed "Liability (of auditors and Independent Audit Firm)";

The formulation, through a disciplinary system, of a system of sanctions (commensurate with the infringement and endowed with deterring effect) which are applicable to the rules set out in the present Model, lends effectiveness to the supervisory action of the Supervisory Board and has as its goal the effectiveness of the Model itself.

By virtue of the aforesaid principles, the disciplinary power referred to in Legislative Decree No. 231/2001 is exercised, pursuant to a resolution of the Board of Directors, in accordance with the procedures and methods envisaged by the disciplinary system currently in force.

8.2 Sanctions applicable to employees

a) WRITTEN REPRIMAND arising from:

breach of the internal procedures laid down in the present Model (such as, for instance, non-compliance with prescribed procedures, failure to notify the Supervisory Board of the prescribed information, etc), or the adoption, while carrying out the activities at risk, of conduct in conflict with what is stipulated by the Model itself.

b) FINE NOT EXCEEDING THE EQUIVALENT OF 4 HOURS OF PAY, arising from:

repeated breach of the internal procedures laid down in the present Model, or the repeated adoption, while carrying out the activities at risk, of conduct in conflict with what is stipulated by the Model itself.

c) SUSPENSION FROM REMUNERATION AND FROM SERVICE FOR A MAXIMUM OF 10 DAYS, arising from:

breach of the internal procedures laid down in the present Model, and exposing the Company to objective situations of danger through the adoption, while carrying out the activities at risk, of conduct in conflict with what is stipulated by the Model itself.

d) DISMISSAL AS A DISCIPLINARY MEASURE, arising from:

- the adoption, while carrying out the activities at risk, of a conduct in conflict with what is stipulated by the Model which is exclusively aimed at the perpetration of an offence sanctioned by the Decree;
- the adoption, while carrying out the activities at risk, of a conduct in breach of the stipulations of the present Model which is such as to result in the imposition on the Company of sanctions envisaged by the Decree, alternatively, in the production of a significant damage.

The application of the disciplinary system and related sanctions operates independently of the outcome of criminal proceedings pertaining to offences set out in Legislative Decree No. 231, inasmuch as the rules on conduct laid down by the "model" are enacted by CEFLA with full autonomy and independence from any judicial finding on the offences which arise from a breach of the Model.

8.3 Sanctions applicable to managers, directors, external collaborators and professional assistants

In the event of non-compliance with what is stipulated by the Model, the following sanctions shall apply commensurately with the seriousness of the infringements:

a) Sanctions applicable to managers

In the event of breach of the internal procedures stipulated by the present Model, or the adoption, while implementing activities in the areas and functions at risk, of a conduct in conflict with what the Model itself stipulates, such deviations shall be dealt with through the measures which are deemed most fit to sanction the specific transgressions, consonantly with the provisions of the National Collective Agreement applicable to the Company Managers.

b) Sanctions applicable to directors

In the event of breach of the Model on the part of the Company Directors, the Supervisory Board shall be bound to notify the Board of Directors and the Board of Auditors thereof at once, whereupon the said two Boards shall attend to the task of imposing the appropriate sanctions prescribed by the applicable legislation.

c) Sanctions applicable to External Collaborators and Professional Assistants

Every conduct engaged in by External Collaborators or Professional Assistants which conflict with the guidelines on conduct set out in the Model and which is such as to entail the risk of perpetrating an offence set out in the Decree, might occasion, pursuant to what is envisaged by the clauses included in the employment contracts /letters of appointment, the termination

of the relationship and a possible claim for the compensation of damages wherever, as a result of such conduct, the Company suffers the imposition on it of sanctions.

SPECIAL SECTION

FUNCTION OF THE SPECIAL SECTION

The Special Section sets out, as regards each type of offence which the Company deems relevant, the sensitive activity areas, according to the classification methods as adopted internally.

More particularly, the aim of the present Special Section is to indicate:

- the procedures which the Addressees of the Model are called upon to comply with so as to correctly apply the Model;
- the guidelines on conduct which the Addressees of the Model are called upon to comply with so as to prevent the perpetration of such offences.

The relevant categories of offences do not include personality infringements, offences involving terrorism or subversion of democracy, or market abuse offences, inasmuch as the analysis carried out has evinced that the same cannot be factually perpetrated within the ambit of CEFLA's activities.

1. OFFENCES AS DEFINED BY LEGISLATIVE DECREE No. 231/2001 WITHIN CEFLA

1.1 Corporate offences

1.1.1 TYPES OF OFFENCES

The present paragraph relates to offences falling within the categories envisaged by article 25C of Legislative Decree No. 231/2001, as limited to those instances which might be legitimately conceived of within CEFLA.

A) FALSE DECLARATIONS IN NOTICES, PROSPECTUSES AND REPORTS

- Article 2621 of the Civil Code - False company notices
- Article 2622 of the Civil Code - False company notices to the detriment of the company, the shareholders or the creditors

Definition of the offences:

- Untrue declarations in financial statements, reports and company notices, or withholding obligatory information pertaining to the Company's economic, patrimonial and financial state with the intent to deceive the shareholders or the public.

B) PROTECTING THE SHARE CAPITAL FROM CRIMINAL CONDUCT

- Article 2626 of the Civil Code – Unlawful return of capital
- Article 2627 of the Civil Code – Illegal distribution of profits and reserves
- Article 2628 of the Civil Code – Illegal transactions involving shares of the company or its parent company
- Article 2629 of the Civil Code – Transactions to the detriment of creditors
- Article 2632 of the Civil Code – Fictitious capital formation

Definition of the offences:

- The offences in question are committed in the event of restitution, including a simulated one, of capital quotas to shareholders, releasing shareholders from the obligation to make capital subscriptions other than in a scenario of legitimate capital reduction, or possible distribution of profits or advances on profits not actually achieved or required by law to be set aside for reserves.

C) PROTECTION OF COMPANY OPERATION FROM CRIMINAL CONDUCT

- Article 2625 of the Civil Code – Obstruction of inspection
- Article 2636 of the Civil Code – Exercise of illegal influence on the assembly

Definition of the offences:

- The unlawful conduct arises in the event that assembly majorities are brought about through the perpetration of simulated or fraudulent acts.
- Obstruction, through acts or omissions, of the implementation of monitoring or auditing activities lawfully allocated to the shareholders, to other company organs, or to the Independent Auditors.

D) PROTECTION OF SUPERVISORY FUNCTIONS FROM CRIMINAL CONDUCT

Article 2638 of the Civil Code – Obstructing the exercise of functions by the public supervisory bodies

Definition of the offence:

- Disclosing in notifications facts which do not faithfully reflect the economic, patrimonial and financial state of the Company, or withholding facts about such state which ought to have been communicated.
- Omission of obligatory notifications.

E) CORRUPTION AS BETWEEN PRIVATE INDIVIDUALS

Article 2635 of the Civil Code – Corruption as between private individuals

Definition of the offence:

- Giving or promising money or some other utility to Directors, General Managers, Managers tasked with drawing up the company’s accounting documents, members of the Company Organs, or subjects under their management or supervision, in exchange for acts on their part in breach of the obligations associated with their posts or their obligations generally, which are such as to accrue to the detriment of their company.

1.1.2 PROCESSES AT RISK

CEFLA’S activity areas which are more specifically at risk relate to the category of corporate offences, which consist in the following:

<u>Activity area</u>	<u>Process</u>
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Administration area	<ul style="list-style-type: none"> - Drawing up and approving the draft budget - Active invoicing cycle - Passive invoicing cycle - Financial management - Treasury and cash management - Donations and sponsorships
Commercial area	<ul style="list-style-type: none"> - SYSTEMS DIVISION: Analysis and management of private sector tender procedures - FINISHING/FURNISHING/DENTAL DIVISION: Commercial activity and definition of offers involving private entities
Production/Operational area	<ul style="list-style-type: none"> - SYSTEMS DIVISION: Planning and management of productive activities, variant appraisals and work progress reports
Purchasing Area	<ul style="list-style-type: none"> - SYSTEMS /FINISHING/ FURNISHING/ DENTAL/CORPORATE DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates
Staff Management Area	<ul style="list-style-type: none"> - Administrative management of staff - Managing reimbursement of costs - Staff training
Other support processes	<ul style="list-style-type: none"> - Management of litigation - Managing relationships with monitoring bodies

1.1.3 GUIDELINES ON CONDUCT

The Addressees of the Model are called upon to:

- conduct themselves in a correct, transparent and collaborative manner, in compliance with the law and with the internal company procedures, in all the activities which aim at elaborating the financial statement and other company notifications, so as to supply shareholders and third parties with truthful and correct information on the economic, patrimonial and financial state of the Company;
- strictly abide by the provisions of the law enacted for the sake of safeguarding the integrity and effectiveness of the share capital, lest guarantees in favour of creditors and third parties generally are undermined;
- ensuring the due operation of the Company and the company organs, by empowering and facilitating every form of internal control over the corporate management stipulated by law;
- timely and correctly carrying out in good faith all the notifications prescribed by law and by the applicable regulations to the Supervisory Authority, by refraining from interposing

any obstacle to the exercise of supervisory functions on the part of such authority. In its purchasing policies, CEFLA pursues the objective of the procurement of products, materials, works and services, at the most favourable conditions in terms of price/quality ratio. The said objective should nevertheless be combined with the need to establish relationships with suppliers which are capable of ensuring operational methods that are compatible with respect for human rights, workers' rights and the rights of the environment.

CEFLA's divisions, while inclining to the establishment of stable relationships, periodically review their own list of suppliers with a view to rationalizing it and increasing both economy and effectiveness. No potential supplier meeting the necessary requirements should be precluded from the opportunity to compete in offering its own products/services as regards all the supplies. Even in respect of contracts of work and consultancy, the motivations behind a choice and the remarks on the price offered should be reasonably and adequately formalized and documented in conformity with what the company procedures stipulate. The persons tasked with purchasing should refrain from accepting any gift or other utility which might give rise to embarrassment, affect their choices or instil the doubt that their conduct lacks transparency or impartiality; permission is granted for the receipt of gratuities of modest value based on customary practices and in line with company prescriptions.

A) UNTRUTHFULNESS IN NOTIFICATIONS, SUMMARIES AND REPORTS

By way of a non-exhaustive illustration, it is particularly forbidden to:

- represent or forward for the eventual formulation and representation in financial statements, reports and summaries or some other company notifications, false or incomplete data or, generally, data on the economic, patrimonial and financial state of the Company which do not reflect reality;
- omit data and information prescribed by law on the economic, patrimonial and financial state;
- illustrate the utilized data and information in such a manner as to make a presentation that is discordant with the actual judgment that has been formed on the economic, patrimonial and financial state of the Company and on the evolution of its activity, as well as on the financial instruments and related rights.

Relationships with the shareholders

CEFLA operates in such a manner as to ensure that participation by the shareholders in the decisions entrusted to them is widespread and consciously aware, and that equal information opportunities are acknowledged in favour of all of them.

Any act, whether simulated or fraudulent, which aims at influencing the will of the participants in shareholders meetings so as to bring about the irregular creation of a majority and/or a different resolution from the one which might have otherwise been produced in the absence of such action, shall be forbidden.

The company organs

The activity of the Company Organs is imbued with the principle of full compliance with the rules laid down by the Company Statute, by the Statutory Regulations of the Company, and by the national and EC legislation in force. On the occasion of verification exercises and inspections conducted by the competent Public Authorities, the company organs, its

members and its employees in charge of functions shall have to deliberately make themselves available and adopt a collaborative attitude without obstructing the functions exercised by the supervisory and monitoring organs.

The administrative bodies – Duties resting on individuals

CEFLA's Directors are forbidden to voluntarily engage in any conduct with the potential to damage the integrity of the company assets or accrue to the detriment of creditors.

Transparency, completeness and confidentiality of the information

CEFLA condemns any conduct, regardless of the identity of the person engaging in it, which is aimed at tampering with the correctness and truthfulness of the data and information set out in the financial statements, in the reports and in the other company notifications stipulated by law and addressed to the shareholders or the stakeholders generally. CEFLA accordingly binds itself to manage the flow of information towards the stakeholders in such a manner as to ensure that it fulfils the requirements of truthfulness, completeness and accuracy, also with regard to the data of a financial, accounting or managerial nature. CEFLA likewise ensures the confidentiality of the information in its possession, by setting out and continuously updating the specific procedures for the protection of information as demanded by the legal rules in force in the field of processing personal data.

All those persons who, in the exercise of their work-related duties, find themselves in possession of confidential information and data, are called upon to use such data solely for purposes countenanced by the existing law.

Suppliers and external collaborators

CEFLA requests that its suppliers and external collaborators duly abide by the reference ethical principles set out in the present document.

In its choice of suppliers, CEFLA, while operating for the sake of securing a maximum competitive advantage, takes into account, in addition to economic convenience, also the technical/economic capacity of its contracting parties, by making an overall assessment of their reliability in relation to the specificities of the performances to be rendered.

The relationships with suppliers and external collaborators shall have to be always regulated (save for the instances contemplated by the company procedures) by specific contracts aimed at attaining maximum clarity in the regulation of the relationship.

Conferment of professional mandates

CEFLA adopts criteria for the conferment of professional mandates which are imbued with the principles of competence, economy, transparency and correctness.

More specifically, all the fees and/or the sums disbursed for any cause whatsoever to the conferees of professional mandates shall have to be adequately documented and be generally commensurate with the activity undertaken, even in the light of the prevailing market conditions.

B) PROTECTION OF THE SHARE CAPITAL FROM CRIMINAL CONDUCT

Transactions involving the share capital

All the transactions which, even indirectly, might affect CEFLA's share capital, such as the distribution of profits and reserves, the purchase or cession of shareholding quotas or

company branches, transactions involving mergers, demergers or reverse mergers ², shall have to be carried out in due compliance with legal provisions, Corporate Governance rules, and the company procedures aimed at protecting the integrity and effectiveness of the company's share capital and assets, so as to safeguard the guarantees of clients, creditors and third parties in general.

More specifically, by way of a non-exhaustive illustration, it is forbidden to:

- return capital to shareholders or release them from the obligation to make capital contributions, other than in those instances of legitimate reduction of the share capital;
- carry out reductions of the share capital, mergers or demergers, in breach of the legal provisions protecting creditors, thereby occasioning a damage to them;
- distribute profits or advance profits on profits which have not been actually realized or are required by law to be set aside as reserves;
- buy or underwrite shares of the Company outside the instances contemplated by law, with the result of damaging the integrity of the share capital;
- engage in the formation and/or any fictional increases of the share capital by issuing shares below their nominal value at the time of increasing the share capital.

C) and D): PROTECTION OF COMPANY OPERATION FROM CRIMINAL CONDUCT - PROTECTION OF SUPERVISORY FUNCTIONS FROM CRIMINAL CONDUCT

More specifically, by way of a non-exhaustive illustration, it is forbidden to engage in conduct which materially prevents, through the occultation of documents or the use of other fraudulent means, or more generally obstructs the monitoring and reviewing activities of the Board of Auditors and the Independent Auditors.

As regards the choice of **Independent Auditors**, it shall be necessary to contemplate the following:

- the assessment by the Supervisory Board of the proposals put forward by the Independent Auditors with a view to securing for themselves the relevant mandate, and the formulation by the Board of Directors of a view regarding the proposed conferment of a mandate, which view the Board shall have to submit to the Assembly;
- the systematic and timely notification to the Supervisory Board of any other mandate which might be conferred on the Independent Auditors, as well as any additionally significant news pertaining to the relationship between CEFLA and the Independent Auditors;
- the examination of the proposed conferment on the Independent Auditors, or any other subjects which entertain ongoing relationships with them, of mandates involving other than independent audit, which shall nevertheless have to fall within the scope of mandates allowed by the applicable norms, and its potential submission for approval to the Board of Directors, once the Board of Auditors has provided its input.

² discorporations.

CEFLA's directors shall likewise have to avoid situations characterized by a conflict between their personal interest and CEFLA's interest, being in fact under a general duty to give notice, according to the formalities prescribed by law, of any conflicting interest which they might have, personally or on behalf of third parties, in certain specific company transactions.

As regards the relationship with **the Supervisory Authorities** (e.g. Legacoop), the following are included among the significant activities:

- drawing up and forwarding the periodical information required by law and by the rules and regulations in force;
- drawing up and forwarding any other information which might be additionally requested by the Supervisory Authority;
- the conduct to be adhered to in the event of investigative visits on the part of the Authorities themselves.

CEFLA ensures full compliance with the antitrust rules and the rules issued by the market regulation authorities, and further warrants to the said authorities its readiness to make available to them any information they request in the exercise of their supervisory functions, by actively collaborating in the course of any investigative procedures.

More specifically, by way of a non-exhaustive illustration, it is forbidden to:

- omit to carry out, with due completeness, accuracy and punctuality, all the periodical feedback activities prescribed by the legal norms in force and by the legislation applicable to the Supervisory Authority which the specific company activity might be subjected to, as well as to see to the transmission of the data and documents which are envisaged by the applicable legislation and/or are specifically requested by the aforesaid authorities;
- set out, in the said notifications or transmissions, untruthful facts, or occult significant facts relating to the economic, patrimonial or financial conditions of the company;
- engage in any conduct which might obstruct the exercise of supervisory functions, including at the time of inspections conducted by the public Supervisory Authorities (explicit refusal, far-fetched pretexts, or even conduct which is merely obstructive or non-collaborative, such as delays in issuing notifications or making documents available).

E): CORRUPTION AS BETWEEN PRIVATE INDIVIDUALS

More specifically, by way of a non-exhaustive illustration, it is forbidden to offer, promise, give or pay any monetary sum, other utilities, advantages or any other thing of value to Directors, General Directors, Managers in charge of drawing up the company's accounting books, members of the Company Organs of private companies or subjects under their management or supervision, with the aim of influencing their acts in breach of the obligations associated with their offices.

The Company structures and the collaborators who are involved in any capacity in activities which entail relationships with Directors, General Directors, Managers in charge of drawing up the company's accounting books and members of the Company Organs of private companies (be they clients, potential clients or suppliers), or with subjects under their management or supervision, are called upon to abide by the directives set out in the present Model, as well as by the company regulations and practices/procedures which might be in force at any given time.

2.1 Offences against the Public Administration

2.2.1 DEFINITION OF PUBLIC ADMINISTRATION AND PUBLIC SERVANTS

The offences against the Public Administration are regulated by chapter II of Book 2 of the Criminal Code.

Legislative Decree No. 231/01 identifies, among the different types of offences, crimes involving corruption in its various forms, embezzlement of State property and unlawful receipt of public donations, to which one should add fraud against the State and IT fraud as referred to in articles 640II(1) and 640B(3) of the Criminal Code.

The victim of the offence consists therefore in the Public Administration, according to the extended sense thereof as identified by prevalent juristic doctrine, which has provided some revealing indicia of the public character of an Entity, such as:

- being subjected to monitoring activity and to an activity steering it towards the pursuit of social goals; also being subjected to the power to appoint and revoke directors as vested in the State or some other public bodies;
- the existence of a convention and/or a concession involving the Public Administration;
- financial contribution on the part of the State;
- the existence of a public interest within the economic activity.

The practical application of the said principles often discloses critical areas. Having regard to the significance attached to the issue by Legislative Decree No. 231/2001, CEFLA deems it necessary to adopt a cautious approach, by opting for a broad interpretation of the concept of Public Administration, so as to include even subjects which, though formally evincing a private nature, are characterized by the public character of the activity undertaken, alternatively by the significant presence of shareholding quotas in the hands of public subjects.

As a result, an intentionally ample list of public entities, albeit a non-exhaustive one, is herein provided:

- **State and Regional administrations, local and provincial bodies, other public entities of a non-economic nature**, public right bodies howsoever named and related associations, such as:
 - Chamber of Deputies and Senate, Ministries, Regions, Provinces and Municipalities;
 - Judiciary, Army and Police (Financial Corps, Carabinieri, State Police, Municipal Police etc);
 - Public Guarantor of Fair Competition and Market Practices, Public Guarantor of Due Protection of personal Data, Public Guarantor of Fair Information, Gas and Electricity Authorities;
 - Tax Agency, Customs and Land Agency, Administrative units, companies and entities belonging to the National Health Service, Chambers of commerce, industry, handicraft and agriculture along with their associations, Institutes and Schools of all levels, educational institutes and universities;

- Automobile Club of Italy (ACI), Italy's Space Agency (ASI), National Council on Economics and Labour (CNEL), National Research Council (CNR), National Olympic Committee (CONI), Italian Red Cross (CRI), Italian National Entity for New Technologies, Energy and the Environment (ENEA), National Provident and Social Welfare Fund for Show Business Workers (ENPALS), National Institute for Foreign Trade (ICE), National Institute for Insurance against Workplace Accidents (INAIL), National Provident Fund for Civil Service employees (INPDAP), National Institute of Social Security (INPS), National Institute of Health (ISS), Institute of Economic Studies and Analyses (ISAE), National Institute of Statistics (ISTAT), IPZS – State Institute of Printing and Minting, Administration of State Monopolies;
- EC Organs and Public Administrations of foreign States;
- **Public companies and private subjects exercising a public function**, such as:
 - Italian Post Office (Poste Italiane S.p.A.), Italian State Broadcasting (RAI), State Railways (Ferrovie dello Stato);
 - Italy's National Energy Agency (Enel S.p.A.), National Hydrocarbon Agency (Eni S.p.A.), Italian Telephone Agency (Telecom Italia S.p.A.), etc.

The relevant figures as regards the perpetration of the various types of offences consist in public officials and persons responsible for public service:

- in terms of article 357(1) of the Criminal Code, a **public official** is defined as he who exercises a public function of a legislative, judicial or administrative character;
- in terms of article 358 of the Criminal Code, "**persons responsible for a public service** are defined as whoever, in whatsoever capacity, provides a public service. What is meant by public service is an activity regulated in the same manner as a public function while being characterized by the lack of powers typically associated with the latter and excluding the implementation of simple instructions and the performance of purely material work".

Essentially, therefore, the distinguishing element which tells us whether or not a subject is responsible for a public service consists, not in the juridical nature of the Entity, but in the functions entrusted to the subject, which should take the form of involvement in public interests or the fulfilment of general needs³.

³ The Court of Cassation has repeatedly intervened to try and concretely illustrate the two notions. Some of its pronouncements in that respect are worth noting for the sake of clarifying their practical application on the part of case law.

The following are deemed to be public official:

- all those who, within the scope of exercising a power regulated by public law, might and should formulate and express the will of the Public Administration or exercise, independently of formal investitures, powers of an authorizing, decision-making or certifying nature (Cassation: Criminal Division, Unified Section, 11.7.1992, case no. 7598);
- operators of lending institutions – normally excluded from the public sector – due to the activities carried out by those institutions in their capacities as agent banks or banks entrusted with financial administration (Cassation: Criminal Division, Section VI, 24.4.1997, no. 3882);
- the administrative bodies and the chairman of a private company which is the concessionary of highways, alternatively, a concessionary of ANAS (Autonomous National Road Agency), inasmuch as the said companies discharge the function of protecting the public interest, which function had originally been entrusted to the granting Authority (Cassation: Criminal Division, Section III, 13.9.1993, case no. 1806);

Hence, the addressees of the Model are called upon to pay maximum attention to the relationships, whatever their type or level involved, with the abovementioned subjects and their managers, employees or collaborators.

The same degree of caution should be observed in those instances in which CEFLA might engage in activities as concessionary of a public service.

2.2.2 TYPES OF OFFENCES

The present paragraph relates to the offences against the Public Administration listed in articles 24 and 25 of Legislative Decree No. 231/2001, as described in detail in the Guidelines of ANCC COOP, only in so far as the instances which might actually arise within CEFLA are concerned.

A) SPECIFIC OFFENCES INVOLVING CORRUPTION

- Article 317 of the Criminal Code - Extortion
- Article 318 of the Criminal Code – Bribery of an official
- Article 319 of the Criminal Code – Corruption to secure an act contrary to official duties
- Article 319B of the Criminal Code – Aggravating circumstances
- Article 319C of the Criminal Code – Corruption of judicial officers
- Article 319D of the Criminal Code – Unlawful inducement to give or receive a utility
- Article 320 of the Criminal Code – Bribery of a public servant
- Article 322 of the Criminal Code – Incitement to corruption
- Article 322B of the Criminal Code – Peculation, extortion and incitement to corruption of members of EC organs and officials of the European Community or foreign States

Definition of the offences:

- The specific offence of corruption arises when a public official or a public servant receives, personally or on behalf of a third party, in the form of money or some other utility, a retribution he is not entitled to, or when he accepts the promise thereof.

-
- employees of the State Railways, even after its conversion to a limited liability company, inasmuch as the characteristics which are typical of its original public nature are retained (Cassation: Criminal Division, Section I, 23.9.2000, case no. 10027);
 - members of public tender commissions in the field of supplies to the local Health Care units, who are equipped with certifying powers and thereby contribute to expressing the administration's will (Cassation: Criminal Division, Section VI, 4.1.1996, case no. 96).

The following are deemed to be persons responsible for public service:

- trade fair organizers, inasmuch as they carry out an activity marked by the pursuit of social goals (Cassation: Criminal Division, Section VI, 11.4.1997, case no. 3403);
- postal workers tasked with the receipt and distribution of correspondence, even after the Post Office has been converted into a limited liability company, inasmuch as postal and telecommunication services fall within the scope of public services (Cassation: Criminal Division, Section VI, 25.9.1998, case no. 10138).

In any event, for purposes of perpetrating the different types of offences as specified by the Legislator, the two figures of public official and person responsible for a public service are essentially synonymous and interchangeable.

- The specific offence of extortion arises in the event that a public official or a public servant, by abusing his position, coerces someone into providing to him or to others money or some other utilities he is not entitled to.
- Corruption of judicial officers arises in the event that the Company is party to judicial proceedings and, in order to secure an advantage in such proceedings, it corrupts a public official (a magistrate, a clerk of the court or some other official).

B) OFFENCES INVOLVING PUBLIC FUNDING

- Art. 316B of the Criminal Code – Embezzlement of funds to the detriment of the State or the European Union
- Art. 316C of the Criminal Code – Unlawful receipt of public funds to the detriment of the State

Definition of the offence:

- This specific offence arises in the event that, after having received contributions, subsidies or financing aimed at facilitating initiatives which target the realization of works or the undertaking of activities for the public interest, the sums thus obtained are not utilized for their intended purposes.
- This specific offence arises in the event that, through the utilization or the submission of false statements or documents or statements and documents attesting untruthful things, alternatively, by withholding obligatory information, one illegitimately secures contributions, financing, subsidized loans or other similar funds granted or provided by the State, by other public bodies or by the European Community.

C) FRAUD AGAINST THE STATE

- Article 640 of the Criminal Code – Fraud against the State

Definition of the offence

- This specific offence arises in the event that, in order to obtain an unjust profit for the Company, such tricks and subterfuges are deployed as to induce the State in error and cause damage to it (or to another public entity or EU entity).

2.2.3 PROCESSES AT RISK

The offences examined here above are premised on the existence of relationships with the Public Administration, as understood broadly in such a manner as to include the Public Administration of foreign States and the EC Organs as well. The activity areas which are deemed most at risk as far as the present Model is concerned are the following:

<u>Activity area</u>	<u>Process</u>
Administration Area	<ul style="list-style-type: none"> - Active invoicing cycle - Passive invoicing cycle - Financial management - Treasury and cash management - Gratuitous donations, sponsorships
Commercial Area	<ul style="list-style-type: none"> - SYSTEMS DIVISION: Analysis and management of private sector tender procedures

Production/Operations Area	- SYSTEMS DIVISION: Planning and management of productive activities, variant appraisals and work progress reports
Purchasing Area	- SYSTEMS /FINISHING/ FURNISHING/ DENTAL/CORPORATE DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates
Staff Management Area	- Procedures of staff selection and employment - Administrative management of staff - Managing reimbursement of costs - Training of staff
Other support processes	- Management of IT systems - Management of litigation - Management of relationships with Supervisory Organs

We would wish to highlight that, in addition to the abovementioned processes, an accurate monitoring of the administrative area processes and the company purchases shall enable the prevention of the most frequent types of corruption, by limiting the readiness in that respect of the corrupting counterparts.

2.2.4 RULES ON CONDUCT

Public Administration

While paying due regard to the relevant roles and their respective functions, the Company entertains relationships or liaises with administrators of all types and levels, with public law organizations, with concessionaries of public works and/or with private subjects regulated by public sector norms. The said relationships are founded on clarity, transparency and professionalism, and recognition of the respective roles or organizational structures, also for the sake of a positive confrontation aimed at ensuring essential compliance with the applicable regulations.

Taking on commitments towards Public Administrations and Public Institutions is the prerogative of the company functions specifically vested with that task and authorized to attend to it. They are called upon to steer their conduct in such a manner as not to induce the Public Administration to violate the principles of good administration and impartiality resting on it. The persons, whether employees or collaborators, who are tasked by CEFLA with the duty to follow up any business dealing, request or relationship with the Italian and/or a foreign Public Administration, must refrain from inducing, promising, requesting, offering or receiving something to/from public officials, persons responsible for the public service or, more generally, employees of the Public Administrations and Public Institutions, both Italian and foreign, with the aim of unlawfully influencing the latter's decisions in such a manner as to cause an illegal or unlawful benefit or interest to accrue to CEFLA's advantage.

Accordingly, while liaising with public officials and/or persons responsible for the public service, any form of profit or gratuitous benefit, which might be promised, requested, offered or received, and which might be interpreted as being excessively out of line with normal commercial practices or courtesies, or which is in general aimed at securing a favourable treatment in the realization of any transaction traceable to the company activity,

shall not be not allowed. It is nevertheless permissible for CEFLA, on special occasions (such as the Christmas festivities), to pay tributes, according to its habitual practice, to some of its interlocutors, including representatives of the Public Administration, in the form of goods of negligible value.

In order to carry out acts in conflict with the provisions of the law or which are in general prejudicial to CEFLA's image and integrity, the aforesaid transactions and the related management of financial resources shall have to be engaged in solely by the specifically authorized/delegated company functions, in due compliance with the law and consonantly with internal protocols.

Supply of correct information to the Public Administration

In order to ensure the provision of correct information to the Public Administration, CEFLA binds itself to:

- correctly and impartially liaise, through the communication channels specifically established to that end, with the institutional interlocutors at national, international, EC and territorial level;
- represent CEFLA's interests and positions in a transparent, exacting and consistent manner.

Contributions from the Public Administration

CEFLA prohibits and frowns upon conduct which is aimed at obtaining, from the Public Administration, the European Community or any other public body, any type of contribution, financing or subsidized loan, pursuant to statements and/or documents which are falsified or tampered with for that purpose, or pursuant to omitted information or generally to tricks or subterfuges, including those carried out through a computer or computer network, and which are engaged in with the intent to induce the entity issuing such funds into error.

It is forbidden to utilize contributions, subsidies or financing obtained from the State or any other public entity or from the European Community for purposes other than what they were released for.

Contributions to organizations, foundations, political parties and other associations

Any possible financing which CEFLA might provide to organizations (non-profit organizations, trade organizations etc), foundations, committees, political candidates or other associations, shall have to take place in compliance with the legal rules and regulations in force.

Disbursement of the said financing shall have in any event to be expressly authorized by the company functions tasked within CEFLA with the management of the aforesaid relationships.

CEFLA is entitled, within the limits set in the proposals submitted by entities or associations, to accede to the request for contributions which are earmarked for initiatives that have cultural, charitable, social or humanitarian value.

Selection of staff

Assessment of staff to be hired shall be done on the basis of the concordance between the candidates' profiles and the company requirements, while safeguarding equal opportunities for all the interested subjects.

The requested information shall have to be strictly linked to the need to ascertain the necessary elements of the professional profile, consonantly with due respect for the candidate's private sphere and opinions.

3.1 Transnational offences

3.3.1 TYPES OF OFFENCES

The present paragraph relates to the specific offences set out in EC Law no. 29 of 25 January 2006 and in Law No. 146 of 16 March 2006 headed "Ratification of the Palermo convention on organized crime". The latter enactment has extended the operative scope of Legislative Decree No. 231/2001 to a broad range of new offences.

They consist in offences which aim at combating the phenomenon of organized crime operating at a transnational level, and which one might in any event concretely envisage only as regards some of the specific offences listed hereunder, once regard is paid to the instrumental role to the perpetration of such offences which CEFLA's economic system might play.

- Article 416 of the Criminal Code – Common purpose to commit a crime
- Article 416B of the Criminal Code – Mafia association
- Article 291D of Presidential Decree No. 43/1973 – Criminal purpose to smuggle foreign tobacco products
- Article 74 of Presidential Decree No. 309/1990 – Common purpose to commit the crime of unlawful trade in drugs or psychotropic substances
- Article 12 of Legislative Decree No. 286/1998 – Provision against clandestine immigrations
- Article 377B of the Civil Code – Obstruction of justice: inducements not to make statements
- Article 378B of the Civil Code – Obstruction of justice

Definition of the offences:

- This specific offence is actualized by perfecting associative relationships, e.g. through the establishment of fictitious companies, with transnational crime organizations, for the sake of a common criminal purpose or a mafia-style one.

3.3.2 PROCESSES AT RISK

<u>Activity Area</u>	<u>Process</u>
Purchasing Area	- SYSTEMS /FINISHING/ FURNISHING/ DENTAL/CORPORATE DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates

3.3.3 RULES ON CONDUCT

The directors, the subjects occupying senior management posts and whoever carries out his activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force, regardless of the geographical context or the operational sphere involved.

Knowledge of the suppliers and the commercial partners is a condition sine qua non to prevent the utilization of CEFLA's economic system for the benefit of organized crime operating at a transnational level.

The Addressees of the Model are called upon to:

- become suitably acquainted with the suppliers and the commercial partners, in the conscious understanding that knowledge of them is an essential condition to prevent the utilization of the financial system for the sake of illegal receipt/laundrying;
- ensure compliance with the legal rules and regulations in force regardless of the geographical context or operational sphere involved, particularly as regards the provisions aimed at limiting the use of cash or bearer securities in transactions and preventing the utilization of the financial system for the sake of laundrying, as well as the operating instructions on due reporting of suspicious transactions.

It is in general forbidden to engage in any kind of activity which aims at laundrying, receiving and utilizing money, goods or utilities from an unlawful source. More specifically, it is forbidden to:

- acquire, receive or occult money or things from a criminal source with a view to obtaining a profit, for oneself or for others, alternatively, causing the same to be produced, acquired, received or occulted;
- replace or transfer money, goods or other utilities the source of which is an intentional crime, alternatively, carry out in their respect some other transactions aimed at obstructing the identification of their criminal source;
- utilize in economic and financial activities money, goods or other utilities from a criminal source.

4.1 Offences of counterfeiting money or identification tools and marks

4.1.1 Types of offences

The present paragraph relates to those offences which are premised upon counterfeiting money, credit cards, revenue stamps and distinguishing marks (the last-mentioned offence has been introduced by article 7 of Law No. 99/2009 of 23 July with the intention of protecting industrial property), as envisaged by article 25B of Legislative Decree No. 231/2001).

- Article 457 of the Criminal Code – Spending counterfeit banknotes received in good faith
- Article 473 of the Criminal Code – Counterfeiting, tampering with or utilizing distinguishing marks or signs
- Article 474 of the Criminal Code – Introducing within State borders and trading in products bearing false marks.

Perpetration of the offences referred to in articles 473 and 474 of the Criminal Code might be concretely envisaged within CEFLA, as one might easily postulate its occurrence in the Cooperative's interest or for its benefit.

Definition of the offences:

- Counterfeiting or tampering with patents/trademarks or other distinguishing marks belonging to other subjects (e.g. layout, packaging etc) within the scope of developing one's own product lines.
- Utilization in the productive process of counterfeit components or patents already registered

4.1.2 PROCESSES AT RISK

<u>Activity area</u>	<u>Process</u>
Production Area/Operations	- FINISHING/ FURNISHING/ DENTAL DIVISIONS: Development and production activity
Purchasing Area	- FINISHING/ FURNISHING/ DENTAL DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates

4.1.3 RULES ON CONDUCT

All the subjects who act in the name and/or on behalf of CEFLA shall have to abide by the legal rules and regulations which pertain to the creation, handling and spending of money, revenue stamps, bonds of any kind and watermarked books.

In addition, the directors, the subjects occupying senior management posts and whoever carries out his activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force, and to abide by the rules on conduct set out hereunder.

All the abovementioned subjects are forbidden to:

- engage in or collaborate with the implementation of conduct which is such as to facilitate the perpetration of the offences in question, alternatively, to introduce within the State borders and/or market, for lucrative purposes, industrial products bearing trademarks or other distinguishing signs – be they national or foreign – which are counterfeited or tampered with, further alternatively, to usurp the industrial property rights protected by industrial patents, designs or models;
- engage in or collaborate with the implementation of conduct which, while being such as to amount to other than an offence per se, might potentially turn into one.

Relationships with suppliers/commercial partners

Knowledge of the suppliers and the commercial partners is a condition sine qua non to prevent the offences which aim at marketing products with false or usurping marks and signs. CEFLA adopts criteria underpinning orders for goods which are guided by principles of competence, economy, transparency and correctness.

5.1 Offences in the field of workplace health and safety

5.1.1 TYPES OF OFFENCES

The present paragraph relates to offences in the field of workplace health and safety as envisaged by **article 25G of Legislative Decree No. 231/2001**.

A) Culpable homicide perpetrated through the infringement of legal provisions on the prevention of workplace accidents and the protection of workplace health and hygiene

- Article 589 of the Criminal Code – Culpable homicide

Definition of offence

- The offence of culpable homicide might be envisaged in the event that one negligently causes the death of a person; the said offence is aggravated where the event is occasioned by the breach of the legal rules on the prevention of workplace accidents.

B) Negligently causing serious or grievous bodily harm, as perpetrated through the breach of legal provisions on the prevention of workplace accidents and the protection of workplace health and hygiene.

- Article 590 of the Criminal Code – Grievous bodily harm

Definition of the offence:

- The offence of causing bodily harm arises in the event that bodily harm is negligently caused to another person; if the harm thus occasioned is serious or grievous, and the event results from the breach of legal provisions on the prevention of workplace accidents, the contemplated sanctions shall be even more punitive.

5.1.2 PROCESSES AT RISK

The Company's activity areas more specifically exposed to risk as regards the offence in question are the following:

<u>Activity area</u>	<u>Process</u>
Safety Area	- Management of workplace health and safety (onsite at Head Office and off-site at third party premises)

5.1.3 RULES ON CONDUCT

In order to avoid triggering off the offences in the field of workplace health and safety referred to in the Decree, all the subjects who act in the name and/or on behalf of CEFLA shall have to:

- strictly abide by all the rules and regulations in the field of prevention and protection;
- comply with the company procedures and rules on conduct, particularly whenever decisions have to be taken or choices made, which have to be subsequently given effect to.

More specifically, the following general principles are hereby laid down:

- The Company acknowledges the fact that safeguarding workplace health and safety is vested with vital and fundamental importance within the ambit of the company organization.
- As a result, the Company, in carrying out its corporate activity, adopts measures which, based on the specificity of the activity undertaken, on expertise and know-how, are necessary to protect the workers' physical integrity.
- The Company adopts an organization founded on the following principles and criteria:
 - a. avoiding risks;
 - b. assessing those risks cannot be possibly avoided;
 - c. combating risks at source;
 - d. adapting the work to the human being, especially as regards the way workplaces are designed and work equipment or work and production methodologies are selected, in particular so as to temper the routine nature and repetitiveness of work and to mitigate the effects on the health of such kinds of work;
 - e. taking into account the degree of technical evolution;
 - f. replacing whatever is dangerous with what is either not dangerous or less dangerous;
 - g. planning prevention by targeting the realization of a coherent whole which is simultaneously capable of combining technique, organization of work, working conditions, social relationships and the impact of environmental factors on the work;
 - h. prioritizing collective protection measures over individual protection measures;
 - i. issuing workers with adequate instructions.
- The said principles are resorted to by the Company so as to adopt the necessary measures for the protection of workers' safety and health, inclusive of the activities aimed at preventing professional risks and those associated with information and training, as well as those aimed at setting up an organization and equipping it with the necessary resources.
- Wherever the Company's search for gains actually or potentially entails a breach, whether wilful or negligent, of the legal rules governing the protection of workplace safety and health, such a search can never be justifiable.
- The Company attends to the task of conferring a special power of attorney on the officials tasked with functions which involve inspections and/or verification exercises, with a view to equipping them with the power to represent the company before the public administration.

The aforesaid shall not derogate from any procedures to ensure even greater protection which might be envisaged within CEFLA as regards the implementation of activities in the areas at risk.

6.1 Offences which involve laundering

6.1.1 TYPES OF OFFENCES

The present paragraph relates to offences involving laundering which fall within the categories envisaged pursuant to the supplementation of Legislative Decree No. 231/2001 by Legislative Decree No. 231/07, which gives effect to directive 2005/60/CE of 14 December on how to prevent the utilization of the financial system for purposes of laundering money from criminal sources or financing terrorist activities:

- Article 648 of the Criminal Code – Unlawful receipt
- Article 648B of the Criminal Code – Laundering
- Article 648C of the Criminal Code – Utilization of money, goods or utilities from an illegal source

Definition of the offences:

- The offence of unlawful receipt is actualized through the purchase, receipt or occultation of money or things from any criminal source, alternatively, through the interposition of a subject in order to ensure that the goods derived from a criminal offence are acquired, received or occulted by others.
- The offence of laundering is actualized by the replacement or the transfer of goods, money or other utilities derived from an intentional offence, alternatively, by carrying out transactions pertaining to the goods, the money or the other utilities in question which are such as to obstruct the identification of their criminal source.
- The offence relating to the utilization of money, goods or utilities from an illegal source differs from the offence of laundering in the fact that, whereas the latter postulates the said replacement or transfer or the transactions obstructing the identification of the unlawful provenance, this last offence aims to punish the factual utilization thereof in economic or financial activities.

6.1.2 Processes at risk

CEFLA's activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

<u>Activity area</u>	<u>Process</u>
Administration area	<ul style="list-style-type: none"> - Financial management - Treasury and cash management
Purchasing Area	<ul style="list-style-type: none"> - FINISHING/ FURNISHING/ DENTAL DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates

6.1.3 RULES ON CONDUCT

All the subjects which act in the name and/or on behalf of CEFLA shall have to abide by the legal rules and regulations which pertain to handling and spending money.

The directors, the subjects occupying senior management posts and whoever carries out his activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force, regardless of the geographical context or the operational sphere involved, particularly as regards provisions which aim at limiting the use of cash in transactions and at preventing the utilization of CEFLA's financial system for the sake of laundering.

Knowledge of the shareholders, suppliers and commercial partners is a condition sine qua non to prevent the utilization of CEFLA's financial system for the sake of laundering.

The Addressees of the Model are called upon to:

- make sure that they become suitably acquainted with the identity of suppliers and commercial partners, in the conscious understanding that knowledge of them is a condition sine qua non to prevent the utilization of the financial system for the sake of unlawful receipt/laundry;
- ensure due compliance with the rules and regulations in force regardless of the geographical context or operational sphere involved, more specifically with regard to the provisions which aim at limiting the use of cash and bearer securities in transactions and preventing the utilization of the financial system for the sake of laundering, and to the operating instructions on due reporting of suspicious transactions;
- be particularly alert when it comes to building/construction transactions with insufficiently known contractors, as regards the legality of working relationships between the supply company and CEFLA's own employees.

It is in general forbidden to embark on any activity naturally susceptible of laundering, unlawfully receiving and utilizing money, goods or utilities from an unlawful source. It is specifically forbidden to:

- acquire, receive or occult money or things from a criminal source with a view to obtaining a profit, for oneself or for others, or in general intervening so as to cause the same to be produced, acquired, received or occulted;
- replace or transfer money, goods or other utilities the source of which is an intentional crime, alternatively, carry out in their respect some other transactions aimed at obstructing the identification of their criminal source;
- utilize in economic and financial activities money, goods or other utilities from a criminal source.

7.1 IT offences

7.1.1 TYPES OF OFFENCES

The present paragraph relates to IT offences falling within the categories envisaged by article 24B of Legislative Decree No. 231/2001:

- Article 615C of the Criminal Code – Illegal access to an IT or computer system
- Article 615D of the Criminal Code – Illegal possession and divulgation of access codes to IT / computer systems

- Article 615E of the Criminal Code – Dissemination of programs aimed at damaging or interrupting an IT system
- Article 617D of the Criminal Code – Illegal interception, obstruction or interruption of IT or computer communications
- Article 617E of the Criminal Code – Installation of equipment aimed at intercepting, obstructing or interrupting IT or computer communications
- Article 635B of the Criminal Code – Causing damage to information, data and IT programs
- Article 635C of the Criminal Code – Causing damage to information, data and programs utilized by the State or by another public body or utilized in general in the public interest
- Article 635D of the Criminal Code – Causing damage to IT or computer systems
- Art. 635E of the Criminal Code – Causing damage to IT or computer systems serving the public interest
- Article 491B of the Criminal Code – IT documents

Definition of the offences:

- The specific offence materializes in the event of illegal access to an IT or computer system protected by security or in the event of remaining inside it against the express or implied will of the person entitled to forbid access.
- The specific offence materializes in the event that, in order to secure a profit for oneself or cause damage to others, codes, passwords or other suitable means to access an IT or computer system protected by security are obtained, reproduced, divulged, communicated or handed over, and more generally in the event of providing indications or instructions which are suited to that purpose.
- The specific offence materializes in the event of installing equipment which is apt to intercept, obstruct or interrupt communications relating to an IT or computer system, or which are alternatively shared by more than one interconnected system.
- The specific offence is actualized by obtaining, producing, reproducing, importing, divulging, communicating, delivering IT equipment, devices or programs, or in general making any of them available, for the purpose of illegally damaging an IT or computer system, the information, data or programs therein contained or pertaining to them, or for the purpose of facilitating the total or partial interruption or alteration of its operation.
- The specific offence materializes in the event of full or partial destruction, deterioration or disablement of IT systems belonging to others or programs, information or data likewise belonging to others.

7.1.2 PROCESSES AT RISK

CEFLA’s activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

Activity Area	Sensitive processes
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Other support processes - Management of IT systems

7.1.3 RULES ON CONDUCT

Specific rules are envisaged to regulate conduct pertaining to the utilization of the IT System. More particularly, the users thereof are forbidden to:

- utilize the IT System for the sake of illegal activities or activities which might accrue to the detriment of the Company, its collaborators, suppliers, clients and third parties, including the State or other public bodies;
- intercept communications or information from third parties;
- utilize the IT System so as to disseminate programs (viruses, spam messages etc) which have the potential of damaging or interrupting an IT system;
- utilize, communicate or divulge information, know-how and data as gathered or elaborated, without specific authorization from the superior in charge or from the competent company function.

It is envisaged that the following obligations should rest on the Addressees of the Model:

- utilizing PC's only within ambits associated with work-related activity;
- strictly utilizing network units as mere sharing areas of a professional kind;
- correctly utilizing and storing the Company's electronic signatures;
- refraining from the installation of programs distributed by other than the officers in charge of that function or from the installation of own means of communication, unless explicitly authorized by the IT Services Directorate;
- refraining from any modification of the settings on one's own personal computer;
- refraining from the utilization of software and/or hardware which aims at intercepting, falsifying, tampering with or suppressing the content of communications and/or IT documents;
- refraining from unauthorized access to the IT systems of the Public Administration or third parties, with a view to securing and/or modifying information to the Company's benefit.

Without derogating from the duty to comply with the specific legislation in the field of data protection and processing, the Addressees are called upon to reserve to the personal data they become acquainted with the treatment which is the aptest to protect the legitimate expectations of the persons involved as regards their right to confidentiality, dignity and image.

The persons managing IT systems shall be under an obligation to:

- ascertain that the profiles allocated to the single users conform to the functions undertaken and are compatible with the powers allocated to them;
- identify organizational provisions which are suitably capable of clearly establishing the spheres of activity of the subjects involved in the specific process under examination;

- identify adequate procedures to safeguard the company data and information, by allowing them to be forwarded outside the Company only for lawful corporate purposes;
- ensure the existence of adequate precautions so as to allow the utilization of IT systems solely for company purposes.

The implementation of the Company activities entail the acquisition, preservation, handling, notification and dissemination, both within and without, of written, computerized and/or oral documents, studies, data and information relating to CEFLA's know-how and activities. The said information, as acquired or elaborated by the Addressees in the course of exercising their tasks or duties, are the property of the Company and might be solely utilized, notified or divulged, as regards employees, in full compliance with the obligations of diligence and loyalty founded upon employment laws and contracts, as well as in conformity with the applicable procedures.

8.1 Organized crime offences

8.1.1 TYPES OF OFFENCES

The present paragraph relates to the offences introduced by article 59 of Law No. 94/2009 (article 24C of Legislative Decree No. 231/2001).

The introduction of the foundational organized crime offences envisaged by the Decree does not represent an absolute novelty. Prior to it, in fact, article 10 of Law No. 146/2006 headed "Ratification of UN Convention against Transnational Organized Crime" had already envisaged some common purpose crimes as part of the foundational offences in the event that those crimes possessed a transnational character. The said introduction, alongside its extension to a national ambit, answers the need to consolidate the fight against business crime (for instance, tax frauds, illegal trade in waste etc).

We are dealing here with offences which are already partly encompassed by transnational offences. It is nevertheless possible to conceive the concrete perpetration of them within CEFLA if one ponders the economic context within which the Company operates.

- Article 416 of the Criminal Code – Common purpose to commit a crime
- Article 416B of the Criminal Code – Mafia association
- Art. 416C of the Criminal Code – Electoral exchange between political subjects and the Mafia
- Article 630 of the Criminal Code – Kidnapping for extortion purposes
- Article 74 of Presidential Decree No. 309/1990 – Common purpose to commit the crime of unlawful trade in drugs or psychotropic substances
- Article 407(2)(a)(v) of the Code of Criminal Procedure – Illegal manufacturing and possession of weapons.

Definition of the offence:

- The specific offence is actualized by perfecting associative relationships, including through the establishment of fictitious companies, with national crime organizations, for the sake of a common purpose to commit a crime or a mafia-type association.

- It is possible to theorize the Company's participation in the offence with the aim of somehow facilitating a mafia association, e.g. by subordinating it to an associated promise of favourable votes on the part of the mafia association.

8.1.2 PROCESSES AT RISK

Activity area	Process
Purchasing Area	- SYSTEMS /FINISHING/ FURNISHING/ DENTAL / CORPORATE DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates
Staff Management Area	- Procedures of staff selection and employment

8.1.3 RULES ON CONDUCT

The directors, the subjects occupying senior management positions and whoever carries out his activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force, particularly as regards the prevention of offences founded on a common criminal purpose.

Knowledge of the suppliers and the commercial partners is a condition sine qua non to prevent the perpetration of organized crime offences. The biggest risk when it comes to this type of offence consists in the "counterpart"; from a concrete viewpoint, the main prevention activity consists in ascertaining the fact that the physical or juristic persona CEFLA is entertaining commercial ties with is endowed with the necessary requirements of professionalism and integrity.

9.1 Offences against industry and commerce

9.1.1 TYPES OF OFFENCES

The present paragraph relates to the types of offences which are definable as "Crimes against industry or commerce", as introduced by article 15(7) of Law No. 99/09 headed "Provisions on the development and internationalization of companies as well as provisions in the field of energy".

The said types of offences include the following categories:

- Article 513 of the Criminal Code – Obstruction of freedom of industry or commerce
- Article 413B of the Criminal Code – Unlawful competition through threats or violence
- Article 514 of the Criminal Code – Frauds against the national industries
- Article 515 of the Criminal Code – Fraud while trading
- Article 516 of the Criminal Code – Sale of non-genuine foodstuffs as if they were genuine
- Article 517 of the Criminal Code – Sale of industrial products with misleading signs

- Article 517C of the Criminal Code – Manufacturing and trading in goods realized by usurping industrial property rights
- Article 517D of the Criminal Code – Counterfeiting geographical indications or designations of origin of agri-food products

It is possible to concretely envisage the perpetration of the offences set out in articles 515 and 517C within CEFLA, given the activity of marketing and distribution of goods/products carried out by the company itself and the widespread phenomenon of product imitations, counterfeits and adulterations.

Definition of the offences:

- Development of products along with the associated usurpation of industrial property rights.
- Sale of products which, in terms of their origin, source, quality or quantity, differ from the ones actually delivered or promised to the buyer.

9.1.2 PROCESSES AT RISK

CEFLA’s activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

<u>Activity area</u>	<u>Process</u>
Production/Operations Area	- FINISHING/ FURNISHING/ DENTAL / CORPORATE DIVISIONS: Development and production activity
Purchasing Area	- SYSTEMS /FINISHING/ FURNISHING/ DENTAL/CORPORATE DIVISIONS: Selection and purchase of goods/services and conferment of professional mandates

9.1.3 RULES ON CONDUCT

The directors, the subjects occupying senior management positions and whoever conducts activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force and to abide by the rules on conduct set out hereunder.

All the abovementioned subjects are forbidden to:

- engage in or collaborate with the implementation of conduct which is such as to facilitate the perpetration of the offences in question, alternatively, to market industrial products bearing names, trademarks or distinguishing signs which are counterfeited or tampered with, further alternatively, to counterfeit or tamper with trademarks/patents and/or distinguishing marks belonging to others; to deliver to a purchaser a movable having a different origin, source, quality and quantity than the stated or stipulated one; to sell inauthentic foodstuffs as if they were authentic or sell foodstuffs with counterfeited geographical indications or designations of origin of agri-food products; or to sell industrial products bearing misleading signs;
- engage in or collaborate with the implementation of conduct which, though not such as to amount to an offence per se, might potentially turn into one.

Relationships with suppliers/commercial partners

Knowledge of the suppliers and reliability on the part of the commercial partners represent a condition sine qua non to prevent the crimes against industry and commerce. When ordering goods, CEFLA adopts criteria guided by the principles of competence, economy, transparency and correctness.

In order to give practical effect to the aforesaid conduct:

- a. the process of selection and accreditation of the suppliers must envisage the issuing by them of a suitable attestation in conformity with the applicable sector legislation as regards the authenticity/ originality of the product, as well as a periodical monitoring and appraisal of every supplier so as for the latter to retain his qualification, which should also include verifying inspections and analyses of the reliability of performances rendered and product characteristics;
- b. the commercial agreements with third-party suppliers must be set out in writing and all the terms and conditions of any such agreement must be duly highlighted;
- c. the terms and conditions referred to in the preceding paragraph must necessarily contemplate an express attestation by the supplier of the full authenticity/originality of the supplied product along with the stipulation, in the event of non-compliance with the said warranty, of an express resolute clause terminating the commercial agreement, together with CEFLA's right to compensation for accrued damages and an undertaking by the supplier to obligatorily hold CEFLA harmless against any claim arising from whatsoever cause and submitted to whatsoever forum which might be raised against it with regard to the inauthenticity/lack of originality of the supplied product;
- d. the conclusion of commercial agreements relating to products which are identified by trademark/patent/design/model and/or any other distinguishing sign must be invariably preceded by a verification, to be conducted according to the operational methods which are deemed to be the aptest, of the free availability of the trademark/distinguishing sign in question as well as of the patents, designs or models utilized in the realization of the product which the commercial agreement relates to; the terms and conditions of the commercial agreement must invariably contemplate an express attestation by the supplier of the full originality of the trademark/patent/design/model and/or other distinguishing sign relating to the supplied product along with the stipulation, in the event of non-compliance with the said warranty, of an express resolute clause terminating the commercial agreement, together with CEFLA's right to compensation for accrued damages and an undertaking by the supplier to obligatorily hold CEFLA harmless against any claim arising from whatsoever cause and submitted to whatsoever forum which might be raised against it with regard to the inauthenticity/lack of originality of the supplied product;
- e. it is necessary to obtain an apposite declaration by the supplier in support of compliance with the principle of extinction of EC exclusive industrial property rights, as well as an undertaking to produce the relevant documentation in the event of a motivated request by CEFLA.
- f. the phases of development/ideation of a specific trademark/distinguishing sign must contemplate an involvement by more than one subject;
- g. it is necessary to ensure verification of the free availability of the trademark/distinguishing mark as designed by contacting the main public data banks specialized in ownership of trademarks

- h. it is necessary to ensure the prompt registration of a trademark once it has been created.

10.1 Offences involving copyright infringement

10.1.1 TYPES OF OFFENCES

The present paragraph relates to the offences set out in Law No. 99/2009 headed "Crimes involving copyright infringements", whereby the Legislator intends preventing and repressing any unlawful economic utilization of literary and artistic works.

These are offences we might concretely envisage in the company, given the activity of marketing and distribution of goods protected by copyright which CEFLA engages in within the cooperative circuit (Coop Italia etc).

- Article 171 of Law No. 633/1941 – Protection of copyright and other rights associated with the exercise thereof

Definition of the offences:

- Illegal possession, for an entrepreneurial purpose, of software programs covered by patent
- Purchase and sale of products not bearing SIAE's⁴ mark or otherwise infringe the relevant copyrights.

10.1.2 PROCESSES AT RISK

CEFLA's activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

<u>Activity area</u>	<u>Process</u>
Other support processes	- Management of IT systems

10.1.3 RULES ON CONDUCT

The directors, the subjects occupying senior management positions and whoever carries out his activity within the areas at risk, shall have to strive to ensure compliance with the laws and regulations in force, regardless of the geographical context or the operational sphere involved, and shall in particular bind themselves to:

- comply with the legislation governing copyrights and prevent any unlawful economic utilization of literary and artistic works through the usurpation of their paternity or the violation of their integrity;
- refrain from unlawfully utilizing the intellectual works protected by copyright laws, which conduct specifically results from an undue economic exploitation of phono-videographic, audiovisual, printed and computer works through their unlawful realization, diffusion and marketing (sale or lease).

Relationships with suppliers/commercial partners

⁴ Italian Society of Authors and Editors.

Knowledge of the suppliers and reliability on the part of the commercial partners represent an essential condition to prevent offences involving copyright infringements.

11.1 Offences involving obstruction of justice

11.1.1 TYPES OF OFFENCES

The present paragraph relates to the offences introduced by article 4 of Law No. 116/2009 (art. 25I of Legislative Decree No. 231/2001).

- Article 377B of the Criminal Code – Obstruction of justice: inducement not to make statements – Unless the fact amounts to a more serious offence, whoever, by resorting to violence or threats, or by the offer or promised offer of money or some other utility, induces a person summoned before the judicial authority to make statements capable of being utilized in criminal proceeding not to make statements or to make untruthful statements.

Definition of the offence:

- The specific offence is actualized through undue influence or threats or promises of some utility addressed by a direct superior to an employee involved in criminal proceedings so as for the latter not to make any statements or to make untruthful statements which might damage the Company.

11.1.2 PROCESSES AT RISK

CEFLA's activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

<u>Activity area</u>	<u>Process</u>
Other support processes	- Management of litigation

11.1.3 RULES ON CONDUCT

It is forbidden to engage in, collaborate in or occasion the implementation of conduct which, viewed individually or collectively, might facilitate, either directly or indirectly, the offences falling within the scope of the abovementioned category.

More specifically, while carrying out the activities deemed sensitive, the Addressees of the Model shall have to abide by the following general rules on conduct:

- a) prohibition against inducing any person, by means of violence or threats or through the offer or promised offer of money or some other utility, not to make statements or to make untruthful statements to the Judicial Authority or to opt for the right to remain silent, with a view to favouring the Company's interests or to otherwise derive an advantage for it;
- b) lend an active collaboration and provide truthful and exhaustive statements reflecting the real facts when liaising with the Judicial Authority;
- c) the Addressees (investigated subject/accused, person informed of the facts/witness or protected witness/accused in a correlated criminal trial) called upon to make statements before the Judicial Authority with regard to work activity which has been

undertaken shall be required to freely articulate their representation of facts or to exercise their right to remain silent as granted to them by law; they shall additionally be called upon to stick to maximum confidentiality as regards the statements they might have made and their content, wherever such statements are covered by investigative secret;

- d) all the Addressees shall have to timely notify their direct Superior and/or the Supervisory Board of any subpoena to take part in criminal proceedings which might involve them, in whatever capacity, and which relates to the work activity they have carried out or an activity which is somehow related to it.

12.1 Environmental offences

12.1.1 TYPES OF OFFENCES

The present paragraph relates to the specific offences introduced by Legislative Decree No. 121 of 7 July 2011, which gives effect to directive 2008/99/CE on protection from environmental crimes, which amends directive 2005/35/CE relating to pollution caused by ships and to the introduction of sanctions for possible infringements.

- Article 727B of the Criminal Code – Killing, destroying, capturing, removing or possessing specimens of protected wild species, both animal and vegetable
- Article 733B of the Criminal Code – Destruction or deterioration of a habitat within a protected site
- Article 137 of Legislative Decree No. 152/2006 – New unauthorized discharges of wastewater
- Article 256 of Legislative Decree No. 152/2006 – Unauthorized waste management
- Article 257 of Legislative Decree No. 152/2006 – Site remediation
- Paragraph 2 of article 258(4) of Legislative Decree No. 152/2006 – False statements in waste analysis certificates
- Article 259(1) of Legislative Decree No. 152/2006 – Illegal trade in waste
- Article 260 of Legislative Decree No. 152/2006 – Activities organized for the sake of illegal trade in waste
- Article 260B of Legislative Decree No. 152/2006 – IT system to monitor the traceability of waste
- Article 279 of Legislative Decree No. 152/2006 – Atmospheric pollution
- Law 150/1992 (Protection of endangered animal and vegetable species) – Unauthorized trade in specimens
- Article 3(6) of Law No. 549/1993 (Measures for the protection of stratospheric ozone and the environment) – Cessation and reduction of the utilization of harmful substances
- Article 9(1) and (2) of Legislative Decree No. 202/2007 (Pollution caused by ships) – Unintentional pollution
- Article 8(1) and (2) of Legislative Decree No. 202/2007 (Pollution caused by ships) – Intentional pollution

We are dealing in this case with offences the perpetration whereof is concretely conceivable within CEFLA, including the offences related to waste management, given that the producer is responsible for the entire waste management chain, for authorizing discharges of industrial wastewater (omitted or incomplete statements with regard to applications for the authorization of spills of wastewater, or obtaining authorizations through the deployment of ruses), spills of hazardous substances, and emissions into the atmosphere (by regulating the procedure of applying for the authorization of industrial settlements of the company, so as to ensure due monitoring of the discharges into the atmosphere consonantly with the relevant legislation in force).

Definition of the offences:

- Unauthorized discharge, or discharge pursuant to a suspended or expired authorization, of industrial wastewater containing dangerous substances as set out in tables 5 and 3/A of part III of Attachment 5 to Legislative Decree No. 152/2006
- Discharge of dangerous substances as set out in tables 5 and 3/A of part III of Attachment 5 to Legislative Decree No. 152/2006 in breach of the stipulated authorization procedures or other stipulations by the competent Authority
- With regard to the activity of unauthorized waste management:
 - o Entrusting dangerous and/or non-dangerous special waste to an operator lacking the relevant authorization to transport/dispose of the same
 - o Unlawful activities as engaged in by the subject transporting it and/or the subject receiving it
- With regard to the waste characterization and the management of relationships with testing laboratories:
 - o Drawing up a certificate of waste analysis which supplies false indications on the nature, composition and chemical-physical characteristics of the waste
 - o Use of a false certificate during the transportation
- In addition to what has been set out with regard to the single offences, it would be appropriate to consider even the breaches of obligations pertaining to notices and duly kept registers or modules, inasmuch as those offences might be the underlying cause on which other environmental crimes, formally listed in Legislative Decree No. 231/2001, might be premised:
 - o Failure to keep and file a waste loading and unloading register
 - o Failure to keep and file the set of applicable modules
 - o Failure to forward the Sistri declaration ⁵
- With regard to the activity organized for the sake of illegally trading in waste:
 - o Unlawful management of huge quantities of waste with a view to realizing an unjust profit
- With regard to the offence of illegal trade in waste:

⁵ Sistri is a monitoring system aimed at ensuring the traceability of waste.

- Export of waste in conflict with the legal norms set out in EU Regulation 1013/2006
- Omission to give immediate notice, as required by article 242(1) of Legislative Decree No. 152/2006, upon the occurrence of an event potentially capable of contaminating the site
- Breaches of the obligations pertaining to discharges into the atmosphere, which are such as to cause the maximum tolerable levels of air quality, as envisaged by the legislation in force or by the relevant stipulations laid down by the Authority, to be exceeded.

Similarly to what happened with regard to offences in the field of workplace health and safety, Legislative Decree No. 231/01 has witnessed the introduction of offences which are punishable even when triggered off by mere negligence.

Therefore, even these offences (save for what is stipulated in article 260 of Legislative Decree No. 152/2006), are sanctioned in the absence of proof of wilful default, inasmuch as the offences in question are mainly based on a contravening character: it is accordingly sufficient if the unlawful conduct results from a conduct triggered off by mere negligence, imprudence or lack of expertise, or if it is actualized in breach of legislative or regulatory norms.

12.1.2 PROCESSES AT RISK

CEFLA's activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

Activity area	Process
Environmental area	- Management of environmental issues

12.1.3 RULES ON CONDUCT

It is forbidden to engage in, collaborate with or occasion the implementation of conduct which, viewed individually or collectively, might facilitate, either directly or indirectly, the offences falling within the scope of the abovementioned category.

Without derogating from the aforesaid, the Addressees of the present Model shall have to comply with the following points:

- a) strictly abide by all the environmental rules, regulations and procedures which regulate the way work activities are carried out at the Company premises;
- b) give effect to the rules and procedures on drawing up the waste loading and unloading register;
- c) take part in courses which might be organized by the Company on issues pertaining to the environment and to the implementation of specific tasks, at which they will be invited;
- d) wherever demanded by the applicable rules and regulations, and depending on the nature of the good involved or the service rendered, the Suppliers and the other Addressees outside the Company shall have to express compliance on their part with the applicable legislation on environmental issues;

f) report any possible inadequacies to the competent company functions.

The waste which has been produced inside an office space is classifiable as urban and similar waste. It is obligatory, in conformity with the national (Legislative Decree No. 152/06) and local (specific Regional circulars) legislation in force, to carry out the differentiated collection of some types of waste, the identification whereof vary from one Municipality to another. The following are among the main such types: paper/carton, glass, cans, plastic, toner, neon and electrical components, dead batteries, expired drugs etc.

All the Subjects, each one consonantly with his own functions and specific operational modalities (especially the functions traceable to the procurement process), have been notified of the obligation to abide by the applicable provisions which regulate the proper method of collecting and transporting waste.

The Company binds itself to:

- carry out its activities in a responsible manner so as to prevent, control and reduce any possible impacts on the environment;
- pursue the goal of reducing the environmental impact of the activities, by means of a better management of waste;
- promote the employees' competence, awareness and sense of responsibility as regards protection of the environment.

Relationships with suppliers/commercial partners

Knowledge of the suppliers and reliability on their part is a condition sine qua non to prevent crimes against the environment.

The company functions operating in the processes which are in contact with external subjects shall have to ensure control over the correct conduct of such external subjects, as well as maximum diligence in carrying out the allocated tasks, by reporting to the relevant company functions any possible anomalies that might be detected.

The aforesaid shall not detract from any possible procedures seeking an additional degree of protection, as might be envisaged on our planet insofar as the implementation of activities in the areas at risk is concerned.

13.1 Offences involving the employment of illegal workers

13.1.1 TYPES OF OFFENCES

The present paragraph relates to the offences involving recourse to illegal workers falling within the categories envisaged by article 25J of Legislative Decree No. 109 of 16 July 2012, which escalates the sanctions and the disciplinary measures, already stipulated by article 22(12) of the former Legislative Decree No. 286/1998, against an employer who hires citizens of Third World countries without a regular residence permit, only with regard to the instances in which any such offence might be concretely committed within the Company.

- Article 25J of Legislative Decree No. 109/2012 – Utilization of citizens of Third World countries without a regular residence permit

Definition of the offence:

- The offence consisting in the utilization of illegal workers arises where the Company employs staff members whose residence permits have either expired (without any subsequent application for their renewal), or have been revoked and/or annulled.

We are dealing here with offences which might be concretely envisaged within CEFLA, in the event that the Company employs staff members whose residence permits have either expired (without any subsequent application for their renewal), or have been revoked and/or annulled.

13.1.2 PROCESSES AT RISK

CEFLA's activity areas more specifically at risk as regards the types of offences dealt with herein are the following:

<u>Activity area</u>	<u>Process</u>
Staff Management Area	<ul style="list-style-type: none"> - Staff selection and employment procedures - Administrative management of staff

12.1.3 GUIDELINES ON CONDUCT

The directors, the persons occupying senior management posts and their subordinates who conduct activity in the areas at risk shall have to strive to ensure due compliance with the laws and regulations in force; in particular, they shall have to strive to comply with:

- the legal provisions in the field of environment, as regulated by the Consolidated Text on Immigration (Legislative Decree No. 286/1998);
- the rules of conduct, values and principles which are intrinsic to the Company;
- in general, the applicable Italian and foreign legislation.

The Addressees of the Model shall have to:

- strictly comply with all the laws, regulations and procedures relating to employment of staff;
- subject to a careful assessment all the documentation pertaining to operations which involve appointing new staff, in terms of the legality of potential candidates' residence permits and in terms of the subsequent management/monitoring thereof as far as the renewal of any such document is concerned.

ATTACHMENT 1

CEFLA

ORGANIZATION AND MANAGEMENT MODEL

in terms of Legislative Decree No. 231/2001

**List of offences and related sanctions in terms of Legislative Decree No.
231/2001**

ATTACHMENT 2

CEFLA
ORGANIZATION AND MANAGEMENT MODEL
in terms of Legislative Decree No. 231/2001
Legislative Decree No. 231/2001

ATTACHMENT 3

CEFLA
ORGANIZATION AND MANAGEMENT MODEL
in terms of Legislative Decree No. 231/2001
Risk assessment document

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ATTACHMENT 4

CEFLA
ORGANIZATION AND MANAGEMENT MODEL
in terms of Legislative Decree No. 231/2001
Matrix on procedural handling of offences

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