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Organizational and Management Model

PURSUANT TO LEGISLATIVE DECREE No. 231 DATED JUNE 8, 2001

General Section

Approved by the Board of Directors

and reviewed on 11th December 2017

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GENERAL SECTION

1. Purposes and principles of Law

1.1 Legislative Decree no. 231 dated June 8, 2001

Legislative Decree No. 231 dated 8 June 2001 (hereafter "Decree 231" or "the Decree"), containing the "Provisions governing administrative responsibility of legal entities, companies and associations, including those without legal identity" gave immediate effect to the enabling legislation included in article 11 of Law No. 300 dated 29 September 2000 with which Parliament established the principles and guidelines for the law on administrative responsibility of legal entities and entities without legal identity (hereafter also abbreviated to "entities") for offences committed by subjects acting within the entity in the interest or to the advantage of the entity.

Such a concept is based on different International Conventions endorsed by Italy in the last years. In particular:

- the Council Act of 26 July 1995 drawing up the Convention on the protection of the European Communities' financial interests signed in Brussels, as well as its first protocol validated in Dublin on 27 September 1996;
- the protocol on the interpretation, by way of preliminary rulings, by the European Court of Justice of the Convention of 29 November 1996, signed in Brussels;
- the European Union Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union of 26 May 1997, signed in Brussels;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and related annex, validated in Paris on 17 December 1997.

Decree 231 introduced into the Italian judicial system the principle of administrative responsibility for an offence as the consequence of illegal acts committed by subjects who act in the name of and on behalf of the entity represented and, in particular, by:

- persons who perform the functions of representing, administering and managing the entity or a financially and functionally autonomous unit of the entity's operations and persons who, also de facto, perform the management and control activity over the entity (so-called "persons holding top positions" or "*Senior Executives*");
- persons in positions subject to the management and supervision of one of the persons having the functions described in a) above, (the so-called "persons in subordinate positions" or "*Subordinates*").

With reference to the type of offences expressly provided by the legislation, the personal liability (the personal criminal liability is related only to individuals as provided by the principle expressed in the Art 27 paragraphs 1 and 3 of the Italian Constitution) and other liabilities arising from crimes are supported by the corporate administrative liability, which links the offence to different kind of sanctions depending on the subject who performs the activity. When an act is defined as offense and the requirements related to the above mentioned legislation occur, the law operates according to two levels of responsibility, the individual one (related to a crime committed by individual and punishable by a penal sanction) and the corporate administrative one (related to a crime punishable by an administrative sanction).

Even if the Decree 231 provides for the type of the liability as an administrative one, as mentioned in the name of the Decree itself, there are many provisions highlighting that the entire *legislative corpus* is fundamentally criminal one. The Decree 231 introduced the connection between the liability of the entity with the offences committed in the interest or to the advantage of the entity (art 5); the entity is responsible for these offences in case of non-compliance with management and supervision obligations (art 7). The significant penal meaning of the corporate administrative liability is also the assignment of the judgment to the penal Judge. Whenever a situation is not managed into the Decree 231 the judge has to be comply with the penal rules. There are also references to the penal principles of legality (art 2) and to the sequence of penal laws (art 3). Another indicative sign of the penal nature of the legislation is the attempted personalization of the sanctions not just with pecuniary ones but also with disqualifying ones, which could determine the final closure of the entity. However, the Decree provides for the possibility for the entity to be exempted from the administrative liability or to obtain a reduction of the punishments performing compensation behaviors or behaviors demonstrating its will to reorganize the company structure with the adoption of the Organizational and Management Models (art 6) in order to prevent conducts criminally relevant by the people belonging to the company structure.

The addressees of the Decree 231 provided by law are: “legal entities, companies and associations, including those without legal personality”. In particular:

- subjects which obtained the legal personality through the modalities defined in the civil law, such as associations, foundations and other private institutions recognized by the State;
- Companies which obtained the legal personality after the registration in the Business Register;
- Entities without legal personality and financial autonomy, which however couldbe considered like a legal person.

The subjects not includes in the addressees of the corporate administrative liability related to offences committed are: the State, the local public entities (Regions, Provinces, Municipalities and Mountain Communities (in Italian *Comunità montane*), the not economical public entities (in Italian *Enti pubblici non economici*) and, in general, all the entities which perform constitutional activities (Chamber of Deputies, Senate, Constitutional Court, General Secretariat of the president (in Italian *Segretariato generale della presidenza della Respubblica*), C.S.M., CNEL, etc.).

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The art 5 of the Decree 231 provides for the objective conditions for attribution of administrative liability for an offence.

The offence must be committed *in the interest or to the advantage* of the entity by:

- Individuals who are representatives, directors or managers of the Company or of one of its organizational unit having financial and functional independence, or individuals who are responsible for managing or controlling the Company (art. 5, comma 1 lett *a*) - persons holding top positions);
- Individuals who are managed or supervised by one of the individuals mentioned above (art. 5, comma 1 lett *b)* - persons in subordinate positions).

The Entity is not responsible if the above-mentioned subjects have committed the offence just in their advantage or in the advantage of third parties.

The art.6 and 7 instead provide for the subjective conditions for attribution of administrative liability to the entity; these imply that, for the purposes of establishing administrative liability for an offence, the mere attribution of the offence to the entity in objective terms is not sufficient but it is necessary to reach a judgment on the reprehensibility of the entity.

The parameters related to the administrative liability are different depending on the subjects who commit the offence are persons holding top positions or persons in subordinate positions. The art 6 describes the administrative liability of legal entities in case of offence committed by persons holding top positions, as identified in the art 5 comma 1 lett. a).

However, the Entity is not liable, if it proves that:

- the management body adopted and effectively implemented, prior to perpetration of the offence, organizational and management Models suitable for the prevention of offences of the type committed;
- the duty of supervising the functioning of and the effective compliance with the Models, and of ensuring their update has been entrusted to an internal body (so-called “Supervisory Body”) with autonomous power of initiative and control;
- the persons who committed the offence acted fraudulently to elude the organizational, management and control Models adopted by the company;
- there was no omission or insufficiency of control on the part of the Supervisory Body.

With reference to offences committed by persons in subordinate positions (art. 5 comma 1 lett *b)*), the art 7 provides that the entity is liable if the commission of the offence was made possible by the failure of the latter to perform the duty of direction and control. In any case, the liability is excluded if the entity, prior to the commission of the offence, has adopted and effectively implemented an organizational, management and control Model capable of preventing offences of the type committed by the persons in subordinate positions.

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Contrary to the offences committed by persons holding top positions, is such a case, it is a responsibility of the prosecution to prove that the company did not adopt or effectively implemented the organizational and management Models

The Section III of Chapter I of the Decree 231 identifies certain groups of offences (offences and violations) which may give rise to the liability of the entity if committed by are persons holding top positions or persons in subordinate positions.

Over the years, there has been a progressive expansion of the list of offences (originally limited by the provisions of art. 24 and 25), mainly due to the transposal of International Conventions, which Italy joined, providing also reference to liability of entities.

According to the Decree 231, the corporate administrative liability may arise from the crimes/offences hereunder listed:

i. **Offences involving relationships with the Public Administration** (articles 24 and 25 of the Decree)

   - embezzlement against the Government or other public agency (art. 316-bis of the Criminal Code);
   - misappropriation of funds causing damage to the Government or other public agency (art. 316-ter of the Criminal Code);
   - fraud against the Government or other public agency (art. 640, par.2 n. 1, Crim.Code);
   - aggravated fraud to obtain public funds (art. 640-bis of the Criminal Code);
   - cyber fraud against the Government or other public agency (art. 640-ter, Criminal Code);
   - extortion (art. 317 of the Criminal Code);
   - corruption for the practice of the functions (art. 318 and 321 of the Criminal Code);
   - corruption related to an act against official duty (art. 319 of the Criminal Code);
   - corruption in Judicial acts (art. 319 ter of the Criminal Code);
   - inducement or promise to give undue benefit (art. 319-quater of the Criminal Code) introduced by L. 190/2012;
   - incitement to corruption (art. 322 of the Criminal Code)
   - corruption of individuals charged of a public service (art. 320 and 321 of the Criminal Code);
   - embezzlement, extortion, inducement or promise to give undue benefit, corruption and instigation to corruption of members of the authorities of the European Communities and officials of the European Communities and Foreign Countries (art. 322-bis of the Criminal Code);

ii. **IT offences and illegal use of data** (article. 24-bis of the Decree), introduced in Law No. 48 dated 18 March 2008, at the time of the ratification and execution of the European Council Convention on computer crime, drafted in Budapest

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- unauthorized access to computer or other electronic system (art 615-ter, of the Criminal Code)
- unauthorized possession and circulation of access codes to computer systems or computer (art. 615-quater of the Criminal Code);
- distribution of electronic equipment, devices or software programs designed to damage or disrupt another computer or electronic system (art. 615-quinquies of the Criminal Code);
- illicit interception, prevention or interruption of computer or electronic communications (art 617-quater of the Criminal Code);
- installation of devices finalized to intercept, prevent or interrupt computer or electronic communications (art 617-quinquies of the Criminal Code);
- damage to information, data and computer programs (art. 635-bis of the Criminal Code);
- damage to information, data and computer programs used by the Government or other public entity or public utility (art. 635-ter of the Criminal Code);
- damage to computer or telecommunications systems (art. 635-quarter of the Criminal Code);
- damage to computer or telecommunications public systems (art. 635-quinquies of the Criminal Code);
- information documents (art. 491-bis of the Criminal Code);
- computer fraud against subjects which provide services for electronic signature certification (art. 640-quinquies of the Criminal Code).

iii. **Organized crime offences** (article 24-ter of the Decree), introduced in Law No. 94 dated 15 July 2009

- criminal conspiracy finalized to reduction or maintenance people in slavery (art. 600 of the Criminal Code), people trade (art. 601 of the Criminal Code), purchase and sale of slaves (art. 602 of the Criminal Code) and offenses relating to breaches of the provisions on illegal immigration described in art. 12, Lgs.Decree 286/1998 (art. 416, sixth paragraph, of the Criminal Code);
- mafia association (art. 416-bis of the Criminal Code);
- crimes commited taking advantage of the conditions provided for by theart. 416-bis of the Criminal Code for mafia association or in order to favour those associations;
- exchange electoral political-mafia organized crime (article 416-ter of the Criminal Code);
- association for the illegal trade of narcotics and psychotropic substances (art. 74 of Presidential Decree 309 of October 9, 1990);
- kidnapping for robbery or extortion (Article 630 of the Criminal Code);
- illegal manufacture, introduction into the country, offering for sale, sale, possession and carrying in a public place or open to public, of war or warlike weapons or parts of, explosives, illegal weapons, and more common guns (art. 407, paragraph 2, letter a), n.5, of the Criminal Code)

iv. **Offences involving forgery of money, of public credit instruments, of revenue stamps and of identification instruments or signs** (article 25-bis of the Decree) introduced by Law

No. 409 dated 23 November 2001 enacting Legislative Decree No. 350 dated 25 September 2001 and subsequently amended by Law No. 99 dated 23 July 2009

- forgery of money, spending and introduction into the Country of counterfeit money (art. 453 of the Criminal Code);
- alteration of money (art. 454 of the Criminal Code);
- spending and introduction into the Country of counterfeit money (art. 455, Criminal Code);
- spending of counterfeit money received in good faith (art. 457 of the Criminal Code);
- falsification of official stamps, introduction into the Country, purchase, possession or circulation of counterfeit stamps (art. 459 of the Criminal Code);
- counterfeiting of watermarked paper used for the manufacture of banknotes or tax stamps (art. 460 of the Criminal Code);
- manufacture or possession of watermarks or tools for counterfeiting money, stamps or watermarked paper (art. 461 of the Criminal Code);
- use of counterfeit or altered tax stamps (art. 464 of the Criminal Code);
- forgery, alteration or use of distinctive signs of intellectual or industrial products (art. 473 of the Criminal Code);
- introduction into the Country and trade of products with false marks (art. 474 of the Crim.Code);

v. **Offences against industry and trade** (article 25-bis.1 of the Decree), introduced in Law No. 99 dated 23 July 2009

- obstructing industry or commerce (art. 513 of the Criminal Code);
- Unfair competition with threats or violence (art. 513-bis of the Criminal Code);
- Fraud against national industries (art. 514 of the Criminal Code);
- fraudulent trading (art. 515 of the Criminal Code);
- sale of non-genuine food as genuine (art. 516 of the Criminal Code);
- sale of industrial products with misleading signs (art. 517 of the Criminal Code);
- manufacture and sale of goods made by usurping industrial property (art. 517-ter of the Criminal Code);
- counterfeiting of geographical indications and designations of origin for agricultural and food products (art. 517-quater of the Criminal Code).

vi. **Corporate offences** (article 25-ter of the Decree), introduced in Legislative Decree No. 61 dated 11 April 2002, subsequently integrated by Law 190 of the 6th of November 2012, by Law 69 of the 30 th March 2015 and by Legislative Decree No. 38 dated 15 March 2017

- false corporate communications (art. 2621 of the Civil Code);
- minor facts (art. 2621 of the Civil Code);
- false corporate communications causing detriment to shareholders or creditors (art. 2622 of the Civil Code);
- obstruction of controls (art. 2625 of the Civil Code);
- improper return of capital (art. 2626 of the Civil Code);

- illegal distribution of profits and reserves (art. 2627 of the Civil Code);
- illegal transactions involving shares or quotas or parent company shares (art. 2628 of the Civil Code);
- transactions causing detriment to creditors (art. 2629 of the Civil Code);
- omitted disclosure of conflict of interest (art. 2629-bis of the Civil Code);
- fictitious capital formation (art. 2632 of the Civil Code);
- improper distribution of corporate assets by liquidators (art. 2633 of the Civil Code);
- bribery in the private sector (art. 2635 III comma of the Civil Code) article added by Law 190 of 2012 and , subsequently integrated by Legislative Decree No. 38 dated 15 March 201;
- instigation to bribery in the private sector (art. 2635-bis of the Civil Code);
- undue influence over Assembly (art. 2636 of the Civil Code);
- manipulating the Market (art. 2637 of the Civil Code);
- obstruction of the functions of public supervisory authorities (art. 2638 of the Civil Code).

vii. **Offences committed for the purposes of terrorism and subversion of the democratic order** (article 25-quater of the Decree), introduced in Law No. 7 dated 14 January 2003

- association finalized to international terrorism or subversion of the democratic order (art. 270-bis of the Criminal Code);
- assistance to terrorists (art. 270-ter of the Criminal Code);
- enlisiting finalized to international terrorism (art. 270-ter of the Criminal Code)
- training at activities finalized to international terrorism (art-quinqies of the Criminal Code);
- conducts aimed at terrorism (art 270-sexies of the Criminal Code);
- bombing for purposes of terrorism or subversion (art. 280 Criminal Code);
- terrorist attack with murderous weapons or explosives (art. 280-bis Criminal Code);
- kidnapping for the purpose of terrorism or subversion (art. 289 -bis Criminal Code);
- incitement to commit any of the crimes against the State (art. 302 Criminal Code);
- financing of Terrorism (art.2 of the International Convention, subscribed in New York on 9th December 1999).
- urgent measures for the protection of the democratic order and the public safety (art. I of the legislative decree 625/79 added by added by Law 190 of 2012);

viii. **Practice of mutilating female genital organ** (article 25-quarter.1 of the Decree) introduced in Law No.7 dated 9 January 2006

- Practices of female genital mutilation (art. 583 bis of the Criminal Code);

ix. **Offences against individuals** (article 25-quinquies of the Decree), introduced in Law No. 228 dated 11 August 2003, subsequently integrated by Law 199 of the 29th of October 2016.

- enslavement (art. 600 of the Criminal Code);
- child prostitution (art. 600-bis, of the Criminal Code);

- child pornography (art. 600-ter of the Criminal Code);
- possession of pornographic material (art. 600-quater of the Criminal Code);
- virtual pornography (art. 600-quater 1 of the Criminal Code);
- tourism initiatives finalized to the exploitation of child prostitution (art. 600-quinquies c.p.);
- trade of slaves (art. 601 of the Criminal Code);
- buying and selling slaves (art. 602 of the Criminal Code);
- illegal brokering and exploitation of labor (art. 603-bis of the Criminal Code).

x. **Market abuse offences** (article 25-sexies of the Decree), introduced in Law No. 62 dated 18 April 2005

- abuse of insider information, art.184 TUF paragraph 1, letter a (c.d. “insider trading”);
- abuse of insider information, art.184 TUF paragraph 1, letter b (c.d. “tipping”);
- abuse of insider information, art.184 TUF paragraph 1, letter c (c.d. “tuyautage”);
- market abuse (art.185 TUF).

xi. **Man slaughter and serious or very grave injury as a result of violation of workplace health and safety regulations** (article 25-septies of the Decree), introduced in Law No. 123 dated 3 August 2007 as subsequently amended in article 300 of Legislative Decree N0. 81 dated 9 April 2008

- manslaughter (art. 589 of the Criminal Code);
- culpable physical injuries (art. 590 of the Criminal Code).

xii. **Offences involving handling of stolen goods, money laundering and utilization of funds, assets or other resources deriving from unlawful activities** (article 25-octies of the Decree), introduced in Legislative Decree No. 231 dated 21 November 2007 and amended by law no. 186 dated 15 th December 2014

- receiving stolen property (art. 648 of the Criminal Code);
- laundering (art. 648-bis of the Criminal Code);
- use of money, goods or assets of illicit origin (art. 648 ter of the Criminal Code);
- money self-laundering (art. 648 ter-1 of the Criminal Code).

xiii. **Violation of intellectual property rights** (article 25-novies of the Decree), introduced by Law No. 99 dated 23 July 2009

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- art. 171, paragraph 1, letter a-bis), and paragraph 3, Law n.633/1941;
- art. 171-bis, paragraph 1 and 2, L. n. 633/1941
- art. 171-ter, paragraph 1, letter a) , b), c), d), e), f), f-bis), h), L. n. 633/1941
- art. 171-ter, paragraph 2, letter a), a-bis), b), c), Law n. 633/1941;
- art. 171-septies, L. n. 633/1941;
- art. 171-octies, L. n. 633/1941.

xiv. **Offences inducing others not to make statements or to make false statements to the judicial authority** (article 25-novies of the Decree), introduced by Legislative Decree No. 116 dated 3 August 200

- inducement not to make or making false statements to the Court (art. 377-bis of the Criminal Code);

xv. **Transnational offences**, introduced in Law No. 146 dated 16 March 2006 “Ratification and implementation of the United Nations Convention and Protocols against transnational organized crime

- criminal association (article 416 of the Criminal Code);
- mafia association (article 416-bis of the Criminal Code);
- criminal association involving the smuggling of foreign tobacco products (article 291-quarter of January 23, 1973 Presidential Decree no. 43);
- association for the illegal trade of narcotic substances (article 74 of Presidential Decree October 9, 1990 n . 309)
- acts intended to provide illegal entry of foreigners into the Country and abetting their stay, in order to achieve unfair profit (art.12 paragraph.3, 3-bis , 3-ter and 5 Decree July 25,1998 n. 286)
- inducement not to make or to make false statements to the Court (art. 377-bis of the Criminal Code);
- aiding and abetting (article 378 of the Criminal Code);

According to art 3 of Law No. 146 dated 16 March 2006, a transnational offence, for which the maximum punishment is imprisonment for a period of not less than four years, is an offence in which an organized crime group is involved and the offence a) has been committed in more than one State or b) has been committed in one State but with a substantial part of its preparation, planning and direction being performed in another State or c) has been committed in a State and an organized crime group active in more than one State is implicated in it; or d) has been committed in a State but has had substantial consequences in another State.

xvi. Offences against the environment (article 25-undecies of the Decree), introduced by Legislative Decree N0. 121 dated 7 July 2011

- environmental pollution (art. 452-bis Criminal Code)
- environmental disaster (art. 452-quater Criminal Code);
- unintentional environment crimes (art. 452-quinquies Criminal Code);
- traffic and littering of highly radioactive materials (art. 452-sexties);
- aggravating circumstances (art. 452-octies of the Criminal Code)
- killing, destruction, catching, taking, possession of specimens of animal or plant species protected (Article 727bis of the Criminal Code);
- destruction or degradation of habitat inside a protected site (Article 733bis Criminal Code);
- discharge of industrial wastewater, without authorization, or keeping them even after the suspension or revocation of authorization (Article 137 of Lgs. Decree 152 August 3, 2006);
- management activity of unauthorized waste (Article 256 of Lgs.Decr.152 of Aug 3, 2006);
- failure to site remediation as a result of pollution of soil, subsoil, surface water or groundwater at concentrations exceeding the threshold of risk (Article 257 of Legislative Decree no. 152 of August 3, 2006);
- transportation of hazardous waste without the necessary form or if the form reports incomplete or inaccurate data (Article 258 of Legislative Decree 152 of August 3, 2006);
- illegal trade of waste (Article 259 of Legislative Decree n. 152 August 3, 2006);
- activities organized for the illegal trade of waste (Art.260 of Lgs.Decree 152 Aug 3, 2006);
- computer system for checking the traceability of waste (art. 260 bis of Legislative Decree no. 152 of August 3, 2006);
- enviromental authorizations (art. 279 of Law 152 of April 3, 2006)
- import, export or re-export of specimens, under procedures of any Customs, without the required certificate or license, or in case of invalid certificate or license for specimens belonging to the species listed in Annex A of Provision (EC) N. 338/ 97 of 9 December 1996 and subsequent implementations and amendments (Art.1, 2, 3-bis and 6, Law 150 of Feb.7, 1992);
- termination and reduction of the use of stratospheric ozone depleting substances (Article 3 of Law 549 of December 28, 1993);
- pollution due to negligence with particularly serious or permanent damage to water quality, to animal or vegetable species, caused by a vessel (Articles 8 and 9 of Legislative Decree no. 202 of November 6, 2007);

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xvii. **Employment of citizens of non EU countries staying illegally** (art. 25-duodecies of the Decree), introduced by Legislative Decree 16 July 2012, n.109 implementing the Directive 2009/52/EC of the European parliament and of the Council and subsequently integrated by Law 68 of 201, which consider the responsibility of the company for the crime of the article 22, paragraph 12-bis, of the legislative decree of the 25th of July 1998, n. 286.

1.2 Sanctions

The sanctions established for administrative offences are the follows:

- **Pecuniary sanctions** (articles 10-12): are applicable for all the administrative offenses and have a punitive and not refundable nature. The entity must pay the pecuniary sanction with its assets or its joint stock. The pecuniary sanction is applied in "quotas" and is determined by the judge in the range from 100 to 1000, in relation to the gravity of the offence, to the degree of responsibility of the entity and to the actions undertaken to eliminate or attenuate the consequences of the offence and to prevent the commission of further unlawful acts. The value assigned to each quota ranges from a minimum of Euro 258,23 to a maximum of Euro 1.549,37. This value is set "by reference to the economic and financial condition of the entity with the aim of ensuring the efficacy of the sanction. The amount of the pecuniary sanction is determined as the result of the multiplication of the first factor (number of the "quotas") with the second (amount of the "quotas").

  The art 12 of the Decree provides the situations in which the pecuniary sanctions may be reduced:
  a) the perpetrator of the offence acted prevalently in his own interest or in that of third parties and the entity has derived no advantage or a minimal advantage;
  b) the financial loss suffered is particularly light;
  c) the entity has provided full compensation for the damage and has eliminated the harmful or dangerous consequences of the offence or has anyhow acted efficaciously in that direction;
  d) an organizational and management model has been constructed and implemented suitable for the prevention of offences such as that which was committed.

- **Disqualifying sanctions** (articles 13-17): are applicable when at least one of the following conditions is satisfied:
  a) the entity has derived from the offence a profit of significant amount and the offence was perpetrated by subjects in senior executive positions or by subjects under the management of others when, in this case, the commission of the offence has been determined or facilitated by serious defects in management organization;

b) in the case of repetition of the offences.

The disqualifying sanctions are (art 9 paragraph 2):

- disqualification from the exercise of the entity's activity;
- suspension or revocation of authorizations, licenses, or concessions functional to the perpetration of the offence;
- ban on entering contracts with the Public Administration, other than to obtain a public service;
- exclusion from benefits, loans, funding and subsidies, and/or revocation of those that may have been previously granted;
- ban on publicizing goods or services.

The purpose of the disqualifying sanctions is to limit or to influence the business activities and, in severe circumstances, to paralyze the entity (disqualification from the exercise of the entity's activity); these sanctions also aim to prevent the conduct related to the offices commission. In fact the art 45 of the Decree **provides that disqualifying sanctions as per art 9, comma 2 may be applied to an Entity as a preventive measure** when there are serious indications of an involvement of the Entity in committing the crime and specific grounds to fear that offences of the same nature as the one being prosecuted may occur.

The procedure related to the application of preventive measure is mainly based on rules provided in the code of criminal procedure, even if some differences exist. The competent court for the application of the sanction, upon request of the public prosecutor, is the judge or, in the preliminary phase, the examining magistrates.

The judge, after the request of the prosecutor sets a specific hearing to discuss about the application of the sanction. The participants of this hearing are the public prosecutor, the entity and its lawyer. Before the hearing starts, the entity and its lawyer may have free access to the documentation of the public prosecutor's request.
The disqualifying sanctions may have a duration of not less than three months and not more than two years. The art 16 of the Decree 231 provides cases in which is possible to apply permanently the disqualifying sanctions;

- **Confiscation** (art 19): is an independent and mandatory sanction always imposed when the entity is convicted. Confiscation is the economic value or the profit of the offence (except for the part that can be returned to the injured party), if not possible, other values or benefits equal to the economic value or the profit of the offence itself; except the rights acquired in good faith by third parties. The aim is to prevent that an entity could take any advantage from illegal behavior in order to obtain profit. With reference to the meaning of "profit", given the impact of the confiscation on the entity's estate, the doctrine and jurisprudence have expressed different orientations about the "confiscation-penalty" introduced by the Decree 231. The art 53 of the Decree 231 provides the possibility to arrange a preventive seizure in order to

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confiscate Company assets representing the economic value or the profit of the offence, when amended by law. In this case, the procedure described by the art 321 and by the following articles of the code of criminal procedure related to preventive seizure is applied;

- **Publication of the sentence** of conviction (art 18): may be ordered by the judge when a disqualifying sanction is imposed. The sentence is published just once, in extract or in its entirety, in one or more newspapers chosen by the judge together with the posting of the sentence in the district where the entity's principal office is located. The publication is paid by the entity and is performed by the chancellor's office; the aim of this sanction is to bring the attention of the public on the conviction.

1.3 Organizational and Management Models for the exemption from liability

The Decree 231, introducing the corporate administrative liability, provides for a specific form of exoneration of liability for offences committed in the interest or to the advantage of the entity by both by persons holding top positions (Art . 6) or persons in subordinate positions (Art 7).

In particular, with regard to offences committed by subjects in **senior executive positions**, the Decree provides that the entity is not liable if it proves that:

- the top management adopted and effectively implemented, prior to perpetration of the offence, organizational and management models suitable for the prevention of offences of the type committed;
- the duty of supervising the functioning of and the effective compliance with the models, and of ensuring their update, has been entrusted to an internal body (Supervisory Body) with autonomous power of initiative and control;
- the persons who committed the offence acted fraudulently to elude the organizational, management and control models adopted by the company;
- there was no omission or insufficiency of control on the part of the Supervisory Body.

In the case of offences committed by **persons in subordinate positions**, the entity can be liable only if the commission of the offence *was made possible by the failure of the latter to perform the duty of direction and control.*

In any case, failure to perform the duty of direction and control is excluded if the *entity, prior to the commission of the offence, has adopted and effectively implemented an organizational, management and control model capable of preventing offences of the type committed.*

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According to the legislator, therefore, the adoption and the effective implementation of an adequate Organizational and Management Model and the appointment of a Supervisory Body represent the fulfillment of management and supervision obligation and is the **exemption from the corporate administrative liability**.

1.4 Requirements of the Organizational and Management Models

The Decree 231 defines the main characteristics of the Organizational and Management Model. In particular, the Model must:

- identify the activities within which the offences may be committed;
- provide specific protocols concerning the organization of the processes for the taking and implementation of the entity's decisions with regard to the offences to be prevented;
- identify financial resource management procedures capable of preventing the perpetration of offences;
- meet information obligations towards the body entrusted with overseeing the functioning of and the compliance with the Models;
- introduce a disciplinary system cap capable of punishing failure to comply with the measures specified in the Model.

Moreover, the Decree 231 establishes that:

- according to the type of business carried out by the Company and according to the nature and the size of the organization, the Model must provide specific measures in order to ensure the ongoing of the business in compliance with the law and to promptly discover risky situations;
- the effective implementation of the Model requires a periodic review and the modification of the Model itself when there are significant violations of the law or significant changes into the organization; it is important, also, the existence of an appropriate Disciplinary System.

Moreover, the Decree 231 provides that the Organizational and Management Model could be constructed according to provisions of code of conducts drafted by the Business Associations and communicated by the Ministry of Justice as defined in the art 6, paragraph 3, of the Decree 231. In the small size entity the supervising task could be carry out directly by the top management.

Further, with regard to the workplace health and safety offences contemplated in article 25-septies of the Decree, article 30 of Legislative Decree No. 81 of 2001 (Consolidated Text on workplace health and safety) establishes that to provide effective exoneration from administrative liability for legal entities, companies and associations including those without legal identity as per the Decree, the organizational and management model must be adopted and effectively implemented, creating a system with which the enterprise manages its compliance with all of the related legal obligations.

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2. GOVERNANCE MODEL AND ORGANIZATIONAL STRUCTURE OF WAPSS

2.1 The Company

WARTSLA APSS Srl (hereinafter "the Company" or, in short, "WAPSS") mainly carries out, as defined in its Business purpose, the following macro activities:

- planning, reparation, production, sale and consultancy of mechanical, electrical and automation plants;
- research, planning and realization of modification to preexisting plants;
- planning and management of programs for automation plants with calculators and for the related changes;
- technical assistance to these plants.

2.2 History

Established in 1986 as a service supplier company - engineering and technical maintenance-for naval automation systems. In 1990 WAPSS Srl was converted from a partnership into a limited liability company; so that it had the structure to expand and to widen its scope.

Starting from the 1990s, WAPSS gained strength and reached a relevant position in the field of ship automation becoming the agent for Lyngso and Valmarine in Italy, the leader company for turn-key packages and the sole point of contact for sales.

The further most relevant development occurred in the year 2000 with two new important objectives: establishing a research and development department and making its own products, which are complementary to the automation systems.

Since September 2007 WAPSS has been acquired by SAM-Electronics GmbH, an L-3 Communications Company. This further reinforces the strong partnerships that have contributed to the actual outcome.

In 2015 the Company has been acquired by Wartsila Group.

The Company runs all the steps related to the realization of plants, including the planning and the installing of the control software for the automation plants, as well as its realization on board.

Highly skilled experts provide all the necessary assistance for the definition of plant's specifications, for the performance of feasibility study and collaborate with the technical structures of the construction site for the definition of engineering details. A significant part of the activities performed consists in assembly and testing of systems in our facilities and the subsequent installation on board, up to the delivery of the ship to the ship owner.

WAPSS also provides technical assistance to operating ships, having a flexible operating structure, that is able to intervene shortly in any Italian or European harbor.

2.3 WAPSS Governance System

In the light of the peculiarity of its organizational structure and of the activities conducted, the system adopted consider the presence of a Board of Directors with administrative functions and a Board of Auditors with supervision functions on the administration, both appointed by the Shareholders, in their general meeting.

The corporate governance system is therefore, at present, structured in the following way:

- **The Shareholders (In their General Meeting):** it is authority of the Shareholders Meeting to deliberate, in an ordinary or extraordinary general meeting, on the subjects assigned to it by the Law.

- **Board of Directors:** the management of the company is an exclusive right of the administrators, who have all the powers for the ordinary and extraordinary administration of the Company, as everything that it is not assigned peremptorily to the Shareholders Meeting is delegated to them. The Board of Directors can also decide on the following topics by simultaneous voting, in place of the Shareholders Meeting:

    - mergers hypotheses, in the instances and at the conditions referred to the articles 2505 and 2505-bis of the Civil Code;
    - the reduction of the company capital reserved for possible losses, according to the article 2482-bis, last paragraph, of the Civil Code.

  The Board of Directors can delegate, within the limits set by Article 2381 of the Civil Code, to one or more of its members (acting as CEO) part of its duties related to the ordinary management of the Company, including the representation of the Company, setting their responsibilities and their possible remunerations. The administrative body can moreover appoint directors, including general directors, and counselors for specific duties or categories of duties.

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The representation of the Company towards third parties and the legal representation of the Company is entitled to the president of the Board of Directors and, if appointed, to the single CEOs, in the scope and limits of their respective mandates, with separate or joint signatures, as it was determined at the time of appointment.

The representation of the Company is entitled also to the directors, including general directors, and to the counselors, within the limits determined at the time of appointment, conferred with separate or joint signatures, according to what was established at the time of appointment itself.

- **Statutory Auditor:** to whom is assigned, according to the law, the duty to monitor the observance of the law and of the articles of incorporation, the respect of the principles of correct administration, the adequacy of the organizational structure of the Company for the areas for which he has responsibility, the internal control system and the administrative-accounting system, as well as the reliability of it when it comes to represent in an accurate way the management facts.

- **Auditing Firm:** the accounting control is exercised by an accounting auditor or an auditing Company enrolled in the register of auditors kept at the Ministry of Justice. Such auditors perform the functions attributed to them by the law.

3. Organizational and Management Model of WAPSS

3.1 Purpose of the Organizational and Management Model of WAPSS

The Organizational and Management Model of WAPSS (from now on, abbreviated, also as "Model"), has been defined and prepared by holding in particular consideration the interaction between the internal control system and the business processes existing within the Company with respect to the regulation and forecasts of the Decree 231.

The present Model has been developed on the basis of:

- identified crime risk areas and sensitive activities;
- an organic and structured procedures system;

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- the Internal Control System defined and structured within the Company with forecast of the modalities of resource management and means of mandatory information directed to the Supervisory Body;
- disciplinary system.

The WAPSS Model aims at:

- make everyone operating in the name and for WAPSS aware that committing a crime (or also even just attempting to commit a crime), even if done in order to advantage the Company or in the interest of the Company, represents a violation of the Model and of the principles and dispositions stated in it, and constitutes an illegal act liable of criminal and administrative sanctions, applicable not only to the author of the crime, but also to WAPSS;
- identify the behaviors that are condemned by WAPPS, as contrary not only to the legal regulations, but also to the norms and the conduct rules the Company wants to aim to and comply with, in the performance of its Business Activities;
- monitor the risk areas and the sensitive activities where the crimes considered by the Decree 231 could occur, defining the prompt intervention in order to prevent and impede the crimes themselves, also through a periodic check and the possible update of the Model when violation of the prescription or organizational or business changes are identified.

With the aim of defining the Model and prevent the commission of the crimes considered by Decree 231 the following activities have been put in place:

- evaluation of the crimes that, due to the type of activities managed by the Company, are possibly relevant for WAPSS;
- identification, for the crimes deemed relevant, of all the crime risk areas in accordance with Decree 231, through an analysis of the performed activities, of the existing procedures and controls, of the practices and of the authorization levels;
- identification and update of the Internal Control system in order to guarantee:
    - the coherence between the exercise of the functions and the powers and the assigned responsibilities;
    - the enacting and the actualization of the principle of segregation of duties;
    - the verifiability, the transparency and the congruence of the business behavior and of the documentation relative to each operation/activity/transaction;
- identification of the Vigilance Body, which has the duties to monitor the effective and correct functioning of the Model and has sufficient powers to guarantee the full effectiveness and efficiency of the model, both in terms of autonomy and available resources, as well as in terms of independence and information duties.
- identification and adoption, in accordance with the prescriptions of Decree 231, of a specific disciplinary system, applicable in case of a violation of the Model.

3.2 Addressees

The addressees of the Model are committed to respect its content. They are:

- Directors and Managers of the Company (so-called senior executives);
- employees of the Company (so-called persons in subordinate positions);
- external professionals, consultants, and in general all the people performing self-employment activities involved in the sensitive activities on behalf and in the interest of the Company;
- suppliers, partners and third parties involved in a relevant way and/ or in a continuative one in the sensitive activities on behalf and in the interest of the Company.

Generally, as addressees of the Model we can consider all the people who, for whatever reason, performs the sensitive activities on behalf and in the interest of the Company.

3.3 Structure of the Organizational and Management Model and related documents

The Model is based on the principles and the norms contained in the Company's Code of Conduct, and the body of processes, rules, procedures and control mechanisms already in place within the Company.

In particular, express and integral reference is made to the instruments already operating in WAPSS, including procedures and policies.

The Model of WAPSS consists of:

- this **General Part**, describing the purpose and the principles of the Model, identifies its fundamental components, analyzes and identifies the risks (related to the processes and the business activities carried out by the Company), defines and implements a Management and risk prevention System;
- **Special Parts**, describing and analyzing the operational activities of the Company related to some type of offence, provided for by the Decree, held to be of major significance for the Company after the risk analysis performed and the identification of the "sensitive" areas and the identification of the controls (delegation system and procedures) aimed at mitigate the risk. In particular:
  - Special Part A: Crimes against the Public Administration (Art. 24 and 25 of Legislative Decree 231/01).
  - Special Part B: IT crimes and illegal data treatment (Art. 24-bis of Legislative Decree 231/01);
  - Special Part C: Corporate crimes (Art. 25-ter of Legislative Decree 231/01);

- Special Part D: Crimes against individual personality (Art. 25-quinquies of Legislative Decree 231/01);
- Special Part E: Crimes related to health and safety at work (Art. 25-ter; paragraph 1, letter s-bis, of Legislative Decree 231/01);
- Special Part F: Private corruption and instigation to bribery in the private sector (Art 25-ter, paragraph 1, letter s-bis, of Legislative Decree 231/01);
- Special Part G: Environmental Crimes (Art 25 undecies of Legislative Decree 231/01);
- Special Part H: Money Laundering (Art. 25 octies of Legislative Decree 231/01).

The primary objective of each of the Special Sections dedicated to the types of relevant offences is to set out the addressees' duty to adopt rules of conduct appropriate for the prevention of the offences identified in the Decree and recognized as theoretically relevant for the entity considering its organizational structure and business operations.

The Organizational and Management Model has been adopted by the WAPSS's Board of Directors which has responsibility for the modification and integration of the Model, also on the basis of observations and remarks of the Supervisory Body

Accordingly, through formal decision, the Board may at any time change the present Model, in whole or in part, so as to adapt it to the provisions of new legislation or to changes in the structure of the Company.

3.4 Preparatory activities for construction of the Model

WAPSS determined that it was necessary and in line with its own corporate policy to adopt an Organizational and Management Model pursuant to the Decree in order that all those who work in the Company, in the course of performing their activities and services, should observe standards of conduct to avoid the risk of commission of the offences contemplated in Decree 231.

In the construction of its Model the Company has contemplated, in addition to the provisions of the Decree, on the *Confindustria Guidelines* (updated to 31 March 2008), prepared on the basis of the observations made by the Ministry of Justice, which contain specific and concrete indications as to the adoption and implementation of Models.

The Board of Directors appoints the Supervisory Body with the task of overseeing operation and compliance with the Model, as provided by the Decree 231.

In order to perform the activities related to the definition of the 231 Model, a Working Group was formed with the task of mapping the areas at risk and of identifying and evaluating the risks and the Internal Control System finalized at crime prevention; on the basis of the results of this work the Company drew up its own Model.

The activities of risk assessment have been carried out with the aim of mapping of areas at risk of offences. Activities included both analysis of available Company documentation and interviewing of involved staff.

3.4.1 *The mapping of the areas of activity at risk*

The identification of the areas at risk was fundamental for the construction of WAPSS's Model.

The activity was performed taking into consideration and analyzing the context of the Company, both in terms of its organizational structure and of its operations, in order to determine in which areas/sectors of activity and in what ways negative consequences could arise from the offences contemplated in Decree 231.

In particular, from the analysis of the Company's organizational structure and operations it was possible to:

- identify the types of offence theoretically applicable and relevant for the Company;
- identify the areas of activity at risk in which theoretically the offences contemplated by Decree 231 could be committed (or attempted), either autonomously or in concert with third parties.

In each area at risk the individual "sensitive activities" were identified in detail - these are the activities to which directly or indirectly the potential risk of commission of offences is connected – together with the Organizational Units of the organization involved.

With reference to the typology of offences, to the risk areas and the related sensitive activities, and to the processes provided for in the processes at risk, reference should be made to the Special Sections of the Model.

3.4.2 The Internal Control System

Following the mapping of the business risk areas and the identification of the main ways of carrying out the corresponding crimes in the various Functions, the main risk factors that could foster the commission of a crime that is in principle applicable and relevant for the Company have been identified. Moreover the relative analysis of the Internal Control System has been carried out, in order to verify its adequacy at preventing the relevant crimes.

The detection and the analysis of the existing business controls have been carried out, and subsequently the improvements areas have been identified.

The analysis of the Internal Control System has been carried out in order to verify in particular:

- the existence of general conduct rules aimed at safeguarding the activities that are carried out;
- the existence and the adequacy of rules and procedures that are already in place for the regulation of the execution of the activities with respect to the principles of traceability of the acts, and of objectification of the decisional process;
- existence of different authorization levels guaranteeing an adequate control over the decisional process;
- the existence of specific control and monitoring activities on the critical activities related to Decree 231.

3.5 Code of Conduct and Model

The Company intends to operate according to ethical principles aimed at driving the execution of the business activities, the achievement of business purpose and its growth in compliance with the law in force. For this purpose the Group has adopted a "Code of Conduct " that applies to anyone who is performing activities on behalf of WARTSILA, including employees, managers and members of the Board of Directors.

The Code of Conduct is designed to establish the principles that inspired the Group. Anyone in the Company may be committed with them in the achievement of goals.

The "Code of Conduct" is, therefore, general and represent a tool adopted independently by the Company.

However, considering that the Code of Conduct refers to the rules of conduct suitable to prevent the offences described into the Decree 231, the Code of Conduct becomes relevant for the Model and represents an integral part of it.

4. SUPERVISORY BODY

4.1 Composition and appointment of Supervisory Body

Considering the objectives pursued by law, the size and the organization of the Company, WAPSS opted for a single member Supervisory Body.

The Board of Directors has the duty to define the number of members, the terms of the appointment, their authorities and powers, their responsibilities and duties in accordance with regulations, as well as define the eligibility requirements for that members.

The Supervisory Body, appointed by the Board of Directors, shall hold the appointment for a term of 3 years or for a shorter period defined at the time of the appointment, but not less than 1 year.

The Board of Directors has the right to provide if the Supervisory Body can hold its appointment until the expiring of the mandate of the Board of Directors with appointed it respecting the minimum period defined above.

At the time of appointment, the Board of Directors recommends the President and establishes the remuneration of the Supervisory Body members.

During the preparation of the budget, the top management approves an adequate provision of the financial resources, proposed by the Supervisory Body itself, which the Supervisory Body could use for every need necessary to perform its tasks (e.g. expert advice, business travels, etc.).

4.2 Settlement of the Supervisory Body

The Supervisory Body has the responsibility to draw up its own internal document aimed at regulating the features and the modalities for the performance of its activities, including matters related to its organizational and operational system.

In particular, in the context of the internal regulations, the following profiles have been defined and standardized:

- the functioning and the internal organization of the Supervisory Board (for example summoning and decisions of the Supervisory Body);
- the type of verification and monitoring activity of the Model;
- the activity connected to the update of the Model;

- the activity connected to the fulfillment of the duties of information and training of the subjects involved in the model's application;
- the management of the information flows from and towards the Supervisory Body, with clear identification of the involved subjects, of the relevant documentation and of the related time schedule.

Any news related to the existence of a possible violation of the Model must be immediately reported to the Supervisory Body by anyone in the Company and by all third parties who have to be comply with the Model.

The company personnel as well as all the individuals performing activities in the name and on behalf of the Company aware of possible commission of offences or of acts of non-compliance with the rules of conduct and with the principles set up by the Code of Conduct of the Company must report it promptly to the Supervisory Body.

These warnings, which will be handled as confidential, could be sent via e-mail to: mariagraziapellerino@pec.ordineavvocatitorino.it

It is recalled that, as defined in the art 2104 e 2105 of the Civil Code, the work providers must be diligent and loyal with their Employer and, therefore, their proper fulfillment of the duty of information could not imply the application of the disciplinary sanctions.

The information reported to the Supervisory Body has the aim of improving and facilitating the planning of controls activities and do not imply a systematic check of any event: the evaluation if to initiate an action is under the Supervisory Body's responsibility.

4.3 End of appointment

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The end of appointment due to the expiration of the deadline has effect from the constitution of the new Supervisory Body. The end of appointment can also occur due to renounce, relinquishment, suspension or death of the members.

The members of the Supervisory Body who renounce to the appointment are required to provide written notice of their decision to the Board of Directors and to the Supervisory Body itself, so that they can be promptly substituted.

The members of the Supervisory Body lose their role if they suddenly develop a luck of requirements (for example, disqualification, inability, failure, a conviction causing a ban from holding public office or if they are convicted for the crimes of Decree 231 and, in general, in the case of incapability and incompatibility, luck of requirements, etc.).

The Board of Directors can suspend, after contacting the Statutory Auditors, the appointment for just cause. As an example, a just cause recur in case of failure to comply with the rules pertaining to each member of the Supervisory Body, unexcused absence from three or more meeting of the Supervisory Body, existence of a conflict of interest, inability to fulfill the duties of a member of the Supervisory Body, etc. Moreover, the termination of the employment relationship usually implies the suspension of the appointment of the outgoing employee. The suspension of the appointment of a member of the Supervisory Body can be required to the Board of Directors by the Supervisory Body itself, justifying the request.

In case of renounce, fall, suspension, or death the Board of Directors will arrange for the substitution of the member of the Supervisory Body, after contacting the Statutory Auditors. The members appointed in this way will remain in charge for the remaining duration of the Supervisory Body mandate.

4.4 Requisites of Supervisory Body

According to the provisions of the art 6, paragraph 1, of Decree 231, the Supervisory Body has the duty of overseeing the functioning of the Model and compliance with it and of ensuring its maintenance and updating. Moreover, the Supervisory Body possess autonomous powers to initiate action and to control.

In particular, according to the Decree 231 and the Confindustria Guidelines, the Supervisory Body comply with the following requirements:

- **autonomy and independence**, as:
  - the control activities performed by the Supervisory Body are not subject to any form of interference and/or conditioning by subjects internal to WAPSS;
  - it report directly to the top management, that is to the Board of Directors, with the option to report directly to the Shareholders and to the Statutory Auditors;
  - it does not have any operative duty, it is not involved in the decision processes and operating activities, with the aim of protecting and guaranteeing the objectivity of its judgment;
  - it has adequate financial resources to perform its duties in a correct manner;
  - the internal rules of the Supervisory Body are defined and adopted by the Supervisory Body itself.
- **professionalism**, as: the professionals of the Supervisory Body possess competences in both the auditing process and the analysis of the internal control system, and legal competences. With the aim of obtaining such competences, the Supervisory Body can use the business functions, internal resources and external consultants;

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- **continuity of action**, as the Supervisory Body is an entity created only for and dedicated only to the monitoring of the functioning and observance of the Model;
- **integrity and absence of conflicts of interest**, to be intended in the limits established by law with regard to administrators and members of the Board of Statutory Auditors.

The Board of Directors assesses the permanence of these requirements and the operating conditions of the Supervisory Body. Moreover, the Board of Directors has to verify the permanence of the subjective requirements of honorability, competence and possible situation of conflicts of interest in order to safeguard the autonomy and the independence of the Supervisory Body.

4.5 Functions, activities and powers of Supervisory Body

According to the article 6, paragraph I of Decree 231, the Supervisory Body of WAPSS is entrusted with the task of overseeing operation and compliance with the Model, of verifying if the activities carried out by the Company are compliance with it and with the task of updating it.

In general, the following tasks have been conferred to the Supervisory Body:

- **verification and oversight of the Model**, that is
  - verifying the adequacy of the Model, with the aim of preventing the occurrence of illicit behaviors, and also highlight their eventual realization;
  - verifying the effectiveness of the Model, that is the correspondence between the concrete behaviors and the behaviors described in the Model itself;
  - implementing analysis related to the maintenance over time of the solidness and functionality requirements of the Model.
- **updating of the Model**, that is
  - signal potential necessities of updating the Model (determined by updates of the regulatory framework or internal episodes of the Company, as business events or avoided risks), proposing, if necessary, to the Board of Directors, or to the Business Functions in charge, areas and suggestions related to the updating of the Model, with the aim of improving its adequacy and effectiveness-
- **information and training on the model**, that is
  - promote and monitor the initiatives aimed at fostering the diffusion of the Model among all the subjects required to respect the Model (from now on, also “Subjects”);
  - promote and monitor the initiatives, included the courses and the communications, directed at promoting and adequate knowledge of the model among all Subjects.
  - evaluate the clarification and consultancy requests coming from the organizational units or business resources or from the administrative and control authorities, if connected and/or associated to the Model.
- **management of information flows**, that is:

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- o ensure the timely compliance, of all involved subjects, with all the reporting activities related to the respect of the Model;
- o examine and evaluate all the information and/or the warnings received and connected to the respect of the Model; included the possible violations of the Model Itself;
- o inform all the relevant entities, hereinafter specified, about the activities performed, the relative results and the programmed activities;
- o notify to the relevant entities, so that proper measures are implemented, the potential violations of the Model and the responsible subjects, proposing the penalty considered more suitable for the specific case;
- o in the case of controls performed by institutional subjects, included the Public Administration, supply the necessary documentation to the inspection authority.

- **follow-up activities**, that is verifying the implementation and effective functionality of the proposed solutions.

To ensure the performance of the tasks conferred to the Supervisory Body, it is entrusted with all the necessary powers aimed at ensuring the overseeing and compliance with the Model.

In order to perform its activities the Supervisory Body has adequate financial resources and can use, under its direct monitoring and responsibility, the internal business structures and, if necessary, external consultants, following the relevant business procedures.

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5. INFORMATION AND TRAINING

5.1 Communication and Dissemination of the Model

The Company believes it necessary to ensure a precise knowledge and dissemination of the rules of conduct contained in the Model and related protocols.

The adoption of the WAPSS's Model shall be communicated and disseminated as well as to third parties having relations with WAPSS including, among the others, suppliers, business partners, external professionals, consultants, etc.

The receipt and the commitment to comply with the provisions contained in the Code of Conduct and Model of WAPSS by the addressees is formalized through specific documentation like the statements of acknowledgement or by specific contractual standard clauses.

5.2 Education and training on the Model

In addition to the activities connected to the information of the subjects, the Supervisory Body promote the periodic and constant training, and implementation, on behalf of the Company, of the initiatives aimed at fostering an appropriate knowledge and awareness of Model, Rules, processes and controls related to it, with the aim of improving the ethical culture within the Company.

In particular the principles of the Model, and specifically of the Code of Conduct that is part of it, must be described to the company's resources through specific training activities (for example courses, seminars, questionnaires, etc.), for which attendance is compulsory. The Supervisory Body must plan the execution modalities of these training activities through the arrangement of specific training programs.

The courses and the other training initiatives related to the principles of the Model, must be tailored on the basis of the role and the responsibilities of the relevant resources, that is through a stronger training and characterized by a deeper analysis, for the subjects defined as senior positions by the Decree, as well as the ones operating in the areas defined as crime risk areas by the Model.

Probative documentation of participation to the training courses must be conserved.

6. THE DISCIPLINARY SYSTEM

The drawing up of an effective disciplinary system (system of sanctions) for breach of the provisions contained in the Model is an essential requirement to ensure the Model's effectiveness.

Therefore, according to the art 6, paragraph 2, letter e) of the Decree 231, the Company has adopted a disciplinary system suited to punishing failure to comply with the measures specified in the Model. The violation of the rules and provisions provided by WAPSS in order to prevent the commission of offenses pursuant to the Decree 231, could damage the relationship of trust established with the Company.

The disciplinary sanctions established by the Company are applied regardless of the outcome of any criminal procedures, given that the rules of conduct imposed by the Model are adopted by WAPSS in full autonomy, irrespective of the type of offence that may be determined by violations.

In any case an unlawful behavior, an infringement or a behavior not in compliance with the Model can be justified or considered less serious, even if it was committed in the interest or in the advantage of WAPSS.

6.1 Sanctions to be imposed to the employees

In accordance with the applicable legislation, WAPSS must inform its employees about the dispositions, principles and rules contained in the Organization and Management Model, through the activities of information and training described before.

An employee violating the dispositions, the principles and the rules contained in the Model prepared by the Company with the aim of preventing the crimes related to Decree 231, constitute a disciplinary offence.

The disciplinary system related to the Model has been set up respecting all the limits established by law and the *Collective Agreement* adopted and what established by the art. 7 of the Statute of Workers.

The disciplinary system related to the Model has been set up respecting all the legal dispositions related to labor law. No new sanctions, other than the one contained in the *collective agreements* and in the union agreement, were introduced. The *Collective Agreements* adopted contain a variety of sanctions capable of modulate the sanctions based on the seriousness of the infraction.

Constitute a disciplinary offence, in relation to the activities identified as crime risk activities:

- the non-compliance with the principles of the Code of Conduct;
- the non-compliance with the norms, rules and procedures of the Model;
- the incomplete or non-truthful documentation or the inadequate conservation of it in order to ensure transparency and verifiability of the activities performed in compliance with the norms and the procedures of the Model;
- the violation or the avoidance of the internal control system, realized through the misappropriation, the destruction or the alteration of the documentation required by the procedure described above;
- the obstruction of the controls and/or the unjustified obstruction to the access to the information and to the documentation by the entities/subjects in charge of the controls, included the Supervisory Body.

These disciplinary offences can be punished, according to their seriousness, with provisions that can go from the verbal warning to the termination for just cause.

The sanctions must be commuted after considering the seriousness of the violation: in accordance with the high importance of the principles of transparency and traceability, as well as the relevance of the monitoring and control activities, the Company will apply the sanctions of higher impact to those offences that, due to their nature, violate the principles on which this Model is founded.

The type and the entity of the sanctions must be applied considering:

- the intentionality of the behavior or the degree of negligence , carelessness or incompetence with regard also to the predictability of the event;
- the overall behavior of the worker, with particular regard to the subsistence or less of previous sanctions, within the limits established by the law.
- the duties of the worker;
- the functional position and the responsibility and autonomy level of the individuals involved in the violation;
- of other specific circumstances related to the violations;

The Supervisory Body has the duty of verifying and evaluate the adequacy of the disciplinary system in the light of Decree 231. The Supervisory Body must also indicate, in its periodic biannual relation, the possible areas of improvement and the development of the disciplinary system in force, especially in the light of updates of the relative regulatory framework.

6.2 Sanctions to be imposed to the management

In case of violations of the Model by the management, WAPSS will adopt the most suitable disciplinary measures. Furthermore, in the light of the profound loyalty bond, that links the Company to its management, and considering their greater experience, the violations of the Model in which managers should incur will imply mainly expulsive measures, as considered more adequate.

6.3 Measures to be imposed to Administrators and Statutory Auditors

At the news of the violation of the principles, the dispositions and the rules of the Organizational and Management Model by members of the Board of Directors or the Statutory Auditors, the Supervisory Body must promptly inform the entire Board of Directors and the Statutory Auditors (otherwise the entity that first become aware of the facts must promptly inform the others), in order to adopt the appropriate actions. These include, for example, the summoning of the Shareholders General Meeting with the aim of adopting the most suitable measures. The Supervisory Body, during its information activity must not only report on the details of the violation, but also indicate and suggest the suitable investigations to be conducted, as well as, if the violation was to be confirmed, the most suitable actions (for example the suspension of the Administrator of Statutory Auditor involved).

6.4 Measures to be imposed to the other addressees

The compliance with the Code of Conduct and the Organizational and Management Model (with reference only to applicable parts) is an basic requisite to continue the relationship with the Company.

Non only those acting in the name and on behalf of WAPSS must comply with such a provisions but also the so-called “other addressees” such as external professionals, representatives, consultants, individuals involved in self-employment activities on behalf of WAPSS and any subject which is in a contractual relationship with the Company.

The Company provides for the inclusion in the agreements with aforementioned subjects of specific contractual clauses.

Any infringement of the Code of Conduct and of the Organizational and Management Model (with reference only to applicable parts), performed by those who carry out activities in the name and on behalf of WAPSS or by other addressees, or the commission of offences included in Decree 231 will be sanctioned according to provisions included in contracts stipulated; moreover specific legal actions will be initiated in order to protect the Company. Such a clauses can provide for the termination of the contract by WAPSS, in most serious cases, or the application of penalties, for minor violations.

6.5 Additional Measures

WAPSS has the right to use any other remediation allowed by law, including the ability to make a claim for damages resulting from a violation of the Legislative Decree 231 to any of the subjects listed above.