

# FLOS

## **ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001**

Approved by a resolution of the Board of Directors on 24 March 2016 and updated by a resolution of the Board of Directors on 31 July 2018

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## **GENERAL PART**

## DEFINITIONS

The following definitions refer to all parts of the Organisation, management and control model, with the exception of any further definitions contained in the separate Special Parts.

- “**Agents**”: the parties, both natural persons and legal entities, with which FLOS has entered into an agency agreement for the sale of the Company’s products.
- “**Area Manager**”: the parties who play a strategic role in the development of the Group’s commercial strategies.
- “**Sensitive Activities**”: the activities carried out by FLOS, which entail the risk of committing a Crime.
- “**Instrumental Activities**”: activities that are not directly related to the risk of committing a Crime, but are instrumental and functional to the commission of the same.
- “**NCLC**”: the National Collective Labour Contract applied by FLOS (National Collective Labour Contract for the Metalworking and Mechanical Engineering Industry).
- “**BoD**” or “**Board of Directors**”: the Board of Directors of FLOS.
- “**External Staff**”: Consultants, Partners and Suppliers considered as a whole.
- “**Consultants**”: those who act in the name of and/or on behalf of FLOS based on a mandate or those that work with the Company through a consultancy contract of any nature.
- “**Addressees**”: all parties, addressees of the content of this Model, indicated in paragraph 2.6.
- “**Employees**”: parties who have an employment relationship with the Company or those that work for the Company through a contract with the same (including therein interns).
- “**Italian Legislative Decree 231/2001**” or “**Italian Decree 231**”: Italian Legislative Decree no. 231 dated 8 June 2001 and subsequent amendments and additions.
- “**Entity/Entities**”: entities with a legal personality and companies and associations, even without a legal personality.

- “**Company Representatives**”: the directors, executives, departmental managers and members of the Company’s Board of Statutory Auditors.
- “**FLOS**” or the “**Company**”: Flos S.p.A. with registered office in Bovezzo (BS), Via Angelo Faini, 2.
- “**Suppliers**”: suppliers of the Company’s goods and services.
- “**FLOS Group**” or the “**Group**”: the group of companies belonging to Flos S.p.A. pursuant to art. 2359 of the Italian civil code.
- “**Guidelines**”: the Guidelines for the establishment of organisation, management and control models pursuant to Italian Legislative Decree 231/2001 approved by Confindustria on 7 March 2002 and subsequent additions.
- “**Model**” or the “**231 Model**”: the organisation, management and control model envisaged by Italian Legislative Decree 231/2001.
- “**Corporate Bodies**”: the Board of Directors and the Board of Statutory Auditors of FLOS.
- “**Supervisory Board**” or “**SB**”: the internal body in charge of overseeing the functioning of and compliance with the Model and its relative updating.
- “**P.A.**”: the Public Administration, including the relative officials and parties working for the civil service.
- “**Products**” or “**Flos Products**”: residential and architectural lighting products and systems.
- “**Crimes**” or “**Predicate crimes**”: the categories of crime and the administrative offences covered by the regulations envisaged by Italian Legislative Decree 231/2001 on the administrative liability of entities, also following any subsequent amendments or additions to the same;
- “**Retailers**”: the parties, both natural persons and legal entities, who work with FLOS in Italy, engaged in the retail sale, marketing and advertising of the Products supplied by the Company.
- “**Record**”: the document used to formalise information flows.

## CHAPTER 1

### THE SYSTEM OF ADMINISTRATIVE LIABILITY ENVISAGED FOR LEGAL ENTITIES, COMPANIES AND ASSOCIATIONS

#### 1.1 Italian Legislative Decree no. 231/2001 and the legislative framework

Italian Legislative Decree no. 231 of 8 June 2001 on the “*Regulation of the administrative liability of legal entities, companies and associations, even without legal personality*” came into effect on 4 July 2001.

Art. 5 of Italian Legislative Decree 231/2001 sanctions the liability of the company in the event that certain crimes (so-called Predicate Crimes) are committed in its interests or to its advantage:

- a) by persons entrusted to represent, administer or manage a company or an organisational unit of the same with financial and functional independence, as well as by persons who, also de facto, manage and control the same (for example, directors and general managers);
- b) by persons under the management or supervision of one of the parties indicated in the letter above (for example, non-executive employees).

Therefore, in the event that one of the so-called predicate crimes is committed, the criminal liability of the natural person who actually committed the offence is combined with - if and insofar as all of the other legislative requirements are met - the “administrative” liability of the company.

In terms of sanctions, in all cases, a fine is always envisaged for the natural person that committed the crime; in more serious cases, the application of debarment sanctions is also envisaged, such as the prohibition to conduct the business activity, the suspension or revocation of permits, licenses or concessions, the prohibition to conduct business with the P.A., exclusion from loans, contributions or subsidies and the possible revocation of those already granted and the prohibition to advertise goods and services.

The liability envisaged by Italian Decree 231 also applies to crimes committed abroad, unless the State of the place in which said offence has been committed proceeds with prosecution of the same.

With regard to the **type of so-called predicate crimes**, to date, they comprise the

following:

- (i) crimes committed in relationships with the Public Administration (articles 24 and 25 as subsequently amended by Italian Law no. 190 of 6 November 2012, and most recently by Italian Law no. 69 of 27 May 2015);
- (ii) crimes of falsifying money, legal tender and stamp duty and identification instruments or signs (art. 25-*bis* introduced by Italian Legislative Decree no. 350 of 25 September 2001, subsequently amended by Italian Law no. 99 of 23 July 2009);
- (iii) corporate crimes (art. 25-*ter* introduced by Italian Legislative Decree no. 61 of 11 April 2002 subsequently integrated with the crime of “corruption between individuals” from Italian Law no. 190 of 6 November 2012, amended by Italian Law no. 69 of 27 May 2015 and most recently integrated from Italian Legislative Decree no. 38 of 15 March 2017, that introduced the offence of “instigation to corruption between privates”);
- (iv) crimes pertaining to terrorism or the subversion of democratic order (art. 25-*quater* introduced by Italian Law no. 7 of 14 January 2003);
- (v) the mutilation of female genital organs (art. 25 *quater*-1 introduced by Italian Law no. 7 of 9 January 2006);
- (vi) crimes against individuals (art. 25-*quinquies* introduced by Italian law no. 228 of 11 August 2003, and subsequently amended most recently by Italian Legislative Decree no. 39 of 4 March 2014);
- (vii) crimes and administrative offences relating to market abuse (art. 25-*sexies* introduced by Italian Law no. 62 of 18 April 2005);
- (viii) transnational crimes (introduced by Italian Law no. 146 of 16 March 2006);
- (ix) crimes of manslaughter and serious or very serious bodily harm committed with infringement of legislation pertaining to health and safety in the workplace (art. 25-*septies* introduced by Italian Law no. 123 of 3 August 2007, and subsequently replaced by Italian Legislative Decree no. 81 of 9 April 2008);
- (x) crimes of handling, laundering and using money, assets or goods of illicit origin as well as self-laundering (art. 25-*octies* introduced by Italian Legislative Decree no. 231 of 21 November 2007, subsequently integrated with the crime of “self-laundering” from Italian Law no. 186 of 15 December 2014);

- (xi) computer crimes and illegal data handling (art. 24-*bis* introduced by Italian Law no. 48 of 18 March 2008);
- (xii) crimes against industry and commerce (art. 25 *bis*-1 introduced by Italian Law no. 99 of 23 July 2009);
- (xiii) organised crime offences (art. 24-*ter* introduced by Italian Law no. 94 of 15 July 2009, and most recently amended by Italian Law no. 69 of 27 May 2015);
- (xiv) crimes relating to the infringement of copyright (art. 25-*novies* introduced by Italian Law no. 99 of 23 July 2009);
- (xv) the crime of inducement to refrain from making declarations or to make false declarations to the judicial authorities (art. 25-*decies* introduced by Italian Law no. 116 of 3 August 2009, and subsequently amended by Italian Legislative Decree no. 121 of 7 July 2011);
- (xvi) environmental crimes (art. 25-*undecies* introduced by Italian Legislative Decree no. 121 of 7 July 2011 and subsequently supplemented with the insertion of new crimes by Italian law no. 68 of 22 May 2015);
- (xvii) employment of citizens of non-EU countries with invalid residence permits (art. 25-*duodecies* introduced by Italian Legislative Decree no. 109 of 16 July 2012 subsequently amended by Italian Law no. 161 of 17 October 2017);
- (xviii) crimes of racism and xenophobia (art. 25-*terdecies* introduced by Italian Law no. 167 of 20 November 2017).

Other categories of crime may be added by the legislator in the future to the regulations dictated by Italian Legislative Decree 231/2001.

## **1.2 The adoption of the Model as potential grounds for exoneration from administrative liability**

Article 6 of Italian Decree 231 introduces a specific form of exoneration from the administrative liability in question if the company can demonstrate:

- a) that before the act was committed, its management body had adopted and effectively implemented a suitable model to prevent crimes of the type in question;
- b) that the task of overseeing the functioning of and compliance with the Model and attending to its update had been assigned to an internal body, invested with autonomous powers of initiative and control (the “Supervisory Board”);



- c) that the persons who committed the crime acted by fraudulently circumventing the above-mentioned model;
- d) that supervision by the body cited in letter b) above was neither omitted nor insufficient;

Italian Decree 231 also envisages that the Model must fulfil the following requirements:

1. identify the areas at risk (also called “sensitive activities”) of committing the Crimes;
2. establish or refer to specific protocols that regulate the formulation and the implementation of company decisions regarding the crimes to be prevented;
3. identify the financial resources needed to implement a system of organisation able to prevent the commission of the Crimes;
4. establish disclosure obligations as regards the body assigned to oversee the functioning of and compliance with the Model;
5. introduce an internal disciplinary system able to punish non-compliance with the measures indicated in the Model.

## **CHAPTER 2**

### **ADOPTION OF THE MODEL BY FLOS**

#### **2.1 Adoption of the Model**

Flos S.p.A. was founded in 1962 by Dino Gavina and Cesare Cassina, and offers a range of residential and architectural lighting products and systems.

Both of the founders and, later, Piero Gandini, the Company's present Chief Executive Officer ("CEO"), have always set their main objective as to create industrial archetypes and absolutely innovative products, able to become world icons of design over time, as was the case, for instance, of the Arco lamp.

Research and innovation in the field of lighting, combined with the ability to identify creative talented individuals has always been the Company's mission. Right from its origins, the Company has enjoyed significant growth: at present it employs around 424 employees, located mainly in its operational facilities in Italy and Brescia (Design HQ, 142 employees) and in Valencia, Spain (Architectural, 145 employees). The remainder work at the Group's various branches. FLOS has a worldwide presence through showrooms and stores in London, New York, Lyon, Stockholm, Hong Kong, Rome, Paris and Milan.

In order to guarantee the correctness and transparency of its business activities, to protect its liability, its image and its shareholders, the Company decided to adopt this Model, updated in accordance with the law in force, case law and company best practices.

To this end, the Company conducted a full preliminary risk analysis with the assistance of specialist legal and business consultants and, with a resolution of the Board of Directors approved on 24 March 2016, adopted this Model. The Company has also appointed a Supervisory Board, comprised by persons who meet the requirements illustrated in paragraph 5.1 below, whose task is to oversee the functioning, the effectiveness and compliance with the Model, as well as to attend to its updating.

All Sensitive Activities must therefore be performed in accordance with the laws in force, company procedures and the rules contained in this Model or those to which this Model refers to or references.

As the Model is a document issued by the management body (in accordance with the provisions of art. 6, paragraph 1, letter a) of Italian Legislative Decree 231/2001) any

amendments or additions are the responsibility of the Board of Directors, following consultation with the Supervisory Board.

## **2.2 The Guidelines**

When drawing up this Model, FLOS based the same on the Guidelines issued by Confindustria. The fundamental points identified by the Guidelines can be summarised as follows:

- identification of the areas at risk, with a view to establishing in which business area/segment the Crimes could be committed;
- preparation of a control system able to prevent said risks by adopting specific procedures. The most important components of the control system have been identified as the following:
  - code of ethics (or of conduct);
  - organisational system;
  - company procedures;
  - authorisation and signatory powers;
  - control and management systems;
  - communication and training.

The components of the control system must be based on the following principles:

- all operations can be verified, are documented and are consistent and coherent;
- controls are documented;
- an adequate sanctioning system is envisaged;
- the requirements of the Supervisory Board are identified, summarised as follows:
  - i. autonomy and independence;
  - ii. professionalism;
  - iii. continuity of action.
- disclosure obligations of the Supervisory Board.

## **2.3 The 231 Model: function**

The purpose of this Model is to establish a structured and comprehensive system of procedures and information flows, as well as of control activities, to be conducted also as a

preventive measure, with view to avoiding, as far as possible, committing the different types of Crimes encompassed by Italian Decree 231.

In general, the Company's organisational system fulfils the essential requirements of clarity, formalisation, communication and separation of roles in particular with regard to the allocation of responsibility, representation, the definition of hierarchies and operations.

When drawing up this Model, the procedures and the control systems already in place and fully adopted within the company, identified at the "as-is analysis" stage, were taken into account, as the same are suitable to be considered valid measures to prevent Crimes and to control the processes pertaining to Sensitive Activities.

With specific regard to this Model, once the Company's Sensitive Activities were identified during the preliminary company risk assessment, the same has set the following objectives:

- to make all Addressees of the Model aware of the same (as indicated in paragraph 2.6 of this document) and to circulate the rules of conduct and the procedures established throughout the entire Company;
- to ensure that all parties who act in the name and on behalf of the Company in the areas at risk, are aware that in the event that the provisions contained herein are infringed, they may be subject to criminal and administrative sanctions for said unlawfulness, not only personally, but also as regards the Company;
- to reiterate that these forms of unlawful conduct are strongly condemned by the Company insofar as (also in the event that the same seemingly benefitted from said conduct) they also infringe the provisions of the law, and are contrary to the ethical-social principles that the Company intends to respect when conducting its business activities;
- to enable the Company, by monitoring the areas at risk, to intervene promptly to prevent or counter the commission of the Crimes in question.

#### **2.4 The creation of the Model and its structure**

Before the final Model was drawn up, a series of preparatory activities took place, broken down into the different stages illustrated below, the aim of which was to develop an adequate system to prevent and manage risk, based both on the rules contained in Italian

Legislative Decree 231/2001 and on the content and suggestions dictated by the Guidelines and company best practices.

*a. Identification of Sensitive Activities by examining documents and interviews*

- Preliminary examination of company documents, including, by way of example: chamber of commerce extract, operating procedures etc.
- Interviews with key company resources, with a view to further exploration of the Sensitive Activities and control of the same (e.g. Executive Vice President Operations & Finance, managers of key departments including administration, marketing, human resources, sales, IT etc.)

*b. Definition of the As-is document and the Gap Analysis*

Based on the above-illustrated analysis, the Company identified - in collaboration with its consultants - its Sensitive Activities relating to the current company situation (as-is analysis), as well as improvement measures (gap analysis) to be implemented as part of the same in order to be able to define the Model. This is all illustrated analytically in the document entitled “Risk assessment and suggestions”, on the basis of which this Model was then drawn up.

1. *Preparation of the Model.*

This Model contains the following:

- i. a “**General Part**”, containing the set of rules and general principles dictated by the Model;
- ii. 10 “**Special Parts**” containing rules and principles of conduct with a view to preventing the different categories of crimes covered by the same:
  - Special Part 1, called “Crimes committed in the management of relationships with the Public Administration”;
  - Special Part 2, called “Corporate Crimes”;
  - Special Part 3, called “Crimes of handling, laundering and using money, assets or goods of illicit origin and Crimes pertaining to terrorism or the subversion of democratic order”;

- Special Part 4, called “Computer crimes and Crimes relating to the infringement of copyright”;
- Special Part 5, called “Crimes relating to health and safety in the workplace and Crime of employment of citizens of non-EU countries with invalid residence permits”;
- Special Part 6, called “Organised crime offences”;
- Special Part 7, called “Crimes relating to the disruption of the freedom to conduct trade and industry and falsifying identification signs”;
- Special Part 8, called “Corruption between private individuals”;
- Special Part 9, called “Environmental crimes”;
- Special Part 10, called “Crime of Self-laundering”.

Each Special Part seeks to guarantee that all Addressees adopt the rules of conduct envisaged therein in order to prevent the crimes covered by the same from being committed.

In particular, the Special Parts seek to:

- a) illustrate the procedural principles that the Company Representatives are expected to comply with in order to correctly apply the Model;
- b) provide the Supervisory Board and the heads of the various company departments who collaborate with the same, with the executive tools to conduct the control, monitoring and verification activities envisaged by the Model.

The reader should refer to the individual Special Parts of this Model for a detailed description of the individual Sensitive Activities that relate to each category of Crime.

## **2.5 Amendments and supplements to the Model**

Any amendments or additions to the Model are the responsibility of the Company’s Board of Directors, also following a proposal by the Supervisory Board.

The SB may also submit proposals for amendments or additions to the Model based on information received from the managers of individual company departments.

## 2.6 Addressees of the Model

The rules contained in this Model are addressed to the following parties:

- a. persons entrusted to represent, administer or manage the Company;
- b. persons who, also de facto, manage and control the Company;
- c. all employees of the Company under the management or the supervision of the parties cited above, including interns;
- d. restricted to that specifically indicated in the relative contractual agreements, the Consultants, Suppliers, Agents, proxies and in general, all those who operate in the name and on behalf of or in any event in the interests of the Company.

The Addressees are advised of the content of the Model adopting procedures that are suitable to guarantee the effective awareness of the same, in accordance with the content of Chapter 6 of this General Part. The Addressees are bound to promptly comply with all of the provisions, also in accordance with the duties of correctness and diligence resulting from the legal relationship they have entered into with the Company. The above-indicated parties will be referred to collectively as the “**Addressees**”.

## **CHAPTER 3**

### **GENERAL RULES OF CONDUCT**

#### **3.1 The system in general terms**

When performing the Sensitive Activities, Addressees must comply with the rules of conduct envisaged by this Model and those indicated in each of the Special Parts.

In addition to this Model, the Addressees - each to the extent applicable to the same depending on the activity performed - must, first and foremost comply with:

1. the Articles of Association;
2. any other internal regulation relating to the Corporate Governance system, the internal control and reporting system adopted by the Company (e.g. company policies, information flows etc.);
3. the code of ethics.

The rules, policies, procedures and principles set forth in the above-indicated instruments are part of a wider system of organisation and control that the Model intends to encompass, and that all Addressees, based on the type of relationship they have with the Company, are bound to understand and comply with.

In the event that these rules, policies, procedures and principles relate directly or indirectly to the regulation of Sensitive Activities (or are in some way linked to areas at risk) are considered as part of the Company's Model.

The Company Representatives and the Employees must be periodically updated as to the operating procedures adopted to prevent the Crimes, as must the Company's External Staff also be made aware of the adoption of the latest version of the Model, the principles of which, contained in specific contractual clauses, must be complied with as contractual obligations.



## CHAPTER 4

### THE SUPERVISORY BOARD

#### 4.1 Identification of the Supervisory Board

Pursuant to art. 6, letter b of Italian Decree 231, an essential condition for any exoneration from administrative liability is the assignment of the task of overseeing the functioning and compliance with the Model, as well as attending to its update to a body of the entity, awarded autonomous powers of initiative and control.

In compliance with that established by Italian Decree 231, the Company has decided to assign said task to a board comprised of 2 members. Said composition guarantees, on one hand the presence of parties who cover a position within the Company, which for technical and/or organisational reasons, are able to ensure the best contribution to pursuing the objectives of the Supervisory Board, and on the other hand, the existence and fulfilment of the requirements of autonomy, independence and continuity required by the law and by prevailing case law.

The rules relating to the functioning, appointment and the term of office of the SB are contained in the regulation adopted by the same.

The members of the SB must fulfil the requirements of autonomy, independence, professionalism, continuity of action, as well as integrity and absence of conflicts of interest, which are required for this role.

Each member of the Supervisory Board must not have a professional or personal profile that could prejudice his/her impartiality of judgment, authority and ethical conduct.

When selecting the members of the Supervisory Board, the Company must evaluate the following elements:

##### *a. Autonomy and independence*

The requirement of autonomy and independence assumes that in performing its activities, the SB reports only to the highest level of the hierarchy (i.e. the Board of Directors).

At the time of the appointment of the SB, its autonomy is also guaranteed by the obligation of the Board of Directors of FLOS, to approve an annual budget of financial resources, on the proposal of the Supervisory Board itself, which the latter may use as needed in order to

properly carry out its duties (e.g. specialist consultants, etc.).

Lastly, independence is based on the assumption that the members of the Supervisory Board are not in a position, even potential, of a conflict of interest with the Company, nor are they responsible for operational departments within the same that would undermine their objectivity when ruling on compliance with the Model.

***b. Integrity and causes for ineligibility***

The following may not be elected members of the Supervisory Board and, if they are, will necessarily and automatically lose their office:

- i. those that are in one of the conditions envisaged by article 2382 of the Italian civil code, namely those who are considered unfit, have been disqualified, are bankrupt or sentenced to a punishment that entails the prohibition, even temporary, from holding public office or is unfit for managerial positions;
- ii. those who are subject to preventive measures provided for by a judicial authority pursuant to Italian Legislative Decree no. 159 of 6 September 2011, “*Code of anti-Mafia law and of preventive measures, as well as new provisions relating to anti-Mafia documentation*”;
- iii. those who have been condemned following a sentence, even if not yet final, or issued pursuant to articles 444 and foll. of the Italian Code of Criminal Procedure or, even if the sentence has been conditionally suspended, excepting the effects of rehabilitation:
  1. for one of the crimes envisaged in Title XI of Book V of the Italian civil code (Criminal provisions relating to companies and consortia) and in Italian Royal Decree no. 267 of 16 March 1942, and subsequent amendments or additions (regulations for bankruptcy, composition with creditors and compulsory winding-up);
  2. to imprisonment for more than one year, for one of the crimes envisaged by the laws that regulate banking, financial, securities and insurance activities, and by the laws relating to markets and stocks and payment instruments (including, by way of example but not limited to such, the crimes of bank and financial abuse set forth in articles 130 and subsequent of the Consolidated Banking

Law, the crimes of falsifying money, abuse and introduction into the Country, acting in concert, of the falsified money set forth in art. 453 of the Italian criminal code, the crimes of fraudulent damage of insured assets and fraudulent self-mutilation as set forth in art. 642 of the Italian criminal code);

3. for a crime against the public administration, or to imprisonment for a period of over one year for a crime against the public trust, against public heritage, against public order, against the state economy or for a tax-related crime;
  4. to imprisonment for a period of more than two years for any crime committed with criminal intent;
  5. in any event and regardless of the entity of the sentence for one or more of the offences peremptorily envisaged by Italian Legislative Decree 231/01;
- iv. those to whom the accessory administrative sanctions envisaged by art. 187-*quater* of the Consolidated Law on Finance (Italian Legislative Decree n. 58/1998) have been applied.

***c. Proven professionalism, specific expertise in auditing and consultancy***

The Supervisory Board must possess the technical-professional skills needed to perform the duties expected of the same. These characteristics, combined with its independence, guarantee its objectivity in judgments; therefore, the members of the Supervisory Board as a whole must be in possession of adequate professional expertise in legal and economic matters and company risk management and control. Furthermore, the Supervisory Board may also seek the assistance of external professionals, therefore acquiring the appropriate expertise in specific judicial-legal areas (such as, for example criminal law), or relating to company organisation, auditing, accounting and finance.

More specifically, the SB must possess adequate specialist expertise, such as:

- an understanding of the organisation and of the main business processes of the sector in which the Company operates;
- an understanding of legal matters, so as to be able to identify the categories of crimes to investigate;
- the ability to identify and assess the impact, relating to the legislative

framework of reference, on the company situation;

- an understanding of the specialist techniques of those that conduct “inspections”.

***d. Continuity of action***

The Supervisory Board performs the activities required to oversee the correct application of the Model on a continuous basis, with sufficient commitment and with the required investigatory powers. It also attends to its implementation and constant updating.

The SB is not involved in operations that could condition or contaminate the overall perspective of the company’s business activities that is required of the same.

In this regard:

- the activities performed by the SB may not be contested by any other company body or department, it being hereby understood that the management body shall oversee the adequacy of its actions, as the same is ultimately responsible for the functioning and effectiveness of the Model;
- the SB has free access to all departments of FLOS - without the need for any prior consent - in order to obtain any information or data retained necessary to perform its duties as envisaged by Italian Decree 231;
- the SB may seek - under its direct supervision and responsibility - the assistance of any Company department or, as indicated above, of External Consultants.

Before the establishment of the SB, and after said establishment, the BoD must evaluate the fulfilment of the above-mentioned professional and personal requirements by the members of the same, by means of periodic assessments. In this regard, at the time of its appointment - at the relative Board of Directors’ Meeting - adequate information as to the fulfilment of the above-indicated requirements must be provided, also by attaching the curriculum vitae of each member to the relative minutes.

**4.2 Function, powers and duties of the Supervisory Board**

The Company’s SB is entrusted with the task of:

- 1) overseeing compliance with the provisions of the Model by the Addressees;

- 2) verifying the suitability and the effectiveness of the Model with relation to the structure of the Company and to any changes in the same;
- 3) attending to the updating of the Model, with relation to any changed structural conditions and to any legislative or case law changes.

In more operational terms, the Company's SB is entrusted with the task of:

- verifying the efficiency and effectiveness of the Organisational Model adopted pursuant to Italian Legislative Decree n. 231/2001;
- developing control and monitoring systems able to reasonably prevent the irregularities provided for in Italian Legislative Decree n. 231/2001;
- verifying compliance with the standards of conduct and the procedures envisaged by the Model, identifying any changes in behaviour, by analysing the information flows and the reports that must be submitted by the various company departments; to conduct the verification and control activities mentioned in this and the previous points, the SB may seek the assistance - as mentioned above - of the company's auditing and control departments;
- periodically reporting to the BoD and to the Board of Statutory Auditors (at least every six months) on the implementation status and performance of the Model;
- promoting and/or developing, in collaboration with the appropriate company departments, information and internal communication plans, with regard to the Model, to the standards of conduct and to the procedures adopted pursuant to Italian Legislative Decree n. 231/2001;
- promoting and/or developing the organisation, in collaboration with the appropriate company departments, of training courses and the preparation of informative material to encourage the communication and circulation of the ethical principles and the standards the Company aspires to in conducting its business activities;
- providing clarification as regards the meaning and the application of the provisions contained in the Model;

- ensuring that the system to identify, map and classify Sensitive Activities is updated;
- gathering, processing and storing information, including reports, that are retained important as regards compliance with the Model;
- conducting periodic checks and inspections (also surprise ones) regarding certain operations and specific acts, in the areas at risk identified by this Model; in this regard, the SB draw up a plan of its activities on an annual basis, which will be notified in advance to the Board of Directors and to the Board of Statutory Auditors;
- reporting to the management body, so that the same may take the necessary action, any infringements of the Model, which may result in the Company's liability;
- submitting proposals to the management body and/or to the relevant departments, for any updates or changes to the Organisational Model adopted or to the elements comprising the same, following:
  - significant infringements of the provisions of the Model;
  - significant changes to the Company's internal structure and/or to the manner in which its business is conducted;
  - changes to the manner in which the company business is conducted;
  - legislative changes;
- in the event of checks, inspections or requests for information by the competent authorities, for the purpose of verifying the compliance of the Model with the provisions of Italian Legislative Decree n. 231/2001, handling relations with the parties in charge of said inspections, providing adequate support and information;
- introducing, if necessary and without prejudice to the content of this document, other operating rules regarding, for example, the frequency of its meetings, any specific duties assigned to individual members or the management of the information acquired as part of its duties.

All of the activities conducted by the SB for the purpose of performing its duties, may not be contested by any other Company body or department, with the exception of the power to oversee the adequacy of its actions, granted to the BoD, which is ultimately responsible for compliance with the obligations set forth in Italian Legislative Decree n. 231/2001.

For all matters pertaining to the functioning of the SB, the reader should refer to the approved Regulations of the same body.

### **4.3 SB reporting to Corporate Bodies**

The Supervisory Board will inform the Board of Directors and the Board of Statutory Auditors about the activities it performs by means of:

- six-monthly reports;
- whenever there is the need and/or opportunity to do so.

The above-cited reports, in addition to a summary of the activities carried out, must also contain an indication of any problems encountered and the corrective or improvement measures planned, as well as the state of progress of the same.

The SB may be convened at any time by the BoD or by the Board of Statutory Auditors or may, in turn, request a meeting in order to report on the functioning of the Model.

A written report of each meeting of the SB with the BoD and/or the Board of Statutory Auditors or individual members of the same must be preserved in the Company files.

### **4.4 Information flows to the Supervisory Board**

Art. 6, paragraph 2, letter d) of Italian Decree 231 provides for the inclusion in the Model of disclosure obligations vis-à-vis the SB assigned to oversee the functioning of and compliance with the same. The obligation for a structured flow of information has been conceived as a means to guarantee supervision of the efficiency and effectiveness of the Model and to examine the causes that made the occurrence of the crimes envisaged by Italian Decree 231 after the fact.

The effectiveness of supervisory activities is based on a structured system of reports and information originating from all Addressees of the Model, with regard to all acts, conduct or events that the same become aware of, which could lead to an infringement of the Model or which, more generally, could be potentially relevant for the purposes of Italian Decree 231.

As envisaged by the Confindustria Guidelines and by best practices, the information flows to

the Supervisory Board relate to the following categories of information:

- *ad hoc* information flows;
- constant information;
- periodic information.

Finally, it should be noted that with Law no. 179 of 30 November 2017, the Legislator introduced whistleblowing, i.e. an institution aimed at facilitating the reporting of any irregularities (i.e. violations, or presumed violations, of the Model) and the protection of the whistleblower, in the discipline of Decree 231.

#### **4.4.1 *Ad hoc* information flows**

The *ad hoc* information flows addressed to the SB by Company Representatives or by third parties regard present or potential problems, and may relate to:

a) *information apprised on an occasional basis, which should be immediately disclosed to the Supervisory Board.* The disclosure obligation regards:

- provisions and/or information originating from judicial authorities, or from any other authority, which infers the performance of inspections/assessments regarding the Company, also related to unknown parties, for the crimes or the administrative offences set forth in Italian Decree 231;
- requests for legal assistance by executives and/or employees in the event the start of judicial proceedings for the crimes envisaged by Italian Decree 231;
- information regarding the actual implementation, at all levels of the company, of the disciplinary system envisaged by the Model, with specific evidence of the disciplinary proceedings filed and of any sanctions imposed, or of provisions archiving said proceedings, and the relative grounds for such;
- reports relating to critical issues in terms of compliance with the regulations of Italian Decree 231;
- any situation of conflict of interest between an Addressee and the Company;
- any accidents in the workplace, or orders imparted by the Judicial Authority or by other Authorities regarding occupational health and safety;
- any accidents or episodes relating to company activities that may entail an environmental risk;

b) *information of any origin concerning the possible commission of crimes or in any event infringements of the*



*Model.*

The disclosure obligation regards:

- the commission of crimes or the performance of acts that will result in the same;
- the commission of administrative offences;
- conduct that is not in line with the Model and with the relative protocols;
- changes or shortcomings in the procedures relating to Sensitive Activities;
- failure to comply with company procedures as regards Sensitive Activities;
- changes or shortcomings in the company structure;
- operations that entail the risk of committing Crimes.

Reports must be made in writing, and follow the procedure outlined below:

- a) Employees inform their superior officer who - unless it is the same person - will promptly inform the SB. If it is difficult for the report to easily reach the SB, or in any event in cases in which the Employee faces a psychological dilemma in reporting to his/her superior officer, the report may be made directly to the SB. The SB will also consider anonymous reports, but only on condition that there are sufficient grounds presented, and that the same are credible in the indisputable opinion of the SB;
- b) with regard to the activities performed by Consultants and Suppliers for FLOS, the same may report directly to the SB. Specific contractual clauses provide suitable indications for these circumstances.

The SB assesses the reports received and decides on any action to take, consulting the party that made the report where necessary and/or the party responsible for the alleged infringement and/or any other party that it deems useful, illustrating any conclusions made in writing.

In order to facilitate the flow of reports and information to the SB, an e-mailbox has been set up for the Supervisory Board. Reports may also be sent by post to the following address: “Supervisory Board pursuant to Italian Legislative Decree 231/2001, Flos S.p.A., Via Angelo Faini, 2 - 25073 Bovezzo (BS)”.

The SB may also ask the auditing company for information on the activities performed by the same, if deemed useful to the implementation of the Model.

The SB meets with the BoD and the Board of Statutory Auditors of FLOS at least once a year.

#### 4.4.2 Constant information

In addition to the information illustrated in the previous paragraph - which regards facts or events of an exceptional nature - the Supervisory Board must also be immediately advised of any significant information concerning the following recurring activities:

- the division of powers and the system of delegation adopted by the Company and any changes that may be made to the same;
- intercompany transactions that entail the purchase or sale of goods or services at values other than market values, with an express indication of the relative reasons;
- any transfers of financial resources between the Company and other Group companies that are not justified by a specific contract stipulated at market conditions;
- documentation relating to awareness and training activities performed to implement the Model and the participation in the same by personnel (indicating any justified non-attendance);
- documentation regarding the results of activities to verify and monitor compliance pertaining to the company's environment and safety department;
- any inspection reports relating to the environment, performed by Public Entities and/or Inspection Authorities (e.g. National Health Service etc.) and any other relevant document pertaining to the environment;
- any document retained relevant in order to assess the establishment and maintenance over time of adequate controls to prevent unlawful conduct when using IT systems and tools and in data processing;
- the procedures set in place to safeguard health and safety in the workplace, any changes that impact the organisational structure of FLOS and its protocols in this area, as well as any document retained relevant for the purposes of the occupational health and safety management system (such as, for example the Risk Assessment Document (RAD), the Emergency Plan, the minutes of periodic meetings to discuss risk prevention and protection);
- information relating to any accidents that have occurred in the Company, as well as so-called "near misses", namely all episodes which, although did not lead to any injuries to employees, may be considered as an indication of possible weaknesses or shortcomings of the health and safety system, taking the measures needed to render

protocols and procedures compliant.

#### **4.4.3 Periodic information**

The heads of each company department provide periodic information to the Supervisory Board by means of information flows, and according to the frequency specified in each Special Part of this Model.

#### **4.5 Whistleblowing and alternative reporting channels**

As provided for by the aforementioned Law 179/2017, relating to whistleblowing, the Company adopts all the measures necessary to ensure that, with regard to reports of possible offences, the whistleblowers are assured of the following:

- a) one or more channels that allow the submission, for the protection of the integrity of the entity, of detailed reports of illegal conduct, relevant pursuant to Decree 231 and based on precise and consistent factual elements, or of violations of the Model, of which they have become aware by reason of the functions performed; these channels guarantee the confidentiality of the identity of the whistleblower in the activities of managing the report;
- b) at least one alternative reporting channel suitable for guaranteeing, by IT means, the confidentiality of the identity of the whistleblower;
- c) the prohibition of any act of retaliation or discrimination, direct or indirect, against the whistleblower for reasons directly or indirectly related to the report;
- d) that the disciplinary system (better described below) provides for sanctions against those who violate the measures to protect the whistleblower, as well as those who make reports with intent or gross negligence that prove to be unfounded.

It should also be noted that the adoption of discriminatory measures against the whistleblower may be reported to the National Labour Inspectorate, for the measures within its competence, as well as by the whistleblower, also by the trade union organization indicated by the same. Furthermore, any retaliatory or discriminatory dismissal of the whistleblower shall be considered null and void. The change of duties pursuant to article 2103 of the Italian civil code is also null and void, as well as any other retaliatory or discriminatory measure adopted against the whistleblower. It is the responsibility of the employer, in the event of disputes linked to the imposition of disciplinary sanctions, or to

de-scanning, dismissal, transfer, or submission of the whistleblower to another organizational measure having direct or indirect negative effects on working conditions, subsequent to the submission of the report, to demonstrate that these measures are based on reasons unrelated to the report itself. Finally, it should be noted that, in the event of reports or reports made in the manner and within the limits of the law, the pursuit of the interest in the integrity of the entity, as well as the prevention and repression of misappropriation, constitutes just cause for disclosure of information covered by the obligation of secrecy referred to in Articles 326, 622 and 623 of the Italian criminal code and article 2105 of the Italian civil code (except where the obligation of professional secrecy applies to a person who has become aware of the news as a result of a professional consultancy or assistance relationship with the body, firm or natural person concerned). When news and documents that are communicated to the body delegated to receive them are subject to corporate, professional or official secrecy, disclosure in a manner that exceeds the purposes for which the offence was eliminated and, in particular, disclosure outside the communication channel specifically set up for that purpose, constitutes a breach of the relative obligation of secrecy.

In compliance with whistleblowing regulation, the Company has also set up two additional information channels – with respect to those indicated in paragraph 4.4.1 above – to guarantee the confidentiality of the identity of the whistleblower.

The report may then be sent out:

- by e-mail to the Chairman of the Supervisory Board's personal account: [mdellantonia@orrick.com](mailto:mdellantonia@orrick.com).

by postal mail to the address of the Chairman of the Supervisory Board: Corso Matteotti, 10 - 20121 Milan.

#### **4.6 Confidentiality obligations**

The members of the Supervisory Board guarantee the confidentiality of the information that comes into their possession, in particular if it relates to strategic operations of the Company or of the Group or to alleged infringement of the Model.

The members of the Supervisory Board shall also refrain from using the confidential information for purposes other than those of the previous paragraphs and in any event, for purposes that are not related to their supervisory duties, unless expressly authorised otherwise.

Moreover, in compliance with the provisions of Law 179/2017, the reports will be handled

in such a way as to guarantee (in addition to the confidentiality of the whistleblowers) the same whistleblower against any form of retaliation or discriminatory conduct, direct or indirect, for reasons directly or indirectly related to the report.

**4.67 Gathering and storing information.**

All information acquired and all reports received or prepared by the Supervisory Board is stored for 10 years in a specific file held by the SB, in hardcopy or electronic format.

## **CHAPTER 5**

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

#### **5.1 Employee training and awareness (including interns)**

In order to guarantee the effectiveness of this Model, FLOS intends to ensure that the Corporate Bodies and all Employees are fully aware of the rules of conduct contained therein and that the same are properly disseminated. This objective regards all company resources that fall into the two afore-mentioned categories, whether they already work for the company or will work for the company in the future. The level of awareness and training differs depending on the extent to which the resources are involved in the Sensitive Activities.

The awareness and training system is overseen and integrated by the activities performed by the SB in this area, in collaboration with the HR Manager and the heads of the other departments involved on each occasion with the application of the Model.

#### Initial communication

Employees are advised of the adoption of this Model at the time it is adopted.

Instead, newly-hired employees are given a “set of information”, in order to ensure that they are aware of the content considered of primary importance. In addition to the documents usually given to newly-hired employees, this set of information must contain the Model and Italian Legislative Decree 231/2001. These employees must provide FLOS with a written statement in which they confirm receipt of the “set of information” as well as full knowledge of the documents attached and a commitment to comply with the provisions of the same.

#### Training

The training courses organised to enhance knowledge of the legislation set forth in Italian Legislative Decree 231/2001 differ, in terms of their content and teaching method, depending on the type of Addressee, the level of risk of the area they work in and whether or not they are Company representatives.

1. All training programmes will have a common minimum content, in which the principles of Italian Legislative Decree 231/2001 are illustrated, as well as the basic elements of the Model, the individual categories of crime and the conduct considered sensitive with relation to the commission of the above-cited crimes.
2. In addition to this common content, each training programme will be structured, where necessary, in order to provide its attendees with adequate tools to ensure full compliance with the dictates of Italian Decree 231 with relation to their scope of operation and the job profiles of those attending the programme in question.
3. Attendance of the above-described training programmes is mandatory; the HR department reports to the SB on actual attendance figures.
4. Unjustified failure to attend training programmes will lead to a disciplinary sanction, which will be applied in accordance with the rules indicated in Chapter 6 of this Model.

## **5.2 Awareness of Consultants, Suppliers and Agents**

Consultants, Suppliers and Agents must be made aware of the content of the Model and that FLOS requires that their conduct complies with the provisions set forth in Italian Legislative Decree 231/2001. To this end, they advised of the adoption of this Model at the time it is adopted.

In the event that a new business relationship is forged with a Consultant, Agent or Supplier, the Company:

- a. it will inform the counterparty of its commitment to conduct its business activities in a lawful manner and in full compliance with the principles envisaged by Italian Legislative Decree 231/2001;
- b. it will ask the counterparty, in turn, to maintain conduct that complies with the principles envisaged by Italian Legislative Decree 231/2001;
- c. it will inform the same of their obligation to advise the Company of any fact or act

that occurs as part of business activities, which was performed in the interest or to the advantage of FLOS, which may be considered one of the crimes set forth in Italian Legislative Decree 231/2001, as well as their obligation to advise any involvement in proceedings pursuant to Italian Legislative Decree 231/2001 or an conviction for the crimes set forth in the same Italian Decree 231;

- d. it will reserve the right to terminate the business relationship if the counterparty is under investigation or convicted pursuant to Italian Legislative Decree 231/2001 for the commission of the Crimes envisaged therein.

The Company establishes selection criteria for Consultants, Agents and Suppliers which consider both their fulfilment of the requirements of professionalism and fair pricing, and the integrity of the same.



## **CHAPTER 6**

### **SANCTIONING SYSTEM**

#### **6.1 Function of the sanctioning system**

The establishment of a system of sanctions (proportional to the infringement and with a view to deterrence) applicable in the event that the rules set forth in this Model are infringed, renders the supervisory action of the SB efficient and seeks to guarantee the effectiveness of the Model. The establishment of said sanctioning system is a fundamental requirement of the Model, pursuant to art. 6, paragraph one, letter e) of Italian Legislative Decree 231/2001, in order to exonerate the entity from liability.

A further assumption for the effectiveness of the Model is that any potential infringement is brought to the attention of the SB and is suitably followed up.

By virtue of the provisions of the aforementioned Law no. 179/2017 on whistleblowing and with reference to any recipient of the Model, it should be noted that conduct that may be sanctioned must also include the violation, in any way, of the measures to protect the whistleblower, as well as the performing with malicious intent or gross negligence of reports that prove to be unfounded.

The application of the sanctioning system assumes a simple infringement of the provisions of the Model; therefore it will be activated regardless of whether criminal proceedings are initiated by the judicial authorities and the outcome of the same, in the event in which the conduct to be censored is also considered part of a relevant category of crime pursuant to Italian Legislative Decree 231/2001.

The application of sanctioning measures shall not prejudice or change any further civil law or other consequences criminal, administrative, tax-related), which may result from the same fact.

Disciplinary sanctions will be applied regardless of the outcome of any criminal proceedings, insofar as the rules of conduct imposed by the Model are adopted by the company in full autonomy and regardless of the unlawful act that any conduct may lead to. The disciplinary system is not only autonomous with respect to any criminal action, it must be totally distinct and separate from the criminal and administrative legislative system. In the event in which

the Company decided to wait for the outcome of the criminal proceedings, it may temporarily suspend the party in question and postpone taking disciplinary action until the ruling of the criminal court (even if not final) has been issued.

Any infringement or circumvention of the Model or of the procedures implementing the same, regardless of who commits them, must be immediately reported in writing to the Supervisory Board, without prejudice to the disciplinary procedures and provisions, which remain within the exclusive scope of the holder of disciplinary power.

All Addressees of the Model have a duty to report as illustrated in the paragraph above.

The Supervisory Board must be immediately informed about the application of a sanction, due to infringement of the Model or of the procedures established for its implementation, taken against any party bound to comply with the Model and the procedures referred to previously.

## **6.2 Measures against Employees**

The infringement of the individual rules of conduct set forth in this Model by an Employee bound by the National Collective Labour Contract (NCLC) is considered professional misconduct.

### **A. Employees who are not executive level**

The sanctioning provisions which may be imposed on this category of workers - in accordance with the procedures envisaged by article 7 of Italian Law no. 300 of 30 May 1970 (Workers' Statute) and any special applicable legislation - are those envisaged by the sanctioning system set forth in the NCLC applied by FLOS, namely:

- 1) a verbal warning;
- 2) a written warning;
- 3) a fine (to the extent envisaged by the NCLC and by any trade union agreements with the company in force at the time);
- 4) suspension from service and from salary (to the extent envisaged by the NCLC and by any trade union agreements with the company in force at the time);

- 5) dismissal (in the cases envisaged by the law and those envisaged by the NCLC and by any trade union agreements with the company in force at the time);

All provisions envisaged by the law and by the Collective Contracts applied regarding the procedures and the obligations to be observed for the application of the sanctions still apply - and are intended as referred to in this instance.

As regards the verification of the infringements, the disciplinary procedures and the application of the sanctions, the powers already awarded to the corporate bodies and the competent company departments, within their respective scopes, will remain the same.

Without prejudice to the Company's obligations under the Workers' Statute, the Collective Contract and the applicable internal regulations, conduct that may be sanctioned, considered an infringement of this Model, is as follows:

- a. adopting, when performing the Sensitive Activities, conduct that infringes the provisions of this Model, to the extent that there is no uncertainty as to the application of the sanctions envisaged by Italian Legislative Decree 231/2001 to the Company.
- b. infringing the internal procedures envisaged by this Model (for example non-compliance with the prescribed procedures, failure to provide the SB with the prescribed information, lack of controls, etc.) or adopting, when performing the Sensitive Activities, conduct that does not comply with the requirements of the Model;
- c. breach of measures to protect the whistleblower, or perform reports with malicious intent or gross negligence reports that prove to be unfounded.

## **B. Employees who are executive level**

If executives infringe this Model, or adopt, when performing the Sensitive Activities, conduct that does not comply with the requirements of the same, the Company will apply the most suitable measures to those responsible in accordance with that envisaged by the law and in compliance with that envisaged by the applicable NCLC.

Furthermore, depending on the gravity of the conduct in question, in addition to dismissal, a sanction may be applied, based on a reduction of a part of variable pay.

As highlighted in the previous paragraph, by the provisions of Law 179/2017, one of the punishable behaviours, which constitute a violation of this Model, is also the violation of the measures to protect the whistleblower, or the intentional or grossly negligent making of reports that prove to be unfounded.

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The sanctions and any request for compensation for damages will be commensurate with the level of responsibility and autonomy of the employee and the manager, the possible existence of previous disciplinary measures against the employee, the intentionality of the conduct and the seriousness of the same (by way of example, in the case of minor reports concerning the non-participation of an employee in training activities on the subject 231, a written warning will follow or in the event of failure to report or false report concerning the commission by another employee of an offence pursuant to Decree 231, it may go as far as dismissal), meaning the level of risk to which the Company can reasonably be considered exposed – pursuant to and for the purposes of Decree 231 – as a result of the conduct censured.

### **6.3 Measures against Directors and Statutory Auditors**

In the event of a violation of the Model, or in the event of a violation, in any way, of the measures to protect the whistleblower, or in the event of reports being made with intent or gross negligence that prove to be unfounded by Directors or members of the Board of Statutory Auditors, the SB will inform the entire Board of Directors and Board of Statutory Auditors of the Company, who will organise for the appropriate measures envisaged by the law in force to be taken, including, depending on the assessment of the gravity of the infringement, convening the Shareholders' Meeting in order to adopt the most appropriate measures envisaged by the law (such as, for example, proposing the revocation, for just cause, of the Director that infringed the Model).

In the event of a conviction, even in the first instance, for the crimes envisaged by Italian Decree 231 and subsequent amendments, the Director or the member of the Board of Statutory Auditors convicted must immediately inform the SB, which will directly advise the Shareholders' Meeting, which will decide on the most appropriate measures to adopt according to law.

#### **6.4 Measures against External Staff**

Any conduct adopted by External Staff that is contrary to the rules of conduct indicated in this Model and is such that there is a risk of one of the Crimes sanctioned by Italian Decree 231 being committed, may result in, according to that envisaged by the specific contractual clauses, the termination of the contractual relationship, without prejudice to any request for compensation of damages if said conduct has entailed actual damage to the Company, as in the case of the application by the judge of the measures envisaged by Italian Decree 231.

#### **6.5 Measures against members of the SB**

In the event of a violation of the Model or in the event of a violation, in any way, of the measures to protect the whistleblower, or in the event of reports being made with intent or gross negligence that prove to be unfounded by one or more members of the SB, the other members of the SB, or any one of the directors, will immediately inform the Board of Directors; said body, after refuting the infringement and permitting adequate instruments of defence, will take the appropriate measures, including, for example, convening the Board of Directors to revoke the office of the member/s of the SB who infringed the Model and the consequent appointment of new members to replace the same.

## CHAPTER 7

### AUDITS CONDUCTED BY THE SUPERVISORY BOARD

In accordance with that envisaged in paragraph 4.3., the Supervisory Board draws up a six-monthly report in which, in addition to the other matters indicated in paragraph 4.3, plans its auditing and control activities along general lines. This plan - which may be drawn up annually - will be illustrated in the second six-monthly report of each calendar year and will contain the activities that will be carried out the following year.

The SB may also conduct unplanned audits and spot checks.

When performing its activities, the Supervisory Board may request the assistance of individual company departments (or of external consultants) depending on the area that is being audited, gaining the support of the respective expertise and professionalism.

During the above-mentioned audits and inspections, the Supervisory Board is awarded the widest powers, in order to effectively carry out the tasks assigned to the same.

With regard to audits, the same may regard:

- (i) auditing of documents: periodically, the main deeds and contracts of greatest significance entered into by the Company may be audited;
- (ii) auditing of procedures: periodically, the effective functioning of this Model and of the procedures referred to by the same with the procedures established by the SB will be verified, as well as the level of awareness of personnel as regards the categories of crime envisaged by Italian Decree 231, through random interviews.

The outcome of the audit will be stated in a report, which will be submitted for the attention of the Board of Directors (at the same time as one of the six-monthly reports prepared by the SB), which highlights any possible shortcomings and suggests what action to take.

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