



**Airport Handling**

---

**ORGANISATION, MANAGEMENT AND CONTROL MODEL**

**PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001**

**GENERAL SECTION**

(translation)

---

**Approval**

Board of Directors Meeting

16 March 2016

---

## INDEX

DEFINITIONS .....	4
DOCUMENT STRUCTURE .....	7
GENERAL SECTION .....	8
1. Legislative Decree no. 231 of 8 June 2001 .....	8
1.1. Entities' responsibility for offences .....	8
1.2. Categories of 'predicate offence' .....	8
1.3. Criteria for attributing liability to an entity; exemption from liability .....	10
1.4. Indications contained in the Decree concerning the characteristics of the organisation, management and control model.....	11
1.5. Penalties .....	12
2. Airport Handling S.p.A.: the Company and its corporate governance system .....	14
2.1. The setting up of the Company and the Milan Airport Handling Trust .....	14
2.2. Implementation of the commitments undertaken to ensure economic separation; the specific procedures adopted by the Company.....	15
2.3. The Company's corporate governance system .....	16
3. Methodology for preparing the Model; amendments and updating of the Model.....	17
4. Recipients of the Model and rules governing relations with third parties.....	18
5. The Supervisory Board .....	19
5.1. Function .....	19
5.2. Requirements and composition of the Supervisory Board .....	19
5.3. Eligibility criteria for members of the Supervisory Board .....	21
5.4. Appointment, removal, replacement, forfeiture and withdrawal .....	21

5.5. Activities and powers .....	22
5.6. Flows of information to the Supervisory Board .....	24
6. Disciplinary system .....	25
6.1. General principles .....	25
6.2. Violations of the Model.....	26
6.3. Measures that may be taken against employees.....	26
6.4. Violations of the Model by executives and related measures .....	29
6.5. Measures that may be taken against members of the Company's management body and the Board of Statutory Auditors.....	31
6.6. Measures that may be taken against members of the Supervisory Board and third parties .....	32
7. Distribution of the Model and training of recipients .....	32

---

## DEFINITIONS

<b>AH or the Company</b>	means	Airport Handling S.p.A.
<b>Sensitive activities</b>	means	activities performed by the Company that involve a risk of commission of the offences provided for by the Decree or relevant for the purposes of managing financial resources using means that can prevent the commission of offences
<b>Deed of Establishment</b>	means	the deed establishing the Trust and related annexes
<b>Code of Ethics</b>	means	the code of ethics adopted by the Company
<b>Employees</b>	means	those persons employed by the Company on a subordinate, parasubordinate or employment agency contract
<b>Legislative Decree 231/2001</b> or the <b>Decree</b>	means	Legislative Decree no. 231 of 8 June 2001
<b>Confindustria (Association of Italian Industries) Guidelines</b>	means	Confindustria document (approved on 7 March 2002 and updated as at March 2014) on the preparation of organisation, management and control models pursuant to the Decree
<b>Model</b>	means	The Organisation, management and control model adopted by the Company in accordance with Legislative Decree 231/2001
<b>Supervisory Board or OdV</b>	means	the body provided for by art. 6 of the Decree, which is responsible for supervising the correct functioning of and compliance with the Model and its updating
<b>PA</b>	means	the Public Authorities, meaning jointly:

- public entities: entities created via a deed of the State to handle organisational or functional requirements of the State itself, such as, for example, Italy's Municipalities or Provinces, land reclamation or irrigation authorities, chambers of commerce, ENAC, INPS, INAIL, IPSEMA;
- public officials: persons who exercise a public legislative, judicial or administrative function, and who may form or express the wishes of the PA by exercising authorisation or certification powers, such as, for example, members of State or regional administrations, supra-national administrations (e.g. the European Union), law enforcement authorities or tax police, chambers of commerce, housing authorities, judges, judicial officials, subsidiary bodies that support the administration of justice (e.g. insolvency administrators), directors and employees of public entities, private individuals holding powers that allow them to form or express the wishes of the PA (e.g. the directors of a concessionary company, such as SEA, in the course of its work to execute public works);
- persons in charge of a public service: persons who, under any title, perform a public service, i.e. any activity regulated in the same way as a public function, but characterised by the absence of powers typically associated with public functions, excluding the performance of simple public order duties and the performance of exclusively material works. Even private

individuals and employees of private companies may be classified as persons in charge of a public service if they perform activities aimed at pursuing a public purpose or protecting a public interest. Therefore, the directors of SEA or of any other private company operating as a concessionary, port companies, trade show companies, may be classified as persons in charge of a public service

<b>Procedures</b>	means	procedures, policies, organisational arrangements, service orders and all other instructions, measures and documents of the Company that implement the principles of control contained in this document
<b>SEA or the Airport operator</b>	means	Società per Azioni Esercizi Aeroportuali S.E.A. S.p.A.
<b>SH</b>	means	SEA Handling S.p.A. in liquidazione
<b>Site</b>	means	Linate or Malpensa airports, as appropriate
<b>Trust</b>	means	Milan Airport Handling Trust, a legal relationship established with a deed of establishment dated 30 June 2014, as subsequently amended
<b>Trustee</b>	means	Crowe Horwath Trustee Services It S.r.l.

---

## DOCUMENT STRUCTURE

This document consists of a General Section and a Special Section

The General Section deals with the following subjects:

- the legislation pursuant to Legislative Decree 231/2001;
- the Company's governance system;
- the methods for preparing the Model;
- the persons to which the Model applies;
- the composition and functioning of the Supervisory Board;
- the penalty system applicable in the event of violations of the Model;
- the distribution of the Model and the training of personnel.

The Special Section deals with the regulations governing sensitive activities and describes the control systems aimed at or in any case suitable in reducing the risk that one of the offences provided for by the Decree will be committed. These control systems are contained in and are implemented by the Procedures.

The following also form an integral part of the Model:

- the risk self assessment aimed at identifying Sensitive activities, recalled in full herein and contained on the Company's records;
- the Code of Ethics, which defines the principles and rules of conduct of the Company;
- the Procedures.

These deeds and documents may be found at the Company's premises or on its intranet, depending on the methods established for their distribution.

---

## GENERAL SECTION

### 1. Legislative Decree no. 231 of 8 June 2001

#### 1.1. Entities' responsibility for offences

Legislative Decree no. 231 of 8 June 2001 introduces and regulates the administrative liability of organisations deriving from the commission of offences. This form of liability combines aspects of the penalty system with aspects of the administrative system. Indeed, under the Decree, an entity is punished with an administrative penalty, in that it is liable for an administrative offence, but the penalty system is based on criminal proceedings: the authority responsible for challenging the offence is the Public Prosecutor's Office, and the penalty is imposed by a criminal court judge. An entity's liability for an offence is therefore formally of an administrative nature, but substantially the liability is criminal.

Furthermore, the liability is separate and independent of the individual committing the offence. Therefore, the liability exists even if the perpetrator of the offence has not been identified or if the offence has been discharged without an amnesty. In any case, the entity's liability is added to, and does not replace, that of the individual perpetrating the offence.

The area of application of the Decree is very broad and affects all entities with a legal personality (obviously including companies), associations (even if they do not have a legal personality) and public economic entities. However, the legislation does not apply to the State, to regional public entities, non-economic public entities or to entities that perform activities of constitutional importance (e.g. political parties and trade unions).

#### 1.2. Categories of 'predicate offence'

An entity can only be held to account for those offences - known as predicate offences - indicated as sources of liability by the Decree or by any law that came into force before the offence was committed.

As at the date of approval of this document, the predicate offences belong to the categories indicated below:

- offences against the PA (articles 24 and 25);
- computer crimes and unlawful processing of data (art. 24-*bis*);
- organised crime offences (art. 24-*ter*);

- coinage, public credit card, stamp duty or identity recognition offences (art. 25-*bis*);
- offences against industry and trade (art. 25-*bis*.1);
- corporate offences (art. 25-*ter*);
- terrorist offences or offences aimed at subverting democratic order (art. 25-*quater*);
- female genital mutilation practices (art. 25-*quater*.1);
- offences against the individual (art. 25-*quinquies*);
- market abuses (art. 25-*sexies*);
- manslaughter or serious or very serious injury, committed violating health and safety in the workplace rules (art. 25-*septies*);
- handling stolen goods, laundering or use of illegally sourced money, goods or utilities, and self-laundering (art. 25-*octies*);
- copyright offences (art. 25-*novies*);
- solicitation of another person to not make a statement or to make a false statement to the judicial authorities (art. 25-*decies*);
- environmental offences (art. 25-*undecies*);
- employment of third-country nationals residing without authorisation (art. 25-*duodecies*);
- cross-border crimes (art. 10, Law 16 March 2006, no. 146)<sup>1</sup>.

---

<sup>1</sup> Changes to the types of offence provided for by the Decree have taken place on the basis of the following legislation: Decree Law 25 September 2001, no. 350, which introduced art. 25-*bis* «Coinage, public credit card, stamp duty offences», subsequently extended and amended to «Coinage, public credit card, stamp duty or identity recognition offences» by Law 23 July 2009, no. 99; Legislative Decree 11 April 2002, no. 61, which introduced art. 25-*ter* «Corporate Offences»; Law 14 January 2003, no. 7, which introduced art. 25-*quater* «Terrorist offences or offences aimed at subverting democratic order»; Law 11 August 2003, no. 228, which introduced art. 25-*quinquies* «Offences against the individual»; Law 18 April 2005, no. 62, which introduced art. 25-*sexies* «Market abuses»; Law 9 January 2006, no. 7, which introduced art. 25-*quater*.1 «Female genital mutilation practices»; Law 16 March 2006, no. 146, which provides for the liability of entities for cross-border crimes; Law 3 August 2007, no. 123, which introduced art. 25-*septies* «Manslaughter or serious or very serious injury, committed violating accident prevention and health and safety in the workplace rules», subsequently amended to «Manslaughter or serious or very serious injury, committed violating health and safety in the workplace rules» by Legislative Decree 9 April 2008, no. 81; Legislative Decree 21 November 2007, no. 231, which introduced art. 25-*octies* «Handling stolen goods, laundering and use of illegally sourced money, goods and utilities»; Law 18 March 2008, no. 48, which introduced art. 24-*bis* «Computer crimes and unlawful processing of data»; Law 15 July 2009, no. 94 which introduced art. 24-*ter*

An entity may also be held to account before the Italian judicial authorities for predicate offences committed abroad on the following conditions:

- the general conditions for admissibility provided for by articles 7, 8, 9 and 10 of the Italian Criminal Code exist to allow prosecution in Italy for an offence committed abroad;
- the entity's head office is located in Italy;
- the State in which the offence was committed is not taking action to prosecute the entity.

### **1.3. Criteria for attributing liability to an entity; exemption from liability**

As well as committing one of the predicate offences, to be penalised under Legislative Decree 231/2001 an entity must also meet certain additional legislative requirements. These liability criteria for entities may be divided into "objective" and "subjective" criteria.

The first objective criterion is that the offence was committed by a person connected to the entity via a formal relationship. In this respect it is possible to distinguish between:

- "persons in high positions", i.e. who hold positions of representation, administration or management within the entity, such as, directors, managing directors or managers of an autonomous organisational unit and in general those persons who, *de facto*, manage the entity itself or one of its autonomous organisational units;
- "subordinated persons", i.e. any person subject to the management and supervision of persons in high positions. Employees and those persons who, although not members of staff, perform duties under the management and control of persons in high positions belong to this category.

The above persons are identified independently of the contractual relationship they have with the entity; indeed, they may include persons who are not members of the entity's staff, in situations where they act in the name, on behalf or in the interests of the entity itself.

---

«Organised crime offences»; Law 23 July 2009, no. 99 – mentioned above – which introduced art. 25-*bis*.1 «Offences against industry and trade» and art. 25-*novies* «Copyright offences»; Law 3 August 2009, no. 116 which introduced art. 25-*novies* (hereinafter renumbered art. 25-*decies* by Legislative Decree 7 July 2011, no. 121) «Solicitation of another person to not make a statement or to make a false statement to the judicial authorities»; Legislative Decree 121/2011 – mentioned above – which introduced art. 25-*undecies* «Environmental offences»; Legislative Decree 16 July 2012, no. 109, which introduced art. 25-*duodecies* «Employment of third-country nationals residing without authorisation»; Law 6 November 2012, no. 190, which amended articles 25 and 25-*ter*; Law 15 December 2014, no. 186, which amended art. 25-*octies*; Law 22 May 2015, no. 68, which amended art. 25-*undecies*; Law 27 May 2015, no. 69, which amended art. 25-*ter*.

Another objective criterion is that the offence must be committed in the interest or for the benefit of the entity; the existence of either of the two conditions is sufficient (see Supreme Court ruling no. 3615, 20 December 2005):

- an interest exists when the perpetrator of the offence has acted with the intention of benefitting the entity, regardless of whether this objective was effectively achieved;
- a benefit exists when the entity obtained - or would have obtained - a positive result (whether financial or of any other nature) from the offence.

As far as the subjective criteria for attributing liability to the entity are concerned, these relate to the preventive tools it has implemented to prevent the commission of one of the predicate offences in the course of its business.

Indeed, where a person in a high position commits an offence, the Decree provides for exemption from liability on the part of the entity if it can prove that:

- the entity's management has adopted and effectively implemented, prior to the commission of the offence, organisation, management and control models that could prevent offences of the type that took place;
- the task of supervising the functioning of and compliance with the models and of ensuring they are updated has been assigned to a body within the entity entrusted with autonomous powers of initiative and control;
- the person in a high position committed the offence by fraudulently evading the models;
- the above-mentioned body was not guilty of a failure to supervise or of insufficient supervision.

In the event of offences committed by subordinated persons, the entity may be held to account only if it was possible to commit the offence due to a lack of compliance with the obligations of management or supervision. Nevertheless, this liability is excluded if, prior to the commission of the offence, the entity implemented organisation, management and control models that could prevent offences of the type that took place.

#### **1.4. Indications contained in the Decree concerning the characteristics of the organisation, management and control model**

The Decree regulates only some general principles concerning the organisation, management and control model, requiring the following minimum content:

- identification of the entity's activities in which offences may be committed;

- provision of specific protocols aimed at planning training and implementing the entity's decisions, in relation to the offences to be prevented;
- identification of methods for managing financial resources that can prevent the commission of offences;
- adoption of a suitable disciplinary system to punish any failure to comply with the measures indicated in the model;
- identification of information flows to/from the Supervisory Board;
- provision of measures that ensure activities are performed in compliance with the law and in such a way as to detect and promptly eliminate risk situations, in relation to the nature and size of the organisation and the type of activity performed.

The Decree states that the model must be periodically checked and updated, both in the event of a significant violation of its provisions and in the event of significant changes in how the entity is organised or in the activities it performs.

#### **1.5. Penalties**

The penalty system provided for by Legislative Decree 231/2001 is sub-divided into four types of penalty, to which an entity may be subjected in the event of a conviction under the Decree:

- financial penalty: this penalty is always applied where a judge considers an entity liable and is calculated using a quota-based system, the number and amount of which is determined by the judge; the number of quotas, applied between a minimum and a maximum that varies depending on the case, the seriousness of the offence, the level of liability of the entity, the actions taken to eliminate or mitigate the consequences of the offence or to prevent the commission of other offences; the amount of the individual quota ranges from a minimum of € 258.00 to a maximum of € 1,549.00, depending on the entity's economic and financial situation;
- prohibitory penalties: prohibitory penalties apply, in addition to the financial penalties, only where expressly provided for the offence for which the entity is sentenced and only if at least one of the following conditions exists:
  - the entity obtained a significant profit from the offence and the offence was committed by a person in a high position, or by a subordinated person if it was possible to commit the offence due to serious organisational deficiencies;

- repeat offence.

The prohibitory penalties provided for by the Decree are:

- ban on conducting the business;
- suspension or revocation of the authorisations, licences or permits used to commit the offence;
- ban on negotiating with the PA, except to obtain the benefits of a public service;
- exclusion from concessions, loans, contributions or subsidies and possible revocation of those previously granted;
- ban on advertising goods or services.

The prohibitory penalties are temporary (although they may be applied definitively in exceptional cases), varying from three months to two years, and relate to the specific activity performed by the entity to which the offence relates. These penalties may even be applied on a precautionary basis, on request by the Public Prosecutor's Office, in cases where there is serious evidence of an entity's liability and where well-founded and specific elements exist that suggest there is a real danger that offences of the same nature as that being assessed will be committed again;

- confiscation: when a sentence is imposed, the price or profit derived from the offence, or goods or other utilities of equivalent value are always confiscated;
- publication of the sentence: this penalty may be imposed when the entity is sentenced to a prohibitory penalty and consists of the publication of the sentence, at the expense of the entity, in full or as an extract, in one or more newspapers indicated by the judge in the sentence itself, and of displaying the sentence in the Municipality in which the entity's head office is situated.

The administrative penalties borne by an entity shall lapse after five years of commission of the offence underlying the administrative offence.

The definitive sentence imposed on the entity is recorded on the national register of administrative penalties from offences.

The Decree also regulates the regime governing the liability of entities in the event of transformations, mergers, splits and transfers of companies.

In the event of transformation of an entity, liability continues to apply for any offences committed before the transformation took effect. The new entity will therefore be liable for any penalties applicable to the original entity, for offences committed prior to the transformation.

In the event of a merger, the entity resulting from the merger itself, even via acquisition, is liable for any offences for which the entities participating in the merger were responsible.

In the event of a split, the company being divided remains liable for any offences committed prior to the date of the split and the recipient companies are jointly liable to pay the financial penalties imposed on the company being divided, up to the value of the assets and liabilities transferred to each entity, except where the operation involves an entity to which even a part of the business branch within which the offence was committed has been transferred; prohibitory penalties apply to the entity (or entities) that retains or that has received the business branch within which the offence was committed.

In the event of the transfer or contribution of a business within which an offence was committed, and without prejudice to the possibility of it suing the transferring entity, the transferee is jointly liable with the transferor for payment of the financial penalty, up to the value of the business being transferred and up to the amount of the financial penalties entered in the accounting records or owed for offences of which the transferee was in any case aware.

## **2. Airport Handling S.p.A.: the Company and its corporate governance system**

### **2.1. The setting up of the Company and the Milan Airport Handling Trust**

Airport Handling S.p.A. is a company that operates in the airport handling sector at Milan Linate and Milan Malpensa airports.

A precondition for the Company's operations was the Italian government's commitment towards the European Commission concerning the setting up and launching of a new company with no economic links to SH, the previous handling company operating at the aforesaid airports, formerly wholly owned by SEA (the operator of these airports), within the framework of proceedings brought by the European Commission to recover the State aid the Commission believes was paid in the past by SEA to SH.

Another commitment undertaken by the Italian government towards the European Commission, to implement the procedures necessary to ensure an effective break between SH's previous management and that of AH, was to set

up a trust for the purpose, in whose name SEA's entire holding in AH would be held. The Trustee of this trust is Crowe Horwath Trustee Services It S.r.l.

## **2.2. Implementation of the commitments undertaken to ensure economic separation; the specific procedures adopted by the Company**

As previously mentioned, AH is required to operate with no economic links to SH. Amongst other duties, the Trustee is required to monitor the implementation of the commitments undertaken to ensure an economic separation is realised, as provided for and regulated by the Deed of Establishment.

According to the Deed of Establishment, the elements proving that an economic separation has been realised are, in summary, the following:

- the absence of any elements of continuity with the handling activities previously performed by SH;
- the absence of any elements of 'intermingling' between SEA and AH;
- compliance by AH with the criteria on economic operations under competitive conditions.

Implementing the obligations regarding economic separation therefore has a significant impact on the Company's management, particularly with reference to commercial relations with air carriers (which constitute the Company's core business) and relations with the airport operator, which, before the Trust was set up, was the Company's sole shareholder.

In order to be run as an effectively economically separate entity, as defined above, the Company has approved and implemented a series of procedures aimed at achieving an effective management hiatus between the Company and SEA (as well as SH) and accurate control over the operational management of the Company by the Board of Directors.

More specifically, the Company has adopted a "Procedure to ensure economic separation" and a "Procedure for flows of information to the Board of Directors". The former procedure provides for checks that allow AH to operate without economic ties to SH or SEA, which are based on:

- identifying those operations that are relevant for the purposes of the economic separation itself (because they concern transactions that are not permitted under the Deed of Establishment and/or because they are conducted on the basis of information held by SEA which could benefit AH over its competitors);
- strengthening the decision-making and authorisation process relating to such operations.

Operations that are relevant for the purpose of the economic separation have been determined on the basis of the Deed of Establishment and by identifying:

- the information held by SEA that could benefit the Company, over its competitors, in acquiring and maintaining commercial relations with carriers or in positioning handling services on the market;
- the operations for which said information could be considered relevant and that could potentially be carried out on the basis of said information.

The procedure concerning information flows, on the other hand, regulates the type and frequency of the information flows that managers of the individual departments must send to the Board of Directors to ensure it can constantly monitor the Company's performance and the operations it performs.

These procedures therefore implement control and governance principles that can not only ensure economic separation (as defined above), but also strengthen the management and monitoring of Company activities, also to reduce the risk of commission of predicate offences.

### **2.3. The Company's corporate governance system**

Without prejudice to the Trustee's rights/duties regarding the economic separation during the period of existence of the Trust, the Company's corporate governance system is currently organised as follows:

- Board of Directors: the Board holds the broadest powers of ordinary and extraordinary management of the Company, with the authority to carry out any action deemed appropriate to achieve the business objective, with the sole exception of those actions that, according to the law or the Company's by-laws, are the responsibility or subject to the prior authorisation of other company bodies;
- Board of Statutory Auditors: the Company's management is controlled by a Board of Statutory Auditors consisting of three statutory auditors and two substitute auditors appointed and operating according to the law;
- Firm of auditors: the accounting audit of the Company is carried out by a firm of auditors registered on the appropriate Ministry of Justice register.

Given the streamlined structure of the Company, and without prejudice to the principle of economic separation between the management of AH and that of SEA and SH, to achieve maximum operational flexibility, one part of the Company's activities is outsourced to SEA, which provides highly-specialised and qualified support, on the basis of contracts examined and validated by the Trustee. The activities outsourced to SEA include the following:

- finance and treasury; risk management;
- information and communication technology;
- administrative services;
- purchasing;
- airport security; airport and environmental safety.
- health and safety in the workplace;
- human resources;
- vehicle maintenance.

The Model and Procedures are included in the Company's corporate governance system and are designed, in addition to preventing the offences provided for by the Decree, to maximise the efficiency of the control system and to ensure, in the areas they cover, that the economic separation commitments are implemented and that this implementation is verified by the Trustee.

The cornerstone of the Model is the Code of Ethics adopted by the Company, which formalises the ethical principles and values the Company pursues in the course of its business.

### **3. Methodology for preparing the Model; amendments and updating of the Model**

In accordance with the Decree, the Confindustria Guidelines and the relevant case law indications, for the purpose of preparing this document, the Company has, with the assistance of consultants:

- identified the processes, sub-processes and company activities in which it is possible that predicate offences could be committed (control and risk assessment). This activity was carried out via:
  - a preliminary analysis of the company context, looking at the Company's history, organisation, system for conferring powers of attorney and proxies, legal relationships with third parties and the market on which it operates;
  - interviews with the managers of company processes (key officers);
- evaluated the adequacy, for the purpose of reducing the risk of commission of predicate offences, of the existing control system and any 'deviation' from an 'ideal' control system (gap analysis). This activity was carried out via:

- an analysis of the formal Procedures and established practices within the Company;
- interviews with key officers;
- identified appropriate tools to be implemented in the control system to enable it to reduce the risk of commission of the offences;
- verified that the above tools have been effectively implemented in the control system by the individual key officers involved.

The Company adopted this version of the Organisation, management and control model with a resolution passed by the Board of Directors on 16 March 2016; this version replaces the previous version adopted with a resolution passed by the Board of Directors on 11 May 2015.

The Model must always be promptly amended and added to, via a Board of Directors' resolution, in the event of:

- significant changes in the related legislation (e.g.: the introduction of new predicate offences in the Decree), or in the Company's organisation or activities;
- violation or evasion of the rules contained therein, that demonstrated that the Model was not effective in preventing the offences.

The changes to company procedures necessary to implement the Model are realised by the managers of the departments affected.

#### **4. Recipients of the Model and rules governing relations with third parties**

The Model applies to all:

- Company directors;
- Company employees;
- those who, even if not members of the Company's staff, act on the instructions or on behalf of the Company.

Furthermore, every contract entered into by the Company with suppliers of goods and services must state that the supplier undertakes or, if the supplier is a legal entity, guarantees that its directors and employees undertake:

- to comply with the applicable rules and not commit offences;

- to comply with the principles of the Code of Ethics (which will be provided to the supplier by the Company using appropriate means, e.g. via publication on its website);
- to fulfil any requests for information submitted by the Company's Supervisory Board;

and that the Company has the right to apply forms of protection (e.g. termination of the contract, application of penalties, etc.) in the event of a violation of these commitments and guarantees.

## **5. The Supervisory Board**

### **5.1. Function**

In compliance with the Decree, the Company entrusts to its Supervisory Board the task of continuously monitoring:

- compliance with the Model by those persons to which the Model applies, as identified in the paragraph above, and implementation of the rules of the Model itself in the performance of the Company's activities;
- the effectiveness of the Model in preventing the commission of the offences provided for by the Decree;
- the updating of the Model.

### **5.2. Requirements and composition of the Supervisory Board**

Case law and best practice with regard to Legislative Decree 231/2001 have identified as essential the following Supervisory Board requirements:

- autonomy and independence: the concepts of autonomy and independence do not have an absolute definition, but should be stated and contextualised within the overall operations in which they are to be applied. Since the Supervisory Board is responsible for verifying compliance with the control tools applied in the company's operations, its position within the entity must be such as to ensure its independence from any form of interference or influence by any component of the entity and particularly by its leadership, especially considering that the function it performs includes supervising persons in high positions. The Supervisory Board therefore answers only to the Board of Directors in relation to its functions.

Furthermore, to better ensure the autonomy of the Supervisory Board, the Board of Directors provides the Supervisory Board with company resources that are proportional in number and ability to the tasks assigned to it, and approves adequate financial resources (proposed by the Supervisory Board) in the company budget, to be used by the Supervisory Board as it deems necessary for the correct performance of its duties (e.g. specialist advice, travel, etc.).

The autonomy and independence of each member of the Supervisory Board is determined based on the function he/she performs and the duties assigned to him/her, identifying with respect to whom and what he/she must be autonomous and independent in order to perform such duties. Consequently, no member must hold a decision-making, operational or management role that could compromise the autonomy and independence of the entire Supervisory Board. In any case, the requirements of autonomy and independence assume that Supervisory Board members do not have, even potential, personal conflicts of interest with the Company.

Furthermore, Supervisory Board members must not:

- hold operational positions in the Company;
  - be married or related to a Company director, or have in-laws up to the fourth degree in common with a Company director;
  - be in any other situation of effective or potential conflict of interest;
- professionalism: the Supervisory Board must possess, amongst its members, adequate technical-professional skills for the functions it is asked to perform. Therefore, the Supervisory Board must include members with adequate economic, legal and analytical skills, and skills in the management and control of company risks. More specifically, the Supervisory Board must possess the specialised technical skills necessary to perform control and consultancy activities.

In order to guarantee the professional skills that are useful or necessary for the Supervisory Board's activities, and to ensure the professionalism of the Board (as well as its autonomy), the Supervisory Board is allocated a specific budget to enable it to acquire additional skills externally where necessary. The Supervisory Board can thus, also by using the services of external professionals, acquire competent resources, for example on legal matters or matters concerning company organisation, accounting, internal audit, finance and health and safety in the workplace, etc.

- continuity of action: the Supervisory Board carries out its activities on an on-going basis.

Continuity of action should not be understood as "continuous operations", as this would require an exclusively internal Supervisory Board, which would actually lead to a reduction in the essential autonomy that must characterise the Supervisory Board itself. Continuity of action means the Supervisory Board's activities should not merely consist of periodic meetings of its members, but should be organised on the

basis of a programme of activities and on the performance of constant monitoring and analysis of the entity's preventive control system.

In accordance with the above principles, and in view of the Company's structure and operations, its Supervisory Board consists of three members, at least one of whom is not a member of the Company's personnel.

### **5.3. Eligibility criteria for members of the Supervisory Board**

The role of member of the Supervisory Board cannot be assigned to a person who is:

- under investigation or who has been convicted, even if not yet in a final judgement or on a conditional suspended sentence, without prejudice to the effects of rehabilitation:
  - of one or more of the offences provided for by Legislative Decree 231/2001;
  - of any offence committed with criminal intent;
- banned, disqualified, bankrupt or sentenced, even if not yet in a final judgement, to a penalty involving a ban (even temporary) from holding public office or inability to perform executive functions;
- subject to, or has been subject to, preventative measures as set forth in Legislative Decree no. 159 of 6 September 2011 («Code of anti-Mafia laws and preventative measures, as well as new rules on anti-Mafia documentation, pursuant to articles 1 and 2 of Law no. 136 of 13 August 2010»);
- subject to the additional administrative penalties set forth in art. 187-*quater* of Legislative Decree no. 58 of 24 February 1998.

### **5.4. Appointment, removal, replacement, forfeiture and withdrawal**

The Board of Directors appoints the Supervisory Board, providing reasons for its choice for each member, after having verified that the requirements illustrated above have been met, and basing its decision not only on curricula but also on official and specific statements made by the candidates themselves. The Board of Directors also receives from each candidate a declaration stating that he/she is not ineligible according to the paragraph above.

Following the formal acceptance of the persons appointed, the appointment is communicated to all levels of the company via an internal communication.

The Supervisory Board draws up its own Operating Rules, approving their contents and submitting them to the Board of Directors.

The Supervisory Board remains in office until the term of the Board of Directors that appointed it expires. Supervisory Board members may be re-elected.

The removal of a member of the Supervisory Board may take place only via a Board of Directors' resolution for one of the following reasons:

- loss of the requirements illustrated in the paragraphs above;
- breach of the obligations associated with the position assigned;
- absence of good faith and diligence in the performance of the assignment;
- failure to collaborate with the other Supervisory Board members;
- unjustified absence from more than two Supervisory Board meetings.

Members of the Supervisory Board are required to inform the Board of Directors, via the Chairman of the Supervisory Board him/herself, of any loss of the requirements described above.

The Board of Directors revokes the appointment of the no longer eligible Supervisory Board member and, having provided adequate reasons for doing so, replaces him/her immediately.

An incapacity or inability to perform the assignment constitutes a cause for removal from the position before the established period expires.

Supervisory Board members may withdraw from their position at any time, following the procedures established in the Board's rules.

In the event of removal or withdrawal of a Supervisory Board member, the Board of Directors will promptly replace the ineligible member.

#### **5.5. Activities and powers**

The Supervisory Board meets at least four times a year and whenever one of its members asks the Chairman to call a meeting, providing reasons for the call. The Supervisory Board may also delegate specific functions to the Chairman. The minutes of each Supervisory Board meeting are recorded.

To perform the duties assigned to it, the Supervisory Board is granted powers of initiative and control over every company activity and every level of personnel, and answers solely to the Board of Directors, via its Chairman.

The duties and responsibilities of the Supervisory Board and its members cannot be judged by any other company body or structure, although the Board of Directors may verify that the activities effectively performed by the Board

are consistent with the mandate assigned to it. Furthermore, except where other laws prevail, the Supervisory Board has free access - without the need for any prior approval - to all the Company's departments and bodies, to obtain the information or data it deems necessary for the performance of its duties.

The Supervisory Board carries out its duties coordinating with the Company's other control departments or bodies. Furthermore, the Supervisory Board coordinates with the company departments involved on a case-by-case basis in relation to all areas of implementation of the Procedures. The Supervisory Board may also take advantage of the assistance and support of employees and external consultants, particularly in relation to problems requiring specialised skills.

The Supervisory Board organises its activities on the basis of an annual programme of activities, which plans the initiatives to be taken to assess the efficiency and effectiveness of the Model and its updating. This programme is submitted to the Board of Directors.

The Supervisory Board determines its own annual budget and submits it to the Board of Directors for approval.

To monitor the effective implementation of the Model, the Supervisory Board is granted powers and duties that it may exercise in compliance with the law and with the individual rights of workers and of the persons involved, as described below:

- to carry out inspections, even through other subjects (e.g. consultants);
- to access any documentation or information regarding the Company's activities, which it may request from all of the Company's staff, its directors, the Board of Statutory Auditors and the suppliers providing goods and services to the Company;
- to report to the Board of Directors any serious or urgent issues, as well as any events that make it necessary to amend or update the Model;
- to suggest to the subject holding disciplinary powers the adoption of penalties connected to violations of the Model, as per paragraph 6;
- to coordinate with the HR department to define training programmes on Legislative Decree 231/2001 and the Model, as per paragraph 7;
- to draft half-yearly written reports for the Board of Directors, including the following minimum contents:
  - summary of activities, of the checks carried out by the Supervisory Board in the period and the results of said checks;

- any discrepancies between the Procedures and the Model;
  - any reports it receives of violations of the Model and results of the checks carried out on such reports, as well as on any facts that could be considered offences;
  - disciplinary procedures activated on a proposal from the Supervisory Board and any penalties applied;
  - general evaluation of the Model and of its effective functioning, together with any suggested additions or improvements;
  - any changes in the relative regulatory framework;
  - statement of any expenses incurred;
- to report to the Board of Statutory Auditors, at least annually, on the application of the Model, its functioning and updating, and any relevant facts or events. More specifically, the Supervisory Board:
- reports to the Board of Statutory Auditors any deficiencies found in relation to the organization, effectiveness and functioning of the Procedures;
  - reports on any violations of the Model and on any facts that could be considered offences.

The Board of Directors, Chairman and Managing Director have the power to call a meeting with the Supervisory Board at any time. Similarly, the Supervisory Board, has the authority to request, via the appropriate departments or persons, that the aforesaid company bodies be convened for urgent reasons. The minutes of meetings with the bodies to which the Supervisory Board reports must be recorded and copies of the minutes must be kept by the Supervisory Board and by the bodies involved.

#### **5.6. Flows of information to the Supervisory Board**

All recipients of the Model are required to communicate directly with the Supervisory Board to report any violations of the Model, either via confidential internal mail or a dedicated email address.

Reports may be anonymous and must describe in detail the facts and persons who are subject to the report itself.

Behaviour that is aimed exclusively at delaying the Supervisory Board's activities is penalised.

Persons making reports in good faith are protected by the Company against any form of retaliation, discrimination or penalisation and, in any case, the identity of the person filing the report shall remain confidential, without

prejudice to any legal obligations or to the protection of the rights of the Company or of any persons accused wrongly or in bad faith.

In addition to the reports described above, information concerning developments in disciplinary proceedings and any penalties imposed or on the archiving of any such proceedings and the reasons behind it must be passed on to the Supervisory Board.

The Supervisory Board may, even by defining specific operating procedures and/or adding to existing procedures, establish additional information that managers involved in handling sensitive activities are required to transmit, together with the frequency and methods for sending such communications to the Supervisory Board itself.

The reports received and the documents handled by the Supervisory Board are usually kept by the Supervisory Board itself in a specific file, whether paper or computer-based, for the duration of the Company. Access to this file is granted to members of the Board of Directors and of the Board of Statutory Auditors, as well as to any persons authorised on a case-by-case basis by the Supervisory Board.

## **6. Disciplinary system**

### **6.1. General principles**

The Decree requires the implementation of a "disciplinary system that can punish any failure to comply with the measures set forth in the Model" both for persons in high positions and for persons subject to the management and oversight of others.

The existence of a system of penalties applicable in the event of a failure to comply with the rules of conduct, regulations and internal procedures provided for by the Model is essential to ensure the effectiveness of the Model itself.

Application of the penalties in question must be entirely independent of the progress and result of any criminal or administrative proceedings brought by the legal or administrative authorities, in cases where the conduct being censured also constitutes an offence relevant for the purposes of the Decree or a significant criminal or administrative offence under health and safety in the workplace regulations. Indeed, the rules imposed by the Model are undertaken by the Company fully autonomously, regardless of whether the conduct constitutes a criminal or administrative offence or whether the legal or administrative authorities intend to prosecute the offence.

The disciplinary system is published in a location and/or using methods, including computer-based methods, that ensure it is accessible to all employees and is in any case broadcast to all recipients.

Responsibility for assessing the adequacy of the disciplinary system, continuously monitoring any penalty imposition proceedings involving employees and for taking action against external subjects is entrusted to the Supervisory Board, which also reports any infringements of which it becomes aware while carrying out its duties.

## 6.2. Violations of the Model

According to article 6, par. 2, letter e) and article 7, par. 4, letter b) of the Decree, the following violations are considered relevant for disciplinary purposes:

- behaviour that constitutes the offences set forth in the Decree;
- behaviour that, whilst not constituting the offences set forth in the Decree, is aimed unequivocally at committing such offences;
- behaviour not compliant with the Procedures indicated in the Model and the Code of Ethics;
- behaviour not compliant with the rules provided for or mentioned in the Model and, specifically, not compliant with the control measures listed in paragraphs 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 of the Special Section and the Procedures mentioned in the Model itself;
- behaviour involving a failure to cooperate with the Supervisory Board, consisting for example of a refusal to provide the information or documents requested, a failure to comply with general and specific instructions given by the Supervisory Board in order to obtain information it deems necessary to perform its duties, a failure to participate, without a justified reason, in the inspections planned by the Supervisory Board, a failure to attend training meetings.

## 6.3. Measures that may be taken against employees

The violation by employees of individual rules of conduct contained in the Model constitutes a disciplinary offence under the CCNL applied by the Company.

Any type of violation of the rules of conduct contained in the Model entitles the Supervisory Board to ask the appropriate company department to commence disciplinary proceedings to impose one of the penalties listed below.

Disciplinary proceedings may be activated even if the appropriate company department receives news of the violation directly. In such a case the Supervisory Board must be informed immediately.

The disciplinary action that may be taken against employees - in compliance with the procedures set forth in art. 7, pars. 2 and 3, of Law no. 300 of 30 May 1970, (Workers' Statute) and special rules applicable, as well as the applicable CCNL - is that provided for by the following disciplinary system:

- verbal warning;
- warning letter;
- fine;
- suspension from work and pay;
- dismissal for disciplinary reasons with the right to notice pursuant to the CCNL applied by the Company and lawful dismissal for misconduct without notice.

In any case, the appropriate company department must always keep the Supervisory Board informed of the penalties imposed and/or the violations committed.

When determining internally the imposition of a fine or suspension from work and pay, the Company will take into account the seriousness of the violation, which will be evaluated based on the following circumstances:

- the existence and level of intent;
- the existence and level of negligent, reckless conduct;
- the existence and level of recurrent conduct;
- the extent of the danger and/or consequences of the violation for persons covered by health and safety in the workplace regulations, and for the Company;
- the predictability of the consequences;
- the timeframes and methods of the violation;
- the circumstances in which the violation took place.

More specifically, and without prejudice to what is stated in the paragraph below, with reference to violations of the Model committed by workers, the following is provided for:

- an employee who violates the Procedures provided for by the Model or who, when carrying out Sensitive activities, engages in conduct that violates the rules of the Model itself, is punishable with a verbal warning or warning letter;

- an employee who repeats one of the above violations, within less than two years, is punishable with a fine;
- an employee who repeatedly (at least three times) commits one of the violations stated in point 1, provided less than two years have passed between the previous and current violation, is punishable with suspension from work and pay. The same punishment applies to any employee who, in violating the Procedures provided for by the Model or who, when carrying out Sensitive activities, engages in conduct that violates the rules of the Model itself, causes damage to the Company or exposes the Company to objective danger;
- an employee who commits one of the violations for which the punishment is suspension from work and pay more than twice in two years is punishable with dismissal for disciplinary reasons with the right to notice; an employee who engages in behaviour not compliant with the Model and aimed unequivocally at committing an offence under the Decree is punishable with dismissal for disciplinary reasons without notice.

In any case, with specific reference to violations of the rules contained in the Model concerning health and safety in the workplace, in compliance with the Labour Ministry Circular no. 15816 of 11 July 2011, relating to the “Organisation and management Model pursuant to art. 30, Legislative Decree 81/2008”:

- an employee who fails to comply with the Model, and this violation gives rise to a situation of potential physical danger to one or more persons, including the infringer, and provided the conduct does not constitute one of the cases described below, is punishable with a warning letter;
- an employee who repeats any of the infringements punishable with a warning letter, as described above, more than twice in two years, or who fails to comply with the Model, and this violation causes physical injury to one or more persons, including the perpetrator of the violation, and provided the conduct does not constitute one of the cases described below, is punishable with a fine;
- an employee who fails to comply with the Model, and this violation causes physical injury to one or more persons, including the perpetrator of the violation, and provided the conduct does not constitute one of the cases described below, is punishable with suspension from work and pay;
- an employee who repeats any of the infringements punishable with suspension from work and pay, as specified in the point above, and an employee who fails to comply with the Model, and this violation causes physical injury considered serious pursuant to art. 583, par. 1, of the Italian Criminal Code to one or more persons, including the perpetrator of the violation, is punishable with dismissal for disciplinary reasons with the right to notice. An employee who fails to comply with the Model, and this violation causes physical injury considered very serious pursuant to art. 583, par. 1, of the Italian Criminal Code to one or more

persons, including the perpetrator of the violation, or causes the death of one or more persons, is punishable with lawful dismissal for misconduct without notice.

In cases where the applicable CCNL does not expressly prohibit the conduct, and the contested violation is particularly serious, the employee may be suspended from work on a precautionary basis with immediate effect, until such a time as a penalty is imposed or a decision is reached not to proceed with the imposition of a penalty.

Without prejudice to art. 7, Law 300/1970 and to the applicable CCNL, no disciplinary action may be taken without first informing the employee of the charges and hearing his/her defence.

Notice of the charges and a specification of the conduct constituting the violation shall be made in a written communication, which shall also indicate the deadline within which the employee may submit his/her defence. This deadline cannot be less than five working days.

The worker may be assisted by a trade union representative, where one exists.

#### **6.4. Violations of the Model by executives and related measures**

Violations of the individual rules contained in the Model committed by Company employees holding the title of 'executive' (*dirigente*) constitute disciplinary misconduct.

Any type of violation of the rules of conduct contained in the Model shall entitle the Supervisory Board to ask the Company's management body to commence disciplinary proceedings to impose one of the penalties listed below, determined on the basis of the seriousness of the violation committed in light of the criteria indicated in paragraph 6.2 and the conduct engaged in by the perpetrator prior to (i.e. any previous violations committed) and following the violation (e.g. notification of the irregularity to the Supervisory Board).

The disciplinary action that may be taken with respect to executives - in compliance with the procedures set forth in art. 7, pars. 2 and 3, Law 300/1970, as well as the applicable CCNL and any special rules applicable - is that provided for by the following disciplinary system:

- written reprimand;
- suspension from work and pay;
- dismissal with the right to notice;
- lawful dismissal for misconduct.

In any case, the appropriate company department must always keep the Supervisory Board informed of any penalties imposed and/or any violations detected.

More specifically, with reference to violations of the Model committed by executives of the Company, the following is provided:

- in the event of a non-serious violation of one or more of the rules governing procedures or conduct contained in the Model, an executive is punishable with a written reprimand consisting of a reminder to comply with the Model, which is essential in retaining the trust of the Company;
- in the event of a non-serious, but repeated, violation of one or more of the rules governing procedures or conduct contained in the Model, an executive is punishable with suspension from work and pay;
- in the event of a serious violation, or a non-serious but repeated violation, of one or more of the rules governing procedures or conduct contained in the Model, an executive is punishable with dismissal with the right to notice;
- where the violation of one or more of the rules governing procedures or conduct contained in the Model is of such a serious nature that it irreparably damages the relationship of trust with the executive and does not allow the employment relationship to continue, even temporarily, the executive is punishable with lawful dismissal for misconduct.

For Company workers holding the position of 'executive' (*dirigente*), the following constitute serious violations of the Model:

- non-compliance with the obligation to manage and supervise subordinate workers in relation to the correct and effective application of the Model itself;
- non-compliance with the obligation to manage and supervise other workers who, although not linked to the Company via a relationship of subordination (for example freelance workers, consultants, collaborators, etc.), are in any case subject to management and supervision by the executive pursuant to art. 5, par. 1, lett. b), Legislative Decree 231/2001, regardless of the legal classification of the contract or the relationship with such workers.

Where the violation is considered serious, the executive may be suspended from work on a precautionary basis with immediate effect, until such a time as a penalty is imposed or a decision is reached not to proceed with the imposition of a penalty.

#### **6.5. Measures that may be taken against members of the Company's management body and the Board of Statutory Auditors**

In the event of violation of the Model by members of the Company's management body, the Supervisory Board will inform the whole Board of Directors and the Board of Statutory Auditors, which will take appropriate action according to the seriousness of the violation committed, based on the criteria indicated in paragraph 6.2 and in compliance with the powers provided for by law and/or the Company's by-laws (statements in meeting minutes, requests to call a meeting or notices of call to a Board meeting with an agenda containing adequate action to be taken against persons responsible for violations, etc.).

The disciplinary action that may be taken with respect to one or more members of the Company's management body, subject to a Board of Directors' resolution adopted with the abstention of the person in question and, where provided for by law and/or the Company's by-laws, with a resolution of the shareholders, is that provided for by the following disciplinary system:

- written warning;
- temporary suspension from the position;
- removal from the position.

More specifically, with reference to violations of the Model committed by one or more members of the Company's management body, the following is provided:

- in the event of a non-serious violation of one or more of the rules governing procedures or conduct contained in the Model, a member of the Company's management body is punishable with a written warning consisting of a reminder to comply with the Model, which is essential in retaining the trust of the Company;
- in the event of a serious violation of one or more of the rules governing procedures or conduct contained in the Model, a member of the Company's management body is punishable with temporary suspension from the position;
- in the event of a serious violation of one or more of the rules governing procedures or conduct contained in the Model that irreparably damages the relationship of trust, the member of the Company's management body is punishable with removal from the position.

Furthermore, for members of the Company's management body, non-compliance with the obligation to manage and supervise subordinate workers in relation to the correct and effective application of the Model constitutes a violation of the Model.

In the event of a violation of the Model by the Company's entire management body, the Supervisory Board will inform the Board of Statutory Auditors so that this Board can call a meeting without delay to take appropriate action.

In the event of a violation of the Model by one or more members of the Board of Statutory Auditors or by the Company's entire Board of Statutory Auditors, the Supervisory Board will inform the Company's management body, which will take appropriate action based on the seriousness of the violation and in compliance with the powers provided for by law and/or the Company's by-laws (statements in meeting minutes, requests to call a meeting or notices of call to a Board meeting with an agenda containing adequate action to be taken against persons responsible for violations, etc.).

#### **6.6. Measures that may be taken against members of the Supervisory Board and third parties**

For actions that may be taken against members of the Supervisory Board, see rules on their removal from office (paragraph 5.4).

For actions that may be taken against third parties, see rules on relations with third parties (paragraph 4).

### **7. Distribution of the Model and training of recipients**

The Managing Director is responsible for distributing the Model externally and distribution takes place via the means deemed most appropriate (e.g. on the Company's website).

Training on the Model and the related legislation is entrusted to the HR department, which liaises with the Supervisory Board for the purpose.

The Company formalises and implements specific training plans to ensure effective awareness of the Decree, the Code of Ethics and the Model; the contents of the training differ depending on whether it is directed towards employees in general, employees operating in specific areas of risk, Directors, etc.

Training is obligatory and participants' attendance is recorded.

Training courses may also take place using IT tools (e.g. via "e-learning") and are provided with the support of experts on the related legislation.