



FATA
Part of Danieli Group

**ORGANIZATION, MANAGEMENT AND CONTROL MODEL
PURSUANT TO LEGISLATIVE DECREE 231/2001**

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GENERAL SECTION

FOREWORD

FATA S.p.A., a Joint Stock Company with a sole shareholder (hereinafter “**FATA**” or “**Company**”), under a more wide-ranging company policy that is sensitive to the need of ensuring conditions of fairness and transparency in the running of its corporate affairs and business, in order to safeguard the Company and its shareholders has decided to analyze and strengthen all of the corporate control and *governance* mechanisms that are already in place, by implementing and regularly updating the Organization, Management and Control Model (hereinafter “**Model**”), pursuant to Legislative Decree n. 231/2001 (hereinafter “**Decree**”), which is lean and flexible since it is intended for a “small company”, as per the directives set forth in the Confindustria guidelines, according to which:

“... A small company, the definition of which is to be found in the essential nature of the internal hierarchical and operational organization, rather than in quantitative parameters...”

The fundamental activities carried out to comply with the requirements of the Decree are:

Identifying Risks

Analysis of the company environment to determine which areas and sectors are at risk of predicate offences being committed, as well as the types of conduct that are warning signs that a predicate offence could be committed.

Planning a Protocol System

Evaluation and possible revision of the Company’s existing control system, in terms of its ability to effectively counteract - i.e. reduce to an acceptable level - the identified risks.

Code of Ethics and Disciplinary System

Adoption of the controlling company’s Code of Ethics, adapted to suit the specific situation of the company (ATT. 1).

Supervisory Committee

Appointment of the company’s own Supervisory Committee

1. LEGISLATIVE DECREE n. 231/2001

Administrative liability of corporate bodies, companies and associations

Legislative Decree n.231/2001 (“**Decree**”) “*Governing the administrative liability of corporate bodies, companies and associations, including those without legal personality*”, introduced into the Italian legal system, an **administrative liability** scheme (comparable to criminal liability) for Entities (companies, associations, consortiums ...): *for offences committed against the Public Administration (Articles 24 and 25 of the Decree), offences against the assets of the State or another public body (Article 25-bis of the Decree, as amended by Law no. 99/2009), for the corporate offences listed in Article 25 ter, and for crimes (mentioned in Article 25-quater) of terrorism or subversion of democracy, as well as those crimes which are in violation of Article 2 of the International Convention for the suppression of the financing of terrorism* signed in New York on December 9th, 1999, (peremptorily listed and identified) as well as for the offences against individuals described in the penal code (and better explained below) and in Law no. 228/03 containing “*Measures against trafficking in human beings*” (art 25-quinquies). Laws no. 62/2005 and 262/2005 have further extended the types of offences involving the administrative liability of entities, since they specify the criminal liability of the Entity in whose interest or to whose advantage the so-called “*market abuses*” have been committed (i.e. insider trading and market manipulation, as per art. 25 sexies) and the offence of failing to report conflicts of interest.

Art. 25 *septies*, introduced by L. n. 123/2007, has extended the administrative liability of entities to include the crimes of homicide and unintentional serious or very serious injury, committed in violation of regulations governing the prevention of accidents and the protection of health, safety and the environment in the workplace; a similar extension is provided for in art. 25 *octies* for the possession of stolen goods, money laundering and use of illegal money, goods or advantages as well as for the crime of self-laundering introduced by L. n. 186/2014.

Transnational crimes also entail liability for entities ⁽¹⁾ (L. n. 146/2006).

Law n. 48/2008 added art. 24 *bis* to the Decree, which adds so-called computer-related crimes to predicate offences. Compared to the original prevision, however, Legislative Decree n. 7/2016 provides for the abrogation of several offences, including forgery of private deeds, which significantly amended the crime of forgery of digital documents.

Law n. 94/2009 which introduced art. 24 *ter* concerning crimes by criminal organizations, Law n. 99/2009 which introduced art. 25 *bis.1* (referring to crimes against industry and trade) and art. 25 *novies* (referring to infringement of copyright) and Law n. 116/2009 which introduced art. 25 *novies*, and then renumbered as 25 *decies* by art. 2, par. 1 of Legislative Decree n. 121/2011 (regarding inducement to not make statements or to make false statements before the judicial authority).

Legislative Decree n. 121/2011 introduced art. 25 *undecies*, which refers to environmental crimes, and subsequent Law n. 68/2015 further extended the scope of environmental crimes.

Legislative Decree n. 109/2012 introduced art. 25 *duodecies* on corporate liability if a company employs foreigners without a residence permit or if their permit has expired or has not been renewed as required by law.

¹A transnational crime is a crime that is punishable by a prison sentence of not less than four years if a criminal organization is involved, and: a) if the crime is committed in more than one Country; b) or if it is committed in one Country but a substantial part of its preparation, planning, management and control takes place in another Country; c) or if it is committed in one Country but involves a criminal organization operating in more than one country; d) or if it is committed in one Country but has a significant impact in another Country

Law n. 190/2012 added art. 25, which introduces undue inducement to give or promise advantages. This law also amended art. 25 *ter* by adding to par. 1, letter *s-bis* governing the crime of corruption among private individuals in the cases set forth in par. 3 of art. 2635 of the civil code. And finally, Legislative Decree n. 38/2017 partially redrew the crime of corruption among private individuals, and the crime of instigation to private-to-private corruption was added.

Lastly, Law n. 3/2019 again added art.25 of the Decree by introducing the crime of influence peddling (pursuant to Art. 346 *bis* of the penal code)

More recently, Law n.167/2017 amended the Decree by adding the new art. 25 *terdecies*, which punishes the crimes of racism and xenophobia.

In order for Entities to be administratively liable, the above crimes must be committed in the interest or to the advantage of the Entity itself, by natural persons holding top management positions within the Entity, or by natural persons acting under the direction or supervision of any of the above-mentioned individuals. The liability of the Entity is definitively added to that of the natural person who committed the offence.

The Entity is also liable for unlawful acts resulting from attempted crimes and crimes committed abroad.

Based on the provisions of art. 4 of the Decree, in order to punish frequent criminal behavior and prevent easy avoidance of the entire regulatory framework, an Entity whose headquarters are in Italy may be required to answer for crimes committed abroad, if:

- (a) the crime is committed abroad by a person that has a working relationship with the Entity, pursuant to art. 5, par. 1 of the Decree;
- (b) the Entity's headquarters are located in Italy;
- (c) the provisions of articles 7, 8, 9 and 10 of the penal code are applicable.

In these cases, the Entity will be prosecuted provided that the Country in which the crime is committed does not bring legal action against the Entity.

If a crime is committed, the Company may be entitled to an **exemption**: in fact, the Company is not liable if it can show that prior to the crime being committed, it adopted and effectively implemented the necessary "*organization, management and control models to prevent crimes of the type that were committed*" (art.6).

Art.6 of the Decree also states that these models can be adopted based on codes of conduct drawn up by the trade associations. In particular, the FATA model was updated according to the "*Guidelines to establish the organization, management and control models as per Legislative Decree n. 231/2001*" approved by Confindustria in the version dated March 2014 and approved by the Ministry of Justice by memo dated July 21, 2014.

2. ADOPTING THE ORGANIZATION, MANAGEMENT AND CONTROL MODEL

2.1 Model Structure

This Model comprises a general section and individual special sections referring to the various types of crimes provided for in the Decree, as follows:

- Special Section “A”: applicable to specific types of crimes committed to the detriment of the Public Administration, as per art. 24 and 25 of the Decree, and to private-to-private corruption.
- Special Section “B”: applicable to corporate crimes as per art. 25 *ter* of the Decree (excluding the crime of private-to-private corruption) and to administrative crimes and offences such as internal dealing and market manipulation, as per art. 25 *sexies* of the Decree.
- Special Section “C”: applicable to the crimes of manslaughter and unintentional serious or very serious injury in violation of the obligations to safeguard health and safety in the workplace (art. 25 *septies* of the Decree).
- Special Section “D”: refers to computer-related crimes and illegal processing of data, as provided for in article 24 *bis* of the Decree.
- Special Section “E”: deals with money laundering, possession of stolen goods, and use of illegal money, goods or advantages (art. 25 *octies* of the Decree).
- Special Section “F”: refers to crimes by criminal organizations as per art. 24 *ter* of the Decree, and to transnational crimes (as per art. 10 of Law n. 146/2006).
- Special Section “G”: deals with environmental crimes as per art. 25 *undecies* of the Decree.

The Model also has an Appendix containing the following:

- “Transactions set up directly and “not according to procedure” by top management figures. This document sets out the specific elements of control with which the Company’s top management figures must comply whenever they are about to begin or are beginning transactions that follow a procedure other than the one specified in the Model, due to exceptional situations of extraordinary urgency or particular situations of confidentiality or even because of the particular nature of the transaction;
- “General principles of internal control “, which establish all the “mechanisms” to be used to reach the targets of operating efficiency and effectiveness, reliability of financial and operating information, compliance with laws and regulations, and safeguarding of assets against possible fraud;
- “Principles of conduct with the Public Administration”, describing the behavioral guidelines the Company must follow to prevent the creation of any situations that are conducive to the perpetration of the crimes set forth in the Decree;
- “Compatible public entities according to Legislative Decree n. 231/2001”, which contains a summary including but not limited to the entities which should be considered public.

FATA’s Board of Directors has the right to make additions to this Model by means of a resolution if crimes are introduced that are potentially connected with FATA’s business.

2.2 Recipients of the Model

The “Recipients” of this Model who, as such and because of their specific duties, have the obligation to know and comply with the Model, are the members of the Board of Directors and the Board of Statutory Auditors, Executives, Employees and all the collaborators with whom there is a contractual relationship of any kind, including occasional or even only temporary agreements, as well as anyone with any type of commercial or financial relations with FATA.

2.3 Predicate offences for which it is felt there is a risk of a crime being committed: list of cases

Crimes under art. 24 of the Decree:

Art. 316 *bis* of the penal code - Embezzlement to the detriment of the State;

Art. 316 *ter* of the penal code - Undue receipt of payments to the detriment of the State;

Art. 640, par. II, n. 1 of the penal code - Fraud to the detriment of the State;

Art. 640 *bis* of the penal code - Aggravated fraud for the purpose of obtaining public funds;

Art. 640 *ter* of the penal code - Computer fraud.

Crimes under art. 24 bis of the Decree:

Art. 491 *bis* of the penal code - Computer documents;

Art. 615 *ter* of the penal code - Illegal access to IT or telematic systems;

Art. 615 *quater* of the penal code - Illegal possession and dissemination of access codes to IT or telematic systems;

Art. 615 *quinquies* of the penal code - Distribution of computer equipment, devices or programs aimed at damaging or interrupting an IT or telematic systems;

Art. 617 *quater* of the penal code - Illegal wiretapping, hindering or interruption of IT or telematic communication;

Art. 617 *quinquies* of the penal code - Installation of equipment for the purpose of wiretapping, hindering or interrupting IT or telematic communication;

Art. 635 *bis* of the penal code - Damage to information, data or computer programs;

Art. 635 *ter* of the penal code - Damage to information, data or computer programs used by the State or other Public Entity, or that in any event are of service to the public;

Art. 635 *quater* of the penal code - Damage to IT or telematic systems;

Art. 635 *quinquies* of the penal code - Damage to public service IT or telematic systems;

Art. 640 *quinquies* of the penal code - Computer fraud of the entity that provides a certified email service.

Crimes under art. 24 ter of the Decree:

Art. 416, co 6 of the penal code - Criminal conspiracy for the purpose of enslavement, human trafficking or purchase or sale of slaves;

Art. 416 of the penal code - Criminal conspiracy;

Art. 416 *bis* of the penal code - Mafia-type conspiracy;

Art. 416 *ter* of the penal code - Election rigging involving politicians and the mafia.

Art. 630 of the penal code - Kidnapping for extortion purposes;

Art. 416 *bis* of the penal code - Crimes committed by mafia-imposed subjugation and code of silence.

Art. 74 of Presidential Decree n. 309/1990 - Conspiracy to illegally traffic in narcotics or psychotropic drugs;

Art. 407, par. 2, lett. a) n. 5 of the penal code - Illegal manufacture, import, sale, transfer, possession and bearing, in places that are public or open to the public, of military weapons or parts thereof, explosives, illegal weapons and several common firing weapons.

This group also includes criminal conspiracies (articles 416 and 416 *bis*) or transnational crimes as per Law n. 46/2006.

Crimes under art. 25 of the Decree:

Art. 317 of the penal code - Illegal abuse of position;

Art. 318 of the penal code - Bribery of a public official;

Art. 319 of the penal code - Bribery of a public official to make him/her act in a manner that is contrary to his/her official duties;

Art. 319 *bis* of the penal code - Aggravating circumstances;

Art. 319 *ter* of the penal code - Bribery in judicial proceedings;

Art. 319 *quater* of the penal code - Undue inducement to give or promise advantages;

Art. 320 of the penal code - Bribery of a public service officer;

Art. 321 of the penal code - Punishment of the briber;

Art. 322 of the penal code - Instigation to bribery;

Art. 322 *bis* of the penal code - Embezzlement, illegal abuse of position, bribery and instigation to bribe members of the European Community and officials of the European Community and foreign countries;

Art. 346-bis of the penal code – Influence peddling

Crimes under art. 25 ter of the Decree:

Art. 2621 of the civil code - False accounting;

Art. 2621 *bis* of the civil code - Minor false accounting;

Art. 2622 of the civil code - False accounting to the detriment of the company, shareholders or creditors;

Art. 2625 of the civil code - Obstruction of audit;

Art. 2626 of the civil code - Undue return of capital contributions;

Art. 2627 of the civil code - Unlawful distribution of profits and reserves;

Art. 2628 of the civil code - Unlawful transactions involving shares or share capital or by the controlling company;

Art. 2629 of the civil code - Transactions that are detrimental to creditors;

Art. 2629 *bis* of the civil code - Failure to report conflicts of interest;

Art. 2632 of the civil code - Fictitious capital;

Art. 2633 of the civil code - Undue distribution of company assets by the liquidators;

Art. 2635 of the civil code - Bribery among private individuals;

Art. 2635 *bis* of the civil code - Instigation to bribery among private individuals;

Art. 2636 of the civil code - Undue influence in general shareholders' meetings;

Art. 2637 of the civil code - Market rigging;

Art. 2638 of the civil code - Preventing public supervisory bodies from performing their duties.

Crimes under art. 25 sexies of the Decree:

Art. 183 of Legislative Decree n. 58/98 - Exemptions from criminal liability;

Art. 184 of Legislative Decree n. 58/98 - Crime of insider trading;

Art. 185 of Legislative Decree n. 58/98 - Crime of market manipulation;

Art. 187 *bis* of Legislative Decree n. 58/98 - Insider trading;

Art. 187 *ter* of Legislative Decree n. 58/98 - Market manipulation.

Crimes under art. 25 septies of the Decree:

Art. 589 of the penal code - Manslaughter;

Art. 590 of the penal code - Unintentional personal injury.

Crimes under art. 25 octies of the Decree:

Art. 648 of the penal code - Possession of stolen goods;

Art. 648 *bis* of the penal code - Money laundering;

Art. 648 *ter* of the penal code - Use of illegal money, goods or advantages;

Art. 648 *ter.1* of the penal code - Self-laundering.

Crimes under Legislative Decree n. 39/2010 (art. 27):

False reports and notifications by the statutory auditors.

Crimes under art. 25 undecies of the Decree:

Legislative Decree n. 152/2006 - Collection, handling, transport, recycling and disposal of waste, including hazardous waste, without the required authorizations, including the monitoring of these operations and inspection of disposal sites, as well as the activity of dealers or brokers;

Law n. 549/1993 - Violation of the regulations governing the production, consumption, import, export, possession, collection, recycling or marketing of stratospheric ozone depleting substances and of substances that are harmful to the environment.

Crimes under art. 25 duodecies:

Legislative Decree n. 286/ 1998 - Employment of third country nationals with irregular residence permits.

2.4 Predicate offences for which - depending on the company's business and work environment - the risk of a crime being committed is not considered conceivable but will nonetheless be monitored: list of cases.

Crimes under art. 25 bis of the Decree:

Art. 453 of the penal code - Counterfeiting of money, spending and bringing counterfeit money into the country by arrangement;

Art. 454 of the penal code - Altering currency;

Art. 455 of the penal code - Spending and bringing counterfeit money into the country without arrangement;

Art. 457 of the penal code - Spending of counterfeit money received in good faith;

Art. 459 of the penal code - Counterfeiting of tax stamps and bringing them into the country, purchase, possession or distribution of counterfeit tax stamps;

Art. 460 of the penal code - Counterfeiting of watermarked paper used to make legal tender and tax stamps;

Art. 461 of the penal code - Making or possession of watermarks or instruments used for the counterfeiting of money, tax stamps or watermarked paper;

Art. 464 of the penal code - Use of counterfeit or altered tax stamps;

Art. 473 of the penal code - Counterfeiting, altering or use of distinctive trademarks or marks, or patents, models and drawings;

Art. 474 of the penal code - Bringing forged trademarks into the country and trading in them.

Crimes under art. 25 bis.1 of the Decree:

Art. 513 of the penal code - Disturbing the freedom of industry or trade;

Art. 513 *bis* of the penal code - Illegal competition involving threats or violence;

Art. 514 of the penal code - Fraud against national industries;

Art. 515 of the penal code - Fraud in trade;

Art. 516 of the penal code - Sale of non-genuine foodstuffs as genuine;

Art. 517 of the penal code - Sale of industrial products with deceitful markings;

Art. 517 *ter* of the penal code - Manufacture and trade of goods by infringing industrial property rights;

Art. 517 *quater* of the penal code - Counterfeiting of geographical indications or designations of origin of agri-foods.

Crimes under art. 25 quater of the Decree:

Art. 270 - *bis* of the penal code - Conspiracy to commit national or international acts of terrorism or to subvert democracy;

Art. 270 - *ter* of the penal code - Conspiracy to commit international acts of terrorism;

Art. 270 - *quater* of the penal code - Recruitment for the purpose of committing national or international acts of terrorism;

Art. 270 - *quinquies* of the penal code - Training for the purpose of committing national or international acts of terrorism;

Art. 270 - *sexies* of the penal code - Conduct for the purpose of committing acts of terrorism;

Art. 280 of the penal code - Attacks of terrorism or subversion;

Art. 280 - *bis* of the penal code - Act of terrorism using lethal or explosive devices;

Art. 289 - *bis* of the penal code - Kidnapping for purposes of terrorism or subversion;

Art. 302 of the penal code - Instigation to commit some of the crimes listed in the first and second chapters [under the same title of the penal code];

Crimes under art. 25 quater - 1 of the Decree:

Art. 583 *bis* of the penal code - Mutilation of female genitals.

Crimes under art. 25 quinquies of the Decree:

Art. 600 of the penal code - Enslaving and keeping people in slavery or servitude;

Art. 600 *bis* of the penal code - Prostitution of minors;

Art. 600 *ter* of the penal code - Pornography involving minors;

Art. 600 *quater* of the penal code - Possession of pornographic material;

Art. 600 *quater* of the penal code - Virtual pornography;

Art. 600 *quinquies* of the penal code - Tourism initiatives for the exploitation of child prostitution;

Art. 601 of the penal code - Human trafficking;

Art. 602 of the penal code - Purchase or sale of slaves;

Art. 603 *bis* of the penal code - Illegal intermediation and exploitation of labor;

Art. 609 *undecies* of the penal code - Solicitation of minors..

Crimes under art. 25 *novies* of the Decree:

Art. 171 par. a *bis* Law n. 633/1941 - Making a protected original work or part of it public;

Art. 171 *bis* Law n. 633/1941 - Illegal copying of programs;

Art. 171 *ter* Law n. 633/1941 - Illegal use of original works or of intangible products, decoding devices or elements;

Art. 171 *septies* Law n. 633/1941 - Failure to provide SIAE with the data needed to unequivocally identify the media that do not require a SIAE sticker;

Art. 171 *opties* Law n. 633/1941 - Use, even by private individuals, of devices to decode audiovisual programs with restricted access, by means of wireless, satellite or cable systems.

Crimes under art. 25 *decies* of the Decree:

Art. 377 *bis* of the penal code - Inducement to not make statements or to make false statements before the judicial authority.

Crimes under Law n. 146/2006 - Transnational Crimes:

Art. 377 *bis* of the penal code - Inducement to not make statements or to make false statements before the judicial authority;

Art. 378 of the penal code - Aiding and abetting;

Art. 291 *quater* Presidential Decree n. 43/1973 - Conspiracy to smuggle foreign processed tobacco;

Art. 74 Presidential Decree n. 390/1990 - Conspiracy to traffic illegally in narcotics or psychotropic drugs;

Art. 12, par. 3, 3 *bis*, 3 *ter* and 5 Legislative Decree n. 286/1998 - Migrant smuggling.

The criminal conspiracies in articles 416 and 416 *bis* of the penal code have been included in the list of potentially committable crimes in paragraph 2.3.

Crimes under art. 25 *undecies* of the Decree:

Art. 452 *bis* of the penal code - Environmental pollution;

Art. 452 *quater* of the penal code - Environmental disaster;

Art. 452 *quinquies* of the penal code - Unintentional environmental disasters;

Art. 452 *sexies* of the penal code - Trafficking in and dumping of highly radioactive material;

Art. 452 *bis* of the penal code - Aggravating circumstances;

Art. 727 *bis* of the penal code - Killing, destruction, capture, collection and possession of wild or protected animal and plant species;

Art. 733 *bis* of the penal code - Habitat damage;

Law n._150/1992 - Import, export, sale, transport, including on behalf of third parties, possession of endangered animal and plant species;

Legislative Decree n._202/2007 - Intentional and unintentional sea pollution.

Crimes under art. 25 terdecies of the Decree:

Art. 5 par. 3 - Racism and xenophobia.

For a more detailed description of predicate offences which fall within the scope of application of the Decree, please refer to the document in Attachment 2.

2.5 Approval and implementation of the Model's principles

Since the Model is a “document issued by the board of directors” [in compliance with the provisions in art. 6, par. I, lett. a) of the Decree], on May 14, 2019, the Board of Directors of FATA S.p.A. approved the adoption of this document by updating the existing model.

Likewise, subsequent substantial modifications and additions will be the responsibility of the above-mentioned Board of Directors.

3. ORGANIZATIONAL STRUCTURE OF FATA S.p.A.

The aspects of the pre-monitoring system that need to be implemented within the company to ensure the Model's effectiveness are:

- ethical principles aimed at preventing the crimes specified in the Decree;
- an adequately formalized and clear-cut organizational structure;
- manual or computer operating procedures aimed at regulating activities in the company's areas of risk, together with the necessary check points;
- authorization and signatory powers consistent with organizational and management responsibilities;
- management control system able to promptly report the existence and the appearance of critical situations;
- personnel information and training system covering all the elements of the Model, including the Code of Ethics;
- disciplinary system to punish any violations of the Code of Ethics or of the other indications of the Model.

Described below are the principles on which certain protocols of the FATA model are based, which have features in common with all the crimes indicated in the Decree, whereas - notwithstanding what is stated in this paragraph - for protocols with specific features for each type of crime (i.e. procedures or other specific protocols) please refer to the Special Section.

As regards the Code of Ethics, Supervisory Committee, disciplinary system and personnel information and training system, please refer to the chapters in the Model that specifically deal with these matters.

Organizational System

The company's organizational system (organizational structure/positions, missions and areas of responsibility), currently specified in **Attachment 2**, is determined by the Organizational Provisions (Service Orders and Internal/Service Memos) issued by the Chairman and/or Chief Executive Officer. The Human Resources Department ensures that these provisions are formalized and distributed, as well as periodically updating the company's organization chart.

Based on the issued Organizational Provisions, a document is drawn up illustrating the company's organization chart and the missions and responsibilities of each organizational structure, which reflects the content of the Organizational Provisions and is distributed to all company personnel.

Service Orders may refer to:

- company guidelines, orientation and policy;
- formalization of company processes and procedures;
- establishment, modification, elimination of company boards, committees, projects and work groups.

The company may also issue and divulge internal/service memos referring to the organizational and operational aspects of the company.

Authorization System

The company's authorization system is set up according to the following requirements:

- delegations of powers and powers of attorney match powers to the corresponding area of responsibility;
- each delegation of powers and power of attorney unequivocally determines the powers of the proxy, while specifying the limits;
- the management powers conferred by delegation / power of attorney are consistent with the company's goals;
- anyone acting on behalf of FATA in relations with third parties and especially with the Public Administration, shall possess a specific delegation of powers and/or a formal power of attorney authorizing them to represent the Company;

In particular, the following powers can be assigned:

- *enduring powers of representation*, assigned by means of registered, notarized powers of attorney based on the fulfillment of activities that fall within the permanent responsibilities of the company's organization;
- *powers for single projects*, conferred by means of notarized powers of attorney or other delegations of power depending on their content; the conferral of these powers is regulated by Company procedures and by the laws that establish the types of representation, depending on each document to be stipulated.

Company procedures in at-risk areas

Internal procedures shall include the following elements:

- separation, whenever possible and within each process, between the person making the decision (decision-making impulse), the person who authorizes it, the person who implements the decision and the person who monitors the process (e.g. separation of duties);
- written record of each step of the process, including checking (i.e. traceability);
- suitable level of formalization.

Management control and financial flows

The management control system adopted by FATA covers various phases, i.e. preparation of the annual *budget*, periodical analysis of actual costs and drawing up forecasts for the Company

The system ensures:

- the involvement of multiple people so that the duties of preparing and divulging information are properly separated;
- the ability to promptly report the existence or appearance of critical situations through suitable and timely information flows and *reporting*.

Financial resources are managed according to principles that are essentially characterized by a separation of duties, thus ensuring that all expenditures are requested, made and checked by independent individuals or by different individuals whenever possible. Moreover, these individuals have not been assigned other responsibilities that could lead to potential conflicts of interest.

Finally, liquidity management is based on the principle of maintaining equity and not allowing risky financial transactions to take place, possibly requiring two signatures for amounts above the established limits.

Document Management

All of FATA's internal and external documentation is managed according to procedures that regulate, depending on the case, the updating, distribution, recording, filing and security of documents and recordings.

Specific controls, including technical controls, prevent unauthorized individuals from gaining access, both incoming and outgoing, to the Company's protocol, making it impossible to modify existing protocols.

4. SUPERVISORY COMMITTEE

4.1 Setting up the Supervisory Committee

The Decree (art. 6 lett. b) requires, as an additional condition for exemption from administrative liability, that the duty of monitoring the operation of and compliance with the Model as well as updating it, be assigned to a Company body vested with independent powers of initiative and control.

According to the spirit of the regulation and the latest Guidelines issued by Confindustria, this is a multi-member body referred to as a “Supervisory Committee” whose members must possess the requirements of:

- autonomy and independence;
- professionalism;
- continuous action;
- good standing.

Considering the particular responsibilities and specific professional skills required to perform its tasks of monitoring and control, the Supervisory Committee may in any case avail itself of other internal personnel or external collaborators under the direct supervision and responsibility of the Committee, who may be needed in each case depending on the specific tasks that are assigned.

4.2 Regulation regarding the procedures to appoint, remove and replace members of the Supervisory Committee

Also considering the latest indications added to the “*Guidelines to set up organization, management and control models pursuant to Legislative Decree n. 231/2001*” issued by Confindustria, FATA has assigned the Supervisory Committee the following duties, regulating its operation as described below, notwithstanding the Supervisory Committee’s power-duty to independently regulate its operation and activities, even by modifying these provisions if necessary.

The choices of the Supervisory Committee cannot be challenged by the Company boards, otherwise the Committee’s essential requirement of independence would no longer be valid.

4.3 Composition of the Supervisory Committee

During the meeting of 14.09.2018, FATA's Board of Directors approved the current rules of procedure for the Supervisory Committee (hereinafter "**Committee**"), made up of FATA's *pro-tempore* head of Legal Affairs and two external independent members since it is felt that this composition is suitable for the type of activity required.

The Supervisory Committee shall comprise multiple members, namely the head of the legal department of each company and two external members; the position of Committee Chairman shall be held by one of the two external members. Each member of the Supervisory Committee shall guarantee the requirements of autonomy and independence.

The appointment of the Supervisory Committee shall be submitted to the company's Board of Directors for approval.

4.4 Term of office

The Committee Chairman shall remain in office for three years. The term can be renewed only once and in any event the Chairman shall remain in office until a successor has been appointed. The members of the Committee shall remain in office for three years. Their term can be renewed, and, in any event, they shall remain in office until a successor has been appointed.

The members' term in office can also come to an end following resignation, dismissal or revocation.

The Committee members can resign at any time, and the Board of Directors and the Board of Statutory Auditors shall be notified in writing of their resignation. The Board of Directors shall make the necessary decisions as per the Rules of Procedure of the Committee.

4.5 Appointment, revocation and suspension of the Supervisory Committee

At the end of each term of office of the Committee and before any new appointment, the Board of Directors shall make sure that each Committee member possesses the requirements explicitly specified in the Decree, as well as the other requirements mentioned in this Model.

The Board of Directors periodically verifies the suitability of the Committee in terms of organizational structure and conferred powers. The Board of Directors may also at any time, as specified in the Committee's Rules of Procedure, remove from office one (or all) of the members of the Committee, if the requirements of autonomy and independence, professionalism and continuous action in the performance of duty are no longer valid, or for reasons of incompatibility of the Committee members, or in the other cases stated in the Committee's Rules of Procedure.

In the case of resignation, incapacity, death, revocation or dismissal of one of its members, the Committee shall promptly notify the Board of Directors, which shall replace the member without delay. The Chairman of the Committee, or its most senior member, has the obligation to promptly notify the Board of Directors of any occurrence that would require the replacement of a Committee member.

In the case of resignation, incapacity, death, revocation or dismissal of the Chairman, the most senior member shall replace him/her, and shall remain in office until the date on which the Board of Directors appoints a new Chairman.

The Board of Directors, after having consulted with the Board of Statutory Auditors and the other members of the Committee, may decide to remove a Committee member from office, in the cases and according to the procedures set forth in the Rules of Procedure of the Committee.

4.6 Duties and powers of the Supervisory Committee

The Supervisory Committee has the following duties:

- oversee the effectiveness of the Model, i.e. ensure that the conduct within the company complies with the Model;
- verify the effectiveness of the Model, i.e. verify that the Model is in fact able to prevent crimes from being committed;
- make proposals to maintain and update the Model so that it is always in line with any changes to the corporate business and structure, and with any changes in legislation;
- make Model amendment proposals to the corporate boards/departments that are able to implement them within the company.

The Committee shall therefore:

- periodically verify the map of the areas that are at risk of a crime being committed, adjusting it according to the changes in company business and/or structure, and to any changes in legislation. To this end, the *management* figures and control officers of all departments shall inform the Committee of any situations that could expose the company to a crime risk;
- perform periodical inspections based on a yearly schedule drawn up in advance to ascertain that the provisions of the Model have been fulfilled.

In particular, the Committee shall make sure that:

- the control procedures are in place and properly documented;
- the ethical principles are being complied with;
- the Model is suitable and effective in preventing the crimes set forth in the Decree;
- the Committee shall work with the company departments (including in meetings):
 - to exchange information and keep the crime risk areas up to date;
 - to keep changes under control with a view to constant monitoring;
 - on the various aspects pertaining to Model implementation (standard contractual clauses, personnel training, changes in regulations and organization, etc.);
 - to ensure that the necessary corrective actions are promptly taken to make the Model suitable and effective;
- to collect, prepare and keep all the significant information received concerning compliance with the Model, and to update the list of information to be sent to the Committee;
- to make available and update on the company intranet the information concerning the Decree and the Model.

The Committee shall have free access to all company documentation and the possibility of acquiring significant data and information from managers, as well as ensuring that the heads of company structures promptly provide the information, data and/or news requested of them without restriction and without the need for prior consent.

In addition to the collaboration of specifically delegated company departments, the Supervisory Committee may also avail itself of external consultants who possess the requirements of professionalism and reliability needed to carry out a supervisory activity, and if necessary, may hear Employees, Directors and members of the Board of Statutory Auditors of the Company.

The Committee shall also have the necessary financial resources proposed by the Committee itself, and shall use them for anything that is required to properly perform their duties. To this end, FATA's Board of Directors shall allot the necessary funds when preparing the company budget.

4.7 Obligations to report to the Supervisory Committee

According to art.6, par. 2, letter d), of Legislative Decree n. 231/2001, one of the requirements of the Model are the "*obligations to provide information to the committee in charge of monitoring the operation of and compliance with the models*".

The Supervisory Committee shall be informed by the Recipients of the Model as to any events that could entail liability according to the Decree, or that could in any event constitute a violation of the Model's provisions. Moreover, any document reporting these circumstances shall be sent to the Supervisory Committee.

In particular, the Company uses the Department Heads to implement the Model's provisions more effectively and practically. The Department Heads are responsible for operations in all the company's business areas where there is a potential risk of Crimes being committed. The Department Heads shall be officially assigned the following tasks:

- ensure for themselves and for the Recipients under their management and supervision, that the principles and rules of conduct set forth in the Code of Ethics are complied with and applied, as well as those of the other procedures, internal regulations, the Model and the Protocols;
- assist the Supervisory Committee in carrying out the duties and activities associated with the responsibilities it has been given, interacting with the Committee and ensuring periodical information flows through verification and control activities.

An obligation to report to the Supervisory Committee has therefore been established, in the form of **information flows set up** in the Model, which contain information, data and news concerning adherence to the principles of control and conduct specified in the Model, the Code of Ethics and the Protocols. The company structures involved in potentially at-risk activities shall then send this information to the Supervisory Committee, according to the timeframes and procedures established and notified by the Supervisory Committee itself. These flows are divided into:

- **Periodical information flows** addressed to the Supervisory Committee at regular intervals by the Department Heads involved in the at-risk activities as per Legislative Decree n. 231/2001, which, through a complete self-diagnostic process of the company's situation and business, show the level of implementation of the Model with particular attention to compliance with the procedures and internal regulations.

Through this formal self-evaluation, they highlight the critical points of managed processes as well as any deviations from the indications of the Model and/or Protocols, or of the regulatory framework in general and the suitability of the actual regulations, while illustrating the actions and initiatives that have been adopted or planned to solve them.

The Department Heads shall submit their statements to the Supervisory Committee within 15 days after the end of the half year. The 231 contact person shall file the documentation and make it available to the Supervisory Committee for which it shall prepare a report containing the results.

The periodical information flows shall be sent to the Supervisory Committee at the following email address: odv@fatagroup.it, indicating as the subject of the email periodical information flow.

- **Information flows according to Attachment 5**, addressed to the Supervisory Committee by all the Recipients of the Model, upon the occurrence of a single event, as specified in the Protocols of the Special Section.

These flows shall show all the information, data, news, reports or documents that the Special Section Protocols state must be sent to the Supervisory Committee within the required timeframe. The information flows based on Attachment 5 shall be sent to the Supervisory Committee at the following email address: odv@fatagroup.it, indicating as the subject of the email information flow as per Attachment 5.

In addition to the established information flows, according to art. 6, par. 2 *bis*, of Legislative Decree n. 231/2001, one of the requirements of the Model is that it has to provide *one or more channels* for the Recipients of the Model to submit **detailed reports** of illegal conduct, for the purpose of safeguarding the company, as per Legislative Decree n. 231/2001, that are founded on precise, concordant facts, or of violations of the Model of which they became aware through the performance of their duties² (i.e. occasional reports).

Finally, in addition to the types of information flows indicated in the Model and the occasional flows mentioned above, there are **information flows requested by the Supervisory Committee**, which is any information specifically requested by the Supervisory Committee because it is considered significant for the monitoring of the Company's efficiency and effectiveness and to update the Model.

In fact, the Supervisory Committee, within the scope of its independent powers of initiative and control, may determine additional information flows for the purpose of obtaining other information of interest, identifying the content and level of detail, and then requesting the involvement of the pertinent company departments (including but not limited to the company departments involved in the "at-risk" areas listed in the Special Section of the Model).

As stated in art.6 par. 2 *bis* of Legislative Decree n. 231/2001, all the reporting channels guarantee that when managing reports, the whistleblower's identity will remain confidential³, right from when the report is received and in each subsequent phase.

In general, reports shall preferably be in writing and sent to the Supervisory Committee through one of the following communication channels:

- **an information channel** accessible only to the Supervisory Committee to ensure that the whistleblower's identity remains confidential (preferred way), which the Company undertakes to make known to all the Recipients;
- **a physical address** where the report can be sent in a closed, sealed envelope with the writing "reserved/personal" on the outside: FATA S.p.A. - Supervisory Committee, Strata Statale n. 24 km 12 - 10044 - Pianezza (Torino).

As an alternative, the whistleblower can request an audience with the Supervisory Committee to give his/her report verbally. This procedure requires that a written record be made of the report.

Only if the report refers to the conduct of a member of the Supervisory Committee or of the entire Committee, shall the whistleblower report directly to the company's board of directors. This procedure requires that the board of directors appoint an officer to deal with the report.

² Law n.179 of November 30, 2017, added par. 2 *bis* to art. 6 of Legislative Decree n. 231/2001, regulating the "Protection of employees or collaborators who report offences in the private sector".

³ As pointed out in the "Guidelines on protecting public employees who report offences (so-called whistleblowers)" issued by ANAC with Decision n. 6 of April 28, 2015, "the guarantee of confidentiality assumes that the whistleblower will reveal his/her identity. (...) This regulation essentially aims to ensure the protection of the employee by keeping his/her identity confidential only if the reports are from public employees who can be identified and recognized. It is, however, understood (...) that the Authority will also consider anonymous reports if they are given with sufficient detail and specifics, or if they can bring out facts and situations and link them to a given context."

The Supervisory Committee or the officer in charge of dealing with the report, shall assess the reports and information received and any resulting initiatives to be implemented, in compliance with the internal disciplinary system. If necessary, the reporting person and/or the alleged perpetrator of the violation shall be heard by the Supervisory Committee, which will make any decision in writing as well as proceeding with all the necessary verifications and inquiries.

Notwithstanding the above, the Supervisory Committee or the Officer in charge of dealing with the report, shall also evaluate the anonymous reports provided that they too are suitably detailed and founded on *precise, concordant facts*, whereas any reports that are clearly not pertinent, not sufficiently detailed or defamatory will not be taken into consideration and will be immediately dismissed.

All information, documentation and reports referred to in this Model are kept in a specific database (soft or hard copy) by the Supervisory Committee, or by the officer in charge of the reports, for a period of 10 years; the Supervisory Committee or the Officer in charge of the reports shall keep the documents and information confidential, also in compliance with the privacy regulations. Access to the database is strictly limited to the Supervisory Committee.

The law⁴ specifically prohibits any acts of direct or indirect reprisal or discrimination towards the whistleblower for reasons related either directly or indirectly to the report. The Supervisory Committee or other officer in charge of the report shall therefore act in such a way as to protect the whistleblowers against any form of reprisal, discrimination or penalization, while ensuring the utmost confidentiality as to the identity of the whistleblower, and as regards any news, information or report, under penalty of a specific sanction being applied, notwithstanding the requirements of any investigation should it be necessary to request the assistance of consultants external to the Supervisory Committee or of other company boards.

The application of discriminatory measures towards anyone who makes a report as per par. 2 *bis* of art. 6 of Legislative Decree n. 231/2001 can be reported to the National Labor Inspectorate - who will act on matters over which it has authority - by the whistleblower and by the union indicated by him/her⁵.

Retaliatory or discriminatory dismissal of the whistleblower is invalid.

Also invalid are any changes in duties as per art. 2103 of the civil code and any other retaliatory or discriminatory measure towards the whistleblower.

In case of a dispute in connection with any disciplinary sanctions, demotion, dismissal, transfer or subjecting the whistleblower to another organizational measure having a negative impact, either direct or indirect, on work conditions, following the submission of the report, the employer is responsible for proving that said measures are founded on reasons that are unrelated to the report.

4.8 Reporting to the company boards by the Supervisory Committee

The Supervisory Committee periodically reports to the Chairman and CEO and to the Board of Directors and the Board of Statutory Auditors, concerning the implementation of the Model and the occurrence of any critical points related thereto.

With particular reference to the type of *reporting*, the Supervisory Committee shall promptly report to the Chairman and CEO any violation of the Model considered to be well-founded, that was reported to the Committee by an employee or that the Committee itself has ascertained.

⁴ Art. 6 par. 2 *bis* lett. c) of Legislative Decree n. 231/2001

⁵ Art. 6 par. 2 *ter* of Legislative Decree n. 231/2001

The Supervisory Committee periodically submits its program of activities for the subsequent period to the company boards.

For the purposes of Model implementation, the Committee may also ask the Auditing Company for information at any time, concerning any significant news it may have obtained during its activities.

5. TRAINING AND COMMUNICATION

For the purposes of Model implementation, personnel training and distribution of the document are handled by the Human Resources Department in close collaboration with the Committee as follows:

- Management personnel with company representation duties: induction course on the general content of the Model, how the Supervisory Committee is set up, instructions on how to use the reporting channels. Occasional email updates.
- Other staff: internal memo. Occasional email updates.
- New employees: when they are hired, new employees are given a copy of the Code of Ethics with a view to a possible placement in at-risk areas, which could require specific training.

Information for external collaborators and partners FATA encourages awareness of and compliance with the Model, also for commercial and financial partners, consultants, various types of collaborators, customers and suppliers, providing specific information on the principles, policies, procedures and texts of the contract clauses that FATA has adopted pursuant to the Model.

6. DISCIPLINARY SYSTEM

6.1 Purpose of the disciplinary system

Setting up a suitable disciplinary system in case of violation of the regulations contained therein or of the provisions and principles of the Code of Ethics (**Attachment 1**) is essential for the Model to be effective and for the Company to be exempt from liability. This disciplinary system aims to prevent illegal administrative acts resulting from the crimes indicated in the Decree.

In addition to this, as regards the list of elements to be found in the models prepared by the Companies, art.6, par. 2 *bis*, Legislative Decree n. 231/2001, letter d) explicitly states that the disciplinary system shall provide for sanctions, even for anyone “*who violates the measures in place to safeguard the whistleblower as well as anyone who with malice or gross negligence makes unfounded reports*”.

It is however understood that even if a certain conduct is not included in the list below, if it is a violation of the Model it could be subject to penalty.

Disciplinary sanctions are applied regardless of the outcome of the criminal action brought by the judicial authority if the conduct to be reprimanded constitutes a crime pursuant to the Decree.

6.2 Measures against employees (non-management)

The disciplinary system establishes the violations to the principles, conduct and specific control elements contained in the model, to which are associated the penalties for employees.

All the specific infractions and related sanctions are given in the table below.

The Model, including the disciplinary system, because of its applicability, shall be officially declared binding for all employees, and therefore must be displayed, as specified in art.7, par. 1, Law n. 300/1970, “*by posting it where it is accessible to everyone*”.

The mentioned disciplinary sanctions that are applicable to employees are those included in the current “National collective labor agreement for workers in the private mechanical engineering industry and in the field of plant installation”, in compliance with the procedures in art.7 of Law n. 300/1970 (Workers’ statute of rights) and any particular applicable regulations.

It is understood that the disciplinary sanctions applicable to employees will take into account the principle of proportionality as per art. 2106 of the Civil Code, considering in each case the objective seriousness of the event that constitutes a disciplinary offence, the degree of blame, any repetition of the same behavior and the intent of the behavior itself.

For external collaborators, offences could lead to a rescission of contract even without notice.

The above is notwithstanding the right to claim compensation for the damages that occurred as a result of said behavior, including the damages caused by the application of the measures set forth in the Decree.

Two years after their application, disciplinary measures will not be considered for any purpose

6.3 Measures against Executives

Failure to comply with the Model and violations of the provisions and principles set forth in the Code of Ethics by Executives whose employment is regulated by the current National Collective Employment Agreement for Industry Executives of companies that produce Goods and Services (hereinafter “**C.C.N.L. for Executives**”), will lead to the application of the most appropriate measures (to be imposed by and/or with the support of the Human Resources Department) in compliance with the C.C.N.L. for Executives, including dismissal for the most serious cases, according to the procedures in art.7 of Law n. 300/1970, notwithstanding the right to claim compensation for damages occurring as a result of said behavior, including damages caused by the judge in applying the measures specified in the Decree.

6.4 Disciplinary System - Summary Table

Non-compliance and conduct by employees that is in violation of the rules set forth in the Model in accordance with the Decree, will entail disciplinary sanctions applied according to the criterion of proportionality in art. 2016 of the civil code, taking into account - with reference to each case - the objective seriousness of the event that constitutes a disciplinary offence, as well as the degree of blame, any repetition of the same behavior and the intent of the behavior itself, as per the table below.

OFFENCES	NON-EXECUTIVE EMPLOYEES	EXECUTIVES
Substantial non-compliance with the provisions set forth in the “General Principles of Internal Control” with reference to the Control Environment.	Verbal reprimand Written warning Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice	Suitable measures consistent with CCNL
Non-compliance with the provisions set forth in the “General Principles of Internal Control” with reference to risk assessment, control, information, reporting and monitoring.	Verbal reprimand Written warning Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice	Suitable measures consistent with CCNL
Failure to observe the conduct specified in the Internal Control System’s “Rules of conduct”	Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice	Suitable measures consistent with CCNL
Negligence in observing the specific elements of the internal control system without exposing the company to an objectively hazardous situation.	Written warning Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice	Suitable measures consistent with CCNL

Failure to notify the Committee as indicated in the ICS.	Verbal reprimand Written warning Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Conduct risks (as listed in the ICS of the operating and instrumental processes) with respect to public administration officials.	Verbal reprimand Written warning Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days	Suitable measures consistent with CCNL
Conduct risk (as listed in the ICS of the operating and instrumental processes) which takes the form of an action that also exposes the Company to an objectively hazardous situation.	Work and wages suspended up to a maximum of three days Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Conduct whose purpose is to unequivocally and intentionally commit a punishable crime under the Decree.	Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Any other conduct that could potentially lead to the company being subject to the measures indicated in the Decree.	Fine not in excess of three hours of basic salary Work and wages suspended up to a maximum of three days Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Conduct that entails the application of the measures in the Decree.	Work and wages suspended up to a maximum of three days Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Grave negligence in making a report as per art. 6 par. 2 <i>bis</i> of	Work and wages	Suitable measures

Decree Law. n. 231/2001, which proves to be unfounded	suspended up to a maximum of three days	consistent with CCNL
Intentionally making a report as per art. 6 par. 2 <i>bis</i> of Decree Law. n. 231/2001, which proves to be unfounded	Dismissal with notice Dismissal without notice	Suitable measures consistent with CCNL
Grave negligence in violating whistleblower safeguards	Work and wages suspended up to a maximum of three days	Suitable measures consistent with CCNL
Intentional violation of whistleblower safeguards	Dismissal without notice	Suitable measures consistent with CCNL

6.5 Measures against independent workers / collaborators

Failure to comply with the rules of the Model, as well as violations of the provisions and principles established in the Code of Ethics and in art. 6 par. 2 *bis* Legislative Decree n. 231/2001, concerning reporting and the right to confidentiality, by each independent worker/collaborator, could lead to the rescission of the contract in accordance with the provisions of the employment contract, notwithstanding the right to claim compensation for damages occurring as a result of said behavior, including the damages caused by the Decree measures applied by the judge.

6.6 Measures applicable to subjects who have contractual/commercial relations with FATA

Failure to comply with the rules of the Model, as well as violations of the provisions and principles established in the Code of Ethics and in art. 6 par. 2 *bis* Legislative Decree n. 231/2001, concerning reporting and the right to confidentiality, by subjects who have contractual / commercial relations with FATA, could lead to the rescission of the contract in accordance with the provisions of the employment contract, notwithstanding the right to claim compensation for damages occurring as a result of said behavior, including the damages caused by the Decree measures applied by the judge.

6.7 Measures against Directors

In the case of violation by Directors of the Model and of art. 6 par. 2 *bis* Legislative Decree n.231/2001, concerning reporting and the right to confidentiality, the Committee shall inform the company's Board of Statutory Auditors, which shall take the necessary initiatives specified in current regulations.

6.8 Measures against Statutory Auditors

In the case of violation by Directors of the Model and of art. 6 par. 2 *bis* Legislative Decree n.231/2001, concerning reporting and the right to confidentiality, the Committee shall inform the Board of Directors, which shall take the most suitable initiatives.

6.9 Measures against the Supervisory Committee

If the Board of Directors is informed of violations of this Model and of art. 6 par. 2 *bis* Legislative Decree n.231/2001, concerning reporting and the right to confidentiality, by one or more members of the Supervisory Committee, it shall take the most suitable initiatives.

6.10 Subjects authorized to apply disciplinary measures

The disciplinary system is subject to constant verification by the Committee and the Department of Human Resources, responsible for actually applying the required disciplinary measures, possibly on the recommendation of the Committee and after having heard the superior of the person who engaged in censured conduct.

7. MODEL AND CODE OF ETHICS

The rules of conduct in the Model are added to those of the Code of Ethics, even though the scope of the Model differs from that of the Code, in terms of the purposes it intends to pursue to implement the provisions of the Decree.

In this respect, in fact:

- the Code of Ethics is an independent instrument and could be applied in general by the Company for the purpose of expressing principles of “company ethics” that FATA acknowledges and demands that all company representatives comply with;
- the Model, on the other hand, fulfils the specific requirements contained in the Decree, which aim to prevent particular types of crimes from being committed (due to events which appear to have been committed for the benefit of the Company, but which could entail administrative liability based on the actual provisions of the Decree).

8. VERIFYING THE APPLICATION AND SUITABILITY OF THE MODEL

The Model is subject to the following types of verifications:

- Monitoring the effectiveness of the Model (which actually verifies the consistency between the types of conduct by Model recipients) by setting up a system where periodical declarations are made by the managers of corporate areas which come into contact with the Public Administration (see the Evidence Sheets in **Attachment 4**). This system can confirm that:
 - sufficient evidence has been provided regarding transactions carried out with the Public Administration in the areas at risk of a crime being committed;
 - the indications and content of the Model, proxies, delegation of powers and signatory limits have been fulfilled, and no infractions or actions have been undertaken that are not in line with the Model.

The managers of at-risk areas are responsible for having their subordinates fill out the declarations and for submitting them to the Committee, which will file and check them at random.

- Verification of procedures: The Model's actual operation is checked on a yearly basis in the manner established by the Committee. All the reports received throughout the year are periodically *reviewed*, as are the actions carried out by the Committee and by the other stakeholders, the events considered to be at risk and the personnel's awareness of the types of offences set forth in the Decree, by means of random checks. The outcome of this review, which highlights any shortcomings and suggests which actions should be undertaken, is included in the periodical report prepared by the Committee for the company's Board of Directors.

The Committee determines which changes to the Model should be submitted to FATA's Board of Directors for approval.

The Committee is also responsible for:

- issuing and updating standard instructions for the managers of at-risk areas on how to fill out the Evidence Sheet in a uniform and consistent manner. These instructions shall be written and kept on paper or electronic media;
- periodically checking - with the assistance of the other authorized departments - the current power delegation system, while recommending changes if the powers of directors and/or qualifications do not match the powers of representation conferred on the internal officer or deputy officers, and the validity of the required standard clauses whose purpose is to:
 - ensure that external collaborators and partners comply with the Model and Code of Ethics;
 - enable FATA to effectively run checks on the recipients of the Model in order to make sure that its provisions are being complied with;
 - implement sanctioning mechanisms (in the case of withdrawal from contract by *partners* or external collaborators, for example) if requirements are not fulfilled.