



## **ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL**

Pursuant to Article 6, paragraph 1, lett. a) of  
Law Decree no. 231 dated 08.06.2001

(Approved with the Board of Directors' resolution of 20 March 2008 and updated, at the proposal of the Supervisory Body, with the subsequent resolutions of 12 November 2008, 26 August 2010, 28 August 2012, 27 August 2013 and 12 November 2015)

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Decree no. 231 dated 08.06.2001

### **GENERAL SECTION**

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### **1. Law Decree 231/2001**

#### **1.1. Premise**

Landi Renzo S.p.A. (hereinafter referred to as "Company" or "Parent Company") and its subsidiaries (hereinafter referred to as "Landi Renzo Group" or "Group") believe that conducting all business and corporate operations with maximum fairness and transparency is critical to protect its corporate image, the expectations of shareholders and the work of employees.

In line with its policies Landi Renzo S.p.A. has decided to define an official Organizational model, pursuant to Law Decree 231/2001 (hereinafter referred to as "Law Decree" or "Law Decree 231/01") and to implement it at a Group level.

In view of the above, Landi Renzo Group has therefore launched a project in order to analyze its organizational, management and auditing instruments and verify the compliance of existing behavioral principles and procedures with the provisions of the Law Decree.

This Model and the principles it contains discipline the behavior of corporate bodies (that is of the Board of Directors and Board of Auditors of the company and its subsidiaries), employees, collaborators, consultants, suppliers and generally of anyone working, for whatsoever reason, in "sensitive" areas on behalf or in the Group's interest (hereinafter referred to as "Recipients").

#### **1.2. Reference laws**

Law Decree no. 231 dated 08.06.2001 concerning "*Administrative accountability provisions applicable to bodies with legal personalities, and companies and organizations without a legal personality, pursuant to Article 11 of Law no. 300 dated 29.09.2000*", has reinforced the criminal accountability of physical offenders with a new form of accountability that applies to all companies involved in legal proceedings<sup>1</sup>.

The extension of the concept of accountability means that the punishment of specific types of offences may affect the assets of the company and consequently the economic interests of shareholders, who until the coming into force of this law decree, were not held accountable for offences benefiting the company and committed by managers and/or employees. Constitutional principles regarding criminal accountability did not foresee any

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<sup>1</sup> The administrative accountability (which is factually also criminal) of companies in connection with specific offences had been anticipated in Article 2 of the OCSE Convention of December 17th 1997 concerning the corruption of public foreign officials during international economic transactions. This accountability was later introduced in the Italian set of laws with Article 11 of Law no. 300 dated 29.09.2000, which ratifies and implements the OCSE and European Union conventions concerning corruption during international trading and frauds against the European Union. In particular Article 11 delegates to the Government the responsibility for specifically disciplining this type of accountability. This obligation was met with the introduction of Law Decree 231/2001.

sanctions for the company, other than the obligation of refunding the damage, if and when applicable.

### 1.2.1. Offences

The legislative body had originally limited its choice to only some of the offences referred to in the Law Decree (l. no. 300/2000). Out of the four categories of offences specified in Law no. 300/2000, the Government had in fact taken into account only the main offences against the public administration<sup>2</sup>, specifying in the report attached to Law Decree 231/2001, that the law would be later extended to other categories of offences. Subsequent laws and amendments have in fact extended the categories of offences disciplined by Law Decree 231/2001.

Article 4 of Law no. 4093 dated 23 November 2001 has introduced Art. 25-bis in the Law Decree concerning the forgery of currency, public credit instruments and duties, subsequently amended by art. 15 paragraph 7 of Draft Law 9 July 2009 which has extended punishability to counterfeiting, alteration or use of trademarks or distinctive signs or patents, models and drawings (art. 473 of the Criminal Code); introduction into Italy and sale of products bearing counterfeit signs (art. 474 of the Criminal Code).

The most important change was however introduced with Law Decree 61/2002, which has changed the provisions concerning corporate offences<sup>4</sup> by adding to Decree no. 231 **Art. 25-ter** and by extending the accountability for some types of offences committed in the interest (but not to the advantage<sup>5</sup>, as the Decree originally established) of the company by directors, managers, general directors, receivers or any other persons subjected to said bodies, in cases in which the offence would have not occurred if the above bodies had performed their supervisory duties in compliance with the duties applicable to their respective roles. Article 25-ter disciplines in particular offences connected with: forgery in balance sheets, reports and other corporate documents; forgery in prospectuses<sup>6</sup>, forgery in the dealings or communications addressed to the auditing company; prevention of audits, fictitious accumulation of capital, unlawful return of assets; unlawful allocation of profits and reserves; unlawful transactions on shares and quotas owned directly or related to the parent company; transactions to the damage of creditors; unlawful allocation of corporate assets by receivers; unlawful influence on the assembly; market rigging; and failure to assist public supervisory bodies in the execution of their duties.

The subsequent law "*Ratification and implementation of the international convention concerning the repression of financing to terrorist groups, signed in New York on 09.12.1999*"<sup>7</sup>, resulted in the addition of **Article 25-quater** to Decree 231, which establishes that companies are regarded accountable also for offences connected with terrorist acts and any other action aimed at subverting the democratic order. The law also

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<sup>2</sup> Articles 24 (unlawful receipt of legal funds, fraud against the state or other public bodies aimed at obtaining public funds and IT fraud against the state and other public bodies) and 25 (extortion and corruption)

<sup>3</sup> Law 409/2001 published in Official Gazette no. 274 of November 24<sup>th</sup> 2001.

<sup>4</sup> Law Decree 61/2002 disciplining unlawful criminal and administrative acts imputable to private companies. The law decree was published on April 11<sup>th</sup> 2002 in the General Section of Official Gazette no. 88 of 15.04.2002. With this provision, the Government implemented Article 11 of the provisional law concerning the reformation of corporate law (l. no. 366/2001), approved on October 3<sup>rd</sup> 2001. These

provisions were later amended with l. no. 262/2005 quoted below.

<sup>5</sup> The expression benefit "refers to the material acquisition of an economic advantage, while the expression interest refers to the actual execution of the offence for said purpose", *Court of Milan, Order of 20.13.2004*, Presiding Magistrate Piffer, in *Diritto e pratica delle società*, 2005 n.6, 69

<sup>6</sup> Article 2623 of the Civil Code that disciplined forgery in balance sheets has been abrogated and replaced with Article 173-bis TUF, which sanctions the same type of offence. Despite the amendment, the reference to Article 2623 contained in Article 25-ter of Law Decree 231/2001 has not been updated and replaced with Article 173-bis TUF, leaving space for doubts as regards to its interpretation.

<sup>7</sup> Law 7/2003 published in Official Gazette 21 of 27.01.2003.

lists (Article 25-*quater*, last paragraph) a series of offences other than those specifically quoted “if connected with the infringement of Article 2 of the international convention concerning the repression of financing to terrorist groups, signed in New York on 09.12.1999”.

The law disciplining the “*Measures against the trade in human beings*”<sup>8</sup> has introduced Article **25-quinquies** to the Decree, thus extending the accountability of companies also in relation to offences against individual subjects regulated in Section I, Chapter III, Title XII, Volume II of the Criminal Code.

Additional provisions aimed at amending the administrative accountability of companies were introduced with the European Union law 2004<sup>9</sup> (Article 9), which has acknowledged through immediate implementation provisions, **Directive 2003/6/EC** issued by the European Parliament and Council on 28.01.2003, concerning the abuse of privileged information and market rigging; and with the so-called “Savings law” which has introduced amendments and more severe provisions regarding corporate offences for bodies with a legal personality<sup>10</sup>.

The new law concerning market abuses has extended the field of application of Decree 231, including the abuse of privileged information (the so-called *insider trading*) and market manipulation among the unlawful acts for which companies are administratively responsible.

The European Union 2004 law has led to the introduction of amendments to both the Civil Code and Finance Law (TUF).

As far as the Civil Code goes, the introduction of the European law has resulted in the amendment of Article 2637, which disciplined market rigging in relation to both listed and unlisted financial instruments. The law now establishes that market rigging only applies to unlisted financial instruments or to instruments that have not been admitted to negotiations in controlled stock exchanges, and not to listed ones that are disciplined by the market manipulation provisions of the Finance Law. The new provisions on *insider trading* (or abuse of privileged information) now refer only to the privileged information of issuing companies that are regulated by the Finance Law.

Law no. 262/2005 concerning the protection of savings has instead extended the accountability of companies also to the failure to report potential conflicts of interest of directors, which applies to listed companies only, and has been further amended by the provisions concerning forgery in corporate communications and information.

Additional provisions have been introduced with Law 7/2006<sup>11</sup>, which forbids and punishes the so-called infibulation, by Law 38/2006<sup>12</sup>, containing “*Provisions against the sexual*

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<sup>8</sup> Law no. 228 dated 11.08.2003, containing “*Measures against the trafficking of human beings*”. The law was published in Official Gazette no. 195 dated 23.08.2003.

<sup>9</sup> Law no. 62 dated 18.04.2005 containing “*Provisions for the compliance with the obligations resulting from the admission of Italy to the European Community. European Community Law 2004*”. The law was published in Official Gazette no. 96 of 27.04.2005, under Ordinary Supplement no. 76.

<sup>10</sup> Law no. 262 dated 28.12.2005 containing “*Provisions for the protection of savings and regulation of financial markets*”. published in Official Gazette no. 301 dated 28.12. 2005 – Ordinary Supplement no. 208.

<sup>11</sup> Law no. 7 dated 09.01.2006 containing “*Provisions concerning the prevention and prohibition of female genital mutilations*”, published in Official Gazette no. 14 dated 18.01.2006.

*exploitation of children and child pornography, also through Internet*", and finally by the law that ratifies and implements the Convention of Palermo concerning transnational criminal organizations of 15.11. 2000<sup>13</sup>.

The law concerning the prevention and persecution of the so-called infibulation practices has subsequently extended the field of application of Law Decree 231/2001 introducing the new offence connected with the mutilation of female genital organs (Article 583-*bis* of the Criminal Code).

Law no. 38 dated 06.02.2006 has changed the field of application of child pornography offences (respectively articles 600-*ter* and 600-*quater* of the Criminal Code), for which companies were already accountable pursuant to *former* Decree 231, including also pornographic material containing virtual images of children (the so-called "virtual child pornography").

Law 146/2006, which ratifies and implements the UN convention against transnational criminal organizations, has extended the applicability of Decree 231 to transnational organized crime offences. The new provisions establish that companies are responsible for unlawful administrative acts originating from criminal association, money laundering and use of unlawful money and assets, traffic of immigrants and obstruction to justice<sup>14</sup>.

Law no. 123 dated 03.08.2007 has subsequently introduced **art. 25-septies** to the provisions of Law Decree 231/2001, consequently extending the accountability of companies to negligence and serious and extremely serious negligent assaults, originating from the failure to comply with laws concerning the prevention of industrial accidents and the protection of industrial health and safety<sup>15</sup>.

Legislative Decree no. 231 of 21 November, 2007<sup>16</sup> introduced Article 25-*octies*, which provides for punishability of the body for crimes of receiving stolen goods, money laundering and the use of money, goods or assets from an illegal source, even if committed exclusively within the national territory.

Law no. 48 of 18 March 2008 ratified and enforced the Convention of the European Council on computer crime, signed in Budapest on 23 November 2001. Article 7 of the above law further expanded the cases of offences that can result in responsibility of the body, by supplementing Legislative Decree 231/2001 with Article 24-*bis* on "computer crime and unlawful treatment of data".

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<sup>12</sup> Law no. 38 dated 06.02.2006 containing "*Provisions against the sexual exploitation of children and child pornography also through the Internet*", published in Official Gazette no. 38 of 15.02.2006.

<sup>13</sup> Law no. 146 dated 16.03.2006 concerning the "*Ratification and execution of the UN convention and protocols regarding transnational crime organizations adopted by the General Assembly on 15.11.2000 and 31.05.2001*", published in Official Gazette n. 85 of 11.04.2006 – Ordinary Supplement no. 91.

<sup>14</sup> The assumption of money laundering and use of money and goods originating from unlawful and transnational activities was later abrogated by Law Decree no. 231 of 21.11.2007.

<sup>15</sup> Law no. 123 of 03.08.2007 containing "*Measures for the protection of industrial health and safety and delegation to the Government to reorganize and reform applicable laws*", published in Official Gazette no. 185 of 10.08.2007.

<sup>16</sup> Legislative Decree no. 231/2007, for "*Implementation of directive 2005/60/EC concerning prevention of use of the financial system for the purposes of money laundering of income from criminal activities and the financing of terrorism as well as directive 2006/70/EC which sets forth measures for carrying out said prevention*", was published in the Official Journal no. 290 of 14 December 2007 - Ordinary Supplement no. 128. 268. The text has been in force since 29 December 2007.

Lastly, the TU (Consolidation Act) on safety in the workplace (Legislative Decree no. 8 of 9 April 2008), while not introducing any new offences, with the amendments in Article 25- *septies* prescribed a new system of sanctions for the body in the cases of culpable homicide or serious or very serious injuries committed in violation of the regulations on the protection of health and safety in the workplace.

Art. 2 paragraph 29 of Law no. 94 dated 15 July 2009 has extended the field of application of Law Decree 231/2001 to organised crime offences (art. 24 ter, Law Decree 231/2001). The accountability of Entities can derive from perpetration of the following offences: a. criminal association (art. 416 of the Criminal Code);

b. reduction to or keeping in slavery (art. 600 of the Criminal Code);

c. trafficking in human beings (art. 601 of the Criminal Code);

d. purchase or sale of slaves (art. 602 of the Criminal Code);

e. provisions against illegal immigration (art. 12, Law Decree no. 286 dated 25 July 1998);

f. mafia associations, whether or not Italian (art. 416 bis of the Criminal Code);

g. political electoral mafia exchange (art. 416 ter of the Criminal Code);

h. kidnapping for robbery or extortion (art. 630 of the Criminal Code);

i. association for the unlawful trafficking in narcotic drugs and psychotropic substances (art. 74 of Presidential Decree no. 309 dated 9 October 1990).

l. unlawful production, trafficking and possession of narcotic drugs and psychotropic substances (art. 73 of Presidential Decree no. 309 dated 9 October 1990);

k. unlawful manufacturing, introduction into Italy, sale, transfer, possession and carrying to a public or open place, of war or war-like weapons or parts of them, explosives, illegal weapons and several firearms (art. 407, paragraph 2 letter a) no. 5).

Art. 15 paragraph 7 letter b) of Draft Law 9 July 2009 has included the industrial and trade offences (art. 25-bis 1) listed below:

a. disruption of the freedom of industry or trade (art. 513 of the Criminal Code);

b. unlawful competition with threats or violence (art. 513 bis of the Criminal Code);

c. fraud against national industries (art. 514 of the Criminal Code);

d. fraudulent trading (art. 515 of the Criminal Code);

e. sale of non-genuine foodstuffs as genuine (art. 516 of the Criminal Code);

f. sale of industrial products with false signs (art. 517 of the Criminal Code);

g. manufacturing and sale of goods produced by usurping industrial property rights (art. 517 ter of the Criminal Code);

h. counterfeiting of geographical indications or designations of origin of agricultural food items (art. 517-quater of the Criminal Code).

Art. 15 paragraph 7 letter c) of Law no. 99 dated 23 July 2009 has introduced offences related to copyright infringement (art. 25 novies of the Law Decree), specifically:

a. protection of copyright and of other rights related to its exercise (art. 171 of Law no. 633 dated 22 April 1941);

b. protection of copyright and of other rights related to its exercise (art. 171-bis of Law no. 633 dated 22 April 1941);

c. protection of copyright and of other rights related to its exercise (art. 174-quinquies of Law no. 633 dated 22 April 1941);

d. protection of copyright and of other rights related to its exercise (art. 171-ter of Law no. 633 dated 22 April 1941);

e. protection of copyright and of other rights related to its exercise (art. 171-septies of Law no. 633 dated 22 April 1941);

f. protection of copyright and of other rights related to its exercise (art. 171-octies of Law no. 633 dated 22 April 1941);

Law no. 116 dated 3 August 2009 has introduced art. 25 novies on offences against the administration of justice. In particular, the scope of application of Law Decree 231/2001 includes the offence regulated by art. 377 bis of the Criminal Code (incitement not to make statements or to make false statements to the judicial authority).

Art. 2 of Law Decree no. 121/2011 has introduced art. 25 decies, the former art. 25 novies of the Law Decree.

Art. 2 of Law Decree 121/2011, transposing a number of European principles on the protection of the environment through criminal law (Directive 2008/99/EC and Directive 2009/123/EC) has introduced art. 25 undecies into the Law Decree, concerning so-called Environmental crimes:

A. The killing, destruction, possession or taking of specimens of protected wild fauna or flora species (art. 727 bis of the Criminal Code);

B. Destruction or deterioration of a habitat within a protected site (art. 733 bis of the Criminal Code);

C. Crimes contained in the Consolidated Environmental Law (Law Decree no. 152 dated 3 April 2006 as amended and supplemented), specifically:

1) Unauthorised discharge of industrial waste water containing hazardous substances (art. 137);

2) Unauthorised waste management (art. 256);

3) Pollution of the soil, underground, surface waters or underground waters (art. 257); 4) Violation of obligations – forgery of certificates (art. 258); 5) Illegal waste trafficking (art. 259); 6) Organised activities for illegal waste trafficking (art. 260); 7) Forgery relating to the IT System for Waste Traceability control – (Sistema Informatico di controllo della Tracciabilità dei Rifiuti - SISTRI) (art. 260 bis); 8) Infringements relating to ambient air and atmosphere reduction - Unauthorised running of facility (art. 279).

D. Violation of provisions on the use of ozone-depleting substances (art. 3, paragraph 6, Law no. 549 dated 28 December 1993 (Measures to protect the stratospheric ozone layer and the environment);

E. Import, export, transport for illegal uses of animals and trade in plants (art. 1, paragraphs 1 and 2 and art. 2, paragraphs 1 and 2, Law no. 150 dated 7 February 1992, as amended); forgery or alteration of certifications and licences and use of false or altered certifications and licences for animal importation (art. 3 bis, Law no. 150 dated 7 February 1992, as amended); F. Known and negligent pollution of water, fauna or flora species caused by the discharge of polluting substances into the sea (art.s 8 and 9 of Law Decree no. 202 dated 6 November 2007 – Implementation of Directive 2005/35/EC on ship pollution and corresponding penalties).

Law Decree 109/2012<sup>17</sup> has extended the number of crimes that can trigger an entity's administrative accountability, including art. 25 duodecies "Hiring of illegally staying third-country nationals".

Art. 22 of Law Decree 286/1998 says that: "The employer who hires foreign workers without the residence permit regulated by this article, or whose permit has expired and whose renewal has not been applied for within the required term, or whose permit has been revoked or cancelled, is punished with imprisonment from six months up to three years and with a fine of 5000 euros per worker employed".

The conditions of increased exploitation referred to in the third paragraph of art. 603-bis of the Criminal Code are, in addition to those reported above in letters a) and b), "the perpetration of the fact by exposing workers to serious danger, taking account of the characteristics of the duties assigned and of work conditions".

The entity that hires foreign workers without the residence permit or whose permit has expired and whose renewal has not been applied for within the required term, or whose permit has been revoked or cancelled, is subject to the aforesaid penalty.

As for perpetration of the crime referred to in art. 22, paragraph 12 bis of Law Decree 286/1998, the entity is subject to a fine ranging from 100 to 200 units, up to 150,000 euros.

Law no. 190/2012<sup>17</sup> "Measures to prevent and combat corruption and illegality in the public administration", published in the Official Journal on 13 November 2012, no. 265, has introduced measures to prevent and combat corruption and illegality in the public administration.

The new so-called anti-corruption law, with regard to offences against the public administration, has introduced new crimes (319 quater of the Criminal Code "undue induction to give or promise benefits"), amending art.s 25 and 25 ter of Law Decree 231/2001 (including the new art. 319 quater of the Criminal Code and the reformed art. 2635 of the Civil Code, "Private-to-private corruption", the former "unloyalty following the bestowal or promise of benefits").

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<sup>17</sup> Published in the Official Journal 172/2012 dated 25 July 2012 and effective since 9 August 2012.

Law 186/2014 has introduced self-laundering as a predicate offence for entities' accountability, incorporating the new art. 648 ter-1 of the Criminal Code into article 25–octies of Law Decree 231/2001.

Law 68/2015 has amended art. 25 undecies of Law Decree 231/2001, introducing new offences relating to the environment. The new paragraph 1 of art. 25 undecies of Decree Law 231/2001 has replaced the previous letters a) and b) with the new letters a) to g), establishing higher fines also for the following new offences: environmental pollution (art. 452 bis of the Criminal Code), environmental disaster (art. 452 quater of the Criminal Code), negligent environmental offences (art. 452 quinquies of the Criminal Code), trafficking and abandonment of highly radioactive material (art. 452 sexies of the Criminal Code), conspiracies aggravated by the circumstances indicated in the new art. 452 octies of the Criminal Code.

These crimes are laid down in an entire new Chapter of the Criminal Code - VI-bis - which is fully dedicated to the so-called Eco Crimes.

Law 69/2015, published in the Official Journal no. 124 dated 30 May 2015 “Provisions on offences against the public administration, mafia associations and false accounting”, has stiffened punishments for offences against the public administration; in particular, it has amended the crime of official misconduct under art. 317 of the Criminal Code, which can now be committed both by a public official and by a person in charge of a public service who, abusing of his role or powers, forces another person to unduly give or promise money or another benefit to himself or a third party.

The innovations introduced by Law 69/2015 have involved also “false corporate communications” under art. 2621 of the Civil Code and “false communications by listed companies” under art. 2622 of the Civil Code. Art. 25 ter of Law Decree 231/2001 establishes a higher fine, from 200 to 400 units, in case of false accounting under art. 2621 of the Civil Code, and a fine from 400 to 600 units in case of listed companies under art. 2622 of the Civil Code.

### 1.2.2. Recipients of the Decree

The law establishes identifies as the **recipients** of the Law Decree “*the bodies with legal personality, the companies with legal personality and the companies and associations without legal personality*” (Article 1, paragraph 2). The description does not apply to “*the State, public territorial bodies and bodies that have specific constitutional functions*” (Article 1, paragraph 3). The group of recipients is therefore quite extensive and does not always allow to clearly mark the limits, especially in relation to bodies operating in the public sector. Private companies providing public services (due to concessions, etc.) are instead subject to the aforementioned discipline. The accountability applicable to these companies and to public economic bodies comprises in fact, in addition to all the others applicable to the recipients, even the offences of active and passive corruption<sup>17</sup>.

It is important to consider that this type of accountability applies only to specific offences committed by subjects that are connected for different reasons to the body and only if the unlawful act was carried out in the *interest* or to the *advantage* of the body. This means that the body is held accountable both when the unlawful action has produced a specific benefit, but also when the act-offence was committed in its *interest* despite the lack of actual results.

### 1.2.3. Managers and employees

The company shall not be deemed accountable if the offenders, whether managers or direct reports have committed the offence in their own interest or in the interest of third parties.

In all other situations, the law decree distinguishes between two cases:

1. For offences committed by managers (Article 5, paragraph 1, lett. a), the company is exempted from submitting the so-called discharge proof. This means that the company is considered accountable unless it proves that:
  - a) The management board had adopted and effectively implemented, prior to the offence being committed, all the organizational and management models required to prevent the specific type of crime committed
  - b) The task of supervising the effectiveness and compliance of the models, and their updating, had been entrusted to a body of the company with independent decisional and supervisory powers
  - c) The offenders deliberately eluded the organizational and management models
  - d) The body specified in paragraph b) above had duly and appropriately carried all the activities for which it is responsible.

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<sup>18</sup> It is important to note that a sentence of the Supreme Court has established that *de qua* discipline exclusively applied to collective bodies, that is to bodies with an organized and complex structure, which therefore excludes individual companies (see Cass. VI Pen.. no. 18941/2004).

2. If the offence has been committed by direct reports (Article 5, paragraph 1, letter b), the company shall be regarded accountable for the offence only if it has failed to comply with all the required management and supervisory duties. Thus, the proof of the company's accountability shall have to be demonstrated by the public prosecution service.

Failure to comply with management and supervisory duties is excluded, pursuant to Article 7, paragraph 2 of the Law Decree, if "the company, prior to offence being committed, has adopted and effectively implemented an organizational, management and supervisory model designed to prevent the type of offence occurred".

#### 1.2.4. Exemption

Article 6 of the examined Law Decree specifies however that a company may be considered "**exempt**" during the legal proceedings concerning the offences specified above, if it is able to prove that it has adopted and effectively implemented organizational, management and auditing models designed to prevent the type of offence considered. The system also foresees the appointment of an internal auditing body that shall be directly responsible for assessing the actual effectiveness of the model.

Therefore a company is specifically exempted if it is able to prove that:

- a) The top management board had adopted and effectively implemented, prior to the offence being committed, an Organizational, management and auditing model designed to prevent the specific type of crime committed
- b) The task of supervising the effectiveness and compliance of the Model, and its updating, had been entrusted to a body of the company with independent decisional and supervisory powers
- c) The subjects who have committed the offences and unlawful acts deliberately eluded the Model, thus infringing its provisions
- d) The body specified in paragraph b) above had duly and appropriately carried all its duties

The "exemption" of the company's (or of the Group's) responsibilities is based on the assessment of the validity and preventive effectiveness of the Model expressed by the magistrate of the criminal court during the legal proceedings against the material offender. Therefore, the formulation of the Model and the organization of the supervisory body should be defined in order to always ensure a successful assessment of effectiveness. For this reason, companies are expected to assess the adequacy of their procedures in relation to the above, also taking into account current jurisdiction. This means that the implementation of the model is regarded mandatory and complies with the cautionary and sound management requirements in cases in which the company intends availing exemption.

Pursuant to Article 2.2.3 of the Market Regulations<sup>18</sup>, Landi Renzo S.p.A. is expected to implement within March 31st 2008, the Organizational, management and control model specified in Article 6 of Law Decree 231/2001 in order to maintain its "Star" rating.

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<sup>18</sup> "Regulations of the markets organized and managed by the Italian Stock Exchange, approved by the Assembly of Boras Italian S.p.A. of April 26th 2007 and validated by Consol with resolution 15996 dated June 26th 2007

As explained above, the application of the relevant sanctions foreseen by the Decree directly affects the economical interests of shareholders. Therefore, failure to implement the Model shall entitle shareholders to take any relevant action against the negligent administrators who, due to their failure to implement the Model, have prevented the company from benefiting from the "exemption" clause and thus exposed it to the obligation of paying economic sanctions.

In order to assist companies and organizations in the definition of models and in the appointment of a Supervisory Body, the Italian Employers' Federation has defined a set of guidelines that contain information and measures, principally based on current business practices, that are theoretically regarded suitable to meet the provisions of Law Decree 231/2001, and thus provide useful recommendations for the definition of the Model, Supervisory Body and the duties of the parties involved.

### 1.3. Guidelines of the Italian Employers' Federation

This Model has been defined taking into account to the maximum extent possible the guidelines issued by the Italian Employers' Federation and recent court sentences. This Model has been defined taking into account to the maximum extent the guidelines issued by the Italian Employers' Federation, last updated in March 2014, and recent court sentences on companies' administrative accountability.

Art. 6, paragraph 3 of Law Decree no. 231/2001 establishes that "Organisational, management and control models can be adopted, guaranteeing the needs referred to in paragraph 2, based on codes of conduct prepared by associations representing Entities, communicated to the Ministry of Justice which, together with the competent Ministries, can put forward, within thirty days, observations on the adequacy of the models to prevent crime".

The essential requirements for the definition of a Model are outlined in the following statements of the guideline:

1. **Identification of risks** intended as analysis of corporate structures aimed at identifying the locations (area/field of activity) and procedures in which the offences specified by the Law Decree could potentially occur.
2. **Definition of a control system** (the so-called protocols), intended as assessment of the existing control system and its modifications, aimed at effectively preventing the identified risks.

The elements of the control system designed to prevent intentional offences, which have to be implemented at a corporate level in order to ensure the effectiveness of the Model, identified by the Italian Employers' Federation are the following:

- Implementation of an Ethical Code disciplining the aforementioned offences
- Implementation of a sufficiently official and clear system, which specifically details roles and duties
- Implementation of manual and IT procedures
- Implementation of a system for proxy and signing powers
- Implementation of a management control system
- Implementation of a communication and personnel training system

These elements should be based on these principles:

- All operations, transactions and actions must be verifiable, documented, coherent and appropriate
- Nobody is authorized to independently manage the whole process
- The control system must document the execution of the required controls.

3. **Appointment of a Supervisory Body (hereinafter referred to as OdV)**, intended as the body responsible for supervising the operation, guaranteeing the observance of the Model and updating it. The identification of a Supervisory Body with autonomous powers of action and control, which is required to oversee the operation of and compliance with the Model and to update it in case of significant violations or in case of changes in the company's organisation or business;

- specific disclosure obligations toward the Supervisory Body on the main corporate facts and especially on activities deemed at risk;

-specific disclosure obligations of the Supervisory Body toward the company's highest corporate echelons and the audit bodies;

4. **Definition of an independent disciplinary system** or of sanctions applicable in the event of infringement of the provisions of the Ethical Code and the procedures defined in the Model. According to the aforesaid Guidelines, updated in March 2014, the above components should be organically integrated into a system that follows a number of control principles, including the following:

- all operations, transactions, actions must be verifiable, documented, or consistent and reasonable: all operations must be supported by adequate documentation in order to allow at any time for controls certifying the characteristics and reasons of the transaction, and identifying the person who has authorized, carried out, posted and assessed the transaction.

- nobody can manage an entire process autonomously: the system must ensure the application of the principle of segregation of duties, so that a transaction should be authorised under the responsibility of a person different from the person who records it, performs it or controls it.

- documentation of controls: the control system must document the execution of controls (possibly by drawing up reports).

#### **1.4. Offences connected with industrial health and safety**

In relation to the risk of unlawful behaviour regarding health and safety in the workplace, the aforementioned system must necessarily take account of the preventive legislation in force and, in particular, of Legislative Decree no.81/2008 (Consolidated Law on safety in the workplace). This set of laws defines in fact a "set" of mandatory principles and procedures that, if applied and appropriately integrated/reinforced by the Organizational model foreseen by Law Decree 231/2001, may enable to reduce to an "acceptable" level, for the purposes of the exemption clause of Law Decree 231/2001, the likeliness of negligence and serious and extremely serious negligent assaults originating from the failure to comply with prevention laws.

The components of the system required to prevent negligence offences and serious and extremely serious negligent assaults originating from the failure to comply with industrial health and safety laws, and that must be implemented at a corporate level in order to ensure the effectiveness of the Model, as identified by the Italian Employers' Federation, are the following:

- Ethical Code (or behavioral code) related to the offences examined.

This code outlines the policy adopted by the company in terms of industrial health and safety and provides information on the vision, essential values and beliefs of the company in this field. It therefore provides directions and principles, along with expected results.

- Organizational structure

The company is expected to define an organizational structure, along with specific tasks and duties for industrial health and safety, which must be compliant with the organizational and functional model adopted and apply to all the parties involved, from the employer to each single employee. Specific attention must be devoted to the bodies who are responsible for the activities in this field (RSPP – Manager of the prevention and protection service, ASPP – Operators responsible for prevention and protection, RLS –Workers' Representative for safety, MC – Competent doctor, first aid operators, fire emergency operator). It shall also be necessary to take into account the figures specifically outlined in Law Decree 494/1996 and subsequent amendments and integrations, and of the documentation required to monitor safety.

This approach substantially implies that:

- In defining the organizational and operating duties of the top management, managers and employees, the company shall also have to clearly outline the safety activities for which each function is responsible and the duties linked to each activity.
  - The company is expected to clearly document the duties of the Prevention and Protection Manager and operators, of the Workers' Representative for safety, of the operators responsible for managing emergencies and of the competent doctor.
- Training and qualification

The following components are regarded essential for the effectiveness of the Model.

All the tasks that may affect the health and safety of workers require specific skills, which have to be acquired and reinforced by means of training and qualification courses aimed at ensuring that all personnel, at all levels, is aware of the importance of complying with the Organizational Model and of the consequences that may arise from the failure to do so.

In practical terms, each employee must receive appropriate training depending on his function and role. Training must be supplied at the time of employment, transfer or change of role or as after the introduction of new working equipment, new technologies, new substances or hazardous preparations.

The company is expected to organize qualification and training courses in function of the needs identified from time to time.

- Communication and involvement

The circulation of information within the company is regarded an essential means to involve all the parties affected and to allow them to become aware and demonstrate the necessary level of commitment at all corporate levels.

Involvement should be achieved by means of: preventive consulting aimed at identifying and assessing risks, and defining preventive measures; regular meetings aimed at reviewing current law provisions, which may also be held together with management's meetings.

- Operating management

The auditing system related to the prevention of industrial health and safety risks should be integrated and comply with the general provisions concerning the management of corporate processes.

The analysis of corporate processes and of their interactions and result will enable the company to define the procedures required to safely perform all tasks that have a direct impact on industrial health and safety.

After identifying the areas related to health and safety, the company shall have to implement appropriate measures to manage operations in a controlled manner.

In this sense, specific focus should be placed on:

- Recruitment and training of personnel
- Organization of work and working locations

- Procurement of goods and services used by the company and transmission of the required information to suppliers and contractors
  - Ordinary and extraordinary maintenance
  - Qualification and selection of suppliers and contractors
  - Management of emergency situations
  - Procedures for the management of non compliance as compared to defined targets and the auditing system provisions.
- Safety monitoring system

Industrial health and safety management should also include the assessment of the maintenance of the risk prevention and protection measures adopted and deemed valid and effective. The technical, organizational and procedural prevention and protection measures should be subject to a planned monitoring.

The monitoring plan should be developed taking into account the following:

- Temporal scheduling (frequency)
- Assignment of executive tasks and responsibilities
- Description of the methods that have to be followed
- Procedures for the reporting of non compliant situations

Companies are also expected to plan a systematic monitoring plan, defining the procedures and responsibilities at the time of definition of the operating management procedures and responsibilities.

This **first level of monitoring** is generally carried out by the internal resources of the company and either directly controlled by the operator or by the manager, although it may involve, in particular for specific issues (for example for instrumentation inspections) the collaboration with other internal resources or external companies. The monitoring of organizational and procedural measures should be ideally carried out by the parties defined during the allocation of responsibilities (generally managers and employees). The key body is however the Prevention and Protection Service that is responsible for defining appropriate systems to control the implemented measures for which it is responsible.

The company is also expected to carry out regular monitoring activities (**second level**) in order to assess the functionality of the adopted preventive system. Functional monitoring generally enables the company to adopt strategic decisions and is carried out by qualified personnel, with objective and impartial methods, and independently from the sector being audited.

## **2. Adoption of the Organizational model by Landi Renzo Group**

### **2.1. Model and Ethical Code**

The Group intends following ethical principles in order to ensure that all its activities, corporate purposes and growth plans comply with current laws. For this reason it has defined an Ethical code that sets forth a series of "business operating" principles that the Group has acknowledged and expects to be followed by all corporate bodies, employees and any other party collaborating at any whatsoever level to the achievement of its goals.

The Ethical Code is therefore general and can be independently adopted by the Group. The Model complies instead with the provisions of Law Decree 231/2001 and aims at preventing the occurrence of specific types of offences (the Law Decree also establishes that companies are administratively responsible also for actions apparently carried out for their benefit).

However, considering that the Ethical Code establishes behaviors that are intended to prevent unlawful acts, and specifically those foreseen by the Law Decree, it is regarded particularly relevant and forms therefore essential part of the Model itself.

### **2.2. Structure of the Organizational, management and control model**

This model is constituted by a "General Section" and a "Special Section" further divided in accordance to the different categories of offences specified in Law Decree 231/2001 and considered at risk for the Group.

The General Section defines general principles that the Group has decided to follow for the management of its business, which therefore apply to all activities and not only to sensitive ones.

The Special Section aims at:

- Defining the reference standards that Recipients are expected to observe
- Identifying the main behaviors that should be demonstrated
- Providing information on the methodological approach used to prepare the Model
- Identifying the single offences that could materially and potentially occur within the company, along with preventive measures
- Defining the duties of the Supervisory Body

### **2.3. General principles followed for the implementation of the Model**

The Organizational Model has been implemented on the basis of the following general criteria:

- Preparation and updating of the Model

The Model shall be initially defined and approved by Landi Renzo S.p.A. (parent company) and subsequently accepted by the other companies of the Group, depending on the sensitive activities for which they are directly responsible and in

accordance with the procedures outlined below. The individual companies of the Group shall however be responsible for aligning the Model to their specific requirements and in accordance with the criteria outlined by the Supervisory Body.

Article 30, subsection 4 of Legislative Decree no. 81 of 9 April 2008 (Consolidated Law on safety in the workplace) specifies that the Model must re-examined and modified in the event of the discovery of any significant violations of the regulations for accident prevention and hygiene in the workplace, or whenever changes occur in the organization and the activity brought about by scientific and technological progress.

- Implementation of the model and controlling its effectiveness

The individual companies of the Group shall be directly responsible for applying the Model in relation to the activities they deal with. The top management of the company (Chairman or Managing Director) may also decide whether to appoint a Supervisory Body with independent powers or to entrust the task of supervising the effectiveness and compliance with the Model to the Supervisory Body of the controlling company.

- Coordination of control and auditing functions and assessment of the effectiveness of the Model

If the individual company fails to appoint a specific Supervisory Body, supervision activities are entrusted to the Supervisory Body of Landi Renzo S.p.A., which, in its position of parent company, is responsible for providing guidelines and for generally coordinating all IT activities and model supervision activities for all the companies of the Group, for verifying that the Model is correctly and consistently applied and, in specific cases, for carrying out specific monitoring activities on individual Group's companies.

The Model shall therefore be applied in compliance with the above and as outlined in the following paragraphs.

#### **2.4. Approval of the Model and acceptance at a Group level**

This model, which comprises a General and a Special Section, was approved by the Board of Directors of Landi Renzo S.p.A. with a resolution dated 20th March 2008 and updated, on the proposal of the Surveillance Body, with the resolution of 12th November 2008.

The Model will be adopted by all the companies that are part of the consolidation perimeter, depending on the sensitive activities carried and within the limits specified in the paragraphs below.

In particular, the Boards of Directors of the individual companies are expected to accept this Organizational model, including the Special Section, depending on the risk profiles applicable to their specific activities and in compliance with the criteria, directives or guidelines that may be issued by the corporate bodies of Landi Renzo S.p.A.

When accepting the Model, the Boards of Directors of individual companies may, within the limits specified above, decide to:

- a) Appoint their own Supervisory Body in compliance with *former* Article 6, paragraph 1, lett. b) and define its duties and responsibilities. Smaller companies (which are defined as such not on the basis of quantitative parameters, but in consideration of the simplicity of their hierarchical and functional structure) may decide to allocate this function directly to the Supervisory Body of the parent company (in accordance with Article 6, paragraph 4 of Law Decree 231/2001).
- b) The managing Supervisory Body of the parent company may use, for the purposes of supervising the effectiveness and compliance with the Model, the resources of the equivalent body of the parent company, depending on the specific contractual agreements.
- c) When carrying out supervisory activities on the individual Group's companies, the Supervisory Body of the parent company substantially acts as an external professional carrying out its activities on behalf of the subsidiary company, and will therefore report to the Supervisory Body of the latter and consequently comply with all the confidentiality clauses applicable to external consultants.

Given the essentialness of the functional and hierarchical structure of subsidiary companies and in consideration of the fact that administration, management, treasury, personnel management and corporate and fiscal duties are centralized and carried out by the parent company, the Supervisory Body function shall be allocated directly to the top management of the individual companies by their respective Board of Directors.

The top management of subsidiary companies may use the resources of the Supervisory Body of the parent company and/or qualified external professionals in order to supervise the effectiveness and compliance with the Model.

## **2.5. Amendments and integrations of the Model**

Due to the fact that this Model has "been issued by the Management Body" (in compliance with the provisions of Article 6, first paragraph, letter a) of the Law Decree), all subsequent and substantial amendments and integrations shall have to be made by the Board of Directors of Landi Renzo S.p.A. and/or the Group's companies, in function of the relevance of the changes for the activities being carried out.

However, the Chairman and/or Directors of the Group's companies are authorized to apply formal changes and integrations to the text of their respective models.

Specific integrations of some parts of the Model may be exclusive responsibility of the Chairman and/or Directors of Landi Renzo S.p.A., while others may be exclusive responsibility of the Supervisory Body of Landi Renzo S.p.A. All the aforementioned amendments and integrations will have to be immediately accepted by the subsidiaries pursuant to the initial resolutions adopted by the respective Boards of Directors, which should foresee, at the time of acceptance, that the Model may be subsequently amended or integrated by Landi Renzo S.p.A.

Landi Renzo S.p.A. will promptly notify all changes applied to the Model to its subsidiaries.

## 2.6. Application of the Model within single companies

The individual Group's companies shall be directly responsible for implementing the Model, depending on the level of sensitive activities they manage. Their top management bodies who have appointed as Supervisory Body shall consequently be authorized to ask their respective Board of Directors to approve all integrations and/or amendments that may be deemed necessary. All changes applied by individual companies must however be promptly notified to Landi Renzo S.p.A.

## 2.7. Coordination of the supervision and auditing systems aimed at ensuring the global effectiveness of the Model

Notwithstanding the responsibility of the individual Group's companies for implementing the Model in relation to the sensitive activities managed, if their respective top managers appointed in the role of Supervisory Bodies were to decide to use the resources of the equivalent Body of the parent group, then the Supervisory Body of Landi Renzo S.p.A. shall be responsible for providing guidance and coordinating the application of the Model, also using the IT network, within the Group's companies in order to ensure its correct and consistent implementation.

In particular, notwithstanding the independence of the single Group's companies and the limits foreseen by current laws (like those concerning the protection of confidential corporate and personal data, etc.), the Supervisory Body of Landi Renzo S.p.A. shall be authorized to exercise the following powers on its subsidiaries:

- Right to provide guidelines and carry out coordination activities in relation to the auditing and supervision of the Model
- Right to propose, following the above-described assessments, the updating of the Model if the results of the assessment emphasize the need of implementing amendments
- Right to carry out, either directly or in collaboration with the top management, specific controls on the sensitive activities of its subsidiaries, with consequent right to access all the relevant information of all subsidiaries without prior authorization

The foreign companies of Landi Renzo Group that do not carry out permanent, occasional or temporary activities in Italy<sup>19</sup> are not expected to comply with the provisions of Law Decree 231/2001.

## 2.8. Initial implementation of the Organizational model at a Group level

This Organizational model has been studied and defined taking into account the business activities carried out by both Landi Renzo S.p.A. and its subsidiaries. Therefore, the Model adopted by the parent company can be regarded as a useful reference, also in consideration of the fact that some of the Group's companies are not responsible for the management of some of the processes described and that they generally conduct their business and activities in compliance with the policies and strategies approved by the management body of the parent company.

This Organizational model has been adopted by the Group's companies that are part of the consolidation perimeter, as specified in the paragraphs above, though some parts

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<sup>20</sup> See Order dated 28.04.2004 of the Ordinary Court of Milan (Siemens AG proceedings)

have been reviewed and adapted in function of specific organizational requirements, different levels of risk and to the more streamlined structures.

In order to streamline the procedure as much as possible, avoid administrative complexities and reduce the costs connected to the audits required, subsidiary companies may define specific criteria for the implementation of the organizational model, provided that they are compliant with the shareholders' needs and with the laws of the country in which they operate. The specific criteria that can be directly defined by subsidiaries include:

- Appointment of a specific Supervisory Body or, alternatively, clear identification of the management body taking into account of dimensional, qualitative and quantitative limitations
- Relevance of the ownership quota
- Mapping of activities at risk
- Geographical areas in which the operating or registered office of the subsidiary is located

Along with the procedures that have to be followed to ensure the required level of control.

These criteria shall also have to be detailed in the procedure for the communication of the Organizational model and in the regulations of the Supervisory Body.

The top management of each subsidiary company shall be responsible for directly approving its own Organizational model.

The supervision of the implementation of the Model's procedures can be entrusted to the Supervisory Body of Landi Renzo S.p.A., provided that a specific agreement is entered. In this case the Supervisory Body of the parent company shall act as external consultant.

### 3. Methodology followed to identify sensitive activities and supporting processes

Article 6, paragraph 2, lett. a) of Law Decree 231/01 establishes that companies must identify the so-called "sensitive areas" or "areas at risk", that is the processes and fields of activities where one or more of the offences specified by Law Decree 231/01 are likely to occur.

The company has therefore analyzed the corporate operating environment of all areas/sectors where the offences defined in Law Decree 231/01 are likely to occur, highlighting in particular the most relevant stages and processes. In parallel, it has also carried out a survey on the elements that form the basis of said offences in order to materially identify behaviors that could lead to the commitment of said offences at a corporate level.

The methodological approach followed by Landi Renzo S.p.A. to identify sensitive activities and processes that could lead to the commitment of the afore-mentioned offences can be divided into the following phases:

- **Scoping phase:** definition of the perimeter being examined and identification of the correct business processes and related contacts by means of specific questionnaires addressed to the managers.
- **Analysis phase:** evaluation of the current auditing system; collection, by means of interviews and surveys on documents, of the information required to define a map of the main activities at risk and a list of the potential actions and behaviors considered unlawful and for which the company is accountable pursuant to the Law Decree; analysis and evaluation of the identified weak points and definition of potential corrective measures.

The methodology described was followed both during the initial application of the Model and for subsequent modifications and amendments thereto.

#### 3.1. Identification of sensitive activities

In order to specifically and materially identify the sensitive areas where offences are likely to occur (hereinafter referred to as "activities at risk" or "sensitive activities"), the company has analyzed the corporate and organizational structure of Landi Renzo S.p.A. and of the Group. The analysis has been carried out using corporate documentation, which provides a list and description of the corporate procedures related to key processes.

The company then conducted a series of preliminary interviews with the top management in order to specifically identify the parties directly involved, in addition to the main areas of activities "at risk" and the supporting processes.

The following areas of activities of Landi, which represent those where the offences specified in the Law Decree could potentially occur, have been specifically analyzed in detail:

- Relations with public administration
- Corporate duties
- Privileged information
- Industrial health and safety and protection of the health and safety of workers
- certified environmental management system
- purchase and sale contracts, financial transactions, investments and sponsorships;
- management and use of IT and telematic tools.

Given the nature of the business activities of the Group's companies and on the basis of a prognostic assessment of each single offence listed in the Law Decree, Landi Renzo S.p.A. considered the risk connected to the remaining offences specified in the Law Decree negligible and substantially inexistent.

### **3.1.1. Dealings with the Public administration and related supporting processes**

The areas of activities potentially "at risk" or regarded as "sensitive" linked to the dealings with the public administration include:

1. Acquisition of contracts from public bodies by means of negotiated tenders or through the participation in public tenders
2. Management of project activities within the ambit of services supplied to public bodies or that involve public bodies as parties having interest therein
3. Management of dealings with public officials in connection with statutory duties and inspections/audits aimed at verifying the compliance with laws
4. Management of dealings with public supervisory bodies
5. Management of active and passive litigations
6. Request, receipt and management of contributions and/or of public subsidized loans

In addition to identifying the areas connected with potentially "sensitive" activities, the company also examined the elements that form the basis of said offences in order to identify material behaviors that could lead to the commitment of the above-described offences at a corporate level.

The supporting or instrumental processes referred to in the Law Decree are listed below:

1. Management of refunds for personal and business expenses
2. Management of free gifts, sponsoring and general gratuities
3. Management of cash and financial flows
4. Selection, recruitment and management of personnel and of related benefits
5. Management of consulting activities
6. Selection of suppliers and management of procurement
7. Management of commissions paid to sales representatives/agents

### **3.1.2. Corporate duties**

The potentially "sensitive" areas connected with corporate duties include the management of general accounting, the preparation of civil and consolidated balance sheets, patrimonial statements released for extraordinary transactions, and all other corporate duties.

These areas have been examined in detailed in order to ensure full compliance with the Internal Auditing System (hereinafter referred to as "System") and with the administrative and accounting provisions of Law 262/2005. The assessment of the system was specifically aimed at limiting potential risks connected with the reliability and truthful and

correct representation of the company's economic and financial data. It should be noted that the auditing system defined and implemented by Landi Renzo S.p.A. also provides an adequate protection from the occurrence of the offences referred to in Law Decree 231/2001.

### **3.1.3. Privileged information**

The areas "at risk" or regarded as "sensitive" in connection to market abuse offences are those related to the management of privileged or "price sensitive" information.

### **3.1.4. Safety and accident prevention in the workplace and protection of hygiene and health in the workplace**

The introduction of Law no. 123 of 3 August 2007 (with the inclusion of Article 25-septies in the regulatory system of Legislative Decree no. 231/2001) has led to a careful analysis on the management of the obligations prescribed by Law no. 626/1994 regarding safety and accident prevention in the workplace and the protection of hygiene and health in the workplace, abrogated and replaced by Legislative Decree no. 81 of 9 April 2008.

### **3.1.4.bis. Quality and environmental systems.**

Quality and environmental management systems establish controls to ensure conformity to ISO 9001 and ISO 14001 standards.

With respect to art. 25 undecies (on so-called Environmental crimes) of the Law Decree, environmental management systems support the reliability of the internal control system within the scope of specific corporate processes<sup>21</sup>.

### **3.1.5. Purchase and sale contracts, financial transactions, investments and sponsorships**

The sensitive areas of activity regarding the potential crimes of receiving stolen goods, money laundering and use of money, goods or other assets from an illegal source as specified by Article 25-octies of Legislative Decree no. 231/2001 are those relating to the stipulation of purchase and sale contracts with third party subjects, to the performance of financial transactions, investments and sponsorships.

### **3.1.6. Use of IT and telematic tools**

The sensitive areas of activity regarding potential computer crimes as specified by Article 24-bis of Legislative Decree no. 231/2001 are those related to the management and use of company computer and telematic tools.

## **3.2. Analysis: interview sheets and risk assessment**

The company has prepared for each of the "sensitive" activities identified and for each instrumental process, for the part concerning the dealings with public bodies, an interview sheet containing the description of the operating activities carried out and the controls implemented to monitor these activities.

These controls have been preliminarily identified in function of their suitability to respond to specific control purposes, pursuant to Law Decree 231/01. Therefore, these controls represent only part of the "standards" that form the overall internal auditing system adopted by Landi Renzo S.p.A. and the Group.

Controls have been defined using as references the specific protocols outlined in the guidelines of the Italian Employer's Federation and are regarded suitable to effectively limit the risk of the offences specified in Law Decree 231/01 being committed.

The company then prepared a matrix sheet of the results emerged during the interviews with the individual reference contacts, which lists, for each activity, potential improvements that could be adopted in order to prevent the occurrence of offences.

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<sup>21</sup> The use of certifications implies the need to ask Certification Bodies to check compliance with the "technical standards" (i.e. standards approved by recognised organisations, applied repeatedly, e.g. ISO 14001 or EMAS standards that define the Environmental Management System) of the industry by companies which (voluntarily) undergo these controls (Cfr. ASSONIME Circular no. 15/2012 on Environmental crimes and Entities' administrative accountability)

These improvements, which can both refer to areas at risk or processes that are instrumental for committing offences against the public administration, are summarized in the two matrixes that provide an assessment of the actual risks. The assessment criteria used take into account the type of business carried out by the Group and are based on the results emerged during the interviews and analysis of documentation, with specific reference to the provisions of the Law Decree. The examination of potential improvements has enabled the company to define a series of priorities in connection with the improvement of compliance with Law Decree 231/01 and of the overall organizational structure of the company.

### 3.3. Structure of interview sheets

The preparation of interview sheets, which were divided between offence risks and instrumental processes, was based on a reference scheme that comprised the following categories of information:

#### Introductory section

- Coding: it enables to unequivocally identify and consistently link the various instruments used
- Area with sensitive activities: definition of the area where an offence is likely to be committed
- Company: name of the company being examined
- Contact: contact name
- Function: role of the contact within the company being examined
- Public bodies involved: list of the public bodies involved in the execution of activities

#### Main offences and examples of execution methods (only for offence risk interview sheets)

Description of the main offences linked to the type of activity carried out and list of a few examples of execution methods.

#### Operating aspects

- Description of the activity carried out: presentation of the operating activity submitted by the contact, detailing, when possible, the procedures, policies, corporate guidelines and auditing activities carried out.
- Specific protocols: current management and control activities have been identified for all processes, sub-processes or activities, along with the implementations, when applicable, required to ensure full compliance with the following principles:
  - Behavioral rules: general behavioral principles, summarized in the Ethical Code that forms integral part of the Model, apply to all the Recipients of this Model who, for any whatsoever reason, work with the public administration (for example employees, contracting third parties who work in the public administration on behalf or in the interest of the Group, etc.), to the Recipients who, for any whatsoever reason, are involved in "sensitive" activities that are exposed to the risk of corporate offences or to offences related to the management of privileged information (particularly the members of corporate bodies).

- Internal procedures: existence of official internal procedures with the following characteristics: (i) appropriate circulation within the business units involved in the activities; (ii) definition of the procedures for the execution of activities; (iii) clear definition of the responsibilities connected with specific activities, in compliance with the principle of separation between the person who starts the process, the person who executes it and terminates it, and that person who controls it; (iv) traceability of acts, operations and information by means of appropriate documentary media providing information on the characteristics and reasons of each operation and on the subjects who, for different reasons, are involved in the operation (authorization, execution, registration, control) (v) objective description of the decisional processes by means of the provision, when applicable, of specific criteria and reference methodologies for the implementation of corporate decisions; (vi) definition of specific control mechanisms (for example reconciliations, quadratures, etc.) aimed at guaranteeing the integrity and completeness of data and information exchanged within the company.
  
- Separation of roles, allocation of responsibilities and management of informative flows/records: existence of an organization system that complies with the following requirements: (i) clarity, officialness and communication, with specific reference to the allocation of responsibilities, the definition of hierarchical lines and the allocation of operating activities; (ii) the correct distribution of responsibilities and the definition of adequate levels of authorization (separation of roles) in order to prevent the overlapping of functions and the allocation of the activities with a high level of criticalness or risk to a single person.
  
- Compensatory/monitoring controls: existence and documentation of control and monitoring activities that involve, with different roles, the Board of Auditors, the auditing company, the top management and more generally all the personnel, which are considered an essential element of the daily activities carried out by Landi Renzo S.p.A. The tasks of the control activities carried out by this board have been defined in relation to the following types of controls: (i) line controls aimed at ensuring the correct execution of operations, carried out by the production business units or integrated in the procedures; (ii) monitoring activities aimed at identifying anomalies and violations of corporate procedures and at allowing the overall functionality of the internal auditing system to be assessed by bodies that are independent from operating ones; (iii) supervisory activities aimed at controlling the administration of the company, the adequacy of the organizational structures and compliance with laws and its articles of association.

The detailed analysis of the potential risk profiles linked to "sensitive" areas of activities and the identified "instrumental" processes is illustrated in the documentation prepared during the preliminary analysis activities and has been included in the project documents.

#### 4. Supervisory Body

Article 6 of Law Decree 231/01 establishes that the company and Group may benefit from the exemption clause if:

- has adopted an Organisational, management and control model designed to prevent the occurrence of "relevant" offences (this Model was approved by the Board of Directors of Landi Renzo S.p.A. with the resolution dated March 20th 2008 and was updated, at the proposal of the Supervisory Body, with the following resolutions of 12 November 2008, 26 August 2010, 28 August 2012 and 27 August 2013).
  
- It has entrusted the task of supervising the functionality and compliance with the Model, and its updating, to a body with independent decisional and control powers (hereinafter referred to as "Supervisory Body"). The Board of Directors of Landi Renzo S.p.A. entrusted said task to the Supervisory Body on March 20th 2008.

The allocation of these tasks to the Supervisory Body and a continuous and effective execution of the required activities are an essential requirement to allow the company to benefit from the exemption clause, regardless of whether the offence is committed by managers (as specifically stated in Article 6) or employees (as stated in Article 7).

Article 7, paragraph 4 underlines that for the purposes of a correct application of the Model, it is also necessary to define a disciplinary system and ensure that it is regularly reviewed by the competent body.

#### **4.1. Procedure for the appointment and revocation of the Supervisory Body**

The Supervisory Body must be appointed with a resolution of the Board of Directors. The mandatory information that must be specified in the official assignment statement includes:

- The subject(s) responsible for acting as Supervisory Body along with the applicable responsibilities
- The length of the office, if a termination date has been foreseen, or at any rate the revocation procedure  
The revocation of the Supervisory Body, like its appointment, must be approved with a resolution of the Board of Directors.
- The main tasks that the Supervisory Body is expected to carry out in order to control the efficiency and effectiveness of the Organizational model (the description of the tasks is general, as the Supervisory Body is expected to draft internal regulations for the management of its activities, such as the scheduling of controls, the definition of criteria and analysis procedures, the procedures for information flows, etc)
- The powers that the Supervisory Body must necessarily possess in order to ensure a correct and efficient supervision of the use and compliance with the Organizational Model
- The time frames and bodies to which the Supervisory Body is expected to report

Landi Renzo S.p.A. has decided to entrust these tasks to a body constituted by three standing members, that is to two external members (one acting as Chairman of the Supervisory Body) and to one internal member.

The members of the Supervisory Body are expected to maintain the required qualifications in terms of professionalism, competence and specific experience and should not have conflicts of interests or shared interests in relation to the activities they are expected to carry out.

Due to the simplicity of the functional and hierarchic structure of the subsidiaries and in consideration of the fact that administration, management, treasury, human resources and administrative and financial tasks are centralized and managed by the parent company, supervising tasks have been entrusted to the Board of Administrators of the Group's companies and to its management bodies. The top management of the subsidiary company may use the resources of the Supervisory Body of the parent company in order to supervise the use and compliance with the Model, depending on the contractual agreements entered. The Board of Directors of the individual Group's companies may however also appoint their own Supervisory Body, pursuant to Article 6, paragraph 1, lett. b) and assign to it all the necessary authorizations and duties.

Pursuant to the principles of Law Decree 231/2001, the Supervisory Body may also decide to entrust specific technical tasks to external collaborators (provided that they possess the skills to perform the requested activities), but shall be responsible in all cases for the general supervision of the Model and for the duties for which it is directly responsible.

#### 4.2. Duties of the Supervisory body

The Organizational, management and control model issued pursuant to former Law Decree 231/2001 represents an exterioration with a well defined subject (identified as the prevention of criminal behaviors in relation to specific types of offences) of the more extensive Internal auditing system.

The activities that the body is expected to carry, also pursuant to the provisions of Articles 6 and 7 of Law Decree 231/2001, can be summarized as follows:

- Supervising the **effectiveness** of the Model, that is verifying that the actual behaviors comply with the abstract regulations specified in the Model.
- Reviewing the **adequacy** of the Model, that is determining its actual (and formal) ability to prevent all unlawful behaviors
- Analyzing the solidity and functionality of the Model **over time**
- Dynamically **updating** the Model if the analyses carried out highlight the need of introducing changes, also by regularly monitoring of law provisions and applicable jurisdictional provisions

In particular, the Supervisory Body shall be responsible for:

- Supervising the application and compliance with the Model
- Verifying that the Model is able to effectively prevent the offences referred to in Law Decree 231/01
- Verifying the solidity and functionality requirements of the Model over time
- Defining, developing and promoting, in collaboration with the involved business units, the continuous updating of the Model and of the monitoring system, suggesting when appropriate, the required corrections and amendments to the administrative body
- Maintaining regular contacts with the auditing company
- Maintaining regular contacts and providing the required information to the Board of Directors and Board of Auditors
- Requesting and acquiring all the required information and documentation from all the levels and units of Landi Renzo S.p.A

- Defining a supervisory program that complies with the principles defined in the Model for the different fields of activity
- Guaranteeing the implementation of the supervisory program also by scheduling the required activities
- Performing the inspections and audits foreseen by the Model or carrying out customized inspections and audits in order to identify potential infringements
- Ensuring that all activities carried out are adequately reported
- Continuously updating the system used to identify, map and classify the areas at risk in order to be able to duly carry out its activities
- Defining and promoting initiatives aimed at enhancing the knowledge and familiarity with the Model, the training of personnel and the need to comply with its principles
- Providing clarifications concerning the managing and application of the principles contained in the Model
- Defining an appropriate internal communication system to allow the transmission and collection of all the relevant information concerning the Law Decree, while guaranteeing the protection of the identify of the anyone reporting infringements
- Defining a budget of the expenses required to carry out its duties and submitting it for approval to the Board of Directors, along with any other extraordinary expense
- Identifying, when possible, unlawful acts and consequently implementing all the necessary inspections, internal investigations or disciplinary measures
- Reporting ascertained infringements to the competent body to allow it to initiate the required disciplinary actions
- Verifying that appropriate sanctions are applied to all cases of infringement

It is important to underline that, despite the appointment of a Supervisory Body in compliance with former Law Decree 231/2001, the top management (Board of Directors or Managing Director) continues to be responsible for the functions and duties foreseen by the Civil Code<sup>20</sup>, in addition to being now responsible for the implementation and effectiveness of the Model, and for the appointment of the Supervisory Body (Article 6, paragraph 1, lett. a) and b)).

In addition, due to the similarity of its roles and duties assigned to it by law, the Board of Auditors represents the "institutional" counterpart of the body. The auditors, who are in fact responsible for assessing the adequacy of the internal auditing system, will always have to be informed of all infringements and of any gap in the Model.

### 4.3. Requirements and powers of the Supervisory Body

The main requirements of the Supervisory Body are the following:

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<sup>22</sup> See new Article 2392 of the Civil Code "(Accountability towards companies). Directors must carry out the duties assigned to them by law and by the articles of association, with the diligence required for the nature of the task and in function of their specific skills. Therefore, they are integrally accountable before the company for damages originating from the failure to comply with these duties, unless these duties are typically assigned to the executive committee or to one or more directors. Notwithstanding the provisions of Article 2381, paragraph 3, directors are integrally responsible if, despite being aware of prejudicial situations, they have failed to prevent their occurrence or eliminate or minimize damaging consequences. The accountability for the acts or omissions of directors do not apply to any directors who is not directly guilty of the offence and who promptly reported his dissent by registering it in the book of meetings and resolutions of the Board of Directors, promptly informing in writing also the Chairman of the Board of Auditors."

- Autonomy and independence<sup>21</sup>

The role of the Supervisory Body within the company and Group must be independent, in that the body must be able to perform all the required controls without interference and/or by conditioned by other bodies of the company (and specifically by the top management). These requirements are guaranteed by assigning the body the highest hierarchy and by determining that it has to directly report to the Board of Directors only.

In order to ensure full independence, autonomy and objectiveness, it is intended that the Supervisory Body shall not be authorized to carry out operating tasks.

- Professionalism

The Supervisory Body must possess the knowledge and technical skills required to effectively carry out its duties. Said skills comprise both the specialized skills usually required to carry out "audits", but also the ability to analyze auditing, legal and specifically criminal systems. It is therefore essential that its members are familiar with the structure and behaviors that lead to offences or are alternatively able to request this information from other corporate functions or external consultants.

As for industrial health and safety, the Supervisory Body shall be authorized to use all the resources available for the management of the related activities, including those foreseen by reference standards

- Continuity of action

The effective and consistent implementation of the Model can be guaranteed only if the body responsible for the supervision of the Model does not possess internal operating duties that could allow it to take economic or financial decisions.

- Other requirements

In addition to the professional skills described above, the members of the Supervisory Body of Landi Renzo S.p.A. and of the Group must also possess all the necessary subjective requirements in terms of honesty, lack of conflicts of interests and family relations with members of the top management and of the Board of Directors. These requirements are intended to further ensure that they are able to perform their duties autonomously and independently.

The activities carried out by the Supervisory Body cannot be objected by other bodies or corporate structure. The top management will however be expected to verify at all times the adequacy and timeliness of the Supervisory Body's work, in consideration of the fact that it is ultimately the corporate body who owns full

<sup>23</sup> We believe it is important to quote the actual content of Law Decree 231/2001 regarding the need for guaranteeing the autonomy or independence of the Supervisory Body (the latter term in particular refers to the independent decisional power of the Supervisory Body as compared to the controlled subjects): *"Article 6, paragraph 1, lett. b) the duty of supervising the implementation and compliance with the models has been entrusted to a body of the company with independent decisional controlling power"*.  
Upon closer examination it becomes evident that the concept of "autonomous and independent body" does not affect its right to exercise "autonomous and independent decisional and control powers".

accountability for the correct operation and effectiveness of the Organizational model.

In addition, the Supervisory Body shall be authorized to freely access all the company's business units, without preventive authorization, in order to acquire information or data required to carry out its duties in compliance with Law Decree 231/2001.

The Supervisory Body may, at its discretion, request the assistance of all the company's structures or of external collaborators, who shall be expected to operate under the supervision and responsibility of the body.

The top management may allocate appropriate financial resources to the Supervisory body, if so requested by the body itself, in order to allow it to meet all the necessary requirements and carry out its duties (for example for consulting services, special surveys, transfers, technical support, etc.).

#### **4.4. Information that has to be supplied to the Supervisory Body**

In addition to the information and documentation specified in the Special Section defined above, and to any other information required for the execution of its duties, the Supervisory Body must also receive all information concerning the implementation of the Model, the occurrence of the offences referred to in the Law Decree and connected to the activities of the Group, and at any rate information on any behavior that does not comply with the guidelines of the Group.

The Supervisory Body of the company will examine all the reported infringements and determine the most appropriate course of action, at its discretion and under its own responsibility, after listening to the person who has reported the infringement and/or the alleged offender, and provide a detailed written account in cases in which it decides not to proceed with an internal investigation.

The Supervisory Body shall protect anyone reporting infringements from retaliation, discrimination or penalization, and safeguard the identities of the persons involved, except otherwise provided by the laws in force and in cases in which it is necessary to protect the rights of the company or of the people wrongfully and/or unlawfully accused.

At a corporate level, all the Group's operating and management bodies are expected to provide the following information to the Supervisory Body:

- Periodically: all information specified and requested by the Supervisory Body to individual organizational and management units of the Group by means of internal directives. This information shall have to be supplied within the deadlines and with the procedures specified by the Supervisory Body.
- Occasionally:, any other information of whatsoever nature, also originating from third parties, concerning the implementation of the Model in the "sensitive" areas and the compliance with the provisions of the Law Decree, which may be useful to allow the body to carry out its supervisory duties.

In particular, mandatory information that has to be transmitted to the Supervisory Body includes:

- Measures and/or information provided by judicial police or any other body, confirming the existence of investigations on people, companies and third parties that interact with Landi Renzo Group, and connected with the key "offences" referred to in Law Decree 231/01
- Legal support requests presented by directors, managers and/or employees and connected with legal actions concerning the "key offences" stated in Law Decree 231/01
- Reports drawn by business unit managers that may refer to facts, behaviors, events or omissions with critical profiles or responsibilities in relation to the "key offences" referred to in Law Decree 231/01
- Information concerning the implementation of the Model, at all organizational levels, detailing disciplinary actions and sanctions applied (including those against employees), along with any information concerning the cancellation of said measures along and the related reasons

This information, which must be *provided in writing and signed*, may be submitted by both corporate managers and third parties, and may be related to infringements of the Model and its procedures, behaviors that do not comply with the ethical principles of the Group, and any other abnormal or atypical situation identified while carrying out work on behalf of the company. The Supervisory Body has full discretion to decide whether to examine a specific notification.

All the Group's companies must promptly transmit to the Supervisory Body all information concerning the power of attorneys granted or amended.

The Supervisory Body shall periodically report to the Board of Directors all infringements of the organizational Model identified on the basis of the notifications received, along with the disciplinary actions taken, sanctions applied and recommended corrective actions.

#### **4.5. Coordination with the managers of the other Group's companies, pursuant to Law Decree 231/2001**

The Supervisory Body of Landi Renzo S.p.A. is responsible for coordinating, also using the IT network, the activities of the top management that, pursuant to Law Decree 231/2001, is regarded responsible for the other Group's companies, in order to ensure that audits are carried out consistently within the Group.

In this case, the Supervisory Body of Landi Renzo S.p.A. shall be authorized to acquire documentation and information, and to carry out periodical and regular inspections and audits on the single companies of the Group.

## **5. Training of resources and circulation of the Model**

### **5.1. Training and provision of information to employees**

In order to ensure the implementation of this Model, Landi Renzo undertakes to provide both current and prospective employees with information on the expected behaviors, with a level of detail that varies in accordance to their level of involvement in sensitive processes.

The information and training system is supervised and integrated in the activities of the Supervisory Body and provided in collaboration with the business units involved from time to time in the implementation of the Model.

#### Initial communication

The implementation of the Model has been notified to all current employees at the time of its implementation and published on the corporate portal. All subsequent amendments shall be communicated using the same information channels.

New employees are instead given an information package (for example Ethical Code, Organizational Model, procedure for the management of sensitive information, insider dealing letter) to ensure that they are informed on all issues that are considered critical.

#### Training

Training aimed at promoting the awareness of the provisions of Law Decree 231/2001 is differentiated, in terms of contents and communication procedures, in function of the qualification of recipients, the level of risk of the areas in which they work and in function of their representative powers. In particular, the Group foresees three different levels of information and training, based on communication tools that include targeted periodical seminars, occasional update e-mails and internal information notes.

### **5.2. Consultants, collaborators and suppliers**

Following a request from the Supervisory Body of Landi Renzo S.p.A., the Group may also decide to define additional assessment systems for the selection for consultants, collaborators and suppliers.

All external parties (consultants, collaborators and suppliers) shall be provided with information on the policies and procedures adopted by the Group in relation to this Model, and with the texts of contractual clauses habitually used.

External parties must be familiar with the content of the Model and with the fact that the companies of Landi Renzo Group expect their behavior to comply with the provisions of Law Decree 231/2001.

Contracts entered with third parties (for example collaborators, consultants, agents, suppliers, etc) who work with public bodies or are involved in the conduction of activities at risk of corporate and market abuse offences on behalf or in the interest of the Group, must:

- Be defined in writing and include all the necessary terms and conditions
- Contain standard clauses, agreed with the legal consultant of the company, related to the compliance with Law Decree 231/2001
- Contain a specific statement confirming their knowledge of the provisions of Law Decree 231/2001 and their willingness to comply with them
- Contain a specific clause disciplining the consequences for violations of the provisions of Law Decree 231/2001 (for example express resolatory clause, penalties clauses)

## 6. Disciplinary system

Article 6, first paragraph, letter e) of Law Decree 231/2001 establishes that the definition of an effective system of sanctions is an essential requirement of the Model and critical to allow companies to benefit from the exemption clause.

The behaviors of employees and external subjects (which include independent workers or workers operating under the direction of company employees, professionals, consultants, agents, suppliers, commercial partners, etc.) that do not comply with the behavioral principles and regulations referred to in the Model, which integrates the Ethical Code and internal procedures and standards, regarded as integral part of the Model, are considered equivalent to a contractual default.

The adoption of sanctions, based on the information received from the internal auditing body or the Supervisory Body, and the execution and definition of the sanctioning measures are carried out by the HR function, which shall however submit all measures taken against directors to the approval of the Managing Director (or Board of Directors).

The assessment of the effectiveness of the sanctioning system and, the regular monitoring of the measures applied against employees and external collaborators are entrusted to the Supervisory Body, who shall be authorized to report infringements of which it becomes aware even during the execution of its duties.

The application of the sanctioning system referred to in this Model and of the related sanctions shall be independent from the results of legal actions taken in cases in which the infringement leads to an offence.

The application of the sanctioning system referred to in the Model and of the related sanctions is independent from the disciplinary procedures foreseen by national labor contracts and from their results in cases in which the behavior falls within the field of application of disciplinary procedures.

### 6.1. Measures applicable to managers and clerks

All infringements imputable to the employees subject to the national labor contract connected with the specific behavioral rules specified in this Model are to be regarded disciplinary torts. Sanctions that can be applied to employees are those foreseen by the corporate sanctioning code, in accordance with the procedures set forth in Article 7 of Law no. 300 dated 30.05.1970 (Charter of Workers) and all other applicable special regulations.

In relation to the above, the Model refers to the categories of acts that can be sanctioned in accordance with the existing sanctioning code, that is the regulations agreed in the National Labor Contract (see Articles 23 and following "Disciplinary measures").

These categories describe sanctioned behaviors in function of the relevance of the single acts examined, along with the actual sanctions that are foreseen for the execution of said deeds in function of seriousness.

The employers' failure to comply with the provisions of the contract may lead, depending on the seriousness of the infraction, to the application of the following measures:

- "Verbal admonition" for minor infringements of the behavioral principles and regulations set forth in the Model or for the infringement of internal procedures and standards agreed and/or specified or yet to be adopted in sensitive areas related to behaviors regarded non compliant and not aligned with the principles of the Model.
- "Written admonition" for failure to observe the behavioral principles and regulations of this Model, that is for infringing internal procedures and standards agreed and/or specified or yet to be adopted in sensitive areas with behaviors regarded non compliant and not aligned with the principles of the Model, to a degree considered minor or at any rate not serious (see Article 24 of the national labor contract).
- "Fine" up to a maximum of three hours of the basic pay, contingency or minimum pay, for failure to observe the internal procedures referred to in the Model, that is for having adopted on repeated occasions a behavior that is not compliant with the principles of the Model during the execution of activities in sensitive areas before the actual identification and reporting of single actions.
- "Suspension from work and of wages up to a maximum of ten days" for failure to observe the behavioral principles and regulations referred to in the Model, that is for infringing the internal procedures and regulations agreed and/or specified or yet to be adopted in sensitive areas with behaviors considered non compliant or not aligned with the principles of the Model, to a degree considered moderately serious even when dependant from habitual actions.
- "Dismissal for default (pursuant to Article 25 of the national labor contract) with pre-warning". This applies to employees who, during the execution of their activities in sensitive areas, have exhibited a behavior that does not comply with the requirements of the Model and is unequivocally targeted to directly committing one of offence referred to in Law Decree, which is comparable to a relevant damage or significantly harmful situation.
- "Dismissal for deficiency (pursuant to Article 25 of the national labor contract) without warning". This applies to employees who, during the execution of their activities in sensitive areas, deliberately infringe the requirements of this Model leading to the actual application of the measures foreseen by the Law Decree, that is who exhibit behaviors that "radically reduce the trust of the company in the employee" or that lead to the defaults described above resulting in serious damage to the company.

The type and entity of each of the above-mentioned sanction shall be applied in accordance with the current disciplinary code adopted by Landi Renzo S.p.A., as regards to:

- The intentionality of the behavior or degree of negligence, carelessness or inexperience, also taking into account the predictability of the event
- The general behavior of the employee, taking specifically into account the existence of previous disciplinary measures, within the limits foreseen by the laws in force
- The role of the employee

- The functional position of the people involved in the events leading to the infringement
- Any other circumstance related to the disciplinary infringement
- Relapses and repetitions

In all cases, when determining the seriousness and incisiveness of the sanction, the company may also decide to apply the criteria concerning the personality of the offender and evaluation of circumstances set forth in the criminal Code and national labor contracts.

## **6.2. Measures applicable to managers**

In cases in which the managers infringe the principles, regulations and internal procedures foreseen in the Model or demonstrate behaviors that are not compliant with the Model during the execution of activities that fall within sensitive areas, the company shall apply the measures described below taking into account also the seriousness of the infringement and its frequency.

In presence of extremely serious infringements, the company may also either dismiss the manager by giving him previous warning or dismiss him for reasonable causes, even in consideration of the specific trust relationship and of the fact that managers are expected to guarantee and supervise the application of the Model's regulations, in compliance with both law requirements and the national labor contract applicable to managers of industrial enterprises.

Considering that these measures lead to the resolution of the labor contract, the company reserves the right, in compliance with the legal principle of gradualness, to apply the following measures for less serious infringements:

- Written admonition
- Suspension from service and of wages for a maximum of 10 days

In all cases, when determining the seriousness and incisiveness of the sanction, the company may also decide to apply the criteria concerning the personality of the offender and evaluation of circumstances set forth in the criminal Code and national labor contracts.

## **6.3. Measures applicable to directors**

The measures that may be adopted against directors are those described in paragraph 6.2 and shall be applied in accordance with the procedures described.

In the event of infringement of the Model by one or several members of the Board of Directors, the Supervisory Body shall inform both the Board of Auditors and the whole Board of Directors, who shall decide the applicable measures.

## **6.4. Measures applicable to auditors**

The measures that may be adopted against the members of the Board of Auditors are those described in paragraph 6.2 and shall be applied in accordance with the procedures described.

In the event of infringement of the Model by one or more auditors, the Supervisory Body shall inform the whole Board of Auditors and the Board of Directors who shall propose the appropriate measures to the Assembly.

## **6.5. Measures applicable to consultants and collaborators**

The infringement of the regulations of the Model adopted by Landi Renzo S.p.A. by consultants or collaborators or the commitment of one of the offences referred to in Law Decree 231/2001 shall be sanctioned in accordance with the clauses contained in the applicable agreements, which shall have to be explicitly accepted.

It is however intended that the company shall be entitled to claim for further compensations if said infringement or offence produce material damage to the company, as may occur in the event a judicial court decides to apply the measures foreseen by Law Decree 231/2001.



## 7. Update and amendment of the Model

This Model is subject to two types of controls:

- Controls on documentation: once a year the company shall control the main corporate documents along with the most relevant contracts related to areas connected with sensitive activities
- Controls on procedures: the company shall regularly check the actual operation of this Model following the procedures defined by the Supervisory Body

In addition, the Company shall also review all the notices received throughout the year concerning the actions undertaken by the Supervisory Body and any other party involved in the sensitive events, and the awareness of personnel as regards to the offences specified in the Law Decree by means of sample interviews.

Results will be presented in a report that will be transmitted to the Board of Directors of Landi Renzo S.p.A. (along with the annual report prepared by the Supervisory Body). Said report shall provide detailed information on potential gaps and recommend corrective actions.

For subsidiaries, this control shall be carried out under the supervision of the Supervisory Body of Landi Renzo S.p.A. in accordance with the procedures specified by the latter.