

# **VILLA ERBA S.p.A.**

## **Organizational, Management and Control Model pursuant to Decree No. 231 of June 2001**

Approved

by the Board on 29 May 2018 and revised on 26 June 2019

## **General Section**

## 1. Preamble

Villa Erba S.p.A. (hereinafter "**Villa Erba**" or "**the Company**") has undertaken to draw up and implement this Organisational, Management and Control Model (hereinafter the "**Model**" or "**OMCG**"), pursuant to Decree No. 231 of 8 June 2001 (hereinafter "**Decree**" or "**Law No. 231/01**"), with the aim to (i) guarantee fairness and transparency in dealings with customers, in the management of internal activities and, in general, in the conduct of business, (ii) protect its Shareholders and Stakeholders from the risk of losses resulting from the imposition of the sanctions envisaged by Decree No. 8 of June, 2001 (iii), and safeguard its employees, collaborators and, last but not least, its business reputation. This decision complements the initiatives already undertaken by the Company to implement and disseminate a business culture based on lawfulness, fairness and transparency. What is referred hereto is the adoption, following Board resolution of 23 April 2015, of the Villa Erba Code of Ethics and Conduct and of the Model for Organisation and Management of Occupational Health and Safety, pursuant to Section 30 of Decree No. 81/2008, last revised on 13 June 2017 and adopted on 1 May 2015. With the adoption and implementation of this Model, the Company aims to continue its business risk management process already in place, and to comply with the provisions of Decree No. 231/01, by improving its internal control system and formulating standards to prevent the commission of the crimes envisaged by the Decree.<sup>1</sup>

This Model is divided into a General and a Special Section. The General Section provides a short explanation of the rules and regulations set forth in Decree No. 231/01, of how this Model was drafted, of the Company purpose, the crimes that might affect the Company, the features of the Supervisory Body and of the discipline policy. The Special Section provides a detailed explanation of sensitive activities, i.e. activities deemed potentially at risk of crime, and identifies standards of conduct and monitoring practices that might prevent or mitigate the risk of predicate crimes applicable to the Company.

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<sup>1</sup> In this regard, with the aim to continuously improving its internal control system, the Company has explored the opportunity to obtain certification of its quality management system, as part of its current industrial plan (2016/2019).

## **2. Decree No. 231 of 8 June 2001**

### **2.1 Liability of the Entity**

Decree No. 231 of 8 June 2001 brought into effect Italian Law No. 300 of 29 September 2000 and introduced "Regulations governing the administrative liability of legal persons, companies and associations including those without legal status" into the Italian legislation. Such rules and regulations are part of a broader legislative process intended to combat corruption and align Italian legislation on the liability of legal entities with international conventions signed by Italy.<sup>2</sup>

Decree No. 231/01 sets up a system of rules that regulate the administrative liability – whose features are typical of criminal liability<sup>3</sup> – of legal entities, which adds to the liability of the perpetrator and aims to punish also those entities in whose interest, or for whose benefit, the crime was committed. Therefore, the system described in Decree No. 231/01 is an independent subsystem comprising both criminal law and the system of on administrative crimes.

The scope of application of the Decree is very broad and includes legal entities, companies and associations including those without legal status, economic and non-economic public bodies and private entities providing public service. The Decree is not applicable to the State, to local governments, non-economic public bodies and bodies serving constitutional functions (such as political parties and trade unions).

### **2.2 Applicable Predicate Crimes**

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<sup>2</sup> The provisions contained in Decree 231/01 are based on of the most advanced national legislations on the fight against corruption and, more generally, on corporate crime, including: the *Foreign Corrupt Practice Act*, adopted by the Government of the United States of America on 19 December 1977, as subsequently amended and supplemented by the *International Anti-Bribery Act* of 1988; the *Bribery Act 2010*, adopted by the Government of the United Kingdom on 8 April 2010; the *Federal Sentencing Guidelines Manual & Supplement 2010*, issued by the United States Sentencing Commission on 1 November 2010; and, in Spain, the *Ley Orgánica* No. 5/2010 of 22 June 2010.

<sup>3</sup> Cf. PISTORELLI, *La responsabilità amministrativa delle società e degli enti, d.lgs. 8 giugno 2001, n. 231* commentary by Marco Levis, Andrea Perini, Bologna, 2014 which describes the heated doctrinal debate over the nature of the liability of the entity.

Liability referred to herein only applies to the crimes classified in the Decree as “Predicate Crimes”.

The list of predicate crimes that may trigger liability pursuant to Decree No. 231/01 is much broader than the original. When this Model was drawn up, predicate crimes included: crimes against the government (Sections 24 and 25); cybercrimes and unlawful processing of data (Section 24-bis); organized crimes (Section 24-ter); forgery of money, credit cards, tax stamps, written instruments or otherwise counterfeit marks (Section 25-bis); crimes against industry and trade (Section 25-bis.1); corporate crimes (Section 25-ter); crimes related to terrorism and subversion of democracy (Section 25-quater); female genital mutilation (Section 25-quater.1); crimes against individual freedom (Section 25-quinquies); market abuse (Section 25-sexies); manslaughter and serious injuries committed in violation of occupational health and safety regulations (Section 25-septies); possession of stolen goods, laundering or use of money and assets of criminal origin and self-laundering (Section 25-octies); criminal copyright infringements (Section 25-novies); inducement not to make or to make false statements before a Judicial Authority (Section 25-decies); environmental crimes (Section 25-undecies); employment of irregular migrant workers from third countries (Section 25-duodecies); hate crimes (Section 25-terdecies) and domestic and transnational crimes (Section 10, Law No.146 of 16 March 2006).

### **2.3 Allocation of Liabilities**

Pursuant to Section 5 of the Decree, an entity can be held criminally liable if the crime is committed in the interests or for the benefit of the entity; the existence of at least one of the two conditions is sufficient<sup>4</sup> to trigger liability. Under subparagraph (ii) of Section 25, a company may not be held liable if the agent has acted exclusively in his/her own interest or in the interest of a third party.

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<sup>4</sup> In this regard, according to the Confindustria Guidelines for the *Drawing up of Organisational, Management and Control Models pursuant to Decree No. 231/01* (issued on 7 March 2002 and subsequently amended in 2008 and 2014), the entity is liable not only when it obtains an immediate economic and financial advantage from the commission of the offence, but also when the crime is committed in the interest of the entity without producing any concrete results. A more solid market positioning or the concealment of a difficult financial situation, for example, involves the interest of the entity without producing an immediate economic advantage for the entity. It is also important to point out that, if a qualified person of an entity that belongs to a group commits the crime, the concept of interest may be extended to and negatively affect the parent company.

Individuals who, by committing a crime in the interest or for the benefit of the company, may trigger liability of the entity include: (i) Senior executives, i.e. individuals holding C-level positions (i.e. representative, administrative or managerial positions within the entity or in one of its business units with financial and functional autonomy), including, but not limited to, the legal representative, the CEO or anyone who, de facto, manages or has controlling interest in the entity, and (ii) associates, i.e. employees managed or supervised by one or more senior executives. It should be noted that associates do not necessarily work under an employment contract. Associates include contractors who, due to their business relationship with the entity, may be subject to the supervision of its senior executives, and agents, collaborators, partners and consultants who, upon authorization from the entity, act on its behalf.

#### **2.4 Mitigating factors: implementation of appropriate organizational and management models to prevent the commission of the crimes envisaged by the Decree**

Pursuant to Section 6 of the Decree, with respect to the crimes committed by senior executives, *“The entity may not be held liable if it is able to demonstrate that: a) prior to the commission of crime, the Board of Directors adopted and effectively implemented an organizational and management model designed to prevent crimes of the same kind as the one committed; b) The entity has assigned the task of monitoring compliance and updating this Models to a body vested with autonomous power of initiative and control; c) the aforementioned senior executives have committed the crime by circumventing the organisational and management models in a fraudulent manner ; d) there has been neither omission of nor inadequate oversight by the body referred to in letter b”*).

Either of the above circumstances shall apply concurrently to exempt the entity from liability.

Pursuant to Section 7, with respect to the crimes committed by associates, *“The entity shall be held liable if the crime has been committed because of failure to execute the duty of oversight.”*

As far as the burden of proof is concerned, in case of crimes committed by a senior executive, the entity must demonstrate that said executive has committed the crime by circumventing this Model in a fraudulent manner. In case of crimes committed by

associates, the entity may be held liable if it is established that the crime has been committed because of failure to execute the duty of oversight. Under no circumstances may the entity be held liable if it has adopted, prior to the commission of the crime, an appropriate organizational and management model to prevent the commission of such crime. This specific case is referred to as “organizational negligence” by the entity, which has somehow indirectly made the commission of the crime possible by not overseeing sensitive activities and the subjects at risk of committing the crime.

## **2.5 Applicable Sanctions**

Pursuant to Section 9 of Decree No. 231/01, the following sanctions are applicable to administrative crimes:

- a) Pecuniary Penalties;
- b) Disqualification;
- c) Seizure;
- d) Publication of the sentence.

Application of pecuniary penalties, which shall be paid by the entity through its assets, is crucial. Said penalties are calculated on a quota basis and aim to align the severity of the crime with the agent’s financial situation. Down payments are not allowed.

Disqualification is only applicable to disqualifying crimes and includes: a) disqualification from conducting business; b) suspension or revocation of authorizations, licenses or concessions that have contributed to the commission of the crime; c) prohibition of dealing with public entities, except in the case of requests of provision of public services; d) exclusion from facilities, loans, grants and subsidies and possible revocation of those that have already been awarded; e) prohibition of advertising goods or services.

Pursuant to Section 19, conviction always envisages seizure of the money or anything of value given or promised to someone to commit the crime, or of the immediate

economic benefit obtained through the commission of the crime, without prejudice to restitution to claimant and to the rights of bona fide third parties.

Moreover, in the event of a court-ordered disqualification, the Judge may order publication of the sentence pursuant to Section 36 of the Italian Criminal Code (in one or more newspapers, in the website of the Ministry of Justice), by posting such sentence in the municipality where the entity is based.

This Model may exempt the entity from liability as long as it meets the following requirements: a) it identifies activities deemed potentially at risk of crime; b) it envisages specific protocols for the decision making and implementation process of the entity, intended to prevent the commission of crimes; c) it implements appropriate financial resource management systems to prevent the commission of crimes; d) it sets forth reporting obligations for the Supervisory Body; e) it enforces appropriate disciplinary measures to sanction non-compliance with the provisions of this Model.

This Model is subject to regular revision and updating in case of major violations of the provisions contained herein and of significant changes in the corporate structure or the business activities of the entity.

### **3. Villa Erba S.p.A.**

#### **3.1 Purpose, Corporate Governance and Organizational Structure**

Villa Erba S.p.A. is joint-stock company incorporated on 23 May 23, 1986, having its registered office in Cernobbio (CO), Largo Luchino Visconti n. 4, not subject to direction and coordination activities. The Company organizes trade shows, conventions, conferences, gala events and weddings and provides relevant ancillary services.

Specifically, having considered that the setting up and opening of a conference and exhibition centre on the premises of Villa Erba would be in the public interest, given the very positive impact that this venue would have on the industry, trade and tourism of the Lake Como district, the entities who own the building compound known as "Villa Erba" have set up Villa Erba S.p.A, with the aim to achieve their common goals. Pursuant to Section 3 of the Articles of Association in force, the Company, with no

recourse to venture capital, has the following purpose: *“a) Prepare, conduct and acquire any appropriate technical, financial, commercial, administrative and legal survey, research and project to set up, build and manage, both directly and through agreements with third parties, a conference and exhibition centre that would also be in the community interest, on the premises of the building compound known as Villa Erba and based in Cernobbio, and any other ancillary structures and services related to tourism and recreation, with a special focus on the Lake and its surroundings.*

*b) Set up, build and manage, both directly and through agreements with third parties, the conference and exhibition centre referred to in point a), and any other ancillary structures and services, also related to tourism and recreation with a special focus on the Lake and its surroundings, with the aim to promote and enhance the economic development, tourism and the environment in the Province of Como.*

*c) Undertake economic and socially important tourist and environmental initiative to achieve the aim referred to in the last sentence of point b).*

*d) Promote and organise local, provincial, regional, national and international exhibitions, trade shows and specialized fairs, on a regular or an occasional basis, in compliance with the rules and regulations in force in the exhibition industry and economic, scientific and cultural conventions and conferences and provide all the relevant and ancillary services. The company may also carry out commercial, industrial, movable and immovable property transactions deemed necessary or useful for the achievement of the corporate goals. It may release sureties in favour of third parties for the achievement of the corporate goals and acquire, either directly or indirectly, interests and shareholdings in companies or enterprises serving purposes that are similar to, or connected with the purpose of the Company, provided that such purposes have a direct or indirect impact on the economy of the Lake Como district, all within the limits of the law and to the exclusion of reserved activities”.* Private, public and financial institutions hold the share capital of the Company<sup>5</sup>. Specifically, pursuant to the Articles of Association in force, public entities shall hold at least 51% of the share capital.

Villa Erba has a traditional Model for *corporate governance* with the following structure:

➤ **Shareholders' Meeting:** it is in charge of passing resolutions on matters expressly reserved to it by law and by the Articles of Association;

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<sup>5</sup> Please click on the following link to see the corporate structure: <http://villaerba.it/it/trasparenza/compagine-societaria.html>.

➤ **Board of Directors:** the Company is governed by a Board of Directors composed of no more than five members. The Board of Directors is vested with all powers necessary for the ordinary and extraordinary management of the Company, without prejudice to the powers expressly reserved by law to the Shareholders' Meeting.

➤ **Board of Auditors:** it performs the functions envisaged by Section 2403 of the Italian Civil Code and is composed of three regular members and two alternate auditors.

An audit firm conducts audits.

The organizational structure is described in detail in the corporate organizational chart. Specifically, the Managing Director reports to the Chairman of the Board and the following Departments report directly to the Managing Director: Commercial, Administration, Finance and Purchasing, Human Resources and Communication Departments; Corporate Secretariat; Technical and Engineering Office, Maintenance, General Affairs; General Secretariat.

#### **4. The Organizational Model of Villa Erba S.p.A.**

##### **4.1 Features and Drafting of this Model**

Subparagraph (ii), Section 6 of the Decree describes the features that the Organisational and Management Model shall have to prevent the commission of the crimes described therein. More specifically, the Organisational Model shall meet the following requirements: *a) Identify activities deemed potentially at risk of crime; b) Envisage specific protocols for the decision making and implementation process of the entity, aimed to prevent the commission of crimes; c) Identify appropriate financial resource management systems to prevent the commission of crimes; d) Set forth reporting obligations for the Supervisory Body; e) Enforce appropriate disciplinary measures to sanction non-compliance with the provisions of this Model.”*

In addition, the Confindustria Guidelines describe the steps the entity shall take to implement a risk management system that complies with the provisions of the Decree.

To prepare this Model, the Company activities have been analysed giving due consideration to the nature and scope of its business and organizational structure. As a result, the following steps have taken:

1. Checklist and identification of business activities deemed potentially at risk of crime, through interviews to management and heads of the various departments, and mapping of the so-called sensitive activities, namely Company activities in the context of which crimes envisaged by the Decree may be committed;
2. Assessment of the potential risk of commission of crimes;
3. Assessment of the control system in place and identification of control measures to be implemented to prevent or mitigate the risk of crime.

The Confindustria Guidelines envisage the implementation of the following key control tools: (i) Code of Ethics (or of Conduct); (ii) an adequately updated, structured and transparent organisational system; (iii) manual and IT procedures; (iv) approval and signatory authority; (v) communication to and training of personnel; (vi) integrated control systems. In addition to the above listed control systems, to prevent general intent crimes against occupational health and safety and crimes against the environment, the following control measures also apply: (i) training and engagement; (ii) operations management; (iii) monitoring mechanisms.<sup>6</sup>

Control systems shall be based on the following principles: (i) demonstrability, traceability, consistency and appropriateness of any transaction and activity; (ii) separation of duties, whereby transactions shall be approved by someone other than the person in charge of recording, performing and overseeing the transaction (*“No one shall manage the entire process autonomously”*<sup>7</sup>) (iii) audit walkthrough.

The system of preventive controls, implemented by all entities, regardless of whether they are large-, medium- or small-sized, is such that: (i) it can be circumvented only in a

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<sup>6</sup> In this regard, it should be noted that according to the Confindustria Guidelines (page 36) the control tools listed above "shall be integrated into an organic system, where not all of them must necessarily coexist and where possible weakness of one of them can be counterbalanced by the strengths of one or more of the others. This applies primarily but not exclusively to small companies, from which it is unrealistic to require implementation of all the complex control tools available to large organisations. Therefore, depending on the size of the company, only some control tools may be implemented, while others may be excluded (either because they may be already included in the business model or have already implemented in a very simplified manner."

<sup>7</sup> Confindustria Guidelines, page 44

fraudulent manner when malicious crimes are committed; (iii) despite strict compliance with the monitoring obligations of the Supervisory Body, it might be hacked despite strict compliance with the monitoring obligations of the Supervisory Body.

#### **4.2 Purpose of this Model**

The main purpose of this Model, adopted by Villa Erba pursuant to Decree No. 231/01, is to lay down corporate rules on business activities (referred to as "sensitive" in the Decree), with the aim to guarantee compliance with the Decree through improved internal control and corporate governance. This Model sets out principles, rules and control procedures aimed at preventing the commission of the crimes described in Decree No. 231/01.

The above aims to:

- Inform all internal members and external collaborators that some behaviours may trigger individual and Company liability and may lead to the administration of civil penalties;
- Inform shareholders, stakeholders and the general public that Villa Erba has always conducted business based on ethics and compliance with the rule of law;
- Guarantee proper conduct of internal staff and external collaborators who act in the name and on behalf of the Company, by implementing all applicable measures to minimize the risk of commission of crimes.

As outlined in the preamble, the Code of Ethics approved by Villa Erba on 23 April 2015 and the Model for Organisation and Management of Occupational Health and Safety, pursuant to Section 30 of Decree No. 81/2008, based on which the Company has analysed business context, the activities performed by the Company and relevant risks as foreseen by the aforementioned Decree, are an integral part of this Model.

As provided for by the law, Villa Erba will make all the updates to this Model necessary to keep up with regulatory amendments and with major changes in the Company

and/or in the business context in which Villa Erba conducts business. In particular, the Company adopted this Model following Board resolution of 29 May 2018 and updated it on 26 June 2019. Amendments thereto fall within the competence of the Board of Directors, but if otherwise deemed necessary, the Supervisory Body may also propose such amendments.

#### **4.3 Recipients**

This Model applies to the Company directors, executives, statutory auditors, internal collaborators, and primarily to anyone who is engaged in sensitive activities. The provisions contained therein apply to senior managers and staff alike. The latter shall be adequately informed and trained on the contents of this Model. Furthermore, this Model is applicable to all those who, although not belonging to Company staff, are legally bound to it because they do business or act on behalf or in the interests of the Company (including, but not limited to, partners, agents, suppliers and consultants and in general, third parties, natural persons and/or legal entities whom the Company does business with).

In exercising their functions, the Recipients shall therefore comply not only with the applicable laws and regulations, but also with all the provisions of this Model, of the Code of Ethics and of the Model for Organisation and Management of Occupational Health and Safety, pursuant to Section 30 of Decree No. 81/200, and with the policies and procedures needed to implement this Model.

#### **4.4 Predicate Crimes applicable to Villa Erba**

During the interviews to Company management and in the analysis of its business activities, the Company has classified the following crimes, included among predicate crimes referred to in the Decree, as significant and therefore potentially committable.

- Crimes in dealings with government and private-to-private corruption;
- Cybercrimes and unlawful processing of data;
- Corporate crimes;
- Domestic and translational organized crime;

- Manslaughter and serious injuries committed in violation of the rules on occupational health and safety;
- Criminal copyright infringements, forgery of money, credit cards, tax stamps, written instruments or otherwise counterfeit marks
- Crimes against industry and trade;
- Inducement not to make or make false statements before a Judicial Authority;
- Environmental crimes;
- Employment of irregular migrant workers from third countries;
- Possession of stolen goods, laundering and use of money and assets of criminal origin and self-laundering.

Crimes related to terrorism and subversion of democracy (Section 25-quater), female genital mutilation (Section 25-quarter 1), crimes against persons (Section 25-quinquies), market abuse (Section 25-sexies) and hate crimes (Section 25-terdecies) are not applicable to Villa Erba, because its business activities do not lead to the commission of such crimes.

Moreover, the Company has included in this Model crimes envisaged by Section 353 and 353-bis of the Italian Criminal Code, even if they are not listed among the predicate crimes the Decree. These are considered as quasi-inchoate crimes, preparing for crimes against government that trigger administrative liability of entities and legal persons. Villa Erba acknowledges that the provision of controls and control mechanisms aimed to further reducing the likelihood of commission of the crimes, in particular of those related to dealings with government, is tangible evidence of its compliance with the rule of law, transparency and ethics in the conduct of business.

## **5. The Supervisory Body of Villa Erba S.p.A.**

### **5.1 Preamble**

As referred to in subparagraph (i), letter b), Section 6 of the Decree, the Company may be exempt from liability triggered by predicate crimes, provided that the Board has assigned the task of monitoring compliance and updating this Model to a corporate body vested with autonomous powers of initiative and control (hereinafter

“**Supervisory Body**” or “**SB**”). Assignment to and proper fulfilment of such tasks by the Supervisory Body are a precondition for being exempt from liability. As referred to in subparagraph (iv), Section 6 of the Decree, small-sized companies may assign such tasks to Board of Directors. Pursuant to the provisions of Confindustria Guidelines, if an entity does not want to avail itself of such option, the sole member structure might well guarantee performance of the tasks assigned to the SB.<sup>8</sup>

It should be noted that, following approval of the Model for Organisation and Management of Occupational Health and Safety pursuant to Section 30 of Decree No. 81/2008, Villa Erba has appointed a Supervisory Body composed of a sole outside member. Given the scope of this Model (which is intended to ensure compliance with the provisions of Decree No. 231/01, as long as the crimes covered in the Decree are potentially relevant for the Company), the Board of Directors has deemed it appropriate to set up a collegial body, composed of outside members and structured as foreseen by this Model. This new collegial body adds its know how in the field of legal affairs, economics, risk management and monitoring to the SB’s expertise in occupational health and safety-related risks, with the aim to ensure adequate monitoring of the implementation, compliance and updating of this Model by the SB and prevent commission of the crimes envisaged by the Decree.

## **5.2 Tasks of the SB**

Pursuant to the joint provisions of Sections 6 and 7 of the Decree and of the Confindustria Guidelines, Villa Erba sets up an independent and autonomous SB, well versed in the management of risks related to the business activities of the Company. Specifically, the SB performs the following tasks:

- Assessment of the effectiveness of this Model, i.e., of compliance of the business conduct with the provisions contained herein;
- Assessment of the adequacy of this Model, i.e., of its real, and not merely theoretical capability to prevent any misconduct;

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<sup>8</sup> Confindustria Guidelines, page 82

➤ Assessment of the soundness and performance of this Model over time and execution of the necessary dynamic updating, should analysis indicate the need for adjustments or amendments.

### **5.3 Requirements for Members of the SB**

Villa Erba selects the members of the SB according to the following requirements:

(i) **Autonomy and Independence**

These are two key requirements and are based on the assumption that the SB supervises management activities without being directly involved in them. The supervisory activities are not subject to any interference by nor influence of any company member; the SB reports directly to the top management of the Company, i.e. to the Board of Directors and, where applicable, to the Statutory Auditors and Shareholders; to ensure objective judgement, the SB has no operational duties, nor is it involved in operational decisions or operating activities; the operating principles of the SB are laid down and enforced by the SB.

(ii) **Professionalism**

The SB is provided with the appropriate tools and techniques to exercise its supervisory, advisory and legal functions and analyse the control systems as effectively as possible. For the exercise of its functions, the SB may - under its own supervision and responsibility - source company officers and staff and external consultants. Moreover, to provide the SB with expertise useful or necessary to exercise its functions with due professionalism and autonomy, a dedicated budget is allocated to the SB to source, if necessary, supplemental external experts. The SB is therefore entitled to source external talents to acquire additional expertise in the fields of legal affairs, company organisation, accounting, internal controls, finance and occupational health and safety.

(iii) **Continuity of action**

The SB conducts continuous monitoring of the adequate and effective implementation of this Model, with all reasonable efforts and powers of investigation. Continuity means that the activity of the SB shall not be limited to periodic meetings of its members, but that such activity shall be based on an action plan and on continuous monitoring and assessment of the crime prevention system of the Company. The SB is responsible for the implementation and updating of this Model. Moreover, the SB does not perform operational tasks that might affect its work and keeps the top management constantly informed about its monitoring activity.

(iv) Fit and proper person

The SB members shall not discharge any of the following ineligibility and/or incompatibility conditions:

- Be subject to court-ordered interim and conservative measures pursuant to Decree No. 159 of 6 September 2011 («Code of Anti-mafia Laws and Interim and Conservative Measures and the latest provisions on anti-mafia documentation, pursuant to Sections 1 and 2 of Law No. 136 of 13 August 2010»);
- Be investigated on or convicted for one or more crimes envisaged by the Decree or for any malicious crime, even with a non-final order pursuant to Section 444 et seq. of the Italian Criminal Code or with a suspended sentence, without prejudice to the effects of rehabilitation;
- Be disqualified, incapacitated, or bankrupt or have been sentenced, even if with a non-definite sentence, to a penalty that entails the interdiction, even temporary, from public offices or the inability to exercise managerial offices.

The occurrence of even one of the aforementioned conditions results in the ineligibility to the office of SB member.

#### **5.4 Term of Office, Appointment, Termination, Removal and Replacement**

After having checked whether the conditions referred to in the previous sections have been discharged, the Board of Directors appoints the Supervisory Body by means of an appropriate resolution that sets the term of office (three years). Members of the Supervisory Body can be re-elected. After formal acceptance by the appointee, notification of such appointment is sent to all the corporate functions through the internal communication channels. The Board of Directors shall regularly check adequacy of the Supervisory Body in terms of organizational structure and powers, and shall make all necessary changes and/or additions through an appropriate resolution. The SB members stay in office for the entire term, regardless of changes in the composition of the Board who has appointed them. This principle does not apply if the Board of Directors is renewed following commission of a crime that has triggered (or might trigger) liability of the Company and/or its Directors. In this case, the composition of the SB is determined by the newly appointed Board of Directors.

In addition to incumbent's death or voluntary resignation, the office of an elected member of the Supervisory Body is deemed vacant upon termination and revocation.

Members of the Supervisory Body will be automatically terminated if they do no longer meet the fit and proper person requirements referred to above. Without prejudice to automatic termination, members of the Supervisory Body can be terminated only for just cause. The decision of the Board of Directors must be substantiated and be preceded by the opinion of the Board of Auditors. The reasons for just cause termination referred to in this Model include:

- Failure to fulfil one's duties as member of the Supervisory Body;
- Lack of good faith and due diligence in the exercise of one's functions;
- Non-attendance to more than two consecutive SB meetings for no justifiable reason.

In the event of resignation or automatic termination of a full member, the Supervisory Body shall immediately inform the Board of Directors, who will settle the matter without delay. The Chairman or the most senior member shall promptly inform the

Board of Directors of the emergence of circumstances that require replacement replace an SB member.

## **5.5 Powers**

In order to oversee the correct implementation of this Model, the Supervisory Body has been vested with powers and functions that must be exercised in compliance with the law and the rights of workers and stakeholders. In particular, the Supervisory Body has been vested with the power to:

- Issue provisions and work orders aimed at regulating the activity of the Board;
- Have access to all levels of the Company to obtain information or data necessary for the fulfilment of the tasks envisaged by the Decree;
- Request information or documents concerning sensitive activities, Company employees and, if necessary, Directors, Board of Auditors, people in charge of accident prevention and occupational health and safety, appointed pursuant to the relevant regulations, and Consultants, Partners and, in general, the Recipients of this Model;
- Conduct regular inspection, also indirectly but under its own responsibility;
- Make periodical assessments of this Model and, where necessary, recommend amendments and updates thereto to the Board of Directors;
- Conduct random checks on the most important deeds and agreements entered into by the Company in relation to sensitive activities, and guarantee compliance with the provisions of this Model;
- Evaluate and choose, with the help of the Company, training courses on the subject areas envisaged by Decree No. 231/2001;
- Submit a written report to the Board of Directors on a yearly basis;
- Notify the Board of Directors of any violation of this Model and recommend enforcement of appropriate disciplinary measures to the Board of Directors.

The SB does not have, nor shall be vested (even if it serves as a replacement) with managerial, decision-making, organisational or intervention powers with respect to the running of the Company.

## **5.6 Flow of Information to and from the SB (aka “Whistleblowing”)**

As foreseen in subparagraphs (ii) and (ii-bis), Section 6 of the Decree, one of the key features of this Model is the corporate structures’ duty to report to the SB any useful information on operations and transactions aimed at facilitating the SB in monitoring the effectiveness of this Model.

Employees, managers and, in general, all those who, based on their business relationship with the Company, contribute to the achievement of the corporate goals, shall be informed of the duty to promptly report to the SB any actual or alleged violation of this Model or the Code of Ethics. In particular, the SB must be promptly notified of facts, information, measures by and/or news from law enforcement officers or any other authority, which might suggest initiation of an investigation (also with respect to unknown suspects) into the crimes envisaged by the Decree; of requests for legal assistance made by managers and/or employees because of legal action taken against them for the crimes envisaged by the Decree; of reports by heads of the Company departments that might reveal facts, deeds, circumstances or omissions of critical importance for the compliance with the provisions of the Decree; of any news concerning the proper implementation of this Model at all levels of the Company, showing evidence of disciplinary measures, imposed sanctions or orders stating the reasons for dismissal of disciplinary measures. Law No. 179 of 30 November 2017 (aka "Whistleblowing") added subparagraph (ii)(bis) to Section 6 of the Decree, which describes the mandatory features of the whistleblower reporting channels, to protect those who report crimes or irregularities discovered while performing their jobs. Consequently, such reports shall provide "details of gross misconduct " and " be based on precise and consistent factual elements or on violations of the Organisational and Management Model for the entity (...)" and shall be submitted through dedicated reporting channels, provided by the Company to keep the identity of the whistleblower strictly confidential, also via IT systems. All Recipients shall promptly inform the

Supervisory Body of any violations of this Model through reporting channels that guarantee confidentiality pursuant to subparagraph (ii) (bis), Section 6 of the Decree, or by sending communication to the following dedicated email address: odv@villaerba.it.

Reports by whistleblowers must detail facts, persons, and acts of omission and commission that contravene the oversight protocols of the Company or might suggest violation of this Model and/or the Code of Ethics. Whistleblower reports and documentation filed with and handled by the SB will be stored by the SB in a dedicated archive for the entire life of the Company.

The SB shall forthwith inform the Board of Directors of any critical issues or circumstances discovered in one of the areas of risk envisaged by this Model. Should critical issues emerge, the SB shall submit a preliminary or corrective action report to the Board of Directors and to the Board of Auditors, at least once a year. The SB shall promptly inform the Board of Auditors of any violations involving the top management of the Company and of any irregularities found in this Model.

The Board of Directors may at any time convene the SB and the SB may convene the Board of Directors for any urgent matter.

## **6. Discipline Policy**

### **6.1 Preamble**

Pursuant to subparagraph (ii) letter e) of Section 6 and subparagraph (iv) letter b) Section 7 of Decree No. 231/01, this Model shall envisage a discipline policy aimed at administering appropriate disciplinary measures for non-compliance with the provisions contained therein.

The discipline policy illustrated above is already contemplated in this Model for Organisation and Management of Occupational Health and Safety, implemented by Villa Erba pursuant to Section 30 of Decree No. 81/2008. This Model adopts the same discipline envisaged by the Model for Organisation and Management of Occupational Health and Safety, pursuant to Section 30 of Decree No. 81/2008, and adds to it

appropriate disciplinary measures for non-compliance with the provisions contained herein and in the Code of Ethics.

Discipline policy acts as a deterrent, since non-compliance with the provisions of this Model activates appropriate disciplinary measures, regardless of whether criminal proceedings for the potential crime have been initiated or not. Hence, the disciplinary policy referred to in this Model is an internal oversight tool that supplements and precedes sanctions imposed by court proceedings. Discipline policy is intended to complement, not to replace, the disciplinary rules established by the Collective Labour Agreement (CLA) applicable to the Company employees. The discipline policy illustrated herein is based on proportionality (i.e. disciplinary action reflects the severity of the alleged crime) and on the adversarial principle (i.e. involvement of the defendant in the proceedings, to allow him/her to provide explanations for his/her conduct and defend himself/herself against specific charges).

## **6.2 Recipients**

Discipline policy is applicable to all senior executives, namely those who represent, manage or direct the Company (including, but not limited to, directors, managers, the person acting as employer or as an agent of the employer) and, in general, to those who, de facto, manage and control the Company. Discipline policy is applicable also to staff, i.e. employees who have an employment relationship with the Company through full- or part-time contracts, to anyone who is linked to the company as subordinate or quasi-subordinate collaborator and professional, to agents, partners, external collaborators, consultants and to any third party who has a contractual relationship with the Company. Procedures for the enforcement of disciplinary measures referred to herein take into account the legal status of the person against whom legal proceedings are initiated. In any event, the SB shall be involved in the disciplinary procedure. The SB is in charge of monitoring violations of this Model and is required to promptly inform the Board of Directors and the person acting as employer of proven violations of the provisions that regulate occupational health and safety. Disciplinary proceedings and enforcement of disciplinary measures fall within the competence of the department exercising the disciplinary function.

Violations of the standards and provisions contained herein, in the Code of Ethics, in the Model for Organisation and Management of Occupational Health and Safety pursuant to Section 30 of Decree No. 81/2008, and in the organisational policies and procedures that regulate activities deemed potentially at risk of crime under the Decree, will be sanctioned pursuant to the discipline policy.

### **6.3 Disciplinary Measures Applicable to Employees**

Disciplinary measures applicable to employees are the same as those provided for by Section 7 of Law No. 300/1970 and are listed below. Dismissal for disciplinary reasons can be appealed in accordance with the "Rules on individual dismissal", envisaged by Law No. 604 of 15 July 1966. Disciplinary measures are established on the basis of the assessment of accurate and consistent elements of fact and on the principle of "Progressive Discipline".

Typically, progressive discipline applicable to violation of the rules referred herein includes:

#### a) Disciplinary measures that do not result in termination of employment

1. Verbal reprimand – applicable in case of:

- Violation of the internal procedures and policies envisaged herein, for “non-compliance with the provisions of the service”, i.e. for “poor task performance;”
- “Tolerance of irregularities in service” i.e. “non-compliance with duties or service obligations, with no consequences to the service or the interest of the Company.”

2. Written reprimand – applicable in case of:

- Minor misconduct that might be sanctioned with a verbal reprimand but might have a critical impact because it has become a past practice (i.e. a repeated violation of internal procedures and policies envisaged by this Model, or a frequent conduct that goes against the provisions of this Model);

- A Supervisor's repeated failure to report or tolerance of lesser-included offences by other staff members.

If disciplinary measures are more severe than a verbal reprimand, a written complaint must be made to the employee explaining in detail the offence committed. Disciplinary measures can be administered no earlier than five days from the filing of the written complaint, to give the employee enough time to justify his/her behaviour and be assisted by a trade union representative. Disciplinary measures must be properly substantiated and communicated in writing. The employee may provide his/her justifications verbally. Disciplinary rules concerning applicable sanctions, violations that may be subject to disciplinary action and complaints procedures must be communicated to workers through the appropriate communication channels, accessible to all.

3. Suspension from work without pay for any longer than ten days – applicable in case of:

- Non-compliance with the internal procedures and policies envisaged herein;
- Failure to report or tolerance of major offences committed by other staff members, which might pose a threat to or might have a negative impact on the Company.

#### b) Disciplinary measures that results in termination of employment

1. Dismissal for justifiable reason – applicable in case of:

- Violation of one of more provisions of this Model through a conduct that might lead to the enforcement of sanctions against the Company pursuant to Law No. 231/01;
- Severe non-fulfilment of the employee's contractual obligations for reasons concerning production activities, their scheduling and regular performance (Section 3 of Law No. 604/66);

2. Dismissal for just cause, pursuant to Section 2119 of the Italian Civil Code – applicable in case of:

- Conduct that blatantly violates the provisions of this Model and triggers disciplinary measures against the Company pursuant to Decree No. 231/2001 because it is considered "wilful violation of laws, regulations and duties to the detriment of the Company or of a third party;"
- Conduct that might lead to the commission of the crimes envisaged by Decree No. 231/01.

#### **6.4 Disciplinary Measures Against Senior Executives**

In the event of violation of this Model by senior executives and the person acting as employer, the SB shall forthwith give written notice thereof to the Board of Directors and, if need be, to the Shareholders' Meeting. The governing body the perpetrator is a member of shall enforce disciplinary measures based on the severity of the violation, in accordance with the powers provided to the governing body by the law and/or by the Articles of Association.

#### **6.5 Disciplinary Measures Against Third Parties**

Any conduct by anyone who is linked to the Company as consultant, external collaborator, intern and third party, which goes against the provisions contained herein, aimed to preventing the commission of the crimes envisaged by Decree 231/2001, may result in immediate termination of the employment relationship, as provided for by contract clauses included in the letters of appointment and in the employment contracts and agreements.

The SB will make a thorough assessment of such conduct, and after having heard the opinion of the person acting as employer (if the violation concerns occupational health and safety) and of the Board of Directors (subject to written notice to the party involved), the SB shall forthwith send written notice to the Board of Directors and, in more severe cases, to the Shareholders' Meeting.

The SB shall assess whether it is advisable to include the aforementioned clauses in the employment contract, in the framework of the activities deemed potentially at risk of crime referred to in the Decree.

## **6.6 Progressive Discipline**

Violation severity will be assessed on the basis of the following factors:

- Time and nature of the violation;
- Level of intentionality (if any)
- Extent of damage or risk caused to the Company, its employees and shareholders as a result of the violation;
- Foreseeable consequences;
- Circumstances under which the violation has been committed.

Past practice is considered an aggravating circumstance and is therefore subject to more severe disciplinary measures.

## **6.7 Establishment of Disciplinary Measures**

As far as the assessment of violations is concerned, a distinction shall be made between company employees and self-employed contractors.

The discipline policy applicable to employees is the same as the policy envisaged by the "Workers' Bill of Right" (Law No. 300/1970) and by the industry-wide collective bargaining agreement in force. Consequently, also violations of the provisions contained herein must be without prejudice to the powers already granted and within the limits of relevant competences; the SB shall in any case be involved in the violation assessment procedure and the enforcement of disciplinary measures for violations of the provisions contained herein.

Disciplinary measures may not be dismissed nor administered without prior notice to and opinion of the SB, even when the recommendation to initiate disciplinary proceeding has been put forward by the SB. In the event of violations of the health and

safety provisions, as notified by the SB, disciplinary proceeding against self-employed contractors will be managed by the Board of Directors and the person acting as employer.

## **7. Communication of this Model and Training**

The strategy for communicating this Models and the principles contained herein to the public shall be formulated by the Board of Directors and implemented by the relevant corporate functions, who will ensure circulation among and in-depth knowledge by external recipients and the general public through the most appropriate means, including the Company website.

Training in this Model and in the Code of Ethics will be decided by the Human Resources Department, in collaboration with the SB. Training shall ensure circulation and in-depth knowledge of this Model and the Code of Ethics among all internal Recipients.

Training courses may vary according to whether they are offered to employees in general or to people operating in specific risk areas, managers, directors, etc. Said courses will take into account skills and expertise of the recipients.

Training for the purpose of implementing this Model is mandatory for all Recipients and is managed by the Company in close cooperation with the SB, who is committed to ensuring a timely and effective training.

The Company is committed to ensuring traceability of training courses, attendance, learning level assessment and course satisfaction.

Training is be provided by experts in the subject areas envisaged by the Decree.