

CARLO GAVAZZI IMPIANTI S.p.A.

ORGANISATIONAL, MANAGEMENT and CONTROL MODEL
in accordance with Italian Legislative Decree 231/2001

GENERAL SECTION

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1. ITALIAN LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001 AND PENALTIES WHICH MAY BE ADOPTED

Italian Legislative Decree no. 231 of 8 June 2001 concerning the "*Regulation of the administrative liability of legal persons, undertakings and associations, also without legal personality*" (hereinafter, "**Decree**"), implementing the delegation of legislative powers under article 11 of Law no. 300 of 29 September 2000, introduced a system of administrative liability for corporate entities, similar to criminal liability, whenever certain specific types of criminal offence are committed in the **interest** or for the **benefit** of said Entities by:

- a) persons who hold representation offices, whether within the company or on a voluntary basis and administration or management functions of the entity or of one of its organisational units (with financial and functional autonomy) or who exercise, also *de facto*, the management and control of the entity (so-called "**senior**" management);
- b) persons subject to the management or supervision of one of the individuals referred to under letter a (so-called "**subordinates**").

This law set aside the old principle of *societies delinquere non potest*¹, establishing an independent liability for the legal person.

As for the recipients of the new form of liability, the Decree specifies that they are "*entities with legal personality, undertakings and associations also without legal personality*". By contrast, the State, regional or local governments (regions, provinces, municipalities and mountain communities), non-economic public bodies and, in general, all bodies which perform functions of constitutional relevance (Chamber of Deputies, the Senate of the Italian Republic, the Constitutional Court, the General Secretariat to the Presidency of the Italian Republic, the C.S.M. (the Judiciary Internal Supervisory Board) and the CNEL (Government advisory body on employment-related issues) are excluded from the category of recipients.

For the purpose of establishing administrative liability, in accordance with the Decree, under Section III of Chapter I of the Decree, only specific types of criminal offences are identified as offences which are liable to prosecution (so-called predicate offences).

Having clarified these points, in accordance with article 9 of the Decree, the penalties which can be adopted against entities, following the commission of the criminal offence, are:

- i. monetary penalties: they are afflictive (penalty measures) and non-compensatory and are calculated on the basis of a quota system (with a number not less than one hundred or greater than one thousand), and they are determined by the court, based on the seriousness of the act and the degree of liability of the Entity and the actions taken by the Entity to eliminate or mitigate the consequences of the unlawful act and to prevent the commission of further offences. The amount of each quota is established by law and is determined by the court considering the financial position and the assets of the Entity. The amount of the monetary penalty, therefore, is determined by multiplying the first factor (quota number) by the second (quota amount);
- ii. disqualification penalties: these are [article 9(2)]:
 - disqualification from conducting business operations;
 - suspension or revocation of authorisations, licences or concessions related to the commission of the criminal offence;
 - a ban on contracting with the public administration, except for obtaining a public service; this ban may also be restricted to certain types of contracts or to specific public authorities;
 - exclusion from receiving relief, loans, grants or subsidies and possible revocation of those already granted;
 - a ban on advertising goods or services.
- iii. confiscation (mandatory penalty, as an outcome of any conviction)
- iv. publication of the sentence

The disqualification penalties have the feature of restricting or conditioning corporate operations, and, in the most serious cases, they may even lead to paralysing the Entity (disqualification from trading); they also have the purpose of preventing conduct related to the commission of criminal offences. Such penalties are adopted, as previously stated, in the cases expressly provided under the Decree, on at least one of the following conditions being satisfied:

- a) the Entity has gained a significant benefit from the criminal offence and the criminal offence was committed by persons holding senior positions or by persons subject to another person's management when, in such case, the criminal offence committed was determined or facilitated by serious organisational shortcomings;
- b) repetition of criminal offenses.

¹ Up to such time, the law excluded that a legal entity could appear as a defendant in criminal proceedings.

The disqualification penalties have a duration of not less than three months and no more than two years; in more serious situations, it is possible to adopt the disqualification penalties permanently (Decree article 16). It should be noted that Decree article 15 provides that, in lieu of adopting the disqualification penalty, the court may appoint a commissioner for permitting continuation of the entity's operations for a period corresponding to the length of the disqualification penalty.

It appears opportune to specify that Decree article 45 provides for the adoption of the disqualification penalties under article 9(2), also as a precautionary measure, when serious indications exist for holding that the liability of the entity for an administrative offence is dependent on a criminal offence, and there are well-founded and specific elements for holding that there is a tangible risk a criminal offence will be committed of a similar nature to the one which is being prosecuted.

Finally, it should be noted that the Judicial Authority may also order:

- precautionary attachment of property which may lawfully be confiscated (article 53);
- attachment of the Entity's movable and immovable property, whenever there is justified reason for holding that there are no guarantees or guarantees have been impaired regarding payment of the monetary penalty, the costs of the proceedings or other sums due to the State (article 54).

2. THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AND GUIDELINES DEVELOPED BY TRADE AND BUSINESS ASSOCIATIONS

2.1. The Provisions under the Decree

The Legislator recognises, under articles 6 and 7 of the Decree, specific forms of exemption from administrative liability of the Entity.

Specifically, article 6(1) requires that, in the case the acts of a criminal offence are attributable to individuals holding senior management positions, the Entity shall not be held liable, if it can prove that:

- a) it has adopted and implemented, prior to the commission of the act, a management, organisation and control model (hereinafter also referred to as the "Model") suitable for preventing criminal offences similar to the one committed;
- b) it has appointed an independent body with autonomous powers, responsible for monitoring the operation of and compliance with the Model and providing for its regular revision (hereinafter also "Supervisory Board" "SB" or also "Board");
- c) the criminal offence was committed by fraudulently eluding the measures provided under the Model;
- d) there was no or insufficient oversight conducted by the SB.

The subject matter of the Model is identified under said article 6 and, specifically, paragraph (2) provides that the Entity shall:

- identify corporate activities where there is a greater risk of commission of criminal offences;
- provide for specific procedures addressing the decision-making processes and implementation of the Entity's decisions regarding the criminal offences to be prevented;
- identify operating procedures for managing financial resources appropriate for preventing criminal offences;
- provide for disclosure compliance to the SB;
- introduce a system of disciplinary measures appropriate for punishing non-compliance with the measures under the Model.

In the case of individuals in a subordinate position, the adoption and effective implementation of the Model means that the Entity will be required to respond only in the case the criminal offence was made possible by non-compliance with the management and supervision obligations (combined, referred to in article 7(1) and (2)).

Subsequent paragraphs 3 and 4 introduce two principles which, although falling within the aforementioned provision, appear relevant and decisive for the purpose of providing exemptive relief of the Entity from liability for both cases of criminal offences under article 5(a) and (b)).

Specifically, the following is provided:

- the Model is required to provide appropriate measures both for guaranteeing the conducting of business activities in compliance with the law, and for promptly discovering risk situations, taking into consideration the type of business activity performed and the nature and scale of the organisation;
- the effective implementation of the Model requires periodic monitoring and revision, whenever significant breaches of the legal provisions are discovered, or whenever significant organisational or regulatory changes occur; the existence of an appropriate disciplinary system (a condition, indeed, already provided under article 6(2)(e)).

Furthermore, it should be noted that, with specific reference to the preventive effectiveness of the Model with respect to criminal offences (criminal negligence) in matters of occupational health and safety, **article 30 of Italian Legislative Decree no. 81/2008** establishes that:

«the organisational and management model structured with the aim of providing exemptive relief against administrative liability of legal persons, undertakings and associations, also without legal personality, in accordance with Italian legislative Decree no. 231 of 8 June 2001, is required to be adopted and effectively implemented, ensuring a corporate system for legal compliance with:

- a) *technical and structural standards regarding equipment, plant, workplaces and chemical, physical and biological agents;*
- b) *risk assessments and the adoption of resulting prevention and protection measures;*
- c) *organisational activities, such as emergencies, first response and internal emergency plans, tender contract management, periodical safety meetings and consultations with workers' safety representatives;*
- d) *health monitoring activities;*

- e) worker information and training;
- f) supervisory activities, with reference to compliance with procedures and work instructions by workers;
- g) obtaining documentation and certificates required by law;
- h) periodic audits on the implementation and effectiveness of the procedures adopted².

In the light of the foregoing, therefore, it can be clearly seen that the adoption and effective implementation of an appropriate Model is, for the Company, an essential prerequisite for benefitting from the exemptive relief provided by the Legislator.

2.2. The Guidelines developed by Trade and Business Associations

Article 6(3) of the Decree provides that the Model may be adopted based on codes of conduct prepared by trade and business associations representing the entities, notified to the Ministry of Justice, which may, in turn, formulate observations.

The first Association to prepare a guidance document for the building of models was Confindustria - the Confederation of Italian Industry - which, in March 2002, issued the first Guidelines, subsequently amended and updated in part in May 2004, then again in March 2008 and, finally, in March 2014 (hereinafter also "**Guidelines**")³.

The Confindustria Guidelines therefore constitute an essential starting point for building the Model.

In brief, said Guidelines recommend:

- mapping the corporate risk areas and the activities where potentially predicate offences may be committed through specific operating procedures;
- identifying and setting up specific procedures for scheduling the decision-making processes and implementation of corporate decisions for the criminal offences to be prevented;
- identifying a Supervisory Board with independent powers of action and control and with an adequate budget;
- identifying specific disclosure compliance to the SB on the main corporate events and, specifically, on the activities deemed at risk and specific disclosure compliance by the SB to the corporate management and the control bodies;
- adopting a code of ethics that identifies the corporate standards and policies and acts as a guide to conduct for recipients of the model;
- adopting a disciplinary system, appropriate for punishing non-compliance with the standards under the Model.

² Also, in accordance with the second letter of article 30: *"The organisational and management model shall provide for appropriate systems for recording successful completion of the activities. The organisational model is required in any case to provide, to the extent required by the nature and scale of the organisation and by the type of operations conducted, a functions' structure which ensures the technical competences and powers necessary for auditing, assessing, managing and controlling the risk, as well as a disciplinary system appropriate for punishing non-compliance with the measures under the Model. The organisational model shall further provide for an appropriate control system on the implementation of the Model and on maintenance over time of the conditions of suitability of the adopted measures. Review of and any amendment to the organisational model shall be adopted whenever significant breaches of occupational health and safety standards are discovered or, whenever changes to the organisation and its operations come about, as a result of scientific or technological advancements. On first-time adoption, the corporate organisation models, defined in accordance with UNI-ENAIL guidelines for an occupational health and safety management system (OHSMS) dated 28 September 2001, or in the British Standard OHSAS 18001: 2007 are deemed to comply with the requirements under such article, in respect of the corresponding sections. For the same purposes, other corporate organisation and management models may be indicated by the Commission referred to in article 6"*.

³ All Confindustria Guideline versions were deemed adequate by the Ministry of Justice (with reference to the 2002 Guidelines, please see "Ministry of Justice Memorandum" dated 4 December 2003; for the 2004 and 2008 updates, please see "Ministry of Justice Memorandum dated 28 June 2004 and "Ministry of Justice Memorandum" dated 2 April 2008 and, for the update of March 2014, see "Ministry of Justice Memorandum" dated 21 July 2014).

3. THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL OF CARLO GAVAZZI IMPIANTI S.P.A.

3.1. Caro Gavazzi Impianti S.p.A. OPERATIONS

CARLO GAVAZZI IMPIANTI S.P.A. (hereafter also "**CARLO GAVAZZI IMPIANTI**" or "**Company**") is an undertaking whose corporate object consists in the study, design engineering and building, also turnkey, of power generation and distribution plants.

CARLO GAVAZZI IMPIANTI is an international contractor with many decades of experience gained in the implementation of EPC projects (*Engineering, Procurement and Construction*) regarding: *i.* "turnkey" plants for power generation from renewable sources (biomass and solar, etc.) and traditional fossil fuels; *ii.* electricity stations for the transmission, distribution and/or transformation of electricity; *iii.* electrical, instrumentation and control systems for industrial processes, such as: power generation, oil and gas extraction and processing and raw material processing; *iv.* Electro-mechanical systems and weak power (MEP) for large-scale infrastructures and works, such as hospitals, sports centres, subways/ railways, exhibition centres; *v.* plants built in the nuclear field, including the decommissioning (dismantling) of nuclear power stations.

The corporate culture, strongly focussed on project management, together with technical and technological expertise, guarantees proper execution of project works through the careful management and coordination of the different project stages.

CARLO GAVAZZI IMPIANTI is wholly owned by **BONATTI S.P.A.**, general contractor serving the Oil, Gas & Power industry and operating in several foreign markets - specifically, in North Africa and the Middle East - also through other foreign and/or locally formed entities and/or foreign branch offices.

The Company has its registered office in Milan, Viale Lunigiana, no. 45.

The Company operational headquarters are at **Assago, Comprensorio Milanofiori, Palazzo WTC, strada 1.**

The Company places high priority on the ethical aspects of corporate operations and, in order to further enhance its procedures, it has decided to comply with the provisions of the Decree in order to implement a system for mitigating the risk of irregularities or malpractice in the running of its business and, consequently, limit the risk of committing prosecutable criminal offences within the meaning of the Decree.

3.2. Preliminary actions for first-time adoption of the Company Model and subsequent revisions

For revising and updating the Model, the Company has scheduled the implementation of an action plan, with a view to conducting an in-depth analysis of the Company's organisational structure and operations.

From a methodological standpoint, as recommended in the Confindustria Guidelines, the analysis was launched by conducting an inventory and preparing a specific mapping of corporate activities.

The analysis was conducted both through a preliminary review of the available corporate documentation and by conducting interviews with the Company's representatives, also for the purpose of verifying compliance with said procedures.

On conclusion of this activity:

- a detailed and full list of **areas "at the risk of crime"** and/or "**sensitive activities**", i.e. corporate areas for which it was considered theoretically possible, based on the outcome of the analysis, that a risk of committing crimes existed, attributable, hypothetically, to the type of so-called predicate offences, provided under the Decree and presenting a prosecution risk for the Company;
- in addition, for each "area at the risk of crime" and/or "sensitive activity", the **criminal offences, which theoretically could be committed and/or certain possible ways for committing the criminal offences** considered, were identified.

3.3. Model structure

Once the above-mentioned preparatory activities were completed, the Model documents was designed and prepared.

Specifically, the Company Model consists of a General Section and several Special Sections prepared in relation to the types of predicate offences for which **CARLO GAVAZZI IMPIANTI** believes a risk exists of such offences being committed by senior managers or their subordinates, based on the risk analysis conducted.

As is known, numerous legislative interventions have progressively expanded the number and type of predicate offenses for which administrative liability of the Entity can be presumed.

The **CARLO GAVAZZI IMPIANTI** Model was therefore initially updated by adding the following new types of crime:

- **private sector bribery** (article 2635 of the Italian civil code), as amended by Italian Legislative Decree 38/2017;

- **private sector attempted bribery** (article 2635 *bis* of the Italian Civil Code) introduced by Legislative Decree 38/2017;
- **unlawful intermediation and exploitation of labour** (article 603 *bis* of the Italian Penal Code), introduced by Law no. 199/2016;
- **transport of illegal aliens within the territory of the State** (article 12(3)(3-*bis*) and (3-*ter*) of Legislative Decree 286/1998) introduced by Law 161/2017, reforming the Anti-mafia Code (Legislative Decree 159/2011);
- **aiding and abetting the permanence of illegal aliens within the territory of the State** (article 12(5) of Legislative Decree 286/1998) introduced by Law 161/2017, reforming the Anti-mafia Code (Legislative Decree 159/2011);
- **racism and xenophobia** (article 3(3-*bis*) of Law 654/1975) introduced by the so-called European Law 2017 (Law 167/2017).

The innovations introduced under Legislative Decree no. 7 and no. 8 of 2016 (so-called Decriminalisation Decrees should also be noted); both laws, while not introducing new predicate offences into the body of Legislative Decree no. 231/2001, have indirectly modified the applicable penalty system, since they have led to the redefinition of some types of criminal offences provided under article 24-*bis* of the Decree regarding **cybercrime and unlawful data processing**⁴.

Then, regarding **whistleblowing** (Law 179/2017 containing provisions for the protection of persons reporting criminal offences or irregularities of which they have become aware, in the context of their public or private-sector occupation) amended the “*General Principles*” section, by incorporating the new paragraphs 2-*bis*, 2-*ter* and 2-*quater* into the body of Decree article 6, as follows:

«2-*bis*. *The models under paragraph 1(a) provide:*

- a) *one or more channels that allow the individuals listed under article 5(1)(a) and (b) to submit, for protecting the integrity of the entity, detailed reports of unlawful conduct, within the meaning of this decree and based on precise and consistent factual elements or breaches of the organisation and management model of the entity, of which they have become aware, in the course of their occupational duties; these channels guarantee the confidentiality of the identity of the informant in reporting management activities;*
- b) *at least one alternative reporting channel, suitable for guaranteeing the privacy of the informant, using information systems;*
- c) *prohibition on retaliation or discriminatory acts, direct or indirect, against the informant, for reasons connected, directly or indirectly, to whistleblowing;*
- d) *under the disciplinary system adopted, in accordance with paragraph 2(e), penalties against individuals who breach whistleblower protection measures, as well as any person who files a report that is intentionally falsified or is seriously negligent and then proven to be unfounded.”*

«2-*ter*. *The adoption of discriminatory measures against the individuals who make the reports referred to in paragraph 2-*bis* may be reported to the National Labour Inspectorate, for the adoption of appropriate measures; in addition to the whistleblower taking such action, it may also be taken by the trade union organisation indicated by said informant»;*

«2-*quater*. *Retaliatory or discriminatory dismissal of the informant shall be null and void. Likewise, any change in rank or position, in accordance with article 2103 of the Italian civil code, as well as any other retaliatory or discriminatory measure adopted against the informant shall also be invalid. The burden of proof shall be on the employer, in the case of disputes arising regarding the imposition of disciplinary measures, or demotion, dismissals, transfers, or subjection of the whistleblower to any other organisational measure having direct or indirect adverse effects on working conditions, following the filing of the report, proving that such measures were based on reasons extraneous to the report itself».*

⁴ More specifically, Legislative Decree nos. 7 and 8 of 2016 provided amendments regarding the following criminal offences:

- Article 491-*bis* of the Italian penal code: the wording regarding “*private instruments*” was eliminated, replaced by “*the provisions under the same chapter regarding public instruments shall apply*”;
- Article 635-*bis* of the Italian penal code: the second paragraph has been replaced with “*whenever the act is committed using violence or the threat of violence or the abuse of the position of system operator, the penalty shall be a prison sentence from one to four years*”;
- Article 635-*ter* of the Italian penal code: the third paragraph has been replaced with “*whenever the act is committed using violence or the threat of violence or abuse of the position of system operator, the penalty shall be increased*”;
- Article 635-*quater* of the Italian penal code: the third paragraph has been replaced with “*whenever the act is committed using violence or the threat of violence or abuse of the position of system operator, the penalty shall be increased*”;
- Article 635-*quinqies* of the Italian penal code: the third paragraph has been replaced with “*whenever the act is committed using violence or the threat of violence or with abuse of the position of system operator, the penalty shall be increased*.”

Lastly, the **CARLO GAVAZZI IMPIANTI** Model was again updated through the inclusion of additional cases that have become a predicate offense by virtue of further regulatory measures:

- **embezzlement, abuse of office and fraud in public supplies** (articles 314, 323 and 356 of the criminal code), introduced by Law no. 3/2019;
- **tax offenses** (articles 2, 3, 4, 5, 8 (1) and (2 bis), 10, 10 quater, 11 Legislative Decree no. 74/2000), introduced by Legislative Decree n. 124/2019, converted by Law 157/2019, and by Legislative Decree no. 75/2020;
- **smuggling** (articles 282-292 Presidential Decree no. 43/1973), introduced by art. 5 (1) (d), Legislative Decree no. 75/2020.

GENERAL SECTION

Under article 6 of the Decree (and in accordance with the Guidelines), the Model is required to present three distinct pillars, necessary for implementing an adequate prevention and control system at the Entity;

I. Identification of the Company Activities where there is a risk of Criminal Offences being committed: risk mapping.

Article 6(2)(a) of the Decree requires, as a first action, that the Model provides for the so-called risk mapping: this requires analysis to be conducted of all activities performed by **CARLO GAVAZZI IMPIANTI** and the identification of the operational or decision-making stages that entail the risk of the commission of predicate offences.

It is clear the risk analysis may not be considered definitive and final; any changes that may concern both the Company's corporate organisation and its Operations, as well as the way in which these are performed, together with the constant extension of the scope of Predicate Offences, confirm the need for continuously monitoring and checking the mapping and revising it when necessary; as a result, it requires ongoing updating.

CARLO GAVAZZI IMPIANTI and the Supervisory Board will therefore jointly, each for their respective area of responsibility, integrate the risk mapping whenever necessary.

II. Structure of a preventive control system.

Under Article 6(2)(b) of the Decree, once the risk mapping is completed, specific procedures are required addressing decision-making processes and implementation of the Entity's decisions within the identified risk areas.

To this end, each Special Section of the Model shall provide detailed specific measures and procedures adopted for preventing or, however, robustly mitigating the risk of committing the criminal offences.

In addition to said procedures, which are prevention-directed, the Supervisory Board is expressly empowered and has a duty to conduct any inspections and investigations on single transactions or individual cases of corporate conduct.

Like the risk mapping, the procedures and remedies adopted may never be considered definitive and final: their effectiveness and completeness shall, on the contrary, be continuously reviewed and checked by the Supervisory Board, established for the purpose of control, and also with a primary task of recommending improvements, additions and amendments, it deems necessary to the Board of Directors from time to time.

Whenever internal procedures are updated and changed, the Company is required to forward such updates to the Supervisory Board. This transmission, if deemed necessary, may also take place prior to the approval of the aforementioned procedural changes, in order to obtain an advisory opinion from the SB regarding their implementation.

III. Appointment of the Supervisory Board.

The third essential pillar of the Model - and of the preventive and control system established and formalised under the same - is the identification of a Supervisory Board which shall provide, in accordance with the Decree:

- continuous monitoring of compliance with the provisions of the Model and the specific provisions and the procedures established thereunder, by all Recipients;
- constant and continuous assessment of the adequacy of the risk mapping and the procedures described in I. and II. herein;
- recommendation to the Board of Directors of all necessary amendments.

The Supervisory Board is a collegiate body within the Company but fully autonomous and independent.

The General Section, therefore, provides a review of the procedures adopted by **CARLO GAVAZZI IMPIANTI** for implementing the three-pillar approach described in the preceding sub-sections (I, II and III).

SPECIAL SECTION

In accordance with generally accepted guidance in the adoption practice of the Decree, and in accordance with the Guidelines, **CARLO GAVAZZI IMPIANTI** has opted to review each category of Predicate Offences in the Sections of the Model, where the individual offences, mapping risks for their commissions within the Company and corporate areas deemed to be particularly at risk, as well as rules of conduct, protocols and procedures adopted within the Company in order to prevent their commission are identified.

Considering the diverse nature of the various categories of predicate offences, **CARLO GAVAZZI IMPIANTI**, while adopting a general principle of caution and maximum prevention, has decided to prepare single Special Sections only for the predicate offence categories, for which there is an even minimum risk of an offence being committed. Therefore, those cases for which, within the Company and based on the assessment conducted, it was found that the risk of the commission of a criminal offence was practically nil, were intentionally omitted.

The individual Special Parts of the Model are therefore dedicated to reviewing the following types of criminal offenses:

- **Special Section A**, regarding criminal offences against the Public Administration;
- **Special Section B**, regarding corporate crimes (white collar crime);
- **Special Section C**, regarding criminal offences concerning occupational health and safety;
- **Special Section D**, regarding criminal offences concerning receiving stolen goods, money laundering, use of proceeds, goods or assets of unlawful origin and self-laundering;
- **Special Section E**, regarding cybercrimes and unlawful data processing;
- **Special Section F**, regarding criminal offences concerning infringement of copyright, against industry and trade;
- **Special Section G**, crimes against the Judicial Authority;
- **Special Section H**, regarding organised crime offences;
- **Special Section I**, regarding environmental criminal offences;
- **Special Section L**, regarding the labour exploitation of workers with an irregular residence permit;
- **Special Section M**, regarding tax offenses;
- **Special Section N**, regarding smuggling.

As part of the Special Sections, the following items have been indicated, following the methodological approach already described:

- i) areas deemed to be "at risk of crime" and "sensitive" activities;
- ii) the functions and/or services and/or corporate offices that operate in the areas at the "risk of crime" or "sensitive" activities;
- iii) criminal offences which could theoretically be committed;
- iv) the type of checks in place in the individual areas at the "risk of crime";
- v) the standards of conduct to be complied with in order to reduce the risk of committing criminal offences;
- vi) the tasks allocated to the SB in order to reduce the risk of committing criminal offences.

As a result of the risk mapping, **CARLO GAVAZZI IMPIANTI** therefore decided to exclude crimes in matters of terrorism or subversion of the democratic order and those against the person, racism and xenophobia - for which, in any case, the administrative liability of the Entity is provided - in consideration of the fact that, for these cases, no risks of committing such criminal offences exist, taking into account the specific nature of corporate operations.

CARLO GAVAZZI IMPIANTI also decided to omit criminal offences concerning market abuse in the Model, since the Company is not listed on regulated markets and, more generally, since it does not resort to public savings, it is not subject to the provisions under the Italian Consolidated Law on Finance [TUF] (Italian Legislative Decree 58/1998).

4. THE GOVERNANCE MODEL AND THE ORGANISATION STRUCTURE OF CARLO GAVAZZI IMPIANTI S.P.A.

4.1. The governance model

CARLO GAVAZZI IMPIANTI is a joint-stock company (S.P.A.) belonging to the Bonatti Group, wholly owned by **BONATTI S.P.A.** Considering the special features of its organisational structure and its operations, the Company has opted for the traditional *governance system*. The corporate *governance system* of **CARLO GAVAZZI IMPIANTI** is, therefore, currently as follows:

Shareholders' Meeting

In accordance with the Articles of Incorporation, the shareholders' meeting is competent to resolve on matters reserved to it by law or under the Articles of Incorporation.

Company management

With effect from 14 May 2018, the Company is managed by a Board of Directors composed of 6 members (specifically: 1 Chairman and 5 Directors).

Board of Statutory Auditors

The Board of Statutory Auditors is composed of three standing auditors and two alternates, appointed in accordance with article 2400 of the Italian civil code.

The Supervisory Board is entrusted with the task of oversight and control:

- a) on compliance with the law and the Articles of Incorporation;
- b) on compliance with standards of correct administration;
- c) on the adequacy of the organisational structure of the Company and its financial reporting system, also in respect of the reliability of the latter in representing the operating events in an accurate manner;

Independent auditing

Statutory audit of the accounts is exercised, in accordance with articles 2409 *bis* of the Italian civil code, as amended, by an independent firm of auditors.

4.2. The organisation structure

For the purpose of rendering immediately clear the role and responsibilities of each function, within the context of the corporate decision-making process, **CARLO GAVAZZI IMPIANTI** has prepared an organisation chart illustrating the entire corporate structure.

Corporate *governance* of **CARLO GAVAZZI IMPIANTI** is built on the following roles and functions:

- **Chairman of the Board of Directors:** coordinator and guarantor of the working of the Board of Directors, with specific powers over the primary Administration, Finance and Control Function (AFC);
- **Board of Directors:** operating and non-operating management (both operating and financial) and responsibility over matters of strategic importance;
- **Chief Executive Officer:** operating management and sharing with the Chairman of the BoD of specific powers regarding the AFC Function;
- **Direction Projects (Italy; Abroad):** oversight over the remaining line Functions.

CARLO GAVAZZI IMPIANTI has adopted a delegated powers system that provides for single signatory powers, powers of joint signature and powers which, instead, fall within the exclusive competence of the Board of Directors as a collegiate body.

The organisational structure of **CARLO GAVAZZI IMPIANTI** consists of Functions that, according to specific competences, conduct operations in the following "Areas":

- **Administrative and Financial Area**

Tasks and responsibilities:

General accounting; financial statements; consolidated financial statements; treasury planning; budgeting, project accounting (Project contracts), customer accounting (invoicing), company management control and, for each project, the checking of actual costs against the relevant budget.

- **Sales and Marketing Area**

Tasks and responsibilities:

promotion of the Company's products/services, in accordance with the Policies and guidelines established by **CARLO GAVAZZI IMPIANTI**; search and selection of market opportunities; liaison and coordination for preparing offers and checking completeness and compliance with provided time

planning/corporate strategies/Customer specifications and follow-up (including negotiation) until the signing of the Contract.

- **Contracts Administration Area**

Tasks and responsibilities:

examination of the contractual clauses both in the offer phase and in the execution phase of the Contracts stipulated with the Customers; support to the Commercial area and to the Sales Engineering area during the offer phase and the signing of Contracts; support to the Operational Area in the execution of the Contracts.

- **Anti-Bribery Area**

Tasks and responsibilities:

management of the aspects related to what supplied by the Company to ensure the ethical and moral principles of transparency and fight against corruption. In particular: verification of the consistency and adequacy of the System provisions to the requirements of the Laws / Standards in force and to the Company directives; execution of internal / external audits on corruption prevention aspects; support in promoting the provisions of the Anti-Corruption System.

- **Sales Engineering Area (Estimates)**

Tasks and responsibilities

Processing of Offers in compliance with scheduled timeframes/corporate strategies/Customer specifications; support to the Sales and Marketing area.

- **Technical Area**

Tasks and responsibilities:

Planning of the execution of Contracts and activities related to the development of Projects (Contracts) where the intervention of its specialists is required ("Factory" Final Testing and On-site Testing; Technical Assistance; Support to Procurement; Support to Sales Engineering).

- **Operational Area**

Tasks and responsibilities:

Management of activities connected with the execution of Contracts (product construction management; service, delivery management) in accordance with contractual provisions and in compliance with established timeframes/costs/quality requirements; checking compliance with Project (Contract) milestones with General Planning.

- **Human Resources Area**

Tasks and responsibilities:

Staff search, selection and recruitment; personnel administration; remuneration and incentive policies; staff advancement, training and information.

- **Quality Assurance Area**

Tasks and responsibilities:

Management of aspects connected with corporate standards and policies for ensuring the Quality of products to be built and services to be provided. Specifically: checking of the consistency and adequacy of the System standards with Legislation/Regulations in force and corporate directives; execution of internal/external audits on quality aspects; support in the disclosure of the System standards.

- **Occupational Safety, Industrial Hygiene, Environment Area**

Tasks and responsibilities:

Management of aspects connected with corporate policies on Occupational Safety/Industrial Hygiene and Environmental Protection. Specifically: checking the consistency and adequacy of the System standards with Legislation/Regulations in force and corporate directives; execution of internal/external audits on OHS&E aspects; support in the disclosure of the System standards.

- **Construction Area**

Tasks and responsibilities:

Execution of Construction Site operational activities in the execution of contracts; management of vehicles/equipment to be used on construction sites; management of equipment for testing/audits/inspections; monitoring of adherence of Project (Contract) milestones with relevant General Planning.

- **Procurement Area**

Tasks and responsibilities:

Purchase of materials/components/services and management (logistics) of Transportation of materials/components to the Destination Sites, in accordance with budgets (time and costs) provided and corporate Procurement Policies.

- **General Services Area (Headquarters)**

Tasks and responsibilities:

Management of the centralised services at the headquarters and maintenance of buildings/adjacent areas/ head office facilities; management of vehicles / equipment to be used on construction sites; management of equipment for tests / checks / inspections.

- **Information Communication Technology Area (ICT)**

Tasks and responsibilities:

Management of activities aimed at ensuring the efficiency and reliability of the Corporate Information System.

- **Social Performance Team (SPT)**

Tasks and responsibilities:

management of the aspects related to what supplied by the Company to ensure Corporate Social Responsibility. In particular: verification of the consistency and adequacy of the System provisions to the requirements of the Laws / Standards in force and to the Company directives; execution of internal / external audits on aspects of Social Responsibility; support in promoting the System provisions.

With effect from June 2018, a **Management Team (MT)** was established, an executive, intermediate governance body, tasked with optimising the effectiveness of the corporate organisational structure and improving cross-functional relationships through the sharing of goals and information.

The Management Team is a 7-person team with corporate responsibility functions and, namely:

- Chairman of the Board of Directors;
- Managing Director;
- Project Director (Italy; Abroad);
- Head of the Technical Area;
- Head of the Sales and Marketing Area;
- Head of the Purchasing Area;
- Head of the Construction Area.

5. SUPERVISORY BOARD

5.1. Identification of the Supervisory Board

The Supervisory Board of **CARLO GAVAZZI IMPIANTI** is an internal body with autonomous powers of action and control, which has the specific task of supervising the operating of and compliance with the Model and monitoring and reporting to the Board of Directors of the need, or simply the opportunity, for updating it.

The Supervisory Board is composed of three members, selected from individuals with proven competence and professionalism.

In light of the experience gained in practice and in compliance with the provisions of the Decree, the Company has decided to identify, as an internal member of the Supervisory Board, an employee who, with the necessary competences and professionalism, together with significant experience in the area of corporate policy, will be able to provide the Supervisory Board with the necessary background to the company and its operations. In addition to said person, there are a further two individuals, unrelated to the corporate structure of **CARLO GAVAZZI IMPIANTI** and with the necessary requisites of professionalism and competence, who, precisely in their capacity as external professionals, safeguard the independence and autonomy of the Supervisory Board; also for this reason, the Chairman of the Supervisory Board is appointed from the external company members.

This solution is considered by **CARLO GAVAZZI IMPIANTI** to be the best choice, in that it means the Supervisory Board may operate effectively from the outset, in consideration of the fact that the majority of its members have a profound knowledge of both the company structure, its operations and operating methods.

It being understood that, with reference to the internal members, a valid employment contract or, in any case, the relationship as independent contractor with **CARLO GAVAZZI IMPIANTI** is a precondition for their membership of the Supervisory Board and, therefore, termination, for whatever reason or title, of said employment or contractor relationship will automatically result in forfeiture of the office of member of the Supervisory Board. In this case, the Chairman of the Supervisory Board will be required to acknowledge forfeiture of the office of the member concerned and report to the Board of Directors, so that the latter may appoint a new member.

In compliance with the provisions of the Confindustria Guidelines, the Supervisory Board of **CARLO GAVAZZI IMPIANTI** satisfies the following requirements:

- autonomy and independence: the SB has no operational duties that could affect objectivity of judgment and it is not subject to the hierarchical and disciplinary power of any other corporate body or function;
- professionalism, meaning a set of tools and techniques necessary for performing the allocated activity;
- continuity of action: the SB is provided with an adequate budget and with adequate resources and dedicates its time exclusively to supervisory activities, so that effective and ongoing implementation of the Model is guaranteed;
- integrity and no conflicts of interest, under the same terms and conditions established by law with reference to directors and members of the Board of Statutory Auditors.

5.2. Cases of ineligibility and forfeiture

Reasons rendering the members of the Supervisory Board ineligible or disqualified are:

- i) A ban, disqualification, bankruptcy or, in any case, criminal conviction, even if not final under the Italian legal system, for one of the criminal offences provided under the Decree or, in any case, for one of the penalties under article 2 of Ministerial Decree no. 162 of 30 March 2000, or that means disqualification, even temporary, from holding public office or disqualification from holding senior management offices;
- ii) the existence of family relationships, by marriage or kinship within the fourth degree with the members of the Board of Directors of **CARLO GAVAZZI IMPIANTI**, and with similar members of owner **BONATTI S.P.A.**;
- iii) adoption of an order restricting personal liberty or person or property attachment order, the adoption of a person or property preventive measure or adoption of person or property anti-mafia preventive measures;
- iv) a disqualification or ineligibility order, in accordance with the Italian civil code, as well as conflict of interests with **CARLO GAVAZZI IMPIANTI**.

A further cause for removal from office, for the entire duration of the measure, is the adoption of a personal precautionary measure (pre-trial supervision in prison or treatment centre, house arrest, residence requirement and ban on free movement, mandatory reporting to law enforcement and ban on leaving the country) and the adoption of a disqualification measure (removal from holding public office or exercising a service, temporary ban on performing certain professional services and business activities).

Whenever, during the term of office, an event causing forfeiture shall occur, the member is required to

promptly notify the Board of Directors.

The eligibility requirements and/or the cases of forfeiture are also extended to the resources that the SB directly makes recourse to in the performance of its functions.

5.3. Term of office and grounds for termination

The Supervisory Body is appointed by the Board of Directors of **CARLO GAVAZZI IMPIANTI** and remains in office for a term established at the time of appointment. The members of the Supervisory Board may hold office for more than one term.

Under the same resolution, the Board of Directors establishes the remuneration due to the members of the Supervisory Board, based on the duties allocated to each.

Fall from office of the Supervisory Board, understood as a single body, may come about for one of the following reasons:

- expiry of term
- dismissal of the SB by the Board of Directors;
- resignation of all members of the SB, made official through a specific written notification made to the Board of Directors.

Dismissal of the SB, as a single body, may only be adopted for cause, also for the purpose of guaranteeing its absolute independence.

For cause dismissal reasons include, but are not limited to:

- i. gross negligence in performing duties related to the appointment;
- ii. the Company's possible involvement in criminal or civil proceedings, which are connected to an omission or negligent oversight by the SB.

For cause dismissal shall be decided on resolution by the Board of Directors.

In the event of expiry, dismissal or resignation, the Board of Directors will appoint a new Supervisory Board without delay.

Aside from the cases concerning the Supervisory Board as a single body, termination of the office of a single member may be made for one of the following reasons:

- dismissal for cause by the Board of Directors;
- dismissal from office, made official through a specific written notification sent to the Board of Directors.
- one of the reasons for forfeiture referred to in the following paragraph.

For cause dismissal means, in addition to the preceding cases provided for the entire Board, the following cases which include, but are not limited to:

- the case in which an individual member is involved in criminal proceedings concerning the commission of a malicious offense;
- the case in which breach of NDA conditions by individual members is discovered;
- the case of unjustified absence for more than three consecutive times at SB meetings.

In all cases, dismissal is ordered by the Board of Directors.

In the event of termination of office of a single member, said member will remain in office until he/she is replaced by the Board of Directors as quickly as possible. The member appointed replacing the fallen member will remain in office, together with the other SB member until expiry of the SB term.

5.4. Supervisory Board resources

The Supervisory Body may avail itself of the collaboration of people working in the other various corporate areas, whenever, specific expertise and competences are required for special analyses or for the assessment of specific operational and decision-making steps of **CARLO GAVAZZI IMPIANTI** operations.

In any case, the Supervisory Board is entitled, wherever the need arises, to seek professional competences outside the Company or, however, not part of the functions under the **CARLO GAVAZZI IMPIANTI** organisation chart and to use outsourced, professional advisory services.

The Supervisory Body, at the beginning of its term of office, and thereafter on an annual basis, will submit an annual expenditure budget application to the **CARLO GAVAZZI IMPIANTI** Board of Directors, which will be granted by the Company. Specifically, application and granting of the annual expenditure budget to the Supervisory Board is made adopting the following procedures:

- the Supervisory Board will submit an annual expenditure budget application to the Board of Directors, showing detailed breakdown of costs and expenses for correctly performing SB duties;
- the Board of Directors may not reasonably refuse to grant said budget amount, without prejudice to the fact that the Supervisory Board may use it, independently and without prior authorisation, for the purposes provided under this Model;
- said amount will cover the expenses that, according to estimates, the Supervisory Board will be likely to incur in the performance of its functions (without prejudice to any expense relating to human or material resources made available by **CARLO GAVAZZI IMPIANTI** which do not fall within the budget);
- this amount will be made available to the Supervisory Body which will be able to dispose of it autonomously and without any prior authorization requirement.

Whenever, due to extraordinary events or circumstances (that is, outside of the normal duties of the Supervisory Board) it may be necessary for the Supervisory Board to be granted an overbudget, the Chairman of the Supervisory Board will submit a relevant motivated application to the Board of Directors of **CARLO GAVAZZI IMPIANTI**, specifying the reasons and circumstances underlying such request. The application for additional funds may not be denied by Board of Directors, unless such refusal is based on reasonable grounds.

5.5. Supervisory Board functions and powers

The task of the Supervisory Board is to:

- supervise compliance with Model provisions by the Recipients, adopting all required measures;
- monitor the effectiveness of the Model, i.e. its real ability to prevent the commission of the Predicate Offenses;
- monitor the maintenance over time of the requirements of effectiveness and adequacy of the Model, reporting appropriate and relevant recommendations for changes to the Board of Directors;
- report to the Board of Directors any ascertained breaches of the Model, so that appropriate measures may be adopted.

The Supervisory Board is required to meet at least once every three months and, however, each time one of the members submits a written request to the Chairman. Minutes are required to be taken at Supervisory Board meetings. Meetings are required to be recorded and minutes retained by the SB office.

The Supervisory Board is granted the widest powers of action and oversight necessary for the performance of the tasks assigned. Specifically, the Supervisory Board has free access to all functions and bodies within the Company, for the purpose of accessing any required information and data or that may be useful for performing SB duties.

The Supervisory Board reports to the Board of Directors only.

Without prejudice to the duty of supervision regarding compliance with the Model and the procedures therein attributed to the Supervisory Board, its action may not be challenged by the Board of Directors, except for reasons regarding breach of office.

Specifically, the Supervisory Board will perform the abovementioned tasks through:

- ongoing auditing and monitoring of corporate activities, for the purpose of checking that the corporate risk area mapping reflects the actual situation within the Company;
- monitoring the adequacy of the procedures adopted, in relation to any changes and/or changes in business operations and, as a result:
- recommending appropriate amendments and additions to the Model General and/or Special Sections. to the Board of Directors;
- liaising with the other corporate functions for more efficient monitoring of the activities identified as the areas at risk of commission of Predicate Offences;
- checking the proper keeping of documentation required, in compliance with Model provisions for the different types of criminal offences;
- reporting to the Board of Directors of any shortcomings in the Model and the relevant recommendations for changes or improvements;
- liaising with the heads of other corporate functions regarding the various aspects relating to implementing the Model and monitoring of its adequacy and effectiveness;

- any other inspections, both periodic and targeted, on the actual execution and implementation of single transactions, procedures or activities within the company that are deemed relevant (post-checks);
- checking of the validity of standard clauses for implementing penalty mechanisms (e.g. those regarding termination of agreements in respect of business partners, employees or vendors), whenever breaches of the provisions under the Decree are discovered.

The Supervisory Board is required to prepare a disclosure report for the Board of Directors, at least every six months.

Finally, and summarising the supervisory and control functions that the Decree attributes to the Supervisory Board, these may be broken down into various types of audits and inspections:

- a. audit of corporate documents and records: the Supervisory Board will conduct an annual audit of the main corporate instruments and agreements executed by **CARLO GAVAZZI IMPIANTI** within the risk areas;
- b. audit of procedures: periodically, the Supervisory Board will audit the actual working of this Model and the procedures adopted by **CARLO GAVAZZI IMPIANTI** within the Company, for the purpose of preventing the Predicate Offences from being committed and preventive adoption of revisions and/or new procedures that may have an impact on the Model and its efficacy;
- c. review of reported incidents and episodes: the Supervisory Body will review all reports received, indicating, where necessary, the actions deemed most appropriate for remedying the reported situations;
- d. audit of activities conducted and measures adopted: each year, the Supervisory Board will review all reports received, the actions adopted and the events and episodes considered as those most at risk, as well as the effectiveness of awareness among all Recipients of the subject matter of the Model and the criminal offences for which administrative liability of the Entity is provided.

The Supervisory Board will prepare an annual action plan, containing a description of the activities and checks to be undertaken over the year. The plan will be submitted to the Board of Directors for disclosure purposes.

The Supervisory Body is required to provide a concise summary report to the Board of Directors in the six-monthly report prepared for the BoD.

6. INTERNAL INFORMATION FLOWS

6.1. Supervisory Board disclosure compliance

The prevention system designed and described in the Model may only operate effectively to the extent that the Supervisory Board receives all information regarding its implementation and compliance with said system procedures within the Company.

Therefore, aware of the need to ensure the Supervisory Board has access to adequate, constant and detailed information on procedures implementing the Model at **CARLO GAVAZZI IMPIANTI**, the Company, in addition to guaranteeing the Supervisory Board unrestricted access to all information it deems useful for performing its duties, also guarantees an ongoing flow of information and reports to the Supervisory Board. All information regarding the following matters are required to always be disclosed to the Supervisory Board:

- a. requests for legal assistance submitted by employees (including executive managers) against whom prosecution is sought for any of the Predicate Offenses;
- b. measures and/or criminal charge sheets received from Public Prosecutor offices or law enforcement or any other authority, from which it results that investigations are being conducted, also into unknown persons, for acts potentially involving corporate activities;
- c. the outcomes and conclusions of enquiry committees or other internal reports from which cases of liability for the Predicate Offences emerge;
- d. information on actual implementation at all corporate levels of the Model;
- e. disciplinary proceedings conducted and any penalty measures adopted or measures dismissing such proceedings, with relevant reasons for the decision;
- f. summary statements of contracts awarded following public competitive tenders, also abroad, or DACs - Direct Award Contracts.

In any case, the following disclosures are mandatory and are required to be immediately forwarded to the SB:

1. that may be related to breaches, including potential breaches, of the Model, including, but not limited to:
 - a) any instructions received from superiors considered to be in breach of the law, corporate policies or the Model;
 - b) any requests or offers of money, gifts (not exceeding a modest value) or other benefits from, or intended for, state employees and managers and/or private sector individuals;
 - c) any significant deviations from the allocated budget or irregular expenses arising out of authorisation requests at the final accounting stage of Operating Expense Control;
 - d) measures and/or criminal charge sheets received from Public Prosecutor offices, law enforcement or any other authority, from which it results that investigations are being conducted which involve, also indirectly, the Company, employees or members of corporate management bodies;
 - e) requests for legal assistance made by employees, under National Collective Bargaining Agreements, in the event of the onset of criminal proceedings against them, in matters involving activities performed in the interest of **CARLO GAVAZZI IMPIANTI**;
 - f) notifications of any disciplinary proceedings in progress and any penalties adopted, or the reasons for dismissing such proceedings;
 - g) any reports not promptly acknowledged by the relevant functions concerning shortcomings or inadequacies in workplaces, equipment or personal protective equipment made available by the Company, as well as any other hazardous situation related to occupational health and safety;
 - h) any occupational incidents (accident or illness) that make it impossible for an individual to perform normal job tasks for a period of at least forty days;
 - i) any breach, including a potential breach, of environmental legislation;
 - j) any notification received from Independent Auditors regarding aspects which may indicate a lack of internal control;
 - k) information about the existence of a conflict of interest or a potential conflict of interest with the Company.
2. Regarding the Company's operations, which may be significant in respect of the performance of tasks by the SB, including, but not limited to:

- a) disclosures regarding organisational changes or changes to current corporate procedures and revision of the corporate delegation of powers system;
- b) reporting on occupational health and safety and, specifically, the minutes of the annual meeting, in accordance with article 35 of Italian Legislative Decree 81/2008, as well as all data relating to occupational accidents at Company sites; any updates to the RAD, and reporting by the Occupational Physician of any irregular situations identified at periodic or scheduled medical check-ups;
- c) annual financial statements with notes, as well as statement of financial position;
- d) a list of any sponsorships, donations and charitable contributions made by the Company to associations and/or public or private organisations, indicating the beneficiary and the type of disbursement;
- e) disclosures by the Independent Auditors regarding any critical situations identified and remedied;
- f) engagements granted to the Independent Auditors, other than the auditing of corporate accounts;
- g) reports following inspections conducted by the control bodies;
- h) the outcomes of all Internal Audits.

The **reports of breaches of the Model and/or unlawful conduct**, with relevance under the Decree, which informants have become aware of, due to their jobs, are required to be detailed and based on precise and concordant factual circumstances. The filing of reports, including without grounds, made with malicious intent or gross negligence by the informant will be punished in accordance with the provisions of the Disciplinary System.

The Board of Directors is required to provide full disclosure to the Supervisory Board on matters falling within the responsibility of the Supervisory Board.

In order to allow the Supervisory Body to effectively perform its tasks, **CARLO GAVAZZI IMPIANTI** guarantees all Model Recipients, as well as any third parties, the right to report to said body any unlawful, irregular or suspect activity, in relation to the commission or risk of commission of one of the Predicate Offences, of which they have become aware whatever the circumstances.

All those who forward notifications or reports to the Supervisory Body, **CARLO GAVAZZI IMPIANTI** expressly guarantees exclusion of any form of retaliation, discrimination or penalisation and, however, ensures the identity of the individual making such notifications and reports will remain confidential, in compliance with the recently introduced law on whistleblowing (Italian Law 179/2017).

All **CARLO GAVAZZI IMPIANTI** employees, therefore, are not only entitled but also have a duty to report, in writing, any information relating to possible internal irregularities or illegal activities.

The Supervisory Board may also receive and assess reports and notifications, in written form, from sources outside the Company.

The Supervisory Board may request to be provided with any kind of information and/or documentation, useful for its tasks of monitoring and inspection, to the Board of Directors and employees, advising said parties that they have a duty to comply with such requests, employing the utmost care, thoroughness and solicitude.

The Supervisory Board of **CARLO GAVAZZI IMPIANTI** is required to receive from the Board of Directors detailed information about the system of powers adopted and powers granted.

The Supervisory Board will monitor and analyse information and disclosures received and the measures to be adopted. Once implemented, the measures are required to be consistent and in line with the provisions under the disciplinary system of this Model.

The Supervisory Board may ask the Board of Directors to adopt disciplinary measures against those who refuse to disclose information.

The Supervisory Board will notify the Board of Directors, so that it may adopt appropriate decisions, whenever, following investigations of notifications and reports received, they have been made with malicious intent or gross negligence, in order to cause harm to the Company, its directors, managers and employees.

6.2. Supervisory Board disclosure compliance to other corporate bodies

The Supervisory Board is responsible for specific disclosure obligations directly in respect of the Board of Directors.

Reporting will be made on the following matters and, namely:

- SB activities;

- any issues or critical factors identified during oversight activities;
- corrective actions, required or possible, to be implemented in order to ensure the efficacy and effectiveness of the Model, as well as the status of implementation of the corrective actions resolved by the Board of Directors;
- verification of conduct breaching the Model;
- any failure or lack of cooperation by corporate functions in performing their monitoring and inspection tasks;
- any information deemed useful for the purpose of adopting urgent decisions by the appointed bodies.

In any case, the Supervisory Board may meet with the Board of Directors whenever it deems it appropriate, for the purposes of effective and efficient performance of its tasks and duties. Meetings are required to be recorded and copies of the minutes retained at the SB office.

The Supervisory Board is also specifically required to provide timely information on any change, addition or update with Decree impact.

The Supervisory Board also has a duty to notify each breach identified in the course of its activities to the Board of Directors.

The Supervisory Board may be called at any time by the Board of Directors or it may request, in turn, to meet with the BoD to report on the working of the Model or on specific situations.

Furthermore, each half year, the Supervisory Board will forward a written report on implementation of the Model to the Board of Directors.

The Supervisory Board will also liaise with the Board of Statutory Auditors, with which it organises periodic meetings.

6.3. Collection and retention of information

The information and reports prepared or received, as well as the meeting minutes register are required to be retained by the Supervisory Body in a special electronic or hardcopy archive, which, subject to written authorisation of the SB, may be accessed by authorised outside parties, based on procedures to be decided by the Supervisory Board.

Said archive will have a special section specifically for collecting and archiving all documentation relating to the adoption and implementation of this Model.

Such documentation will, of course, be available to the Supervisory Board and anyone authorised to access it.

7. DISCIPLINARY SYSTEM

7.1. General standards

Article. 6(2)(e) of the Decree establishes that a suitable disciplinary system is required to be adopted for admonishing non-compliance with the measures under the Model.

The definition of a disciplinary system (which is required to be commensurate with the type and gravity of the offences committed) to be adopted in cases of breach of the provisions of the Model, renders the supervisory and preventive action undertaken by the Supervisory Board effective, while guarantee the efficacy of the Model itself.

The disciplinary system has also been designed based on the following standards:

- differentiation based on the Model's Recipients;
- identification of disciplinary measures to be adopted against Recipients, in compliance with the provisions under National Collective Bargaining Agreements and applicable legislative requirements;
- identification of procedures for investigating breaches, offences, circumventions, imperfect or partial adoption, and a special procedure for imposing penalties, identifying the body responsible for imposing penalties and, in general, for monitoring compliance, adoption and review of the disciplinary system.

Specifically, the disciplinary system addresses:

- persons who hold, also *de facto*, representation, administration or management functions (including also any receivers) of **CARLO GAVAZZI IMPIANTI** or one of its business units with financial and management autonomy;
- persons under the management or supervision of one of the aforementioned parties, and in general, all employees, as well as persons who, for any reason and at various levels of responsibility, operate at **CARLO GAVAZZI IMPIANTI**, contributing, with their actions to any corporate operations, including independent contractors, business partners and vendors, including the General Contractor and agents.

This disciplinary system is divided into specific sections, each referring to a category of Recipients, considering the legal status of the various parties. The disciplinary system is made public and disclosed by posting at the premises of **CARLO GAVAZZI IMPIANTI** and/or on the intranet portal of the Company.

The Supervisory Board is responsible for supervising compliance with and the correct adoption of the disciplinary system and its effectiveness, as well as adopting suitable measures, so that the Board of Directors of **CARLO GAVAZZI IMPIANTI** may revise, amend and/or supplement said disciplinary system.

Disciplinary measures will be adopted regardless of the outcome of any criminal proceedings, since the standards of conduct imposed under the Model have been freely adopted by the Company, irrespective of the criminal offence involving such conduct.

The Supervisory Board may recommend to the Board of Directors of **CARLO GAVAZZI IMPIANTI** the adoption of disciplinary measures commensurate with the extent and seriousness of proven breaches.

7.2. Disciplinary measures against employees

The conduct adopted by employees, in breach of any standards of conduct under in this Model, will constitute a disciplinary offence.

The penalties adopted against the employees fall within the provisions of the National Collective bargaining Agreement adopted at the Company, in accordance with the procedures provided under article 7 of Italian Law no. 300 of 30 May 1970 (the so-called Workers' Statute) and any other applicable special regulatory provisions.

The penalties shall be adopted, in compliance with the procedures established by the applicable National Collective Bargaining Agreement, by the Board of Directors, on its own initiative or on recommendation by the Supervisory Board

7.3. Measures against directors

In the event of breaches of the Model by the directors of **CARLO GAVAZZI IMPIANTI**, the Supervisory Board is required to notify the entire Board of Directors, which will take the appropriate measures, in accordance with prevailing legislation and, if applicable, also by bringing a liability action against them.

7.4. Measures against independent contractors, business partners, vendors and agents

Any conduct adopted by independent contractors and vendors, including general contractors, business partners and/or agents, in contrast with the guidelines under this Model and such as to trigger the risk of committing a predicate offence, may determine - in accordance with the provisions of specific contractual clauses incorporated into engagement letters, under partnership agreements and agreements in general - the adoption of a penalty, commensurate with the gravity of the ascertained breach or, in the most serious cases, resolution of the contractual relationship, without prejudice to remedy for damages, whenever misconduct results in harm to **CARLO GAVAZZI IMPIANTI**, as in the case of adoption by a Court of the penalties provided under the Decree.

8. CODE OF ETHICS

The Code of Ethics is one of the fundamental protocols for the construction of a valid Model, in accordance with the Decree, suitable for preventing the predicate offences under said Decree.

For this reason, **CARLO GAVAZZI IMPIANTI** has prepared a specific Code of Ethics which is incorporated into the Model by reference, adopted by the Company and which establishes the general principles and standards of conduct to which the Company attaches a positive ethical value.

The Code of Ethics, to which reference should be made for a detailed overview of the standards of conduct, is incorporated into the Model by reference and establishes the standards of conduct with reference to:

- external relations (relations with competitors, with public institutions, with customers, with vendors and subcontractors, with business partners and with independent contractors);
- relations with employees (search, selection, recruitment and staff management);
- protection of corporate assets and confidential information;
- conflicts of interest, gifts and benefits;
- financial reporting transparency;
- corporate operating standards (QA, safety, industrial hygiene and environment management and personal data processing).

9. DISTRIBUTION AND AWARENESS OF THE MODEL

The assumption underlying the premise that the Model may indeed be relied on for exempting the Company from administrative liability is its efficacy and actual adoption via tangible and effective implementation at **CARLO GAVAZZI IMPIANTI**.

The first, necessary step for the Model to be actually and effectively implemented is, therefore, awareness of the Model by all Recipients.

CARLO GAVAZZI IMPIANTI has therefore adopted the actions described further on in order to ensure correct disclosure of the Model not only at but also outside the Company.

9.1. Staff training

The Company promotes awareness of the Model among all Recipients, who are thus required to have reviewed the subject matter, comply with it, thereby proactively contributing to its optimal implementation.

For the purposes of implementing the Model, staff training will be structured as follows:

- initial training through specific meetings in the period immediately following first-time adoption of the Model, with distribution of an internal policy memorandum explaining the Model and its functions;
- publication on the **CARLO GAVAZZI IMPIANTI** intranet portal of the Model and any updates and changes;
- 231 Model policy provided on recruitment and specific training for new staff;
- refreshers, in order to update knowledge of the Model and its provisions;
- ad hoc training and policy meetings, in the event of significant changes to the Model and/or its provisions.

9.2. Contractual clauses

For the purpose of ensuring compliance with provisions and procedures under the Model, also in relation to third parties, whether, directly or indirectly, involved in the business activity of **CARLO GAVAZZI IMPIANTI**, the Company will incorporate special contractual clauses in engagement letters and agreements entered into with independent contractors, business partners, vendors and agents, under which the signatories warrant to comply with the Model standards, furthermore, accepting that any breach of said standards may be grounds for termination of the agreement or engagement by **CARLO GAVAZZI IMPIANTI**.

In fact, the Company believes that this contractual remedy is a useful tool for promoting compliance with the procedures and standards under the Model also by parties that, as third parties, are extraneous to the Company and are not, and may not be, subject to the risk of disciplinary measures adopted solely against employees.

10. MODEL REVISION

The Supervisory Board has the task of monitoring any necessary and ongoing updating and adaptation of the Model (including the Code of Ethics), as well as making any recommendations for changes by means of a written notification to the management board, or to the relevant corporate functions from time to time, for the necessary or appropriate adaptations.

The Board of Directors is responsible, together with any corporate functions involved, for updating the Model and its adaptation as a result of a change in organisational structures or operational processes, significant breach of the Model itself and legislative amendments.

Any amendments or additions of a formal nature, also recommended by the Supervisory Board, may be adopted and approved by the Chief Executive Officer of the Company and, thereafter, subject to ratification and approval by the Board of Directors at its earliest session.

