



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Version 3 dated 13/10/2021



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
1	10-12-15	First issue
2	03-06-19	Regulatory update.
3	13-10-21	General revision of the document in terms of design, layout and content replacing the previous text. Regulatory update

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DEFINITIONS

- ✓ **Risk analysis:** specific analysis of the entity/organisation to identify the areas, sectors of activity and ways in which, directly or indirectly, it might be exposed significantly to the possible commitment of offences that would result in administrative responsibility for the entity/organisation.
- ✓ **Risk areas:** areas of activity exposed to a concrete risk of committing offences.
- ✓ **C.C.N.L.:** National collective employment contract.
- ✓ **Customer:** legal or natural person who receives products or services from the Company.
- ✓ **Code of Ethics:** set of ethical principles and rules of conduct that are referenced constantly by the Company in the conduct of its entrepreneurial activities, in order to safeguard its reputation and image in the marketplace. The Code of Ethics promotes a form of “business conduct” to be adopted by all parties that maintain economic relations with the Company, such as employees, collaborators, customers, suppliers etc., regardless of general regulatory requirements.
- ✓ **Collaborators:** all persons who collaborate with the Company under temporary, agency or freelance contracts.
- ✓ **Decree:** Decree 231 dated 8 June 2001 and subsequent amendments and additions.
- ✓ **Recipients:** Directors, Special Representatives, Executives, Employees, Collaborators, Suppliers, Customers and Commercial Partners.
- ✓ **Employees:** workers who provide their services under a formal employment contract with the Company.
- ✓ **Entities:** entities established in a form recognised by the law, as well as companies or associations without a specific legal form.
- ✓ **Confindustria Guidelines:** guidelines for the preparation of organisation, management and control models pursuant to Decree 231/2001, issued by Confindustria on 3 November 2003 and amended subsequently.
- ✓ **Model:** Organisation, management and control model required by art. 6.a) of Decree 231/2001, which identifies the set of frameworks, roles and responsibilities, policies and procedures adopted by the Company in order to formalise and govern the significant activities of the entity/organisation.
- ✓ **Organisational Model:** document that formalises the Organisation, management and control model adopted by the entity pursuant to art. 6 of Decree 231/01.
- ✓ **Corporate Bodies:** The Board of Directors and the Shareholders’ Meeting.
- ✓ **Supervisory Body (SB):** internal body tasked with supervising the functioning of, compliance with and update of the Model, pursuant to art. 6, para. 1.b), of Decree 231/01.
- ✓ **P. A.:** Public Administration, including its officials and the providers of public services.
- ✓ **Partners:** contractual counterparties of the Company, comprising legal and natural persons, as well as entities with which the Company establishes any form of contractual collaboration (joint ventures, consortia etc.), that participate in sensitive processes together with the Company.
- ✓ **Process:** set of interconnected resources and activities that transform input elements into outputs.

- ✓ **Procedures/Policies:** documents that describe responsibilities and business activities, governing how they must be carried out. These documents must be prepared, approved, implemented and kept updated.
- ✓ **Sensitive activities:** business activities exposed to the risk of committing offences specified in Decree 231/01.
- ✓ **Professionals and/or Consultants:** freelance workers who provide intellectual services under contracts and/or agreements.
- ✓ **Offences:** the types of offence specified in Decree 231/2001 on the administrative responsibility of entities.
- ✓ **Disciplinary system:** set of principles and procedures applied to penalise failures to comply with the Organisational Model and the Code of Ethics.
- ✓ **Senior persons:** persons who represent, manage or direct the entity/organisation or an organisational unit with financial and functional autonomy, as well as any persons who manage or control the entity/organisation, whether formally or on a de facto basis.
- ✓ **Supervised persons:** persons managed or supervised by senior persons.
- ✓ **Report:** written communication, ideally not anonymous, in which senior or supervised persons (as defined in art. 5, para. 1, letters a) and b), of Decree 231/01) present details of unlawful conduct, deemed significant pursuant to the Decree and founded on precise and mutually-consistent facts, or allege violations of the Organisational Model that have come to their attention in the performance of their work for the Company, or in other circumstances.

LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

"Organisational Model"

General Part

1. DECREE 231/01

1.1. Decree 231 dated 8 June 2001

In execution of Law 300 dated 29 September 2000, Decree 231/01 was issued on 8 June 2001 to align the Italian regulations on the responsibility of entities with certain international agreements previously signed by the country.

Decree 231/01 on the "Governance of the administrative responsibility of legal persons, companies and associations, including those that are not legal persons" introduced the concept of the "administrative" responsibility of collective entities (companies, consortia, other entities with or without legal form, associations) for the commitment - or attempted commitment - of certain offences specified in the Decree (so-called "specified offences") by a representative of that entity, in its interests or for its benefit.

Although an administrative responsibility, the commitment of specified offences is determined in criminal proceedings governed by the criminal procedures code resulting, on conviction, in application to the entity of monetary administrative penalties and suspensions (even on a precautionary basis), as well as confiscation of the proceeds or profits deriving from the offence and publication of the sentence.

By this regulatory innovation, which aligns Italian legislation with that of many European countries, the legislator seeks to penalise not only the direct perpetrators of criminal corporate offences, but also the assets of entities benefiting from them that, prior to the law, did not suffer any consequences: in fact, the principle of personal responsibility for criminal actions left them immune from penalties, other than the payment of compensation for any losses incurred.

The administrative responsibility of entities also applies to offences committed abroad. In such cases, entities with headquarters in Italy are subject to action following the commitment of specified offences, on condition that the country where the offences were committed has not already taken action against them.

1.2. Perpetrators

Pursuant to Decree 231/01, the entity is responsible for offences committed in its interests or for its benefit by:

- ✓ *"persons who represent, manage or direct the organisation or an organisational unit with financial and functional autonomy, as well as any persons who manage or control the organisation, whether formally or on a de facto basis"* (being "senior persons" pursuant to art. 5, para. 1.a);
- ✓ *"persons managed or supervised by senior persons"* (being "subordinates" pursuant to art. 5, para. 1.b).

The legislation expressly states (art. 5, para. 2) that the entity is not responsible if it demonstrates that the persons who perpetrated the offence acted exclusively in their own interests or those of third parties.

1.3. Interest or benefit

When determining whether an entity has administrative responsibility for a corporate offence, the magistrate must identify the existence of an objective prerequisite, being that the unlawful conduct was carried out in the interests or for the benefit of the entity.

With regard to the meaning of the terms “interest” and “benefit”, the governmental report accompanying the Decree considers the former concept to be “subjective” - linked to the intention of the actual perpetrator, which must have been to take action in the specific interests of the entity; while the latter concept is considered “objective” - linked to the actual results of the conduct when, although the perpetrator did not directly act in the interests of the entity, the outcome of the actions taken was nevertheless beneficial to it.

The above report also provides criteria for interpreting the situation, suggesting that the determination of “interest” requires ex-ante analysis, while determination of the “benefit” obtained by an entity, when the natural person did not act directly in its interests, requires ex-post assessment solely of the results of the criminal conduct.

With regard to the nature of both requirements, neither the interest nor the benefit needs to have an economic component.

As already stated, art. 5, para. 2, of the Decree excludes administrative responsibility when the offence, albeit beneficial to the entity, was committed by persons who acted solely in their own interests or those of third parties.

The regulation references art. 12, para. 1.a), which mitigates the monetary penalty when “the perpetrator committed the offence essentially in his/her own interests or those of third parties and the entity did not benefit as a result, or only benefited to a minimal extent”.

Accordingly, if the perpetrators acted in both their own interests and those of the entity, the entity may be penalised; if the interests of the perpetrators are prevalent with respect to those of the entity, the penalty may be reduced, unless the entity did not benefit at all or only derived minimal benefit from commitment of the offence.

Lastly, if it is determined that the perpetrators acted solely in their own interests or those of third parties, the entity will not be held responsible, regardless of any benefits actually obtained.

1.4. Types of offence

The following types of specified offence, identified by category in art. 24 et seq. of Decree 231/01 and committed by senior persons or supervised persons in the interests or for the benefit of the entity, give rise to administrative responsibility:

- *Improper receipt of funds, fraud to the detriment of the State or a public body or receipt of public funds and IT fraud to the detriment of the State or a public body* (art. 24 of Decree 231/01).
- *IT crimes and improper data processing* (art. 24-bis of Decree 231/01. Article added by Law 48 dated 18 March 2008 on “Ratification and implementation of the Council of Europe Convention on Cybercrime”, signed in Budapest on 23 November 2001, and alignment of domestic legislation).
- *Organised crime* (art. 24-ter of Decree 231/01. Article added by Law 94/2009, as amended by Law 69/2015, by Decree 21/2018 and by Law 43/2019).
- *Malfeasance, improper inducement to give or promise benefits and corruption* (art. 25 of Decree 231/01,

as amended by Law 190/2012, by Law 69 dated 27 May 2015 and by Law 3 dated 9 January 2019).

- *Crimes against public trust* (art. 25-bis of Decree 231/01. Article added by Decree 350/2001, as enacted with amendments by Law 409/2001 and amended by Law 99/2009 and Decree 125/2016).
- *Offences against trade and industry* (art. 25-bis.1 of Decree 231/01. Article added by Law 99/2009).
- *Corporate offences* (art. 25-ter of Decree 231/01. Article added by Decree 61/2002 and amended by Law 190/2012, by Law 69/2015 and by Law 3 dated 9 January 2019).
- *Terrorism or the subversion of democratic order* (art. 25-quater of Decree 231/01. Article added by Law 7/2003 and amended by Decree 21/2018).
- *Female genital mutilation* (art. 25-quater.1 of Decree 231/01. Article added by Law 7/2006).
- *Crimes against personal liberty* (art. 25-quinquies of Decree 231/01. Article added by Law 228/2003 and amended by Law 199/2016 and by Decree 21/2018).
- *Market abuse* (art. 25-sexies of Decree 231/01, added by Law 62/2005).
- *Manslaughter or serious or very serious personal injuries caused negligently in violation of the occupational health and safety regulations* (art. 25-septies of Decree 231/01. Article added by Law 123/2007 and replaced by art. 300 of Decree 81/08).
- *Receiving, laundering and use of money, assets or benefits deriving from illegal sources, as well as self-laundering* (art. 25-octies of Decree 231/01, added by Decree 231/2007 and amended by Law 186/2014 and by Decree 21/2018).
- *Violation of the regulations governing authorship rights* (art. 25-novies of Decree 231/01. Article added by Law 99/2009).
- *Inducement to not make declarations or to make false declarations to the judiciary* (art. 25-decies of Decree 231/01. Article added by Law 116/2009).
- *Environmental offences* (art. 25-undecies of Decree 231/01. Article added by Decree 121/2011 and amended by Law 68/2015 and by Decree 21/2018).
- *Employment of foreign citizens without a proper permit* (art. 25-duodecies of Decree 231/01. Article added by Decree 109/2012).
- *Transnational crimes* (arts. 3 and 10 of Law 146 dated 16 March 2006, as amended by Decree 21/2018).
- *Racism and xenophobia* (art. 25-terdecies of Decree 231/2001, added by Law 167/2017 and amended by Decree 21/2018).
- *Fraud in sports competitions, unauthorised organisation of games, betting and gambling using forbidden equipment* (art. 25-quaterdecies of Decree 231/2001 added by Law 39/2019).
- *Tax offences* (art. 25-quinquiesdecies of Decree 231/2001 added by Law 157/2019 and amended by Decree 75 dated 14 July 2020 that transposed Directive (EU) 2017/1371 (the PIF Directive) on the fight against fraud to the Union's financial interests).
- *Contraband* (art. 25-sexiesdecies of Decree 231/01 added by Decree 75 dated 14 July 2020 that transposed Directive (EU) 2017/1371 (the PIF Directive) on the fight against fraud to the Union's financial interests).

This list is updated to 31/07/2020.

1.5. Disciplinary system

Art. 9 of the Decree specifies the penalties that may be levied on the Company as a consequence of committing, or attempting to commit, the above offences. These are:

- monetary penalties;
- suspensions;
- confiscation (of the proceeds or profit obtained from the offence by the Company, as well as precautionary seizure);
- publication of sentences, even in the case of suspensions.

Monetary penalties are always applied and range from a minimum of Euro 25,823 to a maximum of Euro 1,549,370, as determined by the magistrate who must consider:

- the seriousness of the deed;
- the degree of responsibility of the organisation;
- the steps taken by the entity to eliminate or mitigate the consequences of the deed and prevent the commitment of further offences;
- the economic and financial strength of the entity.

Suspensions are only applied when specified the Decree, if at least one of the following conditions is satisfied:

- the entity has profited significantly from the offence and the offence was committed by senior persons, or by persons managed and supervised by others when the offence was committed or facilitated as a consequence of serious organisational weaknesses;
- in the case of repeat offences.

The suspensions are described in art. 9, para. 2, of the Decree:

- ban on carrying out activities;
- suspension or revocation of the authorisations, licences or concessions needed in order to commit the offence;
- ban on entering into contracts with the Public Administration, except in order to obtain a public service;
- exclusion from access to assistance, loans, grants or subsidies and the possible revocation of those already obtained;
- prohibition from advertising goods or services;
- appointment of administrators (art. 15 of Decree 231/01).

Suspensions, sometimes applied as a precautionary measure, have a duration of not less than three months and not more than two years.

However, on conviction for one of the offences indicated in art. 25, paras. 2 and 3, of Decree 231/01, the suspensions envisaged in art. 9, para. 2, are applied to the entity for not less than four years and not more than seven, if the offence was committed by one of the parties referred to in art. 5, para. 1.a), and for not less than two years and not more than four years, if the offence was committed by one of the parties referred to in art. 5, para. 1.b).

Bans on carrying out activities, entering into contracts with the Public Administration and advertising goods or services may be applied on a permanent basis in the most serious cases; in such circumstances, the

activities of the company may be continued by an administrator appointed by the magistrate (instead of applying other penalties) pursuant to and on the conditions indicated in art. 15 of the Decree.

In the case of attempts to commit specified offences resulting in the administrative responsibility of entities, the monetary penalties (amount) and the suspensions (time) are reduced by between one third and one half.

1.6. Adoption of the “Organisational Model”

Arts. 6 and 7 of the Decree envisage forms of exoneration from the administrative responsibility of entities. Adoption of the Organisational Model is optional, but becomes necessary if entities want to benefit from the following forms of exoneration described in the regulations.

- a. Art. 6 of Decree 231/01: for offences committed by senior persons (who represent, manage or direct the entity or an organisational unit with financial and functional autonomy, or by persons who manage or control the entity, whether formally or on a de facto basis), the entity can avoid responsibility if it demonstrates that:
- prior to commitment of the offence, the executive body adopted and effectively implemented suitable organisation and management Models for the prevention of offences of the type committed;
 - the tasks of supervising the functioning of and compliance with the Models, and of updating them, have been entrusted to a Body within the entity with independent powers of action and control;
 - the persons committed the offence by fraudulently evading the Models;
 - there was no failure to supervise or insufficient supervision by the above Body.

Accordingly, in the case envisaged in art. 6, the entity is presumed to be at fault unless the contrary is shown. This means that the entity has a duty to demonstrate the absence of fault (inversion of the burden of proof).

- b. Art. 7 of Decree 231/01: for offences not committed by senior persons (committed by supervised persons), the entity is only responsible *“if commitment of the offence was made possible by non-compliance with its management and supervision obligations”* (para. 1). *“In all cases, non-compliance with its management and supervision obligations is excluded if the entity has adopted and effectively implemented a suitable organisation and management Model for the prevention of offences of the type committed”* (para. 2).

In that case, the burden of proof falls on the Magistrate, who must demonstrate non-compliance with the management and supervision obligations by supervised persons and failure to adopt, or ineffective adoption, of the organisational Model.

In order to exonerate the entity from administrative responsibility, the Model must satisfy the following requirements (art. 6, para. 2):

- identify the activities in the context of which offences may be committed;
- establish specific protocols for planning and implementing the decisions of the entity with regard to the offences to be prevented;
- identify suitable procedures for managing the financial resources needed to prevent the commitment of offences;
- establish reporting obligations for the Body appointed to supervise the functioning of and compliance with the Models;
- adopt a suitable disciplinary system for penalising failure to comply with the requirements of the Model.

In addition, art. 6, para. 2-bis, requires organisation and management Models to establish:

- one or more channels that enable the persons indicated in art. 5, para. 1, letters a) and b), to protect

the entity by submitting detailed reports about unlawful conduct, deemed significant pursuant to the Decree and founded on precise and mutually-consistent facts, or about violations of the organisation and management Model of the entity that have come to their attention as a result of the functions performed; these channels guarantee that the identity of the reporter is kept confidential during administration of the report;

- at least one alternative channel for presenting reports to guarantee, with IT support, that the identity of the reporter is kept confidential;
- prohibition of direct or indirect reprisals and/or discrimination against the reporter for reasons related, directly or indirectly, to the report;
- as part of the disciplinary system adopted pursuant to para. 2.e), penalties for those who infringe the measures protecting the reporter, as well as those who make unfounded reports wilfully or with gross negligence.

Accordingly, the organisational Model must be prepared in various phases, on the basis of a detailed and complex process that seeks to establish a suitable control system for preventing and tackling commitment of the offences specified in the Decree.

1.7. Confindustria Guidelines

Art. 6, para. 3, of Decree 231/01 states that *"organisation and management models may be adopted - guaranteeing the requirements specified in para. 2 - with reference to codes of conduct prepared by associations representing the entities and transmitted to the Ministry of Justice that, together with the other competent Ministries, may make observations within thirty days about the suitability of the models for preventing the offences"*.

In application of the above, Confindustria has prepared Guidelines for the development of organisation and management models that provide its members with suggested methodologies for identifying their risk areas and structuring their own organisational models.

The Guidelines recommend companies to apply their normal risk assessment and risk management processes, envisaging definition of the model in the following phases:

- ✓ identification of risks;
- ✓ preparation and/or implementation of a suitable control system for preventing the above risks by adopting specific policies and procedures.

The key components of the control system devised by Confindustria comprise:

- ✓ a Code of Ethics that defines ethical principles in relation to conduct that might involve the commitment of offences specified in Decree 231/01;
- ✓ an organisational system that is sufficiently formalised and clear, especially with regard to the assignment of responsibilities, the definition of hierarchical reporting lines and the description of duties, with the inclusion of specific principles of control;
- ✓ manual and/or IT procedures that govern the performance of activities, with appropriate control points;
- ✓ authorisation and signatory powers consistent with the organisational and operational responsibilities defined, including clear indication where necessary of thresholds for the approval of expenses;
- ✓ management and control systems capable of providing timely reports about the existence or emergence of general and/or specific issues;

- ✓ system of communications to personnel, with training to ensure proper functioning of the model.

The components of the control system must be founded on the following principles:

- ✓ verifiability, traceability, consistency and reasonableness of each operation;
- ✓ application of the segregation of duties principle (no one can manage an entire process independently);
- ✓ documentation of controls;
- ✓ establishment of an adequate system of penalties for violating the provisions of the code of ethics and the procedures envisaged in the model;
- ✓ autonomy, independence, professionalism and continuity of the Supervisory Body;
- ✓ identification of criteria for selection of the Supervisory Body, indicating the specific information flows to/from that Body.

The first version of the Guidelines was approved by the Ministry of Justice in June 2004. Later, following the introduction of new specified offences resulting in the administrative responsibility of entities, Confindustria issued an updated version in March 2008.

In particular, the amendments included recommendations for suitable measures to prevent commitment of the new specified offences regarding market abuse, female genital mutilation, transnational organised crime, occupational health and safety and self-laundering. Subsequently, in March 2014, Confindustria updated the Guidelines to provide recommendations regarding the additional offences specified in Decree 231/01 including, in particular, various environmental offences and new crimes linked to malfeasance and corruption.

The Guidelines were last updated in June 2021. In these, Confindustria provides firms that have adopted an organisation and management model with a series of recommendations and approaches, essentially drawn from good business practices, that are deemed - at least theoretically - to respond to the requirements specified in Decree 231. The measures suggested cover the new categories of offence added in recent years, including those related to tax offences and contraband.

2. LB OFFICINE MECCANICHE S.p.A.

2.1. Presentation of the Company

LB OFFICINE MECCANICHE has been active in Fiorano Modenese, in the heart of the Sassuolo ceramics district, since 1973. As an established point of reference in the design and manufacture of machinery for the production of pastes and porcelain stoneware for the ceramics industry, LB OFFICINE MECCANICHE also offers complete installations for the production of premixes for the construction industry and for the processing of powders in various industrial sectors. The ability of the Company to innovate is demonstrated by the numerous patents held that, over the years, have characterised the qualitative standards attained by LB OFFICINE MECCANICHE technologies in the reference market.

LB OFFICINE MECCANICHE has five business units:

- 1) Technologies for the ceramics industry - porcelain stoneware.
Technologies underlying new processes for the production of porcelain stoneware. Dry-colouring and press-feeding systems.
- 2) Technologies for the ceramics industry, the mining industry and the processing of raw materials - dry grinding.
Systems for the dry grinding, micronisation, granulation and desiccation of raw materials.
- 3) Technologies for industry - premixes.
Complete systems for producing pre-mixes for the building sector.
- 4) Technologies for the treatment of powders.
Complete powder treatment systems for various industrial sectors. Granulation plants for fertilisers and animal feed.
- 5) Remote control and management systems.
Advanced technological services interfaced directly with plant and machinery, via the exchange of key and early warning information for the control of processes.

LB OFFICINE MECCANICHE exports more than 80% of turnover and Company technologies are present on five continents. Branches are active in the U.S.A., Spain, the Maghreb, India and China.

The registered, administrative and operational offices of the Company are located at Via Pedemontana 166, Fiorano Modenese (MO) Italy. Administered by a Board of Directors, the Company currently employs 82 persons.

The Quality Management System of LB OFFICINE MECCANICHE is certified in accordance with standard UNI EN ISO 9001:2015. The Company first adopted a Code of Ethics and Organisational Model pursuant to Decree 231/01 on 3 February 2017.

2.2. THE LB OFFICINE MECCANICHE GROUP

Pursuant to art. 2497-bis, para. 5, of the Italian Civil Code, LB OFFICINE MECCANICHE is subject to management and coordination by BAC DUE S.r.l. Equity investments are held in the following

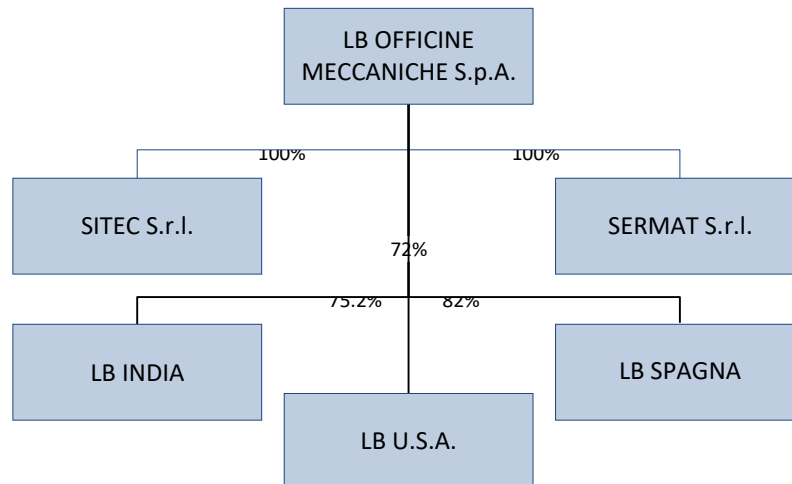


companies: SITEC TECHNOLOGY S.r.l. (100%), SERMAT S.r.l. (100%), LB U.S.A. (72%), LB SPAGNA (82%) and LIGABUE BIGI SUPPORT PVT LTD (den. LB INDIA) (75.2%).

The composition of the Group is shown below:

Chart 1

Group Structure



SITEC TECHNOLOGY designs and manufactures complete plant for the processing of raw materials used in the production of ceramic tiles, glazes, colours, frits, bricks, adhesives, powdered glues, glass and derivatives.

SERMAT is specialised in the production of plant and machinery for the crushing, grinding, drying and granulometric classification of raw materials.

LB USA, LB SPAGNA and LB INDIA are foreign branches of LB engaged on the commercialisation of LB products and technologies in their assigned territories, also providing pre- and after-sales support and customer care.

The LB Group has 130 employees and annual sales of Euro 42 million. The Group invests continuously in R&D, with a modern laboratory - renewed completely in 2017 - that is staffed by 10 highly specialised technicians.

Commercial relations between LB OFFICINE MECCANICHE and the other Group companies are formalised appropriately (intercompany contracts), defining clearly the nature of each service, the conditions applied, and the roles and responsibilities of the supplier and the beneficiary of the service. Appropriate segregation of functions is assured in relation to certain activities at risk. Intercompany contracts are always supported by market surveys designed to ensure that offers and other conditions are aligned with market conditions.

The Company keeps an up-to-date "Intercompany relations" schedule, mapping the various relations and indicating, for each service, both the service provider and the beneficiary companies.

3. ADOPTION OF THE ORGANISATIONAL MODEL

3.1. Functions and objectives of the Model

Aware of the need to ensure the proper and transparent conduct of business and corporate activities, LB OFFICINE MECCANICHE has considered it appropriate to design and implement an Organisational Model pursuant to Decree 231/01 (as presented in this document, which is also known as the "Model") that safeguards the reputation and position of the Company, as well as the expectations of its owners and the jobs of its employees.

When preparing the Model, LB OFFICINE MECCANICHE sought to create a structured and organic system of procedures and controls, designed to reduce steadily the risk of committing offences specified in the Decree by identifying the more "sensitive" processes and establishing suitable procedures for them.

In particular, by adopting the Model, LB OFFICINE MECCANICHE intends to:

- make all those who work in the name and on behalf of Company aware that, in the event of violating the instructions contained in the Model, they might commit an unlawful act subject to administrative and criminal penalties that could damage the business;
- reiterate that these forms of improper conduct are strongly condemned by the Company, as being against the law and its ethical-social principles;
- prevent possible improper business conduct by checking and monitoring the processes considered most at risk.

3.2. Construction of the "Organisational Model" pursuant to Decree 231/01

In July 2019, LB OFFICINE MECCANICHE commenced an internal project to update the management system for the prevention of offences specified in Decree 231/01, as represented by the Organisational Model documented herein, in order to ensure its alignment with recent regulatory amendments made to the Decree and with changes in the organisational, operational and managerial structure of the Company.

The principal phases in developing a system that provides exemption from administrative responsibility (the "Exemption System"), which resulted in the preparation and implementation of this Model, are described briefly below:

1. *Identification of Sensitive Processes*: the first phase of the project analysed all the processes used by LB OFFICINE MECCANICHE, with a specific focus on identifying those that are "sensitive" i.e. exposed to the risk of committing offences specified in Decree 231/01. All corporate documentation was examined, the interactions between the various operational processes were analysed and each process was documented by conducting a series of interviews with Company employees. The past activities of the Company were also reviewed in order to identify any risk situations and their causes.
2. *Gap analysis*: after identifying the sensitive business areas, the offences that theoretically might be committed as a result of improper conduct were associated with each of the processes analysed. For each scenario that could result in the commitment of one or more offences, the exposure to residual risk was assessed by aggregating significant factors to identify both an inherent risk indicator, describing the degree of such exposure, and a control indicator, representing the effectiveness of the system implemented to ensure the proper conduct of sensitive activities.

3. *Update of the existing control system*: having photographed the organisation (controls and procedures applicable to the sensitive processes) for the express purposes envisaged in the Decree, appropriate improvements to the existing system of management and control were identified in order to align it with the requirements of Decree 231/01. This work resulted in the update of existing procedures and in definition of the new policies needed to ensure compliance with the requirements of the Decree.
4. *Preparation of the "Organisational Model"*: this document presents the Organisational Model defined by LB OFFICINE MECCANICHE; it comprises a "General Part", containing common principles and rules, and several "Special Parts" that describe individual types of offence in relation to the areas considered to be most at risk of committing them. The Special Parts cover those categories of offence that are most relevant to LB OFFICINE MECCANICHE.

The following significant offences were identified when starting the work needed to prepare the risk assessment (21/02/20):

- improper receipt of funds, fraud to the detriment of the State or a public body or receipt of public funds and IT fraud to the detriment of the State or a public body (art. 24);
- IT crimes and improper data processing (art. 24-bis);
- organised crime (art. 24-ter);
- malfeasance, improper inducement to give or promise benefits and corruption (art. 25);
- crimes against public trust (art. 25-bis);
- crimes against trade and industry (art. 25-bis.1);
- corporate offences (art. 25-ter);
- crimes committed for the purpose of terrorism or the subversion of democratic order (art. 25-quater);
- female genital mutilation (art. 25-quater.1);
- crimes against personal liberty (art. 25-quinquies);
- market abuse (art. 25-sexies);
- manslaughter or serious or very serious personal injuries caused negligently in violation of the occupational health and safety regulations (art. 25-septies);
- receiving, laundering and use of money, assets or benefits deriving from illegal sources, as well as self-laundering (art. 25-octies);
- violation of the regulations governing authorship rights (art. 25-novies);
- inducement to not make declarations or to make false declarations to the judiciary (art. 25-decies);
- environmental offences (art. 25-undecies);
- transnational crimes (arts. 3 and 10, Law 146 dated 16 March 2006);
- employment of foreign citizens without a proper permit (art. 25-duodecies);
- racism and xenophobia (art. 25-terdecies);
- fraud in sports competitions, unauthorised organisation of games, betting and gambling using forbidden equipment (art. 25-quaterdecies);
- tax offences (art. 25-quinquiesdecies).

The risk analysis was carried out in relation to all of the above offences.

3.3. Structure of the “Organisational Model” pursuant to Decree 231/01

The Organisational Model of LB OFFICINE MECCANICHE comprises the set of activities, resources and documents required by Decree 231/01 in order to prevent the commitment of specified offences by the entity/organisation. In particular:

- Organisational Model
- Supervisory Body
- Code of Ethics
- Disciplinary system
- Mapping of areas at risk of committing offences
- Procedures/Protocols
- Records
- All documentation needed for the effective planning, functioning and control of processes.

Preparation of the Model took account of the existing systems of control already applied by the Company, to the extent suitable as controls over sensitive processes in order to prevent offences.

3.4. Recipients of the Model

Decree 231/01 establishes that the entity is responsible for improper deeds carried out in Italy by personnel who, formally or on a de facto basis, perform representative, administrative, management or control functions within the Company or an autonomous organisational unit (senior persons), or by persons subject to management or supervision by senior persons, even if seconded abroad in order to carry out their activities. In particular, art. 4 of the Decree envisages that the entity may be held responsible, under certain conditions, even if the specified offence is committed abroad.

Accordingly, the requirements of the Model and the Code of Ethics must be satisfied by all persons who have a functional relationship with LB OFFICINE MECCANICHE, being the “senior persons and supervised persons” identified in art. 5, para. 1, of the Decree.

Knowledge of and respect for the requirements of the Organisational Model by the various groups of stakeholders, such as suppliers, commercial partners and customers, are guaranteed by their signature of contractual “safeguard” clauses that require them to read this document and comply with the principles embodied in the Code of Ethics and the rules specified in Decree 231/01.

3.5. Approval, amendments and additions to the Model

The Organisational Model is a “deed issued by the administrative body” (as required by art. 6, para. 1.a) of the Decree) and its adoption, as well as all amendments and additions, are the responsibility of the Board of Directors of LB OFFICINE MECCANICHE.

Updates to the operational procedures defined to implement the principles established in the Model are prepared by the function responsible for the Management System for the Prevention of Offences (RSGPR) and approved by the Chief Executive Officer.

4. MODEL DISSEMINATION AND AWARENESS

4.1. Information and training - personnel

In order to ensure that the Organisational Model and Code of Ethics remain effective, LB OFFICINE MECCANICHE strives to ensure proper knowledge of the rules of conduct contained in these documents via the provision of information and training to current employees and new hires, requiring different levels of understanding that reflect their different levels of involvement in the processes considered sensitive.

For this purpose, LB OFFICINE MECCANICHE organises the provision of information and training for:

- employees and new hires;
- those who, formally or on a de facto basis, perform operational, administrative, management or control functions within the Company or an autonomous organisational unit (senior persons);
- all persons who collaborate with the Company under temporary, agency or freelance contracts.

a. Initial communication

Adoption of the Model was communicated to all Company personnel, comprising both senior and supervised persons. This was carried out by organising specific meetings to describe the "Exemption System" defined, the Organisational Model, the Code of Ethics and the related operational procedures defined by LB OFFICINE MECCANICHE.

Current employees and new hires are given the following documentation:

- introduction to Decree 231/01 (available on the corporate intranet);
- Code of Ethics (hard copy and/or available on the corporate intranet);
- Organisational Model (available on the corporate intranet);
- relevant operational procedures (hard copy and/or available on the corporate intranet).

All current employees and new hires are required to sign a statement agreeing to the rules of conduct specified in the Organisational Model and the Code of Ethics, and promising to comply with the procedures adopted to implement the principles that underpin the Organisational Model.

b. Continuous training

Training to disseminate awareness of the provisions of Decree and the requirements of the Organisational Model and the Code of Ethics is mandatory and provided on a continuous basis, having regard for the different needs of personnel. Accordingly, all "senior" and "supervised" employees of LB OFFICINE MECCANICHE are required to attend training and refresher courses on the administrative responsibility of entities pursuant to Decree 231/01, which are tailored with reference to their roles within the organisation and the processes that are considered sensitive.

The training is organised by the HR function, which prepares an annual training plan that reflects the different training needs of personnel. Assisted by the competent function, the SB checks compliance with the mandatory requirement for all personnel to attend training courses, as well as the effectiveness of the training provided. Failure to comply with the above obligations could result in the application of disciplinary penalties.

LB OFFICINE MECCANICHE uses various tools to ensure the adequacy of training:

- dedicated intranet site (always available);
- in-person training courses (classroom);
- communications to all personnel (e-mail updates, circulars etc.).

4.2. Information for Suppliers and Commercial Partners

LB OFFICINE MECCANICHE promotes knowledge of and compliance with the Model among its commercial partners and suppliers of goods and services.

They are informed about adoption of the Model at the start of or during their professional or commercial relationship with the Company. Appointment letters and agreements contain specific safeguard clauses, pursuant to which signatories agree to comply with the rules of conduct specified in the Model and the Code of Ethics, and accept that any infringements might result in the termination of their contracts.

5. SUPERVISORY BODY PURSUANT TO DECREE 231/01

5.1. Supervisory Body

Another condition for obtaining exemption from the administrative responsibility envisaged in Decree 231/01 is that the entity must have delegated to an internal body, holding autonomous powers of action and control, the tasks of supervising the functioning of and compliance with the models and updating them.

This Supervisory Body (SB) must satisfy the following requirements:

- a) autonomy: the SB must have decision-making autonomy. The SB is independent of the Company, without operational duties, and does not participate in management of the business. In addition, the activities of the SB are not supervised by management and no other corporate bodies or organisations can object to them. Accordingly, in order to ensure this level of autonomy, the SB is positioned in a staff role, at the most senior hierarchical level, and reports directly to the Administrative Body of the Company.
- b) independence: the members of the SB must personally satisfy independence requirements that reinforce and complete the autonomy required above. Obviously enough, the requirement for the SB to be autonomous would be worthless if its members reported to or had personal links with senior persons within the organisation.
- c) professionalism and integrity: the SB must be professionally capable and reliable. Considered overall, the SB must possess the technical-professional expertise needed to perform its assigned functions. Expertise is required in the areas of law, accounting, business management, systems and auditing.
- d) continuity of action: in order to guarantee constant and effective implementation of the Model, the SB must work without interruptions. Its members guarantee sufficient commitment, albeit not necessarily on an exclusive basis, to perform their assigned duties effectively.

As the body responsible for supervising the functioning of and compliance with the Model and ensuring its regular update, the SB must:

- ✓ be independent and unrelated to those it is required to supervise;
- ✓ exercise autonomous powers of initiative and control;
- ✓ have financial autonomy with its own budget;
- ✓ not have operational duties;
- ✓ work on an uninterrupted basis;
- ✓ satisfy professionalism requirements;
- ✓ establish a systematic communications channel with the Board of Directors, taken as a whole.

The SB is entitled to adopt its own "Regulation" governing how it functions in practical terms, including how meetings are called and conducted, criteria for their validity, the planning of activities, the frequency of checks and the identification of controls and analytical procedures.

5.2. Identification of the Supervisory Body

The Supervisory Body appointed by LB OFFICINE MECCANICHE works on a collegiate basis.

The SB is appointed by the Board of Directors, which decides the number of members, their term in office and their remuneration for the professional work performed, as well as the budget available to the SB for the autonomous performance of its functions.

5.3. Requirements for appointments and reasons for ineligibility and lapsing

Persons with documented business knowledge and professional expertise may be appointed as members of the Supervisory Body. SB members are chosen from persons with particular expertise and professionalism in the areas of business organisation, auditing and consultancy, risk analysis and assessment, interviewing techniques and the preparation of questionnaires, operational management and control, finance and legal matters.

In addition, each member must satisfy personally the established independence, integrity and morality requirements.

Accordingly, the following persons cannot be appointed to the SB and, if appointed, their membership lapses:

- those who find themselves in any of the circumstances identified in art. 2382 of the Italian Civil Code;
- those who find themselves in circumstances that might compromise their autonomy and independence;
- those indicted for offences specified in Decree 231/01;
- those who are the business partner or spouse of a senior or supervised person, or who are related to them by birth or marriage to the second degree;
- those sentenced, albeit not yet definitively or with the application of an agreed penalty:
 - to imprisonment for at least one year for any crime envisaged in Royal Decree 267 dated 16 March 1942;
 - to imprisonment for at least one year for one of the offences envisaged in the regulations governing banking, financial, broking or insurance activities, stock markets and securities, and payment instruments;
 - to imprisonment for at least one year for a crime against the public administration, against the public trust or against State assets and the economy, or for tax crimes;
 - to imprisonment for at least two years for any intentional crime;
 - for any of the offences envisaged in Title XI of Book V of the Italian Civil Code;
- for any of the offences or unlawful administrative deeds specified in the Decree, regardless of the penalty applied;
- those sentenced definitively to application of any of the preventive measures envisaged in art. 10, para. 3, of Law 575 dated 31 May 1965.

5.4. Resignation, dismissal and replacement

Members of the Supervisory Body are entitled to resign their appointment. They may resign at any time, on giving at least three months' notice in writing to the Board of Directors, explaining their reasons.

Members of the Supervisory Body may be dismissed by the Board of Directors in any one of the following cases:

- repeated failure to carry out their assigned duties or unjustified inactivity;
- suspensions imposed on the Company due to their inactivity;
- conflicts of interest that result in failure to satisfy their autonomy and independence requirements;
- serious breach of the mandate granted to perform the functions indicated in the Model, including the infringement of confidentiality obligations;
- failure without good reason to attend three or more SB meetings over any consecutive period of twelve months.

In the event of resignation, inability to work, death or dismissal of a member of the SB, the Board of Directors must be informed promptly and will appoint a new member without delay.

5.5. Functions and powers of the Supervisory Body

The SB is granted the powers of initiative and control needed to supervise effectively, in practice, the functioning of and compliance with the Model, as established in art. 6 of Decree 231/01.

In particular, the SB is assigned the following powers to carry out and perform its duties:

- check satisfaction over time of the effectiveness and efficiency requirements established for the Model;
- ensure and promote the constant update of the Model, where necessary presenting proposals to the Board of Directors for updates and alignments in the form of amendments and/or additions made necessary following: i) infringements of the provisions of the Model; ii) changes in the internal organisation of the Company and/or the manner in which business activities are conducted; iii) legislative changes relating to the administrative responsibility of entities for the commitment of specified offences; iv) the outcome of checks;
- promote periodic updates of the system for identifying, mapping and classifying sensitive activities;
- identify any deviant behaviour from analysis of the information flows and reports required from the managers of the various functions;
- report confirmed infringements of the Model promptly to the Board of Directors, for appropriate action, if they might result in administrative responsibility for the Company;
- manage relations with and ensure relevant information flows to the Board of Directors;
- adopt, if desired, an internal Regulation to govern how it functions in practical terms, including how meetings are called and conducted, as well as their validity, the planning of activities, the frequency of checks and the identification of controls and analytical procedures;
- promote and define initiatives taken to disseminate knowledge and understanding of the Model, as well as to train personnel and increase their awareness of the need to respect the provisions of the Model;
- promote and devise forms of communication and training that cover the content of the Decree, its impact on the activities of the business and on the rules of conduct;
- provide clarification about meaning of requirements contained in the Model and how to apply them;



- prepare budgets for the expenses to be incurred in the proper performance of the duties assigned and submit them to the Board of Directors for approval;
- access freely, or call for interview, any function, unit, senior person or employee of the Company - without need for prior consent - in order to request and obtain the information, documentation and data deemed necessary for the performance of its duties;
- request relevant information from collaborators, consultants, agents, external representatives and customers of the Company;
- promote, as necessary, the activation of disciplinary proceedings and recommend any related penalties;
- in the event of checks, investigations or requests for information from competent authorities seeking to check compliance by the Model with the requirements of the Decree, maintain relations with the inspectors and provide them with adequate support and information.

As established by law, the SB has autonomous powers of action and control, in order to supervise the functioning of and compliance with the Model. However, the SB does not have enforcement powers, the ability to change the organisational structure or powers to penalise employees, corporate bodies, consultants, partners or suppliers. These powers are exercised by the competent corporate bodies or business functions.

In addition, in order to carry out the checks for which it is responsible, the SB has access - to the extent allowed by the privacy regulations (Regulation (EU) 2016/679 and Decree 196/2003, as amended by Decree 101/2018) and the Workers' Statute - to all corporate documentation that it deems relevant, as well as to the IT tools and information about any activities classified or classifiable as at risk of committing an offence.

In the performance of its duties, the SB may be drawn on assistance from all corporate functions, as well as from external consultants with the specific professional skills and knowledge considered necessary. These consultants report on their work directly to the SB.

5.6. Reporting by the Supervisory Body to top management

The SB reports on the results of its work to the governance and control bodies by preparing:

- audit reports containing the outcomes and recommended actions of the internal audit work carried out on sensitive processes;
- a periodic (annual) report describing the work performed during the period concerned;
- immediate communications should situations arise that require special attention (such as news of legislative changes regarding the administrative responsibility of entities, or changes in the organisational structure of the Company, or a need to consider disciplinary penalties).

Internal SB meetings and its meetings with corporate bodies are minuted and copies are retained on file by the SB.

The SB, or individual members, may be called for interview at any time by the above bodies or, in turn, may request meetings.

5.7. Mandatory information flows to the Supervisory Body

Art. 6, para. 2.d), of Decree 231/01 establishes that models must require information flows to the body appointed to supervise their functioning and compliance with them.

Consistent with this requirement, the Company has:

- established direct communication channels with the SB via which it receives mandatory information flows



from recipients of the Model;

- envisaged the possible application of disciplinary penalties to persons who fail to provide required information to the SB.

The required information flows may be delivered directly, in person, or via the following specific communication channels:

- o e-mail address: odv@lb-technology.com;
- o normal post addressed to: Supervisory Body - LB OFFICINE MECCANICHE S.p.A., Via Pedemontana 166 - 41042 - Fiorano Modenese (MO) Italy.

All senior and supervised personnel must use the above channels to send the SB information about:

- measures and/or information from the court police or any other authority that indicate the existence of investigations, even if in relation to unknown perpetrators, for offences specified in Decree 231/01, if those investigations might involve the Company or its employees, corporate bodies, suppliers, consultants or partners;
- requests for legal support received from executives and/or employees when court proceedings are commenced against them for offences specified in Decree 231/01, as well as requests for legal support made by owners, directors and executives in relation to the commitment of offences specified in Decree 231/01;
- information about the disciplinary proceedings held for infringements of the Model and any penalties applied (including measures against employees), or about closures of the proceedings and related reasons, if they related to the commitment of offences or infringements of the rules of conduct or the procedures specified in the Model;
- resolutions adopted by the Board of Directors and at the Shareholders' Meeting;
- the financial statements, accompanied by the explanatory notes and the report on operations;
- audit reports issued by certification agencies on the management systems adopted by the Company (UNI EN ISO 9001, 45001, 14001 etc.);
- reports on inspections carried out by the Tax Police or other State inspection and control bodies;
- corporate transactions exposed to the risk of committing offences specified in Decree 231/01;
- communications about changes in the organisational structure and the system of mandates and powers granted;
- plans for special transactions to be carried out by the Company.

As appropriate, the Supervisory Body is entitled to recommend changes to the above list to the Chief Executive Officer. The mandatory flow of information to the SB also includes those periodic documents and/or reports that the various offices within the Company are required to issue, on the basis and with the timing defined in their operating procedures. All mandatory information flows are documented in the "Schedule of mandatory information flows to the SB", which is updated constantly by the RSGPR function (responsible for the management system for the prevention of offences) and approved by the Chief Executive Officer.

5.8. Retention of information and documents

The mandatory information flows and documents sent to the SB are held on file, in electronic and/or printed form, by the SB. Access to that file is only available to members of the Supervisory Body, who must keep



confidential all facts and circumstances that become known to them during their term in office, except for any communications required by law.

5.9. Whistleblower reports and protection

Pursuant to art. 6, para. 2-bis, of Decree 231/01, added by Law 179/2017, LB OFFICINE MECCANICHE:

- a) has established dedicated communications channels that enable the persons indicated in art. 5, para. 1, letters a) and b) of Decree 231/01 to protect the entity by submitting detailed reports about unlawful conduct, deemed significant pursuant to the Decree, or infringements of this Model that come to their attention as a result of the functions performed.
 - a) These communication channels guarantee that the identity of reporters will be kept confidential when processing their reports;
- b) has established an alternative channel for submitting reports to guarantee, with IT support, that the identity of the reporter is kept confidential;
- c) guarantees protection for the reporter, prohibiting all direct or indirect reprisals and/or discrimination against the reporter for reasons related, directly or indirectly, to the report;
- d) has introduced, in the disciplinary system adopted pursuant to para. 2.e) of Decree 231/01, penalties for those who infringe the measures protecting the reporter, as well as those who make unfounded reports wilfully or with gross negligence.

The reporting system adopted by LB OFFICINE MECCANICHE is governed by internal procedures that specify how to submit reports and use the reporting channels made available, as well as how these reports are administered.

To protect further the identity of whistleblowers, the Company has arranged for all reports to be received by the Supervisory Body, all members of which are - for this purpose - external to the organisation.

The reports must be made personally, in writing - ideally without anonymity - in the manner specified in the relevant corporate procedure, using one of the following communication channels:

- ordinary post, marked "PERSONAL PRIVATE" to: Supervisory Body - LB OFFICINE MECCANICHE S.p.A., Via Pedemontana 166 - 41042 - Fiorano Modenese (MO) Italy.
- e-mail sent to the following address: segnalazioni.lbofficinemeccaniche@gmail.com.

The institutional website www.lb-technology.it contains the form to be used when submitting a report.

The SB is required to evaluate carefully all reports received, adopting all consequent measures that may be appropriate and, if necessary, interviewing the whistleblower and/or the perpetrator of the alleged infringement. The identity of the reporter must be protected and the reasons for the decisions made must be explained in writing, including those for any refusal to carry out an internal investigation.

The Company guarantees that whistleblowers will not suffer any reprisals, discrimination or penalties. In addition, the Company guarantees that their identities will be kept strictly confidential, without prejudice to legal requirements and the rights of LB OFFICINE MECCANICHE or any persons accused wrongfully and/or maliciously.

LB OFFICINE MECCANICHE notes that, for the protection of whistleblowers pursuant to art. 6, para. 2-ter, of Decree 231/01, any and all forms of discrimination or reprisals against them may be reported to the Italian Employment Inspectors. LB OFFICINE MECCANICHE is aware that, pursuant to art. 6, para. 2-quater, of Decree 231/01, dismissals, changes of duty or other reprisals or discrimination against whistleblowers are void.

The Company takes action if unjustified reports are filed in bad faith for the sole purpose of damaging



colleagues, employees, superiors or competitors.

5.10. Collection, administration and retention of reports

Whistleblower reports are recorded, administered and retained by the Supervisory Body in specific electronic and/or hard-copy folders. Access to them is only available to members of the Supervisory Body, who must keep confidential the identity of the reporter and all facts and circumstances that become known to them during their term in office, except for any communications required by law.

6. DISCIPLINARY SYSTEM

6.1. General principles

In order to guarantee effective implementation of the Model, LB OFFICINE MECCANICHE has adopted a disciplinary system (Annex 11 to this Organisational Model) that defines possible penalties to be applied for infringements of the procedures and rules of conduct specified therein, in compliance with the provisions of Decree 231/01, the relevant National collective employment contracts and the procedures envisaged in art. 7 of Law 300 dated 30 May 1970 (Workers' Statute).

7. SPECIAL PARTS OF THE ORGANISATIONAL MODEL

7.1. Structure

In addition to the General Part, the Organisational Model comprises several Special Parts, organised by category of offence, that identify the types of unlawful deed that LB OFFICINE MECCANICHE considers could be committed in the course of its business activities.

These Special Parts are listed below:

- A. Crimes against the Public Administration. Inducement to not make declarations or to make false declarations to the judiciary.
- B. IT crimes. Violation of the regulations governing authorship rights.
- C. Organised crime.
- D. Crimes against trade and industry.
- E. Corporate offences.
- F. Receiving, laundering and use of money, assets or benefits deriving from illegal sources, as well as self-laundering.
- G. Offences relating to occupational health and safety.
- H. Transnational offences.
- I. Environmental offences.
- L. Tax offences.

The Special Part for each of the above categories of offence provides a brief description of its nature, the specific offences considered applicable, the list of corporate activities deemed to be at risk of committing them, general principles for the conduct required and information about the operational procedures adopted to monitor the situation.

The Special Parts are integral to this document, even though they are identified as Annexes. The revision status of each is indicated separately. Accordingly, given that the Organisational Model comprises several sections divided into a General Part and Special Parts, if the revision status of one or more sections is updated following regulatory or organisational changes, the entire document must be revised, identified with a new serial number and submitted to the Board of Directors for approval.

7.2. Recipients

The recipients of the Special Parts of the Model comprise those members of the administrative and control bodies, persons entitled to represent the Company, employees, collaborators and suppliers who, when making decisions or performing their functions/activities in areas considered sensitive, might - by their conduct - commit or contribute to committing specified offences that could give rise to administrative responsibility.

Accordingly, all the above parties are required to conduct themselves in accordance with the provisions of the Organisational Model, in order to prevent commitment of the offences specified in the Decree.

7.3. General rules

The organisation processes adopted by the Company ensure:

- ✓ compliance with the principle of the segregation of functions, which requires several persons to participate in each process in order to achieve greater control by ensuring that execution, checking and authorisation are all separate activities;
- ✓ the existence of suitable corporate rules and instructions that, at a minimum, provide general principles for the control of sensitive activities;
- ✓ the existence of formalised rules governing the exercise of powers of signature and internal powers of authorisation;
- ✓ the traceability of operations.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 1 - Special Part A

Crimes against the Public Administration
Inducement to not make declarations or to
make false declarations to the judiciary



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13/10/21	First issue. Regulatory update.



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1. CRIMES AGAINST THE PUBLIC ADMINISTRATION

1.1 Introduction

The offences envisaged in arts. 24, 25 and 25-decies of Decree 231/01 are described below.

These include some of the offences identified in Book II, Title II, Chapter I of the Criminal Code "Crimes by Public Officials against the Public Administration", in Book II, Title XIII, Chapter II of the Criminal Code "Crimes against State assets by fraud", and the offence of "Inducement to not make declarations or to make false declarations to the judiciary" envisaged in art. 377-bis of the Criminal Code and referenced by art. 25-decies of Decree 231/01. Art. 25-decies was added to the Decree by art. 4 of Law 116/2009 on "Ratification and execution of the United Nations Convention against Corruption, adopted by resolution 58/4 of the UN General Assembly on 31 October 2003, and signed by the Italian State on 9 December 2003, as well as related domestic alignments and amendments to the criminal code and the criminal procedures code".

Within the framework of Italian legislation, the term "Public Administration" (PA for short) means the set of public entities (municipalities provinces, regions, State, ministries etc.), private entities (bodies organised under public law, concessionaires, awarding administrations, companies with mixed ownership) and parties that perform administrative functions for the community and, therefore, in the public interest, in accordance with the principle of subsidiarity.

For the purposes of criminal law, the term "*Public Officials*" means: "*persons who perform a public legislative, judicial or administrative function. Similarly, administrative functions are public when they are governed by public regulations and authorisations, and involve the formation and manifestation of the wishes of the public administration, or its performance via the exercise of authorisation or certification powers*".

Public Officials are therefore persons who:

- contribute to forming or form the wishes of the public entity or who represent it in dealing with third parties (e.g. mayor, executives, officials such as administrative secretaries, engineers and accountants, with the exclusion of clerical staff such as filing clerks, secretaries, record keepers etc., unless they have direct contacts with the public);
- are granted authority and the right to make arrests (e.g. police officers etc.);
- are granted powers to certify i.e. the right to issue documents with legal validity in Italy as evidence in court (e.g. notaries and similar, stockbrokers, authorised mediators etc.). This category extends to include persons who, in court proceedings, collaborate with the judiciary and attest to facts used as evidence, such as witnesses, technical experts, interpreters etc.

Pursuant to the criminal law, "*Providers of Public Services*" are those who, on whatsoever basis, provide a public service, being an intellectual activity without the authority and powers of certification typical of a public function, but merely complementary to it. Law 300 dated 29 September 2000 ratified a series of international treaties, including those on the corruption of members of the European Communities, and extended the definition of *Public Officials* and *Providers of Public Services* to include the members of bodies of the European

Communities and the officials of member States of the European Communities (art. 3 of Law 300/2000 added art. 322-bis to the criminal code).

New measures *"for the prevention and repression of corruption and unlawful deeds in the public administration"* were introduced by Law 190 dated 6 November 2012, as published in Italian Official Gazette 265 on 13 November 2012. This reform placed certain obligations on the public administration: in addition to assigning to the government the task of preparing a Code of Ethics for public employees, every administration was also required to adopt precise *"anti-corruption plans"*.

Here, the Italian legislator worked on both prevention and repression by establishing, on the one hand, strict rules of conduct for public employees and transparency criteria for administrative activities and, on the other, criminal regulations targeting and punishing in a more selective manner unlawful conduct involving corruption. The innovations added by Law 190/2012 of significance for compliance with Decree 231/01 are presented below, covering some of the criminal conduct envisaged in this Special Part:

- Malfeasance
- replacement of art. 318 criminal code (Corruption for an official deed) by *"Corruption in exercise of the function"*, punished by imprisonment for between 1 and 5 years;
- increases in the penalties for the crime identified in art. 319-ter criminal code *"Corruption in judicial deeds"* (with punishment by imprisonment increased from 3-8 years to 4-10 years for the situation envisaged in the first paragraph, while for the aggravated form addressed in the second paragraph, the sentence is raised to 5-12 years); for the crime identified in art. 319 criminal code (Corruption), the penalty is raised to 4-8 years from 2-5 years previously.
- Malfeasance:
- the operational scope of art. 317 criminal code was reduced to the situation in which malfeasance by the public official had a coercive effect on the private person and, given the related powers of authorisation, resulted in so-called *"metus publicae potestatis"* (forced malfeasance). In this case, the minimum penalty was raised from 4 to 6 years, while the maximum did not change (12 years);
- a new type of crime was added and governed by art. 319-quater criminal code, namely *"Improper inducement to give or promise money or other benefits"*, which now covers the offences of inducement. This crime is committed by public officials and providers of public services, but punishment also extends to private persons who, not being forced but merely induced to *"give or promise"*, retain a margin of criminal choice that justifies punishment, albeit to a more limited extent (up to 3 years).

Published in the Italian Official Gazette on 30 May 2015, Law 69 dated 27 May 2015 on "Measures regarding crimes against the public administration, mafia-related associations and additional amendments to the criminal procedures code, the related enabling instructions and Law 190 dated 6 November 2012" came into force on 14 June 2015.

This regulation, regarding the rules referenced by Decree 231/01 of interest in this Special Part, added:

- in art. 1, amendments to the penalties envisaged in the criminal code for crimes against the public administration. In particular, for the crimes already referenced by Decree 231, the penalties were increased with regard to articles: 318 criminal code "Corruption in exercise of the function" (from one to six years); 319 criminal code "Corruption to obtain a deed contrary to official duty" (from six to ten years); 319-ter criminal code "Corruption in judicial deeds", first paragraph (from six to twelve years) and second paragraph (from six to fourteen years and from eight to twenty years); 319-quater, first paragraph criminal code "Improper inducement to give or promise benefits" (from six to ten years and six months).
- In art. 3, amendments to art. 317 of the criminal code regarding malfeasance, with the return of the provider of public services as a perpetrator of the crime.

With regard to crimes against the Public Administration, additional changes were made by Law 3 dated 9 January 2019 on *"Measures to tackle crimes against the Public Administration, on time expiry of the crime and on the transparency of political parties and movements"*, which came into force on 31 January 2019.

This "Fight Corruption" law increased the penalties for the crimes of

corruption, malfeasance and inducement, and also amended Decree 231/01, both directly and indirectly:

- adding the offence of "Traffic in unlawful influence", as reformulated by the law, to the catalogue of specific offences resulting in administrative responsibility (art. 25 of Decree 231/01);
- amending art. 2635 of the Italian Civil Code on "Corruption between private persons", abrogating the fifth paragraph, and art. 2635-bis of the Italian Civil Code on "Instigation of corruption between private persons", abrogating the third paragraph. Both articles are referenced by art. 25-ter of Decree 231/01 and now no longer need to be challenged by the offended party, as the judiciary can now initiate proceedings directly;
- increasing the duration of suspensions for crimes against the Public Administration. Art. 1, para. 9, of Law 3/2019 establishes: "The following amendments are made to Decree 231 dated 8 June 2001:
 - a) in art. 13, para. 2, the words: "The suspensions" are replaced by:
"Without prejudice to the provisions of art. 25, para. 5, the suspensions";
 - b) in art. 25: 2) para. 5 is replaced by: «5. On conviction for one of the offences indicated in paras. 2 and 3, the suspensions envisaged in art. 9, para. 2, are applied for not less than four years and not more than seven years, if the offence was committed by one of the parties referred to in art. 5, para. 1.a), and for not less than two years and not more than four years, if the offence was committed by one of the parties referred to in art. 5, para. 1.b)».



In substance, the "Fight Corruption" law increases - for companies convicted of crimes committed against the public administration - the duration of the suspensions envisaged for the crimes of malfeasance, corruption, corruption to obtain a judicial deed, improper inducement to give or promise benefits, and instigation of corruption by omission or acts contrary to an official duty, creating - in addition - a distinction between crimes committed by senior persons and those committed by supervised persons.

1.2 Types of crimes against the Public Administration

a. Misuse of funds to the detriment of the State (art. 316-bis criminal code)

The crime is committed by anyone, unrelated to the P.A., who diverts from their intended purposes money received from the State or a public entity or the European Union (contributions, loans or grants) in order to facilitate the performance of works or activities in the public interest. The asset-interest protected is the good performance of the paying entity. The general crime consists in the conscious and willing failure to direct benefits obtained from the public entity to the agreed works or activities in the public interest. The punishment is imprisonment for between six months and four years.

b. Improper collection of funds to the detriment of the State (art. 136-ter criminal code)

Added by art. 4 of Law 300/2000, this offence is committed by anyone who - via the use or presentation of false declarations or documents or untrue statements, or via the failure to provide required information - obtains improperly for themselves or others grants, loans, assisted loans or other funds of the same type, howsoever described, from the State, other public bodies or the European Union, totalling more than Euro 3,999.96. The punishment is imprisonment for between one and four years if the fact is committed by a public official or the provider of a public service with abuse of the position or powers held.

c. Malfeasance (art. 317 criminal code)

This crime occurs if public officials or the providers of a public service abuse their position or power to force someone to give or promise undue money or other benefits to them or to a third party.

There is a dual purpose: protect the interest of the P.A. in maintaining the propriety and good reputation of public officials and providers of public services, and prevent third parties from being overcome and damaged by abuses of power by those officials.

The punishment is imprisonment for between six and twelve years.

In the context of the situations addressed by Decree 231/01, these offences are merely residual, arising for example if an employee contributes to an offence by public officials or providers of public services who, in abuse of their positions, demand undue services from third parties in a manner that is, somehow, in the interests of or beneficial to the Company.

d. Corruption in exercise of the function (arts. 318 and 321 criminal code)

This crime occurs if public officials accept undue remuneration for performing a deed in the exercise of their functions or powers (e.g. accept money to accelerate the completion of a case under their responsibility).

The crime is committed by both the corrupter and the corrupted. The punishment is imprisonment for between three and eight years.

e. Corruption to obtain a deed contrary to official duty (arts. 319, 319-bis and 321 criminal code)

This crime occurs if public officials receive, or accept a promise of, money or other benefits for themselves or for others, in order to perform a deed that is contrary to their official duty, or “illegitimate” because in conflict with legislation or their instructions (e.g. if a private person offers money to a public official, who accepts, to guarantee winning a tender competition); it also occurs if public officials omit or delay the performance of their official duty. The punishment is imprisonment for between six and ten years.

f. Corruption to obtain a judicial deed (art. 319-ter criminal code)

This crime occurs when the corruption indicated in the previous articles is committed to facilitate or damage a party to civil, criminal or administrative proceedings. The punishment is imprisonment for between six and twelve years. If the fact results in the unjust conviction of a person to imprisonment for not more than five years, the period of imprisonment is increased from six to fourteen years; if the unjust conviction involves imprisonment for more than five years or for life, the punishment is imprisonment for between eight and twenty years.

g. Improper inducement to give or promise benefits (art. 319-quater criminal code)

The first paragraph of this offence is committed if public officials or providers of a public service, acting in the abuse of their position or powers, induce a private person to give or promise them or others money or other benefits that are not due to them. The punishment is imprisonment for between six and ten years and six months.

The second paragraph of this offence is committed by a private person who is improperly induced to give or promise money or other benefits to a public official, following serious psychological pressure from that public official. The punishment is imprisonment for up to three years.

h. Corruption of a person who provides a public service (art. 320 criminal code)

Arts. 318 and 319 also apply to providers of a public service, regardless of whether or not they are also public employees, being persons who perform their activities continuously, for remuneration, in the employment of the State or another public entity.

i. Penalties for the corrupter (art. 321 criminal code)

The punishments envisaged in para. 1 of art. 318 and in arts. 319, 319-bis, 319-ter and 320 in relation to the offences envisaged in arts. 318 and 319, also apply to those who give or promise money or other benefits to a public official or the provider of a public service.

j. Instigation of corruption (art. 322 criminal code)

This crime is committed merely by unilaterally instigating or attempting corruption that is not accepted. The first paragraph governs the instigation of corruption in performing an official duty (art. 318 criminal code, as amended by Law 190/12), where anyone could be the perpetrator of the crime: the punishment is that

envisaged in art. 318 of the criminal code, as reduced by one third. The third paragraph applies the same punishment to public officials, or the providers of a public service, who solicit a promise or the payment of money or other benefits for the exercise of their functions or powers. With regard to the instigation of corruption by omission or acts contrary to an official duty (art. 319 criminal code), the punishment is that envisaged in art. 319 of the criminal code, as reduced by one third.

k. Embezzlement, malfeasance, improper inducement to give or promise benefits, corruption and instigation of the corruption of members of international Courts, European Community bodies, international parliamentary assemblies or international organisations and officials of the European Communities and foreign countries (art. 322-bis criminal code)

The provisions of arts. 314, 316, from 317 to 320 and 322, paras. 3 and 4, also apply to:

- 1) members of the European Commission, the European Parliament, the Court of Justice and the Court of Accounts of the European Communities;
- 2) officials and agents engaged under contract pursuant to the statute for officials of the European Communities or the regime applicable to agents of the European Communities;
- 3) persons seconded to the European Communities by member States, or any public or private bodies, who carry out functions corresponding to those of the officials or agents of the European Communities;
- 4) members and employees of bodies formed under the treaties that established the European Communities;
- 5) those who within the member States of the EU carry out functions or activities that correspond to those of public officials or providers of a public service;
- 5-bis) magistrates, the public prosecutor, assistant public prosecutors, officials and agents of the international criminal court, persons assigned by signatory States of the treaty that established the international criminal court, whose functions correspond to those of the officials or agents of the court, members and employees of entities established pursuant to the treaty that established the international criminal court;
- 5-ter) persons who carry out functions or activities that correspond to those of public officials or providers of a public service in the context of international public organisations;
- 5-quater) members of international parliamentary assemblies or an international or supranational organisation and magistrates and officials of international courts.

The provisions of arts. 319-quater, para. 2, 321 and 322, paras. 1 and 2, also apply if the money or other benefits are given, offered or promised to: 1) persons indicated in para. 1 of this article; 2) persons who carry out functions or activities that correspond to those of public officials or providers of a public service in the context of foreign States or international public organisations. The persons indicated in para. 1 are deemed similar to public officials if they exercise the corresponding functions, and to providers of a public service in the other cases.

l. Traffic in unlawful influence (art. 346-bis criminal code)

This crime, punished by imprisonment from one to four years and six months, is committed by persons who, by exercising or merely alleging (with exaggerated claims) influence over a public official or the provider of a

public service, demand payment or promises of payment of money and/or other benefits, for themselves or for others, as consideration for their unlawful mediation with a public official or the provider of a public service, or one of the other parties identified in art. 322-bis, or to remunerate them for the exercise of official functions or powers. The same punishment is applied to those who give or promise undue payments of money or other benefits.

The punishment is increased if the persons who improperly demand payment or promises of payment of money and/or other benefits are public officials or the providers of a public service.

The punishment is also increased if the crimes are committed in relation to the performance of judicial activities, or to remunerate a public official or the provider of a public service, or one of the other parties identified in art. 322-bis, for carrying out a deed contrary to their official duty, or for the omission or delay of an official deed. The punishment is decreased if the facts are especially trivial.

The crime of traffic in unlawful influence thus includes boastful conduct that was previously treated as the making of exaggerated claims, which was a crime abrogated by Law 3/2019.

m. Inducement to not make declarations or to make false declarations to the judiciary (art. 377-bis criminal code)

This offence is committed by whoever, with violence or threats, or by the offer or promise of money or other benefits, induces a person not to make declarations, or to make false declarations, when called before the judiciary to make declarations usable in criminal proceedings with the right to not respond. The interest protected is the proper administration of justice, which must be guaranteed by preventing external influences that may disturb the search for truth during the court proceedings. In this case, the term “judiciary” means the magistrate and the public prosecutor.

n. Fraud to the detriment of the State or a Public Body or the European Union (art. 640, para. 2.1, criminal code)

This crime is committed by anyone who, in order to obtain an unjust profit, takes fraudulent action in order to induce an error that inflicts a loss on the State or another public body or the European Union. The crime may be committed, for example, if - when preparing documents or data for participating in tender procedures - the P.A. is given untrue information in order to obtain the award. The punishment is imprisonment for between one and five years and a fine of between Euro 309 and Euro 1,549.

o. Aggravated fraud to obtain public funds (art. 640-bis criminal code)

This crime is committed when the fraud relates to “grants, loans, assisted loans or other funds of the same type, howsoever described” obtained from the State, other public bodies or the European Union.

For example, when untrue data is communicated, or documents prepared, in order to obtain the payment of public funds. The punishment is imprisonment for between one and six years.

p. IT fraud (art. 640-ter criminal code)

This crime is committed by whoever, by altering the functioning of an IT system or modifying in any way the data, information or programs contained in that system, obtains an unjust profit to the detriment of others. The punishment is imprisonment for between one and five years and a fine of between Euro 309.00 and Euro 1,549.00. For example: if, after having obtained a loan, someone accesses the IT system improperly to input a higher loan amount than that obtained legitimately.

1.3 Applicable offences

The types of offence described above that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 24] Improper receipt of funds, fraud to the detriment of the State or a public body or receipt of public funds and IT fraud to the detriment of the State or a public body	
IT fraud to the detriment of the State	art. 640-ter criminal code
Improper collection of grants, loans or other funds from the State, a public body or the European Union	art. 316-ter criminal code
Misuse of funds to the detriment of the State or a public body	art. 316-bis criminal code
Aggravated fraud to obtain public funds	art. 640-bis criminal code
Fraud to the detriment of the State or a public body or the European Union	art. 640, para. 2.1, criminal code
[art. 25] Malfeasance, improper inducement to give or promise benefits and corruption	
Aggravating circumstances	art. 319-bis criminal code
Corruption of a person who provides a public service	art. 320 criminal code
Corruption in judicial deeds	art. 319-ter, para. 1
Corruption in judicial deeds (if someone is unjustly sent to prison)	art. 319-ter, para. 2, criminal code
Corruption in exercise of the function	art. 318 criminal code
Corruption to obtain a deed contrary to official duty	art. 319 criminal code
Inducement to give or promise benefits	art. 319-quater
Instigation of corruption	art. 322, paras. 2 and 4, criminal code

[art. 25] Malfeasance, improper inducement to give or promise benefits and corruption	
Instigation of corruption in exercise of the function	Art. 322, paras. 1 and 3, criminal code
Embezzlement, malfeasance, improper inducement to give or promise benefits, corruption and instigation of the corruption of members of international Courts, European Community bodies, international parliamentary assemblies or international organisations and officials of the European Communities and foreign countries	art. 322-bis criminal code
Penalties for the corrupter	art. 321 criminal code
Traffic in unlawful influence	art. 346-bis criminal code
[25-decies] Inducement to not make declarations or to make false declarations to the judiciary	
Inducement to not make declarations or to make false declarations to the judiciary	art. 377-bis criminal code

1.4 Sensitive activities

With regard to the types of offence considered applicable, LB OFFICINE MECCANICHE treats as “sensitive” all activities that, directly or indirectly, involve establishing relations with the Public Administration.

In this context, sensitive activities include:

- requests for administrative measures, licences and concessions, authorisations, certificates made to officials of public administrations, public bodies and European Community bodies, as well as to officials of the European Communities and of foreign countries;
- official procedures involving public parties, such as communications, declarations, filing of deeds and documents, compliance activities;
- management of checks and inspections by public officials (ARPA, Tax Police, Tax Authorities, INPS, ASL etc.), including any aspects related to the safeguarding of occupational health and safety (Decree 81/08) and environmental matters;
- management of relations with public administrations;
- selection, hiring and administration of personnel;
- selection, appointment and remuneration of commercial agents;
- personnel incentive schemes;
- management of social security and pension matters;
- management of company assets assigned to personnel;
- management of travel and expense reimbursements;
- management of the revenue cycle;
- management of the expenditure cycle;

- management of credit collection;
- selection, qualification and appraisal of providers of services, professional activities and consultancy;
- management of procurement;
- preparation of invoices and accounting documents;
- management of cash flows;
- preparation of offers and contracts for sales and services;
- management of credit recovery;
- management of public loans and grants;
- management of related-party transactions;
- management of intercompany transactions;
- preparation of income tax, withholding tax and other declarations as part of the process of calculating and paying taxes and levies in general;
- management of gifts, donations, hospitality and sponsorships;
- management of legal disputes and court cases.

1.5 General principles of conduct

Internal recipients must:

- avoid conduct that results in the commitment of offences described in this Special Part;
- avoid initiating conduct that, despite not representing per se the commitment of offences described in this Special Part, could result in committing an offence;
- avoid creating conflicts of interest with the Public Administration with regard to offences described in this Special Part;
 - act in compliance with the powers of representation and signature assigned in formal mandates.

In particular, it is forbidden to:

- take action or behave, directly or via others, in a way that might merely be interpreted as a form of corruption, improper favouritism or an attempt to obtain advantages and benefits for the Company;
- give or promise money or other benefits, directly or via others, to public officials or providers of a public service, even if induced to do so by them, in order to prevent the Company from incurring greater penalties;

- grant benefits in kind (e.g. promises of employment or other advantages), directly or via others, to the representatives of Italian or foreign Public Administrations;
 - offer or promise money, or give gifts or other benefits, directly or via others, to persons called to make statements before the judiciary;
- give gifts, presents or advantages of any kind (e.g. sponsorships), directly or via others, that are not envisaged in corporate policies and practices. In particular, it is forbidden to offer or promise gifts, other benefits or free services to representatives of the Public Administration, or their family members, that might appear connected with their relations with the Company or intended to influence the independence of their judgement or induce them to provide advantages of any kind to the Company. Any gifts given must always be of low value and managed in accordance with corporate procedures. The gifts offered must always be documented in a suitable manner, so that the SB can make checks. Donations for charitable or cultural purposes and political contributions must remain within legal limits and documented in full, so that the SB can make checks;
- request or accept gifts or benefits of any kind from customers, suppliers, commercial partners, representatives of the public administration or their family members, that are not of modest value or consistent with corporate policies and procedures;
- hire or promise to hire persons, directly or via others, without regard for the criteria of objectivity, skill and professionalism, and that may represent favouritism, nepotism or forms of patronage in relation to a public official or the provider of a public service that results in benefits of any kind for the Company;
- provide services to commercial partners that are not justified in the context of the relationship established with them;
- make payments to external collaborators/consultants that cannot be justified appropriately in relation to the type of work performed, or to be performed, considering their contracts and current local business practices;
- make payments to suppliers that cannot be justified appropriately in relation to the nature of the supplies provided;
- assign tasks to service providers, professionals, commercial collaborators or lobbying firms that are not documented in writing with specification of the remuneration (howsoever described) for the work, consultancy or collaboration provided, and clear identification of any variable or results-based components; the related contracts must be proposed or negotiated, checked and approved by at least two persons within the Company. The contracts must contain suitable safeguard clauses in which the above suppliers agree, in the performance of their activities, to comply with the requirements

specified in the Organisational Model and the Code of Ethics; in particular, suppliers must agree not to give gifts, donations and/or promises of favours in exchange for preferential treatment in the performance of their activities and/or in any case intended to obtain preferential treatment and/or benefits for the Company;

- carry out fraudulent activity in relation to Italian or EU public bodies in order to obtain undue profits to the detriment of others;
- present false declarations to Italian or EU public bodies in order to obtain public funds, grants or loans;
- allocate amounts received from Italian or EU public bodies, in the form of loans, grants or other payments, for purposes other than those for which they were made;
- alter an IT or telematic system or modify in any way, without authorisation, the data, information or programs contained in any public or private IT, telematic or related system.

In order to guarantee the above conduct:

- relations with the Public Administration must be managed with maximum transparency;
- any gifts, donations, hospitality or sponsorships given, within the limits and rules described above, and in accordance with the established corporate procedures, must be documented and reported appropriately;
- gifts must not be given or received in the form of cash;
- payments must never be made in cash or kind, except in the case of petty cash expenditures;
- the tasks assigned to service providers, professionals and commercial collaborators must be documented in writing with specification of the remuneration (howsoever described) for the work, consultancy or collaboration provided, and clear identification of any variable or results-based components; the related contracts must contain suitable safeguard clauses in which the above suppliers agree, in the performance of their activities, to comply with the requirements specified in the Organisational Model and the Code of Ethics of LB OFFICINE MECCANICHE and, in particular, not to give gifts, donations and/or promises of favours in exchange for preferential treatment in the performance of their activities and/or in any case intended to obtain preferential treatment and/or benefits for the Company;
- the process of selecting and qualifying service providers, contractors and commercial partners must comply fully with established corporate procedures and guarantee maximum transparency and traceability.

1.6 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE has:

- defined the corporate roles involved in the process of selecting, hiring and incentivising personnel;
- defined and formalised the professional profiles sought;
- ensured the traceability of essential information supporting the final selection of candidates;
- defined rules for ensuring the traceability and periodic monitoring of personnel administration;
- defined policies and rules for the management of travel and expense reimbursements;
- defined internal policies for the proper use of corporate assets;
- defined corporate rules for the management of personnel incentive schemes;
- defined the roles involved in the management of cash flows, with particular reference to levels of authorisation and formalisation of the related processes;
- ensured the traceability of the checks and controls carried out on expense vouchers and payment authorisations;
- defined corporate instructions that ensure the periodic verification of cash flows (compliance with limits on cash payments, precautions taken for cash advances, reconciliations etc.);
- defined corporate instructions for checking that payments are made properly, with exact matching of recipients/payers and counterparties actually involved in the transactions;
- forbidden roles that maintain relations or negotiate with the P.A. to have unrestricted access to financial resources or to authorise payments as a sole signatory;
- adopted security measures for electronic data processing, such as those contained in Regulation (EU) 2016/679 and Decree 196/2003, as amended by Decree 101/2018;
- formalised the processes involved in managing the expenditure cycle;

- formalised the processes involved in managing the revenue cycle;
- defined rules for checking the technical and economic reasonableness of existing consultancy contracts with reference to market conditions;
- formalised rules that forbid the provision of services to consultants without appropriate justification in the context of the contractual relationship established with them;
- established safeguard clauses in contracts with consultants that make express reference to the principles of conduct contained in the Model adopted by the Company;
- defined the roles involved in the management of gifts, hospitality, donations and sponsorships, with formalisation of the related processes;
- defined formalised policies and rules for the management of relations with public officials;
- forbidden roles that maintain relations or negotiate with the P.A. to give gifts, presents or benefits of any kind on an autonomous basis;
- defined corporate rules for the management of in- and out-of-court disputes and arbitration proceedings;
- defined corporate rules for the management of public grants and loans;
- defined corporate rules for the management and control of tax compliance activities;
- defined corporate rules for the governance of related-party transactions;
- included corporate policies and principles in the Code of Ethics for managing the sensitive processes considered in this Special Part.

1.7 Specific procedures

With regard to the offences identified in this Special Part as theoretically applicable, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the sensitive areas that are published on the corporate intranet.

1.8 Management of relations with the PA and evidence sheets

It is necessary to evidence adequately the relations maintained by the Company with representatives of the Public Administration, such as public officials and/or providers of public services.

For this purpose, the roles that the Company has identified as responsible for managing activities that involve relations with the public administrations (i.e. mandate holders or other persons authorised by the Company to work with representatives of the public administration in their specific areas of responsibility, as well as the roles that collaborate with them internally on related preparatory work and the collection of data, information and

supporting documentation) are required to complete “Evidence sheets” that are updated periodically and detail:

- the Public Administrations responsible for the procedures associated with the transaction;
- the statement made by the Area Manager who carried out activities involving the Public Administration that confirms full knowledge of the official procedures to be completed and the obligations to be satisfied when carrying out those activities, and that the offences specified in the Decree were not committed;
- the principal activities and official procedures carried out in order to complete the transaction.

The SB may specify additional checks on the transactions concerned, which must be evidenced in writing.

1.9 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities.

If considered appropriate, the Supervisory Body can draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by Decree 231/01, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part, providing any information requested by the SB and reporting any events or circumstances that suggest the possible commitment of an offence pursuant to arts. 24, 25 or 25-decies of Decree 231/01.

LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control Model - Decree 231/2001

“Organisational Model”

Annex 2 - Special Part B

IT crimes and improper data processing

Violation of the regulations governing
authorship rights



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue



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1. IT CRIMES AND IMPROPER DATA PROCESSING. VIOLATION OF THE REGULATIONS GOVERNING AUTHORSHIP RIGHTS

1.1 Introduction

This Special Part describes the crimes envisaged in art. 24-bis of Decree 231/001 (added by art. 7 of Law 48 dated 18 March 2008 on "Ratification and implementation of the Council of Europe Convention on Cybercrime", signed in Budapest on 23 November 2001) and the crimes envisaged in art. 25-novies of Decree 231/01 on violation of the regulations governing authorship rights.

These two types of crime are addressed together in this Special Part as, although they safeguard different legal interests, the areas at risk found within the relevant sensitive processes overlap in part, given that each relies on the proper use of IT resources.

1.2 Types of IT crime

a) IT documents (art. 491-bis criminal code)

Here the legislator applies the regulations governing the falsification of public deeds and private documents to the situation in which the unlawful conduct relates to IT documents, being the electronic representation of deeds, facts or data of legal significance. The criminal penalties for ideological or material falsification apply to those public or private IT documents representing valid evidence in court, which is a requirement satisfied by adding an authentic electronic signature and, more generally, by complying with the technical rules for guaranteeing the identity of the author and the nature, integrity and unchangeability of the document.

In particular, a document is "materially false" when prepared or signed by a person other than that indicated as the sender or signatory, with the apparent author being different to the true author of the document (counterfeiting), or when the document is altered by additions or deletions subsequent to its preparation. On the other hand, a document is "ideologically false" when it is untrue in that, although not counterfeited or altered, it contains untrue statements. Accordingly, in the case of ideological falsification, the author of the document confirms facts that are not true.

The crimes identified in art. 491-bis are described below:

IT documents (art. 491-bis criminal code) - Material falsification by a public official in public deeds (art. 476 criminal code)

The crime is committed if a public official, in the exercise of official functions, prepares a false deed, in whole or in part, or alters a true deed.

IT documents (art. 491-bis criminal code) - Material falsification by a public official in certificates or administrative authorisations (art. 477 criminal code)

The crime is committed if a public official, in the exercise of official functions, fakes or alters certificates or administrative authorisations or, by counterfeiting or alteration, makes it seem that the conditions for their validity are satisfied.

IT documents (art. 491-bis criminal code) - Material falsification by a public official in authenticate copies of public or private deeds and in attestations of the content of deeds (art. 478 criminal code)

The crime is committed if a public official, in the exercise of official functions, presuming the existence of public or private deeds, fakes a copy of them and issues it in legal form, or issues a copy of a public or private deed different to the original.

IT documents (art. 491-bis criminal code) - Ideological falsification by a public official in public deeds (art. 479 criminal code)

The crime is committed if a public official, receiving or preparing a deed in the exercise of official functions, attests falsely that a deed was executed by him or in his presence, or attests the receipt of statements not received by him, or omits or alters statements received by him or, in any case, attests falsely to facts that the deed is intended to prove true.

IT documents (art. 491-bis criminal code) - Ideological falsification by a public official in certificates or administrative authorisations (art. 480 criminal code)

The crime is committed if a public official, in the exercise of official functions, attests falsely in certificates or administrative authorisations to facts that the deed is intended to prove true.

IT documents (art. 491-bis criminal code) - Ideological falsification in certificates committed by persons providing a needed public service (art. 481 criminal code)

The crime is committed if anyone, in the exercise of a healthcare or forensic profession or other needed public service, attests falsely in a certificate to facts that the deed is intended to prove true.

IT documents (art. 491-bis criminal code) - Material falsification by a private person (art. 482 criminal code)

The crime is committed if the falsification is committed by a private person in public deeds, certificates or administrative authorisations, or in authenticate copies of public or private deeds and in attestations of the content of deeds.

IT documents (art. 491-bis criminal code) - Ideological falsification committed by a private person in public deeds (art. 483 criminal code)

The crime is committed by anyone who attests falsely to a public official, in a public deed, to facts that the deed is intended to prove true.

IT documents (art. 491-bis criminal code) - Falsification in registers and notifications (art. 484 criminal code)

The crime is committed by anyone who, being required to keep registers subject to inspection by the public safety authority, or to notify that authority about their industrial, commercial or professional operations, writes false information or allows it to be written.

IT documents (art. 491-bis criminal code) - Falsification in private deeds (art. 485 criminal code)

The crime is committed by anyone who, in order to obtain an advantage, personally or for others, or cause

damage to others, prepares - in whole or in part - a false private deed or alters a true private deed.

IT documents (art. 491-bis criminal code) - Falsification on a blank signed sheet. Private deed (art. 486 criminal code)

The crime is committed by anyone who, in order to obtain an advantage, personally or for others, or cause damage to others, misuses a blank signed sheet held with the obligation or the right to fill it in, by writing a private deed with legal effect, or causing it to be written, that is different to the required or authorised deed.

IT documents (art. 491-bis criminal code) - Falsification on a blank signed sheet. Public deed (art. 487 criminal code)

The crime is committed if a public official misuses a blank signed sheet, held in exercise of the official function with the obligation or the right to fill it in, by writing a public deed, or causing it to be written, that is different to the required or authorised deed.

IT documents (art. 491-bis criminal code) - Other falsification on a blank signed sheet. Application of the measures on material falsifications (art. 488 criminal code)

The measures on material falsifications in public or private deeds also apply to the falsification of a blank signed sheet in cases other than those envisaged in the two preceding articles.

IT documents (art. 491-bis criminal code) - Use of a false deed (art. 489 criminal code)

This crime is committed by anyone who, without contributing to the falsification, makes use of a false deed.

IT documents (art. 491-bis criminal code) - Withholding, destruction or hiding of true deeds (art. 490 criminal code)

This crime is committed by anyone who, in whole or in part, withholds, destroys or hides a true public or private deed.

IT documents (art. 491-bis criminal code) - Authentic copies used in place of missing originals (art. 492 criminal code)

For the above purposes, the terms "public deed" and "private deed" comprise both the original deeds and their authentic copies when, pursuant to the law, they are used in place of the missing originals.

IT documents (art. 491-bis criminal code) - Falsification committed by public employees providing a public service (art. 493 criminal code)

The measures envisaged in the preceding articles on falsification committed by public officials also apply to the employees of the State or other public bodies and the providers of a public service in relation to deeds prepared by them in the exercise of their functions.

b) Unauthorised access to an IT or telematic system (art. 615-ter criminal code)

This offence is committed by anyone who gains access to, or remains in, an IT or telematic system without authorisation and against the express or implied wishes of those with the power to exclude them.

The situation is aggravated if the fact: was committed by a public official or by the provider of a public

service; if the perpetrator used violence against assets or persons, or was armed; if the fact resulted in the

destruction of the system or the suspension in whole or in part of its functioning, or the destruction of or damage to the data, information or programs contained therein.

The situation is further aggravated if the facts related to IT systems of military importance or used for public order, public safety, healthcare or civil protection purposes.

c) Holding and unauthorised distribution of access codes to IT or telematic systems (art. 615-quater criminal code)

This offence is committed by anyone holding and disseminating access codes to IT systems/networks that were obtained illegally.

d) Distribution of equipment, devices or IT programs intended to damage or crash an IT or telematic system (art. 615-quinquies criminal code)

This offence is committed by anyone who, in order to damage an IT or telematic system, obtains IT equipment, devices of software, or makes them available to others.

e) Interception, prevention or illegal interruption of IT or telematic communications (art. 617-quater criminal code)

This offence is committed by the illegal interception of communications relating to IT systems, or by preventing or interrupting their use.

f) Installation of equipment for intercepting, preventing or interrupting IT or telematic communications (art. 617-quinquies criminal code)

This offence is committed by installing equipment for the purpose of intercepting, preventing or interrupting telematic information.

g) Causing damage to IT information, data or programs (art. 635-bis criminal code)

This offence is committed by anyone who damages IT information, data or software owned by others. This offence is aggravated if committed by the operator of the system.

h) Causing damage to IT information, data or programs used by the State or a public body or of public interest (art. 635-ter criminal code)

This offence is committed when damage is caused to IT information, data or software used by the State or a public body or of public interest.

This offence is aggravated if committed by the operator of the system.

i) Causing damage to IT or telematic systems (art. 635-quater criminal code)

This offence is committed by anyone who damages the IT systems of others, makes them unusable in whole or in part, or seriously impedes their functioning.

j) Causing damage to IT or telematic systems of public interest (art. 635-quinquies criminal code)

This offence is committed by anyone who damages IT or telematic systems of public interest, makes them unusable in whole or in part, or seriously impedes their functioning.

k) IT fraud by the party that provides electronic signature certification services (art. 640-quinquies criminal code)

This offence is committed if, in order to obtain an undue profit directly or for others, or to cause a loss for others, a provider of electronic signature certification services violates the legal requirements for issue of the certificate.

1.3 Types of violation of the regulations governing authorship rights

Art. 25-novies addresses certain offences envisaged in the Copyright Law (in particular, arts. 171, 171-bis, 171-ter, 171-septies and 171-octies), such as the importation, distribution, sale or holding, for commercial or entrepreneurial purposes, of software stored on media not bearing the SIAE mark; the reproduction or reuse of the contents of databases; the unauthorised duplication, reproduction, transmission or dissemination to the public of intellectual works intended for television or cinema networks; the upload to a system of telematic networks, using any form of connection, of all or part of an intellectual work protected by copyright. Preliminary analysis immediately identified that the offences identified in arts. 171-ter, 171-septies and 171-octies do not apply to the Company.

Accordingly, only the offence identified in art. 25-novies is described below, as it is considered relevant to the Company.

a Making all or part of a protected intellectual work available to the public using any form of connection to a system of telematic networks (art. 171, para. 1.a-bis)

The assets of the authors of the work are protected, given that their earnings potential might be reduced if their work circulates freely within the network.

b Unauthorised duplication for profit of computer programs; importation, distribution, sale, holding for commercial or entrepreneurial purposes or rental of programs stored on media not bearing the SIAE mark; preparation of means for the removal or functional avoidance of devices intended to protect computer programs (art. 171-bis, para. 1)

This article seeks to ensure the proper use of software and databases. For software, an offence is committed by the unauthorised duplication, importation, distribution, sale or holding for commercial or entrepreneurial purposes, or rental of "pirated" programs.

This offence is committed by anyone who, to obtain a profit, duplicates computer programs without authorisation or, for the same purpose, imports, distributes, sells, holds for commercial or entrepreneurial purposes, or rents programs stored on media not bearing the SIAE mark.

The offence is also committed if the conduct relates to any means whose sole purpose is to allow or facilitate the arbitrary removal or functional avoidance of devices applied to protect a computer program.

c Reproduction, transfer to other media, distribution, communication, presentation or demonstrate in public of the contents of a database; extraction or reuse of a database; distribution, sale or rental of databases (art. 171-bis, para. 2)

This offence is committed by anyone who, in order to obtain a profit, uses media not bearing the SIAE mark to copy, transfer to other media, distribute, communicate, present or demonstrate in public the contents of a database, or extracts data or reuses the database, or distributes, sells or rents a database. From a subjective



standpoint, the offence is committed if a benefit is sought; accordingly, conduct that is not solely driven by a specific desire for economic gain (profit motive) is also punished. For example, this offence may be committed in the interests of the Company if pirated software is used, for business purposes, in order to save the licence fee payable for the use of original software.

1.4 Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 24-bis] IT crimes and improper data processing	
Unauthorised access to an IT or telematic system	art. 615-ter criminal code
Causing damage to information, data or IT programs	art. 635-bis criminal code
Causing damage to information, data or IT programs used by the State or a public body or of public interest	art. 635-ter criminal code
Causing damage to IT or telematic systems	art. 635-quater criminal code
Causing damage to IT or telematic systems of public interest	art. 635-quinquies criminal code
Holding/unauthorised distribution of access codes to IT or telematic systems	art. 615-quater criminal code
Distribution of equipment, devices or IT programs intended to damage or crash an IT or telematic system	art. 615-quinquies criminal code
IT documents	art. 491-bis criminal code
Installation of equipment for intercepting, preventing or interrupting IT or telematic communications	art. 617-quinquies criminal code
Interception/prevention/illegal interruption of IT or telematic communications	art. 617-quater criminal code
[art. 25-novies] Violation of the regulations governing authorship rights	
Unauthorised duplication for profit of computer programs; importation, distribution, sale or holding for commercial or entrepreneurial purposes of programs stored on media not bearing the SIAE mark; preparation of means for the removal or functional avoidance of devices intended to protect computer programs	art. 171-bis, Law 633/1941
Making the works of others, not intended for publication, available to the public if the honour or reputation of their authors is offended	art. 171, paras. 1.a-bis) and 3, Law 633/1941

1.5 Sensitive activities

With regard to the types of offence considered applicable, LB OFFICINE MECCANICHE treats the following activities as sensitive:

- administration of the corporate IT network;
- access to corporate IT resources (systems and data);
- access to the Internet, public networks and e-mail services;
- holding of access codes to IT networks;



- use of software and databases;
- management of electronic information flows with the Public Administration.

1.6 General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the offences described in this Special Part;
- avoid initiating conduct that, despite not committing the offences described in this Special Part, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

Internal recipients are expressly required to:

- respect the principles and procedures adopted by the Company in relation to IT security;
- comply with the corporate rule that only authorised persons may gain access to corporate servers;
- agree to use properly and take care of the corporate IT resources made available;
- keep their access credentials secret and not divulge them to third parties;
- never leave their IT systems unattended, blocking them in their absence without leaving their access codes. External consultants must also be told to behave in the same way;
- always request necessary authorisations before inputting images, data or other copyright-protected materials to their computers;
- never install or use software unless approved by the Company and relevant to their assigned activities;
- never install or use P2P software on the IT systems of the Company. Such software may allow the exchange of files (films, documents, music, viruses etc.) with other Internet users, without the Company being able to control what happens;
- never access websites hosting dubious content or “suspect” websites that might disseminate IT viruses capable of damaging or destroying IT systems or the data held by them;
- participate in periodic education and training activities.

It is strictly forbidden to:

- falsify IT documents;
- access IT systems without authorisation;
- disseminate access codes to IT or telematic systems;
- damage IT systems or data, whether or not of public interest;
- connect personal computers, peripheral devices and other equipment to the IT systems of the Company, or install software on them, without prior authorisation from the responsible manager;
- install software in violation of user licences and, in general, of the laws and regulations that govern and protect copyrights;
- change the hardware and/or software configurations of fixed or mobile workstations if not allowed by corporate rules or, otherwise, without express proper authorisation;
- acquire, possess or use software and/or hardware tools - unless duly authorised or used to monitor the security of corporate IT systems - that might be used improperly to evaluate or compromise the security of IT or telematic systems (systems created to identify credentials, identify vulnerabilities,

decypher encrypted files, intercept in-transit traffic etc.);

- obtain credentials for access to the corporate IT or telematic systems of customers or third parties, using methods or procedures different to those authorised by the Company for such purposes;
- divulge to, assign to or share with internal or external personnel their credentials for access to the systems and networks of the Company, customers or third parties;
- obtain unauthorised access to the information systems of others - or that are accessible by other employees or third parties - including in order to tamper with or alter without permission any data held by them;
- tamper with, take or destroy the IT assets of the Company, customers or third parties, including files, data and programs;
- exploit any security vulnerabilities or inadequacies in the IT or telematic systems of the Company or third parties, in order to obtain unauthorised access to resources or information, even if that intrusion does not cause damage to data, programs or systems;
- acquire and/or use copyright-protected products in breach of the contractual protections envisaged for the intellectual property rights of others;
- obtain unauthorised access to the website of the Company in order to tamper with or alter without permission any data contained therein, or to input data or multimedia content (images, infographics, videos etc.) in violation of the copyright regulations and the applicable corporate procedures;
- inform unauthorised persons, whether within or external to the Company, about the IT system controls implemented and how they are used;
- mask, hide or change identities and send e-mails containing false identification details or e-mails that deliberately contain viruses or other programs able to damage or intercept data;
- send spam or reply to it in any way;
- send information or data via a corporate IT system that has been altered or falsified.

1.7 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE has:

- defined the corporate roles involved in the process of managing IT systems;
- formalised corporate rules for the management and monitoring of IT infrastructure;

- defined suitable technical and organisational measures to ensure a level of security proportionate to the related risks and that guarantee, inter alia, an ability to maintain constantly the confidentiality, integrity, availability and resilience of the processing systems and services, as envisaged in art. 32 of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (so-called GDPR);
- regulated the assignment, administration and deletion of system users and authorisation profiles;
- established suitable methods for recording and retaining unalterable logs of accesses made by the system administrator;
- established the configuration and periodic update, automatically and otherwise, of the anti-virus software and filters applied to content received by the local area network;
- established a management system for the logical and physical credentials of personnel and policies for the assignment of privileges to users;
- defined data back-up policies;
- configured workstations so that they block automatically if not used for a certain period of time;
- limited the access to server rooms solely to authorised persons;
- established that IT systems must be equipped with suitable firewalls and anti-virus software;
- protected wi-fi Internet connections with a password, so that external parties cannot access the Internet, using the routers of the Company without authorisation, to carry out unlawful deeds apparently attributable to employees;
- provided direct information to employees and other persons - such as any external collaborators authorised to use the IT systems - about the corporate policies established for the proper management of corporate IT resources, via delivery of the "Internal IT Regulation" that they are required to sign;
- established periodic education and training activities for employees, tailored with reference to their job descriptions, as well as for (albeit to a more limited extent) other parties - such as any external collaborators authorised to use the IT systems - in order to disseminate clear awareness of the risks deriving from the improper use of corporate IT resources;
- included safeguard clauses in the contracts with providers of software and database services customised to meet specific corporate needs, in order to relieve and hold free the Company from any liabilities deriving from their conduct that might violate the intellectual property rights of third parties;
- included specific clauses in the contracts with external collaborators that require compliance with the Model and the Code of Ethics;
- established principles of conduct in the Code of Ethics for managing the sensitive processes considered in this Special Part.

1.8 Specific procedures

With regard to the offences considered applicable in this Special Part, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the sensitive areas that are published on the corporate intranet.

1.9 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities.

If considered appropriate, the Supervisory Body can draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by the legislator, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part of the Model, providing any information requested by the SB and reporting any events or circumstances that suggest the commitment of offences pursuant to arts. 24-bis or 25-novies of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 3 - Special Part C
Organised crime



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue



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1. ORGANISED CRIME

1.1 Introduction

The offences envisaged in art. 24-ter of Decree 231/01, added by Law 94 dated 15 July 2009, on "Measures regarding public safety matters", are described below.

Decree 21 dated 1 March 2018 on "*Measures implementing the principle that certain matters can only be governed by the criminal code*" was published in the Italian Official Gazette on 22 March 2018. This decree, which came into force on 6 April 2018, introduced the "reserved for law" principle, whereby measures that identify offences can only be added to the legislative framework if they amend the criminal code or are included in organic legislation. As a result, this decree abrogated certain offences identified in special laws, including them in the criminal code, and amended certain articles of the criminal code of significance to the administrative responsibility of entities.

With regard to this Special Part, Decree 21/18 abrogated art. 22-bis, para. 1, of Law 91 dated 1 April 1999, referenced by art. 416 of the criminal code, which now references art. 601-bis of the criminal code (Traffic in organs taken from living persons), as amended by Decree 21/18.

Decree 21/18 also added two paragraphs to art. 601 of the criminal code (Holding of persons) referenced by art. 416 of the criminal code.

Law 43 dated 21 May 2019 on "Amendment to art. 416-ter of the criminal code on political/mafia-related electoral voting fraud", which amended art. 416-ter of the criminal code, previously included in art. 24-ter of Decree 231/01, was published in Italian Official Gazette 122 on 27 May 2019. As a consequence, art. 24-ter of Decree 231/01 was also amended.

1.2 Types of organised crime

a. Criminal association (art. 416 criminal code)

This crime is committed if three or more persons associate in order to commit multiple crimes. The article identifies two types of crime punishing, on the one hand, the promoters, organisers and leaders of the association and, on the other, ordinary members. This crime, which may be committed by anyone, represents a threat by mere existence of the association for criminal purposes, potentially on a permanent basis, regardless of whether or not unlawful deeds are carried out.

The punishment is increased if the association has ten or more members and if it seeks to commit any of the crimes envisaged in arts. 600, 601, 601-bis and 602 of the criminal code, or in art. 12, para. 3-bis, of the consolidated law governing immigration and the condition of foreign citizens, as referred to in Decree 286 dated 25 July 1998, as well as in art. 22, paras. 3 and 4, of Law 91 dated 1 April 1999.

b. Mafia-related associations (art. 416-bis criminal code)

This article protects public order threatened by mafia-related criminal organisations that both represent a threat and commit crimes. It lists special requirements for the identification of an association as a mafia-related entity (intimidation, subjugation, silence under threat).

The crime is therefore committed by anyone who is a member of the association and those who promote, organise or lead it. The article identifies two aggravating elements, comprising the organisation or membership of an armed association, and the financing of economic activities, apparently legal, using the proceeds, outcome or consideration obtained from the commitment of crimes.

c. *Political/mafia-related electoral voting fraud (art. 416-ter criminal code)*

The crime is committed by whoever accepts, directly or via intermediaries, a promise to obtain votes from members of the associations referred to in art. 416-bis (Italian and foreign mafia-related associations) or in the manner described in art. 416-bis, para. 3, in exchange for the payment of or promise to give money or any other benefits, or in exchange for willingness to satisfy the interests or meet the needs of the mafia-related association. The punishment is established in the first paragraph of art. 416-bis (imprisonment for between ten and fifteen years). The same punishment applies to whoever promises, directly or via intermediaries, to obtain votes in the cases referred to in the first paragraph.

If the person who accepts the promise of votes, following the agreement referred to in the first paragraph, is elected in the related electoral consultation, the punishment envisaged in the first paragraph of art. 416-bis is increased by half. Persons sentenced for the crimes described in this article are banned permanently from holding public office.

The common offence is committed when the promise of votes is made. The subjective element is represented by the wilful nature of the crime, with the knowing and willing payment of money in order to obtain electoral support.

d. *Kidnapping for the purposes of theft or extortion (art. 630 criminal code)*

This crime is committed by anyone who kidnaps a person in order to obtain an unjust profit for themselves or others as the price for liberation (ransom).

e. *Criminal association for the purpose of trafficking in narcotics or psychotropic drugs (art. 74 Pres. Decree 309/1990)*

This crime is committed by anyone who promotes, establishes, organises or finances an association for the purpose of trafficking in narcotics or psychotropic drugs, as well as its members.

f. *Maximum duration of preliminary investigations (art. 407 criminal procedures code)*

This article establishes that the maximum duration of preliminary investigations is two years (rather than the eighteen-month deadline specified in the first paragraph of the same article) when it relates to the crimes of: illegal manufacture, importation into Italy, putting on sale, transfer, holding and carrying in public places or place open to the public of armaments, weapons or parts thereof, explosives, clandestine arms and multiple ordinary guns, excluding those envisaged in art. 2, para. 3, of Law 110 dated 18 April 1975.

1.3 Applicable offences

With regard to the crimes described above, LB OFFICINE MECCANICHE considers theoretically applicable the crime of criminal association pursuant to art. 416 of the criminal code.

This crime has been identified by the legislator as a threat to public order: it is committed on the formation of a stable agreement among three or more persons intent on committing an unspecified number of crimes, in relation to which a complex organisational structure is created whose precise nature depends on the specific characteristics of the intended crimes. The crime of association thus comprises three fundamental elements: an essentially permanent association likely to continue after completion of the crimes initially planned; the open-ended nature of the criminal programme; the existence of an organisational structure, however small, that is sufficient to perpetrate the intended crimes. The existence of the association and, therefore, the applicability of criminal penalties, does not depend on actually committing any of the intended crimes.

Given the above, the entity could be charged with the crime of criminal association due to the mere creation of an association (Court of Cassation, Criminal Section III no. 8785, 04/03/20), even without having committed a specific crime, and/or due to having committed the intended crimes. Given that the number of crimes concerned would normally be high with respect to the typical conduct addressed by Decree 231, the entity might be exposed to a very much greater level of administrative responsibility.

Indeed, via a charge of criminal association, a legal person could be deemed responsible for committing any offence identified as an intended crime. For example, the crime could be deemed committed if a tax fraud is perpetrated by agreement among the directors of three or more commercial companies, or among a director, a public accountant and a public official. Given the general presumption of corporate administrative responsibility, the legal person that benefits from such criminal conduct could well be charged, pursuant to art. 24-ter, para. 2, of Decree 231/01, with criminal association (art. 416 of the criminal code) for the purpose of committing tax crimes.

The same crime could also be committed as a result of unlawful intercompany "triangulations", given that there is nothing to prevent criminal associations from being organised by legal persons belonging to the same group of companies.

1.4 Sensitive activities

Based on the discussion in the above section, the crime of criminal association must be analysed both as a whole - since the association is capable of generating profits that go beyond the proceeds of an individual crime (Court of Cassation, Criminal Section III no. 26725, 04/03/15) - and with reference to the areas at risk that, case-by-case, could be involved in the commitment of crimes deemed to fall within the intended scope of the association.

The crimes expressly identified in Decree 231/01 have been analysed carefully in the related Special Parts, regardless of whether or not committed by a criminal association, and therefore reference is made to those Special Parts for more detailed information about them.

On the other hand, with reference to possible extension of the responsibility of the entity to any intentional crime for which an association may be deemed to exist, reference is made to the mapping of risks and



policies for conduct described below. Although expressed with reference to unspecified crimes, they are in general considered suitable for preventing commitment of the offences specified in art. 24-ter of the Decree.

With regard to the types of offence considered applicable, LB OFFICINE MECCANICHE treats the following activities as sensitive:

- selection, hiring and management of personnel;
- management of gifts, sponsorships and donations;
- management of the revenue cycle;
- selection, qualification and appraisal of providers of services, professional activities and consultancy;
- management of the expenditure cycle;
- management of procurement;
- preparation of income tax, withholding tax and other declarations as part of the process of calculating and paying taxes and levies in general;
- management of cash flows;
- management of related-party transactions;
- management of corporate tax compliance;
- preparation of invoices and accounting documents;
- management of relations with public administrations.

1.5 General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the offences described in this Special Part;
- avoid initiating conduct that, despite not committing the offences described in this Special Part, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

Internal recipients are also required to comply with the principles of conduct already established in the other Special Parts of the Organisational Model and with those expressed in this Special Part.

1.6 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (job descriptions, mandates, delegated powers, service orders etc.);

- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

Given the above, the precautions and control standards envisaged herein apply with regard to preventing commitment of the offences and crimes analysed in the Special Parts of the Model.

The internal recipients of LB OFFICINE MECCANICHE must, to the extent necessary in the performance of their duties, apply the following general principles:

- comply with laws and regulations that govern business activity, with particular reference to activities exposed to the risk of involvement in organised crime;
- comply with the rules defined in this Model, corporate procedures and the internal codes of conduct;
- manage all relations with external parties and organisations with the maximum prudence and transparency, in each case obtaining all available information about them that may be useful;
- report all situations that suggest involvement in organised crime or criminal associations to the SB.

Consequently, it is forbidden to:

- start or continue relations of any kind with parties or organisations that have not already been qualified in a selection process, or subsequently checked and evaluated in accordance with specific internal procedures, or that fail to satisfy - even due to subsequent events - some of the established qualification criteria;
- enable cash flows or other direct benefits to pass through untraceable channels, even piecemeal, to parties or organisations that have not already been qualified and selected, or that may have criminal connections;
- give or receive gifts or payments without adequate justification in terms of a contractual relationship or other legitimate intentions that are adequately documented and authorised.

1.7 Specific procedures

With regard to the offences considered applicable in this Special Part, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the areas considered sensitive that are published on the corporate intranet.

1.8 Supervisory Body: checks, information flows and reports

The Supervisory Body carries out periodic checks on the controls implemented in relation to activities at risk, in order to confirm their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities. The Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by the legislator, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the SB, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.



All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the SB promptly about any infringements of the principles and rules contained in this Special Part of the Model, providing any information requested by the SB and reporting any events or circumstances that suggest the commission of offences pursuant to arts. 24-ter of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 4 - Special Part D Crimes
against trade and industry



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue



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1. CRIMES AGAINST TRADE AND INDUSTRY

1.1 Introduction

The offences envisaged in art. 25-bis.1 of Decree 231/01, added by Law 99/2009 on "Measures for the development and internationalisation of businesses, as well as on energy matters", especially via art. 15, para. 7.b), are described below.

1.2 Types of crimes against trade and industry

a. Disturbing the freedom of trade and industry (art. 513 criminal code)

This offence is committed by anyone who uses violence against objects or fraudulent means to prevent or disturb the exercise of a trade or industry. The concept of "violence against objects" is readily identifiable in art. 392, para. 2, of the criminal code (dedicated to the arbitrary imposition of will by, specifically, violence against objects), which clarifies that, "pursuant to criminal law, violence against objects occurs when an object is damaged or transformed, or its use is changed".

The concept of "fraudulent means", on the other hand, refers to all forms of trickery, such as deceit, circumvention, simulation and lies. With specific reference to this offence, the doctrine has revisited the concept of fraudulent conduct - in the context of competition - with reference to art. 2598 of the Italian Civil Code.

b. Illegal competition with threats or violence (art. 513-bis criminal code)

This offence is committed by anyone who competes with threats or violence (para. 1) in the conduct of commercial, industrial or other productive activities, with increased penalties if those deeds relate to an activity financed in whole or in part by the State or a public body (para. 2).

This article seeks to safeguard the economic order and, more specifically, national production. The conduct is criminal if detrimental to the national industry in any way. From a subjective standpoint, the conduct must be routine and accompanied by awareness and expectation that counterfeiting or altering the marks of industrial products may be detrimental to the national industry.

c. Fraud against national industries (art. 514 criminal code)

This offence is committed by anyone who causes losses to a national industry (para. 1) by selling or otherwise distributing industrial products, in national or foreign markets, using counterfeited or altered names, trademarks or distinctive signs. The causing of losses to a national industry, being the criminal event, takes place at an identifiable moment of time; accordingly, the *locus commissi delicti* must be in Italy, even if the trade is carried out in foreign markets, where the detrimental effects impact on the potential of the national economy. This article closes by clarifying that, if the domestic laws or international conventions on the protection of industrial property rights have been respected in relation to those trademarks or distinctive signs, the punishment is increased and the provisions of arts. 473 and 474 of the criminal code are not applied (para. 2).

d. Fraud in the exercise of trade (art. 515 criminal code)

Unless the fact represents a more serious offence, this crime is committed by anyone who, in the exercise of a commercial activity or in a public market, gives the purchaser one fungible asset instead of another, being a fungible asset whose origin, source, quality or quantity is different to that stated or agreed (para. 1). Separate and more severe punishment is envisaged if the fraudulent conduct relates to valuable items (para. 2).

e. Sale as genuine of fake foodstuffs (art. 516 criminal code)

This crime is committed by anyone who sells or otherwise puts on the market as genuine foodstuffs that do not respect that criterion. The term “genuine” comprises both the “natural genuineness” of a substance whose normal biochemical composition has not been altered by processing, and the “formal or legal genuineness” of a food product whose composition complies with the relevant current regulatory requirements.

f. Sale of industrial products with misleading signs (art. 517 criminal code)

Unless the fact represents an offence envisaged by other legislation, this offence is committed by anyone who puts on sale or otherwise distributes intellectual property or industrial products using domestic or foreign names, trademarks or distinctive signs intended to mislead the purchaser about the origin, source or quality of the work or product. By contrast with art. 474 of the criminal code, this article does not require compliance with the industrial property regulations; therefore, this art. 517 also applies to distinctive signs that have not been registered.

g. Manufacture and trade in goods made by appropriating industrial property rights (art. 517-ter criminal code)

Without prejudice to the application of arts. 473 and 474, this crime is committed by anyone who, in a position to know about the existence of industrial property rights, manufactures or uses for industrial purposes objects or other goods made by appropriating or violating an industrial property right (para. 1), or who, in order to obtain a profit, imports, holds for sale, places on sale directly to the end consumer or otherwise distributes the goods referred to above (para. 2). Both the above crimes are punishable on condition of pre-existing compliance with the applicable domestic laws, community regulations and international conventions on the protection of intellectual or industrial property (para. 4).

This article seeks to protect those industrial property rights obtained via patents, registrations or other means envisaged by the law on industrial property. The crime is committed by: appropriating or violating an industrial property right for the industrial production or use of the objects concerned; importing goods produced in violation of the related property rights, which arises when the goods cross the border, regardless of any subsequent facts; holding the above goods for sale, which consists in storing the goods intended for later sale in certain locations; putting the goods on sale regardless of any actual sales, which occurs by the mere fact of making the goods available to potential customers via their direct offer to consumers; distributing the goods, which comprises all other ways of putting them in contact with consumers. The conduct is punishable on condition that the relevant domestic and international laws on the protection of intellectual or industrial property rights have been respected.

h. Counterfeiting of designation or geographical area of origin of food industry products (art. 517-quater criminal code)

This crime is committed by anyone who counterfeits or alters the designation or geographical area of origin



of food industry products (para. 1) or who, with a view to profit, imports, holds for sale, puts on sale directly to consumers or otherwise distributes the above products with counterfeit indications or designations (para. 2). Both the above crimes are punishable on condition of pre-existing compliance with the applicable domestic laws, community regulations and international conventions on the protection of intellectual or industrial property (para. 4).

1.3 Applicable offences

The types of offence described above that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-bis.1] Crimes against trade and industry	
Manufacture and trade in goods made by appropriating industrial property rights	517-ter criminal code
Illegal competition with threats or violence	art. 513-bis criminal code

1.4 Sensitive activities

The crimes contemplated by art. 516 of the criminal code and art. 517-quater of the criminal code are not considered significant, as the activities of the Company are wholly unrelated to "sales as genuine of fake foodstuffs" or "counterfeiting of designation or geographical area of origin of food industry products" and, therefore, are not even theoretically relevant.

The sectors / processes / activities most exposed to the risk of committing crimes against trade and industry and industrial property can, therefore, be subdivided into two macro categories:

- activities involving commercial processes intended to acquire a public or private contract, make direct sales of an industrial product or develop new commercial or industrial initiatives;
- activities involving the design, manufacture or procurement of products with protected names, trademarks or distinctive signs, or whose origin, source, quality or quantity have been declared.

The following activities are considered sensitive:

- acquisition of contracts and development of new initiatives;
- direct sales of industrial products;
- design and development of industrial products or systems;
- design and development of IT and technological products or systems;
- supplier selection;
- signature and management of contracts and purchase orders;
- management of contracts and execution of works;
- quality control of products manufactured or procured.

1.5 General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the offences described in this Special Part;
- avoid initiating conduct that, despite not committing the offences described in this Special Part, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

Internal recipients are also required to comply with the principles of conduct already established in the other Special Parts of the Organisational Model and with those expressed in this Special Part.

To the extent necessary in the performance of their duties, the directors, executives and employees of LB OFFICINE MECCANICHE, as well as consultants and partners, must apply the following general principles:

- strict compliance with the laws and regulations that govern business activity, with particular reference to activities exposed to the risk of committing crimes against trade and industry or industrial property;
- strict compliance with the rules defined in the Code of Ethics, this Model and the internal procedures and codes of conduct;
- performance of activities with the maximum propriety and transparency.

In particular, it is forbidden to:

- create situations for the primary purpose of carrying out unlawful competition, fraud against trade and industry or activities that disturb the freedom of economic initiative; present or transmit false, misleading or, in any case, untrue data about the purchases or sales of products with protected names, trademarks or distinctive signs, or whose origin, source, quality or quantity have been declared;
- counterfeit, alter or use domestic or foreign trademarks or distinctive signs, models, designs or patents for industrial products for which, with normal diligence, it is possible to discover that others own the related industrial property rights;
- import, hold for sale, sell or otherwise distribute industrial products with domestic or foreign trademarks or other distinctive signs that have been counterfeited or altered; unlawfully prevent or impede the exercise of an industry or a trade or engage in unfair competition;
- manufacture or deliver a product to the customer with different characteristics to those declared or agreed, that may mislead the customer about the origin, source, quality, quantity or other essential characteristics of the product;
- sell or otherwise distribute intellectual property or industrial products using national or foreign names, trademarks or distinctive signs that may mislead the customer about the origin, source, quality, quantity or other essential characteristics of the work or product;
- design, manufacture, use, hold for sale, sell or otherwise distribute products made by appropriating or violating industrial property rights, the existence of which can be determined with normal diligence.

1.6 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (job descriptions, mandates, delegated powers, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out;
- adoption of supplier qualification procedures that take account of their professional, economic, organisational and technological characteristics, as well as their ownership or use of trademarks or other distinctive signs or patents, models and designs;
- inclusion in purchase contracts of specific withdrawal and compensation clauses governing confirmed violations of industrial property rights or differences with respect to the declared or agreed characteristics of products or intellectual works;
- purchase of products directly from the trademark or patent holders, or from others after first checking their lawful use of the trademark or patent;
- performance of checks on the productive processes of suppliers and on the purchased products, in order to verify the conformity of trademarks or other distinctive signs or compliance with the origin, source, quality, quantity and other essential characteristics agreed for the products;
- performance of checks on compliance with contractual commitments and obligations, including the manufacture or delivery of industrial products consistent with the specifications declared or agreed with the customer, i.e. bearing the required domestic or foreign names, trademarks or distinctive signs;
- adoption of conduct in the execution of promotional and business development activities that does not impede competition or damage competitors;
- adoption of conduct in trade relations and the development of new initiatives that expresses maximum fairness, honesty and propriety with regard to competitors and absolute respect for the economic initiatives of others;
- adoption of conduct in industrial partnerships, in research projects or sector initiatives, and in commercial agreements in general, that expresses maximum fairness, honesty and propriety with regard to the partners or competitors concerned and absolute respect for the free exercise of their industrial and commercial activities;
- performance of checks, as part of the research, design and development of industrial products or systems, on the existence of industrial property rights owned by others, or of other rights affecting manufacture of the products or use of the systems;
- notify the SB about all situations involving suspected collusion in activities linked to commitment of the offences considered in this Special Part.

1.7 Specific procedures

With regard to the offences considered applicable in this Special Part, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the areas considered sensitive that are published on the corporate intranet.

1.8 Supervisory Body: checks, information flows and reports

The Supervisory Body carries out periodic checks on the controls implemented in relation to activities at risk, in order to confirm their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities. The Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by the legislator, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the SB, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the SB promptly about any infringements of the principles and rules contained in this Special Part of the Model, providing any information requested by the SB and reporting any events or circumstances that suggest the commitment of offences pursuant to arts. 25-bis.1 of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 5 - Special Part E

Corporate Offences

HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue

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1. CORPORATE OFFENCES

1.1 Introduction

The offences described below are envisaged in art. 25-ter of Decree 231/01, added by Decree 61 dated 11 April 2002 in implementation of the measures contained in art. 11 of Law 366 dated 3 October 2001 on the "Governance of criminal and administrative offences by commercial companies", which amended the entire Title XI of Book V of the Italian Civil Code on "Criminal law measures regarding companies and consortia".

With the entry into force of Law 190/2012 on "Measures for the prevention and repression of corruption and unlawful conduct in the public administration", the legislator included in art. 25-ter of the Decree the crime of corruption between private persons, which is governed by art. 2635, para. 3, of the Italian Civil Code.

Subsequently, Law 69 dated 27 May 2015 on "Measures regarding crimes against the public administration, mafia-related associations and additional amendments to the criminal procedures code, the related enabling instructions and Law 190 dated 6 November 2012" came into force on 14 June 2015.

Law 69/2015, regarding the rules referenced in art. 25-ter of Decree 231/01, added:

- In art. 9, amendments to the corporate offence of "False corporate communications" described in art. 2621 of the Italian Civil Code. This offence, referenced by art. 25-ter, para. 1.a), of Decree 231/01, is no longer treated as a contravention but rather as a crime and, as replaced by Law 69/2015, is now committed "excluding the cases envisaged in art. 2622 of the Italian Civil Code if, in order to obtain an unjust profit for themselves or for others, the directors, general managers, executives responsible for preparing corporate accounting documents, statutory auditors or liquidators deliberately present untrue significant material facts in financial statements, reports or other corporate communications to shareholders or the public, required by law, or omit significant material facts, whose communication is required by law, about the economic or financial position of the company or the group to which it belongs, in order to effectively induce others to make a mistake." The new article punishes the above persons in the same way "even if the untrue information or omission relates to assets held or administered by the company on behalf of third parties". The monetary penalty levied on the company has also been increased with respect to the past: if a legal person is convicted, the penalty now ranges from 200 to 400 quotas.
- In art. 10, the new art. 2621-bis (Minor offences) which envisages imprisonment for between six months and three years if the false corporate communications described in art. 2621 of the Italian Civil Code are minor in nature.
- In art. 11, amendments to art. 2622 of the Italian Civil Code, which is replaced by the offence contained in the revised art. 2622 (False corporate communications by listed companies).

- In art. 12 “Amendments to the measures on the administrative responsibility of entities with regard to corporate offences”, referenced by art. 25-ter, para. 1, that increased the monetary penalties: a) for the offence of false corporate communications described in art. 2621 of the Italian Civil Code, from two hundred to four hundred quotas; a-bis) for the offence of false corporate communications described in art. 2621-bis of the Italian Civil Code, from one hundred to two hundred quotas; b) for the offence of false corporate communications” described in art. 2622 of the Italian Civil Code, from four hundred to six hundred quotas; e) abrogated letter c).

In Decree 38 dated 15 March 2017 on “Implementation of Council framework decision 2003/568/GAI of 22 July 2003, on combating corruption in the private sector” (Italian Official Gazette 75 dated 30 March 2017), in force from 15 April 2017, the legislator addressed the crime of corruption between private persons and introduced:

- new wording for the crime of corruption between private persons pursuant to art. 2635 of the Italian Civil Code;
- new offence of instigation of corruption between private persons (art. 2635-bis of the Italian Civil Code);
- additional penalties applicable to both offences;
- amendment of the administrative penalties envisaged in Decree 231/2001 on conviction for the unlawful deeds envisaged in arts. 2635 and 2635-bis, with the addition of suspensions.

Additional changes were made by Law 3 dated 9 January 2019 on “Measures to tackle crimes against the Public Administration, on time expiry of the crime and on the transparency of political parties and movements”, which came into force on 31 January 2019.

This “Fight Corruption” law increased the penalties for the crimes of corruption, malfeasance and inducement, and also amended Decree 231/01, in particular by amending art. 2635 of the Italian Civil Code. “Corruption between private persons”, abrogating the fifth paragraph, and art. 2635-bis of the Italian Civil Code “Instigation of corruption between private persons”, abrogating the third paragraph. Both articles are referenced by art. 25-ter of Decree 231/01 and now no longer need to be challenged by the offended party, as the judiciary now initiates proceedings directly.

1.2 Types of corporate offences

The corporate offences described below have been grouped into five categories.

a) False corporate communications, schedules and reports

- *False corporate communications (art. 2621 civil code)*

This is considered to be a direct offence, as the perpetrators are: directors, general managers, executives responsible for preparing corporate accounting documents, statutory auditors and liquidators.

This offence is committed if financial statements, reports or other corporate disclosures to the owners or the public required by law knowingly contain untrue facts about the economic and financial position of the company or the group to which it belongs, or omit information whose disclosure is required by law. The false or omitted communication must be capable of inducing its recipients to make a mistake. The subjective element of the offence consists in deliberately misleading the owners or the public in order to obtain an unjust profit, either directly or for others. The penalty of imprisonment for between one and five years also applies if the untrue information or omission relates to assets held or administered by the company on behalf of third parties.

- *Minor offences (art. 2621-bis civil code)*

Unless the deed represents a more serious offence, a penalty of imprisonment for between six months and three years is applied if the facts, referred to in art. 2621, are minor considering the nature and size of the Company, the manner in which they were carried out and the effects of the conduct.

Unless the deed represents a more serious offence, the same penalty as above is applied if the facts, referred to in art. 2621, relate to companies that do not exceed the limits indicated in art. 1, para. 2, of Royal Decree 267 dated 16 March 1942. In that case, proceedings may be initiated if the offence is challenged by the company, the owners, the creditors or other recipients of the corporate communication.

- *False corporate communications to the detriment of listed companies, owners or creditors (art. 2622 civil code)*

The perpetrators are: directors, general managers, executives responsible for preparing the corporate accounting documents, statutory auditors and liquidators of issuers of financial instruments admitted for trading in a regulated market in Italy or another EU country. As seen with regard to art. 2621, the subjective element of this offence consists in the knowing disclosure of untrue material facts or the intentional omission of material facts, the communication of which is required by law, about the economic or financial position of the company or the group to which it belongs, in a manner capable of inducing others to make a mistake or misleading the owners or the public, thus obtaining an unjust profit. The punishment is imprisonment for between three and eight years.

The companies indicated in para. 1 also include: 1) issuers of financial instruments that have requested their admission to trading in a regulated market in Italy or another EU country; 2) issuers of financial instruments admitted to trading in an Italian multilateral trading system; 3) companies that control issuers of financial instruments admitted to trading in a regulated market in Italy or another EU country; 4) companies that solicit investments from the public or that manage them. The provisions of the above paragraphs also apply if the untrue information or omissions relate to assets held or administered by the company on behalf of third parties.

b) Criminal law protection of capital

-
- *Improper return of contributions (art. 2626 civil code)*

This “direct” offence is committed by the directors except in the case of a legitimate capital reduction, when no injury is caused to legally-protected asset. The article protects the amount and existence of the share capital, in order to safeguard the creditors and third parties.

The conduct might include the return, possibly falsified, in any form (direct or indirect, in whole or in part) of contributions from owners, or the release of owners from the obligation to make such contributions. This release from the obligation to make contributions may also be falsified and/or in relation to one or more owners, but not necessarily all of them. General bad faith is required. The punishment is imprisonment for up to one year.

- *Illegal distribution of profits and reserves (art. 2627 civil code)*

“Direct” offence committed by the directors. This article is intended to protect owners and third parties from the illegal erosion of equity consequent to the distribution of profits that have not actually been earned, or of profits that - by law - must be allocated to mandatory reserves. These actions are detrimental to creditors, in fact reducing the economic resources available to satisfy their claims. The article also covers the payment of advances against profits, but only when the profits are not actually earned or are earned but assigned to the legal reserve. The offence may be committed either wilfully or negligently, given that the allocation of profits could occur due to the negligence, incompetence or recklessness of the directors. The punishment is imprisonment for up to one year.

- *Illegal transactions in shares or quotas of the company or the parent company (art. 2628 civil code)*

The legislation makes reference to illegal transactions in shares or quotas of the company or the parent company, which might limit the scope of the corporate assets protected. The damaging offence jeopardises the full amount of capital and reserves that, by law, cannot be distributed. The objective is to avoid the “watering down” of equity by the directors as a result of purchasing or subscribing for shares or quotas in the company or the parent company, unless allowed by law. The offence may therefore be committed by the directors of the company in relation to its own shares; the shareholders might also commit the offence. The punishment is imprisonment for up to one year. The offence can be reversed by returning the profits or reconstructing the reserves prior to approval of the financial statements.

- *Operations detrimental to creditors (art. 2629 civil code)*

“Direct” offence committed by the directors. The damaging offence is committed when the directors violate the laws that protect creditors by carrying out transactions (capital reductions, mergers, spin-offs) that are detrimental to them. General bad faith is required i.e. awareness and willingness to avoid compliance with the law. The punishment is imprisonment for between six months and three years. The offence can be reversed by reimbursing the creditors for their losses prior to conviction.

- *Fictitious formation of capital (art. 2632 civil code)*

“Direct” offence committed by the directors and the contributing owners. The main purpose of this article is to safeguard the capital of the company, in that it punishes conduct that affects the formation of protected core capital. The offence is committed by making increases or fictitious increases in capital via the allotment of shares or quotas for less than their nominal value. The punishment is imprisonment for up to one year.

- *Improper distribution of company assets by liquidators (art. 2633 civil code)*

“Direct” offence: committed by liquidators who divide the assets of the company among the owners before having settled all its debts.

The offence is committed when, by distributing the assets of the company, the liquidators cause the creditors to incur losses. The punishment is imprisonment for between six months and three years. The offence can be reversed by reimbursing the creditors for their losses prior to conviction.

- *Failure to disclose conflicts of interest (art. 2629-bis civil code)*

The purpose of this article, added by Law 262/2005 (the Savings Law), is to punish the offence of failure to disclose conflicts of interest by the directors or members of the management boards of companies listed in regulated markets in Italy or other EU countries, or companies whose shares are widely held by the public, as defined in the consolidated finance law, or entities subject to supervision under the consolidated banking law, the consolidated finance law, the law governing the supervision of insurance companies or the decree that governs pension funds.

c) Criminal law protection of the proper functioning of corporate bodies

- *Impeded control (art. 2625 civil code)*

“Direct” offence committed by the directors. The article protects the proper functioning of control and audit functions. This offence consists in impeding or hindering, by hiding documents or similar stratagems, proper performance of the checks and audit work legally assigned to the owners, other corporate bodies or the auditing firm. The punishment is imprisonment for up to one year, if the conduct caused the owners to incur losses. In the absence of losses, a monetary penalty of up to Euro 10,329 is levied.

- *Corruption between private persons (art. 2635, para. 3, civil code)*

The new wording (amendments in italics) of the offence envisaged in art. 2635 of the Italian Civil Code is presented below:

<<1. *Unless the fact represents a more serious offence, the directors, general managers, executives responsible for preparing corporate accounting documents, statutory auditors or liquidators of private companies or entities who, directly or via intermediaries, request or receive, or accept the promise of money or other undue benefits, for themselves or for others, in order to perform or omit to perform deeds in violation of the obligations inherent in their duties, or duty of loyalty, are punished by imprisonment for between one and three years. The same penalty applies if the offence is committed by persons with senior managerial functions within the organisation of the company or private entity that are different to those of the parties indicated in the previous sentence.*

2. The punishment is imprisonment for up to eighteen months if the fact is committed by a party subject to management and supervision by one of the parties indicated in the first paragraph.

3. *Whoever, directly or via intermediaries, offers, promises or gives money or other undue benefits to the persons indicated in the first and second sentences is punished by the penalties envisaged therein.*

4. The punishments envisaged in the preceding paragraphs are doubled in the case of companies with securities listed on markets regulated in Italy or another EU State, or widely held among the public as defined in art. 116 of Decree 58 dated 24 February 1998 (consolidated finance law - TUF), as amended.

5. The offence is punishable if challenged by the offended party, unless the fact results in the distortion of competition in the purchase of goods or services. (abrogated by Law 3/19)

6. Without prejudice to the provisions of art. 2641, the equivalent value confiscated cannot be less than the value of the *benefit given, promised or offered.*>>

Law 3/2019 abrogated para. 5 and now the crime of corruption between private persons is pursued by official action.

- *Instigation of corruption between private persons (art. 2635-bis civil code)*

«Whoever offers or promises money or other undue benefits to the directors, general managers, executives responsible for preparing corporate accounting documents, statutory auditors or liquidators of private companies or entities, or to their employees with top management functions, in order to induce them to perform or omit a deed in violation of their duty or the obligation to be loyal, is subject to the punishment established in art. 2635, para. 1, as reduced by one third, if the offer or promise is refused.

The punishment referred to in the first paragraph applies to the directors, general managers, executives responsible for preparing corporate accounting documents, statutory auditors and liquidators of private companies or entities, or to their employees with top management functions, who solicit for themselves or for others, directly or via intermediaries, money or the promise of money or other benefits to perform or fail to perform a deed in violation of their duty or the obligation to be loyal, if the solicitation is rejected.

Action is taken if the offence is challenged by the offended party.» (abrogated by Law 3/19).

Law 3/2019 abrogated para. 3 and now the crime of instigation of corruption between private persons is pursued by official action.

Based on the new wording of the crime of corruption between private persons contained in art. 2635 of the Italian Civil Code, the penalties are unchanged (imprisonment for between 1 and 3 years), but the criminal conduct is now committed by whoever directly or via intermediaries requests or receives, or accepts the promise of, money or other undue benefits for themselves or for others, in order to perform or omit to perform deeds in violation of the obligations inherent in their duties, or duty of loyalty. The perpetrators may be directors, general managers, executives responsible for preparing the corporate accounting documents, statutory auditors and liquidators, but also persons with senior managerial functions in private companies *that are different to those of the parties referred to above*, as well as those supervised by the above senior persons.

On conviction, the new art. 2635 of the Italian Civil Code envisages, as an ancillary penalty, the temporary

suspension of those who have already been convicted of the same offence or of instigation, pursuant to para. 2 of art. 2635-bis, from the senior management of legal persons and businesses.

Again on conviction, Decree 231/01 envisages the following administrative penalties:

- for the crime of corruption between private persons, in the cases envisaged in the third paragraph of art. 2635 of the Italian Civil Code, a monetary penalty of between 400 and 600 quotas (rather than between 200 and 400);
- for the instigation of corruption between private persons pursuant to art. 2635-bis of the Italian Civil Code, a monetary penalty of between 200 and 400 quotas.

In addition to the monetary penalty, the following suspensions envisaged in art. 9 of Decree 231/2001 may be applied:

- ban on carrying out activities;
 - suspension or revocation of the authorisations, licences or concessions needed in order to commit the offence;
 - ban on entering into contracts with the Public Administration, except in order to obtain a public service;
 - exclusion from access to assistance, loans, grants or subsidies and the possible revocation of those already obtained;
 - prohibition from advertising goods or services.
- *Illegal influence over the shareholders' meeting (art. 2636 civil code)*

This offence is committed by the improper determination of majorities. "Common" offence in that it may be committed by anyone, even persons external to the company. The offence is only committed if a majority would not have been formed without the application of illegal or fraudulent influence. This article protects the will of the shareholders' meeting. The punishment is imprisonment for between six months and three years.

d) Criminal law protection of the market

- *Market manipulation (art. 2637 civil code)*

"Common" offence that anyone may commit. This offence involves a speculative manoeuvre by anyone who, for profit, influences the national market for stocks, bonds and commodities by disseminating false information or arranging fraudulent transactions or other stratagems that, in practice, could significantly alter the prices of financial instruments that are not listed, or significantly influence the confidence of the public in the financial stability of banks or groups of banks. The punishment is imprisonment for between one and five years.

e) Criminal law protection of supervisory functions

- *Impeding the activities of public supervisory authorities (art. 2638 civil code)*

"Direct offence" perpetrated by directors, general managers, statutory auditors and the liquidators of companies or entities and the other parties subjected by law to supervision by the public authorities.

This article identifies two possible offences. The first offence, described in the first paragraph of the article, is committed if, with the intention of hindering their supervisory activities, disclosures made to the public supervisory authorities required by law contain material facts that are untrue, even considering the need to make subjective judgements, about the economic and financial position of the parties subject to supervision or, for the same purpose, hide in whole or in part, using other fraudulent means, facts that should be disclosed about the above position. This offence is also punishable if the information relates to assets held or administered by the company on behalf of third parties.

The second offence, described in the second paragraph, is committed by persons who knowingly impede, in any way, the performance of supervisory activities, including by failure to make required communications to the supervisory authorities. Both offences are punished by imprisonment for between one and four years.

1.3 Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-ter] Corporate offences	
Corruption between private persons	art. 2635, para. 3, civil code
False corporate communications	art. 2621 civil code
Minor offences	art. 2621-bis civil code
Fictitious formation of capital	art. 2632 civil code
Illegal influence over the shareholders' meeting	art. 2636 civil code
Illegal transactions in shares or quotas of the company or the parent company	art. 2628 civil code
Illegal distribution of profits and reserves	art. 2627 civil code
Prevention of checks	art. 2625, para. 2, civil code
Improper return of contributions	art. 2626 civil code
Instigation of corruption between private persons	art. 2635-bis, para. 1, civil code
Operations detrimental to creditors	art. 2629 civil code
Impeding the activities of public supervisory authorities	art. 2638, paras. 1 and 2, civil code

1.4 Sensitive activities

With regard to the types of offence considered theoretically applicable, LB OFFICINE MECCANICHE considers the following activities to be at risk:

- management of activities involved in the process of preparing financial statements;
- management of accounting entries and records;
- preparation of communications to owners about the economic and financial position of the Company, including in forms other than the provision of periodic accounting documentation;

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- preparation of communications to the public supervisory authorities and the management of relations with them;
 - management of relations with corporate control bodies;
 - management of activities that may affect the proper functioning of corporate bodies;
 - operations that may jeopardise capital and the allocation of profits;
 - management of cash outflows (payment of salaries, advances and/or expense reimbursements to personnel, payment of social security and pension contributions, periodic payment of taxes);
 - management of purchases of goods and services;
 - management of disputes (selection and management of external legal advisors, monitoring of disputes);
 - management of agencies, marketing activities and lobbyists (identification of initiatives, preparation of budgets, monitoring of expenses);
 - selection, hiring and remuneration of personnel;
 - appraisals and personnel incentive schemes;
 - selection, appointment and remuneration of commercial agents;
 - selection, qualification of suppliers and purchase orders;
 - receipt of purchase invoices, checking and authorisation of payment;
 - preparation of offers and contracts for sales and services;
 - issue and recording of sales invoices;
 - management of tax compliance;
 - management of company assets assigned to personnel;
 - management of credit recovery;
 - management of investment activities;
 - management of gifts, sponsorships and donations;
 - management of relations with private parties regarding the audit and certification of corporate compliance;
 - performance of intercompany transactions;
 - performance of related-party transactions.

1.5 General principles of conduct

The recipients of this Special Part comprise the directors, statutory auditors, liquidators, senior persons other than those indicated above, and the employees of the Company supervised by them who are involved in activities deemed to be at risk of committing the offences described above. Pursuant to art. 2639 of the Italian Civil Code, corporate offences may also be committed by those who, on a “de facto” basis, perform duties attributable to directors, statutory auditors or liquidators.

The above recipients must:

- avoid conduct that results in the commitment of offences described in this Special Part;

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- avoid initiating conduct that, despite not representing per se the commitment of offences described in this Special Part, could result in committing an offence;
 - act in compliance with the powers of representation and signature assigned in formal mandates.

The general principles of conduct expected of recipients are listed below:

- a) proper and transparent conduct, complying with all laws, regulations and internal corporate procedures governing every phase in the process of preparing financial statements, reports and other corporate communications. With regard to this point, it is forbidden to:
 - present or transmit for processing and presentation in financial statements, reports, schedules or other corporate communications, data that is false or incomplete or, in any case, does not provide a proper description of the real economic, financial and equity position;
 - omit the disclosure of data and information required by law and established procedures regarding the economic, financial and equity position.
- b) Comply rigorously with all legal requirements protecting the amount and existence of the share capital of the Company, in order to safeguard the guarantees provided to the creditors and third parties in general. With regard to this point, it is forbidden to:
 - return contributions to owners or release them from the obligation to make them, except in the case of a legitimate capital reduction;
 - distribute profits or advances against profits not yet earned or that are allocated by law to reserves, or distribute reserves (whether or not comprising profits) that cannot by law be distributed;
 - make capital reductions, mergers or spin-offs in violation of the laws that protect creditors;
 - engage in the fictitious capital formation or increases;
 - in a liquidation, distribute corporate assets to owners before paying the creditors, or before reserving the amounts needed to satisfy them.
- c) Ensure the proper functioning of the Company and the corporate bodies, guaranteeing and facilitating all internal controls over operations envisaged by law, as well as the process of free and proper decision making at the shareholders' meeting. With regard to this point, it is forbidden to:
 - engage in conduct that effectively impedes or hinders, by hiding documents or other fraudulent activities, the performance of checks or audit work by the Board of Statutory Auditors, the auditing firm or the owners;
 - influence the adoption of decisions at the shareholders' meeting by carrying out false or fraudulent deeds that might alter the process of decision making at the shareholders' meeting.

It is also forbidden to:

- offer or promise money or other undue benefits to senior persons, or management or supervised persons, in order to carry out or omit a deed in violation of the obligations inherent in their duties or of their duty of loyalty;
- grant benefits in kind (e.g. promises of employment or other advantages), directly or via intermediaries, to directors, general managers, executive responsible for preparing corporate accounting documents, statutory auditors or liquidators of other companies in order to obtain

advantages for the Company;

- incur hospitality expenses in an arbitrary manner unrelated to the objectives of the Company;
- make payments to external collaborators, consultants, suppliers or partners that cannot be justified appropriately in relation to the type of work performed, or to be performed, considering their contracts and current local business practices;
- violate the accounting policies adopted and file tax declarations on the basis of incorrect accounts;
- present fraudulent or untrue tax declarations;
- omit to file tax declarations;
- issue invoices or other documents for non-existent transactions;
- hide, destroy or remove accounting documents;
- engage in any conduct that hinders the performance of supervisory functions, during inspections and otherwise.

1.6 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE has:

- defined the corporate roles involved in the management of cash flows;
- defined responsibilities and the manner in which bank current accounts are reconciled and how any discrepancies are managed;
- defined responsibilities and the manner in which petty cash is reconciled and balanced;
- defined procedures for recognising and recording collections;
- formalised corporate instructions that forbid the acceptance of payments, even via normal banking channels, from parties other than the customer that used the service;
- formalised corporate instructions for checking that payments are made properly, with exact matching of recipients/payers and the counterparties actually involved in the transactions;
- formalised corporate instructions that require an exact match between the name of the beneficiary and the holder of the account to which payments must be sent;
- formalised a ban on making payments to numbered bank accounts or accounts not opened in the country of the beneficiary;
- established formalised authorisation procedures for the making of payments;
- defined the responsibilities, procedures, types of expense and maximum limits for making cash payments and obtaining cash advances;
- established that, before financial income is recognised, checks must be made on the

reasonableness of the interest rate applied to the current accounts concerned, with reference to the related contracts;

- formalised the monitoring of cash inflows and outflows linked to transactions carried out between the parent company and its subsidiaries and/or associates;
- established that all bank and cash inflows and outflows must be supported by suitable documentation for the goods and services actually provided or received, or for fiscal and corporate compliance activities envisaged by law;
- established that all treasury inflows and outflows must be recorded promptly and properly, so that they can be reconstructed in detail and the various levels of responsibility identified;
- established that relations with banks, customers and suppliers must be checked by carrying out periodic reconciliations;
- defined administrative-accounting procedures for preparation of the annual financial statements;
- established that the accounting data for completed transactions, including those with related parties, must be reconciled periodically;
- formalised a rule requiring attestation that the data, valuations and reconciliation provided and processed are true and accurate, as required by the Italian Civil Code and the reference accounting standards;
- established that all commercial and financial intercompany transactions, and those with related parties, must be formalised in contracts authorised in advance by the respective Boards of Directors;
- established that all intercompany transactions, and those with related parties, must be recognised in the financial statements and periodically totalled and reconciled;
- established that transactions between Group companies must be carried out in accordance with the articles of association and current legislation, especially with regard to the reconciliation of their reciprocal receivables and payables and the transactions carried out during the year, including the giving of guarantees for financial instruments issued in relation to transactions envisaged in the corporate objects;
- formalised a rule under which the communications required by law, and by the regulations applying to corporate control bodies and the public supervisory authorities, must be made promptly and correctly and be true and complete;
- established corporate instructions for the use of accounting data entry software that - using access systems differentiated by type of duty and following fixed and guided processes (wizards) - ensures the complete input of all relevant information and prevents any amendments without documenting the author, date and original entry, with the inclusion of appropriate system blocks to prevent the input of late entries after the end of the accounting period concerned.

1.7 Specific procedures

With regard to the offences identified as theoretically applicable, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the sensitive areas that are published on the corporate intranet.

1.8 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities.

If considered appropriate, the Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by Decree 231/01, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part of the Model, providing any information requested by the SB and reporting any events or circumstances that suggest the commitment of offences pursuant to art. 25-ter of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 6 - Special Part F

Receiving, laundering and use of money,
assets or benefits deriving from illegal
sources, as well as self-laundering.



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue

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1. RECEIVING, LAUNDERING AND USE OF MONEY, ASSETS OR BENEFITS DERIVING FROM ILLEGAL SOURCES, AS WELL AS SELF-LAUNDERING

1.1. Introduction

Art. 25-octies of the Decree introduced the offences of receiving, laundering and use of money, assets or benefits deriving from illegal sources. This article was added by Decree 231 dated 21 November 2007 on "Transposition of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, as well as Directive 2006/70/EC laying down the related implementing measures".

Law 186 dated 15 December 2014, published in Italian Official Gazette 292 on 17 December 2014, amended art. 25-octies by adding to art. 3 - on "Amendments to the criminal code with regard to self-laundering" - art. 648-ter.1 on "Self-laundering" that, inter alia, envisages increased fines for the crimes of money laundering and the use of money, assets or benefits deriving from illegal sources - see arts. 648-bis and 648-ter - consistent with the new provision on self-laundering. Law 186/2014 therefore amended art. 25-octies of Decree 231/01, which now also makes reference to the new offence of self-laundering as a specified offence that might result in administrative responsibility for the entity, and set new limits for the fines envisaged in arts. 648-bis and 648-ter of the criminal code.

Decree 21 dated 1 March 2018 on "*Measures implementing the principle that certain matters can only be governed by the criminal code*" was published in the Italian Official Gazette on 22 March 2018. This decree, which came into force on 6 April 2018, introduced the "reserved for law" principle, whereby measures that identify offences can only be added to the legislative framework if they amend the criminal code or are included in organic legislation. Based on this principle, the decree abrogated certain offences identified in special laws, including them in the criminal code, and amended certain articles of the criminal code of significance to the administrative responsibility of entities.

With regard to this Special Part, Decree 21/18 abrogated art. 7 of Decree 152 dated 13 May 1991, as enacted with amendments by Law 203 dated 12 July 1991. Accordingly, the reference made in art. 648-ter.1 of the criminal code (Self-laundering) is to art. 416-bis.1 of the criminal code (Aggravating and attenuating circumstances for mafia-related crimes), which was added by Decree 21/18. The significant conduct, that might result in administrative responsibility for the company in whose interests or for whose benefit the unlawful deed was carried out, would be commitment of the offences described below.

1.2. Types of receiving and laundering offences

a. Receiving (art. 648 criminal code)

Common offence that anyone may commit. The conduct involves:

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- acquiring (free or for payment) money or assets deriving from any crime (or assets that were used for or intended to be used for the crime);
 - receiving those assets;
 - hiding them (even temporarily after coming into their possession);
 - participating in acquiring, receiving or hiding them.

The purpose of the conduct must be to obtain a profit for the perpetrator or for others. The basic punishment is imprisonment for up to six years and a fine of between Euro 516 and Euro 10,329.

b. Laundering (art. 648-bis criminal code)

Common offence that anyone may commit. The conduct involves:

- substituting or transferring money, assets or other benefits deriving from deliberate offences. [Substituting means: exchanging and replacing money or other benefits deriving from the commitment of crimes with “clean” money, assets or other benefits. Transferring means: moving ownership of the assets deriving from a crime from the legal sphere of one party to that of another using negotiable instruments or other legal forms;
- carrying out other actions that impede identification of their criminal source, being any action capable of impeding determination of the illegal sources of money, assets or other benefits deriving from the commitment of another offence.

The punishment is imprisonment for between four and twelve years and a fine of between Euro 5,000 and Euro 25,000.

c. Use of money, assets or benefits deriving from illegal sources (art. 648-ter criminal code)

This common offence consists in the use of money, assets or benefits deriving from crimes for the conduct of economic or financial activities. In this case, use means investing for profit; economic or financial activities comprise all those capable of generating profits (e.g. banking, stockbroking etc.).

The punishment is imprisonment for between four and twelve years and a fine of between Euro 5,000 and Euro 25,000. This offence is pursued by official action.

d. Self-laundering (art. 648-ter.1 criminal code)

“The punishment of imprisonment for between two and eight years and a fine of between Euro 5,000 and Euro 25,000 is applied to whoever, having committed or contributed to committing an intentional crime, uses, exchanges or transfers the money, assets or other benefits deriving from that crime in the context of economic, financial, entrepreneurial or speculative activities, in order to impede effectively identification of their criminal source. The punishment of imprisonment for between one and four years and a fine of between Euro 2,500 and Euro 12,500 is applied if the money, assets or other benefits derive from an intentional crime punished by imprisonment for less than a maximum of five years.

The punishments envisaged in the first paragraph apply in all cases if the money, assets or other benefits derive from a crime committed with the conditions or objectives indicated in art. 7 of Decree 152/1992 as enacted with amendments by Law 203/1991 as amended, with reference to art. 416-bis.1 of the criminal code pursuant to art. 7 of Decree 21 dated 1 March 2018.”.

Except for the cases referred to in the previous paragraphs, conduct resulting in use of the money, assets or other benefits for personal benefit or enjoyment is not punishable.

The penalty is uplifted when the offence is committed in the course of a banking, financial or other professional activity.

The penalty is reduced by up to half for those who effectively seek to ensure that the conduct does not have other consequences, or who provide evidence of the offence and identify the money, assets and other benefits deriving from the crime. The provisions of the final paragraph of art. 648 are applicable.

The new art. 648-ter.1 of the criminal code punishes the perpetrator of the specified offence (intentional crime) who uses, substitutes or transfers the money, assets or other benefits deriving from that crime in the context of economic, financial, entrepreneurial or speculative activities, in order to effectively impede identification of their criminal source. The offence of self-laundering is, therefore, a common offence typically having three forms of expression: substitution, transfer and use in economic or financial activities. The concept of substitution of the money, assets or other benefits deriving from a crime includes all activities intended to “clean” the criminal proceeds, separating them from all possible links with the crime. Substitution can be achieved in various ways, including the exchange of cash for other banknotes, or its payment into a bank and subsequent withdrawal.

Transfer is a type of substitution and comprises all conduct that moves the proceeds of a crime from one person to another, or from one place to another, in order to lose track of their ownership, source and final destination. The transfer of criminal proceeds to another owner must maintain their exact composition in quantitative and qualitative terms, otherwise the operation would represent substitution. Having regard for the conduct penalised in this Special Part and, in particular that relating to commitment of the new crime of self-laundering, the Company draws the attention of recipients of the Organisational Model to the tax crimes envisaged in Decree 74/2000 on “new rules governing income tax and value-added tax offences, pursuant to art. 9 of Law 205 dated 25 June 1999”.

The following tax offences are penalised by criminal law:

- Fraudulent declarations using invoices or other documents for non-existent transactions (art. 2);
- Fraudulent declarations by other means (art. 3);
- Untrue declarations (art. 4);
- Omitted declarations (art. 5);

- Issue of invoices or other documents for non-existent transactions (art. 8);
- Hiding or destruction of accounting documents (art. 10);
- Failure to pay over certified withholding taxes (art. 10-bis);
- Failure to pay over VAT collected (art. 10-ter);
- Improper offsets (art. 10-quater);
- Fraudulent failure to pay taxes due (art. 11);
- Tampering with or alteration of fiscal measurement equipment; printing or use of false tax receipts or registers (art. 24).

1.3. Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-octies] Receiving, laundering and use of money, assets or benefits deriving from illegal sources, as well as self-laundering	
Self-laundering	art. 648-ter.1 criminal code
Use of money, assets or benefits deriving from illegal sources	art. 648-ter criminal code
Receiving	art. 648 criminal code
Money laundering	art. 648-bis criminal code

1.4. Sensitive activities

With regard to the types of offence considered above, the following activities are considered to be at risk:

- use of cash for any collection or payment transaction;
- accounting entries;
- financial transactions;
- revenue cycle;
- expenditure cycle;
- intercompany and related-party transactions;
- relations with suppliers and commercial and financial partners;
- management of sponsorships and donations;
- procurement of goods, services and consultancy;
- preparation of invoices and accounting documents;
- preparation, keeping and retention of accounting records for tax purposes;

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- recognition of invoices and related VAT, keeping of VAT records, preparation of tax declarations;
 - management of corporate tax compliance;
 - special transactions (investments, capital increases, shareholder loans).

1.5. General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the corporate offences described in art. 25-octies of the Decree;
- avoid initiating conduct that, despite not committing the offences described in art. 25-octies of the Decree, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

It is expressly required to:

- ensure the legality of cash flows;
- ensure the proper functioning of cash flows;
- comply with corporate procedures for the qualification and monitoring of partners and suppliers;
- comply with corporate procedures for financial and cash transactions;
- comply with the principles of transparency, traceability and propriety in the keeping of accounting documents and management of the related cash flows;
- keep proper and orderly accounting records and the other documents that must be retained for tax purposes, implementing physical and/or IT safeguards that prevent them from being destroyed and/or hidden;
- inform the corporate bodies and the SB immediately about any suspicious conduct by third parties with which the Company maintains relations, with regard to the above offences;
- identify a function responsible for the prompt transmission of documentation to the control bodies;
- exclude the assignment of consultancy work to owners, directors or the members of control bodies;
- exclude the assignment of administration or control functions within the Company to persons who have participated in the audit of the financial statements, or to owners, directors or members of control bodies, unless at least three years have elapsed since termination of those appointments or working relationships.

In the above context, it is forbidden in particular to:

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- omit any data and information required by law about the economic and financial position of the Company;
 - accept means of payment other than those that use normal banking channels;
 - accept payments, even via normal banking channels, from parties other than the customer that originated the service, unless this occurs via agencies expressly authorised by the principal;
 - issue invoices or other documents for non-existent transactions;
 - issue duplicate invoices for the same service;
 - omit to issue credit notes if, even in error, services are invoiced that have not been provided or are not eligible for payment;
 - omit to record and document Company funds and their movements;
 - allow any commercial incentives that are inconsistent with authorised limits and that have not been approved and recorded in accordance with the established internal procedures;
 - recognise any commission, discounts, rebates or allowances that have not be authorised in accordance with current regulations and granted officially to companies upon presentation of documentary support;
 - indicate false expenses for non-existent transactions, using fake invoices or other documents representing a level of evidence similar to invoices, when preparing annual income tax and value-added tax declarations;
 - indicate, when preparing annual income tax and value-added tax declarations, income that is less than that earned or false expenses (e.g. costs not incurred and/or lower revenues than those earned), by making false entries in the mandatory accounting records and using suitable means to impede verification;
 - indicate, when preparing annual income tax and value-added tax declarations, taxable income that is lower than the true amount by reporting less income than earned or false expenses;
 - allow the deadlines established in the regulations governing the presentation of annual income tax and value-added tax declarations, and those for making the related payments, to pass without making the necessary filings and payments.

Via the preparation of specific procedures and otherwise, the Company strives to ensure the segregation of roles within the corporate accounting system and when preparing the related tax declarations, including for example by:

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- checking the actual provision and reasonableness of services with respect to the invoices issued;
 - checking the truth of declarations with reference to the accounting records;
 - checking agreement of the certificates issued as a tax agent with the amount of the withholding taxes paid over.

1.6. Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE has:

- defined the corporate roles involved in the management of the cash and financial flows of the Company;
- defined responsibilities and the manner in which bank current accounts are reconciled and how any discrepancies are managed;
- defined responsibilities and the manner in which petty cash is reconciled and balanced;
- defined procedures for recognising and recording collections;
- formalised corporate instructions that forbid the acceptance of payments, even via normal banking channels, from parties other than the customer that used the service;
- formalised procedures for managing the revenue cycle;
- formalised procedures for managing the expenditure cycle;
- formalised corporate instructions for checking that payments are made properly, with exact matching of recipients/payers and the counterparties actually involved in the transactions;
- formalised a ban on making payments to numbered bank accounts or accounts not opened in the country of the beneficiary;
- established formalised authorisation procedures for the making of payments;

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- defined the responsibilities, procedures, types of expense and maximum limits for making cash payments and obtaining cash advances;
 - established that, before financial income is recognised, checks must be made on the reasonableness of the interest rate applied to the current accounts concerned, with reference to the related contracts;
 - formalised the monitoring of cash inflows and outflows linked to the transactions with subsidiaries (collection and payment of dividend advances and dividend distributions);
 - established that cash flows between Group companies must comply with resolutions adopted by the respective Boards, with suitable supporting documentation and in compliance with current laws and regulations;
 - established that the accounting data for completed transactions, including those with group companies and related parties, must be reconciled periodically;
 - established that all commercial and financial intercompany transactions, and those with related parties, must be formalised in contracts authorised in advance by the respective Boards of Directors;
 - established that all intercompany transactions, and those with related parties, must be recognised in the financial statements and periodically totalled and reconciled;
 - established that all bank and cash inflows and outflows must be supported by suitable documentation for the goods and services actually provided or received, or for fiscal and corporate compliance activities envisaged by law;
 - established that all treasury inflows and outflows must be recorded promptly and properly, so that they can be reconstructed in detail and the various levels of responsibility identified;
 - established that relations with banks, customers and suppliers must be checked by carrying out periodic reconciliations;
 - defined the corporate roles involved in the management of tax compliance;
 - established that checks must be carried out on the process of determining and verifying social security contributions and tax charges.

1.7. Specific procedures

With regard to the offences considered theoretically applicable in this Special Part, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the areas considered sensitive that are published on the corporate intranet.

1.8. Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities. If considered appropriate, the Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by Decree 231/01, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part, providing any information requested by the SB and reporting any events or circumstances that suggest the possible commitment of an offence pursuant to art. 25-octies of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 7 - Special Part G Offences
relating to occupational health and
safety

HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue

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1. OFFENCES RELATING TO OCCUPATIONAL HEALTH AND SAFETY

1.1 Introduction

Art. 25-septies of Decree 231/01, added by art. 9 of Law 123/2007 on "Measures to safeguard occupational health and safety and government mandate to reorganise and reform the related regulations", as amended by art. 300 of Decree 81/08, included "manslaughter or serious or very serious personal injuries caused in violation of the health and safety at work regulations" on the list of specified offences that might result in administrative responsibility for the entity.

The full text of art. 25-septies is presented below:

Manslaughter or serious or very serious personal injuries caused in violation of the health and safety at work regulations

- 1. In relation to the crime specified in art. 589 of the criminal code, committed in violation of art. 55, para. 2, of the decree implementing the mandate granted in Law 123 dated 3 August 2007 on occupational health and safety, the monetary penalty is 1,000 quotas. On conviction for the crime identified in the above sentence, the suspensions indicated in art. 9, para. 2, are applied for not less than three months and not more than one year.*
- 2. Except as envisaged in para. 1, in relation to the crime identified in art. 589 of the criminal code and committed in violation of the occupational health and safety regulations, the monetary penalty is not less than 250 quotas and not more than 500 quotas. On conviction for the crime identified in the above sentence, the suspensions indicated in art. 9, para. 2, are applied for not less than three months and not more than one year.*
- 3. In relation to the crime identified in art. 590, para. 3, of the criminal code and committed in violation of the occupational health and safety regulations, the monetary penalty is not more than 250 quotas. On conviction for the crime identified in the above sentence, the suspensions indicated in art. 9, para. 2, are applied for not more than six months.*

The offences specified in art. 25-septies of Decree 231/01 are described below.

1.2 Types of offences

a. Manslaughter (art. 589 criminal code) committed in violation of art. 55, para. 2, of Decree 81/08

"Whoever causes the death of a person due to negligence is punished by imprisonment for between six months and five years. If the fact was committed in violation of the rules ... governing the prevention of injuries in the workplace, the punishment is imprisonment for between two and five years. In the event of the death of several persons, or the death of one or more persons and the injury of one or more persons, the punishment is that for the most serious of the violations, as increased by up to three times, without exceeding twelve years of imprisonment".

Penalties for the employer and the executive (art. 55, para. 2, Decree 81/08)

- 1. The employer is punished by imprisonment for between three and six months or by a fine of between Euro 2,500.00 and Euro 6,400.00:*
 - a) for violation of art. 29, para. 1; b) for failure to appoint the manager of the prevention and protection office pursuant to art. 17, para. 1, letter b), or for violation of art. 34, para. 2;*
- 2. In the cases envisaged in para. 1, letter a), the punishment of imprisonment for between four and eight months is applied if the violation is committed:*

a) in the firms referred to in art. 31, para. 6, letters a), b), c), d), f) and g);

b) in the firms whose activities expose workers to biological risks - art. 268, para. 1, letters c) and d) - due to explosive atmospheres, mutant carcinogens or the maintenance, removal, disposal and clean-up of asbestos;

c) in the activities governed by Title IV, characterised by the simultaneous presence of several firms for the performance of not less than 200 man-days of work.

b. Manslaughter (art. 589 criminal code) committed in violation of the health and safety at work regulations

"Whoever causes the death of a person due to negligence is punished by imprisonment for between six months and five years. If the fact was committed in violation of the rules ... governing the prevention of injuries in the workplace, the punishment is imprisonment for between two and five years. In the event of the death of several persons, or the death of one or more persons and the injury of one or more persons, the punishment is that for the most serious of the violations, as increased by up to three times, without exceeding twelve years of imprisonment".

c. Serious or very serious personal injuries (art. 590, para. 3, criminal code) caused in violation of the health and safety at work regulations

"... If the facts referred to in the second paragraph (serious or very serious personal injuries) were committed in violation of the rules ... governing the prevention of injuries in the workplace, the punishment for serious injuries is imprisonment for between three months and one year or a fine of between Euro 500.00 and Euro 2,000.00, and the punishment for very serious injuries is imprisonment for between one and three years. ..."

1.3 Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-septies] Manslaughter or serious or very serious personal injuries caused in violation of the health and safety at work regulations	
Personal injury through negligence	art. 590, para. 3, criminal code
Manslaughter committed in violation of art. 55, para. 2, Decree 81/2008	art. 589 criminal code
Manslaughter committed in violation of the health and safety at work regulations	art. 589 criminal code

1.4 Decree 81/2008

The provisions contained in this decree implement art. 1 of Law 123/2007 on the reorganisation and reform of the regulations governing occupational health and safety, by revising and coordinating them within a new regulatory text. Art. 30 of Decree 81/08, in particular, requires the entity that, via its Model, wants to obtain exemption from administrative responsibility pursuant to Decree 231/01, to implement a corporate system for compliance with all legal obligations regarding:

- compliance with the technical-structural standards required by law for equipment, plant, workplaces and chemical, physical and biological agents;
- the assessment of risks and preparation of the related prevention and protection measures;
- organisational activities, including the management of emergencies, first aid, the management of contracts, periodic safety meetings, consultations with the workers' safety representatives;

- health monitoring activities;
- the provision of information and training to workers;
- compliance by workers with the procedures and instructions on safety at work;
- acquisition of the documents and certificates required by law;
- periodic verification of the application and effectiveness of the procedures adopted.

In addition, again pursuant to art. 30 of Decree 81/08, the entity must include in its Model:

- suitable systems for recording the completion of all activities needed to ensure compliance with the above legal obligations;
- a set of functions, consistent with the nature and size of the organisation and the type of work performed, that make available the technical skills and powers needed to check, assess, manage and control risks;
- adoption of a suitable disciplinary system for penalising failure to comply with the requirements of the Model;
- a suitable system for controlling implementation of the Model and for ensuring that the measures adopted remain suitable over time;
- adoption of steps to review and, if necessary, amend the Model following the discovery of significant violations of the regulations governing occupational health and safety, or on changes in the organisation and its activities.

Lastly, para. 5 states that "On first-time application, Organisational Models consistent with the UNI-INAIL Guidelines for an occupational health and safety management system (OHSMS) dated 28 September 2001 or with British Standard 45001:2018 OHSAS (formerly 18001:2007), are presumed to satisfy the requirements specified in the relevant parts of this article".

1.5 Sensitive activities

LB OFFICINE MECCANICHE considers that, in theory, every type of offence described in this Special Part is applicable. Accordingly, the Company considers significant the risk factors identified and assessed in the Risk Assessment Document prepared pursuant to the accident prevention regulations in force, as identified below in the Offices, Assembly/Logistics, Technology Centre and Support areas:

Risks deriving from physical conditions:

- Transit areas
- Work areas
- Ladders
- Machines
- Storage of items
- Manual handling of items
- Electrical systems
- Gas distribution equipment and networks
- Microclimate heating / Temperature of premises
- Lighting
- Manual equipment
- Means of transport

- Manual handling of loads
- Videoterminals
- Work-related stress
- Exposure to noise
- Exposure to vibration
- Chemical risks
- Carcinogenic and mutagenic risks
- Biological risk

Risks deriving from

persons

- Organisation of work
- Duties, functions and responsibilities
- Analysis, planning and control
- Participation
- Work rules and procedures
- Emergencies and first aid
- Health monitoring activities
- Workers who are pregnant, have recently given birth or are breastfeeding
- Foreign workers
- Child apprentices
- Workers with disabilities

1.6 Commitments of the Company in relation to occupational health and safety

LB OFFICINE MECCANICHE strives to carry out its activities in full compliance with the mandatory regulations governing occupational health and safety, adopting a Health and Safety Policy based on the following fundamental principles:

- ensure balance between the corporate objects specified in the articles of association and the need to safeguard the health and physical condition of individuals, assets and, more generally, the environment;
- ensure a healthy and safe working environment (offices, loading areas, vehicles used to transport products) and prepare suitable preventive measures to reduce the risk of work-related accidents and injuries, minimising as much as possible the causes of risks in the working environment;
- identify possible hazards associated with the work performed, analyse the related risks and assess their effects on the health of workers, the general population and the surrounding environment;
- inform and train all personnel, ensuring adequate awareness and knowledge of the risks associated with their work, and about the safety and protection measures in place to minimise those risks, with assistance from the Workers' Safety Representative (RLS);
- train workers to tackle hazardous situations adequately, should they arise;
- ensure that external firms, freelance workers and occasional visitors are informed adequately about the internal rules of conduct, as well as about procedures for raising the alarm and evacuating the premises;
- identify the emergency situations that might arise due to an event, planning the actions to be taken and the procedures to be followed in such cases;
- schedule a series of periodic checks on and assessments of the effectiveness of the Safety Management System and the related procedures;
- ensure constant effort to comply with the applicable legal requirements and the Organisational Model adopted by the Company pursuant to Decree 231/01, in order to ensure the health and safety of workers and prevent the commitment of specified offences that might result in administrative responsibility for the Company pursuant to art. 25-septies of Decree 231/01;
- strive to inform, train, motivate and involve all employees so that they carry out their duties in conformity with the objectives, preparing them adequately to respond effectively to emergencies and ensure that persons working on behalf of the Organisation also perform their activities in compliance with the Organisation Model and policies adopted by the Company pursuant to Decree 231/01;
- establish a suitable disciplinary system for penalising failure to comply with the provisions of the Organisational Model intended to prevent commitment of the offences specified in art. 25-septies of Decree 231/01;

- establish suitable flows of information from employees to the Supervisory Body of the Company with regard to accidents, near misses and all issues that might result in failure to comply with the law.

The Company strives to ensure compliance with the regulations governing occupational health and safety, operating in compliance with the provisions of Decree 81/08 as amended and the other applicable sector regulations.

The Occupational Health and Safety Management System established by LB OFFICINE MECCANICHE is consistent with the requirements of Decree 231/01, including measures to prevent the health and safety offences identified in art. 25-septies.

1.7 General principles of conduct

The internal recipients of this Special Part must:

- avoid conduct that might result in commitment of the offences described in this Special Part;
- avoid initiating conduct that, despite not committing the offences described in this Special Part, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates;
- behave in a proper and transparent manner, ensuring compliance with laws and internal procedures, when carrying out all their activities.

When carrying out sensitive activities, recipients must - in order to prevent commitment of the offences envisaged in this Special Part - comply with the rules of conduct indicated below and the principles of conduct contained in the organisational documents mentioned below:

- work in full compliance with the relevant current legislation;
- comply with the rules of conduct defined in the operating procedures and instructions identified in the Risk Assessment Document adopted by the Company;
- comply with the principles of conduct indicated in this Special Part and in the Code of Ethics;
- comply with the rules of conduct defined in the operating procedures and instructions adopted by the Company;
- comply with corporate policies on occupational health and safety;
- comply with the indications and instructions given by the responsible functions;
- abstain from carrying out on their own initiative any operations or manoeuvres for which they are not responsible, or that may compromise the health and safety of workers;
- report immediately all hazardous situations identified, both real and potential, in relation to occupational health and safety;
- prepare and retain documentation on compliance with the occupational health and safety requirements, thereby making it possible to check conduct and the work performed;

- participate in training programmes on occupational health and safety matters. The

Company also considers binding:

- For employees: the principal "Workers' obligations" specified in art. 20 of Decree 81/08, as indicated below:

"employees must take care of their own health and safety and those of other persons present in the workplace who may be affected by their actions or omissions, in compliance with their training and the instructions and resources provided by the Employer".

In particular, workers must:

- contribute, together with the Employer, executives and responsible managers, to compliance with the obligations envisaged for the protection of health and safety in the workplace;
 - comply with the instructions issued by the Employer, executives and responsible managers, on personal and collective protection matters;
 - use in a proper manner the work equipment, hazardous substances and preparations, means of transport and safety devices;
 - use in an appropriate manner the protective devices made available to them;
 - report immediately to the Employer, executive or responsible manager any shortcomings in the means and devices referred to in letters c) and d), as well as any hazardous conditions that become known, taking direct action in urgent cases - to the extent of their responsibilities and ability, without prejudice to the requirement specified in letter f) - to eliminate or mitigate any grave and imminent danger, informing the workers' safety representative;
 - not remove or modify without authorisation any safety, warning or control devices;
 - not carry out on their own initiative any operations or manoeuvres for which they are not responsible, or that may compromise their safety or that of other workers;
 - participate in education and training programmes organised by the Employer;
 - submit to the health checks envisaged by the relevant decree (Decree 81/08) or prescribed by the competent medical practitioner".
- For third-party suppliers:
 - ensure they have the technical-professional skills necessary for the work to be carried out under contract, or on a supply or agency basis;
 - internalise the information provided by the Employer about the specific risks existing in the environment where the work will be carried out, and about the prevention and emergency measures adopted by the Employer;
 - cooperate with the Employer on the implementation of prevention and protection measures against the risks faced when performing the work to be carried out under contract, or on a supply or agency basis;
 - coordinate with the Employer on the implementation of measures to prevent and protect against the risks faced by workers;

- e. comply with the ban on manufacturing, selling, renting or lending of work equipment, personal protection equipment and plant that do not satisfy the current legislative and regulatory requirements regarding occupational health and safety;
- f. comply with the general prevention principles applying to occupational health and safety when making planning and technical choices and choosing equipment, components and protection devices that comply with the relevant current legislative and regulatory requirements.

1.8 Specific procedures

With regard to the offences considered theoretically applicable, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the sensitive areas that are published on the corporate intranet.

1.9 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous, “second level” powers of action and control over the occupational health and safety management activities implemented by the Company in relation to the sensitive activities described in this Special Part. The SB also checks the adequacy of and compliance with the Model, the Code of Ethics and the corporate procedures defined by the Company with regard to occupational health and safety matters.

All senior and/or supervised persons and members of corporate bodies must provide information to the Supervisory Body promptly, upon request from the latter, and may report any events or circumstances that suggest the possible commitment of an offence pursuant to art. 25-septies of Decree 231/01. With particular regard to occupational health and safety offences, the SB receives the following mandatory information flows:

- results of inspections/checks carried out during the internal audit of occupational health and safety matters;
- results of any inspections carried out by public bodies that might identify non-compliance or possible disputes concerning occupational health and safety matters;
- reports from workers to the Employer, the executive or responsible managers about possible anomalies with equipment or protection devices, as well as about hazards that have come to their attention;
- complaints and/or statements made against the Company regarding possible violations of the occupational health and safety regulations;
- progress made on obtaining authorisations required by law or with regard to any non-compliance with legislation;
- updates made to the risk assessment document relating to occupational health and safety;
- copy of the minutes of the periodic meetings held pursuant to art. 35 of Decree 81/08;

- all data about any workplace injuries suffered at Company locations;
- start of disciplinary proceedings in cases relating to occupational health and safety.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 8 - Special Part H

Transnational offences



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue



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1. TRANSNATIONAL OFFENCES

1.1. Introduction

Law 146 dated 16 March 2006 ratified and implemented the United Nations Convention against Transnational Organised Crime and the additional protocols adopted by the General Assembly on 15 November 2000 and 31 May 2001.

The above law, which envisages in art. 10 the administrative responsibility of entities on the commitment of transnational offences, governs in full the new specified offences and is therefore also the point of reference for determining the extent and duration of the related penalties.

The significant conduct, that might result in administrative responsibility for the company in whose interests or for whose benefit the unlawful deed was carried out, would be commitment of the offences described below. Decree 21 dated 1 March 2018 on "*Measures implementing the principle that certain matters can only be governed by the criminal code*" was published in the Italian Official Gazette on 22 March 2018. This decree, which came into force on 6 April 2018, introduced the "reserved for law" principle, whereby measures that identify offences can only be added to the legislative framework if they amend the criminal code or are included in organic legislation. Based on this principle, the decree abrogated certain offences identified in special laws, including them in the criminal code, and amended certain articles of the criminal code of significance to the administrative responsibility of entities. With regard to this Special Part, Decree 21/18 abrogated art. 22-bis, para. 1, of Law 91 dated 1 April 1999, referenced by art. 416 of the criminal code, which now references art. 601-bis of the criminal code (Traffic in organs taken from living persons), as amended by Decree 21/18.

Decree 21/18 also added two paragraphs to art. 601 of the criminal code (Holding of persons) referenced by art. 416 of the criminal code.

1.2. Types of transnational offences

Art. 3 of Law 146/2006 "Definition of transnational offence":

1. For the purposes of this law, a transnational offence is an offence that, at a minimum, is punished by imprisonment for a maximum of four years when an organised criminal group is involved and the offence is committed:
 - in more than one State;
 - in one State, but a substantial part of its preparation, planning, management and control takes place in another State;
 - in one State, but with the involvement of an organised criminal group that conducts criminal activities in more than one State;

- in one State, but with substantial effects in another State. Art. 10 of Law

146/2006 "Administrative responsibility of entities":

The following measures apply in relation to the administrative responsibility of entities for the offences specified in art. 3.

1. If the crimes envisaged in arts. 416 and 416-bis of the criminal code, art. 291-quater of the consolidated law introduced by Presidential Decree 43 dated 23 January 1973 or art. 74 of the consolidated law introduced by Presidential Decree 309 dated 9 October 1990 are committed, the entity is punished by a monetary penalty of between four hundred and one thousand quotas.
2. On conviction for one of the crimes identified in para. 2, the suspensions envisaged in art. 9, para. 2, of Decree 231 dated 8 June 2001 are applied to the entity for a duration of not less than one year.
3. If the entity or one of its operating units is routinely used for the sole or principal purpose of allowing or facilitating commitment of the offences envisaged in para. 2, the administrative punishment is a definitive ban on carrying out the activity pursuant to art. 16, para. 3, of Decree 231 dated 8 June 2001.
4. In the case of offences that involve money laundering, if the crimes envisaged in arts. 648-bis and 648-ter of the criminal code are committed, the entity is punished by a monetary penalty of between two hundred and eight hundred quotas.
5. On conviction for the offences identified in para. 5, the suspensions envisaged in art. 9, para. 2, of Decree 231 dated 8 June 2001 are applied to the entity for a duration of not more than two years.
6. In the case of offences involving the trafficking of migrants, if the crimes envisaged in art. 12, paras. 3, 3-bis, 3-ter and 5, of the consolidated law introduced by Decree 286 dated 25 July 1998 as amended, the entity is punished by a monetary penalty of between two hundred and one thousand quotas.
7. On conviction for the offences identified in para. 7, the suspensions envisaged in art. 9, para. 2, of Decree 231 dated 8 June 2001 are applied to the entity for a duration of not more than two years.
8. In the case of offences that involve the obstruction of justice, if the crimes envisaged in arts. 377-bis and 378 of the criminal code are committed, the entity is punished by a monetary penalty of up to five hundred quotas.
9. The provisions of Decree 231 dated 8 June 2001 apply to the administrative offences envisaged in this article.

Accordingly, pursuant to Law 146/2006, the significant offences giving rise to the administrative responsibility of entities are:

A. Association offences

- **Criminal association (art. 416 criminal code):** when at least three persons associate, promote, establish or organise an association for the purpose of committing multiple crimes, in violation of the laws of different countries, or when a person is a member of an organisation of this type.
- **Mafia-related criminal associations, Italian or foreign (art. 416-bis criminal code):** this offence comprises different levels of increasing seriousness, such as being a member of a mafia-related association comprising three or more persons or, in aggravating circumstances, being a promoter, director or organiser of the association. An association is mafia-related when its members use intimidation, subjugation and the consequent code of silence in order to commit crimes, acquire the direct or indirect management or control of economic activities, concessions, authorisations, public supply contracts and services or to obtain unjust profits or benefits for themselves or others, or to prevent or impede free voting or obtain votes for themselves or others at the time of elections, in violation of the laws of different countries.
- **Criminal association for the contraband of foreign processed tobaccos (art. 291-quater of Pres. Decree 43/1973):** this crime is committed if three or more persons form an association in order to commit multiple crimes, such as the importation, transportation, purchase or holding in Italy of more than ten kilograms of contraband processed tobacco, in violation of the laws of different countries, or if three or more persons promote, establish, direct, organise or finance the above-mentioned association. This article punishes to a lesser extent the conduct of those who are merely members of the association or who, in disassociating themselves from the others, work to avoid additional consequences from the crime and provide concrete assistance to the police in their investigations.
- **Association for the illegal trafficking of narcotics or psychotropic drugs (art. 10 of Law 146/06 and art. 74 of Pres. Decree 309/90):** this crime is committed if three or more persons associate, promote, establish, direct, organise or finance an organisation for the commitment of multiple crimes among those identified in art. 74 of Presidential Decree 309/90 on the "Illegal production, trafficking and holding of narcotics or psychotropic drugs", violating the laws of different countries. On the subject of narcotics, Decree 272/05 enacted by Law 49/2006 (the Fini Law) made significant amendments to art. 73, eliminating the distinction between "hard" and "soft" drugs and aggravating further the consequences for those committing the unlawful conduct. Accordingly, the punishment applies to the criminal organisation that produces, manufactures, extracts, refines, sells, offers or puts on sale, transfers, distributes, trades, transports, obtains for others, sends, passes on or sends in transit, or delivers narcotics or psychotropic drugs for whatever purpose, or imports, exports, acquires, receives on whatever basis or, in any case, illegally holds narcotics or psychotropic drugs in quantities greater than the limits fixed by decree of the Ministry of Health acting together with others.

B. Crimes involving the trafficking of migrants

- **Trafficking of migrants (art. 12, paras. 3, 3-bis, 3-ter and 5, Decree 286 dated 25 July 1998):** Art. 12 of Decree 286/98 punishes various distinct types of illegal conduct committed if, in violation of the laws of different countries, the criminal organisation:
 - in order to obtain a direct or indirect profit, carries out deeds intended to obtain illegal entry into Italy or another State by persons who are not citizens or entitled to permanent residence. The



punishment is increased if the fact relates to the illegal entry or stay in the State of five or more persons and if, due to commitment of the offence, the life or safety of anyone is threatened, or they are subjected to inhumane or degrading treatment;

- carries out the above deeds in order to recruit persons for the purposes of prostitution or, in any case, sexual exploitation or to obtain the entry of minors for unlawful activities and to facilitate their exploitation (para. 3-ter);
- in order to obtain an unjust profit from the illegal status of foreigners, illegally facilitates their stay in Italy (para. 5).

C. Obstruction of justice offences

- **Inducement to not make declarations or to make false declarations to the judiciary (art. 377-bis criminal code):** this offence is committed if, in violation of the laws of different countries with violence or threats, or by the offer or promise of cash or other benefits, the criminal organisation induces a person not to make declarations, or to make false declarations, when called before the judiciary to make declarations usable in criminal proceedings with the right to not respond;
- **Aiding and abetting (art. 378 criminal code):** this offence is committed if, in violation of the laws of different countries, a criminal organisation helps a delinquent to evade investigation by the authorities or hide from their searches, after the commitment of a crime punished by life imprisonment or imprisonment for shorter period, on condition that the organisation did not participate in the crime.

1.3. Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[Law 146/2006] Transnational offences	
Criminal association	art. 416 criminal code

[Law 146/2006] Transnational offences

Inducement to not make declarations or to make false declarations to the judiciary

art. 377-bis
criminal code

1.4. Sensitive activities

With regard to the types of offence considered above, the following activities are considered to be at risk:

- selection, qualification and appraisal of providers of services, professional activities and consultancy;
- management of the expenditure cycle;
- management of procurement;
- management of the revenue cycle;
- management of gifts, sponsorships and donations;
- preparation of income tax, withholding tax and other declarations as part of the process of calculating and paying taxes and levies in general;
- management of cash flows;
- management of related-party transactions;
- management of corporate tax compliance;
- preparation of invoices and accounting documents.

1.5. General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the offences described in this Special Part;
- avoid initiating conduct that, despite not committing the offences described in this Special Part, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

Internal recipients are also required to comply with the principles of conduct already established in the other Special Parts of the Organisational Model and with those expressed in this Special Part.

1.6. Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (job descriptions, mandates, delegated powers, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;

- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

Given the above, the precautions and control standards envisaged herein apply with regard to preventing commitment of the offences and crimes analysed in the Special Parts of the Model.

The internal recipients of LB OFFICINE MECCANICHE must, to the extent necessary in the performance of their duties, apply the following general principles:

- comply with laws and regulations that govern business activity, with particular reference to activities exposed to the risk of involvement in organised crime;
- comply with the rules defined in this Model, corporate procedures and the internal codes of conduct;
- manage all relations with external parties and organisations with the maximum prudence and transparency, in each case obtaining all available information about them that may be useful;
- report all situations that suggest involvement in organised crime or criminal associations to the SB.

Consequently, it is forbidden to:

- start or continue relations of any kind with parties or organisations that have not already been qualified in a selection process, or subsequently checked and evaluated in accordance with specific internal procedures, or that fail to satisfy - even due to subsequent events - some of the established qualification criteria;
- enable cash flows or other direct benefits to pass through untraceable channels, even piecemeal, to parties or organisations that have not already been qualified and selected, or that may have criminal connections;
- give or receive gifts or payments without adequate justification in terms of a contractual relationship or other legitimate intentions that are adequately documented and authorised.

1.7. Specific procedures

With regard to the offences considered theoretically applicable in this Special Part, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the areas considered sensitive that are published on the corporate intranet.

1.8. Supervisory Body: checks, information flows and reports



Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities. If considered appropriate, the Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by Decree 231/01, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part, providing any information requested by the SB and reporting any events or circumstances that suggest the possible commitment of an offence pursuant to art. 10 of Law 146 dated 16 March 2006.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 9 - Special Part I

Environmental offences



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue



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1. ENVIRONMENTAL OFFENCES

1.1 Introduction

Art. 25-undecies includes environmental offences with the scope of Decree 231/01. This article was added by Decree 121 dated 7 July 2011 (in force from 16 August 2011), which transposed Directive 2008/99/EC of the European Parliament and of the Council of 19 November 2008, on the protection of the environment through criminal law, and Directive 2009/123/EC of the European Parliament and of the Council of 21 October 2009 on ship-source pollution.

On approval of Law 68 dated 22 May 2015 on "Measures to tackle crimes against the environment", in force from 29 May 2015, the legislator made significant amendments to Decree 152/2006 (Consolidated Law on the Environment) and added a long list of environmental offences to the criminal code, which are contained in the new Title VI-bis entitled "Crimes against the environment".

The law identifies a number of the new environmental offences as specified offences that might give rise to administrative responsibility for entities, thus amending and supplementing art. 25-undecies of Decree 231/01. Notably, the newly-identified intentional crimes carry very high penalties that position these new eco-offences among the most serious types of offence. In addition, the legislator specifies in art. 1, para. 6, of Law 68/2015 that the new eco-offences are among those for which art. 157, para. 6, of the criminal code doubles the normal time-expiry rules. Art. 1, para. 8.a), of Law 68 dated 22 May 2015 also added para. 1-bis to art. 25-undecies of Decree 231/01. This envisages that, in the event of conviction for the crimes of environmental pollution (art. 452-bis criminal code) or environmental disaster (art. 452-quater criminal code), the monetary penalty levied in para. 1 is supplemented by application of the suspensions envisaged in art. 9 of Decree 231/01.

Decree 21 dated 1 March 2018 on "*Measures implementing the principle that certain matters can only be governed by the criminal code*" was published in the Italian Official Gazette on 22 March 2018. This decree, which came into force on 6 April 2018, introduced the "reserved for law" principle, whereby measures that identify offences can only be added to the legislative framework if they amend the criminal code or are included in organic legislation.

Based on this principle, the decree abrogated certain offences identified in special laws, including them in the criminal code, and amended certain articles of the criminal code of significance to the administrative responsibility of entities.

With regard to this Special Part, Decree 21/18 abrogated the offence of "organised activities for the illegal trafficking of waste", governed by the Consolidated law on environmental matters (art. 260 of Decree 152/2006), and added it to the criminal code in art. 452-quaterdecies ("Organised activities for the illegal trafficking of waste").

The significant conduct, that might result in administrative responsibility for the company in whose interests or for whose benefit the unlawful deed was carried out, would be commitment of the offences described below.

1.2 Offences specified in art. 25-undecies of Decree 231/2001.

A. Crimes against the environment envisaged in Title VI-bis of Book II of the criminal code

- **Environmental pollution (art. 452-bis criminal code)**

This offence is committed by anyone who, without authorisation, compromises or causes a significant and measurable deterioration in:

- the waters or the air, or extended or significant portions of the soil or the sub-soil;
- an eco-system, or biodiversity, including agrarian biodiversity, or the flora or fauna.

Para. 2 envisages aggravating circumstances that are generally applicable, establishing that the punishment is increased if the pollution is generated in a protected natural area or an area subject to landscape, environmental, historical, artistic, architectonic or archaeological restrictions, or to the detriment of protected animal or vegetable species.

- **Environmental disaster (art. 452-quater criminal code)**

This offence may also be committed by anyone who, without authorisation, provokes an environmental disaster without committing the offences envisaged in art. 434 of the criminal code (Collapse of buildings and other deliberate disasters). The measure defines "environmental disaster", identifying three alternative types:

- irreversible alteration of the equilibrium of an ecosystem;
- alteration of an ecosystem, the correction of which would be particularly onerous or only achievable by adopting exceptional measures;

endangerment of public safety due to the significance of the fact and the extent of the alteration or its harmful effects or due to the number of persons affected or exposed to the hazard.

Para. 2 determines that the conduct is aggravated if the disaster is generated in a protected natural area or an area subject to specific (landscape, environmental, historical, artistic, architectonic or archaeological) restrictions, or to the detriment of protected animal or vegetable species.

- **Organised activities for the illegal trafficking of waste (art. 452-quaterdecies criminal code)**

This article punishes by imprisonment for between one and six years anyone who, in order to obtain an unjust profit, sells, receives, transports, exports, imports or otherwise manages illegally, massive quantities of waste on multiple occasions, via continuous and organised activities and the employment of resources.

If the waste is highly radioactive, the punishment is imprisonment for between three and eight years. [...]

- **Negligent offences against the environment (art. 452-quinquies criminal code)**

Art. 452-quinquies, para. 1, reduces the punishment by between one third and two thirds when, due to negligence, typical conduct results in the crimes of environmental pollution (art. 452-bis criminal code) or environmental disaster (art. 452-quater criminal code).

Para. 2 also specifies that, if negligent commitment of the facts envisaged in arts. 452-bis and 452-quater of the criminal code only results in the risk, respectively, of environmental pollution or environmental disaster, the penalties are further reduced by one third.

- **Traffic in and abandonment of highly radioactive materials (art. 452-sexies criminal code)**

Unless the fact represents a more serious offence, this common offence is committed by the unauthorised sale, purchase, receipt, transportation, importation, exportation, acquisition for others, storage, transfer, abandonment or illegal disposal of highly radioactive materials.

Para. 2 envisages that the conduct is aggravated if the typical circumstances described in para. 1 result in the risk of compromising or causing deterioration of:

- the waters or the air, or extended or significant portions of the soil or the sub-soil;
- an eco-system, or biodiversity, including agrarian biodiversity, or the flora or fauna.

Lastly, para. 3 addresses an additional aggravating circumstance with a special effect (increase in the punishment by up to half), being typical conduct that risks the life or safety of persons.

- **Aggravating circumstances (art. 452-octies criminal code)**

This measure identifies aggravating circumstances for the crimes of criminal association (art. 416 criminal code) and Italian and foreign mafia-related associations (art. 416-bis criminal code).

In particular, para. 1 establishes that the offence identified in art. 416 of the criminal code is aggravated if the criminal association is intended, exclusively or together with other objectives, to commit one of the environmental crimes governed by Title VI-bis, Book II of the criminal code.

Para. 2, on the other hand, governs aggravating circumstances that are generally applicable in relation to the offence envisaged in art. 416-bis of the criminal code, which is committed when mafia-related criminal associations, Italian or foreign, are organised to commit one of the environmental crimes governed by Title VI-bis, Book II of the criminal code or acquire the management or, in any case, control of economic activities, concessions, authorisations or public supply contracts and services regarding environmental matters.

Lastly, para. 3 increases the punishments envisaged in the first two paragraphs by from one third to one half if the members of the association identified in art. 416 of the criminal code or art. 416-bis of the criminal code are public officials or providers of public services whose functions or services relate to environmental matters.

B. Offences envisaged in criminal code BOOK III - ON CONTRAVENTIONS, IN PARTICULAR TITLE I - Contraventions by the police and TITLE II Contraventions concerning the official activities of the Public Administration:

- **Killing, destruction, capture, taking, holding of examples of protected wild animal or vegetable species (art. 727-bis criminal code).**

This offence is committed by anyone who, except in permitted cases, kills, captures or holds examples of protected wild animal species or destroys, takes or holds examples of protected wild vegetable species.

- **Destruction or deterioration of the habitat within a protected site (art. 733-bis criminal code).**

This offence is committed by anyone who destroys or causes the deterioration of a habitat within a protected site, compromising its state of conservation.

C. Offences envisaged in the Environmental Code pursuant to Decree 152 dated 3 April 2006:

- **Water pollution (art. 137)**

- unauthorised discharge (authorisation absent, suspended or revoked) of industrial waste water containing hazardous substances (para. 2);
- discharge of industrial waste water containing hazardous substances in violation of requirements imposed together with the authorisation or by the competent authorities (para. 3);
- discharge of industrial waste water containing hazardous substances in violation of the limits set in the standard tables or the more restrictive limits set by the Regions, the autonomous Provinces or the competent authorities (para. 5, first and second sentences);
- violation of the ban on discharges into the soil, underground waters and sub-soil (para. 11);
- discharge into the sea by ships or aircraft of substances or materials that must not be spilled, except in minimal quantities authorised by the competent authorities (para. 13).

- **Unauthorised management of waste (art. 256)**

- collection, transportation, recycling, disposal, sale or brokerage of hazardous and non-hazardous waste, without the required authorisations, registrations or communications (art. 256, para. 1, letters a) and b));
- creation or management of an unauthorised landfill (art. 256, para. 3, first sentence);
- creation or management of an unauthorised landfill used, in whole or in part, for the disposal of hazardous waste (art. 256, para. 3, second sentence);
- unauthorised mixing of waste (art. 256, para. 5);
- temporary storage at the place of production of hazardous medical waste (art. 256, para. 6).

- **Contaminated sites (art. 257)**

- pollution of the soil, sub-soil, surface waters or underground waters, in concentrations that exceed the threshold of risk (unless the site is decontaminated in accordance with the plan approved by the competent authorities) and omission of the related communication to the competent bodies (paras. 1 and 2).

The polluting conduct identified in para. 2 is aggravated by the use of hazardous substances.

- **Falsification and use of false waste analysis certificates (arts. 258 and 260-bis)**

- preparation of a false waste analysis certificate (containing untrue information about the nature, composition and chemical-physical characteristics of the waste) and the use of a false certificate during transportation (art. 258, para. 4, second sentence);
- preparation of a false waste analysis certificate used in the context of the system for controlling the traceability of the waste - SISTRI; inclusion of a false certificate in the data to be provided for waste traceability purposes (art. 260-bis, para. 6);
- transportation of hazardous waste without a printed copy of the SISTRI - Handling Area form, or the waste analysis certificate, as well as use of an analysis certificate containing false information about the transportation of waste subject to the SISTRI system (art. 260-bis, paras. 6 and 7, second and third sentences);
- transportation of waste with fraudulent alterations to the printed copy of the SISTRI - Handling Area form (art. 260-bis, para. 8, first and second sentences).

The conduct identified in para. 8, second sentence, is aggravated if it relates to hazardous waste.

- **Atmospheric pollution (art. 279)**

- violation in the operation of a plant of the emission limits or instructions contained in the authorisation, the plans and programmes or the regulations, or given by the competent authorities, that results in exceeding the air quality limits envisaged in current regulations (para. 5).

D. Offences envisaged in Law 150 dated 7 February 1992 on international trade in examples of endangered species of flora and fauna and the holding of dangerous animals

- illegal import, export, transportation and use of animal species (without a valid certificate or licence, or in contrast with the requirements specified in those measures); holding, use for profit, purchase, sale and display for sale or commercial purposes of examples without the required documentation; illegal trade in plants not grown in natural conditions (art. 1, paras. 1 and 2, and art. 2, paras. 1 and 2).

The conduct referred to in arts. 1, para. 2, and 2, para. 2, is aggravated if repeated and if the offence is committed for business purposes.

- falsification or alteration of certificates or licences; false or altered notices, communications or declarations for the purpose of obtaining a licence or certificate, use of false or altered certificates or licences for the importation of animals (art. 3-bis, para. 1);
- holding live examples of wild species of mammals and reptiles or those bred in captivity that represent a hazard to public health and safety (art. 6, para. 4).

E. Offences envisaged in Law 549 dated 28 December 1993 on protection of the ozone layer and the environment

- pollution of the ozone layer: violation of the measures requiring cessation or the reduce use (production, utilisation, commercialisation, import and export) of substances that damage the ozone layer (art. 3, para. 6).

F. Offences envisaged in Law 202 dated 6 November 2007 on pollution of the marine environment by ships

The articles punish the captain of a ship sailing under any flag, the crew, the owner of the ship and its operator for:

- accidental slippage into the sea from ships of polluting substances (art. 9, paras. 1 and 2);
- deliberate spillage into the sea of polluting substances (art. 8, paras. 1 and 2);
- The conduct referred to in arts. 8, para. 2, and 9, para. 2, is aggravated if the violation causes permanent or particularly serious damage to the quality of the waters, to animal or vegetable species, or to parts of them.

1.3 Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-undecies] Environmental offences	
Unauthorised management of waste	Decree 152/06, art. 256
Organised activities for the illegal trafficking of waste	Art. 452-quaterdecies criminal code
Cessation and reduction of the use of ozone-depleting substances	Law 549/93, art. 3, para. 6
Aggravated crimes by criminal associations	art. 452-octies criminal code
Negligent offences against the environment	art. 452-quinquies criminal code
Environmental pollution	art. 452-bis criminal code
Offences relating to the discharge of industrial waste water	Decree 152/2006, art. 137, paras. 3, 5 first sentence, and 13
Discharge of industrial waste water without complying with the requirements of the authorisation or the requirements of the competent authorities, exceeding the limits set (including for discharges into the soil). Discharge of toxic substances into the sea by ships or aircraft.	Decree 152/06, art. 137, paras. 2, 5 second sentence, and 11
Illegal trafficking of waste	Decree 152/06, art. 259, para. 1
Violation of the emission limits or the requirements of the authorisation	Decree 152/06, art. 279, para. 5

1.4 Sensitive activities

With regard to the types of offence considered applicable, LB OFFICINE MECCANICHE treats the following activities as sensitive:

General activities:

- Identification of the legal requirements governing environmental matters;

- Identification and assessment of environmental matters and the related operational controls to prevent, in particular, the environmental offences specified in art. 25-undecies of Decree 231/01;
- Communications and training on the Code of Ethics and the Organisational Model for suppliers and the personnel of the Company;
- Identification and management of emergency scenarios with reference to the offences specified in art. 25-undecies of Decree 231/01.

Specific activities:

- **Discharge of waste waters**

- Management of authorisations (obtaining, amending and/or renewing applicable environmental authorisations);
- Operational management of the discharge of waters in order to ensure compliance with legislative requirements and authorisations;
- Measurement and monitoring of the characteristics of the waste water and the action taken if limits are exceeded;
- Management of changes: quali/quantitative changes to the waste water and related compliance work (request/change authorisations, advance checks on the introduction of new pollutants etc.);
- Retention of the results;
- Communications and training on the Code of Ethics and the Organisational Model for suppliers and the personnel of the Company;
- Flow of communications and information to the Supervisory Body about the management of environmental matters;
- Identification of the legal requirements governing the discharge of industrial waters;
- Identification and assessment of environmental matters and the related operational controls to prevent, in particular, the environmental offence of discharging industrial waters specified in art. 25-undecies of Decree 231/01.

- **Waste management and treatment**

- Waste management: classification, collection, temporary storage and hand over;
- Identification and physical management of areas dedicated to the temporary storage of waste;
- Qualification and monitoring of the suppliers of critical services with regard to environmental matters (in particular, authorisations of transporters and receivers of waste and the qualification of any external consultants involved in the classification of waste);
- Management of activities linked to the system controlling the traceability of waste;
- Communications and training on the Code of Ethics and the Organisational Model for suppliers and the personnel of the Company;

- Flow of communications and information to the Supervisory Body about the management of environmental matters;
- Identification of the legal requirements governing the environmental matters considered;
- Identification and assessment of environmental matters and the related operational controls to prevent, in particular, the environmental offence of waste management and treatment specified in art. 25-undecies of Decree 231/01.
- Management of activities linked to the system controlling the traceability of waste.
- **Atmospheric emissions**
 - Management of authorisations (obtaining, amending and/or renewing applicable environmental authorisations);
 - Management of changes: quali/quantitative changes to emissions and related compliance work (request/change authorisations, advance checks on the introduction of new pollutants);
 - Routine operational management: identification of responsibilities and activities needed to ensure compliance with authorisations.

1.5 Commitments of the Company in relation to protecting and safeguarding the environment

LB OFFICINE MECCANICHE strives to carry out its activities in full compliance with the mandatory regulations governing the protection and safeguarding of the environment, adopting an Environmental Policy that seeks to:

- involve and enhance the awareness of management, all employees and those who work on behalf of the organisation about the need to support the environment via a culture of responsibility and participation;
- ensure constantly that all activities are carried out in full compliance with the applicable legal requirements, and all rules established by the group for the protection and safeguarding of the environment, in order to prevent the commitment of specified offences that might result in administrative responsibility for the Company pursuant to art. 25-undecies of Decree 231/01;
- find opportunities to improve constantly the environmental performance of processes and the products offered, with continuous efforts to prevent pollution and the related risk of committing specified offences;
- strive constantly to prevent commitment of the environmental offences specified in art. 25-undecies of Decree 231/01, not least by actions that enable the Company to comply early with expected environmental legislation, thereby minimising the risk of committing offences;
- enhance the awareness of personnel involved in sensitive processes about the risks of committing offences specified in art. 25-undecies of Decree 231/01;

- monitor constantly the various business processes, in order to lower their environmental impacts and the related risk of committing related offences;
- reduce the overall quantity of waste sent to landfills via careful differentiated management that facilitates recycling, focusing constantly on employee awareness and the effective use of resources;
- manage waste waters in an optimal manner, thus helping to improve the quality of local surface waters;
- budget adequate financial resources in order to pursue the improvement of environmental performance and, in particular, to ensure compliance with the regulations governing the protection and safeguarding of the environment;
- provide suitable training to personnel about the risks of committing offences specified in art. 25-undecies of Decree 231/01;
- implement a suitable system for monitoring compliance with the applicable legal requirements and authorisations;
- establish a suitable disciplinary system for penalising failure to comply with the provisions of the Organisational Model intended to prevent commitment of the offences specified in art. 25-undecies of Decree 231/01;
- establish suitable flows of information from employees to the Supervisory Body of the Company with regard to reportable events, near misses and all issues that might result in failure to comply with the law.

1.6 General principles of conduct

Internal recipients must:

- avoid conduct that might result in commitment of the offences specified in art. 25-undecies of the Decree;
- avoid initiating conduct that, despite not committing the offences specified in art. 25-undecies of the Decree, could potentially result in their commitment;
- act in compliance with the powers of representation and signature assigned in formal mandates.

When carrying out sensitive activities, recipients must - in order to prevent commitment of the offences envisaged in this Special Part - comply with the rules of conduct indicated below and the principles of conduct contained in the organisational documents mentioned below:

- work in full compliance with current legislation on environmental matters;
- comply with the corporate rules, procedures and operating instructions put in place to prevent commitment of the environmental offences specified in art. 25-undecies of Decree 231/01, the violation of which might result in the applicable of the disciplinary penalties envisaged in the disciplinary system adopted by the Company pursuant to Decree 231/2001;
- comply with the rules of conduct defined in the operating procedures and instructions adopted by the Company;

- comply with the indications and instructions given by the responsible functions;
- comply with the Environmental Policy defined by the Company;
- comply with the principles of conduct indicated in this Special Part and in the Code of Ethics;
- abstain from carrying out on their own initiative any operations or manoeuvres for which they are not responsible, or that may cause damage to the environment;
- report immediately all hazardous situations identified, both real and potential, in relation to environmental protection;
- prepare and retain documentation on compliance with the environmental requirements, thereby making it possible to check conduct and the work performed;
- participate in training programmes on environmental matters;
- inform the SB about all news of actual or possible hazards to the environment.

1.7 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE has:

- defined an Environmental Policy;
- defined responsibilities and checking procedures for the management of authorisations (obtaining, modifying and/or renewing the applicable environmental authorisations);
- defined responsibilities and procedures for completing the loading/unloading registers;
- defined roles, responsibilities and criteria for the identification and separation of waste, in all phases of its management, in order to prevent any unauthorised mixing;
- defined responsibilities and procedures for identifying the types (assignment of CER codes) of waste produced and identifying, as a consequence, the need for further analysis of its content;
- adopted a list of waste produced (inventory) that identifies the nature of any hazards;
- arranged to manage waste using qualified firms, checking in particular that transporters and disposers of waste are authorised to transport/dispose of each specific type of waste handed over, and requesting each new disposer for a copy of that authorisation, to be kept on file;
- ensured that special waste is held in dedicated areas and that these temporary waste storage areas are managed in compliance with current regulations, without exceeding the maximum allowed quantities;
- defined responsibilities and procedures for selecting, qualifying and managing relations with the supplier for the issue of analysis certificates and waste-type certificates;



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- defined corporate procedures for the selection, qualification and monitoring of suppliers;
 - formalised the procurement process for goods and services;
 - formalised rules for checking the discharge of waste water (measurement of values, action taken if limits exceeded etc.);
 - formalised a procedure for the periodic checking of compliance with the applicable legal requirements;
 - scheduled, as part of the organisation of corporate training plans, specific courses on the environmental risks identified in art. 25-undecies of Decree 231/01;
 - established mandatory information flows to the SB regarding waste management incidents and emergencies, as well as any inspections covering environmental matters.

1.8 Specific procedures

With regard to the offences described in this Special Part, LB OFFICINE MECCANICHE has adopted procedures, operating instructions and internal rules for monitoring the areas considered sensitive in relation to the above offences that are published on the corporate intranet.

1.9 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the sensitive activities described above, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities.

All senior and/or supervised persons and members of corporate bodies must provide information to the Supervisory Body promptly, upon request from the latter, and may report to it any events or circumstances that suggest the possible commitment of an offence pursuant to art. 25-undecies of Decree 231/01.

With particular regard to environmental offences, the SB receives the following information flows:

- results of inspections/checks carried out during the internal audit of significant environmental matters;
- results of any inspections carried out by public bodies that might identify non-compliance or possible disputes concerning various environmental matters;
- anomalous or atypical activities identified that might result in exceeding the limits envisaged in environmental regulations and/or the related authorisations;
- any environmental emergencies;
- any failures to renew authorisations or certifications;
- complaints and/or statements made against the Company regarding possible violations of the environmental regulations;
- incidents and emergencies in the management of environmental matters;
- progress made on obtaining authorisations required by law or with regard to any non-compliance with legislation.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body about any infringements of the principles and rules contained in this Special Part, providing any information requested by the SB and reporting any events or circumstances that suggest the possible commitment of an offence pursuant to art. 25-undecies of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 10 - Special Part L Tax
offences

HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue

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1. TAX OFFENCES

1.1 Introduction

The tax offences described below were added to art. 25-quinquiesdecies of Decree 231/01 by art. 39 of Decree 124 dated 26 October 2019 on "urgent measures on tax matters and non-deferrable needs". Subsequently, Law 157 dated 19 December 2019 on "Enactment with amendments of Decree 124 dated 26 October 2019" came into force on 25 December 2019.

1.2 Types of tax offences

The tax offences specified in art. 25-quinquiesdecies of Decree 231/01 are described below.

- **Fraudulent declarations using invoices or other documents for non-existent transactions** (Art. 2, paras. 1 and 2-bis, Decree 74/2000)

This offence is committed by anyone who, in order to avoid income or value-added taxes, indicates false expenses in a related declaration by recourse to invoices or other documents for non-existent transactions. In this case, the fact is punished without reference to any minimum threshold of evasion. The crime of fraudulent declaration pursuant to art. 2 of Decree 74/2000 is committed instantaneously on presentation of the tax declaration concerned. The conduct envisaged in the decree is committed in two steps:

- the creation of invoices or other documents for non-existent transactions and their inclusion in the mandatory accounting records or their retention as evidence for the tax authorities (art. 2, para. 2, of Decree 74/2000);
- indication in the annual declaration of false expenses or lower income, supporting those circumstances with documents registered in advance (Court of Cassation, Criminal Section VI no. 32525, 31/08/10).

On this point, art. 1.a) of Decree 74/2000 clarifies that *"invoices or other documents for non-existent transactions comprise invoices or other documents representing a similar level of evidence based on the tax rules, issued in relation to transactions that, in whole or in part, did not take place, or that indicate amounts of consideration or value-added tax greater than the true amounts, or that relate the transactions to parties other than those actually involved"*.

- **Fraudulent declarations using other means** (Art. 3 Decree 74/2000)

This crime is committed if the fraudulent tax declaration is prepared using subjectively or objectively non-existent transactions, or by using false documents or other fraudulent means to impede verification and induce the tax authorities to make a mistake, or by reporting income lower than the true amount or fictitious expenses, tax credits or withholding taxes, all in support of the false accounting records prepared and used when making the declaration. Here, the offence is only committed if the evasion exceeds thirty thousand euro and the total income not subjected to taxation exceeds 5% of the total income declared or, in any case, exceeds one million five hundred thousand euro, or if the total fictitious tax credits and withholdings deducted from taxable income exceeds 5% of the tax due or, in any case, thirty thousand euro.

The offence is deemed committed using false documents when they are included in the mandatory accounting records or held as evidence for the tax authorities.

For the purposes of applying this article, the term “fraudulent means” does not include mere violation of the obligation to invoice or to include income in the accounting records, or the under recording of actual income.

This offence is committed when the tax declaration is filed.

- **Issue of invoices or other documents for non-existent transactions** (Art. 8, paras. 1 and 2-bis, Decree 74/2000)

This offence is committed by anyone who issues false invoices so that third parties can fraudulently lower the amount of their income subject to income or value-added taxes.

The conduct consists in issuing invoices or other documents for non-existent transactions, essentially representing the transfer to third parties of ideologically false tax documents. The conduct occurs when the invoices or documents depart from the realm of facts and rights attributable to the issuer, on their shipment or delivery to another potential user that did not help to falsify them. It does not matter if the user of the invoices or documents includes the related fictitious elements in tax declarations, as the legislator has identified a separate offence (founded on mere risk) that does not require the third party to actually use the false tax documents. Just one false invoice is sufficient to commit the offence. The offence is evidenced by mere existence of the invoice or document issued for non-existent transactions, as defined in art. 1.a) of Decree 74/2000: *“invoices or other documents for non-existent transactions comprise invoices or other documents representing a similar level of evidence based on the tax rules, issued in relation to transactions that, in whole or in part, did not take place, or that indicate amounts of consideration or value-added tax greater than the true amounts, or that relate the transactions to parties other than those actually involved”*. In other words: receipts, notes, accounts, proforma invoices, contracts, transport documents, debit and credit notes.

Accordingly: a. transactions that, in whole or in part, did not actually take place; b. documents that indicate higher than actual amounts of consideration or VAT; c. transactions referring to parties other than those concerned. The offence is committed in terms of timing on issue of the first document, while the time-expiry rules apply from the issue of the last document.

- **Hiding or destruction of accounting documents** (art. 10 Decree 74/2000)

This offence is committed by anyone who, in order to evade income or value-added tax, or to allow evasion by others, hides or destroys - in whole or in part - accounting records or documents that must be retained, so that income or turnover cannot be reconstructed.

The penalised offence is the hiding or destruction (even if only in part) of mandatory accounting records. Accordingly, the unlawful conduct consists in rendering documentation unavailable to auditors or inspectors, whether on a temporary or permanent basis. The offence is committed whenever the destruction or hiding of corporate accounting documentation does not allow the reconstruction of operations, or makes it difficult.

- **Fraudulent failure to pay taxes due** (Art. 11 Decree 74/2000)

This offence is committed by whoever, in order to avoid the payment of taxes, penalties and interest totalling more than fifty thousand euro, pretends to sell goods or the goods of others, or performs other fraudulent deeds, in order to render enforced collection procedures ineffective, in whole or in part. This article seeks to protect the ability to enforce the collection of taxes due and envisages the wilful dispersion of assets otherwise available for current or future enforced collections, in order to avoid the payment of taxes or penalties.

1.3 Applicable offences

The types of offence that, theoretically, are considered applicable to LB OFFICINE MECCANICHE, based on the risk analyses carried out, are listed below:

[art. 25-quinquiesdecies] Tax offences	
Fraudulent declarations by other means	art. 3, Law 74/2000
Fraudulent declarations using invoices or other documents for non-existent transactions	art. 2, para. 1, Law 74/2000
Fraudulent declarations using invoices or other documents for non-existent transactions	art. 2, para. 2-bis, Law 74/2000
Issue of invoices or other documents for non-existent transactions	art. 8, para. 1, Law 74/2000
Issue of invoices or other documents for non-existent transactions	art. 8, para. 2-bis, Law 74/2001
Hiding or destruction of accounting documents	art. 10, Law 74/2000
Fraudulent failure to pay taxes due	art. 11, Law 74/2000

1.4 Sensitive activities

With regard to the types of offence considered theoretically applicable, LB OFFICINE MECCANICHE considers the following activities to be at risk:

- calculation and payment of taxes;

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- management of accounting records (verification, registration and processing);
 - management and retention of accounting and related documents;
 - management of transactions with foreign counterparties (verification, communication and retention);
 - management of tax and social security compliance, including declarations (income tax, VAT) and management of tax-related information;
 - management of the tax implications of special transactions (mergers, spin-offs, contributions, liquidations etc.);
 - management of the validation and recording of costs and/or expenses that contribute to the recognition of tax credits;
 - related-party transactions;
 - preparation of income tax, withholding tax and other declarations as part of the process of calculating and paying taxes and levies in general;
 - accounting and tax management of the revenue and expenditure cycles;
 - customer qualification activities;
 - management of cash inflows and outflows through the cash and bank accounts of the Company;
 - supplier qualification activities and management of the procurement of goods and services;
 - management of employee expense claims;
 - management of production and other bonuses recognised to personnel.

1.5 General principles of conduct

Recipients must:

- avoid conduct that results in the commitment of offences described in this Special Part;
- avoid initiating conduct that, despite not representing per se the commitment of offences described in this Special Part, could result in committing an offence;
- act in compliance with the powers of representation and signature assigned in formal mandates.

The general principles of conduct expected of recipients are listed below:

- a) proper and transparent conduct, complying with all laws, regulations and internal corporate procedures governing every phase in the process of preparing invoices, retaining accounting documents and processing and filing tax declarations (VAT and income tax), in order to present truthfully the economic position of the Company. With regard to this point, it is forbidden to:

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- use false documentation in the accounting records, so that revenues, income or other positive components are not stated at their true amounts;
 - use false documentation in the accounting records, so that expenses or other negative components of income are not stated at their true amounts;
 - use fraudulent means, other than false invoices (e.g. fake contracts, putting assets or bank accounts in the name of proxies etc.), in order to report an untrue accounting picture of the Company in tax declarations;
 - issue invoices or other documents representing a similar level of evidence based on the tax rules (receipts, contracts, transport documents, debit and credit notes etc.) for transactions that, in whole or in part, did not take place, or that indicate amounts of consideration or value-added tax greater than the true amounts, or that relate the transactions to parties other than those actually involved;
 - delete accounting records, in whole or in part, or make them illegible or unsuitable for use, by scratching, crossing out or otherwise, or by physically hiding them;
 - pretend to sell and/or carry out fraudulent deeds involving goods or the goods of others, in order to prevent in whole or in part the collection of taxes due to the authorities;
- b) Ensure the proper functioning of the Company and the corporate bodies, guaranteeing and facilitating all internal controls over operations envisaged by law, as well as the process of free and proper decision making at the shareholders' meeting. With regard to this point, it is forbidden to:
- engage in conduct that effectively impedes or hinders, by hiding documents or other fraudulent activities, the performance of checks or audit work by the Board of Statutory Auditors, the auditing firm or the owners;
 - influence the adoption of decisions at the shareholders' meeting by carrying out false or fraudulent deeds that might alter the process of decision making at the shareholders' meeting.

It is also forbidden to:

- give or promise money or other benefits to directors, executives responsible for preparing corporate accounting documents, statutory auditors or liquidators of other companies, in order to carry out or omit deeds in violation of the obligations inherent in their duties or of their duty of loyalty, with a view to benefiting the Company;
- make payments to external collaborators, consultants, suppliers or partners that cannot be justified appropriately in relation to the type of work performed, or to be performed, considering their contracts and current local business practices;
- violate the accounting policies adopted and file tax declarations on the basis of incorrect accounts;
- present fraudulent tax declarations;
- engage in any conduct that hinders the performance of supervisory functions, during inspections and otherwise.

1.6 Control standards adopted

In order to achieve the above, the Company has adopted the following control standards:

- definition of the corporate roles involved in processes considered sensitive (mandates, delegated powers, job descriptions, service orders etc.);
- formalisation of sensitive processes with adequate description of the activities, responsibilities involved and supporting documentation;
- segregation of the functions involved in sensitive processes;
- traceability of the operations carried out.

In particular, LB OFFICINE MECCANICHE:

- ensures proper keeping and update of the accounting records for tax and statutory reporting purposes;
- monitors the operating system (LN) used to process the accounts, calculate periodic VAT payments and determine tax amounts;
- performs periodic checks, on a sample basis, of the accounting entries made;
- guarantees compliance with the procedure for matching invoices for the purchase/sale of goods and services (and/or other supporting documents) with authorised orders, prices agreed, supplies/services received and recipients/senders of payments;
- ensures adequate controls over invoices issued and received, with a view to recognising correctly the data stated on the invoice (not least to avoid over-invoicing), identifying the parties to the underlying contract (to ensure that the service is not provided by parties other than those specified in the related tax documents);
- ensures adequate controls over invoices issued without VAT (check of requirements and proper application, verification that the customer has sent the related declaration of intent to the tax authorities);
- ensures adequate controls over invoices received without VAT (check that the available limit has not been exceeded);
- ensures formalisation of the contract with the professional who provides tax support services, assigning risks and responsibilities, and agreeing control methodologies;
- carries out periodic checks on the work of the professional who provides tax support services and prepares declarations (income tax and VAT);
- carries out periodic matching of the invoices received/issued from/by EU suppliers/customers with the communications sent to the tax authorities (Intrastat and Esterometro forms);
- ensures the traceability and filing of supporting documents for the export of goods consequent to intra-community and extra-community sales;
- ensures the adequate evaluation and traceability of decisions made with regard to information that is important for tax purposes (e.g. costs and expenses that generate tax allowances or disallowances and/or that are deductible on a cash basis; income from land and buildings; costs that are permanently disallowed and/or not pertinent to the tax year etc.);
- ensures periodic checks on VAT compliance (periodic and annual tax calculations and payments, process for preparing periodic returns - LIPE, preparation of annual declaration, payment of taxes by the legal deadlines, calculation of interest and penalties for any Company-initiated corrections etc.);

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- ensures early involvement of the SB in special transactions;
 - makes a preliminary assessment of the tax risks associated with every special transaction;
 - ensures the traceability of documentation for particular costs and expenses that enable the Company to obtain tax credits or tax relief;
 - ensures the proper management and recording of property, plant and equipment;
 - defines the corporate roles involved in the management of cash flows;
 - checks that payments are made properly, with exact matching of recipients/payers and the counterparties actually involved in the transactions;
 - refuses to make payments to numbered bank accounts or accounts not opened in the country of the beneficiary;
 - establishes formalised authorisation procedures for the making of payments;
 - ensures that all bank and cash inflows and outflows are supported by suitable documentation, regarding goods and services actually provided or received, or fiscal and corporate compliance envisaged by law;
 - ensures that all treasury inflows and outflows are recorded promptly and properly, so that they can be reconstructed in detail and the various levels of responsibility can be identified;
 - ensures that all commercial and financial intercompany transactions, and those with related parties, are formalised in contracts authorised in advance by the respective Boards of Directors;
 - has established corporate instructions for the use of accounting data entry software that - using access systems differentiated by type of duty and following fixed and guided processes (wizards) - ensures the complete input of all relevant information and prevents any amendments without documenting the author, date and original entry, with the inclusion of appropriate system blocks to prevent the input of late entries after the end of the accounting period concerned.

1.7 1.6 Specific procedures

With regard to the offences identified as theoretically applicable, LB OFFICINE MECCANICHE has adopted specific procedures and internal instructions for monitoring the sensitive areas that are published on the corporate intranet.

1.8 1.7 Supervisory Body: checks, information flows and reports

Pursuant to art. 6.b) of the Decree, the Supervisory Body has autonomous powers of action and control over the safeguards established in relation to the sensitive activities described in this Special Part, checking their consistency with the requirements specified in the Organisational Model and, in particular, with the corporate procedures defined to govern sensitive activities.

If considered appropriate, the Supervisory Body may draw on relevant technical skills when carrying out checks and, when necessary, can recommend changes or improvements.

As required by Decree 231/01, LB OFFICINE MECCANICHE has established specific channels for the flow of information to the Supervisory Body, as well as a reporting system that enables the latter to obtain the information needed to monitor the processes addressed therein, as well as news about possible situations at risk.

All senior and/or supervised persons and members of corporate governance and control bodies can and must notify the Supervisory Body promptly about any infringements of the principles and rules contained in this Special Part of the Model, providing any information requested by the SB and reporting any events or circumstances that suggest the commitment of offences pursuant to art. 25-quinquiesdecies of Decree 231/01.



LB OFFICINE MECCANICHE S.p.A.

Organisation, Management and Control

Model - Decree 231/2001

“Organisational Model”

Annex 11

DISCIPLINARY SYSTEM

Pursuant to arts. 6 and 7 of Decree 231/2001



HISTORY OF DOCUMENT REVISIONS		
REV.	DATE	DESCRIPTION
0	13-10-21	First issue

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1. Purpose of document

LB OFFICINE MECCANICHE S.p.A. confirms the adoption of this disciplinary system in compliance with art. 6, para. 2.e), of Decree 231 dated 8 June 2001 on the administrative responsibility of companies and entities.

The disciplinary system is necessary in order to penalise failure to comply with the measures indicated in the Organisation and Management Model (the Model) adopted by LB OFFICINE MECCANICHE, i.e. to punish conduct not in compliance with the above measures that, unless discouraged by the application of disciplinary measures, might result in the commitment of specified offences.

This document comprises:

- ✓ Scope of application
- ✓ Reference regulations
- ✓ General principles
- ✓ Recipients
- ✓ Roles involved
- ✓ Dissemination of the disciplinary system
- ✓ Disciplinary measures

2. Scope of application

The rules and principles whose infringement is subject to application of the disciplinary penalties envisaged herein are contained in the Organisational Model, the Code of Ethics and the operating procedures that implement the Model. They govern the activities carried out in areas considered to be at risk of committing offences specified in Decree 231/01.

The disciplinary system applies to all personnel and parties that provide services to the Company.

3. Reference regulations

- Decree 231 dated 8 June 2001 on "Governance of the administrative responsibility of legal persons, companies and associations, including those that are not legal persons, pursuant to art. 11 of Law 300 dated 29 September 2000";
- Italian Civil Code arts. 2104, 2105, 2106, 2118 and 2119;
- Law 300 dated 20 May 1970 on "Rules for protecting the freedom and dignity of workers, union membership and union activities in the workplace and job placement rules";
- National collective employment contract for engineering workers - SMEs - Confapi;
- Law 179 dated 30 November 2017 on "Instructions for the protection of persons who report improper or unlawful actions that come to their attention in the course of their working activities in the public or private sector".

4. General principles

The Company considers compliance with the Model adopted pursuant to Decree 231/01 of fundamental importance to the healthy development of the Company, protecting it from serious criminal penalties.

By adopting this disciplinary system, the Company intends to discourage improper and/or unlawful practices, penalising conduct that infringes the Model, the Code of Ethics and the operating procedures - all documents that, by contrast, have been prepared to ensure proper and lawful conduct when performing work or contractual activities.

Recipients are reminded that the disciplinary system is separate and distinct from the criminal code. The rules and penalties envisaged in the disciplinary system supplement and do not replace the law and the collective agreements on disciplinary penalties. They may be applied regardless of the outcome of any proceedings initiated for the application of criminal penalties.

The disciplinary system has been devised in compliance with arts. 2104, 2105, 2106, 2118 and 2119 of the Italian Civil Code, the provisions of Law 300/70 ("Workers' Statute") and the current national collective employment contracts applied by the Company. This disciplinary system also complies with the provisions of Law 179/2017.

5. Recipients

The disciplinary system covers:

- members of the Administrative Body;
- members of the Supervisory Body;
- members of the Board of Statutory Auditors;
- employees;
- project workers, consultants and third parties who have contractual relations with the Company.

6. Roles involved

The Chief Executive Officer (CEO) of the Company is responsible for formalising, revising and applying the disciplinary system.

The corporate roles involved, in various ways, in the disciplinary proceedings are identified clearly and described later, when discussing the different recipients of the disciplinary system.

Pursuant to arts. 6 and 7 of Decree 231/01, the Supervisory Body (SB) has the "task of supervising the functioning of and compliance with the models"; accordingly, the SB has specific control functions with regard to the infringements generated by conduct contrary to that required by the Model.

In particular, in compliance with Law 300/70 (Workers' Statute) and otherwise, the SB:

- must be informed about any decision by the CEO to initiate disciplinary proceedings for unlawful conduct in violation of the Model, so opinions can be expressed on the disputed facts and conduct that, although not binding, are deemed appropriate as part of its effective supervision of the Model;

- may send reports directly to the CEO, recommending the application of disciplinary penalties and providing adequate documentation for its reasons and about the investigations carried out;
- must inform the CEO if, following the receipt of reports about alleged unlawful deeds or infringements of the Model, it has identified improper conduct that may be subject to penalties.

In all cases, if the unlawful deed involves conduct in violation of the Model, disciplinary proceedings cannot be filed and disciplinary penalties cannot be applied without first informing the SB and obtaining its opinion.

7. Dissemination of the disciplinary system

This disciplinary system is made known to the recipients via the provision of precise information and training.

Dissemination is guaranteed by:

- internal circulars and formal communications;
- notices posted in a place accessible by all personnel pursuant to art. 7, para. 1, of Law 300/1970;
- placement of documents on the corporate intranet dedicated to the Model;
- organisation of training courses dedicated to increasing awareness.

8. Disciplinary penalties for employees

8.1. Roles involved

The following table identifies the roles involved in the conduct of disciplinary proceedings.

	Identification	Opinion	Investigation	Decision	Notification of measure
Role	Human Resources / SB	SB	Human Resources	CEO	Human Resources

8.2. Conduct and penalties

The types of conduct by employees that are punishable and the corresponding disciplinary penalties, applicable in accordance with the relevant national collective employment contract (CCNL) and related legislation, are identified below.

In particular, the penalties envisaged in art. 69 of the CCNL for engineering workers - SMEs - Confapi, are applicable to employees of the Company.

The applicable penalties are indicated in increasing order of severity. These are:

- **maintaining the working relationship:**
 - written rebuke;
 - fine not exceeding three hours of total remuneration;
 - suspension from work and remuneration for a period not exceeding 3 days.
- **terminating the working relationship:**
 - dismissal.

The severity of the infringement will be assessed, applying the general principles of gradualness and proportionality, with reference to the following circumstances:

- the timing and exact way in which the violation was committed;
- the existence and intensity of the intentional element;
- the degree of negligence and/or imprudence and/or recklessness demonstrated;
- the importance of the obligations violated;
- the predictability of the consequences;
- the circumstances in which the violation took place;
- agreement among several employees to commit the improper deed;
- repetition over time of punishable actions, omissions and conduct is evidence of the increased severity of the violations.



The commitment of a disciplinary offence results in the start of disciplinary proceedings, after which - if the employee is held responsible - disciplinary measures are applied as a penalty. The above disciplinary proceedings and measures are governed by art. 7 of Law 300/1979 (Workers' Statute), by the CCNL for engineering workers - SMEs - Confapi, and by the disciplinary system adopted by the Company.

The punishable conduct is indicated below together with the related disciplinary penalties that may be applicable:

Conduct	Penalty
Failure to report to the SB any non-compliance with or improper application of the Model by personnel, including senior persons.	<i>Written rebuke</i>
Failure to send to the SB the information and/or documentation envisaged in the "Mandatory information flows to the SB" table.	<i>Written rebuke</i>
Unjustified absence from training on the administrative responsibility of entities pursuant to Decree 231/01 on more than two consecutive occasions.	<i>Written rebuke</i>
Non-compliance with instructions issued by the Employer, executives and responsible managers, on personal and collective protection in the workplace.	<i>Written rebuke</i>
Failure to attend the established health checks.	<i>Written rebuke</i>
Removal or modification, without authorisation, of safety, warning or control devices.	<i>Fine not exceeding three hours of total remuneration</i>
Performance on own initiative of operations or manoeuvres for which they are not responsible, or that may compromise their health and safety or that of other workers or the environment.	<i>Fine not exceeding three hours of total remuneration</i>
Failure to cooperate, together with the Employer, executives and responsible managers, in the satisfaction of all obligations imposed by the competent authority or, in any case, necessary in order to protect the health and safety of workers while at work.	<i>Fine not exceeding three hours of total remuneration</i>
Unjustified and repeated absence from training/information courses on the risks associated with their work, and about the safety and protection measures to be adopted.	<i>Fine not exceeding three hours of total remuneration</i>
Unjustified and repeated absence from training courses on environmental protection and prevention measures.	<i>Fine not exceeding three hours of total remuneration</i>



Conduct	Penalty
Failure to comply with the indications and instructions given by the functions responsible for environmental management.	<i>Fine not exceeding three hours of total remuneration</i>
Unfounded reports made with gross negligence.	<i>Fine not exceeding three hours of total remuneration</i>
Conduct that impedes or evades checks made by the SB.	<i>Fine not exceeding three hours of total remuneration</i>
Violation of the rules of conduct envisaged in the Code of Ethics.	<i>Suspension from work and remuneration for a period not exceeding 3 days</i>
Violation of the rules of conduct envisaged in the Model.	<i>Suspension from work and remuneration for a period not exceeding 3 days</i>
Unfounded reports made with malice.	<i>Suspension from work and remuneration for a period not exceeding 3 days</i>
Violation of one or more requirements of the Model by conduct that might result in application to the Company of penalties envisaged in Decree 231/01.	<i>Suspension from work and remuneration for a period not exceeding 3 days</i>
Conduct with the intention of committing one of the offences specified in Decree 231/01, even if not actually achieved (attempted).	<i>Dismissal</i>
Conduct with the intention of committing one of the offences specified in Decree 231/01, with application to the Company of penalties envisaged in the Decree.	<i>Dismissal</i>

9. Disciplinary measures in relation to Collaborators, Consultants and Third Parties

9.1. Roles involved

If the Model or the Code of Ethics is infringed by Collaborators (including project workers pursuant to art. 61 et seq. of Decree 276/2003), Consultants or Third Parties who maintain relations with the Company, in a manner that involves the risk of committing an offence - depending on the provisions of the specific clauses included in their engagement letters, agreements or contracts - this may result in termination of the contractual relationship or other specific contractual penalties, without prejudice to the right to claim damages if their conduct causes losses to the Company due - for example - to application by the magistrate of measures envisaged in the Decree.

This conduct will be evaluated by the CEO, having heard the opinion of the SB. The CEO is responsible for identifying and evaluating the need to include the above clauses in the contracts that govern relations with the above persons, in the context of the business activities potentially exposed to the risk of committing offences specified in the Decree.

10. Disciplinary measures in relation to Directors

10.1. Roles involved

The following table identifies the roles involved in the conduct of disciplinary proceedings.

	Identification	Opinion	Investigation	Decision	Notification of measure
Role	Board of Statutory Auditors / SB	SB	Board of Statutory Auditors/SB	Shareholders' meeting	Shareholders' meeting

If the violations are committed by the directors, the SB will update the Board of Statutory Auditors so that suitable measures can be considered.

Based on the opinions of the SB and the Board of Statutory Auditors, the Shareholders' meeting is responsible for deciding whether or not to apply disciplinary penalties to the directors and the type of penalty.

10.2. Conduct and penalties

Any disciplinary measure applied will be proportionate to the severity of the infringement committed. In cases of maximum severity, the impeachment actions envisaged in art. 2393 of the Italian Civil Code may be taken, with consequent removal from office.

The applicable penalties are indicated in increasing order of severity. These are:

- **maintaining the working relationship:**
 - suspension of appointment and remuneration for a period of between 1 and 6 months;

➤ **terminating the working relationship:**

- revocation.

The severity of the infringement will be assessed with reference to the following circumstances:

- the timing and exact way in which the violation was committed;
- the existence and intensity of the intentional element;
- the degree of negligence and/or imprudence and/or recklessness demonstrated;
- the importance of the obligations violated;
- the extent of the loss or the risk deriving from the infringement for the Company and, in general, all its stakeholders;
- the predictability of the consequences;
- the circumstances in which the violation took place;
- agreement among several persons to commit the improper deed;
- repetition over time of the actions, omissions and conduct indicated below is evidence of the increased severity of the violations.

The different types of punishable conduct and corresponding disciplinary penalties, applicable to so-called "leaders" i.e. persons who are members of the administrative body of the Company, are indicated in the following table.

Conduct	Penalty
Conduct that impedes or evades checks made by the SB.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Repeated failure to evaluate and adopt measures in relation to reports and warnings received from the SB.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Unfounded reports made with gross negligence or malice.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Infringement of measures protecting the whistleblower.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Violation of the rules of conduct envisaged in the Model.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Failure to comply with mandatory rules or conduct required by domestic or European laws that specify organisational rules for preventing one or more of the offences identified in Decree 231/01, as amended.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>

Conduct	Penalty
Failure to comply with, implement or perform checks on, or violation of, the occupational health and safety regulations pursuant to Decree 81/08, as amended, that might result in negligent commitment of specified offences pursuant to arts. 589 and 590, paras. 2 and 3, of the criminal code.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Omissions with regard to the conduct envisaged in the Model and corporate procedures that expose the Company to the risk of committing offences specified in Decree 231/01, as amended.	<i>Suspension of appointment and remuneration for a period of between 1 and 6 months</i>
Conduct with the intention of committing one of the offences specified in Decree 231/01, even if not actually achieved (attempted).	<i>Revocation of appointment</i>
Conduct with the intention of committing one of the offences specified in Decree 231/01, with application to the Company of penalties envisaged in the Decree.	<i>Revocation of appointment</i>

11. Disciplinary measures in relation to Statutory Auditors and members of the Supervisory Body

11.1. Roles involved

If the requirements of the Model are infringed by a statutory auditor or a member of the Supervisory Body, the CEO will adopt suitable measures with reference to the rules governing the penalties applicable to the professional category concerned, as well as the rules of functioning adopted by the Board of Statutory Auditors and by the Supervisory Body and, in the latter case, the criteria governing the period in office and replacement of members specified in the Model.