



ORGANISATIONAL, MANAGEMENT, AND CONTROL MODEL

**According to Legislative Decree 231 of 8 June 2001
as amended and supplemented**

*Approved by the Board of Directors
On 29 May 2020*

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DEFINITIONS

Legislative Decree

Legislative Decree 231 of 8 June 2001, entitled "*Regulations on the administrative liability of legal persons, companies and associations, including those without legal personality, pursuant to Article 11 of Law 300 of 29 September 2000*", published in the Official Gazette 140 of 19 June 2001, as well as subsequent amendments and additions, including Law 146/2006, which refers to its application in Article 10.

Recipients

Persons to whom this Organisational Model is addressed and who, for various reasons, are required to comply with it.

Responsible Company Function

A corporate function that is appointed to apply a protocol or to perform specific functions or acts.

Entity

Legal person, company or association, even without legal personality. In this Organisational Model: Losma SpA.

Offences

Offences that, if committed, may entail the Entity's administrative liability.

Administrative Offences

Offences provided for by Law 62 of 18 April 2005 that, if committed, may result in the administrative liability of the Company.

Organisation Model

An organic set of principles, rules, provisions, organisational arrangements and related tasks and responsibilities designed to prevent offences, as provided for in Articles 6 and 7 of the Legislative Decree.

Supervisory Board (SB)

A body provided for in Article 6 of the Legislative Decree, with the task of supervising the functioning and observance of the Organisational Model, as well as ensuring that it is updated.

Principles of Conduct

General principles of conduct to which the Recipients must adhere during the activities referred to in the Organisational Model.

Processes at Risk

Company activities or phases thereof the performance of which could result in unlawful conduct (administrative offences or crimes) as referred to in the Legislative Decree.

Protocol

Specific procedure for the prevention of administrative crimes and offences and to identify the persons involved in the risk phases of company processes.

Penalty Units

Quantification of the monetary penalty in relation to the severity of the offence. The unitary value of the penalty is established according to the Company's economic and asset conditions. The penalty may not be less than one hundred and more than one thousand penalty units.

Disciplinary System

Set of measures for penalising those who do not observe the Principles of Conduct and Protocols contained in the Organisational Model.

Top Management (so-called Senior Management)

The Managing Director and other persons who, de facto, manage the company.

GENERAL SECTION

1. LEGISLATIVE DECREE 231/2001

Legislative Decree 231 of 8 June 2001 (published on the Official Gazette 140 of 19 June 2001) states that the “*Discipline of administrative liability of legal persons, companies and associations, including those without legal personality*” came into force in our country on 4 July of the same year, in partial implementation of the delegated law 300 (Article 11) of 29 September 2000.

The issuing of the Decree is part of a national legislative process which implements international obligations and has introduced, for the first time in our legal system, the direct liability of the company following the commission of a series of administrative crimes or offences by individuals linked to the entity by a working relationship.

The original text of the Decree considered a limited range of offences, the commission of which gave rise to a consequent and independent administrative liability for the company.

Subsequently, the list of relevant offences was extended and now includes several offences, which are described in detail below.

The company is liable if the offence or administrative offence is committed in its interest or to its advantage (Article 5, paragraph I).

On the other hand, the company is not involved if the perpetrator has acted solely in his own interest or that of third parties (Article 5, paragraph II).

The functional relationship that binds the perpetrator of the offense to the legal person can be of representation, subordination or collaboration, within the limits set by the Decree.

If the perpetrator of the offence or administrative offence is a natural person who holds functions of representation, administration, management or control of the company or one of its organisational units with financial and functional autonomy, as well as a person who exercises, even de facto, the management and control of the company, the latter shall be held responsible.

This is because the individual expresses, represents and implements the company's management policy.

There is no presumption of liability on the part of the company if the offender is a person subject to the direction or supervision of one of the persons referred to above. In the latter case, the Decree links the company's involvement to a

breach of the management and supervisory duties typically incumbent on top management (Article 7 paragraph I). Failure to comply with management and supervisory obligations does not apply if *“The company, before committing the offence, has adopted and effectively implemented an organisational model...”* (Article 7, paragraph II).

The company's liability is in addition to and does not replace that of the individual, which remains governed by criminal law.

The Criminal Court is responsible for ascertaining administrative liability and applying penalties to the entity for (predicate) offences involving natural persons (Article 36).

The rules of the Code of Criminal Procedure (Article 34) shall be observed, in so far as they are applicable.

The legislator has provided for a system of penalties entailing, in the event of a declaration of liability, the application to the legal person of a pecuniary fine calculated according to a penalty unit system (Article 10).

In addition to the financial penalty, disqualification measures (Article 9 paragraph II) may be applied in the most serious cases specifically provided for by the provision (Article 13), such as:

- disqualification from exercising the activity;
- suspension or revocation of authorisations, licences or concessions functional to the commission of the offence;
- the prohibition on contracting with the Public Administration, except to obtain the provision of a public service;
- exclusion from benefits, financing, contributions or subsidies and possible revocation of those already granted;
- a ban on advertising goods or services.

If there are serious indications of the company's liability and there are well-founded and specific elements suggesting that there is a real danger that offences of the same kind may be committed, the Decree also provides that prohibitory measures may be applied, at the request of the Public Prosecutor, also as a precautionary measure, already during the investigation phase (Article 45).

With the sentence of conviction, the additional penalty of confiscation of the price or profit gained from the offence is mandatory, except for the part that can be returned to the injured party (Article 19).

Finally, the application of a disqualification penalty may entail the publication of the judgement, once only, at the expense of the company, in one or more

newspapers indicated by the court in the judgement (Article 18).

If specific conditions are met, when applying a disqualification penalty which would lead to the interruption of the company's activity, the Court has the right to appoint a Commissioner to supervise the continuation of the activity itself, for a period corresponding to the duration of the disqualification penalty applied (Article 15).

The profit derived from the continuation of the activity is confiscated.

The company may be held liable for conduct committed abroad provided that a) the person acting is functionally linked to it; b) the company has its head office in Italy; c) the State of the place where the act was committed does not prosecute the natural person (Article 4).

These rules also apply to foreign companies operating in Italy, irrespective of the existence or otherwise in the country of origin of rules governing the same subject matter in a similar manner.

2. ORGANISATIONAL, MANAGEMENT AND CONTROL MODELS

The basis for the administrative liability of legal persons is an organisational shortcoming that makes it possible for the offence to be committed.

The Legislative Decree provides for a specific form of exemption from liability for the company if (Article 6 paragraph I):

- a) the management body has adopted and effectively implemented "*organisation, management and control models*" suitable for preventing offences;
- b) the task of supervising the operation of and compliance with the models as well as keeping them up to date has been entrusted to a *body of the company with autonomous powers of initiative and control*;
- c) the persons who committed the offence acted by *fraudulently circumventing* the organisational, management and control models mentioned above;
- d) there has been *no omission or insufficient supervision* by the body referred to in (b) above.

The importance of the Organisational Model is twofold. On the one hand, it serves as a means of excluding punishability (if effectively adopted before the occurrence of the "pathology"); on the other hand, it represents a tool for mitigating the consequences of penalties resulting from the company's liability (if adopted *post factum*).

The structural requirements to be met by an Organisational Model are: effectiveness (the suitability of the control mechanisms put in place to identify abnormal operations), specificity (the precise identification of areas at risk, the identification of financial management methods and, in the case of previous offences, the focusing of control systems that take account of the company's history), and topicality (the constant adaptation of procedures also in relation to the progressive expansion of legislation that sanctions an increasing number of offences).

The Organisational Model is the set of behavioural (Principles of Conduct) and operational (Protocols) rules the observance of which - in the performance of activities within the scope of the Risk Processes - makes it possible to prevent unlawful, incorrect or irregular conduct.

The conduct provisions, and the protocols contained in the document are intended to inform the Recipients of the conduct to be adopted within the framework of the processes at risk and to identify the persons responsible as well as those involved.

The Organisational Model envisages obligations to provide information to the Body in charge of supervising its operation and compliance, and also provides for a disciplinary system capable of penalising any non-compliance by the Recipients with the provisions contained therein.

3. ADOPTION OF THE ORGANISATIONAL MODEL BY LOSMA SPA

By adopting the Organisational Model, Losma SpA has set the objective of adopting a set of Conduct Guidelines, as well as Protocols which, in compliance with the function and power delegation system, and internal procedures for the prevention of Administrative Offences that meet the objectives and requirements of the Legislative Decree and subsequent amendments.

Losma SpA has developed its own Organisational Model at the end of a process during which it has taken into account, in addition to the indications of the Decree, the Guidelines drawn up by Confindustria, as updated over time, and the relevant case law.

For the purposes of drafting this Model, the most significant case law on the subject has also been analysed¹.

The decisions of the case law, together with the Guidelines of the trade associations, represent an essential parameter to be followed in drawing up a Model that can be considered effective and capable of fulfilling its intended purpose.

The first adoption of the Organisational Model was resolved by the Board of Directors of Losma SpA on 20 October 2010.

Following the integration of new legislative measures into the original text of the Decree, which extended the list of relevant offences in the Decree, the Company deemed it appropriate to update the Organisational Model adopted, submitting it again to the approval of the Board of Directors on 25 March 2016 and on 29 May 2020.

Losma SpA's Organisational Model consists of a General Section and a series of Special Sections that identify and regulate the Risk Processes.

3.1 AMENDMENTS AND ADDITIONS TO THE MODEL

Since this document is an "*emanation of the executive body*" (in compliance with the provisions of Article 6, paragraph I, letter a) of the Decree), any subsequent substantial amendments and additions to the same are the competence of the Losma SpA's Board of Directors.

Changes of a substantial nature include, but are not limited to:

- ✓ insertion of other Special Sections to this document;
- ✓ deletion of certain sections of this document;
- ✓ changes to the Supervisory Body tasks;
- ✓ identification of a Supervisory Board different from the one currently provided for;
- ✓ updating to this document following the reorganisation of the corporate structure.

It is however acknowledged that the Chairman has the power to make any changes or additions to this document of a formal nature, provided that the

¹ See also, *ex plurimis*, JUDGMENT OF 11 JANUARY 2010 - COURT OF TRANI - MOLFETTA DISTRICT - JUDGE GDALETA; JUDGMENT - COURT OF MILAN - 17 NOVEMBER 2009 PRELIMINARY HEARING JUDGE MANZI ORDER - COURT OF MILAN - 20 DECEMBER 2004 - EXAMINING JUDGE SECCHI; ORDER - COURT OF BARI - 18 APRIL 2005 EXAMINING JUDGE DE BENEDICTIS; ORDER - COURT OF TURIN - 4 APRIL 2006 - EXAMINING JUDGE NOCE

content remains unchanged in substance, as well as to make any additions to the areas of activity at risk in the Special Sections of the document, already approved by the Board of Directors.

3.2 IMPLEMENTATION OF THE MODEL AND IMPLEMENTATION OF CONTROLS IN 'SENSITIVE' AREAS AND ACTIVITIES

It is the duty of the Board of Directors to ensure the implementation of the Model, by assessing and approving the actions necessary for the implementation of its fundamental elements. To identify these actions, the administrative body avails itself of the support of the Supervisory Board, as better specified in Section 8 et seq. below "*Supervisory Board*".

The Board of Directors must also ensure, also through the intervention of the Supervisory Board, that the Model is updated, in relation to any adaptation requirements that may become necessary in the future.

Finally, the effective and concrete implementation of the adopted Model is ensured:

- by the heads of the various organisational structures (departments, divisions, functions, organisational units) of the Company in relation to the activities at risk carried out by them;
- by the Supervisory Board, in the exercise of the conferred powers of initiative and control over the activities carried out by individual organisational units in "sensitive" areas.

4. LOSMA SPA'S CODE OF ETHICS

Losma SpA has a Code of Ethics that contains the principles representing the corporate philosophy inspiring the choices and conduct of all those who, in various capacities and levels, act on behalf of and in the interest of the company.

The provisions of the Organisational Model are inspired by the general principles contained in the Code of Ethics and are integrated and compatible with the same.

5. IDENTIFICATION OF PROCESSES AT RISK

5.1 CRITERIA

Article 6, paragraph II, letter a) of the Legislative Decree expressly provides that the Organisation Model must “*identify the activities within the scope of which offences may be committed*”. In this regard, Losma SpA has analysed the company's activities, the decision-making and implementation processes within each area, and the existing control procedures.

This analysis was carried out by Losma SpA, also using external professionals, through an examination of the activities and main company documentation (powers of attorney, organisational provisions, etc.) and through a series of interviews with the key managers of the various departments.

As part of the audit referred to above, Losma SpA has:

- a) identified the corporate activities in the context of which the Administrative Crimes and Offences could theoretically be committed;
- b) analysed potential risks of offences and how they might be committed;
- c) identified the persons and corporate functions involved;
- d) defined and, if necessary, adapted internal control procedures.

5.2. METHODS OF MANAGING FINANCIAL RESOURCES

Pursuant to Article 6, paragraph 2, letter c of the Decree, which requires the identification of methods for managing financial resources suitable for preventing the commission of offences, the Company has deemed it appropriate, as an integration of this Organisational Model, to issue a specific protocol “*Management of the business' financial aspects (Collections and payments)*”, which regulates for the various types of transactions the people involved and their powers, the instruments used and the links with the administrative/accounting system.

5.3 REGULATED PROCESSES

At the end of the checks referred to in point 5.1, Losma SpA has identified the company activities or the phases of the same in which offences and/or administrative offences may theoretically be committed: the Risk Processes.

In the current version of the Organisational Model, the following areas of activity have been identified as Risk Processes, in relation to the Legislative Decree, and, consequently, regulated to prevent the commission of offences and/or administrative offences (see the following special sections):

Special Section A

Articles 24 and 25 of Legislative Decree (offences against the Public Administration) in relation, in particular, to Articles 640, 640 bis, 640 ter, 316 bis, 316 ter, 317, 318, 319, 319 ter, 319 quater, 320, 322, 322 bis of the Criminal Code.

Article 25-decies of the Legislative Decree (inducement not to make statements or to make false statements to the judicial authority) in relation to Article 377-bis of the Criminal Code.

Article 25 duodecies, as amended by Law 161/2017, (employment of third-country nationals whose stay is irregular) in relation to Article 22(12) of Legislative Decree no. 286 of 25.7.1998, the so-called T.U.I. (Consolidated Immigration Act).

1. relations with the Public Administration (including the Judicial Authority) in particular for:
 - management of audits, inspections, checks, controls and similar activities carried out by the Public Administration;
 - managing relations with the judicial authorities;
 - fulfilments and communications to the Public Administration for the application and management of public funding;
 - selection, hiring and management of personnel;
 - tax management.

Note that:

- the *selection, hiring and management of personnel* is also considered potentially at risk for the commission of the following offences: offence of employment of third-country nationals whose stay is irregular (pursuant to Article 25 *duodecies* of Legislative Decree 231/2001, as amended by Law 161/2017), offence of bribery among private individuals (pursuant to Article 25 *ter*, as amended by Legislative Decree 38/2017) falling within the category of corporate offences and offence of unlawful intermediation and exploitation of labour (pursuant to Article 25 *quinquies*, introduced by Law 199/2016) falling within the category of offences against the individual;
- *tax management* is potentially at risk for the commission of further offences, in addition to those which may be committed in dealings with the Public Administration, such as: offences of receiving stolen goods, money laundering, use of money, goods or benefits of unlawful origin, as well as self-money laundering (pursuant to Article 25 *octies*) and tax offences (pursuant to Article 25 *quinquiesdecies*)

Finally, the management of relations with the Judicial Authorities has been assessed as an activity potentially at risk also under the offence of obstructing justice (pursuant to Article 25 *decies* of Legislative Decree 231/2001).

Special Section B

Article 25 ter of the Legislative Decree, as amended by Legislative Decree 38/2017 (corporate offences), in relation, in particular, to Articles 2621, 2622 and 2635 of the Italian Civil Code.

1. keeping of accounts and preparation of financial statements. This process was also found to be potentially at risk of tax offences being committed (Article 25 *quinqüesdecies*);
2. managing relations with control bodies;
3. management of corporate operations.

Special Section C

Article 25 septies of the Legislative Decree (violation of the rules on safety in the workplace) in relation to Articles 589 and 590, paragraph III, of the Criminal Code.

1. control system aimed at verifying compliance with the prevention of accidents in the workplace and, in general, of risks to the health and safety of workers.

Special Section D

Article 25 quinquies of the Legislative Decree (offences against the individual) in relation to Articles 583 bis, 600, 600 bis, 600 ter, 600 quater, 600 quinquies, 601 and 602 of the Criminal Code (Article 25 quinquies of the Legislative Decree, amended by law 199/2016 and Legislative Decree 21/2018);

1. selection, hiring and management of personnel;
2. management of tenders.

Special Section E

Article 25 octies of the Legislative Decree (financial offences) in relation to Articles 648, 648 bis, 648 ter and 648 ter.1 of the Criminal Code.

1. management of the financial aspects of the activity (collections and payments). This process was also found to be potentially at risk of the commission of offences against the Public Administration (Articles 24 and 25) and the offence of corruption between private individuals (Article 25 *ter*, amended by Legislative Decree 38/2017) falling within the category of corporate offences;
2. procedures for selecting and managing suppliers of goods, services and professional services (including professional consultancy, maintenance, agency contracts, etc.). This process has also been found to be potentially at risk of commission of offences against the Public Administration (pursuant to Articles 24 and 25), of the offence of employing third-country nationals whose stay is irregular, of the offence of bribery among private individuals (Article 25 *ter*, amended by Legislative Decree 38/2017), falling within the category of corporate offences, and tax offences (Article 25 *quinqüesdecies*);
3. managing the sale of goods and services to third parties and Losma Group

- companies;
4. conducting sponsorship activities carried out in order to promote or improve the corporate image. This process has also been found to be potentially at risk of the commission of offences against the Public Administration (pursuant to Articles 24 and 25), the offence of employing third-country nationals whose stay is irregular and the offence of corruption among private individuals (Article 25 *ter*, amended by Legislative Decree 38/2017) falling within the category of corporate offences.

The *management of the sale of goods and services to third parties and Losma Group companies* is also considered to be potentially at risk for the commission of the following offences: offence of bribery among private individuals (pursuant to Article 25 *ter*, amended by Legislative Decree 38/2017), offences relating to disturbing the freedom of industry and trade (pursuant to Article 25 *bis* 1) and tax offences (pursuant to Article 25 *quinqüiesdecies*).

Law 186 of 15 December 2014, in force since 1 January 2015, introduced into the Italian legal system, in Article 648-ter.1 of the Criminal Code, the offence of self-money laundering, also including it among the predicate offences of the administrative liability of companies pursuant to Legislative Decree 231/2001 (Article 25-octies).

The commission of the self-money laundering offence requires - unlike money laundering - two separate offences:

- the commission of a non-culpable offence (including offences not covered by Legislative Decree 231/2001) which generated the funds (money, goods or other benefits);
- the use, substitution or transfer of funds in such a way as to effectively obstruct the identification of their unlawful origin.

It should be noted that the processes considered relevant in this respect are:

- managing the financial aspects of the activity (receipts and payments);
- managing the sale of goods and services to third parties and Losma Group companies

Special Section F

Articles 24 bis and 25-novies (computer crimes and copyright infringement) in relation to Articles 491 bis, 615 ter, 615 quarter, 615 quinquies, 617 quater, 617 quinquies, 635 bis, 635 ter, 635 quater, 635 quinquies and 640 quinquies of the Criminal Code, 171 bis Copyright Law, as amended by Law 133/2019.

1. management and use of company computer systems.

Special Section G

Article 25 bis (offences relating to forgery of money, public credit cards, revenue stamps and instruments or identifying marks) in relation to the offences of forgery of instruments or identifying marks Article 473, 474 of the Criminal Code.

Article 25 bis 1 (offences concerning disturbance of industry and commerce) in relation to Articles 513, 517, 517-ter of the Criminal Code.

1. product design, development and marketing;
2. protection of intellectual property (management of trademarks and patents).

Special Section H

1. *Article 25 undecies of the Legislative Decree (environmental crime), introduced on 16 August 2011 by Legislative Decree 121/2011 and Law 68/15 "Environmental Crimes" and subsequently amended by Legislative Decree 21/2018 management of environmental obligations.*

Special Section I

Article 25 quinquiesdecies of the Legislative Decree (tax crimes), introduced on 19 December 2019 by Law 157.

1. Bookkeeping and preparation of financial statements;
2. tax management;
3. selection and management of suppliers of goods, services and professional assignments;
4. managing the sale of goods and services to third parties and Losma Group companies.

Losma SpA has deemed it superfluous to carry out analyses and checks on the company's activities in relation to the offences listed below, since the company's activities make it extremely unlikely that such offences will be committed:

- forgery of money, public credit cards and revenue stamps: Articles 453, 454, 455, 457, 459, 460, 461, 464 of the Criminal Code (Article 25 *bis* of the Legislative Decree);
- organised crime offences: Articles 416 sixth paragraph, 416-*bis*, 416-*ter* (amended by Law 43/2019), 630 of the Criminal Code and 407, second paragraph, letter a, No. 5, of the Civil Procedure Code (Article 24 *ter* of the Legislative Decree, amended by Law 236/2016);
- crimes for the purpose of terrorism or subversion of the democratic order (Article 25 *quater* of the Legislative Decree) with general reference, regarding the identification of individual cases, to the Criminal Code and special laws;
- practices of mutilation of female genital organs (Article 25 *quater* 1);
- crimes and administrative offences of market abuse (Article 25 *sexies* of the Legislative Decree, as amended by Legislative Decree 107/2018);

- transnational crimes: Article 10 of Law 146 of 16/3/2006;
- environmental offences (Article 25 *undecies* of the Legislative Decree): Articles 727 *bis* and 733 *bis* of Criminal Code, and the offences envisaged by Law 150 of 7 February 1992, concerning international trade of flora and fauna in danger of extinction and possession of dangerous animals, and the offences envisaged by Legislative Decree 202 of 6 November 2007, concerning pollution of the marine environment caused by ships;
- environmental crimes (Article 25 *undecies* of the Legislative Decree): Environmental disaster (Article 452-*quater* of the Criminal code) and Trafficking and abandonment of highly radioactive material (Article 452-*sexies* of the criminal code).
- racism and xenophobia (Article 25 *terdecies* of the Legislative Decree, amended by Legislative Decree 21/2018)
- fraud in sports competitions, unlawful exercise of gaming or betting and gambling exercised using prohibited devices introduced by Law 39/2019 (Article 25 *quaterdecies* of the Legislative Decree)

If it should become necessary to proceed with the issuance of additional Special Sections, in relation to new types of offences that will be included in the future in the application of the Decree, or in relation to excluded types of offences that will become apparent as a result of company changes, the Board of Directors has the power to integrate the Model at a later stage, also based on the proposal of the Supervisory Body.

6. RECIPIENTS

This Organisational Model is intended for individuals operating within Losma SpA, regardless of the relationship that binds them to the same and that:

- a) hold positions of representation, administration or management of the Company;
- b) are subject to the direction or supervision of one of the persons referred to above.

The Recipients of the Organisational Model also include those persons who, from time to time, although not part of Losma SpA's structure, act in its interest.

7. DISSEMINATION, COMMUNICATION AND TRAINING

The Board of Directors, making use of the corporate structures, shall inform all the Recipients of the existence and content of the Organisational Model and

shall promote, in coordination with the Supervisory and Control Body, initiatives for the dissemination and knowledge of the Organisational Model and for the consequent training, also with reference to subsequent updates and additions.

Training activities - aimed at preventing the commission of offences through the dissemination of knowledge of the Decree, the Principles of Conduct and the Protocols - are structured in relation to the status of the recipients, the risk level of the area in which they operate, whether or not they have representative, administrative and management functions at Losma SpA.

Losma SpA has organised a series of training sessions to make the Recipients aware of the existence of the rules of conduct, the importance of respecting them and the company's sensitivity to these organisational tools and to update them on the latest changes and additions to the regulations.

Participation in the training program is documented.

8. SUPERVISORY AND CONTROL BODY

Article 6, paragraph I, letter b) of the Decree provides that the company may be exempted from liability arising from the commission of the offences indicated (once a suitable organisational model has been adopted) if it entrusts a specifically identified body with the task of supervising the functioning of and compliance with the model, as well as ensuring its updating.

Losma SpA's Board of Directors, with the same resolution with which it adopted the Organisational Model, appointed Lawyer Gianmaria Palminteri as the Supervisory and Control Body, who is entrusted with the fundamental task of constant monitoring as described above.

The SB must meet the requirements of honourability and professionalism foreseen for company representatives, as well as not being subject to causes of incompatibility or conflicts of interest arising from significant financial or family relationships with Losma SpA, its representatives or individuals in top positions in the 3 years prior to or current to the appointment.

The SB reports directly to the Board of Directors.

In carrying out its function, the SB can make use of the cooperation of internal and external professional resources. The SB periodically submits its action plan to the Board of Directors, identifying the activities it will carry out and the areas

that will be audited.

For the specific purposes of carrying out supervisory and control activities, the Board of Directors, also taking into account the activities of the SB, assigns it an annual expenditure budget for carrying out its activities, with full economic and management autonomy.

This budget will be updated from time to time depending on the specific needs that arise.

The SB will inform the Board of Directors of any budget deficits resulting from specific needs.

The supervisory and control task characteristic of the SB is generally carried out through the following activities.

8.1. EXERCISE OF CONTROL POWERS

As part of its autonomy and discretion, the SB may at any time control and verify the application of the Organisational Model.

In exercising these powers, the SB may request to consult the documentation relating to the activities carried out by the individual departments and persons in charge of the processes at risk subject to control and/or verification, extracting a copy if necessary, as well as conduct interviews and request written reports. During these operations, it must keep the manager of the corporate function concerned constantly informed.

In particular, the following are planned:

- a) checks on individual acts: to do this the SB will periodically check the documents and contracts relating to processes at risk, in accordance with the procedures it has identified;
- b) checks on the protocols: for this purpose, it will periodically check the effectiveness and implementation of the protocols of this Organisational Model;
- c) checks on the level of knowledge of the Organisational Model: to do this, the SB will check the degree of knowledge and will analyse requests for clarification or reports received.

Following the checks carried out, the SB informs the departments concerned of any observations and/or suggestions.

The activities carried out by the SB are documented, even in summary form. The relevant documentation must be kept by the SB so that confidentiality is ensured, also in compliance with the legislation on the protection of personal data (Legislative Decree 196/03).

8.2. REPORTS OF VIOLATIONS OF THE ORGANISATIONAL MODEL

If, in the course of its verification and control activities, the SB detects non-compliance with or violations of the Organisational Model, or if non-compliance or violations are reported to it by other corporate functions, it must promptly initiate the proceedings provided for in the Disciplinary System against the person responsible for the violation.

8.3. VERIFICATION OF THE EFFECTIVENESS AND CONSTANT ADAPTATION OF THE ORGANISATIONAL MODEL

In coordination with the managers of the Company Functions involved in the control, the SB verifies the effectiveness and suitability of the Organisational Model to prevent the commission of the offences referred to in the individual Special Sections.

As a result of the checks carried out, regulatory changes and legal rulings from time to time, as well as the possible emergence of new Risk Processes, the SB assesses the necessary adaptations and updates to the Organisational Model.

8.4. INFORMATION FLOWS TO THE SB

All the information and documents concerning the Risk Processes identified and regulated by the Principles of Conduct and by Protocols must be brought to the knowledge of the Supervisory Body, according to the procedures provided for in the individual Special Sections.

The obligation of a structured information flow is intended as a means of guaranteeing the supervisory activity on the effectiveness and efficacy of the Model and for the possible *ex post* verification of the causes that made possible the occurrence of the offences referred to in the Decree.

Moreover, the SB must be informed, by means of special reports from the Recipients, of events that could involve Losma SpA's liability under the Legislative Decree or violations of the Organisational Model.

In particular, information concerning the following must be promptly sent to the Supervisory Board:

- measures and/or information from the judicial police, or from any other public authority, from which it can be inferred that investigations have

- been carried out against the Company and/or the Recipients for the offences referred to in the Decree, including against unknown persons;
- decisions relating to the application for, disbursement and use of public funds;
 - the outcome of inspections and audits of any kind carried out by the Public Administration (public officials and/or persons in charge of the public service) at Losma, sending reports containing any requirements issued by the inspecting body, as well as warnings or any measures and sanctions imposed;
 - any violation of the Model and its constituent elements and any other aspect potentially relevant to the application of Legislative Decree 231/2001;
 - updates on participation in public tenders;
 - requests for legal assistance made by managers and/or employees against whom the courts are conducting proceedings for offences under the Decree;
 - the trend of recruitment, with particular reference to staff coming from the Public Administration or having family or affinity relations with employees/collaborators or with persons holding important positions within the Public Administration (e.g. VAT Office, I.N.P.S., Fire Brigade, etc.);
 - reports drawn up by the managers of the corporate functions as part of the control activities carried out, from which critical facts, activities, events or omissions in relation to the provisions of the Decree may emerge;
 - the list of gifts given to public authorities;
 - information on the effective implementation of the Model at all company levels, highlighting the disciplinary proceedings carried out and any sanctions applied (including measures taken against employees), or the motivated measures for archiving disciplinary proceedings;
 - any communications from the board of statutory auditors and/or the auditing firm concerning aspects that may indicate shortcomings in the internal control system, questionable facts, observations on the Company's financial statements;
 - specific communications on health and safety in the workplace (e.g. accident statistics, accident event (even minor), training courses, changes to the safety organisation chart, etc.), referred to in Special Section C of the Model.

Reports can be sent to the following e-mail address: odv@losma.it

The information provided to the Supervisory Board is intended to improve its planning of controls and does not involve a precise and systematic verification of all the events represented.

In addition to the above-mentioned general information flows, the SB may define more specific information flows within each Special Section or in other separate documents.

Losma SpA ensures compliance with the general confidentiality obligations established by the law.

Failure to comply with the obligation to provide the above-mentioned information constitutes conduct punishable under the Disciplinary System (see section 9 below).

Furthermore, the Losma SpA's top management informs the SB:

- a) any information that relates to compliance with, operation and adaptation of the Organisational Model;
- b) all amendments and additions concerning both the system of delegated and proxy powers and the Company's organisational structure;
- c) the Company's extraordinary corporate transactions;
- d) any new corporate activities.

The information flow to the Supervisory Board may be regulated in more detail by the same Board.

8.5. WHISTLEBLOWING

Pursuant to Article 6, paragraph 2-bis of Legislative Decree 231/2001, the recipients of this Model are provided with a reporting system for the purpose of highlighting unlawful conduct, based on precise and concurring facts.

The conduct may involve violations of the following provisions:

- Legislative Decree 231/01;
- this Model;
- the Company's Code of Ethics;
- internal documents adopted by the Company to implement them (e.g. procedures and policies).

Reports will be collected through the following channels:

- the Whistleblowing procedure
- in paper form and under confidentiality, by ordinary mail addressed to: Attention of the Supervisory Board Via Enrico Fermi 16 - 24035 Curno (BG)

Reports will be handled in line with the internal organisational provisions adopted by the Company on Whistleblowing.

The Company guarantees that the identity of the whistleblower is kept confidential in accordance with Law 179/2017.

It is also prohibited to retaliate or discriminate, directly or indirectly, against a whistleblower for reasons directly or indirectly related to the report.

It should also be noted that, pursuant to Article 6, paragraph 2-bis, letter d) of Legislative Decree 231/01, in addition to the provisions of Section 9 "Disciplinary system", further measures are provided for "anyone who violates the measures for protecting the reporting party, and against anyone who maliciously or negligently makes reports that turn out to be unfounded".

9. DISCIPLINARY SYSTEM

9.1 GENERAL PRINCIPLES

This disciplinary system is adopted pursuant to Article 6, paragraph II, letter e) and Article 7, paragraph IV, letter b) of the Legislative Decree.

The system is designed to penalise failure to comply with the Principles of Conduct and the Protocols provided for in the Organisational Model and, pursuant to Article 2106 of the Civil Code, supplements the National Collective Labour Agreements (CCNL) for the category applied to employees, insofar as not provided for and limited to the cases covered.

The imposition of disciplinary sanctions for violation of the Principles of Conduct and the Protocols indicated in the Organisational Model is regardless of whether or not criminal proceedings are instituted and the outcome of the consequent judgement for the commission of one of the offences provided for in the Legislative Decree.

9.2. GENERAL CRITERIA FOR THE APPLICATION OF PENALTIES

In cases where the SB ascertains non-compliance with or violation of the

Organisational Model, the type and extent of the penalties shall be applied in proportion to the severity of the misconduct and, in any case, in consideration of the elements listed below:

- a) subjective element of the conduct, depending on whether it is intentional or negligent;
- b) importance of the violated obligations;
- c) level of hierarchical and/or technical responsibility;
- d) presence of aggravating or mitigating circumstances with particular regard to professionalism, previous work experience, the circumstances in which the offence was committed and any repeat offences;
- e) any sharing of liability with other persons who contributed to the misconduct;
- f) conduct that may undermine, even potentially, the effectiveness of the Organisational Model.

If several offences, punished by various penalties, have been committed in a single action, the most serious penalty may be applied.

Any application of the disciplinary measure, regardless of whether or not proceedings are instituted and/or the outcome of any criminal trial, must, as far as possible, be inspired by the principles of timeliness.

Moreover, in addition to the details set out in the following paragraphs, pursuant to Article 6, paragraph 2-bis of Legislative Decree 231/2001 as amended by Law 179/2017, any employee who, in breach of the internal procedures provided for by the Model on Whistleblowing, or by adopting a conduct which does not comply with the requirements of the Model, engages in direct or indirect retaliatory or discriminatory acts against the whistleblower for reasons directly or indirectly related to the disclosure, or who, with malice or gross negligence, makes disclosures which turn out to be unfounded, shall be punished.

9.3. WHITE AND BLUE COLLAR WORKERS

Pursuant to the combined provisions of Articles 5, letter b) and 7 of the Legislative Decree, without prejudice to prior notification and the procedure prescribed by Article 7 of Law 300 of 20 May 1970 (the so-called Workers' Statute), the penalties provided for in this paragraph may be applied to white and blue collar workers, taking into account the general criteria referred to above.

9.3.1. Violations

Penalties may be applied in the case of substantial violations:

- a) failure to comply with the Principles of Conduct and Protocols indicated in the Organisational Model;
- b) lack of or untrue documentation of the activities carried out with regard to the procedures for documenting, storing and checking the documents relating to the Protocols, so as to prevent the transparency and verifiability of the same;
- c) in the violation and/or circumvention of the control system, carried out by removing, destroying or altering the documentation provided for by the Protocols or preventing the persons in charge and the SB from controlling or accessing the requested information and documentation;
- d) failure to comply with the provisions relating to signatory powers and the delegation system;
- e) the failure of hierarchical supervisors to monitor their employees with regard to the correct and effective application of the Principles of Conduct and Protocols indicated in the Organisational Model.

The list of cases is given as an example and not as an absolute list.

9.3.2. Penalties

Committing the disciplinary offences referred to in the previous paragraph is punished with the following disciplinary measures, depending on the severity of the violation:

- a) verbal reprimand;
- b) written reprimand;
- c) a fine of up to four hours' pay;
- d) suspension from pay and service for up to 10 days;
- e) dismissal without notice.

a) Verbal reprimand

The verbal reprimand may be imposed in cases of minor negligent violation of the Principles of Conduct and/or the Protocols established by the Organisational Model or procedural errors due to negligence.

b) Written reprimand

The penalty of a written reprimand may be applied if the offence under (a) above is repeated.

c) Fine

In addition to cases of repeated commission of offences which may lead to the application of a written reprimand, a fine may be applied in cases where, due to the level of hierarchical or technical responsibility, or in the presence of aggravating circumstances, the negligent and/or neglectful conduct may undermine, even potentially, the effectiveness of the Organisational Model.

d) Suspension of pay and service

The penalty of suspension from pay and service, for up to 10 days, may be applied in cases of serious violations of the Principles of Conduct and/or of the Protocols, such as to expose the Company to liability towards third parties, and in cases of recurrence of violations, which could lead to the application of a fine.

e) dismissal without notice

The penalty of dismissal without notice may be applied for misconduct that is so grave as to undermine the relationship of trust with the company and, therefore, not to allow the continuation, even provisional, of the employment relationship, such as, by way of example but not limitation:

- i. violation of the Principles of Conduct and of the Protocols with external significance and/or fraudulent avoidance thereof, carried out with a conduct directed towards the commission of an offence referred to in the Legislative Decree;
- ii. violation and/or circumvention of the control system, carried out by removing, destroying or altering the documentation provided for by the Protocols or preventing the persons in charge and the SB from controlling or accessing the requested information and documentation.

If the employee has committed one of the offences that could lead to dismissal, the Company may order the provisional suspension of the employee with immediate effect.

If the Company decides to proceed with dismissal; it shall take effect from the day on which the provisional suspension began.

9.4 TOP MANAGEMENT

The penalties indicated in this point may be applied against the top management, as defined above: the Managing Director and those who, also de facto, manage the company.

9.4.1. Violations

The provisions of this paragraph may be applied if the subjects mentioned above have carried out misconduct consisting of:

- a) failure to comply with the Principles of Conduct and Protocols contained in the Organisational Model;
- b) the violation and/or circumvention of the control system, carried out by removing, destroying or altering the documentation provided for by the Protocols or preventing the persons in charge and the SB from controlling or accessing the requested information and documentation;
- c) violation of the provisions relating to signature powers and, in general, to the system of delegated powers, except in cases of necessity and urgency, of which the Managing Director shall be promptly informed;
- d) violation of the obligation to inform the SB and/or any superior subject about conduct aimed at committing an offence included among those provided for in the Legislative Decree.

The list of cases is given as an example and not as an absolute list.

9.4.2. Protection measures

Depending on the seriousness of the breach, and on the decision of the Managing Director, protective measures may be applied, within the framework of those provided for by current legislation, including the revocation of the delegation of powers and/or of the office conferred on the person.

Regardless of the application of the protective measure, the Company has the right to initiate liability and/or compensation claims.

9.5 COLLABORATORS AND CONSULTANTS

Those who, in their capacity as collaborators or consultants of the Company and subject to coordination or supervision by the same, have violated the rules of the Organisational Model indicated below, may have their contractual relationship terminated by law pursuant to Article 1456 of the Civil Code. This is without prejudice, in any case, to any claims by Losma SpA for compensation for damages suffered.

9.5.1 Violations

The provisions of this paragraph may be applied if the subjects mentioned above have carried out misconduct consisting of:

- a) fraudulent evasion of the Principles of Conduct and Protocols relating to

- the subject-matter of the assignment, with external significance, or violation of the same through conduct aimed at committing an offence under the Legislative Decree;
- b) violation and/or circumvention of the control system, carried out by removing, destroying or altering the documentation provided for by the Protocols relevant to the assignment or preventing the persons in charge and the SB from controlling or accessing the requested information and documentation;
 - c) lack of, incomplete or untrue documentation of the activity carried out, so as to prevent the transparency and verifiability thereof.

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