

MODEL OF ORGANIZATION, MANAGEMENT AND CONTROL
PURSUANT TO LAW 231/2001

GFM S.p.A.

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1 MODEL 231

1.1 Introduction

The current model of organization, management and control (hereafter “Model 231”) was adopted by GFM S.p.A. in order to prevent the committing of certain illegal acts¹, in the interest, or for the advantage of the company, by:

- the entity or an organization within the entity which is financially and functionally independent, or by individuals who manage and control the entity (also known as individuals in senior management positions or “senior management”);
- individuals under management or supervision of one of the above-mentioned parties (also known as “managed individuals”).

In particular, Model 231 was also adopted in accordance with the Italian legislation related to the “*responsibility of entities for illegal criminal administrative acts*” as outlined in Legislative Decree no. 231 of June 8, 2001 (hereafter “**law decree 231 of 2001** as amended”), which foresees that companies can adopt suitable models of organization, management and control for ensuring the prevention of such illegal acts. The guiding principles of Model 231 can be found in the guidelines of Confindustria, to which the Group adheres.

1.2 The Model 231 of GFM S.p.A.

The Model consists of an organized series of elements, forms and company documents that, tailored for the various and specific activities of GFM S.p.A., are considered as a single document entitled “Model”.

This Model consists of the current “general section” which is considered the general document of GFM S.p.A., unless otherwise noted: in addition to this general document, the company has adopted a specific “special section” which contains the individual mapping of the risks of illegal acts and is accompanied by a series of independent appendices: preventative protocols, work flows and operating instructions. The objective is to allow an efficient means of updating the Model since the various documents can be updated individually.

In detail, the **Model of Organization, Management and Control** consists of the following:

- General Section divided in:
 - Description of the regulatory framework;
 - Governance Model of GFM S.p.A.;
 - Structure of the Model of Organization, Management and Control of GFM S.p.A.;
 - Risk profiles of GFM S.p.A.;
 - Supervisory Board;
 - Structure of the Disciplinary System;
 - General Principles for Training and Communication;
 - General criteria for the first implementations, and revisions or adaptations of the model;
- Special Section, specific to GFM S.p.A., and consisting of the tools for identifying risks and preventing illegal acts;
- Appendix 1: Code of Ethics GFM S.p.A.,
- Appendix 2: List of the illegal acts covered by the Legislative Decree;
- Appendix 3: Charter of the Supervisory Board of GFM S.p.A.
- Appendices 4 to 8: Individual protocols of each Company in place to prevent illegal acts deemed sensitive.

Each company protocol, analyzed during the drafting of the Model, describes the individual company procedures that could involve illegal acts, on the basis of areas of risk identified in the Risk Mapping.

¹ The objective of Model 231 is to prevent so-called “assumed illegal acts”, that is, crimes whose committing leads to direct criminal liability of the institution pursuant to Legislative Decree no. 231 of 2001 and related laws.

The Supervisory Board can easily verify, for each company function, which protocols have been adopted, the risk areas of “231 illegal acts”, and which periodic testing should, therefore, be performed.

2 DESCRIPTION OF THE REGULATORY FRAMEWORK

2.1 Introduction

Legislative Decree No. 231 of June 8, 2001 (hereafter “L.D. 231/2001” or the “Law Decree”), under the authority of the Government under article 11 of Law no. 300 of September 29, 2000, introduced guidelines to determine liability for administrative offenses and illegal acts to the Italian legal system, which runs parallel to the criminal liability of the individual person who committed the crime. According to those guidelines, companies can be held liable, and consequently can be sanctioned as a separate entity, in relation to certain offenses committed or attempted in the interest or for the benefit of the company by the directors or by the employees.

The liability of the company is excluded if it has adopted and effectively implemented, prior to the occurrence of the illegal acts, an adequate model of organization, management and control (hereafter also “Model”) in order to prevent such illegal acts; a Model whose principles can be found in the Code of Conduct (“Guidelines”) outlined by Confindustria (Italian Industrial Association).

Although the principle of individual criminal responsibility has not been formally modified, the regulations in L.D. 231/2001 run parallel to the possible compensation for damages and civil liability to pay penalties or fines incurred by individual persons, in the event of insolvency of the perpetrator of the illegal act (articles 196 and 197 of the Criminal Code). L.D. 231/2001 changes the Italian legal system since companies are no longer considered extraneous to the consequences of criminal proceedings related to illegal acts committed for the benefit of or in the interests of the companies themselves.

2.2 Nature of responsibility

The Explanatory Report of L.D. 231/2001 emphasizes the *“birth of a third genus that combines the essential features of the Criminal Code and company law in an attempt to reconcile the preventative effectiveness of the objectives with the, even more inevitable, objectives of maximum guarantee”*.

In fact, L.D. 231/2001 introduced into the Italian legal system a form of corporate liability of an “administrative” nature – in accordance with the wording of art. 27 of the Constitution – but with many similarities to “criminal” liability.

This is reflected in the identification of a new form of administrative liability of companies: the afflictive nature of penalties against the company, the fact that the responsibility arises as a result of an illegal act is ascertained in criminal proceedings and is, therefore, assisted by the guarantees awarded by the legal criminal process.

2.3 Types of illegal acts

The types of illegal acts which may give rise to the administrative liability of companies are only those specifically listed in the Decree and may be included in the following categories:

The offenses currently regulated by the Decree (and subsequent legislative provisions that have widened its scope) are:

- Misappropriation of public funding, fraud against the State, a public or European Union body or to obtain public funding or IT fraud against the State or against a public body and fraud in public supplies (Art. 24, L.D. no. 231/2001) [article amended by L. 161/2017 and by L.D. no. 75/2020];
- IT-related crimes and unlawful processing of data (Art. 24-bis, L.D. no. 231/2001) [article added by L.D. no. 48/2008; amended by L.D. no. 7 and 8/2016 and by L.D. no. 105/2019];
- Crimes committed by criminal organizations (Art. 24-ter, L.D. no. 231/2001) [article added by L.D. no. 94/2009 and amended by L. 69/2015];
- Embezzlement, official misconduct, undue inducement to give or promise an advantage, bribery and abuse of power (Art. 25, L.D. no. 231/2001) [amended by L.D. no. 190/2012, by L. 3/2019 and by L.D. no. 75/2020];

- Forgery of money, public credit cards, revenue stamps and instruments or identification marks (Art. 25-bis, L.D. no. 231/2001) [article added by L.D. no. 350/2001, converted with amendments by L.D. no. 409/2001; amended by L.D. no. 99/2009; amended by L.D. 125/2016];
- Offences against industry and commerce (Art. 25-bis.1, L.D. no. 231/2001) [article added by L.D. no. 99/2009]
- Corporate offences (Art. 25-ter, L.D. no. 231/2001) [article added by L.D. no. 61/2002, amended by L.D. no. 190/2012, by L. 69/2015 and by L.D. no. 38/2017];
- Crimes committed for purposes of terrorism or designed to subvert democracy provided by the Criminal Code and the special laws (Art. 25-quater, L.D. no. 231/2001) [article added by L.D. no. 7/2003];
- Mutilation of women's genitals (Art. 25-quater.1, L.D. no. 231/2001) [article added by L.D. no. 7/2006];
- Crimes against individual's freedoms (Art. 25-quinquies, L.D. no. 231/2001) [article added by L.D. no. 228/2003; amended by L.D. no. 199/2016];
- Market abuse crimes (Art. 25-sexies, L.D. no. 231/2001) [article added by L.D. no. 62/2005];
- Other types of market abuse offences (Art. 187-quinquies TUF) [article amended by L.D. no. 107/2018];
- Crimes of manslaughter, serious or grievous bodily harm committed with breach of laws governing accident prevention and the safeguarding of health and safety in the workplace (Art. 25-septies, L.D. no. 231/2001) [article added by L.D. no. 123/2007; amended L.D. no. 3/2018];
- Handling stolen goods, laundering and use of money, assets or benefits whose origin is illegal, in addition to self-laundering (Art. 25-octies, L.D. no. 231/2001) [article added by L.D. no. 231/2007; amended by L.D. no. 186/2014];
- Crimes regarding breach of copyright (Art. 25-novies, L.D. no. 231/2001) [article added by L.D. no. 99/2009];
- Inducements not to make statements or to make false statements to the courts (Art. 25-decies, L.D. no. 231/2001) [article added by L.D. no. 116/2009];
- Environmental crimes (Art. 25-undecies, L.D. no. 231/2001) [article added by L.D. no. 121/2011, amended by L.D. no. 68/2015, amended by L.D. no. 21/2018];
- Employment of citizens of third countries whose stay is irregular (Art. 25-duodecies, L.D. no. 231/2001) [article added by L.D. no. 109/2012, amended by Law 17 October 2017 no. 161];
- Racism and xenophobia (Art. 25-terdecies, L.D. no. 231/2001) [article added by Law 20 November 2017 no. 167, amended by L.D. no. 21/2018];
- Fraud in sports competitions, abusive gambling or betting and gambling carried out by means of prohibited devices (Art. 25-quaterdecies, L.D. no. 231/2001) [article added by L.D. no. 39/2019]
- Tax Crimes (Art. 25-quinquiesdecies, L.D. no. 231/2001) [article added by L.D. no. 157/2019 and by L.D. no. 75/2020];
- Contraband (Art. 25-sexiesdecies, L.D. no. 231/2001) [article added by L.D. no. 75/2020];
- Responsibility of entities for criminal administrative actions (Art. 12, L.D. no. 9/2013) [Considered pre-conditions for entities operating in the supply and production chain of extra virgin olive oils];
- Transnational crimes (L.D. no. 146/2006) [The following offences are considered pre-conditions for the administrative liability of entities if committed transnationally];

Refer to Appendix MD2 for a more detailed breakdown and the description of each type of crime.

2.4 Sanctions

The sanctions due by the company under L.D. 231/2001 as a result of the commission or attempted commission of the above-mentioned illegal acts are:

- financial sanctions up to a maximum of Euro 1,549,370.69 (and seizure as a precautionary measure);
- penalties and sanctions (applicable also as a precautionary measure) for at least three months and up to two years, which may include:
 - prohibition of the activity;
 - suspension or revocation of authorizations, licenses or concessions employed in the illegal act;
 - prohibition from dealing with the public administration;
 - exclusion from benefits, loans, grants or subsidies and the possible revocation of such benefits;
 - prohibition from advertising goods or services;
- confiscation (and seizure as a precautionary measure);

- publication of the judgment (in the case of a prohibitive order).

The financial penalty is determined by the criminal courts. Financial sanctions are established by a system based on “shares” of not less than one hundred and no greater than one thousand. The amount of the financial sanction for each share varies from a minimum of Euro 258.22 to a maximum of Euro 1,549.37. The judge establishes:

- the number of shares, based on the severity of the act, the degree of responsibility of the company and the activity carried out to eliminate or mitigate the consequences of the act and to prevent the commission of further illegal acts;
- the value of the individual share, on the basis of the economic and financial conditions of the company.

Sanctions are only applied to crimes for which they have been expressly provided.

In the most serious cases, prohibition of activity, prohibition of dealing with the public administration and prohibition from advertising goods or services can be applied definitively.

In addition, in lieu of the imposition of a sanction, a commissioner may be appointed by the court to manage the business in accordance with the conditions defined in art. 15 of L.D. 231/2001

2.5 Attempted illegal acts

In the case of an attempt to commit illegal acts outlined in chapter I of L.D. 231/2001, monetary penalties (in terms of amount) and sanctions (in terms of time) are reduced by between one third to a half. When the company voluntarily prevents the occurrence of the act or an event, penalties and sanctions will not be imposed (article 26).

In this case, the absence of sanctions is justified as result of the break in the relationship between the company and the individuals acting in the company’s name or on its behalf. Such a situation is an example of “active withdrawal” outlined in article 56, paragraph 4 of the Criminal Code.

2.6 Corporate modifications

L.D. 231/2001 regulates the financial liability of the company in the case of corporate modifications (transformation, merger, demerger and transfer of company).

The impact on corporate responsibility in the case of companies subject to transformations, mergers, demergers and transfers of companies are dealt with in articles 28-33 of L.D. 231/2001. The Legislature takes into account two opposing requirements:

- on one hand, to avoid that such operations constitute a means of avoiding the company’s administrative responsibility;
- and on the other hand, in order not to penalize reorganization transactions with no illusive intent. The Explanatory Report of L.D. 231/2001 states “*The guiding principle in this regard has been to identify financial penalties in accordance with the principles of the civil code in relation to corporate duties and liabilities, while directing the identification of sanctions within the business branch in which the illegal act occurred*”.

2.7 Perpetrators of illegal acts: senior management and supervised individuals

In accordance with L.D. 231/2001, the company is responsible for illegal acts committed in its own interest or for its own gain:

- by “individuals with representative, administrative or management functions in the company, or in a division with financial and managerial independence, as well as individuals who, in fact, manage and control the company itself (i.e. “senior management”, article 5.1.a of L.D 231/2001);
- by individuals under the direct management or supervision of a member of senior management (“supervised individuals” under art. 5.1.b of L.D. 231/2001).

The company is not liable, as expressly provided for by law (art. 5, paragraph 2 of L.D. 231/2001), if the indicated persons have acted only in their own personal interest, or in the interest of third parties.

2.8 Illegal acts committed abroad

Under art. 4 of L.D. 231/2001, the company may be obliged to answer in Italy for illegal acts disciplined by the same legislative decree committed abroad. The Explanatory Report of L.D. 231/2001 emphasizes the need not to leave unpunished a common illegal act, in order to avoid evasion of the entire regulatory framework.

The prerequisites (required by law or inferable from L.D. 231/2001) that underpin the company's liability for offenses committed abroad are set out in arts. 7-10 of the Criminal Code.

2.9 Evaluation process for illegal acts

The responsibility for corporate legal acts is determined through a criminal trial process. In this regard, art. 36 of L.D. 231/2001 foresees that *"The jurisdiction for corporate administrative offenses lies within the competent criminal court for similar offenses"*.

Another rule, based on objectives of effectiveness, consistency and efficiency of the procedure, is that proceedings should be merged: the procedure to address illegal acts of the company should be combined with the criminal proceedings against the individuals responsible for the acts whenever possible (art. 38). A compromise to this rule is found in Art. 38.2 that, on the other hand, regulates the situations where procedures should be conducted separately.

2.10 Model of Organization, Management and Control

A fundamental of L.D. 231/2001 is that companies are expressly required to establish a Model.

In the case of an illegal act committed by senior management, the company is not responsible if it proves that (art. 6.1, L.D. 231/2001):

- a) management adopted and effectively implemented an appropriate Model for the prevention of the types of illegal act which occurred, prior to the occurrence of the act;
- b) the task of supervising the operation, complying with and updating the Model was entrusted to a body of the company with autonomous powers of initiative and control ("Supervisory Board");
- c) the individuals carried out the illegal act by fraudulently circumventing the Model;
- d) there was no absence of, or insufficient supervision by, the Supervisory Board.

The Explanatory Report of L.D. 231/2001 underlines that: *"the Decree is based on the (empirically sound) presumption that, in the case of a crime committed by a party in a senior position, the "subjective" requirement for the company's liability [i.e. the so-called "organizational fault" on the part of the company] is satisfied, since senior management expresses and represents corporate policy; in order for this not to be presumed, it is up to the company to demonstrate its non-involvement, and this it can only do by proving that a series of requirements were concurrently satisfied."*

On the other hand, in the case of an illegal act committed by those under senior management supervision, the company is responsible (art. 7.1 of L.D. 231/2001) if the commission of the crime was facilitated ("made possible") as a result of the breach of duties of management or supervision that the company is required to maintain.

In any event, a breach of duties of management and supervision is not considered to arise if, prior to the occurrence of the illegal act, the company had adopted and effectively implemented an appropriate Model for the prevention of illegal acts of that nature.

L.D. 231/2001 outlines the content of the Model of Organization and Management, and establishes regulation over the delegated powers and the related risks the Model must contain, as follows:

- identify the activities in whose scope illegal acts may occur;
- provide specific protocols aimed at the development and implementation of the company decisions in relation to the illegal acts to be prevented;
- identify how to manage financial resources in order to prevent the occurrence of illegal acts;
- provide information to the Supervisory Board responsible for supervising the operation of and compliance with the Model;
- introduce a disciplinary framework to appropriately penalize deficiencies in application of the Model.

The Legislature has also defined the following requirements for the effective implementation of the above-mentioned Model:

- (i) periodic confirmation of, and where necessary, amendments to the Model when significant violations are identified or when the organization and business of the company undergo significant changes;
- (ii) an appropriate disciplinary system to penalize non-compliance with the Model.

2.11 Recipients of the Model

The Model is addressed to all those who work towards the company aim and the objectives of GFM S.p.A:

The addressees of the Model are required to follow the provisions and protocols, as well as the implementation procedures contained therein with the utmost accuracy and diligence.

2.12 Code of conduct (Guidelines)

Article 6.3 of L.D. 231/2001 provides that "organization and management models may be adopted, ensuring the requirements referred to in paragraph 2, based on codes of conduct drawn up by the representative organizations of the entities, as reported to the Ministry of Justice, which, together with the competent Ministries, may, within 30 days, provide observations on the suitability of the models to prevent illegal acts".

Confindustria issued guidelines for the development of models of organization, management and control (hereafter, "Confindustria guidelines"), which have been subsequently amended and updated, indicating, inter alia, a methodological guideline for the identification of risk areas and the design of the Model of Organization, Management and Control.

The Confindustria guidelines recommend that member companies adopt risk assessment and risk management processes and provide the following phases for the definition of the Model:

- identification of risks (that is, an analysis of the business environment to identify in which areas/sectors illegal acts pursuant to L.D. 231/2001 may occur and how they may arise);
- design of a system of preventative controls (so-called "protocols" for the development of training and implementation of the decisions of the company);
- adoption of certain general tools including a code of ethics and a disciplinary system;
- identification of criteria for the selection of the members of the Supervisory Board.

2.13 Examination of suitability

The ascertainment of liability of the company by the criminal court judge takes place (in addition to the ad hoc process in which the company is evaluated in the same way as the accused individual; see below) through:

- verification of the occurrence of the illegal act said to be the liability of the company; and
- examination of the suitability of the Model adopted.

The judge's examination of the suitability of the Model in preventing the illegal acts described in L.D. 231/2001 is carried out in accordance with the criteria of a "posthumous prognosis", regardless of possible revisions to the codes of conduct drawn up by the corporate associations.

The evaluation of suitability, in other words, is formulated according to *ex ante* criterion, whereby the judge evaluates the company at the time of the illegal act to evaluate consistency of application of the Model adopted.

3 GOVERNANCE MODEL OF GFM S.p.A.

3.1 Description of GFM S.p.A. and its activities

GFM S.p.A. is the result of the 40 plus years of experience of its founder Giovanni Gandini, who started out in business in 1972, specializing in the production and sale of oleodynamic parts; in 1978, the business expanded with the production of machine tools for tubing and special equipment for securing pallets. From here, the company entered into the energy industry and commenced collaboration with the Ansaldo Company; since 1982, the Gandini family, with the help of a qualified network of Engineering Workshops, has broadened its business activity producing mechanical parts for steam turbines, gas turbines and generators, and becoming the main supplier to Ansaldo Energy. Since 2005, as a result of the experience in this field, GFM mechanical components have also been exported and sold to turbine producing companies abroad.

GFM S.p.A. has approximately 80 employees and is an ideal partner for OEMs (Original Equipment Manufacturers) that build plant and machinery for the energy sector. It acts as intermediary in the management and production of mechanical components for the manufacture of steam turbines, gas turbines and generators. Responsibilities range

from the purchase of raw material to delivery of the finished product, through all phases of the process in accordance with the highest standards of quality. In addition, GFM S.p.A. supplies the OEMS with the special machinery and equipment necessary for the implementation and revision of plant machinery.

Since January 2012, GFM S.p.A. has a new wholly owned head office in Mapello (BG). That same year, Giovanni Gandini completed the succession plan, transferring his interest in the company to his son, Andrea Gandini, who today owns 100% of the shares in the company.

Instead, in July 2010, the company purchased a branch of Officina Meccanica Facchinetti S.r.l. (Gervasoni Group). The objective of the transaction was to acquire an entity with strong skills and know-how in the field of precision mechanics that, while maintaining its historical customer base and core business activities, could support the Group in strategic initiatives to service OEMs in the energy sector. The production company, initially called GHP Srl, from 2016 was officially incorporated into GFM Spa.

In 2018 the company transfer to the new site in Nembro (BG) was completed, an area of 4,500 square meters dedicated to the production of high precision mechanical parts. It also hosted the department dedicated to the research and development of innovative designs using the Additive Manufacturing technology.

Machinery and equipment consists of CNC lathes, CNC turning/milling units, horizontal and vertical work units, CNC grinding machines for exteriors and interiors, tangential and CNC grooved grinders. A particular focus is placed on quality with the use of a temperature-controlled metrology lab, a 3D measurement machine, profile projectors and high precision measuring tools and gages. The materials processed range from simple iron alloys, aluminum and steel, to the more complex and precision metals such as copper, stainless steels, nickel-cobalt alloys, inconel etc.

In 2016, GFM S.p.A. Also gained EN9100 certification, with the aim of also opening up to the aerospace market. Vetting procedures by important companies in the aeronautical sector are currently in progress, in particular for the supply of parts and motor parts.

3.2 Organization structure

For the purposes of the Decree, the effectiveness of the organizational structure is characterized, in summary, by adherence to the following principles:

- clear and concise definition of roles, and related responsibilities within the organizational chart;
- conferral of powers of authority to the extent strictly necessary, and in any event, within limits consistent and compatible with the tasks carried out by the individual;
- purchasing power established with thresholds and/or joint signature;
- a number of senior managers.

In developing the special sections, the company took account of the profile provided by an analysis of the business environment, the control environment and the identification of the risks, the individuals and the potential illegal acts. As a result, the systems and preventative procedures which GFM S.p.A. rely on was identified.

In particular, the statutes and laws govern the authority of the management bodies.

GFM S.p.A. has a Board of Directors, a Chairman of the Board, a Chief Executive Officer and Managing Directors with spending power, authorized to act in the ordinary and extraordinary management of GFM S.p.A.. The directors and managing directors have clear proxies and power of attorney. The mechanical workshop has a Factory Director.

Currently, the board of directors of GFM S.p.A. has four members and holds full authority for the ordinary and extraordinary management of the company.

The Managing Directors are jointly and/or severally empowered to take all actions necessary to achieve the corporate objectives (except for those powers which are within the control of the Shareholders).

The Chairman of the Board of Directors represents the company. The Chief Executive Officer is also delegated powers to act on behalf of the company within limits established by the Board of Directors; such directors can represent the company at shareholders ' meetings of companies or owned entities.

The Board of Statutory Auditors, as elected in the Shareholders' Meeting, consists of 3 effective members and two alternates who are registered with the register of statutory auditors in the Ministry of Justice. The Board confirms that the business activity is carried out in accordance with applicable laws and company Statute, and supervises the activity carried out by management. Its mandate expires on the date of the shareholders ' meeting called to approve

the financial statements for the third year following conferral of the mandate and the Board meets at least every 90 days.

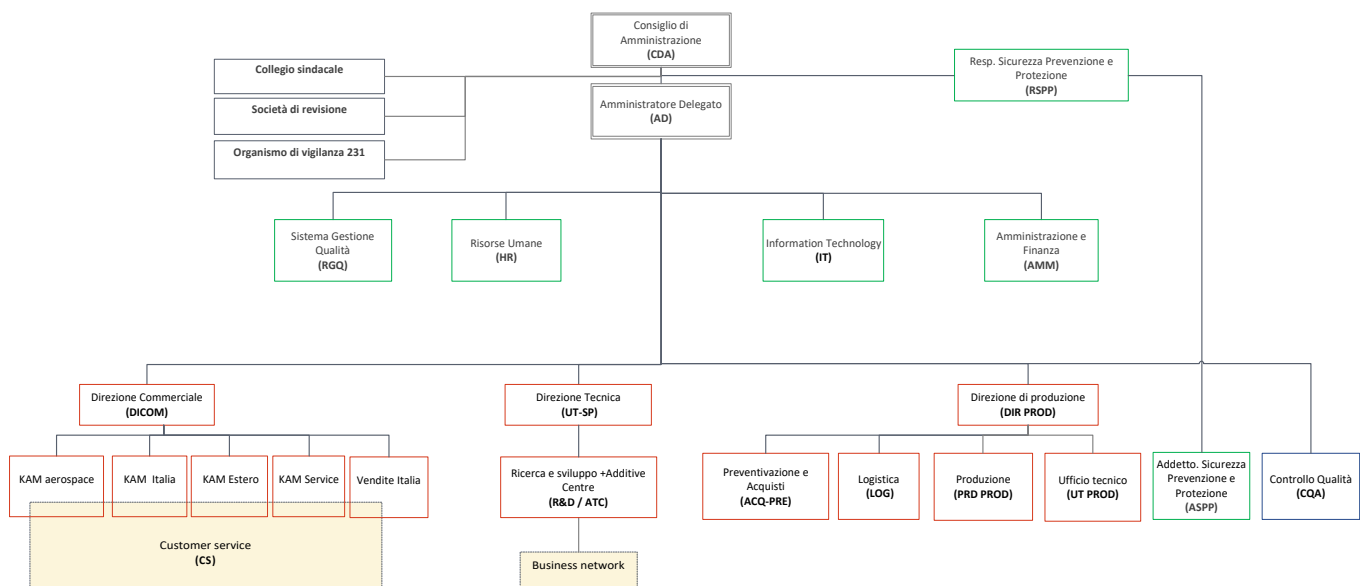
A separate third party as allowed by the law carries out the statutory audit.

3.3 Organization Chart

In order to implement the Model of Organization, Management and Control pursuant to L.D. 231/2001, the organizational structure of the company is of fundamental importance, and identifies the essential organizational functions, and the areas of competence and the responsibilities attributed to each.

Below are the organization Charts of GFM S.p.A. and the main responsibilities and activities of each corporate function are described.

3.3.1 Organization chart - GFM S.p.A.



3.3.3 Description of the activities of the functions of GFM S.p.A.

Below are the principal activities of the main functions of GFM S.p.A.:

Administration and Finance (AMM)

The Administration and Finance Manager of GFM S.p.A. reports directly to the Chief Executive Officer /Director of Operations and manages the accounting and administrative functions of the Company, in particular:

- Responsible for the general ledger;
- Managing bank relations;
- Responsible for managing cash flow;
- Taking out insurance for the Company;
- Managing guarantees of clients and suppliers;
- Carrying out controls for the 770 filing, sales tax (VAT), etc.;
- Responsible for the preparation of the financial statements.

Quality Management System (RGQ)

The Manager of the Quality Management System reports to the Chief Executive Officer / Director of Operations and is involved in all activities related to activities involved in maintaining the standards defined in the ISO9001:2008 certification, in particular:

- Management and preparation of documentation for QMS;
- Training and involvement of employees in the application of QMS;

- Collation and analysis of data regarding QMS performance;
- Providing a summary of the performance of QMS for management review;
- Approval and monitoring of suppliers;
- Managing first, second and third level audits;
- Responsible for EXTRANET and INTRANET portals.

Human Resources (HR)

The Human Resources function reports to the Chief Executive Officer / Director of Operations and is responsible for managing employees of GFM S.p.A., including the preparation of fiscal documentation and dealing with related issues. The function is also responsible for hiring (including compulsory employment), for the definition of policies around rewards and remuneration as agreed with the CEO, and for staff training.

Information Technology (IT)

The IT Manager reports to the Chief Executive Officer / Director of Operations and is responsible for managing and operating the IT of GFM S.p.A., and in particular:

- Ensures that IT supports Company's management processes;
- Maintains an efficient IT system, both hardware and software (including telephones and printers);
- Oversees IT development projects (application development and program changes);
- Ensures data security;
- Manages HW and SW suppliers.

Chief Executive Officer (CEO)

Manuel Cortinovis has the role of Chief Executive Officer of GFM S.p.A.. Specifically, his duties include:

- Developing long term strategies
- Defining the high level objectives of the Budget;
- Approving the long term capital investment plan;
- Representing the company at institutional bodies;
- Making initial commercial contact with potential key customers;
- Defining guidelines for technological developments in the Company;
- Supervising all the operating activities of the Company;
- Guaranteeing the economic results of the Company;
- Preparing and ensuring compliance with the expense budget;
- Approving purchase plans in line with liquidity;
- Overseeing the implementation of all company improvement plans;
- Approving the QMS documentation.

Sales (DICOM)

The Sales and Marketing Manager reports to the Chief Executive Officer of GFM S.p.A. and is responsible for preparing the strategic market plan as defined by the same. In particular:

- Preparing sales budget in line with corporate strategy;
- Market development and identification of new customers;
- Reviewing price lists and discounts policies with written approval of the CEO;
- Managing priorities and the schedules of order fulfillment, and reviews consignment dates;
- Manages the order book, and handling major client emergencies;
- Manages clients relations, carrying out and managing client visits and client satisfaction;
- Manages the Customer Service department (CS):

The Customer Service department reports to the Sales and Marketing Manager and manages the daily customer contacts in order to manage their requests for offers and the orders. In addition, the function manages the order book, co-ordinates with the Technical Sales Office (TEC) regarding timing of quotes and to establish priorities; and co-ordinates with the Supply Chain Department (SC) to confirm that scheduled delivery dates are observed.

Technical Sales Office (TEC)

The Technical Sales office of GFM S.p.A. is divided into 5 specialized groups based on product lines. The 5 managers report to the Chief Executive Officer and are responsible for:

- Supervising the process to develop new product offerings;
- Definition of the technical capability and objectives for selecting new workshops, including contacting and visiting the potential new workshops;

- Ensuring management of technical data (registers, cycles and documentation) and technical documentation (designs);
- Coordinating with CS e DICOM to establish release times for customer quotes;
- Proposing and developing new products and service offerings together with the DICOM and CEO;
- Working with established clients to maintain/improve the technical standards;
- Ensure the supply of raw material;
- Managing the process of issuing supplier orders, together with ACQ.

Supply Chain (SC)

The Supply Chain Function reports to the Chief Executive Officer and is responsible for the entire production process, and in particular:

- Control of GFM production at third parties / suppliers;
- Supporting suppliers in the case of production problems;
- Expediting and monitoring supplier deliveries.

It co-ordinates the activities of the following corporate departments:

- Purchasing (ACQ), which is responsible for:
 - Supplier orders for commercial products (emission, review..);
 - Contractual agreements with suppliers (privacy and supply agreements);
 - General corporate services (maintenance, cleaning company, cafeteria..)
- Logistics (LOG), which is responsible for:
 - Management of goods received, internal transfers and deliveries to customers and suppliers (finished goods, work in progress, raw materials);
 - Monitoring the planning and chasing up supplier deliveries;
 - Physical inventory counts (internal and at third parties);
 - Management and maintenance of vehicles;
 - Transportation and related documentation (Italy / abroad);
 - Waste management.

Quality Control (CQA)

The Quality Control Department reports to the Chief Executive Officer and is responsible for:

- Managing of non-compliance by suppliers, customer complaints and requests for concessions;
- Controls over goods received and delivered (qualitative and documentary);
- Management of certificates of quality;
- Inspections at suppliers and on client request;
- Management of measuring instruments;

Safety Manager (RSPP)

The Safety Manager of GFM S.p.A. reports to the Chairman of the Board of Directors and co-ordinates safety and prevention, maintaining safety standards required by law. In particular:

- Identifies and evaluates the risk of injury: analyzing the productive elements in use (machinery, toxic substances, equipment, etc.) and the structural conditions of the work environment (organization and location of equipment and working positions, exposure to dangerous substances or preparations, noise, manual handling, etc.);
- Identifying issues related to health and safety in the work environment.
- Having gathered the documentation ensures the safety measures established are the most appropriate.
- Taking part in meetings with employee representatives, with the occupational physician and the employer regarding the prevention and protection from occupational hazards and subsequently organizing action plans and corrective measures.

Plant Manager (PM)

The Plant Manager of the Nembro site reports to the Chief Executive Officer and together with the latter is responsible for the economic performance of the Company. The Manager is also responsible for sales and marketing. The Manager's principle activities include:

- Executing the strategic plan outlined by the DIR;
- Coordinating the activities of the functions UT PROD, ACQ PROD, PRD PROD, LOG PROD and CQA PROD;
- Managing the quotations and client order system;

- Responsible for all post-sales issues, excluding non-compliance.

Technical PROD (UT PROD)

The Technical Manager of the Nembro site reports to the Plant Manager and oversees the offer development process. The manager is also responsible for internal design developments, proposes and develops new products and services to offer to the market and is responsible for the selection and evaluation of subcontracted suppliers.

Purchasing (ACQ)

The Purchasing Department of the Nembro site reports directly to the Plant Manager and is responsible for purchases of raw material supplies and tools, for sub-contracted supplier order management and for purchases of consumable supplies (office supplies, spare parts for plant maintenance etc..).

Production (PRD PROD)

The Production Manager of the Nembro site reports to the Plant Manager and is responsible for order fulfillment. In particular:

- Managing customer orders and following up on commencement of production;
- Managing the technical development of internal and external production (work cycles, machine programs, ...);
- Programming of CNC machines;
- The correct input of data relating to actual hours worked (non-production/production) and external costs;
- In collaboration with production scheduling, monitoring and managing the progress of production, prioritizing machine workloads and subcontracted suppliers;
- Managing production equipment and its maintenance.

Logistics (LOG PROD)

The Logistics function in the Nembro site reports to the Plant Manager. The Manager is responsible for loading and unloading raw material inventory and tools, including related coding and maintenance.

The function checks materials in and out for sales and purchases, including invoices, and manages transportation. The function is responsible for physical inventory and waste management.

Quality Control (CQA PROD)

The Quality Control Manager of the Nembro site reports to the Plant Manager.

The function is responsible:

- for dimensional inspection performed in the production area;
- for monitoring acceptance of subcontracted work performed by external vendors;
- for management and issuance of quality certificates;
- for the management of measuring instruments;
- for inspections at suppliers;
- for management of supplier non-compliance / customer complaints, requests for concessions.

Safety Officer (ASPP)

The Safety Officer reports to the RSPP and co-ordinates safety and prevention required by law. In particular:

- Together with the Safety Manager, identifies and evaluates the risk of injury: analyzing the productive elements in use (machinery, toxic substances, equipment, etc.) and the structural conditions of the work environment (organization and location of equipment and working positions, exposure to dangerous substances or preparations, noise, manual handling, etc.);
- Together with the Safety Manager, Identifying issues related to health and safety in the work environment.
- Together with the Safety Manager, having gathered the documentation, ensures the safety measures established are the most appropriate.
- Together with the Safety Manager, taking part in meetings with employee representatives, with the occupational physician and the employer regarding the prevention and protection from occupational hazards and subsequently organizing action plans and corrective measures.

4 STRUCTURE OF THE MODEL OF ORGANIZATION, MANAGEMENT AND CONTROL OF GFM S.P.A.

4.1 Risk assessment and gap analysis

The adoption of a Model of Organization, Management and Control pursuant to L.D. 231/2001 (hereafter also “Model 231” or “Model”) and constant and effective implementation, is a reason for exclusion from responsibility of the Company on the occurrence of certain illegal acts, and is further more a demonstration of the recognition of corporate responsibility of GFM S.p.A. with resulting benefits for all interested parties, including shareholders, employees, suppliers and all those with an interested in the fate of the Company.

GFM S.p.A., therefore, intended to deploy an extensive project to ensure that the Model 231 meets all requirements of L.D. 231/2001 and consistent with the policies, procedures and controls already rooted in the GFM S.p.A. management culture

With the introduction of the Model, GFM S.p.A. realized a preventative tool against the “risks of illegal acts”, related to the illegal acts that “senior management” (directors, managers) and those under their supervision (employees or other collaborators) could theoretically carry out and that could, hypothetically, result in the conviction of a legal person, in accordance with L.D. 231/2001, and a pecuniary or prohibitive sanction.

With the adoption of the Model, GFM S.p.A. plans to institute a process improvement mechanism while meeting the requirements of the L.D. 231/2001

GFM S.p.A. has developed its own Model of Organization, based on an implementation project which can be briefly summarized in the following four phases:

- Phase 1 – Project start: (i) gathering of preliminary information and analysis of the documentation required to understand the processes and activities of the Company, (ii) internal management meetings and meetings with external consultants in order to document and define the project.
- Phase 2 – Identification of risks: To identify and perform a detailed analysis of the existing system of controls in response to sensitive risks, interviewing the Key Officers, and to confirm that the system meets the requirements of L.D. 231/2001 (*As-Is analysis*).
- Phase 3 – Gap Analysis and Action Plan: To identify gaps in meeting the requirements of L.D. 231/2001 and establish a specific action plan to remedy the gaps.
- Phase 4 - Organizational Model: Drafting of Model of Organization, Management and Control of GFM S.p.A.

The methodology followed and the criteria adopted in the various phases are described below.

4.2 Identification of processes and Risks (PHASE 1 and 2).

Art. 6, 2, a) of L.D. 231/2001 includes the need to identify processes and activities in which illegal acts expressly referred to by the Decree may occur. These processes and activities are generally considered “sensitive” (hereafter “sensitive activities” or “sensitive processes”)

The objective of Phase 1 and 2 was to identify relevant corporate functions impacted and a preliminary identification of the sensitive processes and activities of GFM S.p.A..

In preparation for the identification of sensitive activities, an in-depth analysis of the organizational structure of GFM S.p.A was conducted in order to better understand the corporate environment.

The analysis of the companies, their operating models and delegation/proxies granted by GFM S.p.A., led to an initial identification of sensitive processes/activities and a preliminary identification of the functions responsible for such processes/activities.

Such essential information has been gathered through both the analysis of company documentation and through interviews with key personnel who were in a position to provide detailed information on the individual business processes and the activities of individual functions.

A preliminary mapping was prepared which evidenced the sensitive activities and the individuals involved.

AT the end of Phases 1 and 2, the following Key Officers were identified:

- Chief Executive Officer;
- Administration and Finance Manager;
- Supply Chain Manager;
- Sales and Marketing Manager;

- Technical-Sales Manager;
- Quality System Manager
- Human Resource Manager;
- IT Manager;
- Quality Control Manager;
- Safety Manager.
- Plant Manager (Nembro site);
- Production Manager (Nembro site);
- Technical Manager (Nembro site);
- Purchasing Manager (Nembro site);
- Logistics Manager (Nembro site);
- Quality Control Manager (Nembro site);

4.3 Assessment of the “As- Is” evaluation of the control model, Gap Analysis and Action Plan (Phase 3)

In assessing the current system of controls, the following principles were taken into account:

- The existence of formal procedures and guidelines;
- The audit trail of activities and the adequacy of documentation/ IT systems;
- Segregation of duties;
- The existence of formalized delegation consistent with the organizational responsibilities assigned.

Starting from an analysis of the internal control system of GFM S.p.A., it was possible to highlight the processes and areas of improvement and, on the basis of findings, an implementation plan was prepared which identified organizational requirements that characterize a Model of Organization, Management and Control model in conformity with the Decree and necessary improvements to the system of internal control.

4.4 Design of the Model of Organization, Management and Control (Phase 4)

The objective of Phase 4 was to define the Model of Organization, Management and Control, pursuant to L.D. 231/2001

The realization of the phase 4 was supported both by the results of earlier phases and by direction of the decision-making bodies of the company.

The intention of GFM S.p.A. was to prepare a Model that takes account of its own unique operating model, and its governance system and which utilizes the existing controls and functions.

Model 231, therefore, represents a set of principles, rules and regulations which:

- Impact the internal organization of GFM S.p.A. and how it interacts with third parties;
- Regulate the diligent operation of a control system of sensitive activities, aimed at preventing the occurrence or attempted occurrence of illegal acts referred to in L.D. 231/2001

The Model 231 is a comprehensive system of rules and control activity aimed at:

- ensuring transparency and fairness in the conduct of business activities and to protect the reputation and image of GFM S.p.A, its members and employees;
- preventing the commission of illegal acts that might be committed both by senior managers and those under their supervision, in order to give rise to an exemption from administrative liability of the Company in the event of an illegal act identified in L.D. 231/01

The current document consists of a “General Section”, which contains the main principles of the Model 231, and individual “Special Sections”, which describe the nature of illegal acts referred to in L.D. 231/2001 and applicable to GFM S.p.A., given its business models and Sensitive Processes.

4.5 Control standard and System of Internal Control

The system of internal control is the combination of the “tools” aimed at ensuring efficiency and reliability of financial information, compliance with rules and legislation, and safeguarding of company assets.

Control Environment:

Reflects the attitudes and actions of "Senior Management" with reference to internal control. The control environment includes the following elements:

- integrity and ethical values;
- philosophy and management style;
- organizational structure;
- assignment of authority and responsibility;
- human resource policies and practices;
- employee qualifications.

Risk Assessment:

Definition of processes of identification and management of risks that could jeopardize the achievement of corporate objectives.

For the analysis of risk profiles performed by management of GFM S.p.A., refer to section 5.

Control Activity:

Definition of business rules to ensure structured risk management and business processes and to enable the achievement of objectives.

Information and communication:

Definition of an information system (computer system, reporting, indicators and performance measures by process/activity) that allows both senior management and operating staff of GFM S.p.A. to perform the tasks assigned to them.

Monitoring:

This process ensures the quality and results of internal controls over time.

The process must be monitored and changes made if necessary.

These components of the internal control system are the basis for development of control standards used in the Model.

5 RISK PROFILES OF GFM S.P.A.

As mentioned in the previous chapter, the "development" of this model began with identifying activities performed by GFM S.p.A. and the consequent identification of those "sensitive" corporate tasks that may involve unlawful acts specified by the Decree.

Based on the analysis of the sensitive tasks of GFM S.p.A., given the sectors in which it operates, its operating processes, and internal procedures, the focus fell on risk of occurrence of the following illegal acts:

- Art. 24 - Misappropriation of payments, fraud against the State, a public body or public funds and information systems fraud against the State or a public body;
- Art. 25 - Extortion, bribery and corruption;
- Art. 25-bis.1 – Crimes against industry and commerce;
- Art. 25-ter – Corporate crimes;
- Art. 25-quater - Crimes for the purposes of terrorism or subversion of the democratic order under the Criminal Code and special laws;
- Art. 25-septies - Manslaughter and serious or very serious injuries committed in violation of occupational health and safety regulations;
- Art. 25-octies – Receiving, money-laundering and handling money, goods or service of illegal origin;
- Art. 25-decies - Crime of inducing others not to issue statements or to issue untrue statements to the judicial authorities;
- Law no. 146/2006 – Transnational crimes (which are lead to direct liability of the entity if they occur in a transnational manner).

Consequently, it was necessary to strengthen the internal control system with specific reference to such crimes and to incorporate the principles contained in the code of ethics with specific rules of conduct.

Additionally, when updating the Model, a decision was made to also focus on the following risks:

- Art. 25-Quinquesdecies - Tax Crimes (article added by L.D. no. 157/2019 and by L.D. no. 75/2020);
- Art. 25-sexiesdecies - Contraband (article added by L.D. no. 75/2020).

This update also involved the revision of the risk table.

Moreover, given the sector in which the Companies operate, there have been no significant risk profiles of criminal conduct related to the crimes outlined in the following articles:

- Art. 24-bis – Computer crimes and unlawful data processing;
- Art. 24-ter – crimes related to organized crime;
- Art. 25-bis - Crimes relating to counterfeiting money, public credit cards, revenue stamps and instruments or identifying signs;
- Art. 25-quater.1 – Practices involving mutilation of female genital organs;
- Art. 25-quinquies – Crimes against the individual;
- Art. 25-sexies – Offenses of market abuse;
- Art. 25-novies – Offenses related to breach of copyright;
- Art. 25-undecies – Environmental crimes;
- Art. 25-duodecies – Employment of third world country citizens under improper immigration status.
- Art. 25-terdecies - Racism and xenophobia (
- Art. 25-quaterdecies Fraud in sports competitions, abusive gambling or betting and gambling carried out by means of prohibited devices

An exception to that indicated above, for the Nembro site, it was deemed appropriate to also focus the attention on the risks of crimes under art. 25-undecies: Environmental crimes, given that the company is a workshop, and the nature of its business could give rise to risks in this area.

For those crimes which are not considered to represent concrete risks as a result of the probability of occurrence, the principals implemented by companies as well as the principles contained in this model and in the code of ethics, are considered fully appropriate for the prevention of crimes under in those articles. However, GFM S.p.A. considered it appropriate to implement certain controls aimed at mitigating the risk of occurrence of criminal activities under certain articles considered not significant.

As a result, on the basis of the above analysis, the risk areas and areas identified for which procedures and control were established are as follows:

Offense-risk areas

The areas of risk identified for which principles of conduct and control were established are the following:

- Management of relationships with public officials in relation to obtaining authorizations, licenses and permits;
- Management of applications for contributions, grants, subsidies and public financing;
- Management of relations with Public Bodies for compliance, audits and inspections;
- Management of social security/insurance coverage for personnel, and/or management of related investigations/inspections;
- Preparation and management of income tax filings and other tax filings;
- Management of judicial/extrajudicial disputes (including possible settlements), and
- Management of relations with public bodies regarding personnel recruiting with reference to protected categories whose hiring is subsidized.
- Preparation of the financial statements, reports and other corporate communications required by law and addressed to the shareholders and public, as well as other communications required by law;
- Management of relations with the board of statutory auditors, independent auditors and shareholders;
- Management of corporate responsibilities: transactions in share capital, use of profits and capital transactions;

- Activities aimed at setting targets consistent with company policy, establishing the processes necessary to achieve the objectives, defining and assigning resources with regard to the health and safety at work;
- Activities related to the definition of organizational structures and responsibilities, training, consultation and communication, document management system, document and data security, operating controls, emergency management related to health and safety at work;
- Activities related to the implementation of performance measurement and monitoring, recording and monitoring of injuries, accidents, non-conformity, corrective and preventive actions, systems of records management, and means of performing periodic audits;
- Periodic review by Management to evaluate whether the health and safety management system is in place and appropriate under the policy and objectives of the company in relation to health and safety at work;
- Activities carried out to prevent offenses relating to the employment of foreign workers without a residence permit, or whose residence permit has expired and has not been renewed, revoked, or canceled, in accordance with the law (art. 22, paragraph 12-bis, L.D. 286/1998);

In addition, although not subject to a direct relationship with the public administration, the following areas are considered "instrumental" to those outlined above, which could involve or support (in financial and operational terms) the occurrence of the above-mentioned crimes:

- Management of the personnel selection and employment process and of the bonus system;
- Cash flow management and relative tax calculation;
- Management of sponsorship, advertising and promotions;
- Selection of and management of business procurement for goods and services, and
- Management of consulting and other third party services.

With regard to environmental risks that could potentially occur at the Nembro site, GFM S.p.A. is working to plan and implement specific controls that can mitigate the risks with greater probability of occurrence, also in light of the forthcoming relocation of activities to a new production site.

6 SUPERVISORY BOARD

6.1 Composition

The task of continuously ensuring the effective operation and application of the model, and proposing updates, lies with a separate Supervisory Board; the Supervisory Board possesses autonomy, professionalism, independence in the exercise of its functions, as required by art. 6, par. 1, b) of L.D. 231/2001

In response to the overall need for consistent operation, understanding of the history and of corporate events, experience with the issues and of the peculiarities of the 231 Model, GFM S.p.A. appointed the Supervisory board of the individual companies, with the following criteria:

- the collegiality of the Supervisory Board;
- professionalism of individual members;
- knowledge of corporate history and of the organizational system of the Company;
- financial autonomy.

At the date of preparation of this document, the Supervisory Boards of GFM S.p.A. is as follows:

- Sergio Locatelli, Luca Pasinetti, Elena Fenili

The required autonomy of the Supervisory Board is guaranteed due to the functions mentioned in the context of company structure and reporting lines.

In order to assist in the definition and implementation of activities and allow for maximum adherence to requirements and statutory tasks, the supervisory board may engage specialist resources from both within the company and as well as external outside.

6.2 Appointment

The Supervisory Board of GFM S.p.A. was appointed with the resolution of the Board of Directors of 18/01/2016 and in the subsequent resolutions required to ensure its correct operation.

The composition, change and integration of the Supervisory Board of GFM S.p.A. were approved by resolution of the Board of Directors on the recommendation of the Directors.

The office of the Supervisory Board of GFM S.p.A. was reconfirmed by the Board of Directors on 06/08/2019, until the approval of the 2021 financial statement.

Subject to the possibility of a reassessment of the role of the Supervisory Board on the basis of experience gained, the following shall constitute cause for replacement or addition of the composition of the Supervisory Board:

- the allocation of tasks, roles and/or responsibilities within the organizational structure of the company which do not comply with the requirements of "autonomy and independence" and/or "continuity of action" of the Supervisory Board;
- termination or resignation of the member of the Supervisory Board;
- termination or resignation of the member of the Supervisory Board for personal reasons.

The following represent reasons for ineligibility and/or disqualification of the members of the Supervisory Board:

- (i) family relationships, marriage or affinity within the 4th degree with members of the Board of Directors, representatives of the Company, administration or management within the Company or one of its organizational structures with financial and functional autonomy, and persons involved in the management and control of the Company, the Company's Statutory Auditors and independent auditors and other persons specified by law;
- (ii) conflicts of interest, even potential, with the Company or subsidiaries, which compromises independence;
- (iii) ownership, direct or indirect, of shares in companies that could exert significant influence on the Company or subsidiaries;
- (iv) acting as executive director, in the three years prior to appointment as member of the Supervisory Board, in companies subject to bankruptcy, receivership or equivalent procedures;
- (v) existence of judgments, even if not legally binding, settlements or plea bargains, in Italy or abroad, for violations of a relevant corporate administrative liability under D.L. 231/2001;
- (vi) judgments, settlements, or plea bargains which result in, even temporary, disqualification from public offices, or temporary disqualification from the headquarters of corporations and businesses.

Should one of the above-mentioned reasons for replacement, ineligibility or disqualification arise, the member should immediately notify the other members of the Supervisory Board and the member's appointment will cease automatically. The Supervisory Board should communicate the information to the Board of Directors or to the Chairman of the Board of Directors in order to identify a replacement.

In particularly serious situations, the Board of Directors of GFM S.p.A. may order the suspension of the functions and/or powers of the Supervisory Board and appointment an interim body or order revocation of powers. The following constitute grounds for suspension or revocation:

- absence of or insufficient oversight by the Supervisory Board resulting from a conviction, even if not final, issued against the Company pursuant to L.D. 231/2001 or a related settlement
- serious breach of the functions and/or powers of the Supervisory Board.

6.3 Functions, powers and budget of the Supervisory Board

The responsibilities of the Supervisory Board are as follows:

- oversight of the effectiveness of the 231 Model; monitoring of implementation and update of the 231 Model;
- review the adequacy of the 231 Model, and its effectiveness in preventing unlawful conduct;
- review the maintenance of the Model 231 over time, including the basis and operation; proactively promote necessary updates of the 231 Model;
- approval of the annual oversight procedures in relation to corporate structures and functions (hereafter "Supervisory Procedures"), in accordance with the contents and the principles of the 231 Model and with the program of tests and controls of the internal control system; co-ordination of the implementation of Supervisory Procedures and of scheduled and unscheduled control procedures; review of results of activities performed and related reporting; development of guidelines for corporate functions;
- review of communication protocols with corporate functions
- all other tasks required by the law or the 231 Model.

In carrying out the assigned task, the Supervisory Board has unlimited access to corporate information related to investigations, analysis and control. In response to requests by the Supervisory Board, or upon the occurrence of events or circumstances which are relevant for the purposes of conducting the activities of the competence of the

Supervisory Board it is mandatory for all business functions, employees and/or member of company bodies to provide the information requested.

The Supervisory Board is entitled, with independent powers of representation, to enter into, modify and/or terminate professional engagements with third parties with the specific skills necessary to best execute the activity.

6.4 Information flows

6.4.1 Reporting by the Supervisory Board to corporate leadership

The Supervisory Board reports on the implementation of the model, the emergence of any critical issues and communicates the result of the activities carried out. The reporting guidelines are as follows:

- a) ongoing communication with directors, who shall inform the Board of Directors of matters related to the exercise of powers conferred;
- b) from time to time, with the Statutory Auditors and the Board of Directors;
- c) immediate communication with the Statutory Auditors after informing the directors, of any material or significant matters.

In addition, the following applies:

- a) on the occurrence of a violation of the Model by one or more members of the Board of Directors, the Supervisory Board shall inform the Board of Statutory Auditors and all directors. The Board of Directors shall carry out all necessary investigations, directly or indirectly, and, after consultation with the Board of Statutory Auditors, take appropriate action.
- b) on the occurrence of a violation of the Model by one or more statutory auditors, the Supervisory Board shall inform all statutory auditors and the Board of Directors. The Board of Statutory Auditors shall carry out all necessary investigations and, after consulting the Board of Directors, takes appropriate action.

With respect to reporting guideline b) above, the Supervisory Board shall establish:

- a report of the activity performed (specific test and controls performed and the results, necessary updates on the mapping of sensitive procedures, etc.)
- timely updates on legislative developments related to corporate liability.

6.4.2 Reporting to the Supervisory Board: General information and specific obligatory information

The Supervisory Board should be informed, by special reports from Key officers about events that might give rise to liability of the company in accordance with L.D. 231/2001. The following general requirements apply:

- each department Manager must report on the occurrence or reasonable risk of occurrence of offenses contemplated by L.D. 231/2001 or general behavior not in line with the rules of conduct prescribed in the Model;
- each employee shall report a violation (or suspected violation) of the Model by contacting their direct hierarchical superior and/or the Supervisory Board ("dedicated information channels" are established to facilitate the flow of unofficial reports and information);
- consultants, collaborators and commercial partners, in conducting business with the Company, can use "dedicated information channels", to be defined contractually, to communicate violation of the Model directly to the Supervisory Board;
- the Supervisory Board shall evaluate the reports received and activities to be carried; any consequent measures are to be defined and applied in compliance with the provisions of the disciplinary system.

The reporting parties in good faith are protected against any form of retaliation, discrimination or penalization and confidentiality of the identity of the complainant will be assured, subject to legal obligations and the protection of the rights of the Company or of persons accused wrongly or in bad faith.

In addition to reports of general violations described above, notices of disciplinary actions in connection with copyright infringement and sanctions imposed by the Model (including measures taken against employees) should be submitted to the Supervisory Board or the resolution of such measures with the related explanations.

6.4.2.1 “Reports”

All employees, managers and all those engaged in the pursuit of the business of GFM S.p.A. are required to report timely to the Supervisory Board knowledge of any derogation, breach or suspected breach with respect to:

- standards referred to by the code of ethics;
- principles of conduct and enforcement arrangements governed by corporate procedures and protocols relevant to the Decree.

Such “reports” should be sent to the following email address: odv@gfm spa.com, or sent by ordinary post to the Supervisory Body at: **GFM S.p.A., to the attention of the Supervisory Board, Via G. Natta, 5 – 24030 Mapello**

Additionally, GFM S.p.A. has identified the Human Resources manager as the figure responsible for managing Reports of unlawful and irregular occurrences (so-called “whistleblowing”) hereafter also referred to as “GFM Whistleblowing Officer”

GFM has provided several communication channels, as follows:

- e-mail, to the address: segnalazioni@gfm spa.com with access limited to the Human Resources manager and the Chairman of the Supervisory Body;
- reporting, through the company intranet, to the email address: [\gfmgroup.local\sw\Utility\SGQ\SGQ.exe](#), with access limited to the Human Resources manager and the Chairman of the Supervisory Body;
- e-mail, to the address: odv@gfm spa.com with access limited to the Supervisory Body;
- Paper letter, to the mailing address: **GFM S.p.A., Via Natta 5, 24030 Mapello (Bergamo) addressed to the GFM Whistleblowing Manager.**

In company sites that do not allow free access to IT workstations, the competent human resource functions shall ensure the presence of alternative tools for collecting the reports (e.g. dedicated e-mail account).

6.4.2.2. “Information”

In addition to the reports referred to in the preceding paragraph, employees of the Company are obliged to inform the Supervisory Board, all information defined in the Protocol annexed to this Model, and ensure completeness of the information provided.

Such “information” should be communicated exclusively to the following email address: odv@gfm spa.com

The Board will assure informants are protected against any form of retaliation, discrimination, disadvantage or any consequence, ensure confidentiality of the identity, subject to legal obligations and the rights of Group companies or persons falsely accused and/or in bad faith.

The Supervisory Board shall maintain all information and reports communicated under the Model in an appropriate hard copy or electronic file in accordance with Law Decree no. 196/2003. The members of the Supervisory Board are charged with maintaining absolute and imperative secrecy on activities and notices of which they become aware in the performance of their duties.

6.4.3 Filing and conservation of information

All information and reports communicated under the Model are maintained by the Supervisory Board in a manner to be determined on a case-by-case basis. The data and information stored in the database will be made available to parties outside the Supervisory Board on the prior authorization of the Supervisory Board in accordance with specific criteria and conditions for access to the database established by the Board.

7 STRUCTURAL ELEMENTS OF THE DISCIPLINARY SYSTEM

7.1 Introduction

Art. 6, paragraph 2, e) and art. 7, paragraph 4, b) of L.D. 231/2001 establish the requirement for "a disciplinary system to punish failure to comply with the measures indicated in the Model" (with reference to Senior Management, Key Officers and subjects under direct supervision).

The definition of sanctions, applicable to infringements of the measures contained in the model, commensurate with the infringement and prevention, aims to contribute to:

- (i) the effectiveness of the Model itself, and
- (ii) the effectiveness of the controls performed by the Supervisory Board.

The application of the disciplinary system is autonomous with respect to the conduct and outcome of criminal proceedings that may be initiated by the competent judicial Authority.

Given the gravity of the consequences for the Company, in the event of misconduct by employees, managers, directors and statutory auditors, any non-compliance with the Model violates the duties of diligence and loyalty and, in severe cases, undermines the relationship of trust established with the Company.

Violations of the Model and the Code of Ethics will be subject to disciplinary measures stipulated herein, regardless of criminal liability and the outcome of its judgment. These rules complement and not replace the laws and clauses of the collective agreement relating to disciplinary sanctions.

The existence of a disciplinary system for employees, i.e. persons under the management or supervision of one or more senior managers, is inherent to the employment relationship, as required by civil law. In particular, the legislature explicitly assigns the employee a duty of diligence and trust in the performance of their duties, as well as the possibility for the employer to have recourse to disciplinary sanctions against conduct not consistent with these obligations. Of course, the sanction must be commensurate with the gravity of the infringement committed and must comply with the provisions contained in the Statute of Workers and the applicable National Collective Agreement.

7.2 Elements of the disciplinary system

GFM S.p.A.:

- a) shall inform employees of the Model by appropriate means, and
- b) shall inform and train employees adequately in the contents of the Model.

7.3 Violations of the Model

For the purposes of compliance with L.D. 231/2001, for example, the following would constitute a violation of the Model:

- (i) actions or behaviors which do not conform to the requirements of the Model, and the omission of actions or conduct prescribed by the Model, related to activities where risk of offenses contemplated by L.D. 231/2001 exists (hereafter, the "Sensitive Processes");
- (ii) actions or behaviors which do not conform to the requirements of the Model, and the omission of actions or conduct prescribed by the Model, in the performance of activities related to Sensitive Processes which:
 - a) expose the company to objective situation risk of occurrence of any of the offenses covered by L.D. 231/2001; and/or
 - b) are carried out with intent of committing one or more offenses covered by L.D. 231/2001; and/or
 - c) would result in sanctions to the company under L.D. 231/2001
- (iii) actions or behaviors that do not comply with the requirements of the Code of Conduct, the omission of actions or conduct prescribed by the Code of Conduct, in the performance of Sensitive Processes or activities related to Sensitive Processes.

7.4 Employee sanctions

Notice of a violation of the Model from the Supervisory Board will lead to the start of an assessment of the identified deficiencies procedure in accordance with the applicable legislative and contractual framework. Therefore:

- a) notice of breach of the Model provided by the Supervisory Board requires the Directors of GFM S.p.A. to commence assessment activity;
- b) If, as a result of the assessment, an infringement is identified, the Directors of GFM S.p.A. shall identify and impose the disciplinary action provided for by the applicable legislation and contractual framework on the responsible party;
- c) the penalties imposed shall be proportionate to the gravity of the offense.

The sanctions established by the legislative and contractual framework are:

- verbal warning;
- written warning;
- suspension from work and pay for up to 3 days;
- dismissal for just cause.

The Directors of GFM S.p.A. communicate the imposition of the penalty to the Supervisory Board. The Supervisory Board and the Directors oversee the application of the disciplinary measures.

7.5 Manager sanctions

In the case of notice from the Supervisory Board of a violation of the Model by one or more Key Officers determined pursuant to paragraph 7.4. a), the Company will apply sanctions foreseen by law and under the applicable legislative or contractual framework to the offender. If the violation of Model undermines the relationship of trust, the penalty is dismissal for just cause

7.6 Director sanctions

The Supervisory Board informs the Board of Statutory Auditors and all the Directors of any notice of a violation of the Model by one of more members of the Board of Directors. The Board of Directors shall carry out all necessary investigations and, after consulting the Board of Statutory Auditors, takes appropriate action.

8 GENERAL PRINCIPLES OF TRAINING AND COMMUNICATION

8.1 Introduction

The principles contained in the Model of Organization, Management and Control have been widely disseminated, inside and outside the organization.

In accordance with the Guidelines of Confindustria, employee communication and training are important in the implementation of the Model, as specifically outlined in the L.D. 231/2001 GFM S.p.A. undertakes to facilitate and promote knowledge and understanding of the Model by Key Officers, with varying depth depending on the position and roles in the Company, to respect and apply the Model, and to proactively keeping employees informed.

GFM S.p.A. establishes the methods of communication and training.

8.2 Communication and training plan

8.2.1 Communication with members of the corporate bodies

The Model of Organization, Management and Control is communicated formally by the Supervisory Board to each member of the corporate bodies (the Board of Directors and the Board of Statutory Auditors). Each member receiving this communication signs a declaration of knowledge of and compliance with the Model. A copy of this declaration is provided to the Supervisory Board that is responsible for maintaining this information.

8.2.2 Communication and training for managers, department managers and Key Officers

The principles and content of the Model of Organization, Management and Control are communicated formally by the Supervisory Board to all managers of GFM S.p.A. (employed and in service), to the department Managers and to the Key Officers (the latter if not addressed by previous categories) by means of delivery of a copy of the Model.

The principles and content of the Model are explained in training courses; above-mentioned subjects are required to attend training courses. The Supervisory Board working with the competent corporate functions defines the structure of the training courses.

8.2.3 Communication with employees

The Model of Organization, Management and Control is posted on the company intranet and the principles and content of the Model are communicated to each employee.

Initiatives to provide targeted information to non-manager employees (non Key Officers) have also been established.

8.2.4 Communication and training online

The Model of Organization, Management and Control is available online to all employees on the company's intranet site.

Training and targeted information initiatives can be carried out remotely and online.

8.2.5 Communication with third parties and the public

The Model of Organization, Management and Control is brought to the attention of all those who sign contracts with or accept or sign purchase orders from GFM S.p.A.

The commitment of third parties, under a contractual relationship with GFM S.p.A., to respect the principles of the Model must be established by a specific clause in the contract that will be signed by the third-party contractor.

GFM S.p.A shall also evaluate other appropriate methods of communicating the principles of the Model to the public.

9 GENERAL CRITERIA FOR INITIAL IMPLEMENTATION AND UPDATE OR ADAPTATION OF THE MODEL

9.1 Introduction

Given the complexity of the organizational structure, which has been taken into account in the Model, the first implementation and update or adaptation of the Model is documented in an innovation implementation program (hereafter the "Program").

The Program is designed for all circumstances in which it would be necessary to update and adapt the Model (see article 6, paragraph 1, b) of L.D. 231/2001); It identifies the activities necessary to achieve the effective implementation of the Model including definition of responsibilities, timing and manner of execution.

9.2 Situations and criteria of the Program

It is necessary to apply the Program in the following situations:

- with the introduction of legislative changes in L.D. 231/2001 applicable to GFM S.p.A. (activities in these situations represent "initial implementations");
- when there have been significant violations of the Model and/or the results of test of controls reveal significant deficiencies or if there are significant changes in the organizational structure or business sectors within which GFM S.p.A. operates (activities in these situations represent "adaptations");
- when it is necessary to perform periodic review of the Model to ensure continued effectiveness, as a result of the evolution of GFM S.p.A. (activities in these situations represent "updates"). Updates should be performed on a continuous and cyclical basis every three to five years, depending on regulatory developments and changes.

These activities are aimed at guaranteeing the effectiveness of the Model given legislative changes, corporate developments and to remedy any weaknesses in the Model.

Responsibility for the task of completing and rolling out the initial implementation, updates and adaptations of the Model lies with the Directors of GFM S.p.A.

As with the initial adoption of the model, the Managing Directors of GFM S.p.A carry out the initial implementation, updating and upgrading in line with the methodology and the control principles set out in the Model, as approved by the Board of Directors. More specifically:

- the Supervisory Board is required to communicate all information regarding opportunities develop new implementations, update or adaptations of the Model to the Board of Directors of GFM S.p.A.
- the Directors of GFM S.p.A. roll out the Program, informing the Board of Directors; the Program is then outlined and developed by the Supervisory Board with contributions from the competent company functions;
- the results of the Program and related status reports are provided to the Directors of GFM S.p.A., who are responsible for implementing the updates and adaptations. Subsequently, the Directors of GFM S.p.A. communicate the results and related actions to the Board of Directors.

The Supervisory Board shall monitor the implementation of actions and inform the Directors of the outcome of the activities.

10 COMMON PRINCIPLES FOR THE SPECIAL SECTIONS

10.1 Function and objective of the Special Sections

The Special Sections of the Model relate to behaviors by Addressees of the Model involved in identified sensitive activities.

The objective of the Special Sections is to define guidelines and a code of conduct that the Addressees of the Model – as defined in the General Section, should follow to prevent the occurrence of those illegalities under the Decree considered to be "at risk" and to ensure that business is carried out correctly and transparently in GFM S.p.A.

Specifically, the objectives of the Special Sections of the Model are:

- to identify the rules that employees and managers should follow in order to correctly apply the Model;
- to provide the Supervisory Board and other control functions with a means of carrying out monitoring, control and review procedures.

In order to prevent the occurrence of illegalities, throughout and in each of the Special Sections, the guidelines of the following are found:

- a) model of organization and control;
- b) code of ethics;
- c) disciplinary system;
- d) communication protocols.

Each Special Section is, therefore, subject to the control of an autonomous and independent Supervisory Board, prioritized based on the degree of "risk" of each Section.

10.2 The company's overall organization and general rules of conduct common to Special Sections

First, all sensitive activities must be conducted in accordance with applicable laws, the Code of Ethics of GFM S.p.A., the values and policies of the Company and the rules contained in this Model. The Company's Management, as well as employees and third parties who have business relationships with GFM S.p.A. are required to comply with the policies and standards of the Code of Ethics outlined in the General Section of the Model.

Secondly, the Company is organized in such a way as to follow the following operating principles:

- a) segregation of roles and responsibilities;
- b) clear description of the reporting lines for each position through the Organizational Chart;
- c) disclosure, transparency and publication of powers (see *company proxies showing the responsibilities and limitations of company personnel in contact with the external parties*);
- d) written guidelines for the procedures outlined in this Model (so-called "traceability").

11 SPECIAL SECTION: ILLEGALITIES IN BUSINESS WITH THE PUBLIC ADMINISTRATION

11.1 Illegalities in relations with the public administration covered by L.D. 231/2001

Below is a brief description of the offenses referred to in articles 24 (*misappropriation of payments, fraud against the State or a public body or the receipt of public funds and information systems fraud against the State or a public body*) and 25 (*corruption*) of L.D. 231/2001, which represent a potential risk area for the Company.

11.1.1 Embezzlement against the State or the European Union (art. 316-bis Criminal Code)

Such offenses may occur when obtaining a subsidy, contribution, grant or funding designed to encourage works or activities of public interest, paid by the State, other public bodies or the European Community.

11.1.2 Misappropriation of disbursements to the detriment of the State (art. 316-ter Criminal Code)

The offense in question arises when a party, using or presenting false statements or documents, providing falsehoods or by the omission of information, unduly obtains, for himself or others, contributions, grants, subsidized loans and other disbursements of the same type, however denominated, granted or disbursed by the State, other public bodies or the European Community.

11.1.3 Fraud against the State of other public body (art. 640, paragraph 2, no. 1, Criminal Code)

The offense consists of inducing a party through false representations or through fraudulent conduct to obtain unfair profit. The object of the crime is the State or other public bodies

11.1.4 Aggravated fraud in obtaining public funds (art. 640-bis Criminal Code)

This offense occurs if fraud is carried out to obtain public funds.

This situation can arise when false documents and deception are used to obtain funding.

11.1.5 Activities of undue incitement to give or promise (art. 319 quater Criminal Code)

An offense is considered undue induction under article 319-quater of the Criminal Code (introduced by Law no. 190 of 2012), when a public official or someone who is in charge of a public service exerts persuasion or moral pressure on a private individual who realizes the illegality of this pressure but whose freedom of choice is not significantly impacted by the pressure, allowing the individual to avoid the induction of the public official. Otherwise, the crime represents extrusion under article 317 of the Criminal Code.

11.1.6 Corruption by act of office (articles 318 and 321 Criminal Code)

This is a situation in which a public official, or someone in public service, receives for his own account or for other, money or other benefit, or a promise of such, to carry out, omit or delay acts of office (resulting in a benefit for the offering party).

The activity of public officials can also result in the execution of an act (for example: accelerating the outcome of a judicial act).

This offense differs from extortion, in as much as there is an agreement between the corrupted and the corrupter in order to achieve a mutual benefit, while in extortion the private party is subject to the conduct of public officials or of the person in charge of public service.

11.1.7 Cases of bribery of a person charged with a public service (art. 320 of the Criminal Code) and induction to bribery (article 322 of the Criminal Code)

The crime of bribery occurs when a party offers or provides value or other benefit to a public official or a person charged with public office in order to obtain or maintain business or in order to obtain other improper benefits.

11.2 Concept of public official and person charged with public office

11.2.1 Introduction

The following list is a mere example of such subjects in situation listed above.

Guidelines of offenses that can be carried out in relation to the various categories of are provided.

11.2.2 Public Administration bodies

For the purposes of criminal law, any legal entity that has a public duty and which carries out legislative, judicial or administrative activity is considered a Public Administration body.

Although there is no definition in the Criminal Code of Public Administration, as established in the Ministerial Report to the same code, in relation to the offenses provided for therein, Public Administration includes "all activities of the State and other public entities".

For further clarification of the definition of Public Administration, reference can be made to art. 1, paragraph 2, of L.D. 165/2001

11.2.3 Public official and those charged with public service (articles 357 and 358 of the Criminal Code)

In the application of the above mentioned crimes:

- public officials – are those who carry out a public legislative, judicial or administrative role. In this regard it is important to note an administrative function public when it is characterized by the formation and manifestation of the will of the public administration and exerts powers of authorization or certification;

- *those charged with public service* – are those who, under whatever title, render a public service. Public service is to be considered an activity governed in the same forms of a public function, but characterized by a lack of the typical powers of the latter (such as certification and authorization).

11.3 “Sensitive activities” under L.D. 231/2001 and associated “instrumental activities”

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called “sensitive” activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analysis of the business processes of GFM S.p.A. identified the activities in which illegalities described in articles 24 and 25 of L.D. 231/2001 could arise. Here is a list of the sensitive activities related to illegalities involving the Public Administration.

1. Management of relations with public bodies to obtain authorizations, licenses and permits;
2. Management of applications for contributions, grants, subsidies and public financing;
3. Management of relations with Public Bodies for compliance, audits and inspections;
4. Management of social security and insurance of employees, and/or management of related audits / inspections;
5. Preparation and management of the income tax or substitute tax declarations or of other filings related to the payment of taxes in general;
6. Management of judicial/extrajudicial disputes (including possible settlements);
7. Management of relations with public bodies regarding personnel recruiting with reference to protected categories whose hiring is subsidized.

In addition, the following areas are also identified as “instrumental” to the above, although not subject to direct relationship with Public Administration, because they support or underlie (financially and operationally) the occurrence of the above-mentioned illegalities:

- a) Management of personnel selection and hiring and management of the bonus system;
- b) Cash management;
- c) Management of gifts, humanitarian and solidarity initiatives (for example, donation or other concessions);
- d) Selection of and management of business procurement for goods and services; and
- e) Management of consulting and other third party services.

11.4 Control procedures concerning specific business procedures

For the purposes of the application of rules and prohibitions listed above, as well as the principles already contained in the General Section of the present Model, for the specific procedures with reference to “sensitive activities” described below, the control procedures described below must be followed.

Common procedures in the management of all the *sensitive activities* as described above are as follows:

- The manner of doing business both formally and informally with the various public bodies must rigorously follow these principles:
 - a) the process should be carried out in such a way as to ensure the correctness and transparency of the relationship with the PA, as well as the traceability of the communications, decisions and results of activities;
 - b) for no reason, even if in the interest or for the benefit of the Company, should an individual donate money or promise payment to obtain a benefit otherwise unlawful or illegitimate, or otherwise engage in conduct that might constitute an offense of corruption under L.D. 231/2001;
- Any person managing a sensitive activity must prepare a summary for his immediate supervisor who shall make this available to the Supervisory Board and/or, depending on its importance, to the Board of Directors;
- The following clauses should be included in contracts with suppliers of goods and services, clients and with others with whom GFM S.p.A. does business:
 - a) the obligation of those who have business relationships with GFM S.p.A. to recognize and act in accordance with the principles set forth in this Model 231;
 - b) the right of GFM S.p.A. to rescind the contract in the case of a violation by the counterpart of the contents of the Model 231.
- the means of filing and maintaining documentation of the activities to ensure ready access to the documentation on request. Specifically, each department shall archive the material generated as a result of inspection and/or testing according to their functional responsibilities

In addition to these common procedures, procedures have been defined for each of the *sensitive activities* that are detailed in **APP. MD4 - PT1.0 Crimes against the PA and Obstacles to Justice**.

11.5 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, the Supervisory Board shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activities.

12 SPECIAL SECTION: CORPORATE CRIMES

12.1 Corporate Crimes under L.D. 231/2001

Below is a description of the illegalities referred to in art. 25-ter of L.D. 231/2001, which states “*In relation to corporate crimes under the civil code, committed in the interest of the company, by directors, Chief Executive Officer or administrator or by other parties under their supervision, if the illegality would not have arisen if they supervised the activity in compliance with the authority of their position, the following monetary sanctions apply...*”. The descriptions provided below are of those illegalities deemed to be potential risk areas for the Company.

12.1.1 False corporate reporting (art. 2621 of the civil code)

This illegality arises with the recognition in the financial statements, reports or in other legal corporate communications, addressed to shareholders or the public, of falsifying material facts, albeit subject to estimates, on the financial position, results of operations or cash flows of the company or the group, as well as omitting information the disclosure of which is required by law, with the aim of misleading the shareholders or the public.

Furthermore:

- subjects of this crime can be directors, general managers, managers responsible for preparing the company's financial statements, auditors and liquidators, as well as those which, according to article 110 of the Criminal Code contribute to the offense;
- the activity should be carried out to obtain an unfair profit or benefit in person or for others;
- the conduct must be such as to mislead the recipients of communications;
- responsibility also arises in relation to information regarding property owned or administered by the company on behalf of third parties;
- in any case, the fact is not punishable if estimated disclosures, individually considered, do not vary more than 10% from the correct amount.

12.1.2 False corporate reporting to the detriment of the company, shareholders or creditors (art. 2622 civil code)

This illegality arises with the recognition in the financial statements, reports or in other legal corporate communications, addressed to shareholders or the public, of falsifying material facts, albeit subject to estimates, on the financial position, results of operations or cash flows of the company or the group, as well as omitting information the disclosure of which is required by law, in order to mislead the readers of the financial information, causing a financial loss to the company, shareholders or creditors.

Furthermore:

- subjects of this crime can be directors, general managers, managers responsible for preparing the company's financial statements, auditors and liquidators, as well as those which, according to article 110 of the Criminal Code contribute to the offense;
- the activity should be carried out to obtain an unfair profit or benefit in person or for others;
- the conduct must be such as to mislead the recipients of communications;
- responsibility also arises in relation to information regarding property owned or administered by the company on behalf of third parties;
- in any case, the fact is not punishable if estimated disclosures, individually considered, do not vary more than 10% from the correct amount.

12.1.3 Prevention of control (art. 2625 of the civil code)

The crime representing impeding or preventing control activity or testing legally performed by the shareholders, other corporate bodies or the independent auditors by falsifying documents or other acts.

Furthermore:

- subjects of this crime can be directors;
- this is a prosecutable criminal offense if it has caused damage to shareholders.

12.1.4 Operations prejudicial to creditors (art. 2629 of the civil code)

This is accomplished with the execution of capital reductions or mergers with other companies or demergers, causing extensive damage to creditors, in violation of provisions protecting creditors.

Furthermore:

- subjects of this crime are the directors;
- the crime can be settled before trial with damages being paid to the creditors before the trial.

Being an offense that is committed to preserve the company's interests, to the detriment of creditors' rights, there is clearly a risk that on occurrence by administrator's legal criminal proceedings could begin against the legal person.

A typical case, for example, is the merger between a company in good economic standing and another non-performing company, carried out without following the procedures outlined in art. 2503 which guarantee the creditors of the former company, who could see their guarantee of the share capital significantly reduced.

It is therefore necessary to underline – particularly to the directors – the need to respect the civil legislation designed to protect creditors in critical areas of development of the company.

12.1.5 Barriers to the exercise of functions of public oversight authorities (art. 2638 of the civil code)

This illegality arises with the presentation of material falsehoods in communications with legal oversight authorities, in order to hinder the function, albeit subject to estimates, related to the financial position, results of operations or cash flows of the entity being examined, as well as fraudulently omitting the disclosure, completely or in part, of matters that should be disclosed.

Criminal conduct also arises when a company intentionally hampers the activity of a supervisory authority in any form, including by omission of a necessary communication.

12.2 Sensitive activities relating to corporate crimes under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

Analysis of the corporate procedures of GFM S.p.A. identified the activities in which illegalities referred to under art. 25-ter of L.D. 231/2001 could arise.

The sensitive activities are the following:

1. Preparation of the financial statements, reports and other corporate communications required by law and addressed to the shareholders and public, as well as other communications required by law;
2. Management of relations with the board of statutory auditors, independent auditors and shareholders;
3. Management of corporate responsibilities: transactions in share capital, use of profits and capital transactions;
4. Management of shareholder meetings.

12.3 General principles

The Special Section requires Company Management, employees and consultants to scrupulously follow legal requirements, policies and standards of the Code of Ethics in the General Section of the Model and, also to:

1. Maintain correct, transparent and cooperative behavior, in accordance with applicable law and procedures, in all activities aimed at preparing the financial statements and other corporate communications, in order to provide shareholders and third parties a true and fair view of the financial position, results of operations and cash flows of the company. In particular, it is prohibited to include in the financial statements, reports and prospectuses or other corporate communications, false or incomplete information which does not

correspond to the economic and financial condition and cash flows of the company and/or omit data and information related to this reality;

2. Strictly observe all statutory rules to *protect the integrity and effectiveness of the share capital* in order not to affect the safeguards of creditors and third parties in this regard. In particular, it is forbidden: a) to return shareholder contributions or release shareholders from the obligation to perform, except under a legitimate reduction of share capital; b) distribute profits or advances on profits not effectively achieved or directed by law to reserves; c) purchase or subscribe its own shares reducing the integrity of the social capital, unless provided by law; d) making capital reductions, mergers or demergers in breach of legal provisions protecting creditors, causing damage to them; e) carry out fictitious increases in share capital by ascribing shares for a value lower than their nominal value;
3. Ensure the *smooth functioning of the company and corporate bodies*, guaranteeing and facilitating any form of internal control over the management of the company required by law, as well as the free and proper execution of the shareholders' activities, and by not materially preventing the control activities of the shareholder or the independent auditor;
4. Carry out timely, correctly and in good faith all the *communications required by laws and regulations* as required by Supervisory Authorities, without hindering in any way the supervision function.

12.4 Specific controls and procedures

In order to implement the above rules, as well as the general principles included in the General Section of this Model, procedures have been defined for each of the *sensitive activities* that are detailed in **APP MD5 - PT2.0** Corporate crimes.

12.5 Controls of the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, periodically, it may carry out random checks of GFM S.p.A. activities which bear the risk of Corporate Crimes, using direct controls or by verifying compliance with this document and, in particular, with internal procedures which are in place or are to implemented.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activities.

13 SPECIAL SECTION: CRIMES OF TERRORISM AND SUBVERSION OF DEMOCRACY

13.1 Crimes of terrorism and subversion of democracy under L.D. 231/2001

Art. 25-*quater* (*Crimes of terrorism or subversion of the democratic order*) introduced to L.D. L.D. 231/2001 by art. 3 of Law No. 7 of January 14, 2003 (*Ratification of the International Convention against financing of terrorism*) applies sanctions to companies whose senior management or employees carry out crimes of terrorism or democratic subversion under the Criminal Code and by special laws, as well as other crimes “*carried out in violation of article 2 of the International Convention against financing of terrorism established in New York on December 9, 1999*”, in the interest of or to benefit the Company.

The law in question differs from the other content of the L.D. 231/2001 in that it does not contain an explicit list of crimes which can lead to criminal responsibility of the entity, but it refers to a general category of offenses related to terrorism and subversion of the democratic order, referring to the Criminal Code, special laws and the New York Convention.

Nonetheless, the following crimes are subject to L.D. 231/2001, based on the “*crimes with intent of terrorism and subversion of the democratic order under the Criminal Code and special laws*”:

- regarding crimes under the Criminal Code:
 - art. 270-*bis* of the Criminal Code (*Associations for the purpose of international terrorism or subversion of the democratic order*) punishes those who promote, establish, organize, manage or finance associations that support acts of violence for terrorism or subversion, whether against a foreign country or against an international institution or organization;
 - art. 270-*ter* of the Criminal Code (*Assistance to members*) punishes anyone who gives or provides refuge accommodation, hospitality, transportation, communication tools to anyone who participates in associations with terrorist or subversive purposes;
 - art. 280 of the Criminal Code (*attack for terrorist purposes or subversion*);
 - art. 280-*bis* of the Criminal Code (*act of terrorism with deadly or explosive ordnances*);
 - art. 289-*bis* of the Criminal Code (kidnapping for the purpose of terrorism or subversion);
 - art. 302 of the Criminal Code deals with instigation of crimes listed above.
- regarding crimes under special laws:
 - there are aggravating circumstances described under art. 1 of Law 15/1980 applicable to any offense committed for purposes of terrorism or subversion of the democratic order. Therefore, if an individual acting on behalf of a company knowingly supports an operation that constitutes a crime of terrorism this may give rise to liability of the company. Examples of terrorist crimes that could involve corporate responsibility are as follows:
 - money laundering (article 648-*bis* of the Criminal Code) and use of illicit money, goods or services (article 648-*ter* of the Criminal Code);
 - provisions on public order (articles 414 to 421 of the Criminal Code), public safety (articles 422 to 448 of the Criminal Code), public trust (articles 476 to 498 of the Criminal Code) and public economics (articles 499 to 517 of the Criminal Code);
 - offenses relating to the environment, cultural heritage, weapons, narcotic substances.
 - Law 342/1976 punishes crimes against the safety of aviation and air traffic.
 - Law 422/1989 punishes offenses against the safety of maritime navigation and offenses against the safety of fixed installations on the intercontinental platform.

Art. 25-*quater*, paragraph 4, of L.D. 231/2001, provides an additional assumption of administrative responsibility linked to crimes committed in violation of the provisions of art. 2 of the International Convention for the suppression of financing of terrorism, established at New York on December 9, 1999

In accordance with the Convention, all member states must (i) prevent and counteract, through appropriate national measures, the financing of terrorists and terrorist organizations whether direct or indirect through organizations with declared or presumed charitable, social or cultural purpose or which are also involved in illegal activities such as trafficking in arms, narcotic drugs and racketeering, including exploitation of people in order to finance terrorist activities, and in particular (ii) to consider, where necessary, adopting regulations aimed at countering financial

transactions that are suspected to be used for terrorist purposes, without threatening in any way the legal movement of capital and to support the exchange of information related to international movement of such funds.

Under article 2 of the Convention a crime is committed by anyone who, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention of using them or knowing that they are intended to be used, in whole or in part (even if the funds are not actually used), in order to carry out:

- acts intended to cause death or serious injury of civilians in order to intimidate the population, or to coerce a government or an international organization;
- acts which constitute an offense under the Conventions relating to: air and sea safety; protection of nuclear material; diplomatic protection; repression of attacks using explosives.

13.2 "Sensitive activities for the purpose of terrorism and subversion of the democratic order" under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

Sensitive activities identified at GFM S.p.A. in relation to crimes of terrorism or subversion of the democratic order are:

1. Management of personnel selection and hiring and management of the bonus system,
2. Cash management,
3. Management of gifts, humanitarian and solidarity initiatives (for example, donation or other concessions),
4. Selection and management of business procurement for goods and services;
5. Management of consulting and other third party services, and
6. Management of the disposal of movable property.

13.3 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, the procedures for each sensitive activity are listed in **APP. MD4** - PT1.0 Crimes against the PA and Obstacles to justice for activities 1-5 of the previous paragraph and in **APP. MD7** - PT4.0 Crimes against industry and trade, for the activities under point 6.

13.4 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, the Supervisory Board shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activities.

14 SPECIAL SECTION: CRIMES RELATED TO HEALTH AND SAFETY AT WORK

14.1 Crimes involving health and safety at work under L.D. 231/2001

Art. 9 of Law no. 123 of August 3, 2007, replaced by art. 300 of Law no. 81 of April 9, 2008 (Consolidated Safety Act) added the new article 25-septies to L.D. 231/2001. This rule extends criminal liability to corporations for crimes of "manslaughter and serious or very serious injuries caused by violation of occupational health and safety regulations", referred to in articles 589 and 590, third paragraph, of the Criminal Code.

These crimes can result from fault, negligence, malpractice or incompetence.

Here is a list of crimes under art. 25-septies of L.D. 231 of 2001.

14.1.1 Manslaughter (art. 589 of the Criminal Code)

The situation arises in the event of the death of a person as a result of a breach of occupational health and safety regulations.

14.1.2 Serious or very serious injuries (art. 590, comma 3 of the Criminal Code, paragraph 3 and paragraph 4)

This situation arises in the event of serious or very serious injuries resulting from a breach of occupational health and safety regulations.

Under art. 583 of the Criminal Code, personal injury is serious:

1. if the result is an illness which endangers the life of the person, or an illness or incapacity to carry out normal activity for a period in excess of forty days;
2. if it leads to a permanent weakness in a sense or an organ.

The injury is very serious if it leads to:

1. a definitely or probably incurable illness;
2. loss of a sense;
3. loss of a limb or mutilation which renders the limb useless, or loss of use of an organ, the ability to procreate or a permanent of serious loss of speech;
4. deformation or permanent disfigurement of the face.

14.2 “Sensitive activities related to crimes involving occupational health and safety” under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

Therefore, at GFM S.p.A. the following sensitive activities have been identified under art. 9 of Law no. 123 of August 3, 2007, as replaced by art. 300 of Law no. 81 of April 9, 2008, no. 81 (Consolidated Safety Act):

1. Activities aimed at setting targets consistent with company policy, establishing processes necessary to achieve the objectives, defining and assigning resources
2. Activities involving definition of organizational structures and accountability, of training, consultation and communication methods, of the document management system, of document and data control, of methods of management control and of emergency management;
3. Activities to implement measurement and performance management systems, recording and monitoring of injuries, accidents, non-compliance, corrective and preventive actions, records management systems, and periodic audits, and
4. Periodic review of senior management in order to assess whether the health and safety management system is complete and that implementation of the system is sufficient to meet the policies and objectives of the company

14.3 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, the procedures for each sensitive activity are listed in **APP. MD6 - PT3.0 Crimes of health and safety**.

14.4 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, the Supervisory Board shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activities.

15 SPECIAL SECTION: CRIMES OF RECEIVING, RECYCLING, HANDLING MONEY GOODS OR SERVICES OF ILLEGAL ORIGIN AND MONEY-LAUNDERING, IN ADDITION TO SELF-LAUNDERING

15.1 Crimes of receiving, recycling, handling money, goods or services of illegal origin and money-laundering, and self-laundering under L.D. 231/2001

Article 63, paragraph 3, of Law no. 231 of November 21, 2007 added to the list of crimes which lead to corporate liability pursuant to article 25-*octies* of L.D. 231/2001 which discusses the monetary sanctions and prohibition measures applicable when a company is involved in receiving, money-laundering or handling money, goods or services of illegal origin in the interest of or to benefit the Company (crimes included in articles 648, 648-*bis* and 648-*ter* of the Criminal Code).

The objective of Law no. 231/2007 was to protect the financial system from involvement in money laundering and financing of terrorism.

Failure to comply with legislation is sanctioned by the Law as an administrative and criminal offense ("offense-obstacle") aimed at preventing criminal conduct.

Management and the various control bodies who are knowledgeable of money laundering are required to report violations.

Corporate criminal responsibility for crimes under art. 648, 648-*bis* and 648-*ter* of the Criminal Code is limited to situations where the crime is committed in the interest of or for the benefit of the Company. Examples could include acquisition of stolen goods, or use of illegal funds to obtain a contract, etc. On the other hand, there is no interest or benefit for the Company if the employee or senior management acquires goods which have no use in the business of the company. The same can be said for financing of activities outside corporate objectives.

Analysis will be carried out case by case.

15.2 Offenses leading to corporate liability of the company

Here is a list of crimes under art. 25-*octies* of L.D. 231/2001 to which GFM S.p.A. is most exposed.

15.1.1 Receiving (art. 648 of the Criminal Code)

The crime in question covers those who buy, or receive money or results of any crime, or who is involved in buying, receiving or concealing crimes in order to achieve a profit in person or on account of others, excluding accessories to the crime.

Buying includes the process of negotiation, with or without commission, through which the agent gains possession of the goods.

Receiving covers any form of possession of the good related to the crime, even if only temporary or in accommodation.

Concealing includes hiding the illegal goods received. Receiving can also occur with *involvement* in purchasing, receiving or concealing the goods. Receiving can occur in many corporate activities and at various levels within the organization. However, those functions/areas/processes subject to higher risk of activities such as the purchasing and sales departments have been identified.

15.1.2 Money-laundering (art. 648-bis of the Criminal Code)

Art. 648-bis of the Criminal Code indicts anyone who "replaces or transfers money, goods or other benefits of a non negligent crime, or who prevents identification of their criminal origin, excluding accessories to the crime".

"Replacing" refers to substitution of the goods or exchange for "clean" money or other value. For example, deposits to current accounts of recyclers and subsequent bank drafts, checks or withdrawals, use of illegal funds to finance activities or investment in shares and securities or the substitution of the money with precious jewels, gold or other high value items, like paintings or carpets, etc.

"Transferring" can arise through moving illegal monies from one place to another, on behalf of the perpetrators of the crime (for example carrying "dirty" money abroad) or by creating artificial transactions to help move illicit gains, as when a third party buys a building with illicit gains, thus transferring the money to the real recipient.

Finally, to allow for the punishment of any other operation to disguise the origin of the money or goods, other than replacing or transferring, the crime of impairing identification of criminal origin has been identified (for example by compensation). In law, this has been applied to situations where plates of cars involved in crimes have been replaced or the chassis number and serial number altered.

15.1.3 Use of money, goods or services from illegal sources (art. 648-ter of the Criminal Code)

Art. 648-ter addresses the conduct of "whosoever, not including cases of the crime and cases provided in articles and 648 648-bis of the Criminal Code, uses cash, goods or other services from crime in economic or financial activity".

For this offense, extenuating circumstances involving the pursuit of a professional activity are foreseen and the last paragraph of art. 648 is applied, but the penalty is reduced if the facts show low level involvement.

Reference to the concept of "activity" indicating the investment sector (economy or finance) allows the exclusion of simple professional functions (health, education, etc.), in which the intellectual aspect is key (for example, founding a medical practice); except, of course, when this is attached to an entrepreneurial business activity (for example, when illicit funds are used to build and equip a private clinic). Excluding *relatively unskilled* professional profiles, it is appropriate to emphasize that the term in question allows for exclusion from the scope of the law uses of money or other utilities in occasional or sporadic activities.

15.1.4 Self-laundering (art. 648-ter.1 of the Criminal Code)

The crime arises when monies from a non-culpable crime are used in an economic or financial activity, or for speculation. Whoever is found guilty will be subject to imprisonment and fines, if as a result of the crime the competitiveness, transparency and trend of the market is impaired. Prison sentences are increased if the proceeds originate from a willful crime.

Punishment is increased if the crime is in a professional, banking or financial activity.

Punishment is reduced in the cases covered by article 648, 2.

In any event the last paragraph of article 648 applies.

15.3 "Sensitive activities under crimes of receiving, recycling, handling money goods and services of illegal origin and money-laundering" under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

Sensitive activity at GFM S.p.A., in relation to crimes under art. 25-octies of L.D. 231/2001 is "*Cash management*".

15.4 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, the specific procedures applicable to "*Cash management*" listed in **APP. MD4 - Crimes against the PA and Obstacles to Justice** at paragraph 4.2.

15.5 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

16 SPECIAL SECTION: TRANSNATIONAL CRIMES

16.1 Computer crimes under L.D. 231/2001

Law No. 146 of March 16, 2006 ratified and executed the Convention² and the Procedures of the United Nations against transnational organized crime, adopted in General Assembly on November 15, 2000 and May 31, 2001 (hereafter “Convention”).

The Convention aims to promote cooperation to prevent and combat transnational organized crime more effectively. To this end, it requires each member State to the Convention to adopt appropriate measures, in accordance with its legal principles, to determine the responsibility of entities and companies for crimes covered by the Convention.

Art. 10 of the law mentioned above provides for the extension of the principles of L.D. 231/2001 in respect of certain offenses considered transnational as outlined in article 3, that is, where the crime can be considered transnational.

Under article 3 of Law no. 146 of 2006, a transnational crime is “a crime punishable by imprisonment of not less than four years, where an organized criminal group is involved and:

- it arose in more than one Country;
- or it occurred in one Country but a substantial part of preparation, planning, management and control occurred in another country;
- or it occurred in one Country, but an organized criminal group is involved which has criminal operations in more than one Country;
- or it occurred in one Country but has substantive effects in another Country.”

An “organized criminal group”, under the Convention, means “a structured group, existing for a period of time, consisting of three or more persons acting in concert with the aim of committing one or more serious crimes or offenses established by the Convention, in order to obtain, directly or indirectly, a financial or other material benefit”.

16.2 Offenses leading to corporate liability of the company

Hereafter is a description of the types of crimes under art. 10 of Law no. 146/2006 to which GFM S.p.A. is most exposed.

16.1.1 Inducement not to make statements or to make false declarations to judicial authorities (Art. 377-bis of the Criminal Code)

The offense involves induction of a party, as a result of violence, threat or offer or promise of money or other benefits, not to make statements (or to use this option) or to make false statements to the Court (Judge or Public Prosecutor).

Recipients of this are those under investigation or those charged (even in related proceedings or in a related crime) who may legally not be required to respond.

As for the typical cases of criminal acts of induction, this includes situations where a person exerts influence over another, forcing him to act in a certain way, and more explicitly, through violence, threat or promise of money or other benefit.

² Article 10 of the Convention entitled Liability of legal persons states:

“1. Every Member State shall adopt appropriate measures under its legal framework to establish liability of legal persons who take part in serious crimes involving organized crime and for those crimes listed under articles 5, 6, 8 and 23 of this Convention.

2. Subject to the judicial framework of the Member State, the liability of legal persons can be criminal, civil or administrative.

3. Such liability shall be without prejudice to the criminal liability of the individuals who committed the offenses.

4. Each Member State shall ensure, in particular, that legal entities liable in accordance with this article are subject to effective, proportionate and dissuasive criminal or non-criminal punishment, including financial sanctions.”

16.3 “Sensitive activities related to transnational crimes” under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The sensitive activities at GFM S.p.A., in relation to crimes under Law no. 146 of 2006 are:

1. Selection and management of procurement for goods and services;
2. Management of consulting and professional services;
3. Cash management,
4. Management of personnel selection and hiring and management of the bonus system.

16.4 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, the specific procedures applicable to the above-mentioned sensitive activity are listed in **APP. MD4** - PT1.0 Crimes against the PA and Obstacles to Justice, specifically paragraphs 4.1, 4.2, 4.4 and 4.5.

16.5 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

17 SPECIAL SECTION: CRIMES AGAINST THE INDIVIDUAL

17.1 Crimes against the individual under L.D. 231/2001

Hereafter is a brief description of the crimes under article 25-quinquies of L.D. 231/2001, which are potential risk areas for the Company.

17.1.1 Slavery (art. 600 of the Criminal Code)

The crime involves exercising powers of property over an individual, reducing a person to a state of subjection, forcing the individual to work or perform sexual favors, or subjecting the individual to exploitation. Reducing a person to a state of subjection occurs when this is carried out through force, threats, deceit, abuse of authority, or exploitation of a situation of physical or mental inferiority or need, or with the promise or the gift of money or other benefits to whoever has authority over the individual.

17.2 “Sensitive activities related to crimes against the individual” under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed identified “*Management of direct and indirect labor*” as subject to the risk of crimes referred to in the preceding paragraph 17.1.1.

17.3 Specific controls and procedures

In addition to the general principles contained in the general section of this Model and the Code of Ethics, the specific procedures listed in **APP MD4** - PT1.0 Crimes against the PA and Obstacles to Justice in paragraph 4.1 should also be observed.

17.4 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

18 SPECIAL SECTION: COMPUTER CRIMES

18.1 Computer crimes under L.D. 231/2001

Law no. 48 of March 18, 2008 introduced article 24 bis to L.D. 231/2001, in which computer crimes are detailed. Refer to **APP. MD2** - List of Illegal Acts for the full list.

18.1.1 “Sensitive activities related to computer crimes” under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed revealed that there are no substantive risks at GFM S.p.A. related to the occurrence of crimes under art. 24-bis – Computer crimes and unlawful data processing.

18.2 Specific controls and procedures

To achieve the objectives of the general principles contained in the general section of this Model, the following procedures already identified under the Quality Control System should be followed.

In particular, the following procedures:

IO14.0 Instructions for use of information systems

F27.0 Management of internal development

F 28.0 Information systems procurement

F 30.0 Management of electronic signatures

IO 17.0 Creation of WiFi credentials for guests

18.3 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

19 SPECIAL SECTION: CRIMES RELATED TO ORGANIZED CRIME

19.1 Crimes related to organized crime under L.D. 231/2001

For crimes leading to administrative liability of the Company, Law no. 94/2009 of July 15, 2009 (art. 2, paragraph 29) introduced the new article 24-ter to L.D. 231/2001. Refer to **APP. MD2** - List of Illegal Acts for the full list.

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed revealed that there are no substantive risks at GFM S.p.A. related to the occurrence of crimes under art. 24-ter – Crimes related to organized crime.

However, in relation to the risk of occurrence of the crimes listed above, the analysis identified the following sensitive activities of the Company:

- Selection and management of procurement for goods and services;
- Management of consulting and professional services;
- Cash management,
- Management of personnel selection and hiring and management of the bonus system.

19.2 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, the specific procedures applicable to the above-mentioned sensitive activity are listed in **APP. MD4 - PT1.0 Crimes against the PA and Obstacles to Justice**, specifically paragraphs 4.1, 4.2, 4.4 and 4.5.

19.3 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

20 SPECIAL SECTION: INDUCEMENT NOT TO MAKE STATEMENTS OR TO MAKE FALSE DECLARATIONS TO JUDICIAL AUTHORITIES

20.1 Offenses leading to corporate liability of the Company

Law No. 116 of August 3, 2009, article 4, introduced article 25-decies which deals with the following crimes which can lead to corporate liability of the entity.

20.1.1 Inducement not to make statements or to make false statements to Judicial Authorities (art. 377-bis of the Criminal Code)

These crimes include punishment for those who, violently or threateningly, or with an offer or promise of money or other benefit, induce other not to make a statement or to make a false statement to judicial authorities in a criminal case when the individual has the right to remain silent.

20.2 “Sensitive activities in relation to organized crime” under L.D. 231/2001 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The sensitive activity identified at GFM S.p.A. in relation to risk of crimes under paragraph 20.1 above is *“Management of judicial and extra-judicial litigation (including settlements)”*.

20.3 Specific controls and procedures

For the purpose of implementing the above-mentioned rules and the general principles in the general section of this Model, the specific procedures applicable to the above-mentioned sensitive activity are listed in **APP. MD4 - PT1.0 Crimes against the PA and Obstacles to Justice**, specifically paragraph 3.6.

In addition, under the Code of Ethics, when a corporate representative receives a summons to appear before a Judicial Authority in a criminal case involving the performance of corporate functions, it is prohibited to induce or encourage the individuals not to appear, or to make false statements.

20.4 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

21 SPECIAL SECTION: CRIMES AGAINST INDUSTRY AND TRADE

21.1 Offenses which lead to corporate liability of the Company

Art. 15 paragraph 7, of law No. 99 of July 23, outlining “Measures for the development and internationalization of enterprises, as well as energy” brought developments to L.D. 231/2001

The ruling, in addition to changing art. 25-bis (which punishes counterfeiting and alteration of trademarks or distinctive signs and the introduction of products to the country with false labeling) and introducing article 25-novies “Crimes violating authors rights” (which punishes criminal conduct involving software or other works), changed the group of crimes resulting in corporate liability with the introduction of art. 25-bis.1, entitled “Crimes against industry and trade”, which punishes, among others, fraud in the course of trade, “alimentary fraud”, counterfeiting of geographical indications or appellations of origin.

Those crimes under article 25-bis.1 of L.D. 231/2001 for which areas of risk have been identified at GFM S.p.A. Are outlined below.

21.1.1 Sale of industrial equipment with false signs (art. 517 of the Criminal Code)

This article punishes anyone that sells or otherwise, puts into circulation original works or industrial products with domestic or foreign names, brands or distinctive signs which are likely to mislead the buyer concerning the source, origin or quality of the works or product.

The indictment is subsidiary in nature because punishable only if the act is not envisaged as a crime by another provision of law.

Good faith and fair dealing protect the goods in question, violation of which is considered dangerous to the interests of the majority of consumers.

With reference to “sell” or “put into circulation” see comment in relation to the preceding law.

The sale or circulation of the original works or products must use domestic or foreign names, brands or distinctive signs which are likely to mislead the buyer concerning the source, origin or quality of the works or product.

“Domestic or foreign brands or distinctive signs” refers to emblematic signs or names used by the business to distinguish a product or a goods. It is not necessary that the brands be registered since, unlike article 474 of the Criminal Code, article 517 of the Criminal Code does not prescribe application of industrial property. The brand can also be one of a group indicating the source of products from a number of sister companies.

“Names” refers to the denomination which characterizes a product within a similar group.

All Italian and foreign labels must deceive the buyer: which must be assessed in relation to the habits of the average consumer in making purchasing decisions.

The falsehood should involve the origin, source, quality of the work or product, for which reference should be made to the description provided on article 515 of the Criminal Code.

A conviction involves the publication of the judgment.

21.1.2 Manufacture and trade of goods carried out by misappropriating industrial property rights (art. 517-ter of the Criminal Code)

Subject to a claim under articles 473 and 474 of the Criminal Code, the provision punishes: anyone who, while aware of the existence of industrial property rights, manufactures or uses industrially, items or other goods produced by misappropriating an industrial property right or infringing such industrial property right: and anyone who introduces into the national domain, possesses for sale, sells with an offer that targets consumers or, however, puts into circulation such goods.

21.2 “Sensitive activities in relation to crimes against industry and trade” under L.D. 231/2001

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed identified the following sensitive activities of the Company in relation to the risk of occurrence of the crimes discussed in paragraph 1. above:

- Disposal of movable assets, and
- Management of procurement for goods destined for sale.

21.3 Specific controls and procedures

In addition to the general principles contained in the general section of this Model, also the following procedures listed in **APP MD7** - PT4.0 Crimes against industry and trade, should be applied.

21.4 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

22 SPECIAL SECTION: CRIMES RELATED TO BREACH OF COPYRIGHT

22.1 Offenses which lead to corporate liability of the Company

For crimes giving rise to corporate liability, see **APP. MD2** - List of Illegal Acts.

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analysis performed revealed that there are no substantive risks at GFM S.p.A. related to the occurrence of crimes under art. 25-novies – Crimes related to breach of copyright.

22.2 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

23 SPECIAL SECTION: ENVIRONMENTAL CRIMES

23.1 Offenses which lead to corporate liability of the Company

On August 1, 2011, Law No. 177/2011 of July 7, 2011 (L.D. 121/2011) was published in the Gazzetta Ufficiale (Official Gazette). This law relates to the "Implementation of EU directive 2008/99 on the protection environment through criminal law, as well as EU directive 2009/123 which modifies EU directive 2005/35 on shipping pollution and on the introduction of penalties for infringements". L.D. 121/2011, enacted on August 16, 2011, among others, extended the application of L.D. 231/2001 successive modifications to environmental crimes by the introduction of art. 25-undecies to the Decree.

Environmental offenses introduced by Legislative Decree No. 121/2011 are therefore offenses pursuant to the Decree which lead to corporate liability of the entity if, under the other conditions provided for by the Decree, the crime was committed – in the interest of or for the benefit of the entity – by (i) legal representatives, directors or managers of the company, or of an entity within the group with financial and functional autonomy, as well as individuals who, in fact, manage and control the entity; or by (ii) those under the direction or supervision of subjects referred to in (i).

See **Appendix 2** for crimes giving rise to corporate liability. **MD2** - List of Illegal Acts.

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed revealed that there are no identified risks for GFM S.p.A. of occurrence of crimes under art. 25-undecies – Environmental crimes.

23.2 Specific controls and procedures

To achieve the objectives of the general principles contained in the general section of this Model, the following procedures already identified under the Quality Control System should be followed.

In particular, the following procedures:

IS 3.0 Environmental management

IS 4.0 Waste management

23.3 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

24 SPECIAL SECTION: CRIMES AGAINST THE EMPLOYMENT OF CITIZENS OF THIRD COUNTRIES RESIDING WITHOUT AUTHORIZATION

24.1 Offenses which lead to corporate liability of the Company

On July 24, 2012, L.D. 109/2012 was published in the Gazzetta Ufficiale (Official Gazette). With this law, the legislature implemented EU directive 2009/52, containing "*minimum standards on sanctions and measures against employers who employ third-country nationals residing without authorization*".

See **Appendix 2** for crimes giving rise to corporate liability. **MD2** - List of Illegal Acts.

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed revealed that there are no substantive risks at GFM S.p.A. related to the occurrence of crimes under art. 25-duodecies – Employment of citizens of third countries residing without authorization.

24.2 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. In addition, the Board may carry out reviews from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

25 SPECIAL SECTION: TAX CRIMES

25.1 Offenses which lead to corporate liability of the Company

On 24 December 2019, with the publication in the Official Gazette of Conversion Law 157/2019, L.D. 124/2019 was definitively approved, the so-called Tax Decree entitled “*Urgent provisions on tax matters and for unavoidable needs*”, which added the following types of crimes to those governed by L.D. 231.

- Fraudulent tax return through the use of invoices or other documents for non-existent transactions.
- Fraudulent tax return by other artifices.
- Issuance of invoices for non-existent transactions;
- Concealment or destruction of accounting documents;
- Omitted tax return;

The types of tax potentially affected by such crimes are IRES and VAT. Instead, case law and theory would appear to exclude applicability to taxes on business (IRAP). In addition, L.D. no. 75 of 14 July 2020 regarding the implementation of EU Directive 2017/1371, published in the Official Gazette no. 177 of 15 July 2020, with effect from 30 July 2020, definitively ratified the will of the legislature to fight against fraud to the Union's financial interests by means of criminal law (PIF Directive). As a result, the impact on corporate criminal law is significant, especially for tax crimes and crimes against the public administration, and this will determine important changes in the scope of the administrative liability of entities pursuant to L.D. no. 231/2001, extending the list of predicate crimes and increasing the sanctions provided for therein.

Specifically, firstly, new types of relevant crimes for the application of L.D. no. 231/2001 are introduced, including:

- the crime of fraud in public supply pursuant to art. 356 of the Criminal Code;
- the crime of committing fraud to the detriment of the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development pursuant to art. 2 of Law 898/1986;
- the crime of embezzlement (except embezzlement of use) pursuant to art. 314, paragraph 1, of the Criminal Code;
- the crime of embezzlement by profiting from third party error pursuant to art. 316 of the Criminal Code;
- abuse of power pursuant to art. 323 of the Criminal Code;
- the crime of false declaration in case of serious cross-border VAT fraud pursuant to art. 4 L.D. 74/2000;
- omitted declaration in case of serious cross-border VAT fraud pursuant to art. 5 L.D. 74/2000;
- unlawful compensation in case of serious cross-border VAT fraud pursuant to art. 10 quater L.D. 74/2000;
- The contraband offenses as per Presidential Decree no. 43/1973.

In addition, as mentioned, the implementing Decree of the PIF Directive, modified the framework of sanctions for some crimes already listed pursuant to L.D. no. 231/2001 or just introduced by the Decree, increasing them.

The Implementing Decree also modifies the governance of the types of crimes as per art. 322 bis of the Criminal Code, regarding embezzlement, official misconduct, undue inducement to give or promise an advantage, bribery and inducement to bribe members of international courts or the institutions of the European Union or international parliaments or international organizations and functions of the European Communities and foreign States, as well as on the crime of fraud pursuant to art. 640 of the Criminal Code, providing to extend the criminal liability also in case of illegal activities to the detriment of the European Union.

Tax offenses are therefore offenses which lead to corporate liability of the entity pursuant to art. 25 quinquiesdecies of L.D. 231/2001 introduced by Legislative Decree No. 124/2019 as modified by Law 157/2019 if, under the other conditions provided for by the Decree, the crime was committed – in the interest of or for the benefit of the entity –

by (i) legal representatives, directors or managers of the company, or of an entity within the group with financial and functional autonomy, as well as individuals who, in fact, manage and control the entity; or by (ii) those under the direction or supervision of subjects referred to in (i).

For predicate crimes giving rise to corporate liability, see **APP. MD2** - List of Illegal Acts.

Art. 6, 2, a) of L.D. 231/2001 indicates that an essential element of the model of organization, management and control is the identification of so-called "sensitive" activities, namely those activities which could involve the risk of commission of the offenses expressly invoked by L.D. 231/2001

The analyses performed identified risks for GFM S.p.A. of occurrence of crimes under art. 25-quinquiesdecies – Tax crimes.

25.2 Specific controls and procedures

To achieve the objectives of the general principles contained in the general section of this Model, the following procedures already identified under the Quality Control System should be followed.

In particular, the following procedures:

F23.0 Management of checks on receivable invoices

25.3 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures including those to be implemented under the Model. Furthermore, the Supervisory Board can carry out random tests from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activity.

26 SPECIAL SECTION: CONTRABAND CRIMES

26.1 Offenses which lead to corporate liability of the Company

The crime of contraband, provided for by art. 25-sexiesdecies of the Decree, was introduced by L.D. no. 75 of 14 July ("Implementation of EU directive 2017/1371, on the fight against fraud to the Union's financial interests by means of criminal law"). Art. 25-sexiesdecies of L.D. 231/01 establishes that:

"1. In relation to the commission of the crimes under Presidential Decree no. 43 of 23 January 1973, the institution shall be fined up to 200 shares.

2. When the border rights exceed one hundred thousand Euro, the institution is fined up to four hundred shares.

3. In the cases provided for by paragraphs 1 and 2 the sanctions provided for by article 9, paragraph 2 c), d) and e) are applicable to the institution".

For predicate crimes giving rise to corporate liability, see **APP. MD2** - List of Illegal Acts.

The analyses performed identified risks for GFM S.p.A. of occurrence of crimes under art. 25-sexiesdecies – Contraband

26.2 Specific controls and procedures

To achieve the objectives of the general principles contained in the general section of this Model, the following procedures already identified under the Quality Control System should be followed.

In particular, the following procedures:

IO77.0 Management of customs tariffs

This procedure sets forth actions to be "done" and others "not to be done", specifying the operational guidelines expressed in the Code of Ethics.

With regard to those to be “done”, the parties and services involved in the activities at risk must:

- Refrain from introducing, transporting, holding or trading goods in violation of the provisions, bans and restrictions in force;
- Comply with the rules set forth in Presidential Decree no. 43 of 23/01/1973 (Consolidated Text of Customs Laws).

With regard to the area of those “not to be done”, examples of these actions which are to be considered prohibited are:

- introducing foreign goods into the territory of the State by road, in violation of the provisions, bans and restrictions in force;
- introducing foreign goods into the territory of the State by sea, in violation of the provisions, bans and restrictions in force;
- introducing foreign goods into the territory of the State by air, in violation of the provisions, bans and restrictions in force;
- unloading or storing foreign goods in the free zone between the border and the nearest customs;
- concealing foreign goods on one’s person or in one’s luggage or among other types of goods or in any means of transport, to evade its inspection by customs;
- removing goods from the customs spaces without paying the duties due, or without having guaranteed their payment;
- taking out of the customs area national or nationalized goods subject to border rights;
- holding foreign goods, when the circumstances envisaged in the second paragraph of art. 25 for the crime of contraband.

26.3 Controls by the Supervisory Board

Notwithstanding the discretion of the Supervisory Board to take action in respect of specific controls on receipt of reports, it shall periodically obtain attestations from the Key Officers responsible for each sensitive activity in order to confirm conformity of procedures with the Model and internal procedures, including those to be implemented under the Model. Furthermore, the Supervisory Board can carry out random tests from time to time.

To this end, the Supervisory Board is guaranteed free access to all company documents related to the sensitive activities.