

THE ITEMA 231 PROJECT

ITEMA S.p.A. is fully aware of the importance of adopting and effectively implementing a suitable organisation, management and control model pursuant to Italian Legislative Decree 231/2001 in order to prevent unlawful conduct within the Company. It has therefore adopted, by resolution of the Board of Directors dated 31 January 2013, its own organisation, management and control model (hereinafter, the "**Model**"), it being understood that this Model is a valid tool for raising the awareness of its recipients and encouraging them to conduct themselves in a fair and transparent manner and so avoid all risk of their committing any of the criminal offences listed in the aforementioned Decree and that may be construed as an offence regarding the administrative liability of entities.

Legislative Decree n° 231 dated 8 June 2001, bears the "*Discipline regulating the administrative liability of legal persons, companies and associations, even without a legal character*" (hereinafter also "**D.Lgs. 231/2001**" or simply the "**Decree**") and came into force on 4 July 2001 implementing Article 11 of Italian Delegated Law n° 300 dated 29 September 2000. It introduced the concept of "administrative liability of entities" in the Italian legal system, in accordance with European Community law, i.e. where "entities" stands for commercial companies, with capital stock or individual companies, and associations even without a legal character.

Although defined as "administrative" by the law, this new form of liability has the same features of criminal liability, as a criminal court judge is responsible for ruling on the crimes leading to this form of liability. Indeed, the entity in question benefits from the same warranties as a person suspected or accused of a crime in a criminal trial.

Administrative liability arises from those criminal acts expressly set forth in D.Lgs. 231/2001 committed "*in the interest of or to the advantage of the entity itself*" by physical persons entrusted with the role of representation, administration or direction of the entity or any of its organisational units with financial or functional autonomy and by those who are responsible, *de facto*, for its management or control, i.e. under the direction and supervision of one of the aforementioned subjects.

In addition to the provisions described above, D.Lgs. 231/2001 also requires the establishment of the guilt of the entity in order to establish its liability. This requirement

can be interpreted as "*organisation culpability*", intended as the failure by the entity to adopt the appropriate preventive measures needed to prevent the commission of the expressly indicated crimes by the subjects specified in the Decree.

The entity shall not respond to any charge of administrative liability when it is able to demonstrate that it has adopted and effectively implemented an appropriate organisation capable of preventing the commission of such crimes, by means of the adoption of a organisation , management and control model as provided for by D.Lgs. 231/2001.

More specifically, by adopting its own Model, ITEMA intends to pursue the following goals:

- to identify areas of its business activity where crimes may be committed under the Decree and to inform all those working within the Group Companies involved in the "231 System" on how such crimes may be committed;
- to stress that said forms of conduct are strongly condemned by ITEMA, even if the Group is apparently in a position to benefit from the same, because they are contrary to the provisions of law and the principles of good conduct which the Group intends to abide by when carrying on its business;
- to ensure that it deals with the risk of liability for not preventing the commission of the crimes referred to in the Decree by means of the appropriate analysis and management of the activities at risk and the adoption of specific protocols and procedures;
- to allow the individual companies involved, using a suitable system for the constant control and flow of information, to intervene promptly in order to prevent and/or deal with the commission of the crimes referred to in the Decree, also including constant checks that the conduct required by the procedures and provisions in the Model is actually adopted and the imposition of disciplinary sanctions for those found to be behaving in an inappropriate manner;
- to make the directors, executives and employees of the various Group Companies aware that the conduct required of them in the performance of their activities must always be based on respect for the standards of conduct, both general and specific, provided for in the Model and that, should any of the above provisions be infringed,

they may be accused of offences leading to administrative sanctions for ITEMA and criminal sanctions for themselves.

The preventive control system introduced by the Model shall be based on the definition of a threshold for the “acceptability” of the risk of committing a crime under D. Lgs. 231/2001. According to the Confindustria Guidelines, this threshold is represented by a system of prevention that **cannot be circumvented unless fraudulently**. This is the solution most in line with logic expressed in Article 6, paragraph 1, letter c) of the Decree, according to which the entity cannot be held liable if the crime has been committed by someone fraudulently circumventing the organisational Model.

Without prejudice to the purposes of the Decree, the Model also allows Group Companies to add value to their *modus operandi*, to safeguard their position and image, the expectations of their shareholders and the work of their employees. It also acts a constant reference for raising the awareness of all those involved in pursuing ITEMA’s goals.

As part of the administrative choices made by the holding company, ITEMA S.p.A., the Model is an addition to the existing system of procedures adopted by the parent company for its various operational units. These have the goal of ensuring full compliance with corporate strategies, the pursuit of efficacy and efficiency in all processes and guaranteeing the quality and value of the business, as well as the reliability and integrity of all financial and managerial information. All these aspects, together with the Quality Manual, are evoked in full in the Model.

Such a system of procedures has allowed ITEMA S.p.A. to establish over time a series of organisational standards based on the principles of correctness and sound prudent management. The extra governance introduced by this Model adds to these, with the specific aim of ensuring the legality of the work conducted by all those working within the various companies making up the ITEMA Group.

With regard to the applicability of the Decree, Article 4 extends the “administrative” liability of the entities, under certain conditions, to certain possible crimes committed overseas. This extension is of particular relevance for those companies operating abroad, as well as for multinational groups with cross-border (transnational) activities.

In the present case, given that ITEMMA is a Group with subsidiaries operating overseas, it was deemed appropriate, when drafting the Model, to describe the principles governing the application of D. Lgs. 231/2001 and Italian law to their activities.

The structure of the Model:

The Organisation, Management and Control Model (the Model) adopted by the ITEMMA Group consists of a General Part and a Special Part.

The General Part provides a brief description of D.Lgs. 231/01 and its possible repercussions for the Group Companies. It is intended to apply to all Companies involved in the "231 System". It establishes the general standards of conduct that all should adopt and explains the general structure of the Model, clarifying its function, goals and modes of operation, specifying the powers and duties of the Supervisory Body and introducing a disciplinary system capable of punishing (and deterring) non-compliance with the provisions of the Model.

The Special Part, on the other hand, is specific for each Group Company and describes the types of conduct that may lead to a crime being committed within its area of business. It identifies the activities at risk of such a crime being committed and sets out the requirements and preventive measures that the Group Companies should adhere to when carrying on their business in order to ensure the legality of the conduct of each Group Company.

ITEMMA has developed its own Model with the goal of satisfying the "specific needs" mentioned in the Decree, as summarised in Article 7, paragraph 3 of the same and more analytically defined in Article 6, paragraph 2, which has thus provided the working outline for the creation of the Model. In other words:

- to identify those activities where crimes may be committed;
- to foresee specific protocols aimed at planning the forming and implementation of decisions taken by the entity regarding the crimes to be avoided;
- to identify the ways in which the financial resources needed to avoid the crimes are managed;

- to foresee the obligations of information for the Body entrusted with supervising the functioning of and compliance with the Model;
- to introduce a disciplinary system capable of punishing non-compliance with the measures indicated in the Model.

The basic elements of the Model can therefore be identified as follows:

- definition of the ethical principles and standards of conduct in relation to forms of behaviour that may give rise to the crimes foreseen by the Decree;
- identification of the activities where crimes may be committed (the mapping of areas at risk);
- evaluation of the existing organisational system in the potential areas of risk to ensure their capacity to prevent the envisaged crimes for each activity and the simultaneous detection of any weak points;
- review of the system of delegation and powers to ensure consistency with business needs and compliance with the Articles of Association and internal functions;
- provision of specific management methods for financial resources, in tune with the controls already in place;
- consequent improvement and integration of the system of internal controls and existing corporate procedures;
- introduction of a method for continuous detection and management of sensitive processes to suit changes in the organisation and/or the law using all appropriate tools, including computerised systems;
- setting-up of the Supervisory Board (SB) in the Companies involved in the "231 System", establishing the rules for the SB, its powers and responsibilities, the reporting lines and flows of information towards this and coordination between the various bodies in the Group Companies;
- widespread general information/training on the contents of the Model for all the recipients referred to in paragraph 3.4, ensuring that the Model is constantly updated and effective over time;

- introduction of a disciplinary system in accordance with the provisions of Article 6, paragraph 2 for the recipients referred to in paragraph 3.4 and designed to punish and deter non-compliance with the procedures and provisions of the Model;
- verification of the potential significance of unlawful conduct by parties external to the Company and, where necessary, the taking of appropriate measures to punish and deter such conduct;
- definition of the roles and responsibilities linked to the adoption and effective implementation of the Model.

The following documents therefore form an integral part of the ITEMA Model:

- ITEMA Group Code of Ethics and Standards of Conduct (Annex A);
- Map of Group investments (Annex B)
- Organisational Chart (Annex C);
- Job Descriptions and Corporate Procedures (Annex D);
- Supervisory Body Rules (Annex E);
- Corporate Disciplinary System in accordance with Articles 6 and 7, D.Lgs. 231/2001 (Annex F);

The recipients of the Model:

Depending on their potential involvement in the areas at risk, as identified and specified in the Special Part, the following subjects will be recipients of the Model:

- a) Directors;
- b) Employees;
- c) Supervisory Body;
- d) Shareholders;
- e) Statutory Auditors;
- f) Third Parties.

The Supervisory Body:

The mechanism foreseen in Article 6, paragraph 1 of the Decree providing exemption from administrative liability provides for not only the adoption and effective implementation of an organisation, management and control model (letter a), but also the setting-up of a Supervisory Body (letter b): "*a body within the entity with autonomous powers of initiative and control*", having the task of supervising the functioning of and compliance with the Model, as well as that of updating the Model.

Article 14 of Italian Law n° 183 dated 12 November 2011 (known as the Stability Law 2012) provided for the addition of an extra paragraph in Article 6 of D.Lgs. 231/2001 (paragraph 4-bis) with effect from 1 January 2012. As a result of this additional paragraph, "*in stock companies, the Board of Auditors, the Supervisory Council and the Management Committee may perform the functions of the Supervisory Body pursuant to paragraph 1, letter b*".

Despite this possibility introduced by the aforementioned Law and in order to avoid any overlapping of the managerial and control activities, the ITEMA S.p.A. Board of Directors has deemed it fit and better suited to protect the Company's interests that an *ad hoc* body should be set up, to be independent of Top Management and the Board of Auditors and so not directly involved in any decision-making process or the running of the Company.

The Supervisory Body (hereinafter, the "SB") is entrusted with the task of supervising the functioning of and effective compliance with the Model on an independent and on-going basis. Its goals are to check that all subjects actually behave in accordance with the Model and to detect the need, if any, to update the Model, proposing any necessary changes to this.

The powers and duties of the Supervisory Board, its respective responsibilities and relationships with other interested bodies within each Company are governed by the specific Supervisory Board Rules (hereinafter, the "SB Rules"), which form an integral part of the Model (Annex E).

To ensure the continuity and effectiveness of the tasks assigned to the SB, this body enjoys a direct relationship with all corporate functions and communicates with them via e-mail. In order to guarantee the continuity and effectiveness of that relationship with all the recipients of the Model, the SB may be contacted at any time by e-mail. Its e-mail address is widely circulated and therefore known to all recipients of the Model.

Provided that each Company involved in the "231 System" is responsible for the implementation of this General Part and the adoption of a Special Part regarding its "Sensitive Processes" and that the Supervisory Body set up in each Company has primary responsibility for monitoring compliance with the Model, the ITEMA S.p.A. Supervisory Board shall act as the coordinator, i.e. it shall mainly provide direction.

The functions and powers of each SB are as follows:

- to issue directions concerning organisation aimed at regulating its activities and the handling of interface with the various areas within the Company in order to receive from these all the required types of significant information needed to ensure effective implementation of the Model;
- to manage the production of suitable documents in order to raise awareness of the Model and to guarantee that any required training is provided;
- to undertake and document audits to verify that the procedures and provisions of the Model are properly observed;
- to analyse any infringements of the procedures and/or provisions of the Model it itself detects or those reported to it by others;
- to communicate, in accordance with paragraph 3.13, the results of its preliminary investigations into an infringement of the procedures and/or provisions of the Model or to archive any unfounded report/instance, justifying this (or, upon request, carry out further investigations);
- provide its opinion during formal investigations and examination of an infringement, as well as to challenge or impose any sanctions;
- to perform all activities that may become necessary to ensure that the map of the areas at risk is kept up-to-date, reflecting any changes in the Company's operations and any amendments to the law;

- to promptly formulate and submit to the Board of Directors any proposals for updating the Model that it deems to be urgent and to propose other, non-urgent, modifications in a six-monthly report;
- to report its activities to the competent bodies;
- to explain to recipients of the Model how this works, when so requested.

The disciplinary system:

The suitability and effectiveness of the Model can only be guaranteed if it includes a suitable disciplinary system designed to punish and deter infringement of the provisions of the Model (Article 6, paragraphs 2 and 7 of D.Lgs. 231/2001).

ITEMA has, therefore, established a system of sanctions linked to the obligations accepted by all employees, executives and directors in the various Group Companies required to act in full observance of the provisions and procedures of the Model (Annex E). This system integrates the various disciplinary codes already existing within each of the Group Companies involved in the "231 System". This disciplinary system coordinates with the applicable disciplinary rules foreseen by local laws and collective labour contracts.

The disciplinary procedure for infringement of the provisions of the Model or the Code of Ethics is basically the same for all ITEMA Group Companies involved in the "231 System", without prejudice to any mandatory provisions in the laws applicable at a local level.