FOSBER S.p.A.

Registered Office in Monsagrati (LU), 55064, Via Provinciale per Camaiore 27-28
Tax ID and VAT 00429870462

ORGANISATION, MANAGEMENT AND CONTROL MODEL

pursuant to It. Legislative Decree 8 June 2001, no. 231

on the "Administrative Liability of Companies"

General Part

This "Organisation, Management and Control Model" ("Model") of Fosber S.p.A. has been drawn up and revised in implementation of the provisions under articles 6 and 7 of It. Legislative Decree 231 of 2001.

The implementation of the Model was approved by the Board of Directors of Fosber S.p.A. with resolution dated 26 March 2019 and, by virtue of the powers of the Chief Executive Officer, it is updated and effectively enforced through its progressive implementation by the Chief Executive Officer and the Supervisory Body.

The "Model" is the management reference providing a tool arranged for the prevention of the criminal offences set forth by the aforementioned It. Legislative Decree, in compliance with the corporate ethics policy implemented by the Company.

CONTENTS OF THE DOCUMENT

Attachments

Special Sections
Regulatory Appendix to the Special Sections

"**A**" – List of predicate offences
"**B**" – Disciplinary and sanctions system
"**C**" – Statute of the Supervisory Body

DEFINITIONS

Director(s)	Member(s) of the Board of Directors of Fosber SpA
Activities at Risk of Crime or Sensitive Activities	They indicate the processes, operations or deeds or set of operations and deeds in the performance of which, in relation to the cases of Predicate Offences, it is theoretically possible to commit an offence falling within such cases, by the persons who carry out their activities for the Company
Areas at risk of crime	Roles, offices and/or departments within which the Predicate Offences may be theoretically committed
CCNL	National Collective Labour Contracts applied by Fosber
Code of Ethics	Code of Ethics implemented by the Company and approved by the Board of Directors
Board of Directors	The Board of Directors of Fosber
Associates	This refers to any person who has entered into a collaboration relationship even with powers but without any constraints pertaining to employment, agency, representation and/or other non-subordinate professional relationships
Managing Director(s)	Director having specific operative powers pursuant to resolutions of the Board of Directors of Fosber
Consultants	Persons acting on behalf of Fosber pursuant to an agency contract or other contract for professional services
Decree or Legislative Decree 231/01 or Decree 231/01	It. Legislative Decree no. 231 of 8 June 2001, with subsequent amendments and additions
Recipients	Persons required to comply with the provisions of this Model pursuant to the Decree such as, by way of a non-limiting example, the Corporate Bodies, Directors, Auditors, Employees, Consultants, agents, Associates and Partners, as well as those who act on behalf of the Company and all those who, either directly or indirectly, permanently or temporarily, establish, for any reason, including de

	facto, contractual or collaborative relationships operating in the interest of the Company
Employees	All persons who have a salaried employment or self-employment relationship with Fosber S.p.A., including managers
Entity	Term with which It. Legislative Decree no. 231/2001 indicates the legal person liable pursuant to said Decree
Suppliers	Suppliers of goods and services to Fosber who do not fall under the definition of Partners
Fosber *or Company*	Fosber S.p.A. with registered office in via Provinciale per Camaiore 27-28, 55064 Monsagrati (LU)
Guidelines	The "Guidelines for the construction of Organisation, Management and Control Models pursuant to It. Legislative Decree 231/2001", prepared by Confindustria, dated March 2014 (approved by the Ministry of Justice on 21 July 2014)
Model, Organisational Model or MOGC	Organisation, Management and Control Model implemented by Fosber, pursuant to articles 6 and 7 of the Decree. The Model consists as a whole of the General Part, Special Parts, and Attachments
Company Bodies or Corporate Bodies	The Board of Directors and the Board of Statutory Auditors of Fosber
Supervisory Body or SB	It refers to the Body consisting of several persons in charge of overseeing operation of and compliance with the Model, as well as the relevant updating at Fosber and envisaged by art. 6 of It. Legislative Decree 231/01
Partner	Contractual counterparty (including customers) with whom Fosber has entered into a contractually regulated relationship, intended to cooperate with Fosber within Activities at Risk
General Part	The part of the Model containing, among other things, the description of the functions of the Model and Supervisory Body, as well as a description of the organisation and structure of Fosber
Special Part or Special Parts	The parts of the Model expressly designated for each Crime identified as significant for Fosber's activity, describing the specific features of the Crimes, the Areas and Activities at Risk of Crime, the main

	features of the crime control and prevention system, as well as the control and monitoring activities of the Supervisory Body
Public Administration or PA	It refers to the set of public bodies and entities (State, Ministries, Regions, Provinces, Municipalities, etc.) and sometimes bodies governed by public law, concessionaires, contracting authorities, mixed PLCs, etc.) and all other subjects who perform public functions in some way in the interest of the community and therefore in the public interest
Predicate Offences or Crimes	The types of offences to which the provisions of the Decree apply. Fosber's Organisational Model includes the list of Predicate Offences under the updated Decree as at the date of publishing the MOGC
Internal Control System	The set of procedures, processes and application practices implemented by Fosber and whose objective is the governance and control of all company activities
Occupational Health and Safety Management System ("SGSL")	Organisational and management model for the definition and implementation of a company health and safety policy pursuant to art.6 c.1, letter A of Decree 231/01 suitable for preventing the offences under articles 589 and 590 c.3 of the Italian criminal code committed in breach of the accident prevention regulations on the protection of occupational health and safety.
Senior Managers	It indicates the people with autonomous power to make decisions in the name and on behalf of the Company albeit in the exercise and within the limits set by their respective powers. Pursuant to art. 5, paragraph 1, letter A) of It. Legislative Decree 231/2001, these are people who hold functions of representation, administration or management of the Company or of one of its organisational units with financial and functional autonomy, as well as people who, even de facto, manage and control the same
Persons reporting to others	It indicates the people subject to the management and supervision of Senior Managers as identified in art. 7 of It. Legislative Decree no. 231/2001
Consolidated Safety Law	Consolidated Safety Law, pursuant to It. Legislative Decree no. 81 of 9 April 2008 with subsequent amendments and additions

INTRODUCTION

This Model, approved and implemented by Fosber's Board of Directors on 26 March 2019 and subsequently updated on 25 November 2020, is the document describing and establishing the rules, procedures and principles implemented and pursued by Fosber in an ongoing manner in order to have an effective and operational tool to ensure – together with all the procedures already in place for purposes of control and transparency – maximum reduction of the risks under It. Legislative Decree 231/01.

1. ITALIAN LEGISLATIVE DECREE 231/2001 - "Provisions regulating the administrative liability of legal persons, companies and associations, even without legal personality"

GENERAL PRINCIPLES

It. Legislative Decree 8 June 2001, no.231 implementing art. 11 of Law 29 September 2000, no.300, entails, in addition to the criminal liability of the natural person materially committing the "crime", the criminal liability of the Entity said natural person "belongs to", which has reaped an advantage or in whose interest the crime was committed.

In compliance with international and EU obligations, the Decree in question has introduced into our legal system a form of direct and autonomous liability of collective bodies, connected to committing specific crimes; liability defined as "administrative", but essentially configurable as an actual form of criminal liability.

THE PERSONS

The persons to whose criminal action the Decree associates the occurrence of liability for the Entity must be linked to the company by a functional relationship of employment and/or by a contractual relationship deriving from an assignment received from a Senior Manager (suppliers, consultants, associates, etc.).

In particular, art. 5 of It. Legislative Decree 231/2001 identifies:

a) persons who hold functions of representation, administration, management of the Entity or of one of its organisational units, having functional financial autonomy, so-called Senior Managers;

b) persons who de facto exercise management and control of the Company;

c) persons subject to the management or supervision of one of the persons under letter a) and b).

The lawmaker has also specifically referred to "de facto" situations, i.e. those situations where the powers required to act autonomously cannot be immediately inferred from the role played

within the organisational structure or from official documentation (assignments, powers of attorney, etc.).

Art. 6 of the Decree sets forth that, in the event the crime has been committed by persons in Senior Management positions, the Company is not liable if it proves that:

a) before committing the offence, the management body adopted and effectively implemented suitable organisation, management and control models for preventing the offences covered by the Decree;

b) the task of supervising the operation of and compliance with the models, of taking care of their updating has been entrusted to a "body" having autonomous powers of initiative and control;

c) the people committed the crime deceitfully circumventing the organisation and management models;

d) there was no omitted or insufficient vigilance on the part of the Body.

Art. 7 sets forth that the Company is liable if committing the crime by a person subject to other people's management was made possible by failure to comply with management and supervision obligations. These obligations shall be deemed to have been met – unless proven otherwise by the public prosecution – if the Company has effectively implemented the prevention model.

THE INTEREST OR ADVANTAGE OF THE COMPANY

For the company to be held liable, the alleged unlawful conduct must also have been put in place by the persons identified "in the interest or to the benefit of the Company (1), while said

[1] *On the subject of liability for crimes of legal persons and companies, the law, which identifies the grounds in committing the crimes "in one's own interest or to one's own advantage", does not contain a hendiadys, because the terms refer to legally different concepts, as one can distinguish an interest "upstream" due to an undue enrichment, anticipated and perhaps not realised, as a consequence of the offence, from an advantage objectively achieved by committing the crime, even if not predicted ex ante, so that the interest and advantage are in actual combination (see Criminal Court of Cassation Sect. II, 20.12.2005 no. 3615).*

Certainly, the requirement of the interest or advantage of the Entity, as a criterion for objective allegation of the liability of said entity, can also be met by indirect advantage, intended as the acquisition for the company of a privileged position on the market deriving from the crime committed by the senior manager. Nonetheless, the very nature of the criterion of attribution of liability recognised by law requires the concrete and not abstract affirmation of the existence of such an interest or advantage, to be understood respectively as potential or actual benefit, albeit not necessarily pertaining to assets, deriving to the entity from committing the predicate offence. (see Court of Milan – ruling 28.04.2008)

liability is expressly ruled out in the case where the crime was committed "solely in one's own interest or in the interest of third parties".

More precisely, the Court of Cassation stated that the Entity is not liable for the administrative offence dependent on a crime when the act is committed by the individual in his/her exclusive interest or in that of third parties, not even partially attributable to the interest of the Entity, i.e. in the case in which there cannot be identification between the company and its bodies.

With the exception of the above, the Entity is not liable for what its employee/representative has committed, if it proves it has implemented the necessary measures to prevent that type of crime from being committed (implementation and effective enforcement of the Model).

Case law has also underlined that the liability attached to the Entity by It. Legislative Decree 231/2001 derives from a "fault in the organisation" of the legal person (ex plurimis, crim. Cass. Sect. VI, 18-02-2010 - 16-07-2010, no. 27735). Failure to implement the Model, in the presence of the objective and subjective assumptions indicated above (offence committed in the interest or to the advantage of the company and senior position of the offender) is sufficient to constitute that reprehensibility referred to in the Ministerial Report to the Legislative Decree and to form the sanctioning case, consisting of the omission of the necessary organisational and managerial precautions conducive to preventing certain types of crime. This concept of reprehensibility implicitly includes a new "regulatory" form of culpability due to organisational and managerial omission, since the lawmaker reasonably, based on the actual events occurred in the last few decades in the economic and entrepreneurial sector, formed the legitimate and founded belief that any organisational complex forming an entity pursuant to art. 1 paragraph 2 of It. Legislative Decree 231/01 needs to implement organisational and management models conducive to preventing certain crimes – proved by experience to be functional to structured and significant interests – from being committed(2). Said "organisation culpability" becomes especially significant within so-called groups of companies.

THE PREDICATE OFFENCES FOR APPLICATION OF DECREE 231/2001

The Decree expressly identifies the offences (crimes and infringements) that may give rise to the Company's liability in the event they are committed in its interest or to its advantage. Annex A shows the cases of offences included by the law (hereinafter, for reasons of brevity, also referred to as "Predicate Offences"), broken down by category.

THE PENALTIES

The penalties set forth by It. Legislative Decree 231/2001 are as follows:

i. fines, which always ensue from recognition of the liability of the Entity and are applied with the quota system, in relation to the seriousness of the offence and the economic and

[2] *Court of Criminal Cassation Section VI – 9.07.2009 no. 36083*

financial conditions of the Company, for the express purpose of "ensuring the effectiveness of the penalty";

ii. disqualification sanctions (disqualification from carrying out the activity; suspension or revocation of authorisations, licences, concessions, functional to committing the offence; prohibition to contract with the Public Administration; exclusion from grants, loans, contributions or subsidies and possible revocation of those already granted; ban on advertising goods or services), which are added to the fines and have a duration of no less than three months and no more than two years. Their application is only envisaged as a consequence of committing certain Predicate Offences indicated by the Decree. They are set forth in relation to their deterrent effectiveness, as they are capable of profoundly affecting the organisation, operation and activity of the Company. Disqualification sanctions, where the conditions exist – especially in terms of the seriousness and significance of the offences, as well as their possible recurrence – may also be imposed as a precautionary measure during preliminary investigations for a maximum duration of one year. An essential prerequisite for the imposition of precautionary sanctions is their express provision in relation to the individual types of offences, as well as particular seriousness of the fact, based on the (negative) value of the "administrative" offence, i.e. on the "dangerousness" of the Entity itself which, in the presence of a repetition of the offences, has proven to be insensitive to fines.

iii. publishing of the ruling, which can only be ordered if a disqualification sanction is applied to the Entity;

iv. seizure of the price or profit of the crime, or an equivalent measure.

THE ORGANISATIONAL MODEL – EXEMPTING EFFECTIVENESS

The "exempting" effectiveness of the organisation and management models is subject to their implementation prior to the offence being committed. If they are implemented after the crime was committed, however, they may result in a reduction of the penalty and avert the application of precautionary disqualification sanctions. If implemented after the conviction, jointly with compensation for damage and the return of the unlawful profit, they may result in the conversion of any disqualification sanction applied into a fine. The Court of Cassation has reiterated more than once (see for all Cass. Sent. no. 36083/2009) that the absence of the Organisational Model de facto forestalls any defence by the Entity against any claims of a predicate offence by senior management.

REQUIREMENTS OF THE MODELS

For the models to be effective – and deemed appropriate for the purpose – they must tangibly meet the following needs:

- identify the areas and activities at risk within which the crimes may be committed;
- envisage appropriate protocols for implementing the decisions by the Entity in connection to the crimes to be prevented;

- identify the methods to manage the appropriate financial resources to prevent the crimes from being committed;
- envisage information obligations with regard to the Supervisory Body;
- introduce an appropriate compliance system to punish failure to comply with the indicated measures.

For the purposes of drafting the model and the consequent assessment of its suitability, it is appropriate to take into account the case law (albeit still very scarce) on the point and the criteria set by it. Specifically: the Court of Cassation with judgement No. 4677 of 30.01.2014 (against the opinion of the Preliminary Hearing Judge of Milan on 17.11.2009 and of the Court of Appeal of Milan on 21.03.2012) ruled, in summary, that "a model is suitable when the procedures supporting it are suitable to prevent committing the predicate offence".

It is also important to underline the statements of the Judge of Preliminary Investigation of Milan (Dr D'Arcangelo) in November 2010. The judgement set the principle according to which *"acting in compliance with the law is beyond the entrepreneur's discretion and the risk of non conformity cannot fall under the risks deemed acceptable by the directors".*

The aforementioned ruling reads as follows: "*the judge required to decide on the suitability of an organisational model must refer to the regulations governing a given sector with reference to the time of the criminal conduct in question and ascertain what organisational precautions were implemented by the entity to avert a given crime and how these were actually enforced having regard to the state of the art available at the time" […] "the suitable precautionary model is, in fact, (as inferred, from the point of view of method, also from the regulatory content of art. 30 of (It.) Legislative Decree 9.4.2008 no. 81) that shaped by the best knowledge, consolidated and shared at the historical time when the offence is committed, with regard to the methods for the neutralisation or minimisation of the typical risk*".

The essential requirements of the Organisational Model must also include, among other things, the elements conducive to identifying the appropriate financial resources to prevent and avert the crimes.

The existence of a Group has a specific significance also from the point of view of the suitability of the Model: updating and adapting the Organisational Model, in fact, cannot disregard the evolution of the case law on the issue of administrative liability of the Parent Company in the cases of predicate offences committed by persons – senior or otherwise – belonging to the subsidiaries.

THE GUIDELINES

Art. 6 of the Decree sets forth that the Organisation, Management and Control Models may be implemented on the basis of codes of conduct drawn up by the associations representing the entities, notified to the Ministry of Justice. Therefore, in drawing up this document, the Company has taken into account the Guidelines – as defined in the "Definitions" – making purposeful choices in order to best customise and adapt the principles dictated by the Lawmaker to its specific situation.

However, it should be pointed out that the dictates – necessarily general and standardised – of the Confindustria Guidelines have sometimes been complemented or disregarded where deemed necessary in order to adapt their principles to the specific and actual situation of the company.

2. THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF FOSBER SPA

Fosber formally implemented its own Organisation and Management Model on 26 March 2019. A first update was approved by the CEO in November 2019 and a further update was approved by the Board of Directors held on 25 November 2020.

This Organisational Model was drawn up and implemented taking into account, among other things:

- the current regulatory framework;
- the governance and organisational structure at the date of implementation of the Model;
- the current case law and legal theory;
- the considerations stemming from the application experience of the Model over the years;
- the best practices of Italian companies in connection with management and drafting of organisational models;
- the Guidelines, pointing out, however, that their dictates – necessarily general and standardised – have sometimes been complemented or disregarded where deemed necessary in order to adapt their principles to the specific and actual situation of Fosber;
- with specific reference to the subject of occupational health and safety, the requirements in art. 30 of the Consolidated Law on Safety.

THE FEATURES OF THE MODEL

This Organisational Model is an integral part of Fosber's Internal Control System, which consists of a complex system of procedures and processes implemented and applied by the Company, to which said Model refers for its actual implementation. The main ones among them concern:

- the general *governance* system;
- the appointment and power of attorney system, as well as all the documents whose objective is to describe and assign responsibilities and/or tasks to whoever works within the Company in Areas at risk of offence (among the aforementioned documents, see e.g.: organisation charts, job orders, *job descriptions*, department organisation charts, etc.);
- safety management system - SGSL: this is the Occupational Safety Management System pursuant to It. Legislative Decree 81/08.

- the system of internal procedures and checks the aim of which is to ensure adequate transparency, knowledge and traceability of decision-making and financial processes, as well as the conduct required by the recipients of this Model who are operating in the Areas at Risk of Offence.

It ensues that the term "Model" should not only refer to this document (General Part, Attachments and Special Part), but also to all further systems and documents pertaining to the Company's Internal Control System currently existing and applied, as well as those to be subsequently implemented in accordance with the provisions of the Model in order to pursue its specific aims.

With reference to the specific needs identified by the lawmaker in the Decree and further detailed in the Guidelines of the trade associations, the Board of Directors has decided to put in place the following activities for implementing the Model:

- detailed mapping of the Activities at Risk of Offence, their analysis and monitoring for the aims of better implementation of the Model;
- analysis of the Internal Control System in place, with regard to the Activities at risk of offence, and definition of any corrective actions aimed at ensuring that the provisions of the Decree are fully accommodated. In this regard, special attention has been paid to:
    - the definition of ethical principles in connection to the conduct that may be tantamount to the crime cases listed by the Decree;
    - the definition of the Company's processes within which, in principle, the conditions, opportunities or means for committing the crimes may take shape;
    - the definition of the methods for training the personnel;
    - the definition of the information concerning the obligation to adhere to the Model implemented by the Company to be provided to *outsourcers* or other third parties that the Company has contractual relations with;
    - the definition and application of suitable disciplinary provisions to punish the failure to comply with the measures indicated in the Model and having appropriate deterrent powers;
- the identification of the composition of the Supervisory Body and the assignment thereto of specific duties of vigilance on the effective and proper operation of the Model and its updating;
- the definition of the information flows towards the Supervisory Body.

As suggested by the guidelines of the trade associations, the Organisation Model formalises and clarifies the assignment of responsibilities, the reporting lines and the description of the tasks, specifically setting forth control principles such as, by way of example, the so-called

"*Segregation of Duties*"). Specifically, the Quality Management System, the manual procedures and the IT protocols are implemented with the aim of regulating the performance of routine activities, putting in place appropriate control points – such as, by way of example, authorisations to transactions, squaring checks and checks on the operations performed by third party operators and peripheral entities, etc. – and adequate security levels. Furthermore, in the structure of processes, where possible, the *segregation of duties* and responsibilities among those who perform crucial activities within a process at risk was strengthened or, in limited cases, introduced, and principles of transparency and verifiability were applied, according to which any operation, transaction, action must be verifiable, documented, consistent and appropriate.

Having regard to financial management, where procedural control uses tried and tested tools, preventative protocols, frequent reconciliations, supervision and authorisation points, segregation of duties (e.g. between the purchasing department, the accounting and treasury department) were implemented wherever possible.

Specific attention is paid to employee reward systems, so that they are perceived as challenging but achievable; clearly unreasoned and unattainable *targets* are therefore avoided, as they might be an incentive to commit crimes.

Finally, with specific reference to the authorisation and signatory powers, these were assigned consistently with the defined organisational and management responsibilities, with the provision, when required, of accurately indicating the expense approval thresholds. In any case, according to the current Model, nobody has been assigned unlimited powers and appropriate measures have been taken so that the powers and responsibilities are clearly defined and known within the organisation. In this perspective, no-one can independently manage an entire process and each operation requires adequate documentary support – or IT support for the processes managed by the Information System, on which checks can be carried out at any time to certify the characteristics and the reasons for the operation and identify who authorised, performed, recorded and verified said operation.

Therefore, the Model involves every aspect of the Company's activity, through a clear differentiation between operational and control tasks, with the aim of correctly managing Activities at risk of crime and possible situations of conflict of interest. Specifically, the checks involve – with different roles and at different levels – the Board of Directors, the Board of Statutory Auditors, the Supervisory Body, the managers and all the employees, and are an essential feature of the daily activity of the Company.

With regard to control aspects, in addition to calling for the establishment of an autonomous and independent Supervisory Body, the Model ensures the integration and coordination of the latter's activities with the already existing Internal Control System, building upon the wealth of accrued experience. Finally, always on the topic of checks, the Model envisages the obligation to document – possibly by drawing up reports – the audits and checks carried out.

3. THE CURRENT STRUCTURE OF FOSBER

FOSBER GROUP

Founded in Lucca in 1978, through its Italian headquarters and its strategic branches in the United States and in China, Fosber Group is now an international leader in the design, production and installation of complete corrugating lines and corrugated board machinery. Since 1st September 2017, Fosber S.p.A. has been 100% controlled by Dong Fang Precision (The Netherlands) Cooperatief UA, a Dutch company, which in its turn is owned by the Chinese company Guangdong Dongfang Precision Science & Technology Co. Ltd, listed on the Shenzhen Stock Exchange (China).

Fosber SpA is, in its turn, the parent of the following companies:

i. Fosber America Inc. with registered office in the United States,
ii. Guangdong Fosber Intelligent Equipment Co., Ltd. (abbreviated as Fosber Asia), joint venture set up by Fosber Group and Guangdong Dongfang Precision Science & Technology Co., Ltd based in Foshan (China)
iii. Tiruña Grupo Industrial, Spanish company with registered office in Pamplona (Spain), acquired in 2019.

CORPORATE GOVERNANCE

Fosber SpA is a Public Limited Company with wholly subscribed and paid up share capital. Its corporate governance is described in brief below

SHAREHOLDERS' MEETING

The Shareholders' Meeting is governed by the rules laid down by the Italian Civil Code, complemented by the provisions of the Articles of Association. Specifically, the extraordinary session of the Shareholders' Meeting validly resolves, both on first and second call, with the presence and favourable vote of as many shareholders as represent the majority of the share capital and not according to the provisions of art. 2369 of the Italian Civil Code.

The Company has opted for a traditional type of management and control system as set forth by articles 2380 et seq. of the Italian Civil Code; therefore, a Board of Directors and a Board of Statutory Auditors were appointed.

BOARD OF DIRECTORS

The Company is managed by a Board of Directors pursuant to art. 17 of the Company's Articles of Association consisting of a minimum of 3 (three) and a maximum of 5 (five) directors. The Board has all the broadest powers of ordinary and extraordinary management and execution, including the power to appoint directors and attorneys, establishing their powers, including representation, responsibilities and pay.

BOARD OF STATUTORY AUDITORS AND STATUTORY AUDIT OF ACCOUNTS

The Board of Statutory Auditors consists of 3 (three) standing auditors and 2 (two) alternate auditors pursuant to art. 30 of the Company's Articles of Association, whereas the Statutory Audit of Accounts is governed by art. 29 of the Company's Articles of Association.

Fosber, pursuant to It. legislative Decree 39/2010, has appointed an independent auditing firm for the statutory audit of the accounts.

4. PRELIMINARY ACTIVITIES TO THE IMPLEMENTATION OF THE ORGANISATIONAL MODEL

The preparation and updates of the Organisational Model are supported by specific preparatory activities for "mapping" the Areas at risk of crime and assessing the Company's internal control systems, in line with the provisions of It. Decree 231/01 and the Guidelines.

The main stages of a risk management system aimed at building the Organisational Model are identified as follows by the provisions of It. Decree 231/01 and by the Guidelines:

a) "**identification of the risks**", i.e. analysis of the business environment to highlight in which area/sector of activity and the manner in which any detrimental events for the objectives set out in Decree 231/01 may occur;

b) "**designing the control system**" (so-called protocols for planning training and implementation of the entity's decisions), i.e. assessment of the organisational and control system existing within the company and any required adaptation, to make it suitable for effectively countering the identified risks, that is, to reduce the risks to an "acceptable level", having regard to i) the probability of occurrence of the event and ii) the impact of said event.

The preliminary activities in question (i.e. "mapping the Areas at risk of crime" and the assessment of the internal control systems), were carried out through a *self-assessment* activity which entailed an examination of the company's documentation (organisation charts, company assignments and powers of attorney, policies, procedures, guidelines and internal regulations implemented by the Company, etc.) and interviews with the Company's personnel. The assessment activity was also conducted through the analysis of additional significant elements for the aims of the process of identifying risks and assessing the areas/activities most exposed to the crimes, including:

– the evolution of the regulatory framework;
- the corporate and organisational structure as well as the specific "history" of the Company, including, specifically, any criminal, administrative or even civil proceedings that have affected the Company with regard to the activities at risk;
- the dimensions of the Company and corporate group it belongs to, in connection to figures such as turnover, number of employees;
- the markets and regions in which the Company operates;

- the prior existence of company ethics;
- the quality of the company climate existing within the organisation;
- the cooperation among those in charge of the various departments;
- the identification of the persons whose illegal conduct may entail a liability by Fosber pursuant to Decree 231/01, including Senior Management, Persons reporting to others and third parties (professionals, consultants, *service providers*) with whom the Company interacts;
- the communication between management and workers;
- the degree of segregation between departments;
- the evolution of case law and legal theory;
- considerations stemming from the application experience of the Model over the years;
- *best practices* of Italian companies in connection with management and drafting of organisational models;

MAPPING OF THE SO-CALLED "AREAS AT RISK OF CRIME" AND ANALYSIS OF POTENTIAL RISKS

The first stage of the activity consisted in identifying the Company's functional areas where there was the potential "risk" of committing the crimes pursuant to the Decree (so-called "**Areas at Risk of Crime**" or simply "**Areas at Risk**"). In this context, the specific "**Activities at Risk of Crime**" were identified in each of these "areas" and the possible ways in which the crimes might be committed were identified for each of them.

The Activities at Risk of Crime included the identification of activities directly at risk of committing crimes, as well as the "instrumental" ones, understood as the activities that – although not directly relevant pursuant to the Decree – might, in principle, be seen as conditions, opportunities or means for committing crimes.

The process for identifying the risks and assessing the areas most exposed to committing crimes was conducted according to a *risk-based* approach, i.e. taking into account the inherent or potential risk of committing the Crimes (i.e. the risk taken on when the Company has not taken steps yet to modify the probability and impact of an event). The measurement of the level of "inherent risk" was performed with a view to both the probability of committing the Crime and the impact of said event, established by taking into account factors such as the type and amount of the penalties (fines or disqualifications) that may be applied to the Company, the frequency and recurrence of the activities at risk, the nature and volume of the transactions concerned, the specific methods for performing activities, as well as the history of the entity and specific features of its sector.

---------- *OMISSIS* ----------

RISK ASSESSMENT - ASSESSMENT OF THE INTERNAL CONTROL SYSTEM

Once the "inherent risk" (and its significance) were defined within Sensitive Activities, the current Internal Control System of the Company was assessed in order to establish its level of "adequacy" to bring the risk back to an "acceptable level".

The conceptual risk "acceptability" threshold, in crimes with intent, cannot be expressed by referring to the mere concept of cost and benefit ratio in corporate doctrine – according to which a risk can be defined as acceptable when additional controls "cost" more than the resource to be protected. And indeed, as highlighted by the Guidelines, the economic logic, in the Crime prevention system outlined by Decree 231/01, cannot be the only definition of an acceptable level of risk. The risk acceptability threshold should rather be represented by the existence of a prevention system that cannot be circumvented unless fraudulently, specifying that fraud does not necessarily require artifice and deception, but may also consist in the mere breach of the provisions contained in the Model, or in circumventing the security measures set forth by the same. With regard to crimes with intent, and in particular to crimes committed with breach of the regulations on occupational health and safety, the conceptual threshold of reliability must be defined even more strictly since, also in consideration of the importance of the assets protected, the job risks for the health and safety of workers must be eliminated in full or in any case reduced to a minimum as far as possible by implementing the available prevention measures in relation to the knowledge acquired on the basis of technical progress.

The assessment of the controlling and monitoring measures of the Company's Internal Control System was based on ascertaining the existence of the following criteria and requirements – as indicated by the Guidelines themselves:

i) existence and formalisation of written company procedures and manuals;
ii) definition of roles and responsibilities in the management of corporate processes;
iii) compliance with the principle of "segregation of duties";
iv) traceability of company processes;
v) communication and training and actual knowledge of company procedures.

Following said assessment activity – also carried out on the basis of the collected documentation and evidence obtained during interviews with the Company's management and personnel – the Company's Control System was considered (within the individual Activities at Risk of Crime):

- "**Adequate**", where it was decided that the system of preventative checks implemented by the Company was suitable on the whole to reduce the risk to an acceptable level – only requiring a few secondary integrations, if any;
- "**Improvable/to be updated**", where it was decided that the system of preventative checks implemented by the Company was not wholly suitable to reduce the risk to an acceptable level, therefore integrations/modifications should be carried out on existing processes;
- "**Inadequate/ Non-existent**", where it was decided that the system of preventative checks implemented by the Company is not suitable to reduce the risk to an

acceptable level, therefore the Company must implement checks and procedures that are new and/or different from those in place, taking immediate steps.

The assessment of the adequacy of the internal control system, therefore, made it possible to establish, always with regard to each Sensitive Activity considered, the "*residual risk"*, established according to the level of "inherent risk" and the effectiveness/adequacy of the system of checks implemented by the Company, […]

---------- *OMISSIS* ----------

After mapping the Risk Areas and the Activities at Risk of Crime and, in general, following the risk assessment, a report was then shared by management – filed in the Company's records – evidencing the various stages of the *risk assessment*, i.e.:

I. the assessment, within the Risk Areas and with reference to the specific Activities at Risk of Crime, of any existing preventative control systems (i.e. formalised procedures, operating practices, segregation systems, financial resource management systems, etc.) within the company and assessing their suitability to ensure that the risks of committing crimes are brought back to an "acceptable level" ("**as is analysis**");

II. the identification, within the existing system of checks, of any deficiencies or critical issues and consequent corrective actions required to improve said system ("**gap analysis**").

The activities for mapping the Areas at Risk of Crime and Sensitive Activities, and the risk assessment in general, made it possible to confirm that Fosber's procedures – and in general its Internal Control System – in place in the Areas at risk of Crime are consistent with the general principles characterising an efficient internal control system as indicated above (to be understood as general protocols), i.e.:

- "proceduralisation" of the Activities at risk of crime, in order to
  i. ensure that the company's activities are carried out in compliance with the laws and regulations in force and with a general view to protecting the integrity of the company's assets;
  ii. defining and regulating the methods and time frames for performing said activities;
  iii. ensuring, where required, the "standardisation" of the decision-making processes and limiting company decisions based on subjective choices;
- clear and formalised assignment of powers and responsibilities, with express indication of the limits for exercising them and consistently with the assigned tasks and positions covered within the organisational structure
- segregation of duties, through correct distribution of responsibilities and arranging for adequate authorisation levels, in order to prevent functional overlaps or operational allocations that concentrate critical activities on one person only;

- implementation of tools conducive to ensuring the traceability of the deeds, operations and transactions through adequate documentary supports that evidence the features and reasons of the operation and identify the persons involved in the operation in various roles (authorisation, performance, recording, checking the operation);
- implementation of the activities for information and training of workers regarding existing formalised procedures, also upon their modification/integration, in order to ensure they are adequately known and actually implemented
- setting up, performing and documenting control and vigilance activities on the processes and Activities at risk of crime;
- existence of safety mechanisms that ensure adequate protection of the information from physical or logical access to the data and tools of the company's IT system, in particular with regard to management and accounting systems.

5. INFORMATION AND TRAINING OF THE RECIPIENTS OF THE MODEL

The Company, aware of the importance of training and information aspects as prominent protocol, strives to ensure the knowledge by the Recipients of the Model of the contents of the Decree and obligations arising from it, as well as of said Model.

For the aims of implementation of the Model, the activity for information, training and raising awareness among personnel is managed by the competent company department, in close cooperation with the Supervisory Body and with the heads of the other company departments involved in the application of the Model.

The information, training and raising awareness activity concerns all individuals operating within the Company, including Senior Management.

The information and training activities are envisaged and performed upon hiring or starting the contractual relationship, as well as upon changes in the employee's position, or modifications to the Model or further circumstances of fact or law that make such activities necessary in order to ensure correct application of the provisions of the Decree.

Specifically, following approval and updating of this document, there shall be:

- initial communication to all company personnel regarding the implementation of this document;
- subsequently, new hires will be handed an information kit containing – in addition to the material required by other company policies or procedures, such as privacy and information security, occupational health and safety – this document "Organisation, Management and Control Model pursuant to It. Legislative Decree 231/2001" expressly referring to the Company's intranet site, with regard to reading the Special

Part, as well as the Code of Ethics, which should ensure they are provided with knowledge deemed essential;

- Employees shall sign an appropriate form for acceptance of the contents of the documents handed to them, as well as for viewing the text of It. legislative Decree 231/2001 as published on the Company's Intranet;

- a specific and continuous training activity to be organised in the classroom or to be provided through *e-learning* tools and services, with solutions that ensure feedback on successful training.

The communication and training actions must also concern tools such as authorisation powers, reporting lines, procedures, information flows and anything else that contributes to the transparency of day-to-day activities.

All communication and information actions stem from a decision by the Board of Directors, which requires the utmost participation and cooperation by the recipients of these actions.

In order to ensure the effective dissemination of the Model and Personnel information with regard to the contents of Decree 231/01 and the obligations deriving from its implementation, a specific area of the corporate IT network dedicated to the subject must be set up (which, in addition to the documents that make up the information kit previously described, also provides the forms and tools for reporting to the Supervisory Body and any other relevant documentation).

6. INFORMATION TO THIRD PARTIES

The Associates, Suppliers, Consultants and Partners of the Company – with special reference to entities involved in the provision of activities, supplies or services that concern Sensitive Activities – are informed on the implementation of the Model and on the Company's requiring their conduct to comply with the principles of conduct established therein.

These Recipients – specifically, Suppliers and Consultants – are provided by the company departments that have corporate contacts with them with appropriate information on the policies and procedures implemented by the Company on the basis of the Model, as well as on the consequences that conduct contrary to the provisions of the Model or regulations in force may have with regard to contractual relations.

Where possible, specific clauses are inserted in the texts of the contracts, aimed at governing said consequences, such as express termination clauses and/or rights of withdrawal in the event of conduct contrary to the requirements of the Model.

7. DISCIPLINARY AND SANCTIONS SYSTEM

The definition of a system of sanctions commensurate with the breach of procedural protocols and/or other rules of the Model is a necessary condition for ensuring the effectiveness of the Model. As a matter of fact, this system is, pursuant to art. 6, para. 1, letter e) of It. Legislative Decree 231/2001, an essential requisite for the aims of exempting the Company from liability. The system of sanctions must entail penalties for each recipient, in view of the different type of relationship. The system, as well as the Model, is indeed addressed to Senior Managers, all Employees, Associates and third parties operating on behalf of the Company, providing for adequate disciplinary sanctions in some cases and contractual/negotiation sanctions in the other cases.

In view of the above, Fosber has prepared its own "Disciplinary and sanctions system" attached hereto sub Annex "B".

8. SUPERVISORY BODY

APPOINTMENT AND TERM OF OFFICE

In order to concretely implement the Model, the task of supervising its functioning and compliance therewith, as well as of updating it must be entrusted to a body having autonomous powers of initiative and control. The Board of Directors of Fosber therefore sets up the Supervisory Body as per SB Articles of Association (Annex "C").

TASKS

The Supervisory Body has the following responsibilities:

- overseeing the effectiveness of the Model by assessing consistency between tangible conduct and conduct required by the Model and by supervising the areas at risk of crime identified in the special parts. In order to comply with these duties, the Body may establish control activities at all operational levels, by equipping itself with the necessary tools to promptly report abnormalities and malfunctions of the Model by checking the control procedures. Every operation considered at specific risk must be reported to the Body by the internal persons in charge. This will make it possible to perform, at any time, the checks that describe the features and purposes of the operation and identify the person who authorised, recorded and verified the operation. The Body must activate the control procedures considering the need for company operability and the fact that primary responsibility for the management of the activities lies in any case with the heads of the Departments and/or with the top management and the corporate bodies appointed for this purpose.
- Periodically check the adequacy of the Model, i.e. its suitability to prevent the conduct it seeks to rule out and counter, the maintenance over time of its requirements of

solidity and functionality, through constant monitoring of the system of checks, protocols and governance as a whole.

- Put forth to the Board of Directors the update to the Model where the checks performed should render corrections and adjustments necessary. Specifically, the Body must:
  - ensure the Model is kept up-to-date consistently with the evolution of the law, as well as following modifications to the internal organisation and company activity;
  - cooperate in preparing and integrating the internal regulations (codes of ethics, operative instructions, protocols, check procedures, etc.) designated for the prevention of the risks;
  - promote initiatives to disseminate knowledge of the Model among Fosber bodies and employees, providing any instructions and clarifications required as well as cooperating with the roles responsible for Human Resources in setting up specific training workshops;
  - liaise with the other company departments for better control of activities and for anything that pertains to the tangible implementation of the Model;
  - set up extraordinary audits and/or targeted investigations with the possibility of directly accessing the relevant documentation where malfunctions of the Model are observed or the crimes covered by the prevention activity are found to have been committed.

COMPOSITION

The Decree does not contain any provisions with regard to the composition of the Body, but merely provides a brief description thereof, understood as "*body of the entity having autonomous powers of initiative and control*".

Pursuant to paragraph 4 bis of art. 6, It. Legislative Decree 231/01,[3] in public limited companies, the functions of the supervisory body may also be performed by the board of statutory auditors.

The Lawmaker places the responsibility for every decision regarding the composition of the Supervisory Body on the individual entities that intend to comply with the provisions of the Decree, a choice that must be appropriate to the specific corporate situation.

Legal theory and practice have worked out different and heterogeneous solutions regarding the possible architecture and composition of the Supervisory Body, also taking into account the size of the entity, the relevant *Corporate Governance* rules and the need to achieve a fair balance between costs and benefits.

[3] Paragraph added from para. 12 of art. 14, L. 12 November 2011, no. 183, valid as of 1 January 2012, pursuant to the provisions of paragraph 1 of art. 36 of the same Law no. 183/2011.

In this connection, the Board of Directors has analysed the solutions put forth by the trade associations and its consultants, in order to identify and compare the various strengths with any critical issues of the various solutions envisaged.

THE REQUIREMENT OF PROFESSIONALISM

Compliance with this requirement must be ensured by the personal experience of the individual members of the Body, who must have technical and specialist skills that ensure the timely and correct performance of the functions required from the Body by law.

Specifically, the skills referred to are as follows:

- criminal law skills: mastery of the interpretation of the law with specific background in the analysis of the types of offence identifiable in the context of the company's operations and in the identification of possible punishable behaviour;
- knowledge of the organisation: specific background on the analysis of corporate organisational processes and analysis of procedures; knowledge of the general principles of *compliance* law and related controls;
- skills in analysis and control: experience in internal control systems accrued within the company;
- skills in the control of financial flows.

THE REQUIREMENT OF INDEPENDENCE

If consisting of a single member, the requirement of independence of the Supervisory Body exists if there are no ongoing collaboration or consultancy assignments between the individual and the Company. If established in board form, the independence requirement is guaranteed if the Supervisory Body mainly consists of external individuals who have no ongoing collaboration or consultancy assignments with the Company. The internal member cannot be a Fosber director and, limited to the performance of their functions as a member of the Supervisory Body, they are exempted from the standard reporting lines according to hierarchy.

EFFECTIVENESS AND CONTINUITY OF THE ACTION

This requirement is mandatory to ensure that the Body has full knowledge of company activities, ongoing operational processes and changes that may occur during the company's life. The Body must meet collectively, to carry out the assessment activities, at least every two months. Failure of a member to take part in two meetings of the Supervisory Body without justification during the financial year is considered to be just cause for termination from office.

REPORTING LINES

The Supervisory Body shall report to the Chair of the Board of Directors. The Supervisory Body shall send to the Board of Directors, except for specific needs, at least one annual report on the Organisation and Management Model, containing:

- its remarks on the effectiveness and efficacy of the Model, indicating the additions and/or amendments deemed necessary;
- any recommendations to update the Model following any changes to the laws or to the corporate structure and organisation;
- a summary of the assessments made and of the corrective/preventive actions to be implemented.

The Supervisory Body may ask that the Board of Directors consult it whenever it deems it necessary.

INFORMATION OBLIGATIONS TOWARDS THE SUPERVISORY BODY

Art. 6 requires the Model implemented to provide for information obligations with regard to the Supervisory Body. These obligations, that lie with the company departments at risk of crime, will be implemented as a tool to promote its supervisory activity and will concern anomalies found while performing their function.

Specifically, in order to support the supervision of the effectiveness of the Model implemented by the Company, all Recipients are required to bring to the attention of the Supervisory Body any information and report, of any kind, also from third parties, concerning the implementation of the Model and all the principles of conduct and procedures referred to therein.

The Supervisory Body, while performing its function of supervision and control, is always entitled to request from the Recipients data and information relating to the corporate activity, the application and compliance with the rules of conduct and corporate procedures as set forth in the Model and check any document necessary for this purpose either on a sample basis or systematically. The Recipients will be required to cooperate with the Supervisory Body and provide said body with any data and information it should request from them.

Failure to comply with the information obligation must be considered as a specific disciplinary offence. Therefore, Recipients who do not correctly comply with the information obligation towards the Supervisory Body in the terms and in the manners outlined here may be subject to the application of disciplinary sanctions.

A. <u>Information flows from the heads of department</u>

Notwithstanding the above, with regard to the powers of investigation and auditing of the Supervisory Body, the department managers, within the area under their responsibility, are required to send to the attention of the Supervisory Body the data and information relating to the corporate activity they oversee as indicated in the "Flow Protocol" adopted by the Company.

B. <u>Reports by the Recipients</u>

The Recipients promptly inform the Supervisory Body regarding any breach or suspected breach of the Model – and of the Code of Ethics which forms an integral part thereof –, of its general principles, of the rules of conduct and of the procedures referred to therein, of which they should become aware while performing their work and/or collaborating with the Company. Specifically, within their activity – as specified above – the Recipients are also required, among other things, to promptly send to the Supervisory Body the reports concerning:

- criticalities, anomalies or abnormalities that emerge from the control activity carried out by the company departments involved – including particular situations such as high personnel turnover;
- any orders received from their superior and deemed to be against the law, the internal regulations or the Model;
- any requests for or offers of money, gifts or other benefits from, or intended for, public officials or persons in charge of a public service, which cannot refer to the fulfilment of legal obligations;
- any significant budget deviations or expense abnormalities that are not duly substantiated, found in the requests for authorisation in the final balance stage of management control;
- any omissions, negligence or forgery in bookkeeping or in keeping the documents on which the accounting records are based;
- any reports, not promptly observed by the responsible roles, concerning either deficiencies or inadequacies of the places, work equipment or protection equipment provided by the Company, as well as any other dangerous situation connected to the protection of the environment and of occupational health and safety.

C. <u>Information flows on matters of environment, occupational health and safety.</u>

The Supervisory Body must be handed a copy of the periodic reports on matters of environment, occupational health and safety – including the reports of the periodic meetings of the Employer, OHSO, Physician and WSR pursuant to art. 35 of the Consolidated Safety Law and the review reports of "Top Management".

In the event of a report concerning a breach regarding the environment, occupational health and safety, the SB shall promptly inform the Employer and the Prevention and Protection Service Manager (OHSO) of the company regarding what has been observed by the author of the report, provided that the author of the report has not already done so.

D. <u>Address of the Supervisory Body.</u>

The information, information flows and communications addressed to the Supervisory Body must be sent to the following email address:

odv@fosber.it

or by surface mail, to the Supervisory Body at the Company's headquarters, located at

Fosber S.p.A. Supervisory Body
Via Provinciale per Camaiore 27 - 28
Monsagrati (LU)

The Supervisory Body's email inbox is only accessible to its members. In this regard, the **Supervisory Body is bound by the obligation of confidentiality in relation to the information and reports it may receive during its activity**.

REPORTS ON UNLAWFUL CONDUCT PURSUANT TO IT. L. 179 OF 2017 ON "*WHISTLEBLOWING*"

It. Law 30 November 2017 no. 179 containing "Provisions for the protection of authors of reports of crimes or irregularities of which they have become aware in the context of a public or private employment relationship", introduced, also in the private sector, the so-called "*whistleblowing*" scheme, to regulate the process of reporting illegal conduct by employees.

The Law requires companies having an organisational model to complement the reporting system already set up in favour of the Recipients of the Model with the provision of an additional alternative communication channel, specifically dedicated to the detailed reports of significant illegal conduct pursuant to It. Legislative Decree 231/2001 and based on precise and concordant factual elements and breaches of the Organisation and Management Model of FOSBER, of which the whistle-blower has become aware owing to the duties performed in the Company (hereinafter "**Offences**"). At the same time, the legislation expressly establishes protection instruments of the individuals who report the offences of which they have become aware in the context of their work activities.

In compliance with the provisions of art. 6, para. 2-bis, of It. Legislative Decree 231/2001 and with the clarifications of the "Illustrative Note" of Confindustria of January 2018, the Company has identified the SB, represented by its Chair, as the recipient of the aforementioned reports, which is required to:

- ensure all communication channels are active and usable by all Recipients;
- receive and process the report;
- keep the content of the reports confidential;
- interact with other Company departments, while adhering to the confidentiality set forth by law.

In order to be taken into consideration, the reports must be detailed, that is to say based on precise and concordant factual elements concerning Offences committed or suspected of having been possibly committed. Therefore, every report, in order to be considered circumstantiated, should be attended by the following elements:

i. a clear and comprehensive description of the facts covered by the report;
ii. the indication of the circumstantial elements of time and place concerning the reported facts;
iii. the details of the person reported, if known, or other elements conducive to identifying them;

iv. any indication of other persons who might confirm the facts being reported or add other essential elements to the report;

v. the documents that might corroborate and/or confirm the truthfulness of the facts reported;

vi. any other essential information and/or element that might provide useful validation of the facts reported.

The reports must be brought to the attention of the Supervisory Body through one of the following channels:

- By sending a **registered letter with return receipt** to the Chair of the Supervisory Body, with address for service at the registered office of FOSBER. In the event of a paper report, the sealed envelope must read: "**Confidential**";
- by sending to the reserved email address managed by the Chair of the Supervisory Body

whistleblowing-fosber@studiopascerini.com

When making the report, the whistle-blower must provide their details or, however, elements conducive to identifying them.

Both aforementioned channels have been set up with the specific aim of ensuring confidentiality on the identity of the whistle-blower. As a matter of fact, the email inbox has been specifically set up outside the Company's server and can only be accessed by the Chair of the SB.

Fosber, its shareholders and Directors acknowledge that the Supervisory Body, represented by its Chair, acts in order to hold the authors of the reports harmless against any form of retaliation, discrimination, penalty or any consequence deriving therefrom, ensuring their confidentiality and anonymity regarding identity, in any case without prejudice to the legal obligations and the protection of the rights of the Company or of the persons accused erroneously and/or in bad faith.

Please also note that, pursuant to art. 6, para. 2-ter of It. Legislative Decree. 231/01, the Recipients who infringe the measures to protect the whistle-blower, as well as whistle-blowers who, with wilful misconduct or gross negligence, make reports that prove unfounded, may be subject to the application of disciplinary sanctions.

FINANCIAL AUTONOMY

In order to ensure the necessary financial autonomy to the Supervisory Body, the Board of Directors approves the annual spending budget on the basis of a simple request by the Supervisory Body.

The allocated budget must be sufficient to guarantee the performance of the activities for control, auditing and updating of the Model, including, if necessary, obtaining expert advice.

For expenses exceeding the budget set and for extraordinary expenses, the Body requests written authorisation of expenditure from the Board of Directors from time to time. The Board of Directors undertakes to provide, upon substantiated request from the Supervisory Body, the financial means required to best perform its function.

STATUTE OF THE SUPERVISORY BODY

The Board of Directors establishes and sets the operating principles of the Supervisory Body through an appropriate Statute (Annex "C").

The Supervisory Body may adopt an operating regulation that governs its activity, provided that said regulation does not conflict with the Model.

THE CHOICE MADE BY FOSBER S.P.A.

Fosber S.p.A., having carefully examined the provision under para. 12 of art. 14, It. L. 12/11/2011 no. 183, has opted for implementing, as of 1st January 2020, a multi-person body consisting of two independent professionals with proven specific experience in the sector and a manager of the Company. Said choice, inter alia, addresses the need to protect the Company thanks to the co-presence of distinct and independent control bodies that guarantee – through the specific technical skills and mutual control – the most correct and transparent pursuit of their respective objectives and responsibilities.

Lastly, the above option best fulfils the requirement of independence of the Supervisory Body from the crucial point of view of the necessary distinction between controlling and controlled entities, also in view of an actual and effective prevention of corporate crimes.

The Supervisory Body, should it deem it necessary, may be assisted by experts in a specific sector to best perform its activity.

9. PERIODIC CHECKS AND UPDATE OF THE MODEL

The Decree expressly provides for the need to update the Model in order to adapt it to the specific needs of the Company and its actual operations. Actions to adapt and/or update the Model must be carried out essentially on the occasion of:

- regulatory innovations;
- breaches of the Model and/or findings emerged during checks on its effectiveness – which may also be inferred from experiences regarding other companies;
- changes to the Company's organisational structure, also deriving from extraordinary finance transactions or from changes in the business strategy deriving from new sectors of activity undertaken.

Specifically, the updating of the Model and, therefore, its integration and/or amendment, is the responsibility of the same governing body to which the lawmaker has assigned the burden of adopting the Model. In this context, the Supervisory Body, in coordination with the department managers concerned from time to time, must carry out:

- checks of the procedures and protocols. To this end, it will periodically check the effectiveness and implementation of the protocols and procedures of this Model;
- checks on the level of knowledge of the Model also by analysing requests for clarifications or reports received;
- reporting to the management body of the need to update, should the above conditions apply – and in particular in the presence of substantial changes to the organisation or business of the company, high personnel turnover or in the event of additions or amendments to the Decree – the Model and/or the risk assessment activity aimed at reviewing the map of activities potentially at risk.

* * * * * * * * *