

# ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

Pursuant to Italian Legislative Decree No. 231 of 08 June 2001

## GENERAL PART

# LARIOTEX

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## Table of Contents

1. Introduction	3
1.1 Administrative Liability According To Legislative Decree 231/2001	3
1.2 Purpose and requirements of the “Organisational and Management Model”	3
1.3 Offenders	3
1.4 Objective negligence criteria: interest and benefit	4
2. “Liable offences” according to legislative decree no. 231/2001	5
3. Offences committed abroad	5
4. The sanctions and disciplinary system	5
4.1 Measures in respect of employed persons	7
4.2 Measures in respect of executives	9
4.3 Measures in respect of directors	9
4.4 Measures in respect of contributors, consultants and third parties	10
4.5 Dissemination of the disciplinary system	10
5. The sanctions set out in Legislative Decree No. 231/2001	11
6. Description of the business conducted by Lariotex S.P.A. – Organisational structure	14
7. The governance instruments adopted by Lariotex S.P.A.	15
8. The concept of acceptable risk	15
9. Organisational, management and control model adopted by Lariotex S.P.A.	16
10. Preparation of the model and methodological approach	16
11. The Supervisory Board	17
11.1 Main requirements of the Supervisory Board	17
11.2 Subjective requirements of the Supervisory Board	18
11.3 Appointment of the Supervisory Board - annual budget	18
11.4 Supervisory board term in office	19
11.5 Disqualification and removal from office	19
11.6 Functions and duties of the Supervisory Board	19
11.7 Reporting to the Supervisory Board	21
11.8 Supervisory Board regulations	21
12. Information flows regarding the Supervisory Board	22
12.1 Mandate - proxies system	22
12.2 Reports and notifications to the Supervisory Board - whistleblowing system	22
13. Training and communication	25
13.1 Introduction	25
13.2 EMPLOYEES	25
13.3 Selecting contributors and partners	26
14. Adoption - update - check of application of the model	26
14.1 Archiving of the documentation relating to the organisational model	26
14.2 Archiving of the documentation by the Supervisory Board	26
15. Principles of prevention and the structure of controls	27
15.1 The controls adopted by Lariotex S.P.A.	27
15.2 The procedures for managing financial resources	27

## 1. Introduction

### 1.1 Administrative Liability According To Legislative Decree 231/2001

**Legislative Decree 231/2001** concerning the “Administrative liability of legal persons, companies and associations, also without a legal personality” introduced the administrative liability of companies into our legislation. The afore-mentioned liability arises when a certain offence is committed, expressly set out in the Decree, in the interest or to the advantage of the company, by persons (and their subordinates) who exercise (de jure and de facto) representation, administration and management tasks. Administrative liability also applies to the offender’s staff and involves the application of sanctions (fines and disqualifications) to the company as an autonomous legal entity.

The full text of Legislative Decree 231/2001 is attached (**APPENDIX 1**).

### 1.2 Purpose and requirements of the “Organisational and Management Model”

The purpose the Organisational and Management Model is as a measure to prevent the risk of committing the offences expressly set out in Legislative Decree No. 231/2001. The Model also has an exemption effect, as it allows the company to be waived of any liability. For this purpose, pursuant to the provisions referred to in Article 6 paragraph 2 of the Decree, the Model must meet the following requirements:

- a. Identify sensitive activities where liable offences could be committed;
- b. Produce specific protocols to define the making and implementation of company decisions in relation to preventing offences;
- c. Identify the methods for managing the adequate financial resources to prevent the commission of these offences;
- d. Provide information obligations in respect of the body tasked with monitoring operation and compliance with the Model;
- e. Introduce a suitable system to internally govern failure to comply with the measures indicated in the Model.

### 1.3 Offenders

The offences referred to in Legislative Decree 231/2001 can be committed by two different types of persons<sup>[1]</sup>:

#### 1. Individuals occupying senior management positions

Said individuals are senior in the organisation, performing direction, management and administration tasks: by way of example, they may be directors, members of the management board (two-tier system), members of the Executive Board (single-tier system), executives. According to the definition in Art. 5, paragraph 1(a) of Decree 231, senior management individuals who de jure or de facto perform representation (organic, non-voluntary), administration or direction tasks at the company or one of its organisational units have financial or functional autonomy (e.g. plant manager).

In the event of an offence being committed by a senior manager, pursuant to Art. 5, paragraph 1 of the Decree, the entity is not liable if it can prove that:

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[1] ART. 5 LEGISLATIVE DECREE 231/2001 “LIABILITY OF THE ENTITY”

1. The entity is liable for offences committed in its interest or to its advantage:

a) by a senior person who performs representation, administration or management duties for the entity or any of its organisational units with financial and functional independence as well as by persons who also manage and control it;

b) by people subject to the management or supervision of one of the persons listed in (a).

2. The entity is not liable if the people referred to in paragraph 1 acted solely in their own interests or those of third parties.

- a. the managing body adopted and effectively implemented, before the act was committed, Organisational and Management Models capable of preventing the type of offences that occurred;
- b. the task of monitoring the operation and observance of the Models and ensuring they are updated has been entrusted to a body of the entity vested with autonomous initiative and control powers;
- c. the persons committed the offence by fraudulently circumventing the Organisational and Management Models;
- d. the body referred to in (b) did not neglect or fail in its supervisory activities.

## 2. Subordinates

These are individuals subject to the direction or supervision of a senior manager. The following fall under the afore-mentioned category:

- a. firstly, **subordinate workers**, subject to the governing power of the employer.
- b. so-called **para-subordinate workers**, who enter into collaborative relationships with the company and are therefore subject to a more or less intense supervision and direction activity by the company itself.

If an individual commits an offence, the entity is only liable if this has been made possible by failure to comply with the management or supervision obligations. This failure is excluded if, the company, before committing the offence, has adopted and effectively implemented an Organisational, Management and Control Model. According to the provisions referred to in Art. 7 of the Decree, the entity is not liable if “...the entity, before committing the offence, has adopted and effectively implemented an Organisational, Management and Control Model capable of preventing the type of offences that occurred”.

### 1.4 Objective negligence criteria: interest and benefit

Article 5, paragraph 1 of the Decree sets out the entity’s liability for the offences committed “in their interest or to their advantage”, by one of the afore-specified qualified persons (senior managers and subordinates). This is an unfailing assumption: the same article, in the last paragraph, states that the entity cannot suffer any penal consequence if the perpetrator of the offence acted “in their own interest or those of third parties”.

The objective negligence criteria are alternative and in competition with one another.

**Interest** expresses a teleological assessment of the offence, appreciable ex ante, i.e. when the act was committed and according to a subjective judgement measure. Said criterion envisages an intended purpose and not created by force. In fact, it is irrelevant to the success or the realisation of this circumstance.

Legislative Decree No. 231/2001 actually provides for committing offences in **attempted form**. In this case, the financial penalties (in terms of amount) and the disqualification sanctions (in terms of time) are reduced from a third to half (Articles 12 and 26 Legislative Decree No. 231/2001).

**Advantage**, on the other hand, has an essentially objective connotation and as such can be assessed ex post based on the effects specifically arising from carrying out the offence, irrespective of the subjective intention of the person who committed it.

Pursuant to Article 26 of Legislative Decree No. 231/2001<sup>[2]</sup>, the company is exempt from liability if it voluntarily prevents the perpetration of the offence or the act from being carried out. In this case, the exclusion of sanctions is justified by virtue of the interruption of any relationship of identification between the entity and the individuals who assume they are acting in its name and on its behalf.

## 2. “Liable offences” according to legislative decree no. 231/2001

The entity can only be called to respond when certain offences, expressly indicated by the legislature in Legislative Decree No. 231/2001 or provided by specific laws are committed, if done so in their interest or to their advantage by the persons qualified in Art. 5, paragraph 1 of the Decree in question.

The updated list of offences provided for in the Decree is attached to this General Part. (ATTACHMENT 2)

## 3. Offences committed abroad

According to that set out in Art. 4 of Legislative Decree No. 231/2001<sup>[3]</sup>, the entity may be called to respond in Italy in relation to offences - covered by the same Legislative Decree No. 231/2001 - committed abroad.

The assumptions on which the entity’s liability is based for offences committed abroad are:

1. The offence must be committed by an individual functionally linked to the entity, pursuant to art. 5, paragraph 1 of Legislative Decree No. 231/2001;
2. The entity’s headquarters are in the territory of the Italian State;
3. The entity can only be liable in the cases and under the conditions provided for by Articles 7, 8, 9, 10 of the [Italian] Penal Code (in cases in which the law provides that the guilty party - physical person - is to be punished at the request of the Minister of Justice, action is only taken against the entity if the request is made also in respect of the entity itself), and also in accordance with the principle of legality referred to in Art. 2 of Legislative Decree No. 231/2001, only for offences for which the liability is provided by an ad hoc legislative provision;
4. Assuming the cases and conditions referred to in the afore-mentioned articles of the [Italian] Penal Code, in respect of the entity the State in which the act was committed does not take any action.

## 4. The sanctions and disciplinary system

An essential element of the Model, designed to ensure implementation and effectiveness, comprises a **disciplinary system** to be applied in the event of failure to comply with the measures indicated in the Model. This system is provided by the combined provisions of Articles 6 paragraph 2(e) and 7, paragraph 4(b) of the Decree.

The company is, therefore, required to adopt a set of autonomous and distinct rules with respect to the sanctions system under criminal law consequent to individuals committing offences.

The purpose of the sanctions and disciplinary system is to discourage bad and/or illegal practices by the staff of the company and of the other recipients, punishing behaviour that involves a breach of the Model and Procedures designed to ensure correct and lawful behaviour when carrying out work or contractual services.

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[2] Art. 26, Legislative Decree No. 231/2001 “ATTEMPTED CRIMES”  
1. Financial penalties and disqualifications are reduced from a third to half in relation to the commission, in forms of attempting the crimes mentioned in this chapter of the Decree.  
2. The entity shall not be liable when it voluntarily prevents perpetration of the offence or the act from being carried out.

[3] Art. 4 of Legislative Decree No. 231/2001 “Offence committed abroad”  
“1. In the cases and under the conditions established in Articles 7, 8, 9 and 10 of the [Italian] Penal Code, entities whose headquarters are in the territory of the State are also liable in relation to offences committed abroad, provided that the State of the place where the act was committed does not take action against them. 2. In cases in which the law states that the guilty party be punished at the request of the Minister of Justice, action will only be taken against the entity if the request is also made in respect of the latter.”

To ensure that the disciplinary system is effective, it needs to comprise the following characteristics:

1. It must sanction the offender of the Model, regardless of whether they committed an offence and, therefore, the entity's liability. Reprehensible behaviour capable of harming or weakening the organisational efficiency and control of the Model, compromising the prevention of committing offences, is sufficient.
2. It must be drafted in writing and adequately disclosed by means of timely information and training of the employee.
3. It must not contain rules in conflict with the legislation and contractual rules that govern the relationship between the company and the persons to whom the Model applies.
4. It must ensure the cross-examination of individuals, by involving the person accused of having infringed the rule.
5. The system must be supervised by a special body of the entity vested with autonomous initiative and control powers, the Supervisory Board.

The **recipients** of the disciplinary system are:

1. Employees, over which the Employer exercises its governance power. In respect of the aforementioned recipients, in addition to the Workers Statute and the National Collective Labour Agreement applied to the work relationship, Articles 2104, 2105 and 2106 of the Italian Civil Code<sup>[4]</sup> also apply. The employee must be subjected to disciplinary proceedings in any case of a breach of the Model's organisational and control rules, in respect of a specific provision of reprehensible conduct.
2. Senior managers at the Company. The disciplinary system must also regulate the infringements against "individuals in senior management positions" set out in Article 5 (a).
3. The general directors, appointed by shareholders in a general meeting - members of the Board of Statutory Auditors - Auditor and Audit Firm: the disciplinary powers in respect of all these individuals is decided by the Shareholders' Meeting.
4. Para-subordinate workers, external collaborators, who are not subject to the employer's disciplinary powers. For this reason, the company must define specific ad hoc clauses in the contracts concluded with the afore-mentioned persons, in order to regulate the application of the sanctions system referred to in Legislative Decree 231/2001. The necessary disputes and sanctions must therefore correspond to the terms of the contract or the legislation in matters specific to each type of relationship.

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[4] ART. 2104 OF THE [ITALIAN] CIVIL CODE. "DILIGENCE BY THE WORKER"

The employee must use the diligence required by the nature of the work due, by the interest of the company and by that higher than national production [1176] They must also observe the provisions for the implementation and discipline of the work given by the business owner and by its contributors to whom they hierarchically report [2086, 2090, 2094, 2106, 2236].

ART. 2105 OF THE [ITALIAN] CIVIL CODE. "LOYALTY OBLIGATION"

The employee must not conduct business on their own account or on behalf of third parties in competition with the business owner, nor disclose news relating to the company's organisation and production methods or use them in such a way as to be able to cause it harm [2106, 2125].

ART. 2106 OF THE [ITALIAN] CIVIL CODE. "DISCIPLINARY SANCTIONS"

A breach of the provisions contained in the two previous articles may give rise to the application of disciplinary sanctions, depending on the severity of the breach.

## 4.1 Measures in respect of employed persons

The Employer shall exercise disciplinary authority over employees, by applying the rules provided for in the Workers' Statute (Article 7, paragraph I, Law No. 300/1970), in the National Collective Labour Agreement applied to the work relationship, as well as in Articles 2104, 2105, 2106, 2118 and 2119 of the [Italian] Civil Code<sup>[5]</sup>.

Pursuant to Art. 2106 of the [Italian] Civil Code, it is illegal to regulate the non-compliance and/or breach of the general principles by employees of LARIOTEX S.P.A. the Model, the Code of Ethics and the Procedures. Obviously, the Employer must ensure compliance with the procedure laid out in Art. 7 of the Law of 20 May 1970, No. 300 (the so-called "Workers' Statute") in application of disciplinary measures and sanctions.

In the event of a breach of the company's Code of Ethics as well as the rules and procedures laid down in the Organisational Model by staff, the company may adopt the following measures set out in the COMMERCIAL National Collective Labour Agreement applied to labour relations:

### 1. Verbal reprimand

In the event of a **minor failure to comply with** the rules of conduct of the Code of Ethics and the Procedures, i.e. in the event of conduct which, by not being characterised by intent or gross negligence, did not generate any risk of sanctions or damage to the company. This sanction shall be imposed in the event of a culpable breach of the Model.

### 2. Written reprimand

For a culpable breach of the rules of conduct of the Code of Ethics and the Procedures, meaning a "**culpable breach**", conduct which is not characterised by intent and that has generated potential risks to the company. The afore-mentioned sanction must be imposed in the case of the previous scenario re-occurring.

### 3. Fine

Not more than 4 hours of individual remuneration, in the event of **repeat** failings punishable with a written reprimand, or omitted reporting of irregularities committed by their subordinates, or for failure to comply with requests for information or submission of documents from the Supervisory Board. The sanction of a fine shall be applied in cases in which, for the level of hierarchical or technical liability of the person responsible for the breach or for other circumstances, culpable behaviour regarding the violation of a procedure that could compromise the overall effectiveness of the Model to prevent the specific liable offences.

### 4. Suspension from work or from pay and from work

For a period not exceeding 10 days, for **repeated or serious failures** of the Code of Ethics and Procedures or for omitting to report serious irregularities committed by their subordinates or for repeated failure to comply with requests for information or submission of documents from the Supervisory Board. This sanction shall be imposed in the case of **intentional** breaches of the Model that do not include liable offences, as well as in cases of repeated infringements which may result in fines.

[5] ART. 2118 OF THE [ITALIAN] CIVIL CODE. "WITHDRAWAL FROM A PERMANENT CONTRACT"

Each party may withdraw from the a permanent employment contract, giving notice by the deadline and as laid down by customs or according to fairness. In the absence of notice, the withdrawing party is required to pay the other party compensation equivalent to the amount of the remuneration due to them for the notice period. The same compensation is payable by the employer in the case of termination of the relationship due to the employee's death.

ART. 2119 OF THE [ITALIAN] CIVIL CODE. "TERMINATION FOR JUST CAUSE"

Each party may withdraw from the contract before its expiry, if the contract is for a set time, or without notice if the contract is a permanent contract, if there is a cause that does not even temporarily permit the continuation of the relationship. If it is a permanent contract, the employer who withdraws for just cause is due the compensation referred to in the second paragraph of the preceding article. The compulsory liquidation of the company does not constitute a just cause for terminating the contract. The effects of judicial liquidation on labour relations are regulated by the Crisis and Insolvency Code.

## 5. Suspension from service with pay

For workers subject to **criminal proceedings** pursuant to Legislative Decree No. 231/2001, in respect of workers subjected to preliminary investigations or subjected to prosecution for committing a liable offence. The removal must be made known in writing to the person concerned and may be maintained by the company for the period of time it deems necessary but no later than the moment in which the criminal court's decision became irrevocable.

## 6. Dismissal

For a **serious breach (intentional or with gross negligence)** of the rules of conduct provided for by the Model, the Code of Ethics and the related Procedures, such as to cause **serious moral or material damage** to the company and such as not to allow the even temporary continuation of the relationship, with the relationship of trust on which on the work relationship is based having been damaged. This measure is applicable to a worker who adopts, in carrying out activities in risky areas, behaviour that is clearly in breach of the requirements of the Model and such as to determine the concrete application by the company of measures provided for by Legislative Decree No. 231/01: in these cases, the Entity's confidence in the employee has been severely damaged. The termination of the contractual relationship, pursuant to Art. 1456 of the [Italian] Civil Code, express termination clause, should be imposed for intentional breaches of the Model, which include liable offences and other infringements so serious that they damage the trust relationship with the company and do not allow, therefore, the even temporary continuation of this contractual relationship. Without prejudice, in any case, to the company claiming compensation for damages suffered.

The choice and extent of the sanctions are determined in relation to:

La scelta e l'entità delle sanzioni sono determinate in relazione a:

1. Intentionality of the behaviour or degree of negligence, rashness or incompetence
2. The worker's overall behaviour and the existence of previous offences
3. The worker's functional position and duties
4. Other special circumstances that accompany a disciplinary breach.

The surveillance requirement is entrusted to the Supervisory Board, which must acknowledge the findings made directly and must document, as well as receive reports from each department, manager or person in charge of processes and activities on any infringements of the Model.

Merely by way of example, the following constitute a **serious infringement**:

1. Non-reporting of information obligations in respect of the Supervisory Board
2. Failure to attend training initiatives organised by the company
3. Non-compliance with the general rules of conduct
4. Failure to respect the specific control protocols required for sensitive activities and related information flows.

As a result of discovering a breach of the Model, on the request of the Supervisory Board, and having considered the hierarchical superior of the perpetrator of the reprehensible conduct, the Sole Director of LARIOTEX S.P.A. identifies - having analysed the reasons given by the employee - the disciplinary sanction applicable based on the National Collective Labour Agreement for the category applied.

Any act relating to the disciplinary proceedings should be communicated to the Supervisory Board for assessment and monitoring of its competence. It is compulsory for the Sole Director to notify the Supervisory Board of the imposition of a disciplinary sanction.



## 4.2 Measures in respect of executives

The following disciplinary measures shall apply:

### 1. Written warning

A **culpable breach** of the Model by senior managers involves a written warning.

### 2. Temporary suspension of fees

A **repeated** culpable breach of the Model by senior managers involves the suspension of fees for up to 2 months.

### 3. Withdrawal of mandate or office and temporary suspension of fees

An **intentional breach** of the Model by senior managers, that does not involve a “liable” offence under the terms of Legislative Decree No. 231/2001, involves withdrawal of the mandate, where this exists, or the office of President, Vice President or Director.

In the case in which the Director has no mandate, where provided, the suspension of fees from two to four months shall apply.

An intentional breach of the Model by senior management, that involves a “liable” offence under the terms of Legislative Decree No. 231/2001, always involves the withdrawal of the office of a Member of the Board of Directors.

In cases in which breaches are characterised by **gross negligence**, existing where the impending Procedures of the offences have been disregarded, or conduct has been engaged in that would radically damage the company’s confidence in respect of the executive, the company will be able to proceed with the early termination of the employment contract or the implementation of another sanction considered appropriate in relation to the seriousness of the conduct.

In the event in which the breaches are characterised by **intent**, in the event of a fraudulent evasion of a procedure, the company will proceed with the early termination of the employment contract for a just cause and without notice pursuant to Article 2219 of the [Italian] Civil Code and National Collective Labour Agreement applied.

For the breaches in question, the Sole Director of the company will be competent to assess the alleged relationship of trust with the employer.

## 4.3 Measures in respect of directors

For breaches committed by the Sole Director of the company, the Supervisory Board is required to inform the Board of Statutory Auditors only which will convene, where necessary, a Shareholders’ Meeting, in order to take the most appropriate measures provided for by law.

Merely by way of example, the following constitutes a breach of the obligations of the Directors:

1. The commission or attempted commission of offences pursuant to Legislative Decree No. 231/2001 in the exercise of their functions
2. Failure to comply with the rules laid down in the Model
3. Failure to exercise supervision on employees or any partners of the company with respect to the Model
4. The tolerance of irregularities being carried out by employees or any of the company’s partners.

The disciplinary offences are punished with the following disciplinary measures:

### 1. Written warning

A culpable breach of the Model by senior managers shall involve a written warning.

## 2. Temporary suspension of fees

A repeated culpable breach of the Model by senior management involves the suspension of fees for up to 2 months.

## 3. Withdrawal of mandate or office and temporary suspension of fees

An intentional breach of the Model by senior management that involves “liable” offences under the terms of Legislative Decree No. 231/2001, involves the withdrawal of the mandate, where existing, or of the office of President, Vice President or Director.

In the case in which the Director has no mandate, where provided, the suspension of fees from two to four months shall apply. An intentional breach of the Model by senior managers that involves “liable” offences under the terms of Legislative Decree No. 231/2001, always involves the withdrawal of the office of a Member of the board of directors.

## 4.4 Measures in respect of contributors, consultants and third parties

**Specific contractual clauses** are inserted in the contracts, letters of appointment with external contributors and in partnership agreements, which provide for the termination of the contractual relationship in the event of breach of the Model adopted by the company. Without prejudice to any claims for compensation if such behaviour leads to concrete damage to the company.

The contractual clauses intended for third parties oblige them to respect the company’s Model and, therefore, conduct themselves appropriately to prevent the commission, even attempted, of the offences pursuant to Legislative Decree No. 231/2001.

The failure to even partially fulfil this obligation, is sanctioned with the company having the right to suspend the performance of the contract and/or to unilaterally terminate it, even if in the course of being performed, possibly issuing penalties or terminating the contract, without prejudice, in any case, to the company’s right to compensation for any damage suffered.

The company shall notify third parties and consultants in relation to the adoption of the Organisational Model and of the Code of Ethics via a **specific notice** (sent on the occasion of the conclusion of the first collaboration contract - contract - etc.) and in any case via the company’s website where the copy of the Code of Ethics is published and the note with respect to the adoption of the Organisational Model.

## 4.5 Dissemination of the disciplinary system

In accordance with the provisions referred to in Article 7 of the Workers’ Statute, the disciplinary system applicable to **employees** must be made known by posting on company message boards and internal communication (via email to the employee), together with the Code of Ethics. Also, the sanctions and disciplinary system for **executives** and the **senior managers** will have to be disseminated in as widespread a way as possible, without a formal reminder even being necessary in the individual contracts as it also emanates from law in Article 6, paragraph II(e) of Legislative Decree No. 231/2001 which does not require any further contractual implementation.

## 5. The sanctions set out in Legislative Decree No. 231/2001

Art. 9 <sup>[6]</sup> of Legislative Decree No. 231/2001 sets out a structured sanctions system.

### A) Financial penalties

The afore-mentioned sanctions - governed by Art. 10 of the Decree - are imposed in any case of a definitive convicting sentence. The mechanism of the shares is divided in two phases:

1. Firstly, the Court determines the number of shares, referring to that provides to Legislative Decree No. 231/01 for the specific offence, which can never be less than one hundred or more than a thousand. In the decision, the Court - in compliance with that provided in Art. 11 of Decree <sup>[7]</sup> - takes account of the following circumstances:
  - a. Severity of the action
  - b. Degree of the company's liability (adoption of Organisational Models and codes of ethics, disciplinary systems)
  - c. Activity performed to eliminate or mitigate the consequences of the action and to prevent further offences from being perpetrated.
2. Secondly, the Court - based on the entity's financial and assets situation, in order to ensure the effectiveness of the penalty - determines the monetary value of the single share, which ranges from a minimum of €258.00 to a maximum of €1,549.00. The final amount is given by multiplying the amount of the single share and the total number of shares that quantify the administrative offence

The legislator indicates, with reference to each offence, the minimum and maximum amounts prescribed within which the Court must quantify the penalty.

Art. 12 of the Decree <sup>[8]</sup> states, however, some of the scenarios for **reducing the financial penalty**:

1. È prevista la riduzione della metà e non può comunque essere superiore a euro 103.291,38:
  - a. If the offender committed the offence largely in their own interest or that of third parties and the entity has not profited or it has minimally profited from it;

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<sup>[6]</sup> Art. 9. Administrative sanctions  
 1. The sanctions for administrative offences dependent on an offence are:  
 a) financial penalty;  
 b) disqualification sanctions;  
 c) confiscation;  
 d) publication of the sentence.  
 2. The disqualification sanctions are:  
 a) ban on trading;  
 b) suspension or revocation of authorisations, licences or permits used when committing the offences;  
 c) disqualified from dealing with Public Authorities, unless requesting the provision of a public service;  
 d) an exclusion from allowances, funding, contributions or subsidies and possible revocation of any that might have already been granted;  
 e) ban on advertising goods and services.

<sup>[7]</sup> Art. 11. CRITERIA FOR IMPOSING THE FINANCIAL PENALTY  
 1. When imposing the financial penalty, the court determines the number of shares taking into account the severity of the action, the entity's degree of liability and the activity carried out to eliminate or mitigate the consequences of the action and to prevent further offences from being perpetrated.  
 2. The amount of the share is set based on the entity's financial and assets situation in order to ensure the effectiveness of the penalty.  
 3. In the cases provided for in Article 12, paragraph 1, the amount of the share is always 200,000 lira.

<sup>[8]</sup> Art. 12. Cases for reducing the financial penalty  
 1. The financial penalty is reduced by half and may not exceed 200 million lira if:  
 a) the offender committed the offence largely in their own interest or that of third parties and the entity has not profited or it has it has minimally profited from it;  
 b) the financial damage caused is particularly minor.  
 2. The penalty is reduced from a third to a half if, before declaring the opening of the trial of first instance:  
 a) the entity has fully compensated the damage and has eliminated the harmful or dangerous consequences of the offence or is still working effectively to do so;  
 b) an organisational model capable of preventing offences such as that which occurred has been implemented and made operational.  
 3. In the case in which both conditions provided for by the letters of the preceding paragraph concur, the penalty is reduced from half to two-thirds. 4. In any case, the financial penalty may not be less than twenty million lira.

- b. If the financial damage caused is particularly minor;
  - c. If, before declaring the opening of the trial of first instance, the entity has fully compensated the damage and has eliminated the harmful or dangerous consequences of the offence or is still working effectively to do so;
  - d. If, before declaring the opening of the trial of first instance, an organisational model capable of preventing the kind of offences that occurred has been adopted and made operational. Aggravating sanctioning circumstances are, however, provided for in Art. 21 of the Decree in the event of several offences.
2. The penalty is reduced from a third to a half:
    - a. If, before declaring the opening of the trial of first instance, the entity has fully compensated the damage and has eliminated the harmful or dangerous consequences of the offence or is still working effectively to do so;
    - b. If, before declaring the opening of the trial of first instance, an organisational model capable of preventing the kind of offences that occurred has been adopted and made operational. Aggravating sanctioning circumstances are, however, provided for in Art. 21 of the Decree<sup>[9]</sup> in the event of several offences.
  3. In the case in which both conditions provided for above (nos. 1 and 2) concur, the penalty is reduced from half to two-thirds.

## B) Disqualification sanctions

Disqualification sanctions<sup>[10]</sup> only apply in relation to administrative offences for which the following measures are expressly set out:

1. A ban on trading (cannot be imposed unless the imposition of any other penalty is inadequate);
2. Suspension or revocation of authorisations, licences or permits used in committing the offence;
3. Ban on dealing with the Public Authorities, unless requesting the services of a public service;
4. Exclusions from allowances, funding, contributions or subsidies and possible revocation of any that might have already been granted;
5. Ban on advertising goods and services.

The **duration** of the disqualification sanctions cannot be less than 3 months nor exceed 2 years.

Disqualification sanctions can be imposed if one of the following **conditions is met**:

1. The entity has made significant profit from the offence and at the same time, the offence was committed by a person in a senior management position or, if committed by subordinates, the perpetration of the offence has been determined or facilitated by serious organisational shortcomings;

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### [9] ART. 21. MULTITUDE OF OFFENCES

1. When the entity is responsible for a multitude of crimes committed with a single action or omission or committed in the course of the same activities and before a definitive sentence has even been pronounced for one of them, the financial penalty for the most serious offence multiplied by as much as three applies. As a result of this increase, the amount of the financial penalty may not be higher than the sum of the penalties applicable for each offence.
2. In the cases provided for in paragraph 1, when in relation to one or more of the offences the conditions for the application of disqualification sanctions are met, that provided for the most serious offence applies.

### [10] ART. 13. DISQUALIFICATION SANCTIONS

1. Disqualification sanctions apply in relation to offences for which they are expressly provided for, when at least one of the following conditions is met:
  - a) the entity has made a considerable amount of profit from the offence and the offence has been committed by individuals in a senior management position or by individuals subjected to the supervision of others when, in this case, the perpetration of the offence was caused or facilitated by serious organisational shortcomings;
  - b) in the case of recurring offences.
2. Without prejudice to that laid down by Article 25, paragraph 5, disqualification sanctions last no less than three months and no more than two years. (paragraph as amended out in Art. 1, paragraph 9 of Law No. 3 of 2019).
3. Disqualification sanctions shall not apply in the cases provided for in Article 12, paragraph 1.

2. The offences have been repeated.

The disqualification sanctions cannot, conversely, be imposed in the cases examined above in which the financial damage caused is particularly minor or the offender has committed the action mostly in their own interest or that of third parties and the entity has not obtained any advantage or has obtained a slight advantage.

There is also a further scenario for **exemption** from the application of disqualification sanctions. In fact, if all the following conditions are met before the declaration of the opening of the proceedings, sanctions are not applied:

1. The entity has fully compensated the damage and has eliminated the harmful or dangerous consequences of the offence or is still working effectively to do so;
2. The entity has eliminated the organisational shortcomings that caused the offence by adopting and implementing organisational models capable of preventing the types of crimes that occurred;
3. The entity has surrendered the profit made for the purposes of confiscation.

If these conditions are met late, and provided that the entity has expressly requested them within 20 days from the notification the extract of the sentence, it is possible to obtain the **conversion** of the disqualification sanction to a financial penalty (Art. 78).

In the choice of disqualification sanction capable of preventing the type of offences committed, the Court must take into account the suitability of the individual sanctions to prevent the type of offences committed and, if necessary, can apply them jointly (Art. 14, paragraph 1 and paragraph 3, Legislative Decree No. 231/2001).

The disqualification measures are, in principle, temporary. However, if the entity has made a considerable profit from the offence and has already been sentenced to a **temporary** ban on trading at least 3 times in the last 7 years this sanction can be definitively imposed.

A definitive ban on trading is always imposed if the entity, or one of its organisational units, is regularly used for this purpose only or primarily to achieve or facilitate the perpetration of offences for which it is liable.

### C) The publication of the convicting sentence

Article 18 of Decree<sup>[11]</sup> states - in cases in which a disqualification sanction is imposed - the Court can order the publication of the convicting sentence, even just an extract, in one or more newspapers at the expense of the convicted entity. The sentence is only published once, as an extract or in full:

1. In one or more newspapers indicated by the court in the sentence
2. By posting in the register in the city where the entity has its headquarters.

### D) Confiscation

Pursuant to Article 19 of Decree<sup>[12]</sup>, in respect of the entity, the confiscation of the price or profit of the offence, except for the part that can be returned to the damaged party, is always arranged with the convicting sentence. Without prejudice to the rights acquired by third parties in good faith.

When it is not possible to perform the confiscation of goods that constituted the price or profit of the offence, it can also involve sums of money, goods or another benefit of equivalent value.

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[11] Art. 18. PUBLICATION OF THE CONVICTING SENTENCE

1. The publication of the convicting sentence can be arranged when a disqualification sanction is applied to the entity.
2. The sentence is published pursuant to Article 36 of the [Italian] Penal Code as well as by posting in the city where the entity has its headquarters.
3. The publication of the sentence is performed by the clerk of the competent court and at the entity's expense.

[12] Art. 19 CONFISCATION

1. In respect of the entity, the confiscation of the price or profit of the offence, except for the part that can be returned to the damaged party, is always arranged with the convicting sentence. Without prejudice to the rights acquired by third parties in good faith.
2. When it is not possible to perform the confiscation pursuant to paragraph 1, it can involve sums of money, goods or other benefits whose value is equivalent to the price or profit of the offence.

## E) Precautionary measures

Pending the outcome of the criminal proceedings, at the request of the Public Prosecutor, the Court can order the disqualification measures described above as a precautionary measure.

For the purpose of the application of precautionary measures - by virtue of Article 45 of Decree<sup>[13]</sup>- the following conditions need to exist:

1. Serious grounds for the entity's liability
2. Elements from which the real danger of further offences of the same nature being committed emerge.

The precautionary measures must comply with the **requirements of proportionality, suitability and appropriateness** (Art. 46)<sup>[14]</sup>:

1. They must be proportionate to the scope of the action and the sanction which is selected may be imposed.
2. They must be appropriate to the nature and degree of the precautionary needs
3. They must be adapted to the specific precautionary need for which the measure was required, which cannot be satisfied with a different measure.

The duration of the sanction measures imposed as a precautionary measure (Art. 51 of the Decree<sup>[15]</sup>) is determined by the Court and cannot, in any case, be greater than one year.

If a convicting sentence of first instance has already been issued, the duration of the precautionary measure may correspond to that of the conviction, up to a limit of three and a half years.

The legislator then provides a suspension scenario of the precautionary measures, as well as their revocation and replacement.

## 6. Description of the business conducted by Lariotex S.P.A. – Organisational structure

LARIOTEX S.P.A. is the leading partner for ready-to-print and/or ready-to-dye fabrics. The company has been present on the market since 2013 in the legal form of a limited liability company, and then transformed into a Joint Stock Company with an Act dated 09/12/2019.

As expressly indicated in the Articles of Association, the company's purpose is:

### [13] ART. 45 APPLICATION OF PROTECTIVE MEASURES

1. When there are serious grounds for believing that the entity is liable for an administrative offence dependent on an offence and there are reasonable and specific elements that concretely suggest the danger that offences of the same nature as that for which it is proceeding will be committed, the Public Prosecutor may request the application as a precautionary measure of one of disqualification sanctions provided for by Article 9, paragraph 2, presenting the court with the elements on which the request is based, including those in favour of the entity and any deductions and defensive briefs already filed.
2. On request, the court shall decide with an order, which also indicates the detailed rules for the application of the measure. The provisions of Article 292 of the [Italian] Criminal Procedure Code are observed.
3. Instead of the disqualification precautionary measure, the court may appoint a judicial commissioner under Article 15 for a period equal to the duration of the measure that would have been applied.

### [14] ART. 46. CRITERIA FOR SELECTING THE MEASURES

1. In ordering the precautionary measures, the court takes account of the specific suitability of each in relation to the nature and degree of precautionary needs to be met in the specific case.
2. Every precautionary measure must be proportionate to the scope of the action and the sanction which is selected may be applied to the entity.
3. A ban on trading can only be ordered as a precautionary measure when all other measures are inadequate.
4. Precautionary measures cannot be applied jointly.

### [15] ART. 11 MAXIMUM DURATION OF PRECAUTIONARY MEASURES

1. In ordering the precautionary measures, the court determines their duration, which may not exceed one year.
2. After the convicting sentence of first instance, the duration of the precautionary measure may have the same duration as the corresponding sanction applied with the same sentence. In any case, the duration of the precautionary measure may not exceed one year and four months.
3. The duration of the protective measures shall be calculated from the date of notification of the order.
4. The duration of the protective measures is calculated for the duration of the sanctions definitively applied.

- The production and trade of textile products and yarns in general, clothing items and accessories and furniture items;
- The import, export and wholesale trade, both in Italy and abroad, of raw materials, semi-finished and finished products for the textile and chemical sector, industrial machines, machine parts and their components in the textile, chemical, mechanical, electromechanical and electronic sectors;
- The concluding of representation and distribution contracts as well as the transport activity, also on behalf of third parties, of the goods and products listed above;
- The technical production and marketing support to other firms, both national and foreign, operating in the textile sector;
- The construction, revision, assembly and trade of plant and machinery;
- The provision of services to companies in the textile and clothing sector for the development and the optimisation of company resources, with particular reference to the following areas:
  - Company direction and organisation;
  - Corporate training even remotely, however, not intended for placements;
  - Stylism, marketing and commercial penetration of markets, including market research;
  - Technical, economic and financial advice;
  - Assistance, support and training in the field of IT and computing in general;

All with the exclusion of confidential professional activities and those regarding professional selection and placement.

The company may assume, both directly and indirectly, interests and holdings in other companies and businesses.

The company may carry out any commercial, real estate and financial operations that will be considered useful by the directors to achieve the company's purpose, with the exclusion of confidential financial activities.

The company is managed by a **Sole Director**, Dr Pierluigi Biondi.

## 7. The governance instruments adopted by Lariotex S.P.A.

The governance instruments adopted by LARIOTEX S.P.A. allow identification of the process of making and adopting the Company's decisions, as set out in Article 6, paragraph 2 (b) of Legislative Decree No. 231/2001.

The Company's main governance instruments are as follows:

1. ORGANISATIONAL CHART (APPENDIX 3) - COMPANY PROCEDURES - designed to outline the functions, powers and hierarchical relationships within the Company.
2. ARTICLES OF ASSOCIATION (APPENDIX 4), which describes the business conducted by the Company as well as management of the Shareholders' Meeting and of the Sole Director.
3. INTERNAL REGULATION ON THE MATTER OF PRIVACY (APPENDIX 5) with the purpose of the Company complying with EU Regulation 679/2016, adopted by the Company in 2018.

## 8. The concept of acceptable risk

In order to ensure the Organisational Model is effectively exonerating, it must be able to:

1. Exclude anyone operating within the Company from being able to justify their conduct by claiming ignorance of the company's guidelines

2. Prevent, in normal cases, the offence being able to be caused by human error, also due to negligence or incompetence, in the assessment of the company's guidelines.

The risk of committing the offences referred Legislative Decree No.231/2001 is therefore acceptable if the system referred to in the Organisational Model cannot be circumvented unless fraudulently, thus intentionally breaching the Organisational Model adopted.

## 9. Organisational, management and control model adopted by Lariotex S.P.A.

The Organisational, Management and Control Model adopted by LARIOTEX S.P.A. comprises:

1. a **General Part**, with the related appendices, which contains an analysis of Legislative Decree No. 231/2001, a description of the business conducted by the company and a definition of the structure necessary for effective and efficient implementation of the Model.
2. **Code of Ethics and Conduct** (APPENDIX 6), which contains all the rights, duties and responsibilities of the company in respect of "stakeholders" (employees, suppliers, customers, Public Authorities, shareholders, financial markets, etc.). This code has the function of "recommending, promoting or banning certain behaviours, regardless of that expected at regulatory level, providing sanctions proportionate to the severity of the infringements committed".
3. a **Special Part**, with the related appendices, whose purpose is to:
  - a. identify the sensitive activities of committing offences and the related preventive measures;
  - b. specify the rules that the exponents and company departments are required to observe for correct application of the Model;
  - c. equip the Supervisory Board and the other control functions with the tools to carry out monitoring, control and audit tasks;

The special part comprises several sections that relate to the various corporate functions.

## 10. Preparation of the model and methodological approach

PTo prepare this Model activities aimed at constructing a prevention and risk management system were put in place, in accordance with Legislative Decree No. 231/2001 that takes the character of:

1. **Effectiveness** by the correct adoption and application of the Model, also through the activity of the Supervisory Board, which assesses the correspondence between specific behaviour and the Model established.
2. **Adequacy** that is identified with the specific suitability of the Model to prevent the offences referred to in the Decree by means of appropriate control, prevention and correction mechanisms, which allow it to identify sensitive operations or processes with abnormal characteristics.

In particular, the following activities were performed:

1. An in-depth examination of legislation and of the offences set out in the Decree;
2. Identification of the rules of conduct to be complied with;
3. Identification (so-called mapping) of the "risky business areas", this term refers to activities in the context of which there is a greater likelihood of offences to be committed allowing LARIOTEX S.P.A. to perform a monitoring and intervention task;
4. Risk assessment and residual improvement plan;
5. Assessment of the suitability and completeness of the existing organisational, procedural and administrative safeguards (e.g. internal organisation, structure of powers, mandates and proxies,



- operating practices and written procedures) currently adopted;
6. Identification and preparation of the checks to be carried out;
  7. Preparation of specific protocols for making and implementing LARIOTEX S.P.A.'s decisions in relation to preventing offences;
  8. Identification of the methods for managing adequate financial resources to prevent the perpetration of offences;
  9. Definition of the information to the Supervisory Board obligations;
  10. Preparation of a suitable system to govern failure to comply with the measures indicated in the Model.
  11. Preparation of the check of the functioning and effectiveness of the Model with any regular updating thereof.

## 11. The Supervisory Board

### 11.1 Main requirements of the Supervisory Board

To ensure that the entity is exempted from administrative liability, the company must demonstrate among other things, pursuant to Art. 6, paragraph 1(a) and (b) of Legislative Decree No. 231/2001, having

1. Adopted and effectively implemented an Organisational, Management and Control Model in order to prevent the offences considered
2. Entrusted the task of supervising the operation and observance of the Model, ensuring one of the entity's bodies vested with autonomous initiative and control powers has updated it.

In accordance with the guidelines in force for preparing the Organisational and Management Models enacted by Confindustria, the following key **requirements** of the Supervisory Board are indicated:

1. **Autonomy, impartiality and independence:** the Board is positioned at the top in the Company's hierarchical positions, with the obligation to report to Management. The Board must not be assigned operational tasks that, due to their nature, would jeopardise the objectivity of judgement (e.g. avoid the appointment of someone who is directly involved in performing sensitive tasks). The Board must have independent expense powers and must be able to receive help from company departments.
2. **Professionalism and qualification:** the Board must have the knowledge, tools and techniques required to effectively perform its task.
3. **Continuity of action:** the Board must ensure an effective and consistent implementation of the Organisational Model, also by means of a minimum number of audits per year.
4. **Good repute:** the members of the Supervisory Board must not have a criminal conviction or settlement sentences, even non-definitive, for the offences set out in Legislative Decree No. 231/2001 i.e. sentencing that involves a ban, even temporary, on holding public office or a temporary ban on the executive offices of legal persons or companies.
5. **Availability of financial and organisational means:** in order to ensure effective independence, the Supervisory Board must have its own expense fund which it can ask to be topped up, where necessary, and which it can use for each functional requirement to correctly perform its tasks. This budget is approved, within the scope of the company's overall budget, by the Company.

## 11.2 Subjective requirements of the Supervisory Board

LARIOTEX S.P.A. has decided to set up a collegial body.

On the occasion of the conferral of office, the individual designated to hold the office of member of the Supervisory Board must issue a statement in which s/he confirms that there are no reasons for ineligibility. In order to ensure compliance with the subjective requirements, the following persons cannot be appointed as members of the Supervisory Board:

1. Individuals who are linked to the company by family relationships, spouse (or situations of coexistence in fact comparable to marriage) or similar to the fourth degree with members of the Board of Directors, as well as with any of the Company's senior management (purely by way of example and not limited to, members of the Board of Directors);
2. Individuals who have held a management office in the three years prior to the appointment as a member of the Supervisory Board - in companies going through bankruptcy, compulsory liquidation or other insolvency procedures;
3. Those who have a conviction, even with a sentence that is not final and also pursuant to Art. 444 of the [Italian] Civil Procedure Code, in Italy or abroad, for the delicts mentioned by Legislative Decree No. 231/2001 or crimes that affect professional ethics;
4. Those who have a conviction, with a sentence, even not a final one, i.e. with a measure which somehow they are liable for, for a crime that involves a ban, even temporary, from public office, i.e. a temporary ban from managing offices of legal persons and companies;
5. Those who are linked to the Company by an ongoing work relationship involving consultancy or who carry out paid work or that might impair their independence;
6. Those who are directly and/or indirectly in conflict with the Company's interests;
7. Those who to whom an ineligibility or revocation cause as set out in art. 2382 of the [Italian] Civil Code applies;
8. Those who have been convicted, with a sentence even one that is not final or involving a settlement, of one of the liable offences;
9. Those who have held the office of member of the Supervisory Board within a company against which the sanctions provided for by Legislative Decree No. 231/2001 were applied, even with a non-definitive measure, for offences committed while they were in office.

Where any of the afore-mentioned reasons of ineligibility arise in respect of an individual appointed, they will automatically be removed from office.

## 11.3 Appointment of the Supervisory Board - annual budget

The Supervisory Board of LARIOTEX S.P.A. is appointed by resolution which also provides for the allocation to the Board of an **annual budget**, for the purpose of carrying out the tasks set out in Legislative Decree No. 231/2001 such as, purely by way of example and not limited to, analyses and checks, specialist consulting.

The budget also performs the function of ensuring the autonomy of action of the Supervisory Board which is required to report the budget to the Company's Sole Director.

In the event of exceptional and urgent situations, the Supervisory Board can use resources exceeding their powers of expenditure, with the requirement to give information to the Sole Director of the Company during its next scheduled meeting.

To best perform the task, the Supervisory Board - with independent powers of representation, conclusion, amendment and/or termination - also using the competent internal company departments - has the right to be entrusted professional assignments to third parties who possess the necessary skills.

## 11.4 Supervisory board term in office

The company's Supervisory Board remains **in office** - in general and unless otherwise decided by the company - for three years from appointment and may be re-elected.

The Supervisory Board **ceases** due to expiry of the period established at the time of appointment, while continuing to perform its functions on an interim basis until the new appointment of the Board that must be performed in the first Management Meeting.

If, while in office, a member of the Supervisory Board leaves office, the company shall replace them based on its decision.

The **fee** for being a member of the Supervisory Board is established, for the entire duration of the mandate by the Company's Sole Director. The purpose of the afore-said fee is to remunerate the professionalism, experience and effort required by the nature of the task, also in consideration of the scope of the task.

## 11.5 Disqualification and removal from office

The person concerned is required to promptly communicate a **cause of disqualification** to the Sole Director of the company, i.e. a condition of fact inherent to the independence, autonomy and good repute obstructing the appointment, having considered the consequent incompatibility of remaining in office and the consequent automatic disqualification.

The Company can only **revoke** the powers of the Supervisory Board and assign them to another person for a just cause and to ensure the necessary stability to the Supervisory Board. "**Just cause**" means, purely as an example:

1. Gross negligence in the performance of the tasks linked to the office such as repeated failure to attend meetings of the Supervisory Board without justification;
2. The lack or insufficient supervision by the Supervisory Board - according to that set out in Art. 6, paragraph 1(d), of Legislative Decree No. 231/2001 - resulting from a convicting sentence, even if it is not final, issued in respect of the company pursuant to Legislative Decree No. 231/2001 or a measure which somehow they are liable for;
3. The assignment of operational functions and responsibilities within the business organisation which are incompatible with the "autonomy and independence" and "continuity of action" requirements specific to the Supervisory Board;
4. Presence, even if newly arising, of reasons of ineligibility.

In particularly serious cases, the Sole Director of the Company may **suspend** the powers of the Supervisory Board and appoint an interim Board.

## 11.6 Functions and duties of the Supervisory Board

The management and decision-making, organisational or disciplinary powers, relating to performing the Company's activities, can in no way be assigned to the Supervisory Board, even as an alternative.

The Supervisory Board of LARIOTEX S.P.A. is assigned the following tasks:

1. Supervision of the effectiveness of the Model, which is based on checking the consistency between specific behaviour and the Model established;
2. Check of the adequacy of the Model in order to prevent the offences set out in the Decree, namely of the actual (and not merely formal) capacity of the Model adopted to prevent, in principle, unwanted behaviour;
3. Analysis of maintaining the Model's robustness and functionality requirements over time;

4. Supervise the operation of the Model by proposing any updates to the competent bodies that may arise as a result of the verification and control activity, or in order to adapt it to the changes in law or changes to the corporate structure. There are situations in which it is necessary to formulate proposals to update the Model that can be identified as:
  - Significant breaches of the Organisational Model
  - Significant modifications of the company's internal structure and/or procedures for performing normal activities
  - Regulatory changes

These activities translate into a series of **specific tasks**, briefly listed below:

1. Set the criteria for the privacy policy to its advantage for the purpose of identifying and the constant monitoring of so-called "sensitive business areas";
2. Carry out periodic checks concerning operations or specific acts concluded as part of the "risky business areas";
3. Determine, collect, process and store relevant information in order to comply with the Model;
4. Define the tools for implementing the Model with Company Department Managers (e.g. standard Clauses for suppliers, criteria for training staff) and continuously check their adequacy;
5. Conduct internal investigations with regard to breaches of the Model;
6. Submit a request for the imposition of sanctions or encourage training if breaches are identified.
7. Analysis of the Organisational Model;
8. Creation of contact information for reports;
9. Management of the 231 documentation within its competence;
10. Risk assessment update;
11. Check of human resources management, both internal and external and, in particular, with respect to the correctness of the offices, of the range of competence, etc.
12. Interviews with senior managers and individuals operating in "sensitive areas", with particular reference to the detection and analysis of the methods for managing corporate governance (organisational charts, job descriptions, etc.), procedures for managing financial and economic resources, organisation, management and control procedures in the risk areas detected.
13. Internal audit on the accounts and "sensitive" areas (including incentives, expenses, etc.);
14. Check of the state of progress of any implementation/revision of sensitive processes projects;
15. Check and report any legislative innovations or organisational changes that require upgrades in the identification of risks and changes to the Organisational Model;
16. Analysis of any disciplinary sanctions imposed a result of breaches of the Organisational Model;
17. Definition of the standard reporting to the Supervisory Board and by the Supervisory Board to the governing bodies;
18. Preparation of the annual report of the Supervisory Board's activity;
19. Immediate communication of problems arising from activities as well as any reports received;
20. Reporting of any need for improvements to the Model.

The activities carried out by the Supervisory Board cannot be examined by any other company body or structure.

The Supervisory Board has the power to see inspection and control of access to corporate acts, confidential and not, to information or data, procedures, accounting data and any other data, information or act considered useful.

In the performance of its tasks, the Supervisory Board has unrestricted access to business information for its investigation, analysis and control activities carried out directly by the means of the competent internal company departments or third-party professionals/companies. It is obliged to provide information about any company department, employee and/or member of the governing body, in the case of requests from the Supervisory Board, or the occurrence of events that could give rise to LARIOTEX S.P.A.'s liability under the terms of Legislative Decree No. 231/2001.

## 11.7 Reporting to the Supervisory Board

The company's Board is required to report to the body at the top of the company about the activities carried out and any actions undertaken.

In particular, the Supervisory Board:

1. shall communicate, at the start of each financial year (on an annual basis), the plan of the activities that it intends to carry out in order to complete the tasks that have been entrusted to it.
2. It reports in writing to the Company annually on the state of implementation of the Model, indicating any need for improvements.

If the Supervisory Board finds that the state of the procedures, Organisational Model or protocols defined is insufficient, it will be tasked with taking all the necessary steps to correct this condition by:

1. Asking the managers of the individual departments/areas to comply with the Organisational Model and procedures defined;
2. Directly indicate what corrections and modifications should be made to ordinary business practice;
3. Indicate the most serious cases of failure to implement the Model to the company's governing bodies

All meetings of the Supervisory Board with the company's departments should be recorded with minutes: the Supervisory Board shall archive them. In the financial year of its functions, the Supervisory Board is assisted by the individual company departments and can be supported where appropriate by dedicated staff (selected, also part-time, for specific tasks).

## 11.8 Supervisory Board regulations

The purpose of the Supervisory Board's Regulations is:

1. Requirements, appointment, term of office, disqualification and removal
2. Functions and tasks
3. Operating procedures
4. A minimum number of annual meetings
5. Reporting to the Board of Directors on the work accomplished at least once a year
6. The management of the documentation relating to the tasks carried out by the Supervisory Board and the procedures for archiving, storage and management of information flows
7. The procedures for collecting, processing and archiving any communications, also anonymous,

that indicate circumstances that are relevant for the implementation of the Model or for the Company's administrative liability

#### 8. Management of changes to the Regulation.

The Regulation is provided by the same Supervisory Board and unanimously approved by it and forwarded to the Board of Directors.

The minutes of the meetings with the corporate bodies, dated and signed supervision records, the main communications, the plan of activities and the annual report should be assembled in the "Book (or register) of meetings of the Supervisory Board".

The information, notifications and reports required by the Model are kept by the Supervisory Board in an appropriate database (computerised or paper) for a period of ten years. The Supervisory Board and people delegated and authorised by it can access the database.

The Regulations for the Company's Board are attached (APPENDIX 7).

## 12. Information flows regarding the Supervisory Board

The Supervisory Board must be able to provide all the information necessary to carry out its tasks effectively. In order to define the cases and operational rules relating to **Information flows to the Supervisory Board** the **procedure** provided for this purpose is recalled which is attached to this General Part (APPENDIX 8 - PROCEDURE INFORMATION FLOWS TO THE SUPERVISORY BOARD).

### 12.1 Mandate - proxies system

The Supervisory Board must be sent the documents relating to the system of mandates - proxies in force and kept constantly updated.

LARIOTEX S.P.A. will adopt a procedure for mandates and proxies that will constitute an integral part of this Model: the related documentation will be kept at the company's Administration Office.

### 12.2 Reports and notifications to the Supervisory Board - whistleblowing system

In accordance with the Law of 30 November 2017 No. 179 concerning "Provisions for the protection of individuals who report offences or irregularities which have come to their attention in the context of a public or private working relationship", LARIOTEX S.P.A. has adopted a **whistleblowing system**.

Pursuant to and for the effects of this law, employees wishing to send the Supervisory Board reports of perpetrations of offences pursuant to Legislative Decree No.231/2001, breaches of the Model or of the Code of Ethics, must comply with the requirements laid down in the related **procedure for managing reporting offences**.

The Supervisory Board must be promptly informed, by means of a suitable **communication** system by sending them by letter with acknowledgement of receipt to the following address:

LARIOTEX S.P.A., Strada Provinciale per Bulgorello, 5 - 22070 Vertemate con Minoprio (Co), Italy

for the attention of the Supervisory Board, in relation to acts, behaviour or events that could lead to a breach of the Model or, more generally, are relevant for the purposes of Legislative Decree No. 231/2001.

The letter can also be sent by email to the address [odv@lariotex.com](mailto:odv@lariotex.com).

Any information, notification or report is kept by the Supervisory Board in a strictly confidential archive.

The information obligations regarding any behaviour contrary to the provisions contained in the Model fall within the employee's broader diligence duty and loyalty obligation referred to in Articles 2104 and 2105 of the [Italian] Civil Code.

The correct implementation of the obligation to provide information by the employee may not give rise to the application of disciplinary sanctions.

The following general requirements apply in this regard.

Any **reports** relating to the following must be collected:

1. The commission, or the reasonable danger of committing the offences mentioned in Legislative Decree No. 231/2001;
2. “Practices” not in line with the rules of conduct identified by the company;
3. Behaviour which, in any case, may breach the Model.

The employee who intends to report a breach (or alleged breach) of the Model may contact their immediate superior or, if the reporting fails or the employee feels uncomfortable contacting their direct superior to make the report, contact the Supervisory Board directly according to the procedures described above.

The Supervisory Board assesses the reports received and the cases in which it is necessary to take action on a discretionary basis and under its responsibility.

Reports in good faith are guaranteed against any form of retaliation, discrimination or penalty and in any case the confidentiality of the whistleblower’s identity is ensured, without prejudice to any legal obligations which require other actions to be taken.

In addition to the reports referred to above, information concerning the following must also be sent to the Supervisory Board:

1. Anomalies or peculiarities encountered when carrying out work activities, with regard to the risk areas identified in the Model;
2. A breach of the procedures set out in the Model;
3. Measures and/or reports coming from the criminal investigation of police forces or any other authority from which it is possible to determine the existence of investigations relating to unknown persons, for the offences considered in Legislative Decree No. 231/2001 and that may involve the company;
4. Visits, inspections and investigations initiated by the competent bodies (purely by way of example: ASL, INPS, INAIL, Guardia di Finanza) and, on their conclusion, any findings and penalties imposed;
5. Internal relationships from which the liability of corporate persons emerges for cases of an offence set out in the Decree
6. Requests for legal assistance submitted by directors or employees in the event of initiating legal proceedings against them and in relation to the offences referred to in Legislative Decree No. 231/2001;
7. News relating to disciplinary proceedings carried out and any additional penalties imposed or the measures for archiving such proceedings with the related reasons;
8. Communications regarding organisational and company changes;
9. The disciplinary proceedings carried out, any sanctions imposed or measures for archiving such proceedings with the related reasons, in the case in which they fall within the scope of application of the Decree;
10. Any communication of the independent auditor/auditor regarding aspects that can indicate shortcomings in the internal control system or observations on the company’s budget;
11. Organisational or procedural shortcomings identified able to determine the specific danger

- of committing relevant offences for the purposes of the Decree;
12. The non-cooperation by company areas (in particular, a refusal to provide the Supervisory Board with the documentation or data requested, i.e. obstacle to its activity);
  13. Existence of criminal proceedings against the company in relation to the relevant offences under the terms of the Decree;
  14. Any information deemed useful and suitable for the purposes performing the functions of the Supervisory Board.

The **documentation** relating to the obligations on the subject of the **company's health and safety** is filed at its headquarters and is made available to the Supervisory Board.

As regards the **general information obligations** the following requirements apply:

1. All reports relating to committing offences set out in Legislative Decree No. 231/2001 and behaviour which is not in line with the rules of conduct adopted must be collected;
2. Incoming reports must be channelled to the supervisory board;
3. The appropriate measures will be determined after the Supervisory Board has assessed the reports received, after having listened to the parties involved (the whistleblower and the individual allegedly responsible for the breach);
4. The reports must be formalised in writing;
5. They must cover any breach or suspected breach of the Model.

The Supervisory Board is tasked with guaranteeing whistleblowers against any form of retaliation, discrimination or penalty, while ensuring the confidentiality of the whistleblower's identity and the protection of the rights of the company or of persons incorrectly accused and/or in bad faith.

The information acquired by the Supervisory Board will be processed in such a way as to guarantee:

- a. Respect of the anonymity of the whistleblower and the confidentiality of the report submitted;
- b. The non-occurrence of acts of retaliation, penalty or discrimination in respect of whistleblowers;
- c. The protection of the rights of the persons in relation to whom reports in bad faith have been made and subsequently proved to be unfounded, without prejudice in this case to the possibility of recourse to relevant actions against those who intentionally made false reports.

The Supervisory Board will assess the reports received with discretion and responsibility: it can listen to the whistleblower or the person responsible for the alleged infringement and carry out the appropriate investigations.

In general, the whistleblower's anonymity will be guaranteed except the possibility of identifying the identity to the disciplinary authority and the accused in the following cases:

- I. Whistleblower's consent;
- II. Challenging the disciplinary charge is based on additional different findings with respect to the report: these are cases in which reporting is only one of the elements that led to the emergence of the offence, but the challenge is based on the other facts alone sufficient to trigger the opening of criminal proceedings;
- III. A challenge is based, wholly or partially, on the report and knowledge of identity is absolutely essential for the defence of the accused. This circumstance can only arise after hearing the accused or by the defensive briefs that they produce in the proceedings.



## 13. Training and communication

### 13.1 INTRODUCTION

Although Legislative Decree No. 231/2001 does not govern training and information, the fact that these activities are fundamental requirements of the Model is indisputable.

LARIOTEX S.P.A. guarantees correct disclosure of the content and principles of the Model adopted, as well as those of the Code of Ethics, both internal and external to the business organisation. The activities identified for correct and comprehensive communication of the Model internally and externally are as follows:

#### 1. Internal communications when the Model is adopted:

- a. Send all staff a disclosure letter (together with the Code of Ethics) attached to their payslip to communicate that the Company has adopted an Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001;
- b. Training of staff department managers and trickling down to training all other employees;
- c. Access to the Model by all employees through an internal intranet system and storage of a printed copy at the administration office, with the display of the Code of Ethics and the Disciplinary System on company notice boards;

#### 2. Ongoing internal communications:

- a. Training meetings intended for all staff organised according to the company's communication needs and in the event of updates of the Model. The documentation relating to the training meetings carried out is stored at the Administrative Office;
- b. Alternatively or in addition to the previous point, delivery of e-learning training sessions and, however, in the event of updates of the Model with different degrees of in-depth analysis in relation to the level of involvement of recipients in high-risk activities. Also with this method, the learning level of the contents must be assessed through intermediate tests and final verification;
- c. Possible delivery to new employees and contributors of training sets which ensure the same knowledge and understanding of the mechanisms and logics of Legislative Decree 231/2001 and the Company's Organisational Model.

#### 3. External communications when the Model is adopted:

- a. Note published on the Company's website with regard to the adoption of the Model and the related updates (publication of the Code of Ethics on the Company's website);
- b. Communication of the adoption of the Model to the main existing trading partners and suppliers of goods and services with which it has supply stability;
- c. Signing by the main trading partners and suppliers of goods and services with which it has supply stability of a declaration of knowledge of the provisions of Legislative Decree No. 231/2001 and the requirements of the Code of Ethics adopted by LARIOTEX S.P.A., as well as their declaration of commitment with respect to the Code.

### 13.2 EMPLOYEES

All employees of LARIOTEX S.P.A. are obliged to acquire an awareness of the content of the Model as well as to know the operating procedures with which their activity must be carried out. Participation in training courses is mandatory and must be documented.

### 13.3 Selecting contributors and partners

The company may establish appropriate criteria for selecting representatives, consultants and partners with whom it intends to establish any form of partnership (joint venture, etc.), relationship or put operations in “risky business areas” in place. These persons will be provided with information regarding the Model adopted as well as, for the purpose of adapting existing contracts, the texts of the contractual clauses normally used in this regard.

## 14. Adoption - update - check of application of the model

### **Adopting the Model**

This Model is approved by the Board of Directors of LARIOTEX S.P.A. and updated, based on changes to legislation and needs that emerged in the first management period of the Model.

The Board of Directors also receives immediate approval of substantial amendments and integrations to the Model, as well as the appointment of the Supervisory Board.

### **Updating the Model**

The amendments, integrations, changes and updates to this Model are adopted when any significant change is made to the regulatory system and in the corporate structure and/or the company organisation, such as to entail the need to vary the requirements of the Model itself, in order to maintain its effectiveness. In order to optimise its application, the Board of Directors shall make the appropriate integrations referring to the specific business context.

### **Checking the application of the Model**

The Company performs the necessary controls in order to prevent the commission of offences in the accomplishment of its tasks (see Special Part appendices). The Supervisory Board exercises supervision over the effectiveness of the Model.

The Supervisory Board is tasked with checking the adequacy of the Model in relation to its effectiveness and proposes updates/revisions to the company in the event of need with the requirement to communicate to it any anomalies and/or change of procedures, corporate structure by the parties responsible.

### 14.1 Archiving of the documentation relating to the organisational model

The documentation related to the information communicated to the Supervisory Board and relating to the organisational Model adopted is managed in paper format (if possible, or electronic) by the Company which receives it, archives, and sends the correspondence. A backup of all the documentation present is performed on a regular basis.

### 14.2 Archiving of the documentation by the Supervisory Board

All the paper documentation concerning the activity carried out by the Supervisory Board is kept for a period of at least 10 years (without prejudice to any further storage obligations provided by specific regulations) in a special archive, to which access is reserved and only granted to members of the Supervisory Board. This archive - paper and/or electronic - is located at the address of the office of the President of the Supervisory Board.

## 15. Principles of prevention and the structure of controls

The components of the Organisational Model are inspired by the principles listed here:

1. **Segregation of duties:** the system must ensure the application of the principle of separation of functions, for which authorisation to conduct an operation must be under the responsibility of a person other than those who do the accounts, operatively perform or control the operation. In addition, it is essential that:
  - a. Nobody is granted unlimited powers;
  - b. The powers and responsibilities are clearly defined and known within the organisation;
  - c. The authorisation and signing powers are consistent with the organisational responsibilities assigned.
2. **Traceability:** for each operation there must be an adequate documentary support on which checks can be performed at any time that confirm the characteristics and reasons for the operation and identify who authorised, carried out, recorded and checked the operation and, in any case, the cases and the procedures for any cancellation or destruction of the recordings made are dealt with in detail.
3. **Monitoring activities:** aimed at the regular/timely updating of the control system, in accordance with the decision-making system and with the entire system of the organisational structure. Finally, the protocol provides for the existence of process controls.
4. **Regulation:** the existence of appropriate provisions to provide principles of conduct, operating procedures for the purpose of carrying out sensitive activities and procedures for archiving the relevant documentation must be provided (such as management manuals, procedures, etc.)..

### 15.1 The controls adopted by Lariotex S.P.A.

The Model (see Special Part appendices) includes the controls that the company operates when conducting its business. They can be distinguished depending on the person who implements them.

**Level 1 checks:** checking operations performed within the department responsible for correct performance of the task in question. Without prejudice to the segregation guideline between who checks and who does the work in this category typically fall under the checks carried out by the person responsible for the work of their co-workers.

**Level 2 checks:** audits, within the business processes, by different departments from that responsible for the control activity in question.

**Level 3 checks:** checks carried out by departments, internal or external to the company, who do not participate in the production process. This type includes, for example, checks of the Supervisory Board, the audit bodies of the bodies tasked with releasing certifications and checks and controls by the Auditor.

### 15.2 The procedures for managing financial resources

All operations involving the use, by LARIOTEX S.P.A., of financial resources must, besides having a legitimate and specific cause and reason, be:

1. Carried out by the Recipients for this purpose expressly authorised;
2. Carried out for individuals not linked to offences of organised crime or terrorism or subversion of the democratic order;
3. Documented at each stage;
4. Recorded, where required, in the relevant books, records and computerised system of

LARIOTEX S.P.A.

5. Subject to constant monitoring by a Recipient other than the person who carried out or authorised the operation in question, who - as well as on request to the Supervisory Board - will constantly forward all the related documentation and reported by any Recipient, in the event of irregularities, to their line manager, the Sole Director and to the Supervisory Board by means of a written communication.



**LARIOTEX**