



**Organisation, Management and Control Model pursuant  
to Legislative Decree No 231/01**

GENERAL SECTION

*Approved by the Board of Directors of 10<sup>th</sup> February 2015*  
*Update by the Board of Directors of 15<sup>th</sup> June 2016*  
*Update by the Board of Directors of 18<sup>th</sup> July 2017*

## Contents

|      |  |  |
|------|--|--|
| 1.   | Foreword.....  | 4  |
| 1.1. | The Desmet Ballestra Group .....   | 4  |
| 2.   | Legislative Decree No 231 of 8 June 2001.....  | 5  |
| 2.1. | The administrative liability system for legal persons, companies and associations.....                                 | 5  |
| 2.2. | The Addressees of the Decree .....   | 6  |
| 2.3. | The applicable sanctions (Article 9 et seq. of the Decree).....  | 7  |
| 2.4. | The adoption of the organisation, management and control model exempting the entity from administrative liability..... | 8  |
| 2.5. | The crimes under Legislative Decree No 231/01 or “crimes 231” .....  | 9  |
| 2.6. | Crimes committed abroad.....   | 11   |
| 3.   | General characteristics of the Organisation, Management and Control Model adopted by DBI.....                          | 11   |
| 3.1. | The methodology used for drafting the Model .....  | 11   |
| 3.2. | Addressees of the Organisational Model. ....   | 12   |
| 3.3. | Objectives and purposes of adopting the Model.....   | 14   |
| 3.4. | Codes of Conduct .....   | <b>Errore. Il segnalibro non è definito.</b> |
| 3.5. | Confindustria Guidelines.....  | 15   |
| 3.6. | Internal Control System.....   | 16   |
| 3.7. | Key components of the Model.....   | 19   |
| 3.8. | The Composition of the Model.....  | 19   |
| 3.9. | The Model and Code of Ethics .....   | 21   |
| 4.   | The Governance Model and Organisational System.....  | 21   |
| 4.1. | Foreword.....  | 21   |
| 4.2. | The corporate governance model.....  | 22   |
| 4.3. | The organisational structure .....   | 23   |
| 4.4. | The organisational unit on health and safety at the workplace .....  | 23   |
| 5.   | The Supervisory Board.....   | 24   |
| 5.1. | The identification and composition of the Supervisory Board.....   | 24   |
| 5.2. | Duties and powers of the Board.....  | 26   |
| 5.3. | Procedures and frequency of reporting to corporate bodies.....   | 27   |
| 5.4. | Grounds for incompatibility .....  | 27   |
| 6.   | Information flows towards the Supervisory Board.....   | 29   |
| 6.1. | Information flows to the Supervisory Board.....  | 29   |
| 6.2. | The collection and storage of information and reports.....   | 30   |
| 7.   | The responsibility for the adoption, implementation, monitoring and subsequent amendments of the Model.....            | 30   |
| 8.   | The circulation of Model 231.....  | 32   |
| 8.1  | The information management and circulation policy.....   | 32   |

|       |  |    |
|-------|--|----|
| 8.2   | The circulation of the Model .....                     | 33 |
| 8.3   | Contractual clauses with Suppliers.....                | 33 |
| 9.    | Training and information.....                          | 33 |
| 91.   | Staff training .....                                   | 33 |
| 9.2.  | Initial communication.....                             | 34 |
| 9.3.  | Information for partners and other third parties ..... | 34 |
| 10.   | The Disciplinary System .....                          | 35 |
| 10.1. | General principles.....                                | 35 |
| 10.2. | Sanctions for (non executive) employees.....           | 36 |
| 10.3. | Measures for managers.....                             | 38 |
| 10.4. | Measures for Directors and Statutory Auditors.....     | 39 |
| 10.5  | Measures for members of the Supervisory Board.....     | 39 |
| 10.6. | Measures for partners and suppliers.....               | 39 |
| 11.   | Glossary.....  | 41 |

Annexes

Annex A: Desmet Ballestra S.p.A. organisation chart

Annex B: Types of crime provided for by Legislative Decree No 231/01 and how they are committed

Annex C: Legislative Decree No 231 of 8 June 2001

## 1. Foreword

This General Section of the Organisation, Management and Control Model (“Model”) belongs to the Company “Desmet Ballestra S.p.A.” (hereinafter referred to as the “Company” or “DBI”), which has decided to adopt this Model for the prevention of the predicate Crimes under Legislative Decree No 231/01.

The Company has adopted this version by resolution of the Board of Directors of 18<sup>th</sup> July 2017.

The *Code of Ethics* also applies for the company “DB Finanziaria S.p.A.” (hereinafter “DBF”), which is responsible for the management and coordination of DBI.

### 1.1. The Desmet Ballestra Group

The two companies “DB Finanziaria S.p.A.” and “Desmet Ballestra S.p.A.” belong to the French-Belgian Group “Desmet Ballestra” (hereinafter the “Group”).

The Group was founded in 2005 from the merger between Desmet S.A., a Belgian leader in the design and construction of plants for edible *Oils and Fats* (from extracting the oil from the seeds to the final refined product for household consumption), and “Ballestra S.p.A.”, an Italian company working in the sector of the design and construction of plants for the manufacture of detergents, surfactants and chemicals.

On 2 September 2007, the Group set up the company “DB Finanziaria S.p.A.” in Italy, which owns 100% of “Desmet Ballestra S.p.A.” and over which it has management and coordination control pursuant to Article 2497-bis of the C.C. In turn, “DB Finanziaria S.p.A.” is wholly owned and subject to the management and coordination of “N.V. Desmet Ballestra Group S.A.” (hereinafter “DBG”), a Belgian company based in Brussels.

The Group is a world leader in the design and construction of plants and equipment for the production of edible fats and oils and their derivatives, detergents, surfactants, chemical and oleochemical products, and biodiesel. The Group directs its own strategies for continuous research into excellent solutions, innovative design and high quality standards.

The Group has an excellent reputation around the world, thanks to over 60 years of experience, a strong R & D capacity and a wide customer base in the sector. This structure allows

the Group to meet market demand and to implement complex projects in its specific business sectors, providing customers with support in all respects and for all their needs.

Throughout its history, the Group has installed over 7,500 processing plants in 152 countries. As of 31 December 2012, the Group had 20 operating units with a total of 1,300 employees.

In Italy, DBF serves as a holding company whose main role is to hold and manage any interests in the company in order to direct and coordinate the activities of the subsidiaries and to guide their operations in line with the Group's overall strategy.

When it was launched, DBI focused on the design and supply of sulphonation plants and on the manufacture of detergents. One of the first innovations introduced by DBI was the use of sulphur dioxide as a sulphonation agent, as well as the optimisation of the continuous sulphonation process for the manufacture of chemical surfactants. In over 50 years, DBI has built over 1,800 plants for the manufacture of powdered surfactants and detergents in 120 countries, becoming a benchmark in the supply of technologies for the surfactant and detergent industry. Throughout its history, DBI has always paid particular attention to the development of environmentally sustainable technologies which use renewable, natural raw materials. In the 1990s, DBI began to develop technology for the manufacture of inorganic chemicals (namely sulphuric acid and fertilisers), as well as methyl esters from natural oils and fats, a natural raw material for the detergent industry, which was then successfully applied in the production of biodiesel.

## **2. Legislative Decree No 231 of 8 June 2001**

### **2.1. The administrative liability system for legal persons, companies and associations**

Legislative Decree No 231 (hereinafter referred to as the "Decree") was issued on 8 June 2001 in implementation of the provisions of Article 11 of Law No 300 of 29 September 2000. It entered into force on 4 July 2001 and brought Italian legislation in line with certain international agreements which Italy had already accepted some time ago. In particular, this concerns the Brussels Convention of 26 July 1995 on the protection of the European Communities' financial interests, as well as the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or officials of Member States, and finally the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions.

This Decree “governing the administrative liability of legal persons, companies and associations, even without legal status” has introduced for the first time in Italian law an administrative liability system (broadly comparable to criminal liability) for certain entities (which shall mean companies, associations, consortiums, etc, hereinafter referred to as “Entities”) for any of the exhaustively listed crimes committed in their interest or for their benefit by:

- (i) natural persons who hold representative, administrative or managerial positions in these Entities or in their organisational units with financial and functional autonomy, as well as by natural persons who manage and control, even if only de facto, these Entities ( “senior management”; Article 5, paragraph 1, letter a) of the Decree);
- (ii) natural persons managed or supervised by one of the aforementioned persons ( “persons subject to the management or supervision of others”; Article 5, paragraph 1, letter b) of the Decree).

The administrative liability of the entity is combined with the criminal liability of the natural person who physically committed the crime.

The administrative liability provided for by the Decree extends the prosecution of the crimes specified therein to the Entities in whose interest or to whose benefit the offence was committed. Moreover, it should be reiterated that the company is not liable if the aforementioned natural persons have acted solely in their own interest or for third parties (Article 5, paragraph 2 of the Decree).

## **2.2. The Addressees of the Decree**

The Decree indicates the Addressees are:

- entities with legal status;
- companies with legal status;
- companies and associations without legal status (Article 1, paragraph 2).

Firstly, the Legislative Decree identifies the entities with legal status. These subjects enjoy financial autonomy, unlike the other entities who, while they are legally autonomous subjects, do not have separate assets from individual members or associates.

Therefore the main Addressees are as follows:

- entities with legal status; companies with share capital; cooperatives; foundations; incorporated associations; private and public economic institutions; and private bodies

which perform a public service under a permit, agreement, harmonisation or similar administrative act;

- entities without legal status: partnerships; EEIGs; consortiums; and unincorporated associations.

However, the Decree does not apply to the State, regional public bodies (Regions, Provinces and Municipalities) and entities which perform constitutional tasks (Article 1, paragraph 3), such as: political parties; workers' unions; both Chambers of Parliament; the Secretary General of the Presidency of the Republic; the Constitutional Court; the National Council for Economics and Labour; and the Supreme Judicial Council.

Moreover, it does not apply to sole traders, even if they run a family business.

### **2.3. The applicable sanctions (Article 9 et seq. of the Decree)**

The sanctions which can be imposed on the Entities for administrative offences resulting from a crime include:

- fines, which are set by a criminal judge according to a quota-based system, for a sum that cannot be below one hundred nor exceed one thousand and varies between a minimum of €258.00 and a maximum of €1,549.00;
- restrictions, which should be no less than three months nor longer than two years (also applicable as a precautionary measure);
- confiscation of profits from the crime;
- publication of the judgment.

The most serious type of sanction for the entity are restriction measures, which can only be applied in relation to crimes which have been expressly specified and if one of the two conditions applies under Article 13, paragraph 1, letters a) and b) of the Decree. They include:

- a ban on trading;
- a ban on contracting with the Public Administration, except for obtaining a public service;
- a suspension or withdrawal of any authorisations, licences or permits used to commit the offence;

- an exclusion from incentives, loans, grants and subsidies, and/or the withdrawal of any already granted;
- a ban on advertising goods or services<sup>1</sup>.

#### **2.4. The adoption of the organisation, management and control model exempting the entity from administrative liability**

Article 6 of the Decree stipulates that an Entity shall not be held liable for crimes committed by senior management or by persons subject to the management or supervision of others, as long as it can prove that “*organisation, management and control models to prevent such crimes from occurring*” were adopted and implemented effectively before the offence was committed.

This Decree also provides for the creation of a *control body within the entity*, which shall supervise the implementation, effectiveness and compliance of these models, as well as handling any updates.

These organisation, management and control models (hereinafter referred to as the “Models”), pursuant to Article 6, paragraphs 2 and 3 of Legislative Decree No 231/2001, must fulfil the following requirements:

- to identify any activities in which the crimes provided for by the Decree may be committed;
- to establish specific protocols for planning the development and implementation of the entity’s decisions on any crimes to be prevented;
- to identify ways of managing financial resources to prevent such crimes from being committed;
- to lay down obligations for providing information to the board appointed to supervise the implementation and compliance of the models (“Supervisory Board”);
- to introduce a disciplinary system to punish any non-compliance with the measures set out in the Model.

If the crime has been committed by persons who hold representative, administrative or managerial positions within the entity or in one of its organisational units with financial and

---

<sup>1</sup> The sanctions involving a ban on trading, a ban on contracting with the Public Administration and a ban on advertising goods or services may be definitively applied in the most serious cases (see Article 16 of the Decree). Please also note that the company’s business may possibly continue (in place of an imposed sanction) under a commissioner appointed by the judge pursuant to Article 15 of the Decree.

functional autonomy, or by persons who manage and control, even if only de facto, this entity (“senior management”), the entity shall not be liable if it can prove that:

- (i) the executive body had adopted and effectively implemented a Model to prevent such crimes from occurring before the offence was committed;
- (ii) the task of supervising the implementation, compliance and updating of the Model was entrusted to a board within the entity with independent powers of initiative and control (“Supervisory Board” or “SB”);
- (iii) the perpetrators committed the crime by fraudulently circumventing the Model;
- (iv) there was no missing or insufficient supervision by the Supervisory Board in relation to the Model.

However, if the crime was committed by persons subject to the management or supervision of one of the aforementioned persons, the entity shall be held liable if it was possible to commit the crime due to any failure of management and supervision obligations (Article 7 of the Decree). In all cases, this failure would be ruled out if the entity had adopted and effectively implemented a Model to prevent such crimes from occurring before the offence was committed.

The liability for an administrative offence resulting from a crime shall be assessed during criminal proceedings (Article 36 of the Decree). The company’s liability shall be determined mainly by:

- verifying that the alleged crime under the company’s liability has actually been committed;
- the suitability of the adopted organisational models (if implemented).

How suitable the model was to prevent any crimes under the Decree shall be assessed on an *ex ante* basis, whereby the judge will put himself in the company’s position at the time when the offence occurred to test the adequacy of the adopted model (known as “posthumous prognosis”).

If the Entity had not adopted a Model before the crime was committed but did so before the hearing commenced, the applicable penalties will be reduced (Article 12 of the Decree).

## **2.5. The crimes under Legislative Decree No 231/01 or “crimes 231”**

The crimes for which the entity can be held liable pursuant to Legislative Decree No 231/2001 can be divided into the following classes/categories:

1. Relations with the Public Administration (PA) - Corruptions, bribes and Undue induction to give or promise utility (Article 25 of Legislative Decree No 231/01);

2. Relations with the PA - Fraud against the State (Article 24 of Legislative Decree No 231/01);
3. Relations with the PA - Computer fraud against the State or another public body (Article 24 of Legislative Decree No 231/01);
4. Relations with the PA - Crimes regarding public funds (Article 24 of Legislative Decree No 231/01);
5. Terrorism-related crimes or the subversion of democratic order (Article 25-*quater* of Legislative Decree No 231/01);
6. Crimes against the individual (Article 25-*quinquies* of Legislative Decree No 231/01);
7. Female genital mutilation (Article 25-*quater-1* of Legislative Decree No 231/01);
8. Corporate offenses, including corruption between private parties and incitement of corruption between private parties (Article 25-*ter* of Legislative Decree No 231/01);
9. Market abuse (Article 25-*sexies* of Legislative Decree No 231/01);
10. Manslaughter and serious or grievous bodily harm committed in breach of the regulations on accident prevention and on health and safety protection at the workplace (Article 25-*septies* of Legislative Decree No 231/01);
11. Receiving, Laundering or using any money, goods or benefits of unlawful origin, Recycling and Self-laundering (Article 25-*octies* of Legislative Decree No 231/01);
12. Computer crimes and unlawful processing of data (Article 24-*bis* of Legislative Decree No 231/01);
13. Currency counterfeiting and crimes against the public trust (Article 25-*bis* of Legislative Decree No 231/01);
14. Organised crime (Article 24-*ter* of Legislative Decree No 231/01);
15. Crimes against industry and commerce (Article 25-*bis.1* of Legislative Decree No 231/01);
16. Copyright infringement (Article 25-*novies* of Legislative Decree No 231/01);
17. Perverting the course of justice. Incitement not to testify or to bear false testimony before the judicial authorities (Article 25-*decies* of Legislative Decree No 231/01);
18. Environmental crimes (Article 25-*undecies* of Legislative Decree No 231/01);
19. Employment of illegally staying third-country nationals (Article 25-*duodecies* of Legislative Decree No 231/01);
20. Transnational crimes (Articles 3 and 10 of Law 146/2006).

In accordance with the principle of legality (expressly provided for by Article 2 of the Decree), the entity cannot be held liable for an act that constitutes a crime if its administrative liability in relation to that offence and any relative penalties have not been expressly provided for by a law that entered into force before the crime was committed.

However, the entity shall be liable for any attempted crimes under the offences provided for by the Decree (pursuant to Article 56 of the C.C.); in this case, the amount of the fine and

the duration of the restriction are reduced by a third up to a half, whereas penalties shall not be applied if the entity voluntarily prevents the act from being committed or the event from taking place (Article 26 of the Decree).

## **2.6. Crimes committed abroad**

Under Article 4 of the Decree, the entity may be held liable in Italy for predicate crimes committed abroad.

However, this is provided for by the Decree subject to the following conditions:

- the State where the crime was committed does not launch the proceedings itself;
- the company has its head office in Italy;
- the crime was committed abroad by a person engaged by the company;
- the general conditions exist for prosecution laid down in Articles 7, 8, 9 and 10 of the Criminal Code to prosecute an offence in Italy which has been committed abroad.

## **3. General characteristics of the Organisation, Management and Control Model adopted by DBI**

The Company is aware of the need to ensure conditions of fairness and transparency in the running of company business and affairs, in order to protect its position and image, as well as the expectations of its shareholders and the work of its employees. It is also aware of the importance of setting up an internal control system to prevent its directors, employees and partners from committing any crimes.

To this end, even though the law states that the adoption of the Model is optional and not compulsory, DBI has launched a project to analyse its organisation, management and control tools to ensure that its principles of conduct and any procedures already adopted are consistent with the purposes laid down by the Decree and, where appropriate, to update this Model.

### **3.1. The methodology used for drafting the Model**

In order to analyse and verify the level of compliance of the company organisation and of the internal provisions under the requirements of Legislative Decree No 231/01 on the prevention of the crimes provided for by this Decree and, if necessary, to integrate new protocols into the existing

control system, the Company has set up a working group with internal project representatives and external consultants.

The different parts of the model were submitted for approval from the working group, including assessments and discussions on the various parts (see also the Special Section A of the Model).

The working group has examined the existing procedures, as well as the information and documentation on the risk “*mapping*” for the various company areas, and has managed to identify any processes that are susceptible to the crimes specified under Legislative Decree No 231/01.

This has been done by conducting interviews with Company staff and by examining any existing company documentation.

Consequently, the areas *at risk of crime* have been identified, i.e. the sectors of the Company and/or company processes which, in light of the results of the mapping, were found to be theoretically at risk from the crimes specified under the Decree. More specifically, Special Section B indicates the levels of risk identified for each company role.

In preparing this Model, the existing procedures and control systems already operating within the Company have been taken into account, as long as they were deemed appropriate prevention measures for the Crimes or controls for the Susceptible Processes.

Without prejudice to its specific purpose described in the previous paragraph relating to Legislative Decree No 231/2001, this Model forms part of the wider control system consisting mainly of the Company’s existing rules and internal control system.

### **3.2. Addressees of the Organisational Model**

This Model and its principles apply to the Board of Directors, the Board of Statutory Auditors, the Supervisory Board, the Auditing Firm and to all Company Employees, as well as to anyone who, either directly or indirectly, permanently or temporarily, enters into agreements or relations with the Companies or works on behalf of or in the interests of the Companies (hereinafter the “Addressees”).

In particular, the *Addressees* of the Model are considered to be:

- a) anyone who, even if only de facto, performs managerial, administrative, executive or control duties within the Company or in one of its autonomous organisational units;
- b) the Company’s Employees, even if they are working abroad;

- c) all persons who are working with the Company under a semi-subordinate employment relationship, such as project partners, temporary workers, contract workers, etc;
- d) anyone who, while not an employee of the Company, works under its mandate or on its behalf (e.g. solicitors, agents, lawyers, any kind of associates, consultants, suppliers and commercial partners, regardless of their relationship with the Company);
- e) all persons who work in the Company's interests, insofar as they are linked to the Company by contractual legal relationships or by any other agreements, such as joint-venture partnerships or partnerships for the creation or acquisition of business projects.

The Company's suppliers and partners, including external partners and consultants, are obliged to comply with the Model and the Code of Ethics when working or acting in the name of or on behalf of the Company, failing which, break clauses may be applied by the Company.

All Addressees are obliged to comply at all times with the provisions in the Model and its implementation procedures. In particular, when performing their respective duties and within their areas of responsibility, they are obliged to abide by:

- a) the Italian or foreign legislative and regulatory provisions applicable in each specific case;
- b) the Articles of Association;
- c) the Code of Ethics;
- d) the internal rules issued pursuant to Legislative Decree No 231/01 ("Protocols 231" or "MOG");
- e) the Management's resolutions on internal control systems and the implementation of the Organisational Model pursuant to Legislative Decree No 231/01;
- f) the instructions and memos from the Board of Directors, the Executive Committee, the Divisional Directors and the Heads of company departments, as well as the service orders (memos) issued by the competent organisational units and by the line managers;
- g) the corporate codes of ethics and conduct of the Group, the policies, procedures, operating instructions and organisation charts, the systems for delegated and proxy powers, the organisational and corporate hierarchical/operational structure and the cost control system, which form the organisational and internal control system and the Quality Management System ISO 9001:2008 of the Company;
- h) the rules on the administrative, accounting, financial and reporting system;
- i) the training of staff and partners;
- j) the disciplinary system of the National Collective Bargaining Agreement.

Any doubts on the applicability or application methods of the Model for a person or a third party category shall be resolved by the Supervisory Board, which can be called in by the head of the area/department with which the legal relationship has been established.

This document constitutes the Company's internal Regulations, which are legally binding for the Company and the Addressees.

### **3.3. Objectives and purposes of adopting the Model**

By adopting the Model, DBI aims to achieve the following major goals:

- to make the Addressees of the Model aware that if they breach any of the provisions in the Decree, they may incur criminal penalties or it may result in administrative penalties being brought against the Company;
- to reiterate that any such illegal behaviour is strongly condemned by the Company, as it is contrary (even if the Company was apparently in a position to benefit from such behaviour) not only to law but also to the ethical principles which DBI has adopted in running its business;
- to monitor any areas at risk, so the Company can take prompt action to prevent or stop such crimes from being committed.

### **3.4. Codes of Conduct**

Legislative Decree No 231/01 states that organisation, management and control models may be adopted on the basis of codes of conduct drawn up by entities' representative associations and submitted to the Ministry of Justice. This Ministry then has 30 days, in consultation with any other competent Ministries, to give an opinion on the suitability of the model in terms of crime prevention, provided that it meets the requirements set out under Article 6, paragraph 2 of Legislative Decree No 231/01.

The main purpose of this provision is to help members of trade associations to comply with the principles laid down in Legislative Decree No 231/01, and also to encourage the drafting of structured codes that can serve as a point of reference for operators preparing to draft an organisation and management model.

For the structure of this Model, the Company has referred to the “Guidelines on drafting organisation, management and control models pursuant to Legislative Decree No 231/01” published by Confindustria.

### 3.5. Confindustria Guidelines

Among the most important elements, the Confindustria Guidelines recommend drafting an organisation, management and control model which is substantially equivalent to a *risk management* system and which, in relation to granting delegated powers and to the risks of any “predicate” crimes in the Decree, must meet the following requirements:

1. to identify any activities in which the “*predicate*” crimes in the Decree may be committed;
2. to establish specific protocols for planning the development and implementation of the entity’s decisions on any “*predicate*” crimes in the Decree;

For the purposes of this document, a risk management system must be based on the following key phases:

- a) Risk Identification;
- b) Control System Planning.

The “Risk Identification” phase involves **mapping company business areas and analysing potential risks**.

By the mapping of business areas, the Confindustria Guidelines mean the analysis of the company context in order to highlight where (in which business area/sector) and how any events may occur that could compromise the objectives indicated in the Decree.

For each area identified by this analysis, the source of the risk must then be identified, since it could cause a risk of one of the identified crimes; there are various possible approaches for conducting this process, including for each activity, position and process. In particular, it involves a regular comprehensive review of the company in order to identify any areas that could be affected by potential crimes.

The analysis of potential risks includes information on *how the crimes could be committed* in relation to the internal and external operational context in which the company operates.

The “Control system planning” phase covers the **assessment of the existing preventive control system** and includes any potential adjustments if it proves to be insufficient or even a *complete* drafting in the event that the entity does not have one.

The preventive control system must ensure that the risk is eliminated or at least reduced to an “acceptable” level in the eyes of the entity’s management.

For the preventive control system to be created in relation to the risk of any of the crimes set out by the Decree, the theoretical acceptable level is represented by a:

**“prevention system that can only be circumvented by fraudulent means”.**

This solution fully complies with the concept of “fraudulent evasion” of the organisational model, set out in the Decree as an exemption for the entity from its administrative liability (Article 6, paragraph I, letter c).

Regarding manslaughter and personal bodily harm committed in breach of health and safety regulations at the workplace, the Confindustria Guidelines identify the theoretical acceptable level as any involuntary conduct which breaches the organisational prevention model and the relative obligations specified by prevention regulations, despite the strict compliance with the supervisory obligations set forth in the Decree by the designated body.

### **3.6. Internal Control System**

The Company’s Internal Control System comprises all the rules, procedures and organisational units to ensure that the business runs properly and smoothly, and to guarantee with a reasonable safety margin:

- the efficiency and effectiveness of company processes;
- appropriate risk control;
- the reliability and integrity of accounting and management information;
- the protection of assets;
- the compliance of business activities with existing legislation, directives and company procedures.

The Company’s internal control system reflects the dynamic structure of the company “processes”.

As part of developing the definition of the protocols required to prevent the risk of crimes, based on the knowledge of the internal structure and company documentation, the main processes, sub-processes and activities have been identified in which, in principle, crimes could be committed or the circumstances or means for committing these crimes might arise.

With reference to these processes, sub-processes and activities, the existing management and control procedures have been examined and, where appropriate, the necessary measures have been defined to guarantee the following principles are complied with:

**a) The organisational system, the segregation of roles and the allocation of responsibility**

The organisational system must fulfil the requirements of:

- (i) clarity, authorisation and communication, with a particular emphasis on the allocation of responsibility, the definition of hierarchical lines and the assignment of operating activities;
- (ii) the proper distribution of responsibilities and the provision of appropriate levels of authorisation (segregation of roles) in order to avoid overlapping duties and to concentrate any activities that have a high degree of danger or risk with one single person.

The Company regulates any methods and responsibilities to ensure that delegated powers are updated on time, establishing any circumstances when these delegated powers should be granted, amended or revoked (e.g. acceptance of new responsibilities, assignment of various duties that are incompatible with those originally granted, resignations, dismissals, etc).

**b) Operating procedures and instructions.**

Operating procedures and instructions are authorised internally, with the following characteristics:

- (i) appropriate **circulation** around any company units involved in the activities;
- (ii) **regulation** of how the activities are performed;
- (iii) **clear definition of the responsibilities** for the activities, in accordance with the principle of segregation between the person who launches the decision-making process, the person who carries it out and finishes it, and the person who checks it;
- (iv) **traceability** of actions, operations and transactions through appropriate documentary support that certifies the characteristics and reasons for the operation and identifies the various persons involved in the operation (authorisation, implementation, registration and verification of the operation);
- (v) **objective decision-making processes**, through the provision, where possible, of definite criteria and reference methodologies for implementing company decisions;

- (vi) **provision of specific control mechanisms** (such as reconciliation, balancing, etc) to guarantee the integrity and completeness of the data managed and of the information exchanged within the organisation.

**c) Control and monitoring activities.**

Control and monitoring activities shall be implemented and documented, involving, through different roles, the Board of Directors, the Board of Statutory Auditors, the Auditing Firm, the Management and, more generally, all the company staff, representing an essential attribute of the Company's day-to-day business.

The control tasks of these bodies are defined according to the following types of control:

- (i) **line controls**, which aim to ensure that operations run properly and are *performed by the same production units or are incorporated into procedures*;
- (ii) **monitoring activities**, which aim to detect any anomalies and breaches of company procedures and to assess the effectiveness of the overall internal control system, and which are *carried out by separate units from the operational units*;
- (iii) **supervision activities**, which aim to ensure the correct administration for the Company, the adequacy of the organisational units and the compliance with law and the memorandum of association.

The Company believes it is essential to guarantee that the aforementioned control principles are properly and effectively applied in all the company business areas/processes that have been identified as potential crime risks during the mapping phase and are listed under the Special Sections of the Model.

The task of ensuring that these principles are continuously applied, including that they are appropriate and up-to-date, is delegated by Company, as well as to the Supervisory Board, to the Managers of the companies and subsequently to the direct colleagues. To this end, these Managers must continuously interact with the Supervisory Board, which should always be kept informed and which may be asked for its opinions or suggestions on principles and orientation (see *below*, chapters 5 and 6).

The principles, rules and procedures of the aforementioned instruments are not described in detail in this Model, but are part of the broader organisation and control system which it intends to supplement.

### 3.7. Key components of the Model

With reference to the “requirements” identified in the Decree, the key points developed by the Company in the definition of the Model can be briefly summed up as follows:

- the definition of the map of any company activities and processes that are “susceptible” to the crimes set out in the Decree, which should therefore be subject to regular analysis and monitoring;
- the identification of ethical principles relating to any conduct that may involve the crimes provided for by the Decree, which are reflected in the Code of Ethics adopted by the Company and, in more detail, in this Model;
- the establishment of protocols relating to the instrumental processes deemed to be greater crime risks in order to provide specific suggestions on the preventive control system to be adopted, in accordance with the principles set out in the general rules of the Model and in relation to the specific crimes to be prevented;
- the constitution of the Supervisory Board (hereinafter also the “Board” or “SB”) and the allocation of specific supervisory tasks to ensure that the Model is properly and effectively implemented;
- the definition of information flows towards the Supervisory Board;
- the definition of a suitable sanctionary system to ensure that the Model is effectively implemented, including disciplinary provisions for employees and contractual penalties to be applied in the event of any breaches of the principles of the Model or of the principles of fairness and good faith by partners and/or consultants;
- the identification of information, awareness and dissemination activities for this Model among Addressees;
- the definition of the rules and responsibilities for the adoption, implementation and subsequent amendments or supplements of the Model (updating the Model), as well as for the ongoing monitoring of the application and effectiveness of the Model.

#### 3.7.1 The Composition of the Model

By using the Confindustria Guidelines as a reference, the Company has developed an *Organisation and Management Model* consisting of:

1. **the General Section** (this section) which, for the main aspects, describes:

- the company profile;
- the regulatory framework of Legislative Decree No 231/01;
- the general characteristics of the Organisation, Management and Control Model in terms of its principles, contents and Addressees;
- the management of the project for drafting the Model;
- the structure of the Organisation, Management and Control Model;
- the Corporate Governance model and the organisational system;
- the methodologies followed for the risk mapping;
- the Supervisory Board, its roles and powers, and how it reports to company bodies;
- the existing procedure system;
- the criteria for updating and adjusting the Model;
- the development and circulation of the Model;
- the disciplinary and sanctionary system;
- the glossary and the annexes.

2. **the three Special Sections** which identify and describe the areas and processes at risk of crimes, and provide a risk assessment for the crimes. This section consists of:

1. **Special Section A:** The methodologies for risk mapping and risk assessing;
2. **Special Section B:** The preliminary analysis of positions at risk (separately from positions of Governance and Support) and the identification of the level of risk for each category of crime;
3. **Special Section C:** The mapping of the risk areas.

Moreover, while they have not been developed and specifically or exclusively applied as components of the organisational model pursuant to Legislative Decree No 231/01, the following have been valued as measures of risk mitigation:

3. The **“Code of Ethics”**.
4. The **Risk Assessment Document** (pursuant to Legislative Decree No 81/08) for the sections of the document and obligations on risk mitigation for the crimes of manslaughter and serious or grievous bodily harm.
5. The **company’s organisational and procedural system** which overall consists of: the policies, procedures, operating instructions and organisation charts, the system for delegated and proxy powers, the organisational and corporate hierarchical/operational structure, the sanctionary system and disciplinary mechanisms, and the cost control system.

Most of the organisational and procedural aspects have been developed and adopted within the Quality Management System ISO 9001:2008, while the other operating procedures have been developed during the drafting of the Model for risk/crime mitigation (MOG Protocols).

Each Addressee of this Model is obliged to know and comply with the principles contained in the Code of Ethics, in the General Section and in the Special Sections of the Model, as well as in the other aforementioned documents for their areas of competence.

A similar disclosure and implementation obligation is required for any third parties and external entities who interact with the Company in a continuous and structured manner.

### **3.8. The Model and Code of Ethics**

DBI shall operate in accordance with the ethical principles laid down to guide the business, as well as for the pursuit of company goals and the growth of the Company, in compliance with existing legislation. To this end, the Company has adopted a Code of Ethics (also referred to as the “Code”) in order to define a series of its own “corporate ethical” principles that must be observed by its corporate bodies, employees and partners.

This Code of Ethics, shared by DBF, has a more general scope and represents an instrument adopted autonomously by the Company. Instead, the Model meets the specific requirements laid down in Legislative Decree No 231/01 aimed at preventing specific types of crimes from being committed (actions that, being apparently committed in the interests or to the benefit of the Company, might entail administrative liability for the Company in line with the provisions of the Decree).

In light of the fact that the Code of Ethics sets forth principles of conduct to prevent unlawful behaviour also laid down under Legislative Decree No 231/2001, it gains relevance for the purposes of the Model being a relevant component of the company control system.

## **4. The Governance Model and Organisational System**

### **4.1. Foreword**

The Desmet Ballestra governance model and, in general, its entire organisational system, is structured in such a way to ensure that the Company implements its strategies and achieves its goals in line with cost-effective management.

In fact, the Company's structure has been created by taking into account the need to organise the Company so as to guarantee its operational efficiency and effectiveness.

#### **4.2. The corporate governance model**

The Company's corporate governance system, regarding any applicable domestic legislation, is based on a "traditional" system<sup>2</sup> and is currently structured as follows:

##### **The Shareholder Meeting**

The Shareholder meeting, either during general or special sessions, shall be responsible for resolving issues under its jurisdiction according to Law and the Articles of Association.

##### **The Board of Directors**

The Board of Directors is vested with the broadest powers for managing the Company and for implementing and achieving the company goals, to the extent permitted under Law and the Articles of Association. Therefore, the Board of Directors shall be vested, inter alia, with the power to define the Company's strategies, and to verify the existence and efficiency of the Company's organisational and administrative structure.

##### **The Executive Committee**

The Executive Committee is an internal company committee formed by resolution of the Board of Directors. Its main goal is to report to the Administrative Body on management issues and on any proposals to be brought to the attention of this Body. As per service order of 20 April 2015 and new organizational chart, the permanent members of the Executive Committee include: the General Manager (as Chairman), the Financial Director (CFO) and the Director of "Operations" and the Director of "Detailed and process Engineering & Technologies". Moreover, this Board shall examine the economic and financial data on the management of the Company, while also suggesting and supervising the implementation of company technical and commercial strategies.

##### **The Board of Statutory Auditors**

---

<sup>2</sup> The corporate bodies are formed by the Board of Directors and the Board of Statutory Auditors (the "traditional" solution).  
REV. 2 – 18<sup>th</sup> July 2017

The Board of Statutory Auditors is entrusted with the task of supervising:

- the compliance with law and the memorandum of association;
- the respect for the principles of proper administration;
- the adequacy of the Company's organisational structure, the internal control system and the accounting and administrative system, including how reliable it is in properly reporting management operations.

### **The Auditing Firm**

The Company's Shareholder Meeting appointed an auditing firm, which is listed under the Special Register held by Consob, to review and audit the Company accounts.

#### **4.3. The organisational structure**

The Company's organisational structure is designed to guarantee, on the one hand, the segregation of tasks, roles and responsibilities between operating and control positions and, on the other hand, the highest possible efficiency.

In particular, the company organisational structure, which is based on the precise definition of the competences of each company Area and its related responsibilities, can be found in annex A of this General Section.

All department heads shall be vested with the power to maintain contractual relationships with third parties, relating to their own areas of competence, and which are necessary to achieve the assigned objectives.

#### **4.4. The organisational unit for health and safety at the workplace**

For health and safety at the workplace, under the provisions of the consolidation act on health and safety at the workplace, the Company has adopted an organisational unit in line with existing legislation in order to eliminate or, if this is not possible, to reduce and therefore manage the risks for workers.

Where possible, the Company has organised its internal powers in line with the company structure through a system of delegated and proxy powers, in accordance with existing legislation.

The Risk Assessment Document identifies the following roles and their activities:

1. the Employer;
2. the Company Physician;
3. the Head of the Prevention and Protection System;
4. the employees of the Prevention and Protection System;
5. the Employee Safety Representative;
6. the Supervisors and Delegates;
7. the employees on the fire prevention and first aid emergency teams;
8. the workers.

## **5. The Supervisory Board**

### **5.1. The identification and composition of the Supervisory Board**

In accordance with Legislative Decree No 231/2001, the task of supervising the implementation, effectiveness and compliance of the Model, as well as ensuring it is up-to-date, must be entrusted to a board within the Company (Article 6, paragraph 1, letter b, of the Decree), other than the Board of Directors.

In light of the specific tasks of the Supervisory Board and the provisions of the Decree, the choice of the internal board to be entrusted with the supervision and control of the Company shall be made so as to ensure, first and foremost, that the Supervisory Board (SB) has the requisite of autonomy, independence, professionalism and continuity of action.

In particular, in light of the aforementioned Guidelines and the case law recommendations, these requirements should be regarded as follows:

#### **Autonomy and independence**

The requirements of autonomy and independence aim to guarantee that the Supervisory Board is not directly involved in the management activities which are subject to its control and, above all, that it can perform its own role without direct or indirect pressure from the persons under its control. These requirements can be achieved by ensuring that the Supervisory Board has cooperation throughout the chain of command, and that it reports directly to the top company management.

To ensure the necessary autonomy of initiative and independence, it is essential that the SB is not assigned operating tasks which would involve it in any operational decisions and thus compromise its impartiality.

### **Professionalism**

The Supervisory Board must have the sufficient technical and professional expertise to perform its assigned duties. It therefore must have legal skills as well as technical skills to carry out inspections, consultative skills for analysing control systems.

Together with its independence, these characteristics ensure its impartiality.

### **Continuity of action**

In order to guarantee that the Model is effectively and continuously implemented, a unit is required that constantly monitors the Model and, therefore, has an offshoot within the organisation with a suitable structure and dedicated resources, while also being free from any operational tasks which could restrict its required commitment to performing its assigned duties.

The Company has seen fit to establish a single body specifically appointed by the Board of Directors as a Supervisory Board pursuant to Article 6, letter b) of the Decree. Therefore, in line with these regulatory principles, the supervision and control activities provided for by the Model have been delegated to the Supervisory Board.

More specifically, the SB of DBI is formed by a collegial body whose two members are accounting and business consultants (also member of the Board of Statutory Auditors) and the other one is the Legal and HSE manager (employee of the holding DB Finanziaria). This composition guarantees the necessary legal, and organization and control qualifications, as well as specific knowledge of the organization and regulations of the Company.

In order to ensure that it can properly carry out this task, the Board of Directors shall guarantee that this unit has the appropriate resources and expertise over time; it being understood that the Supervisory Board shall be able to employ, when necessary, external consultants who may be assigned certain areas of investigation if they require any specialisations which the Board cannot cover.

The Supervisory Board shall adopt its own rules that shall be submitted to the Board of Directors in order to regulate its own operating procedures in more detail.

In order to ensure that the Supervisory Board has the sufficient ability to retrieve information and, therefore, can operate effectively with regard to the company organisation, flows of information to and from the Supervisory Board have been established through this Model and, subsequently, through the specific internal organisational documents issued by the Board of Directors or by the Supervisory Board itself.

## **5.2. Duties and powers of the Supervisory Board**

The Company's Supervisory Board is generally entrusted with the task of monitoring:

- a) Addressees' compliance with the requirements of the Model in relation to the different types of crimes in the Decree;
- b) the effectiveness of the Model in relation to the company structure and its actual ability to prevent any of the crimes in the Decree;
- c) the opportunities for updating the Model, when it needs to be updated due to changes in the company and/or new regulations or in any cases when the analysis conducted indicates that updates should be made.

On the operational side, the Board shall be entrusted with the task of:

- collecting, processing and storing the relevant information received from the company departments in accordance with the Model;
- reviewing the company's business in order to update the mapping of any areas of activity "at risk" within the company context;
- regularly carrying out planned or "surprise" checks, targeting certain operations or specific documents within the areas of activity "at risk" or in any of their "instrumental processes";
- checking that the components of the Model (adoption of standard clauses, completion of procedures, etc) are updated and meet the requirements for compliance with the Decree, thereby adopting or otherwise suggesting the adoption of updates for these components;
- conducting internal investigations to ascertain any alleged breaches of the Model;

- handling any updates of the Model, submitting update proposals to the company bodies/departments that carry out these updates within the company and checking the effective implementation of the proposed solutions.

The Supervisory Board shall always be kept informed by the operating unit and has unrestricted access to all the relevant company documentation.

### **5.3. Procedures and frequency of reporting to corporate bodies**

The Company's Supervisory Board shall regularly liaise with the Board of Directors and the Board of Statutory Auditors, to whom it shall submit at least one annual written report on the implementation of the Model within the Company.

The particular focus of this report shall be:

- the supervision activities by the SB during the reference period;
- any critical issues that emerge either in terms of the conduct within the Company or in terms of the effectiveness of the Model;
- the planned corrective measures and improvements and their progress;
- a report of expenditure.

The Supervisory Board is obliged to inform the Board of Statutory Auditors immediately in the event of any breaches involving the Company's senior management and the Board of Directors. Moreover, the Supervisory Board may receive requests for information or clarifications from the Board of Statutory Auditors and the Auditing Firm.

The Supervisory Board may be convened at any time by the Board of Directors and, in turn, it may request a meeting with the Board at any time, in order to report on the implementation of the Model or on other specific situations.

Minutes must be recorded during any meetings with the aforementioned persons and bodies, copies of which should be held by the Supervisory Board.

### **5.4. Grounds for incompatibility**

The following persons cannot be appointed to the Supervisory Board:

- a) Directors with delegated operational powers;
- b) persons who conduct any business or maintain business relations on behalf of the Company, its subsidiaries or the Group's affiliates;
- c) professionals who work for the Company's Auditing Firm, its subsidiaries or the Group's affiliates;
- d) anyone who is part of the direct family of the executive directors or the shareholders, or of one of the Group's shareholders; direct family here is defined as a spouse, unless legally separated, or any relatives within the fourth degree of kin;
- e) anyone who has been convicted, even if the judgment is not final, of any crimes covered by Legislative Decree No 231/01, or has a plea bargaining agreement pursuant to Article 444 et seq. of the C.P.P., even if judgment has not been passed, or for any crimes that involve a ban, even temporarily, from public office or a statement that the person is unfit to hold managerial positions;
- f) anyone who is subject to "preventative measures" ordered by the judicial authorities, unless in the event of rehabilitation.

When appointed, the member of the Supervisory Board must provide a written declaration stating that they are not unfit for the role due to any of the aforementioned reasons.

Moreover, the member must promptly notify the Board of Directors should there be any grounds for incompatibility.

Failure to comply with the aforementioned requirements over the duration of the mandate shall result in removal from office. In this case, the Board of Directors shall promptly appoint a replacement, in accordance with the aforementioned guiding principle for this decision, after checking that the replacement meets the fit and proper person requirements.

Members of the Supervisory Board may be dismissed at any time on fair and/or justified grounds by the Board of Directors, which must promptly appoint a replacement in full accordance with the aforementioned guiding principles for this decision.

## 6. Information flows towards the Supervisory Board

### 6.1. Information flows to the Supervisory Board

Within the scope of the Company, the operating and managerial units must notify the Supervisory Board of any actions that constitute or could constitute a crime, or a breach or suspected breach of the Code of Ethics, of this Model and of the company procedures that monitor any activities at risk of crime set forth in the Special Sections.

In particular, all Company staff must report:

- i) on a **regular basis**, any information identified by the Supervisory Board and by these requests to individual Company organisational and managerial units through internal directives. This information must be submitted within the timeframe and according to the methods set by this Board and include the most relevant processes for Legislative Decree 231/2001 in the activities developed in the Company.
- ii) on an **occasional basis**, any other information, including from third parties, that is relevant to the implementation of the Model in any “at risk” business areas and to the compliance with the provisions of the Decree, which may be useful to help the Supervisory Board carry out its tasks. In particular, it is compulsory to promptly report any of the following information from this non-exhaustive list to the Board:
  - any measures and/or news from the police or any other authorities, which may lead to investigations into the crimes under the Decree, including those launched against unknown persons;
  - requests for legal assistance submitted by executives and/or employees in the event of criminal proceedings against them for any crimes in the Decree;
  - any document, action, event or failure detected or observed in performing the assigned responsibilities or tasks, bearing a critical impact on compliance with the Decree;
  - any news on disciplinary proceedings carried out or on any potential penalties imposed, or on any decisions made to dismiss these proceedings and the grounds thereof;
  - injuries with more than 40 days of prognosis.

These occasional reporting obligations also apply to third parties who operate, under any capacity, on behalf of or in the interests of the Company within any business areas at risk of crime and to whom the Company has provided adequate information on the adopted organisational Model.

## **6.2. The collection and storage of information and reports**

Any information, warning or report submitted to the Supervisory Board shall be stored in a suitable database (either as an electronic or hard copy) for a period of 10 years.

Reports should be made in writing by sending an email to the following address:

[organismodivigilanza@ballestra.com](mailto:organismodivigilanza@ballestra.com)

or by sending the report to the following address:

Desmet Ballestra spa – Organismo di Vigilanza  
Via P. Portaluppi 17,  
20138 Milano.

Only the member of the SB with individual authentication credentials has access to the aforementioned email account. Reports can also be made anonymously.

The Supervisory Board shall take every appropriate measure to protect the whistle blower from any form of retaliation, discrimination, penalty or any other consequences resulting from their report, ensuring their identity remains confidential, subject to its legal obligations and the protection of the Company's rights or those of third parties.

All Addressees are told how they can make the aforementioned report through the most appropriate means (e.g. the company intranet, notice board, internal communications, etc).

## **7. The responsibility for the adoption, implementation, monitoring and subsequent amendments of the Model**

Article 6, paragraph I, letter a) of Legislative Decree No 231/2001 states that the Model must be "issued by the executive body". The adoption of the Model, along with the appointment of the Supervisory Board, is therefore the responsibility of the Company's Board of Directors, which shall be done through a resolution from the Directors. By formally adopting the Model, it becomes a

mandatory set of rules for the Company, the members of the corporate bodies, the employees and for anyone else who operates, under any capacity, on behalf of or in the interests of the Company.

Any subsequent substantial amendments or supplements, including proposals from the Supervisory Board (i.e. any amendments to the rules or to the general principles contained in this Model), shall be referred to the Company's Board of Directors.

However, the effective, practical implementation of the adopted Model is guaranteed by:

- the company Management, i.e. the heads of the various organisational units within the Company, in relation to the business areas at risk under their control;
- the Supervisory Board, in exercising the powers of initiative and control which it has been vested with over the business activities carried out by individual organisational units in areas at risk of crime.

In particular, the company Management, together with the Supervisory Board, are responsible for ensuring that their own employees understand any situations at risk of crime, as well as for issuing directives on the operating procedures for performing any assigned tasks, in accordance with the principles and requirements contained in this Model, and taking into account the specific aspects of their own area of business.

Moreover, the Supervisory Board shall guarantee that the Model is continuously updated, in view of any requirements that might become necessary in the future, subject to an official resolution from the Board of Directors in the event of any substantial amendments or supplements to the Model.

The monitoring of the Model falls under the responsibility of the Supervisory Board and includes the **following types of checks**:

- **document checks**: at least once a year, the main corporate documents shall be checked, including any major contracts agreed by the Company in "susceptible" business areas;
- **preventive control system checks**: on a regular basis, the preventive control system must be checked to ensure that it is operating properly and that company procedures are being effectively applied according to the methods established by the Supervisory Board. These checks must include, inter alia, the following:
  - o **regular checks**, by the Supervisory Board, with support from the competent departments/positions, of the existing system of delegated authoritative and signatory powers, as well as its compliance with the entire organisational system,

while recommending any changes if the managerial powers and/or qualifications and/or tasks do not correspond to the powers of representation granted to the solicitor, or if there are any other anomalies;

- **regular assessments of the adequacy**, regarding the crime prevention requirements provided for by Legislative Decree No 231/2001, of the enforced procedures that regulate business activities at risk, including any amendments, supplements or emissions of new procedures which come to the knowledge of the Supervisory Board during the course of its duties.
- **checks of all the reports received** throughout the year, the actions undertaken by the parties concerned, any potentially risky events, as well as the susceptibility of Addressees of the Model (including sample checks) to commit the crimes provided for by the Decree.

These checks shall be conducted by the Supervisory Board, or by third parties appointed for this role or by Departments who are occasionally delegated by the Board. The outcome of these checks, including any highlighted shortcomings or suggestions for actions to be taken, must be included in the annual report which the Board prepares for the Company's Board of Directors and Board of Statutory Auditors.

## **8. The circulation of Model 231**

### **8.1 The information management and circulation policy**

In order to implement the adopted Model 231 effectively, Desmet Ballestra shall ensure that the contents and principles of this Model are properly and fully circulated within and outside the company.

Desmet Ballestra's specific goal is to extend the communication of the contents and principles of Model 231 to all Addressees in relation to their roles.

In the event of legislative changes and partial or substantial amendments to Model 231, Desmet Ballestra shall take the necessary steps to publicise and disseminate the new contents to all Addressees in a timely manner.

## **8.2 The circulation of the Model**

All Addressees of Model 231 shall be made aware of its contents and principles. Addressees of the Model are guaranteed the possibility of accessing and consulting the General Section of the Model; the Model will be promptly circulated internally and externally by:

- posting it in an accessible place for all Employees and Partners;
- publishing it on the company intranet and on the website;
- distributing it to all Addressees upon special request.

Desmet Ballestra shall ensure that Employees are aware of their obligation to understand the principles and contents of the Model and that, in accordance with their roles and responsibilities within Desmet Ballestra, they must help to implement and comply with the Model, reporting any shortcomings.

## **8.3 Contractual clauses with Suppliers**

In order to avoid any conduct contrary to the stipulations of Model 231, Desmet Ballestra may define specific clauses and agreements with any Suppliers who operate in the name of or on behalf of Desmet Ballestra, particularly when they are exposed to any risks of the crimes under 231, in order to contractually bind them to behave in such a way that does not constitute a breach of Model 231 of Desmet Ballestra.

# **9 Training and information**

## **9.1 Staff training**

In order to help its staff understand the Model, the Desmet Ballestra organisational unit in charge of training shall organise suitable training courses (different teaching methods, e-learning, on-site lessons or at qualified third parties, etc). To complete these training activities, questionnaires will be filled in, along with declarations certifying the completion of the training. By filling in and submitting the questionnaire, Employees acknowledge that they understand the contents of the Model.

The content and delivery of the training activities aimed at raising awareness of Legislative Decree No 231/2001 are tailored to the different levels of employment of the Addressees and to the level of risk in the areas where they operate, taking into account whether or not they act as representatives of the Company. In particular, the Company shall provide different levels of information and training through dissemination tools, such as, regular targeted seminars, occasional email updates or internal memos.

The Supervisory Board shall document the initial communication and regular training activities for company staff.

To ensure this Model is effective, the Company shall aim to guarantee that the rules of conduct contained therein are properly circulated and understood by all existing and future employees, with varying degrees of understanding in relation to their different levels of involvement in any business areas at risk of crime.

The information and training system is supervised and supplemented by the work performed in this area by the Supervisory Board, in cooperation with the head of the Human Resources Department and the heads of other company departments that are occasionally involved in the implementation of the Model.

## **9.2 Initial communication**

This Model shall be sent to all existing employees within the company when it is adopted. To this end, a special section dedicated to this subject has been set up on the company intranet, which is updated by the Supervisory Board and contains documents describing the Model. New employees will be given an information pack containing the Code of Ethics and the Organisational Model, which should provide them with all the most important information.

## **9.3 Information for partners and other third parties**

Any partners or contracting third parties who operate, under any capacity, on behalf of or in the interests of the Company, and who are involved in any “susceptible” activities under the Decree, shall be notified for their respective areas of the contents of the Model and of the Company’s requirement that they comply with the provisions of Legislative Decree No 231/2001.

## 10 The Disciplinary System

### 10.1 General principles

Pursuant to Article 6, paragraph 2, letter e) and Article 7, paragraph 4, letter b) of Legislative Decree No 231/2001, the organisation, management and control models, the adoption and implementation of which (combined with other circumstances provided for under the same Articles 6 and 7) forms *a sine qua non* for the exemption of the Company's liability in the event of any crimes under the Decree, can only be effectively implemented if they contain a suitable disciplinary system to punish any non-compliance with the measures contained therein.

Given that a proper disciplinary system can only address employees, the provisions detailed below shall apply to employees; while for any partners and suppliers who operate on behalf of the Company, contractual/negotiating measures shall be provided for (e.g. termination of contract, deletion from the list of suppliers, etc). Disciplinary measures may be imposed on employees regardless of the launch or outcome of any criminal charges, given that the organisation models and internal procedures form binding regulations for Addressees, the breach of which, in order to comply with the aforementioned Legislative Decree, shall be punished irrespective of whether an offence has actually been committed, or whether it is subject to punishment, and must be based on the principles of promptness, immediacy and fairness.

However, given that the company cannot bind partners or suppliers to specific internal procedures, since they are autonomous in their work and in choosing how they fulfil their contractual obligations, they shall have to strictly comply with the principles of fairness and good faith when carrying out their work, for which, even if they do not behave in a such a way that could lead to termination of contract, the company may deem their specific behaviour to be contrary to the aforementioned principles and consequently take appropriate action, which might even involve the decision to terminate an existing contract, or not to renew an expired contract, or to cease relations with the party concerned.

Any behaviour and/or failure that breaches the provisions of this Model will not be justified and/or considered less serious if it is performed in the interests or to the benefit of the Company.

The type and level of the sanction applied in the event of a detected breach shall be proportionate to the severity of the offence, in line with the National Collective Bargaining Agreement and established based on the following general criteria:

- a subjective assessment of the behaviour depending on the intent, fault, negligence and

inexperience;

- the importance of the breached obligations;
- the level of hierarchical and/or technical responsibility of the person concerned;
- any potential shared responsibility with other persons who assisted in committing the crime;
- the presence of aggravating or mitigating circumstances, especially with regard to their professionalism, previous job performance, disciplinary record and the circumstances surrounding the crime.

The company reserves the right to claim compensation in addition to the disciplinary sanction.

## **10.2 Sanctions for (non executive) employees**

For employees, the disciplinary system must comply with the limits of disciplinary powers imposed by Article 7 of Law No 300 of 1970 (known as the “Workers’ Statute”) and by the collective bargaining agreements for the industry and company, both in terms of the applicable sanctions and in terms of how the disciplinary power is exercised.

The Company shall enforce the existing National Collective Bargaining Agreement (hereinafter CCNL) for workers employed in the private metalworking industry and in the installation of equipment, which lays down the applicable sanctions under Articles 8, 9 and 10 and also establishes the procedures and timeframes for appeal and for imposing these sanctions.

For particularly serious crimes, the Company may terminate the employment relationship on fair grounds, pursuant to Article 2119 of the Civil Code, or on justified subjective grounds, pursuant to Article 2118 of the Civil Code, subject to compliance with the procedures of Article 7 of Law No 300/70 and of the CCNL.

In accordance with Legislative Decree No 231/2001 and in compliance with the aforementioned procedures, the Company may therefore punish any of its non executive employees if they breach the measures in this Model by imposing the disciplinary sanctions provided for by the CCNL.

To this end, the Company shall inform its employees of the fact that the Organisation, Management and Control Model represents the Employer’s power to issue instructions on how work is performed and disciplined (Article 2104 of the Civil Code). Consequently, failure to comply with and/or breaches of this Model, or of the rules of conduct laid down by the Code of Ethics and the company procedures, shall constitute a breach of the obligations under the contract of

employment and therefore a disciplinary offence (Article 2106 of the Civil Code) which, as such, could result in certain sanctions provided for by existing legislation or by the collective bargaining agreements.

The duty to circulate this Model, and therefore the sanctions therein and in the Code of Ethics, shall be fulfilled by posting it on the company notice board. It shall also be made accessible to all workers by publishing it on the company intranet.

To address any potential breaches, the Company shall apply the sanctions provided for by the CCNL by taking into account the principles of gradual implementation and of the proportionality between the breach and the sanction, as well as the effect of the psychological element and any other aggravating (e.g. repeat offending) or mitigating (attempts to eliminate or prevent damage, the scale of damage or consequences, etc) circumstances.

The adequacy of the disciplinary system according to the provisions of Decree 231/2001 shall be continuously monitored by the Supervisory Board, which must be guaranteed an appropriate flow of information on the types of sanctions imposed and their underlying circumstances, working in collaboration, in particular, with the head of the Human Resources department.

The specially designated company departments shall be responsible for verifying these offences, reporting them if necessary to the Supervisory Board, handling the disciplinary procedures and imposing any sanctions.

On this basis, the following sanctions have been identified:

a) Verbal warning

For minor breaches of the internal procedures provided for by the Model or if any work conduct in business areas at risk does not comply with the provisions of this Model, since such behaviour shall be construed as non-compliance with the provisions brought to the attention of the member of staff through service orders, memos, instructions or any other suitable means used by Desmet Ballestra.

b) Written warning

For repeated minor breaches of the internal procedures provided for by the Model or if any work conduct in business areas at risk on several occasions does not comply with the provisions of this Model.

c) A fine not exceeding three hours' wages calculated on base pay and a suspension from work without pay for up to three days

These sanctions shall be applied in the event of more serious breaches regarding the compliance and correct application of the internal procedures provided for by the Model, or if any work conduct in business areas at risk does not comply with the provisions of this Model, as well as for any actions that are contrary to the interests of Desmet Ballestra, which shall result in a suspension from service for a period not exceeding 3 days and from pay for up to a maximum of three hours' wages.

d) Dismissal with notice

In the event of any work conducted in business areas at risk, which does not comply with the provisions of this Model or any conduct directed solely at the aim of committing a crime specified under Decree 231, since such behaviour shall be construed as causing significant damage or a situation of material injury for Desmet Ballestra.

e) Dismissal without notice for any non-compliance which is so serious that the employment relationship cannot continue (on fair grounds), even on a provisional basis.

In the event of any work conducted in business areas at risk, which blatantly breaches the provisions of the Model and leads the Entity to apply the measures provided for by Decree 231, since such behaviour shall be construed as an act that drastically undermines the company's trust in the worker and does not allow the employment relationship to continue even on a provisional basis, or involves any of the failures mentioned under the previous points causing serious material injury to the company.

### **10.3 Measures for managers**

For managers, while taking into account the special relationship of trust with the employer, in the event of a breach of the general principles in the organisation, management and control model, or of the rules of conduct laid down by the Code of Ethics and of company procedures, the Company shall apply the appropriate sanctions for those responsible, in compliance with existing legislation and with the CCNL for Managers of industrial companies (in the most serious cases it can result in dismissal with or without notice, if such conduct constitutes a serious breach of the employment relationship and, in particular, of trust, in such a way that the relationship cannot continue, even provisionally).

#### **10.4 Measures for Directors and Statutory Auditors**

In the event of a breach of existing legislation, or the Model, or the Code of Ethics or the company procedures by a member of the Company's Board of Directors or Board of Statutory Auditors, the Supervisory Board must fulfil its obligation to inform the entire Board of Directors and Board of Statutory Auditors, which shall then take the appropriate steps in accordance with law, involving, if necessary, the Shareholders.

#### **10.5 Measures for members of the Supervisory Board**

For members of the Supervisory Board, in the event that they are employed with the Company, the provisions shall be applied under the paragraphs dedicated to "*employed workers*" and/or "*managers*"; however, if they act as partners/consultants, the provisions under the paragraph for "*partners*" shall be applied.

#### **10.6 Measures for Partners and Suppliers**

##### *Partners*

Any conduct by partners hired by the Company under a non-employment contract, which breaches the provisions of Decree 231/2001, or the company's Code of Ethics and/or Model, could result in termination of the contractual relationship, without prejudice to any subsequent claims for compensation if this conduct causes damage to the Company, regardless of whether the contractual relationship is terminated.

To this end, the Company has included specific clauses in its contracts, binding partners to comply with the principles of fairness and good faith, as well as to refrain from any behaviour that could constitute a criminal offence, with particular regard to Legislative Decree No 231/2001, which they acknowledge to have understood (regardless of whether a crime was actually committed or punished).

##### *Suppliers*

Any conduct by suppliers hired by the Company under a non-employment contract, which breaches the provisions of Decree 231/2001, or the Code of Ethics and/or Model, could result in termination of the contractual relationship, without prejudice to any subsequent claims for compensation if this conduct causes damage to the Company, regardless of whether the contractual relationship is terminated.

To this end, the Company has included specific clauses in its contracts, binding suppliers to comply with the principles of fairness and good faith, as well as to refrain from any behaviour that could constitute a criminal offence, with particular regard to Legislative Decree No 231/2001, which they acknowledge to have understood (regardless of whether a crime was actually committed or punished).

The Supervisory Board shall be responsible for assessing the suitability of any measures adopted by the Company for its partners and suppliers and, if necessary, for updating these measures.

## 11 Glossary

The following definitions shall apply in this model:

**Senior management:** persons who hold representative, administrative or managerial positions within the entity or in one of its organisational units with financial and functional autonomy, as well as persons who manage and control, even if only de facto, this entity.

**Areas at risk of crimes in 231:** any ‘susceptible’ activities, or specific activities which might give rise to circumstances that could lead to a crime being committed.

**Company:** The company which owns this Model.

**Shareholder:** Persons who hold shares in the Companies; see Parent Company.

**Parent Company:** The company “Financiere DSBG” based in Paris, which owns 100% of “DBG”.

**Partner:** Persons who work with the Companies, without belonging to them, and free from an employee work contract.

**CCNL:** The National Collective Bargaining Agreement in force for the Company’s employees.

**Customers:** Persons who enter into a contractual relationship for the design and supply by the Companies of plants for the detergent and certain applications for inorganic chemicals.

**Legislative Decree No 231/01 or the Legislative Decree or the Decree:** Legislative Decree No 231 of 8 June 2001, as subsequently amended and supplemented.

**Legislative Decree No 81/08:** Legislative Decree No 81 of 9 April 2008, entered into force on 15 May 2008, covering the “Consolidated Law on the protection of health and safety at the workplace”.

**Addressees:** the Board of Directors, the Board of Statutory Auditors, the Supervisory Board, the Auditing Firm and all Company Employees, as well as anyone who, either directly or indirectly, permanently or temporarily, enters into agreements or relations with the Companies or works on behalf of or in their interests.

**Employees:** Members of staff who have an open-ended employment contract with DBI, and workers with a fixed-term employment contract (project Partners) comparable to employees.

**RAD or Risk Assessment Document:** the document drawn up by the Employer, containing a report on the assessment of all the health and safety risks at work, including the criteria for this assessment, as well as the implemented prevention and protection measures and the personal protection equipment adopted following this assessment, the programme for the implementation of measures deemed necessary to progressively ensure the improvement of security levels, procedures to implement any measures to be carried out, as well as the company organisational roles that must be provided, the identification of the head of the prevention and protection system, the workers' safety representative and the Company Physician who have taken part in the risk assessment, as well as the identification of any tasks which could expose Workers to specific risks that require certain professional skills, specific experience, appropriate training and education.

**Suppliers:** Suppliers, partners, outsourcers, consultants and agents.

**Group:** the Desmet Ballestra Group as defined in the foreword.

**Confindustria Guidelines:** the "Guidelines on drafting Organisation, Management and Control Models pursuant to Legislative Decree No 231/2001" issued by Confindustria on 31 March 2008.

**Management:** Managers and department heads and President of the Executive Committee/General Manager.

**Mapping:** examining any company processes and roles, which theoretically could be activities or perpetrators of the predicate crimes under Legislative Decree No 231/01.

**Organisation, Management and Control Model or "Model":** all the documents and regulations listed under § 3.7.1 of this document.

**P.A.:** the Public Administration, including the relevant officials and public service employees.

**Staff:** All natural persons who have an employment relationship with the Company, including employees, temporary workers, partners, "interns" and freelancers who have been commissioned by the Company.

**Susceptible Processes:** the Company activities in which there could be a risk of crimes being committed.

**Instrumental processes:** processes in which, in principle, "instruments" could be created or "conditions or means" could occur for predicate Crimes to be committed.

**Predicate Crimes or Crimes:** All the crimes, or an individual crime, covered by Legislative Decree No 231/2001 (subject to any future amendments or supplements).

**Company:** Desmet Ballestra S.p.A., as the owner of this Organisational Model.

**Subordinates:** the persons subject to the management or supervision of members of senior management.

**Third parties:** customers, suppliers, outsourcers, consultants, agents and partners.

**Legal Office:** Head of the DBI Legal Office.