

# ORGANIZATION, MANAGEMENT and CONTROL MODEL

Pursuant to Legislative Decree June 8, 2001 no. 231

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## ***1 Introduction***

Itea S.p.A., sensitive to the need to ensure fairness and transparency in the conduct of business activities, and to protect the position of its image and the expectations of its shareholders and the work of its employees, has voluntarily adhered to the provisions of the Legislative Decree no. 231 dated June 8, 2001 adopting the Code of Ethics and Organizational, Management and Control Model (hereinafter “Model”).

Following the introduction in 2009 of new crimes, the Model has been extensively revised, both to incorporate what is further legislated as well as to be adjusted as a result of organizational changes, also pursuing the objective of incisively strengthening the governance system, having also made a new assessment of the areas potentially at risk of committing crimes.

Consequently, Itea S.p.A. updated its Model that consists of a General Part, where, as a result of the risk assessment, the evaluation of the potential offenses was identified, defining the guidelines and standards of conduct in the management of business processes, and a Special Part, which identifies the legislative support to the managers of the business processes that describes for each type of offense the guidelines for the definition of protocols intended to regulate the conduct of activities at risk, as well as the rules of the management decisions in relation to individual offenses to be prevented identified by mapping the risks of committing criminal offenses.

Itea S.p.A. is committed to the timely update in case of highlighted inadequacies, even if only partial, affecting the effective prevention of the risks of committing a crime or in case of any significant changes in the regulatory system or the organization of the Company.

The task of overseeing the functioning and compliance of the above Model and its updating has been entrusted to a Supervisory Board appointed by the Board of Directors of the Company.

The Chairman

## 2 Definitions

**Sensitive Activities:** Step in a process indicating risk-prone activities.

**Code of Ethics (CE):** Code of Conduct adopted in performing its activities and business. The Code uses as guidelines corporate laws, regulations and protocols. The CE establishes for all employees, administrators, partners and suppliers the basic rules of behaviour based on fairness, honesty, transparency and confidentiality, and respect and protection of environment, as well as health and safety of workers.

**Consultants:** Individuals acting in name of/on behalf of the Company, under a contract of professional collaboration.

**Employees:** Employees of the Company, whose relationship is regulated by a temporary or permanent employment contract.

**Legislative Decree no. 231/2001:** Legislative Decree no. 231/2001 establishes the administrative liability of Institutions for crimes committed by directors, executives and/or employees to their own advantage. It is therefore addressed to Institutions with legal personality, companies with legal personality and associations even with no legal personality. Exceptions are the State, local Authorities and Institutions with constitutional functions. The company's liability is excluded in case the individual has committed the crime to his/her own advantage or for the benefit of third parties. The Decree provides also that each company can not incur in administrative offence adopting and respecting the corporate Organization and Management Model and establishing a Supervisory Body which effectively implements the compliance with the Model.

**Entity:** It indicates the Legal Company and private organizations which haven't been recognized and are legal persons (the so-called authorities, such as political parties and trade unions). The same is applied to public organization without legal personality, but which are part of a broader Public Body with some autonomy. When the system attributes to institutions having no legal personality a certain fiscal autonomy, they can be considered as legal subjects.

**Guidelines (GL):** Confindustria Guidelines provide the guidelines that a Company may use for creating its own Model. The GL are approved in advance by the Ministry of Justice. The first issue of GL was on 7<sup>th</sup> March 2002; its update was issued on 31<sup>st</sup> March 2008.

**Organization and Management Model (MO):** The Organization and Management Model provided by article 6 and 7 of the Legislative Decree no. 231/01 includes:

- a Code of Ethics which is the code of conduct adopted by the Company that, by listing the ethical principles, is also a foreword to the Model;
- an organization chart indicating Management and executives in top position and all the other individuals as subordinated (employees and contractors);
- a risk analysis (through process mapping and analysis of each risk-prone area, identifying offices and functions which direct the business activities);
- a formulation of binding corporate instructions (procedures identifying tasks, liabilities and related controls);
- the identification of a Supervisory Body (SB) monitoring the Model application;
- the identification and planning of preventive control (audit plans);

- the identification of a disciplinary system for non-compliance of the CE and of the Model.

**Corporate Bodies:** Board of Directors, Board of Statutory Auditors.

**Supervisory Body (SB):** Body of a company, appointed by the Board, and with the power of initiative and control, in charge of the evaluation of the Organizational, Management and Control Model and related procedures/protocols adopted by the Company, as well as control of effective functioning, compliance, updating and dissemination to all concerned.

**Public Administration (PA):** The P.A., consisting by public entities, private concessionaires of public services, public enterprises and public bodies who are called to work in relation to the field of activity concerned, in the exercise of a public function.

**Special Part:** Help in-depth, part of the Organizational Model, on the offenses provided for by Legislative Decree no. 231/2001 and on business areas potentially at risk from the date of adoption of this Model.

**Partner:** Contractual counterparties with whom the Company has collaboration regulated by contracts, e.g. suppliers, joint venture partners, ATI, license, agency and collaboration in general.

**Staff:** The Employees, members of the Board of Directors, the members of the Board of Statutory Auditors, the members of the Supervisory Body.

**Attorneys:** Persons to which the Company granted powers for management purposes; they take contract commitments for the Company with third parties.

**Protocol:** Implementation document of the Model. It may establish rules and general principles (rules of conduct, disciplinary sanctions, internal control standards, training of staff), or relate to specific risk areas (description of the process, potential crimes associated, control elements applicable, specific rules of conduct, information flows to the SB).

**Crimes:** Type of offenses identified by Legislative Decree no. 231/2001 and subsequent additions and/or modifications.

**Rules of Conduct:** Rules of conduct adopted by the Company for the purpose of preventing the commission of offenses identified by Legislative Decree no. 231/2001 and subsequent additions and/or modifications.

**Company:** Itea S.p.A.

**Apical subjects:** All those individuals who represent, administrate and manage the Company or one of its companies endowed with financial and functional autonomy as well as individuals who, even in fact, manage and control the Company.

### 3 Overview of the Legislative Decree and Relevant Regulations

The Legislative Decree no. 231 of June 8, 2001 introduced into Italian regulation an administrative liability system (basically comparable to criminal liability) at the expense of juridical persons to be added to the responsibility of the person who committed the offences and willing to involve into penalty also entities (Companies and institutions).

The Administrative liability of the Entity for one of the Crimes provided by the Decree is added (and not replaced) to the criminal or administrative liability of the person who is the offender. The liability of the entity exists even if the offender has not been identified or if the offence itself has been extinguished for a reason different than amnesty.

The entity cannot be held responsible for any offence, but only for the commission of offences and administrative violations envisaged by the decree, as shown in its original formulation and subsequent amendments, and laws that expressly refer to the decree.

The liability of the Entity arises when an offence has been committed to advantage the Entity itself, without being necessary the effective and concrete achievement of the goal.

The offence should have been made by one or more qualified individuals, belonging to one of the following who categories:

- The “*apical*” individuals, people who are representatives, directors or managers within the Entity or within one of its units with financial and functional autonomy, such as for example, Legal Representative, Administrator, General Director or the Director of a branch;
- by “*subordinate*” individuals under the supervision of one of apical subjects, who may not coincide with the employees).

For Crimes committed by “apical” individuals, the decree establishes a presumption regarding the liability of the Entity, since it provides for the exclusion of its liability if it shows that the management has adopted and efficiently implemented, before the commission of the offence, organization and management models apt to prevent Crimes of the same kind of the one occurred.

For crimes committed by “subordinate” individuals, the Entity may be held liable only if it is established that “the offence was possible for a non-fulfilment of obligations required by management and supervision”.

Crimes provided by the Legislative Decree are the following:

**Art. 24:** “Illegal receipt of funds, fraud against the State or public body”

**Art. 24-bis:** “Cybercrimes and unlawful data processing”

**Art. 24-ter:** “Organized crimes”

**Art. 25:** “Bribery and extortion”

**Art. 25-bis:** “Crimes of counterfeiting currency”

**Art. 25-bis-1:** “Crimes against industry and trade”

**Art. 25-ter:** “Corporate crimes”

**Art. 25-quarter:** “Crimes of terrorism and subversion of democracy”

**Art. 25-quater-1:** “Practice of female genital mutilation”

**Art. 25-quinquies:** “Crimes against the individual”

**Art. 25-sexies:** “Offences of market abuse”

**Art. 25-septies:** “Manslaughter and negligent injury committed in violation of safety and occupational health regulations”

**Art. 25-octies:** “Crimes of receiving stolen goods, money laundering and illegal use of utilities of illegal origin”

**Art. 25-novies:** “Offences related to infringement of copyright”

**Art. 25-decies:** “Inducement not to make statements or to make false statements to the court”

**Art. 25-undecies:** “Environmental Crimes”

**Art. 25-duodecies:** “Use of workers without residence permit”

**Law March 16, 2006 no. 146** “Transnational crimes”

- Criminal association;
- Mafia-type association;
- Criminal association oriented to the smuggling of foreign tobacco;
- Association oriented to illicit traffic in drugs;
- Measures against illegal immigration;
- Inducement not to make any statements or false statements to judicial authority
- Personal abetting.

The assumptions of crimes listed above have been included in the Special Section which is an integral part of the Model. The Entity may be held responsible, in Italy, for some crimes committed abroad, provided that the Authorities of the Country where the crime has been committed do not proceed against it. The Lawmaker, in order to provide “effective, adequate and dissuasive” sanctions, has established two main types of penalties: financial and disqualifying sanctions.

Financial sanctions are determined by the Court through a system based on “dues”. Each crime requires a minimum and a maximum of shares, whose value is established by the Court, taking into account “economic and financial conditions” of the entity, thus ensuring the effectiveness of the sanction. The quantum of penalties may change from a minimum amount equal to Euro 25,822.00 up to Euro 1,549,000.00 approximately.

Disqualifying sanctions are applied **in addition** to financial sanctions, they can be temporary but may occasionally be applied with full effect and may provide:

- 1) temporary or permanent interdiction from the activity;
- 2) suspension or revocation of permits or licenses which could be functional to the commission of crimes;
- 3) prohibition of contracting with Public Administration, except for the performance of public services;
- 4) exclusion from benefits, loans, grants or subventions and possible revocation of those already granted;
- 5) temporary or permanent prohibition of advertising goods or services.

In addition to financial and disqualifying sanctions, the DECREE provides for two more penalties:

- confiscation, consisting in the acquisition by the State of the price or profit deriving from the offence;
- publication of the conviction at the entity's expenses.

The Articles 6 and 7 of the Decree provide for specific exemptions from administrative liability if the Company demonstrates that:

the subject acted in his own interest or in the interest of third parties (not in the interest of the Company);

**or**

1. the managing body has adopted and effectively implemented, prior to the commission of the crime, proper management and control to prevent the perpetration of crimes (provided for by Legislative Decree 231/01);
2. the task of supervising operation and compliance with models and the data updating has been assigned to a Supervisory Body appointed by the Company and endowed with autonomous powers;
3. individuals who committed the crime evading the organization and management model;
4. there has been omitted (or insufficient) supervision by a Supervisory Body.

The Company shall therefore have adopted and implemented proper organization and management models in order to prevent any crime provided for in the Legislative Decree 231/01.

These models, to be designed to prevent the risk of crimes, must meet the following requirements:

- identify the activities within which crimes may be committed;
- provide specific protocols, namely organizational and procedural elements, aiming at planning the implementation of the Company's decisions in relation to crimes to be prevented (powers and proxy system, authorization procedures, operational procedures);
- identify the procedures for the management of financial resources in order to prevent the commission of crimes;
- provide information to Supervisory Body;
- adopt a suitable disciplinary system for punishing the non-compliance with the measures provided by Organization and Management Model.



#### 4. Features and use of Organizational Model

##### 4.1 Program Declaration

The Company intends to operate according to ethical principles in performing its activities, pursuing the social purpose and the growth of the Company and of the Group, in compliance with laws in force. To this purpose it has a Code of Ethics aiming at defining the principles of ethical business which the Company recognizes as its own and requires observance. The Company is also sensible to the expectations of its shareholders as regards fairness and business transparency and is aware, in order to ensure these conditions, of the possibility of introducing an Organization and Management *Model* in its internal auditing system for crimes prevention, taking into account the provisions of the Decree and the Guidelines drawn up by Confindustria.

This initiative, together with the adoption of the Code of Ethics, was taken to increase awareness of all employees of the Company and of other individuals interested in it (Customers, Suppliers, Partners, external contractors, and so on), in order to ensure correct behaviours aiming at preventing the risk of the offences specified in the Decree. In order to highlight the different editions of the Model and the Code of Ethics approved in the Company, please refer to Appendix “Evolution of the Organizational Model”.

##### 4.2 Purpose and description of the Organizational Model

The purpose of the Model is the construction of a comprehensive set of procedures and activities of prior control which has as its objective the prevention of crime through the identification of activities exposed to the risk of crime and their proceduralization.

Using the Organization and Management Model the Company will pursue the following purposes:

- 1 prevent the risk of committing crimes;
- 2 raise awareness in those who act on behalf of the company in order to ensure that every activity is characterized by principles of transparency, fairness and compliance with procedures (internal audit);
- 3 raise the awareness of the risk of proper sanctions in case of non compliance with the provisions herein mentioned;
- 4 stress that the Company considers unjustifiable any conduct contrary to legal provisions and to ethical principles on which the Company is based.

Milestones of the Model are:

- identification of risk-prone areas/processes;
- definition of an internal regulatory system aiming at planning the implementation of the Company’s decisions in relation to risks/crimes to be prevented through:
  - a Code of Ethics laying down general guidelines;
  - a system of delegations of functions and proxies to sign corporate documents, ensuring a clear representation of training process and of implementation of decisions;
- establishment of a coherent organizational structure designed to monitor a fair conduct and ensure a clear assignment of tasks by applying a proper separation of functions;
- identification of management processes and control of financial resources within activities exposed to risk of offence;

- assignment to Supervisory Body of monitoring operations and compliance with the Organization and Management Model and propose its updating;
- Pursuant to Legislative Decree – Articles 6 and 7 - the construction of a Disciplinary System for violations of rules of conduct provided by the Code of Ethics and the Organization and Management Model regardless the penal trial.

#### **4.3 Amendements and integration to the Organizational Model**

As this Model is “an act issued by Management Department” (in compliance with the provisions of Article 6, Section 1, Letter A of the Decree), its adoption as well as its subsequent amendments and integrations are referred to the Company Board of Directors, which will decide by a qualified majority of 2/3 (two thirds) of its members.

The Managing Director is entitled to make any change or integration to the text.

The Managing Director shall report periodically to the Board of Directors of the Company about produced changes.

## 5 *Itea S.p.A.*

### 5.1 **The Company**

The Company operates directly or through partnerships in key markets.

The Company By-Laws listed in detail the activities that constitute the corporate purpose, all in compliance with the requirements, restrictions and prohibitions laid down and determined by the laws and the implementation from time to time in force. In summary, the Company's purpose is related to research, study, design, construction, marketing, hiring and management of innovative technologies in the field of environmental and technological components and plants for the recovery and disposal of all types of waste, including asbestos, weapons, ammunition and vehicles into disuse; the disposal of waste and the production of energy and heat.

**The Company** may also operate in respect of its customers through Temporary Grouping of Companies, Joint Venture, Collaboration Agreements, consortia and other forms of partnership. To the extent of its competence, the Company undertakes to apply to such entities the present organizational model and to notify their partners. It also strives to promote the adoption of similar organizational models in respect of any subsidiaries.

### 5.2 **Type of business and market/customer**

The product of the company is mainly the construction of Isotherm plants.

The markets where Itea mainly operates are:

- Italy and Europe;
- United States;
- South America;
- Russia;
- Middle/Far East.

Customers of Itea are:

- Oil companies;
- Pharmaceutical companies, chemical companies that produce energy.

## 6 *The Organizational System*

### 6.1 **The Organizational System**

The Corporate Organization and Management Model identifies and defines duties, tasks and responsibilities of functions, establishing the assignment of responsibilities and connecting lines (whether necessary) among each department and level within the Company.

For the effectiveness of this Model, the main goal of the Company is ensuring a wide and accurate disclosure of the Code of Ethics. The Department encourages all employees to the knowledge of the regulations (Legislative Decree no. 231/01 and following) and knowledge of the Code of Ethics of the Organizational Model and Procedures and Protocols adopted and their updates in time.

Employees must know and respect the content both of the Code of Ethics and of the Organization and Management Model and contribute to its implementation and operation. To this end, the Company manages the training of personnel by means of departments in charge in agreement with the Supervisory Body and the heads of the departments involved in the implementation of the Model.

The Company expects to articulate the training levels:

- Personnel directors, and representative functions of the Company for:
  - Purpose of Legislative Decree no. 231/01
  - Sensitive activities
  - Organizational Model adopted
  - Protocols and procedures.
- Other personnel through internal briefing note, by e-mail and other tools suitable for the purpose.

### 6.2 **Delegation of powers: principles and purposes**

The delegation system takes into account the principles provided by Italian Legislative Decree 231/01 as:

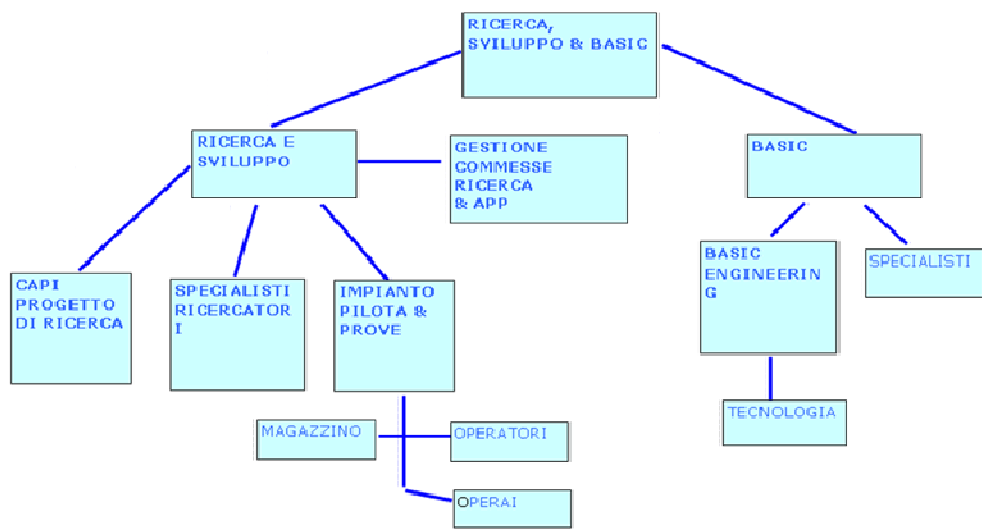
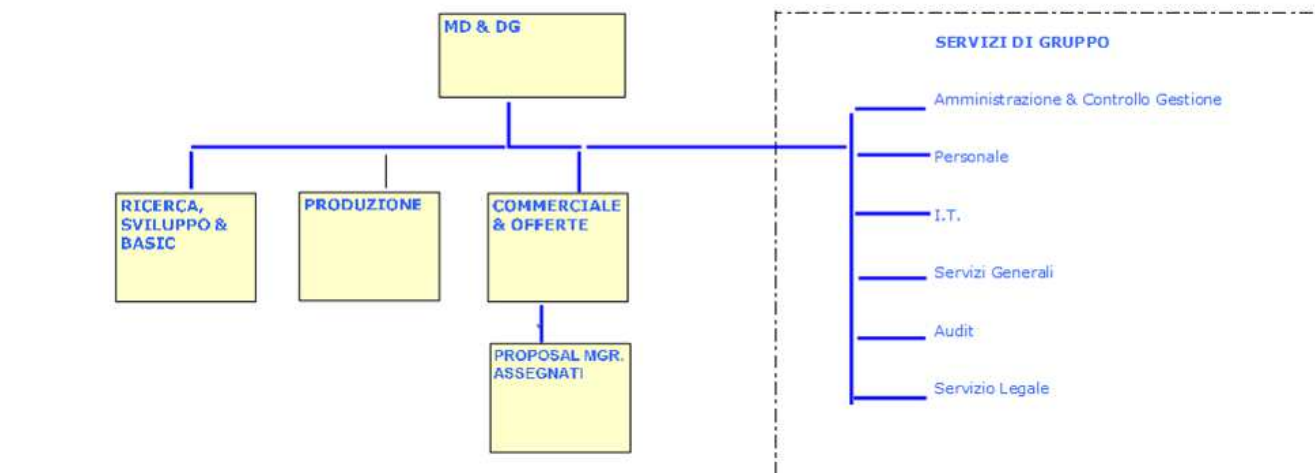
- separation of duties;
- clear identification of assigned responsibilities;
- lines of hierarchical subordination;
- need of territorial defence;
- provision of powers of authorization and signature for fixed values (amounts and conditions).

Assigned delegations are limited mainly to management, technical directors and heads of corporate security.

### 6.3 Organization



#### ORGANIGRAMMA SOCIETA' ITEA



### **- MANAGING DIRECTOR**

The Managing Director has responsibility for the management of Itea S.p.A. and dictates policy development and strategies for the achievement of financial, economic, commercial, manufacturing and quality goals, under the mandate granted.

### **- SALES and OFFERS**

Achieves the objectives of the acquisition of production orders agreed annually with MD. It deals with:

- identify and develop new market opportunities,
- plan promotional activities to potential Clients to acquire the offer requests and invitations to competitions,
- build an international network and maintain relationships with local partners, consultants and agents,
- maintain regular contact with existing and potential customers,
- prepare and distribute outside the company's official documentation presentation of the company and its products,
- receive and select the bid requests and invitations to competitions,
- define research and development characteristics system so that it is suitable to treat what is required by the customer,
- prepare the technical and economic offers, involving R&D and Project Management, as appropriate,
- prepare the cheap to send to customers, involving Project Management,
- overseeing the negotiations with the customer until the order is received,
- carry out a review of the contract, after the receipt of orders,
- examine/compile/negotiate contract terms to be offered to the customer,
- follow the evolution of the bidding process and negotiate the supply.

### **- RESEARCH, DEVELOPMENT and BASIC**

- Develop innovation and know-how in flameless oxy pressure, particularly with regard to the evolution of legislation and state of the art in the environmental field,
- obtain patents,
- collaborates with universities and research institutes both domestic and foreign,
- manages the pilot plant of Gioia del Colle,
- carry out, in particular with appropriate speed of the pilot plant, the evidence required to define the characteristics of maximum system suitable for the type and quantity of product that the customer wants to be treated,
- defines, and collaborating with PROCESS ENGINEERING DEPARTMENT, the process design and basic engineering of the plant to be supplied to the Customer; in particular, it defines the design of the devices characteristic of the Itea technology, in every detail, including the requirement for checks and tests to be carried out during construction and delivery,
- provides customer services training, expert assistance to the assembly, pre-commissioning, commissioning and start-up, and manages the contracts.

## **- PRODUCTION**

Defines, working with functions RESEARCH, DEVELOPMENT & BASIC and the process design and basic engineering of the plant to be supplied to the customer and assists the functions of expertise in the development, procurement, commissioning and plant start-up.

## **Functions and Activities Manage in Outsourcing**

### **ADMINISTRATION & MANAGEMENT CONTROL**

It oversees the proper use of financial and economic resources. Ensure sound financial management of the Company with particular attention to the financial and banking transactions. It is responsible for:

- to oversee the conduct of the business accounting process and the company's financial statements to be submitted to the Managing Directors and the Board of Directors of Itea S.p.A.,
- ensuring statutory and tax obligations,
- regulate and coordinate the flow accounting by ensuring the proper allocation of accounting data,
- manage the activities for the active and passive cycle until the collection or payment of invoices,
- acquire the financial resources and their rational use,
- define and analyze the architecture of the contracts,
- manage currency issues, with particular regard to the reduction of foreign exchange risk,
- to support the auditing firm in all the activities required to certify the financial statements of the company,
- issuing procedures, standards and rules of behavior at the corporate level and, where necessary, of the Group for the issues within its competence; enact operational requirements in order to coordinate the accounting activities of the Group.

### **LEGAL SERVICE**

The Legal Service has the task of providing legal advice and assistance to all organizations/business functions for various legal issues and contracts for the Company, ensuring the correct application of the guidelines of the Management.

### **AUDIT**

The Internal Audit function ensures the correctness of management and the safeguarding of company assets through continuous monitoring of the effectiveness and validity:

- 1 of the Company's internal control system, both for an adequate management control for both aspects of the adequacy and reliability of the administrative and accounting control;
- 2 of the organizational model of management and control is in place for the prevention of crimes pursuant to Legislative Decree no. 231/01, and to ensure compliance with laws and regulations pertaining to the company.

### **INFORMATION TECHNOLOGY**

Its task is to ensure that the systems of communication, management, design, storage, based on computer technology, are efficient and effective. It is responsible for:

- the smooth operation of the procedures laid down corporate level with particular reference to the SAP management system and the technical system,

- to manage the hardware and software company including their maintenance,
- take care of the security of the computer system.

## **STAFF**

It is responsible for:

- support the Department in its relations with trade unions, trade unions and employers' associations, in compliance with applicable laws,
- manage the individual employment relationship in all its phases,
- manage the process of selection and settlement of resources,
- implement development policies defined by the Management,
- manage the training of staff, ensuring the implementation of training programs and professional development,
- define and control the cost of the work and budget plans of staff,
- overseeing the management of the services of the staff; ensure all requirements of law applicable to the employment relationship.

## **GENERAL SERVICES**

Its task is to ensure the proper management and maintenance of buildings, facilities and services of the office of Gallarate in order to ensure the proper functioning of the workplace; is involved in the implementation of corporate programs with regard to improvements regarding the safety and health of workers as well as in environmental matters.



## 7 *Supervisory Body (SB)*

### 7.1 **Requirements of the Supervisory Body**

The Company has determined that the Supervisory Board is composed of a minimum of three to a maximum of five members who shall be appointed by the Board of Directors; will be notified by means of a special service order. Will result in ineligibility to the member of the Supervisory conviction (or plea bargain) also not irrevocable for committing any of the offenses referred to in Legislative Decree no. 231/2001 or the conviction (or plea bargain) to a penalty which the 'disqualification, even temporary, from holding public office or temporary disqualification from management of legal persons or companies. Members of the SB, appointed by the company in accordance with art. 6 of Legislative Decree no. 231/01 and Guidelines – Confindustria, must be identified in accordance with the following requirements:

- Honour and moral standards
- Autonomy and independence
- Professionalism

#### *Honour and moral standards*

The members of SB must submit statements of integrity according to the regulations in force.

#### *Autonomy and Independence*

The Supervisory Body of the Company shall be autonomous and independent and shall not be directly involved in management activities which are the object of its auditing activity in order to preserve its impartiality and the effectiveness of the Model.

#### *Professionalism*

The Supervisory Body of the Company shall have technical and professional skills in order to perform the assigned tasks. A specific skill is required to those performing this activity, such as skills for analysis, evaluation of risk and measures for their restraint, the identification of weakness of process and procedures, methods for fraud detection, and so on.

These techniques should be applied both as a preventive measure in order to adopt the most suitable measures to prevent the commission of crimes, and afterwards to determine the commission of any crime. As part of the role played by the members of SB, the Company requires **continuity of action** in relation to the constant supervision on the effectiveness of the Organization Model, on its continuous implementation as well as on its continuous updating.

The SB must also provide advisory opinions on the construction of the Organizational Model in order to identify possible weaknesses; advisory opinions do not affect independence and objectivity of the trial of specific events.

The SB uses the Internal Audit Department to perform audits and checks provided for by the Organization Model as well as controls of business functions that from time to time will be useful to carry out activities requiring specific skills.

The Supervisory Body of Itella may consult the Supervisory Bodies of the Group Sofinter companies.

The tasks of SB are:

- ensure the implementation of the Organization Model in relation to different classes of offences;
- assess and monitor the efficacy of the Organization Model in preventing the commission of offences;
- propose to the CEO and to the Board of Directors updates and changes to the Model in relation to changing legislation and business conditions;
- monitor the efforts for the diffusion of familiarity of the Model.

The SB is also responsible for:

- planning periodic audits targeting risky activities, as defined in the Organization Model;
- collecting and preserving relevant information in respect of the Organization Model and update the list of information to be submitted to SB;
- holding internal inquiries to ascertain alleged violations reported to SB or identified during the activities performance;
- checking periodically the map of risk-prone areas in order to adapt it to the changes in the activities and within the company organization;
- reporting periodically, at least yearly, to CEO and to Statutory Auditors on the implementation of corporate policies for the implementation of the Organization Model.

Management shall indicate to SB possible circumstances which may expose the Company to the risk of crime. In order to perform the foregoing, the SB shall:

- approach corporate documents in order to perform required audits;
- use adequate professional resources and financial resources;
- rely on the support of various corporate structures that may be involved in the control activities.

## 7.2 Supervisory Body Reporting

The Supervisory Body Reporting is carried out through two reporting streams:

- the first, on an ongoing basis, directly with the Managing Director;
- the second, on annual basis, to the Board of Directors and the Statutory Auditors. Every year the Supervisory Body sends to the Board of Directors a written report on the implementation of the Organization and Management Model within the Company.

The SB may be called at any time by the Company or may make a request to report on specific situations raised during the implementation of the Model whenever he or she deems it necessary.

### 7.3 Information to Supervisory Body

Each company department must inform the Supervisory Body on situations, process changes and duties covered by the Organization and Management Model applied within the Company pursuant to Italian Legislative Decree 231/01.

In this regard it should be reported:

- behaviours not complying with the rules of conduct adopted by the Company and violation of the Organization and Management Model;
- changes in the delegation system and/or changes of assigned powers;
- measures and/or notices coming from the police or from any other authority;
- request for legal assistance for the offences envisaged by the Decree;
- the reports received by SB must be collected and retained in special archives, where the access is allowed only by SB members;
- implementation of disciplinary measures and sanctions proposed by SB.

The reports received by the SB must be collected and stored in a specific file to which access is allowed only by members of the SB.

The reports or complaints may be made only in writing and not anonymous letter or e-mail, with any documentation related to the reported, one of the following addresses:

Itea S.p.A., Largo Buffoni, 3 – 21013 Gallarate (VA) – to the attention of the Supervisory Body c/o Legal Dpt.; e-mail: [odv@itea.com](mailto:odv@itea.com).

## 8 *Disciplinary System*

### 8.1 **General principles**

In order to ensure the effectiveness of the Organization and Management Model it is required an adequate disciplinary system for the breach of rules of conduct envisaged by the Code of Ethics. Disciplinary sanctions for the violation of corporate rules of conduct leave any possible result of criminal proceedings out of consideration and do not include behaviours that may lead to irregularities.

### 8.2 **Sanctions applicable to employees**

Violations of the rules of conduct contained in the Code of Ethics are considered breaches of discipline. The sanctions applicable to employees fall among those provided by the Company Regulations, in compliance with procedures envisaged by Article 7 of Workers' Statute (Law No. 300, May 20, 1970) and any applicable social regulation. This Model refers to the categories of punishable events envisaged by the National Collective Bargaining Agreement (Italian CCNL) applied within the Company; these categories describe punished behaviours and sanctions prescribed for the commission of offences depending on the severity. In particular, pursuant to Article 8 paragraph 7 of the National Collective Bargaining Agreement for metal and mechanical industry workers,

the failure by the employees of the provisions and procedures contained in this Model will involve the application of the following penalties in proportion to the gravity of the offense:

1. VERBAL CALL OR WRITTEN WARNING;
2. FINE;
3. SUSPENSION FROM SERVICE AND PAYMENT;
4. DISMISSAL WITH NOTICE;
5. DISMISSAL WITHOUT NOTICE.

The powers already granted to corporate management, within the limits of their respective competence, remain unchanged both for the investigation of offenses and for disciplinary measures. The disciplinary system is subject to verification of validity and application of the relevant functions in conjunction with the Head of Human Resource Management.

### 8.3 **Sanctions applicable to Managers**

In the event of a breach of one of the internal procedures, envisaged by the Organization and Management Model, by the Managers in performing sensitive activities, or of practices not complying with the Model and the Code of Ethics, the Company shall apply against those responsible appropriate measures in compliance with the provisions of the National Collective Bargaining Agreement for Managers, as such violation will be deemed by the Company as non-compliance with the obligations arising from the working relationship.

#### **8.4 Sanctions applicable to Directors and Auditors**

Any infringement of the Organization and Management Model, of the Code of Ethics and of current regulations by Directors and Auditors shall be reported by Supervisory Body to the Board of Directors and to the Statutory Auditors who arrange appropriate actions pursuant to law, convening if necessary the shareholders' meeting in order to adopt the most appropriate measures.

#### **8.5 Sanctions applicable to Consultants and Partners**

The breach by Consultants or Partners of the rules of conduct envisaged in the Organization Model and in the Code of Ethics or the commission of the crimes provided for by Italian Legislative Decree 231/01 will be sanctioned in accordance with contractual clauses included in their contracts and in case of serious infringements even with the termination of contract.

This does not affect any claim for compensation in case the behaviour causes damages to the Company.

## 9 *Potential risk mapping*

### **Introduction**

In order to provide a coherent framework it is deemed appropriate to provide the concept of public official (Article 357 Criminal code.): “according to criminal regulation, public officials are those who exercise a legislative, judicial or administrative function. Administrative function is regulated by public law and authorization acts and is characterized by the manifestation of government will or by its performance through clearance and certification power”.

Broadly speaking the concept of Public Body or Public Official may include also bodies (and consequently individuals belonging to them) which carry out public utilities (Enel, Telecom, Municipal Utilities, and so on) regulated by private law.

In addition some functions – areas of activities, even without arising directly a risk of crime, may be the implementation tool of hypothetic crimes committed in another Area. The latter, despite being identified as a risk-prone Area, may “contaminate” and other areas without being aware of participating in an illegal or criminal offense. For these areas, the procedures of Organization and Management Model require checks on the management and organization of the process as a whole.

It is referred in particular to the following areas:

- 1) How to manage financial resources (for ex. Management of financial resources, both incoming and outgoing, which may cause atypical cash flows);
- 2) Audits management (Legislative Decree 81/2008, tax audits, Inps, and so on and possible disputes arising from them);
- 3) Management of ordinary requirements (for ex. Administrative business, management of possible judicial and extrajudicial cases with P.A.);
- 4) management of the process of issuing purchase orders (process of procurement of goods and services with reference to purchases managed by the relevant departments of the Company and/or managed by a service contract, to the stages of the process related to the application of supply, the selection of the supplier and the signing of the contract, use, and management of contracts, revision of contracts);
- 5) process management utility with particular reference to the management of gifts, sponsorships, donations and expenses;
- 6) procurement process, purchase and sale of raw materials and products on the market, with particular reference to the phases of the counterparty selection, negotiation and conclusion of the contract;
- 7) the process of selection and recruitment of human resources;
- 8) management of the process for approval of invoices for payment;
- 9) company or entities within the same group but established in different States for the following transactions: (i) intercompany contracts purchases and/or sales, (ii) Management of financial flows, (iii) intercompany Investments.

The documents related to sensitive crimes-activities matrix and model for risks and controls measurement is deposited at the Legal Department of the Company.

**10 Reference documents for the preparation of Organizational Model**

- A. Group Code of Ethics, approved by the Board of Directors on March 27, 2013
- B. Quality System: quality manual and procedures
- C. Work Safety Management System
- D. Legislative Decree 231/01
- E. Guidelines

**11 Attachments to the Organizational Model**

Organization Model – Special Section  
Control Protocols

**12 Appendix 1: Evolution of Itea S.p.A. Organizational Model**

<i>DATE</i>	<i>DESCRIPTION</i>
June 11, 2009	Organizational Model / Issue 1 – First edition
July 8, 2011	Organizational Model / Issue 2 Adopts regulations relating to offenses relating to breach of copyright and inducement not to make statements or to make false statements to the court (pursuant to art. Novies 25 of Legislative Decree no. 231/01)
October 28, 2004	<i>Code of Ethics / ISSUE 1</i>
March 27, 2013	<i>Code of Ethics / ISSUE 2</i>

This **Organizational Model – Issue 3** has been approved by the Company Board of Directors in its meeting held on October 15, 2014 and replaces all previous issues.