

ORGANISATION, MANAGEMENT AND CONTROL
MODEL
OF SPARCO S.P.A.
PURSUANT TO LEGISLATIVE DECREE
231/2001

"Administrative liability of the Company"



DOCUMENT APPROVED BY THE BOARD OF DIRECTORS
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DEFINITIONS

DECREE:	Legislative Decree 231 of 8 June 2001
EMPLOYEES:	Individuals operating under the direction or supervision of one or more top managers; therefore, but not only, all those – including executives – who are employed in any capacity by the Company as well as seconded workers and temporary workers;
COMPUTERIZED DOCUMENT:	Any computer record containing data or information that may constitute evidence or software specifically intended to process such data and information.
ADMINISTRATIVE OFFENCES:	The administrative offences under article 187- <i>quinquies</i> of the Consolidated law on financial intermediation.
CONFINDUSTRIA GUIDELINES:	The Guidelines for the development of the organisation, management and control models under Legislative Decree 231/2001 approved by Confindustria on 7 March 2002 as amended and supplemented;
MODEL:	This organisation, management and control model required by Legislative Decree 231/2001;
SUPERVISORY BODY or SB:	The Supervisory Body required by Legislative Decree 231/2001;
OFFENCES:	The Offences of Legislative Decree 231 of 8 June 2001;
COMPANY (OR "SPARCO" OR THE "PARENT COMPANY"):	Sparco S.p.A.

SECTION ONE

1. LEGISLATIVE DECREE 231/2001

1.1. ADMINISTRATIVE LIABILITY OF ORGANISATIONS

Pursuant to enabling legislation as per Article 11 of Italian Law 300 of 29 September 2000, Legislative Decree 231 (hereunder the "Decree") was passed on 8 June 2001, becoming effective on 4 July 2001. The Decree aims at bringing in line the Italian regulations in the area of organisational liability with certain international agreements that Italy has already signed, such as:

- the *Brussels Convention of 26 July 1995* on the protection of European Community financial interests;
- the *Convention* also signed in *Brussels on 26 May 1997* on combating corruption, involving officers of the EC or the member states involved;
- the *OECD Convention of 17 December 1997* on combating corruption of foreign public officials in international financial transactions.

This Decree, entitled "*Disciplina della responsabilità amministrativa delle persone giuridiche, delle società e delle associazioni anche prive di personalità giuridica*", [Rules on the administrative liability of legal persons, companies and associations, including those without legal personality) has introduced into the Italian legal system administrative liability for various organisations (companies, associations, etc. hereinafter the "**Organisations**") for certain offences committed (hereinafter the "**Offences**") committed in their interest or to their own benefit:

- by individuals holding a representative, administrative or management position within the Organisations or within business units linked to them, regardless of the independence of such units from a financial and functional viewpoint, as well as by individuals who, even de facto, manage and control those Organisations;
- by natural persons subject to the management or supervision of one of the above-mentioned persons.

The Organisation's administrative liability is additional to the criminal liability of the natural person who was the perpetrator of the offence, and likewise, both can be investigated in the same proceedings before a criminal judge. Moreover, the Organisation's liability remains even when the individual offender is not identified or cannot be charged or the Offence lapsed for a reason other than amnesty (i.e. death of the offender or lapse due to time passed).

Only the State, regional or local authorities, other bodies and non-economic public bodies and those that carry out functions of constitutional significance are excluded from the application of the decree.

1.2. THE OFFENCES COVERED BY THE DECREE

The Offences that give rise to administrative liability for an Organisation are those expressly and exhaustively provided for by the Decree, as subsequently amended and supplemented. The liability is not therefore determined by any indistinct offence albeit committed in the interest or for the benefit of the Organisation.

"Annex A – Categories of Offences" lists all the Offences included within the scope of the Decree. It includes, *inter alia*, corporate and accounting Offences, those against the Public Administration, Offences relating to occupational safety and health, and crimes against industry and commerce.

1.3. SANCTIONS IMPOSED BY THE DECREE

The system of sanctions, according to the Offence committed, envisages the application of the following administrative sanctions for the Organisation:

- fines from Euro 10,329 to Euro 1,549,370;
- disqualifications;
- confiscation;
- publication of the ruling.

The fine is the basic penalty that must be applied for unlawful actions attributable to the Organisation. It is imposed by the Criminal Court, and determined using a unit-based appreciation mechanism (the judge determines, within the minimum and maximum statutory bracket, both the number of units to be applied to the Offence committed, and the value of each unit). The penalty is in any case commensurate with the specific case: on the one hand, the judge determines the number of units, taking into account the seriousness of the fact, the degree of liability of the Organisation, as well as of the steps taken to eliminate or mitigate the consequences of the fact and to prevent the commission of further Offences; on the other hand, the judge sets the value of the unit on the basis of the Organisation's financial conditions and assets (art. 11 of the Decree).

The fine may be reduced if: (a) the offender has committed the act in the prevailing interest of himself or of a third party and the Organisation has gained no advantage or has gained a minimum advantage from it; (b) the financial damage caused is particularly small, or if, prior to the opening statement of the trial of first instance; (c) the Organisation has fully refunded the damage and eliminated the harmful or hazardous consequences of the Offence or has taken effective steps in such direction and (d) the organisation, management and control model envisaged by the Decree has been implemented and made operational.

On the issue of financial liability, the Decree establishes the principle according to which only the Organisation with its assets, or the mutual fund is obliged to pay the fine. The shareholders or associates are not held liable.

Disqualifications apply in relation to the Offences for which they are expressly envisaged, when at least one of the following conditions occurs: (a) the Organisation has gained a remarkable profit from the Offence and the Offence was committed by persons who hold representation, administrative, or management position within the Organisation or by persons under the management thereof and, in the latter case, the commission of the Offence was determined or facilitated by severe organisational shortcomings; or (b) in case of repeated Offences.

The Decree sets the following disqualification penalties, which can have a duration of not less than three months and not more than two years:

- disqualification from engaging in business activities;
- suspension or revocation of authorisations, licenses or permits;
- disqualification from contracting with the Public Administration Authorities;
- exclusion from obtaining any concessions, funding, contributions or subsidies, and/or revocation of those already granted;
- prohibition from advertising goods or services,

At the request of the public prosecutor's Office, and if the disqualification penalties are the result of strong proof of the company's responsibility which is then confirmed and if it contains specific elements that give rise to the concrete possibility of further Offences of the same nature being committed, may also be applied as a precautionary measure (and therefore on the basis of a judgment subject to a light and superficial examination by the Court).

Pursuant to current legislation, such disqualifications shall not apply in the event of corporate and market abuse Offences. For such crimes, in fact, there are only fines, which may, however, be particularly high, and be doubled by art. 39(5) of Law 262/2005 ("*Disposizioni per la tutela del risparmio e la disciplina dei mercati finanziari*") [Dispositions to protect savings and the discipline of financial markets].

The disqualifications are normally temporary but can, exceptionally, be applied with a definitive effect. The disqualification from carrying out business applies only when other disqualification penalties are inadequate.

If the Organisation is convicted, the sentence will always include an order for confiscation of the price or the proceeds of the Offence, including in the form of equivalent assets (sums of money, assets, or other utilities of an equivalent value to the price or profit ensuing from the Offence).

The publication of the ruling can be ordered when a disqualification is applied, in respect of the Organisation. The ruling shall be published once, as an extract or in full, in one or more newspapers specified by the Court in its ruling, and by posting it in the municipality where the Organisation has its principal place of business (art. 18 of the Decree).

The final sentence for the Organisation is registered in a national register of administrative fines due to Offences: an archive containing all the decisions relating to sanctions that have become irrevocable, applied to Organisations for administrative Offences due to crimes pursuant to the Decree.

1.4. ATTEMPTS TO COMMIT OFFENCES OR OFFENCES COMMITTED ABROAD

The Organisation is liable also for any Offences resulting from crimes committed or attempted abroad.

In the cases of attempts to commit the Offences specified in the Decree, fines and disqualifications are reduced by between a third and a half, whereas no sanction is applied when the Organisation voluntarily prevents the action from being carried out or the event from being realised. Not applying sanctions is justified, in this case, by the severance of any relationship of identification between the Organisation and the individuals who claim to act on its behalf and in its name.

Based on the provisions of Article 4 of the Decree, an Organisation with registered office in Italy may be made accountable for the Offences provided for therein and committed abroad. The rationale is to not leave unsanctioned a frequent criminal conduct, as well as to prevent any non-compliance with this entire regulatory framework.

The liability of the Organisation as regards Offences committed abroad is based on:

- the Offence must be committed abroad by an individual functionally connected to the Organisation for the purposes of Article 5(1) of the Decree;
- the Organisation must have its main office in the territory of the Italian State;
- the conditions provided for by Articles 7, 8, 9, 10 of the Criminal Code, regarding prosecution of crimes committed abroad must occur;
- the Organisation is not being prosecuted in the State where the offence has been committed.

It must be, in any case, an Offence entirely committed abroad, because it is sufficient that any element of the fact (even a single part of the conduct or act of participation of at least one of the authors or co-authors of the Offence) has occurred in Italy to be able to apply the general discipline.

In these cases – when the Offence is committed in the territory of the Italian State – the law does not set out limits to Italian jurisdiction and the jurisdiction of the Criminal Courts: the discipline on the liability of the Organisations in the Decree applies both to foreign and

to Italian Organisations, irrespective of the nationality of the offender (Italian or foreign citizen).

1.5. CONDITIONS FOR EXEMPTION FROM ADMINISTRATIVE LIABILITY

Articles 6 and 7 of the Decree set out specific types of exemption from administrative liability for the Organisation for Offences committed in the interest or on behalf of the Organisation, both by top management and/or by Employees.

In particular, when Offences are committed by top management, Article 6 provides that the Organisation may be exempted if it proves that:

- The Governing Body has adopted and efficiently implemented, before the fact occurred, a management and administration model capable of preventing any such Offence (hereinafter the “Model”);
- the task of overseeing the operation of and compliance with the Model, and proposing any upgrades thereof, has been entrusted to a Body within the Organisation, (a Supervisory Body, hereinafter “ **SB**”) with autonomous powers of initiative and control;
- the individuals who have committed the offence have fraudulently eluded the above mentioned Model;
- the Supervisory Body did not fail to perform its surveillance duties or to apply a sufficient level of surveillance.

For Offences by top management, the effect of the exemption is incomplete in all cases: paragraph 5 of article 6 sets out that "the confiscation of profit that the Organisation has obtained from the offence, must always be applied even in the form of equivalent assets".

With regard to Employees, Article 7 of the Decree sets out that the Organisation is liable if the perpetration of the crime was made possible due to the non-observance of management or supervisory obligations. And those obligations are deemed observed, according to the legislator, if, before it was committed, the Organisation's governing Body had "adopted and effectively implemented a Model capable of preventing Offences of the kind that occurred". In addition to an effect of exception (with the limit seen concerning Offences committed by top management), the Model can lead to a significant reduction of liability. The adoption of the Model before the opening statement of the hearing allows the Organisation to avoid the application of more severe disqualification penalties (art. 17(b)), to achieve a significant reduction of the fine (article 12(2)(b) and (3)). Even simply stating the intention to develop and implement the Models, together with the other conditions set out in art. 17, may justify the suspension of interim disqualification measures to be adopted in the course of the proceedings (art. 49(1)); measures to be revoked in the event of actual implementation of the Model and other conditions referred to (art. 49(4); art. 50(1)).

The Decree stipulates that the Model must meet the following requirements:

- identifies any activities within which the Offences may be committed;
- envisages specific "protocols" for planning the formation and implementation of the Organisation's decisions concerning the Offences to be prevented;
- identifies procedures to manage financial resources suitable for preventing the Offences being committed;
- sets out information obligations towards the SB;
- introduce an internal disciplinary system capable of sanctioning any failure to comply with the measures indicated in the Model.

Subject to the above mentioned requirements, the Decree provides that the Model may be adopted on the basis of codes of conduct drawn up by trade associations, and notified to the Ministry of Justice which, together with the other competent Ministries, may, within 30

days, express an opinion on the suitability of the Model to prevent the Offences. In relation to administrative Offences and crimes in matter of market abuse, such an evaluation of suitability is carried out by the Ministry of Justice, after consultation with Consob.

Finally, in small-sized entities, the surveillance activity may be performed directly by the management.

In relation to the application of the Model, the Decree requires:

- a periodic review and, if significant violations of the requirements of the Model or changes in the Organisation's structure/activities or legislative changes have occurred, the update of the Model (see par. 5 – "Model update");
- the levy of sanctions for breaches of any requirements set down by the Model.

1.6. CONFINDUSTRIA GUIDELINES

Article 6 of the Decree expressly stipulates that the Model may be adopted on the basis of codes of conduct drafted by the associations representing the bodies.

The Confindustria Guidelines were approved by the Ministry of Justice with a Ministerial Decree dated 4 December 2003. The subsequent update, published by Confindustria on 24 May 2004, was approved by the Ministry of Justice, which considered such guidelines appropriate to achieving the aims set by the Decree. These Guidelines were most recently updated [in July 2014](#).

In defining the Model, the Confindustria Guidelines provide for the following project phases:

- identification of risks, namely the analysis of the business environment to highlight how and in which business areas the Offences can occur,
- setting up of a control system (the so-called protocols) suitable to prevent the risk of occurrence of the Offences identified in the previous phase, through the evaluation of the control system existing within the entity and its degree of adaptation to the needs expressed by the Decree.

The key elements of the control system outlined in the Confindustria Guidelines to ensure the effectiveness of the Model are:

- the provision of ethical principles and rules of conduct in a Code of Ethics;
- a sufficiently clear and formalised organisational framework, particularly with regard to the allocation of responsibilities, reporting lines and description of tasks with specific provisions for control principles;
- both manual and IT procedures, which govern the conduct of activities, with appropriate controls;
- authorization and signature powers consistent with the organisational and managerial responsibilities assigned by the organisation, providing, where required, an indication of expenditure limits;
- a management control and reporting system capable of promptly reporting possible criticalities;
- information and training of personnel.

The control system, furthermore, must follow the following principles:

- suitability to verification and to documentation, consistency and fairness of each transaction;
- segregation of duties (no individual should be able to autonomously manage all the stages of a process);
- documentation of controls.

SECOND SECTION

2. THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

2.1. CORPORATE OBJECTIVES AND MISSION

Sparco is a joint stock company with registered and administrative office in Italy, the parent company of the Sparco Group that produces and markets products and accessories for motor sports and racing in Italy, Tunisia, Brazil and the United States, also through its subsidiaries.

2.2. GOVERNANCE SYSTEM

The corporate governance of the company, is based on a traditional model, and set out as follows:

Shareholders during their Meetings, are responsible for passing ordinary or extraordinary resolutions, in the matters reserved to it by the Law or by the Articles of Association

Board of Directors, vested with the broadest powers for the administration of the Company, with the authority to perform any appropriate action for the achievement of corporate objectives, with the exclusion of the acts which the Law and the Articles of Association reserve to the Shareholders' Meeting.

Board Of Statutory Auditors, in charge of monitoring: (a) compliance with the law and the Articles of Association, and observance of the principles of correct administration; (b) the adequacy of the Company's organisational structure, of the internal control system and the accounting and administrative system, including how reliable the latter is in accurately reporting operating events; (c) the appropriateness of the instructions issued to subsidiaries of Sparco in relation to statutory information disclosures.

Independent Auditors, under current legislation, auditing is carried out by qualified independent auditors listed in the special CONSOB register, as appointed by the Shareholders' Meeting. Currently, Sparco independent auditing firm is Price Waterhouse Coopers.

2.3. PURPOSE OF THE MODEL

The purpose of the Model is to set up a structured and organised system of control procedures and activities (preventive and reactive), aimed at reducing the risk of commission of Offences through the identification of the "Risk Areas" and "Sensitive Processes" and consequent introduction of appropriate regulations.

The principles contained in this Model are intended, on the one hand, to ensure full awareness by the personnel and all those that act on behalf of Sparco, leading them to strictly abide by the law and the provisions of the Model, in light of the serious consequences, also for the Company, of committing one of the Offences considered by the Decree (even when the Company could apparently derive a benefit from it), and, on the other hand, through ongoing monitoring of the activity, to react promptly to prevent or impede the commission of that Offence.

One of the objectives of the Model is, therefore, to develop the awareness of the Employees, Corporate Bodies, Service Companies, Consultants and Business Partners, who operate on behalf of or in the interest of the Company within the scope of the “Risk Areas” and the “Sensitive Processes”, that - in the event of conduct in contrast with the Code of Ethics or of other company policies and procedures - they may be committing a crime subject to significant criminal consequences not only for themselves but also for the Company.

There is, furthermore, the intention to actively reprimand any illegal conduct through ongoing monitoring by the Supervisory Body of the activity of personnel in regard to the “Risk Areas” and the “Sensitive Processes” and the application of disciplinary or contractual measures.

The Model is characterised by three key aspects: effectiveness, specificity, and relevance.

Effectiveness

The effectiveness of a Model depends on its ability to establish decision-making and control mechanisms capable of eliminating – or at least significantly reducing – the exposure to the risk of legal consequences. This ability is based upon the underlying preventive and detective control mechanisms capable not only of identifying transactions of an anomalous nature, denoting conduct falling within the risk areas, but also of providing the appropriate urgent measures to be taken should such circumstances arise. The effectiveness of the Model also depends upon the efficiency of the tools for identifying the “symptoms of illegal activity”.

Specificity

The specificity of a Model is a further aspect which contributes to its effectiveness.

- the Model must address specific areas of risk, as indicated in art. 6(2)(a) of the Decree, which requires the Company to identify those activities within the scope of which Offences may be committed;
- Pursuant to art. 6(2)(b) of the Decree, it is equally necessary that the Model address both the specific decision-making processes of the Organisation as well as the implementation processes within the "sensitive" sectors.

Similarly, the identification of procedures for the management of the financial resources, the definition of a system for the disclosure of information and the introduction of an adequate disciplinary policy are duties which must be specifically covered by the individual sections of the Model.

Furthermore, the Model must take into consideration specific characteristics, such as the size of the Company, the nature of its business and its past history.

Relevance

The capacity of a Model to reduce the exposure to the commission of Offences is directly linked to the ongoing updating of the Model in order to reflect the current structural characteristics and business activities of the Company.

In this regard, art. 6 of the Decree envisages that the Supervisory Body, which is empowered to act and verify independently, be responsible for supervising the updating of the Model.

Art. 7 of the Decree states that the effective implementation of the Model entails periodic reviews, as well as the necessary modifications when possible violations are discovered or

as a consequence of changes to the business activity or organisational structure of the Company.

2.4. RECIPIENTS

The rules contained in the model apply to:

- those who are holders, within the Company, of formal qualifications, such as those of legal representative, director, general manager;
- those who perform management functions as heads of specific Organisational Units;
- anyone who carries out de facto management and control activities in the Company, albeit without a formal appointment. This catchall provision is intended to give further relevance to the matter, in that it includes among perpetrators of an offence that might give rise to an administrative liability for the company not only any de facto executive (i.e. someone who actually exercises, without a formal title, powers equivalent to those of an executive) but also, for instance, the majority shareholder capable of influencing the company's strategy or the execution of certain transactions, even if by means of a subsidiary or in any case acting through any suitable means, to control the Company's management;
- Company Employees;
- anyone who is not a Company Employee but operates subject to the direction and supervision of top management, or is appointed, in the interest and on behalf of the Company. It is understood that any person belonging to Sparco's subsidiaries, operating in the interest and on behalf of the Parent Company, including abroad, is an Recipient of the Model and, as such, must comply with the rules of conduct and the principles enshrined in Sparco's Model (collectively, the "**Recipients**").

The model applies also to members of the Board of Statutory Auditors.

The Model is a fundamental reference for all those who contribute to the development of the various activities whether as providers of materials, services and labour, as consultants or as partners in temporary groupings or companies with which Sparco works.

Supply agreements, pacts between shareholders or commercial partners, etc. must explicitly include the acceptance of the rules and conduct covered in this Model, i.e. the indication by the contractor of adoption of its own Model, pursuant to the Decree.

2.5. STRUCTURE OF THE MODEL

The Model is made up of a "General Section" and individual "Special Sections" which have been prepared for the different types of Offence covered by the Decree.

The General Section contains the fundamental principles of the legislation on the administrative liability of Organisations, the regulation of the Supervisory Body (with an indication of its composition, powers, functions, information flows), the system of penalties for infringements of the Model's rules of the Model, the Model's communication and dissemination requirements, and personnel training.

Special Sections cover the sensitive activities (those where it is theoretically possible to commit Offences) and describe the protocols and the organisation, management and control rules to prevent Offences and Administrative Offences of relevance under the Decree.

By resolution of 22 April 2011, Sparco's Board of Directors has adopted the General Section of this Model.

The Board of Directors is tasked with completing the Model, supplementing it with the Special Sections already identified, as well as, in the future, with other Special Sections that may be required concerning new types of Offence for which law attributes administrative liability to Organisations.

2.6. KEY FEATURES OF THE MODEL

With regard to the Decree, the key features of Sparco's Model can be summarised as follows:

- mapping of sensitive activities¹, providing examples of how the Offences can be committed and of the sensitive procedures which can be potentially associated with the commission of the Offences which therefore must be analysed and monitored periodically;
- define specific protocols relating to the instrumental/functional processes aimed considered potentially more prone to committing the Offences, aimed at expressly regulating the definition and implementation of the Company's resolutions, concerning the Offences to be prevented. The protocols also identify the procedures to manage financial resources suitable for preventing the Offences being committed. The Board of Directors of the Company is tasked with integrating this Model with these protocols, as well as, in the future, with other protocols related to other types of Offences which, as a result of other regulations, fall within or are otherwise related to the scope of the Decree;
- identification of ethical principles and rules of conduct aimed at preventing any action which might constitute the types of Offences envisaged by the Decree, confirmed in the Code of Ethics adopted by Sparco and, more specifically, in this Model;
- appointment by the Board of Directors of a Supervisory Body specifically tasked with overseeing compliance, effective implementation and effective application of the model in accordance with art. 6(b) of the Decree;
- approval of a disciplinary system suitable for ensuring an effective implementation of the Model: such system shall contain disciplinary provisions to apply should the measures indicated in the Model and in the Code of Ethics be violated;
- informing the recipients of this Model, raising their awareness about its contents;
- the methods to adopt and effectively implement the Model, as well as to make the required amendments or supplements thereto (see par. 5 "Model Update")

2.7. CODE OF ETHICS AND THE MODEL

The rules of conduct contained in this Model complement those of the Code of Ethics, although, for the implementation of the Decree provisions, the Model's scope is different from that of the Code. In this respect, in fact:

- The Code of Ethics is an instrument adopted independently that is intended to be applied in general terms by the companies of the Group in order to express the principles of "corporate ethics," which are recognised by the Group as their own principles to be observed by all Employees;
- the Model, on the other hand, responds to specific requirements contained in the Decree, that aim at preventing certain types of Offences from being committed (for

¹documentary analysis and interviews conducted with business stakeholders informed of the organisation and activities carried out by individual functions/directorates, as well as of the business processes in which the activities are articulated, to:

- identify the "sensitive" areas for committing Offences, or areas potentially at risk of Offences pursuant to Decree;
- identify the processes which are "instrumental/functional" for the Offences covered by the Decree, or processes which might create conditions and/or instruments for the Commission of the offence.

For the identified business areas and instrumental/functional processes, we identified the potential types of risks of Offences, the possible ways of committing them, and the functions/directorates and people in the company (employees or not) normally involved.

actions that, while apparently committed to benefit of the company, might entail administrative liability as per the Decree's provisions).

2.8. UNDERLYING PRINCIPLES AND ASSUMPTIONS OF THE MODEL

In preparing the Model, the Company took into account its own organisational structure, so as to identify the business areas most at risk of Offence perpetration.

The Company took into account also its own internal control system so as to check its ability to prevent the types of Offence laid down by the Decree in the activity business areas identified as exposed to the above risk.

More generally, Sparco's internal control system must ensure, with reasonable certainty, that certain operational, reporting and compliance objectives are achieved, that implies that:

- the internal control system's goal is to ensure that the Company uses its resources, protects itself against losses and protects its assets effectively and efficiently; Moreover, this system is intended to ensure that employees operate to pursue company objectives, without giving priority to other interests over those of Sparco;
- the goal in terms of reporting is ensuring that reports are prepared promptly and reliably to support decision making inside and outside the Company;
- in terms of compliance, it ensures that all transactions and activities abide by laws and regulations, prudential requirements and internal company procedures.

Specifically, the internal control system is based on the following elements:

- a formalised and clear organisational system aimed at ensuring accountability;
- a procedural system;
- IT systems structured so as to segregate functions,
- a management control and reporting system;
- authorisation and signature powers granted consistently with responsibilities;
- an internal communication system and an employee training system.

Sparco's audit system is based on the following principles:

- every operation, transaction and action must be true, verifiable, consistent and documented;
- no one shall be allowed to manage a whole process independently (so-called segregation of roles);
- the internal audit system must be able to document the performance of the controls, also for those which are supervisory-related.

All employees, within the scope of their individual duties, shall be responsible for the definition and correct operation of the audit system by means of line controls, consisting of a set of control activities carried out by each operating unit on its own processes.

2.9. ADOPTION AND MANAGEMENT OF THE MODEL WITHIN THE GROUP

The Italian companies that will eventually be in the future controlled directly or indirectly by Sparco, must independently adopt, by resolution of its governing bodies and under its own responsibility, a Model of its own, in line with the requirements of the Decree. In doing so, they shall use as a reference the principles contained in Sparco's Model whose application elements have been used in order to create a specific management and control system suitable for risk prevention in relation to specific activities related to them.

Each Italian subsidiary must set up its own SB, tasked to exercise controls on the implementation of the Model in accordance with the procedures described in it and on the basis of the details contained in the articles 6 and 7 of the Decree. Each Italian company, through the appropriate internal structures, must report to Sparco the adoption of a Model and the operations of the SB, in line with the requirements of the Decree and with the Confindustria Guidelines.

Even prior to the adoption of a specific Model pursuant to Decree, all Italian subsidiaries and controlled foreign subsidiaries must adopt suitable measures of organisation and internal control to prevent committing the Offences covered by the Decree.

The company promotes the adoption of principles and rules of control and organisation that meet the requirements contained in this Model by the foreign subsidiaries which do not operate in Italy, to which the Group's Code of Ethics will be sent, and which the respective governing bodies must acknowledge.

2.10. IDENTIFICATION OF THE ACTIVITIES AT RISK

The Company conducted an in-depth analysis of its own organisation, management and control instruments, to check that the rules of conduct and the procedures already adopted are consistent with the purposes of the Decree and, where necessary, to adapt them.

In fact, Article 6(2)(a) of the Decree specifically indicates that the organisation's Model must identify, the company activities that are potentially exposed to the risk of perpetration of the Offences it covers.

Accordingly, Sparco's activities and the related organisational structures were therefore analysed, to identify business areas at risk of perpetration of the Offences contemplated by the Decree (as well as practical examples of "sensitive" activities), scenarios under which such offences might be perpetrated, as well as processes that, in principle, might create the conditions and/or provide the instruments to commit the Offences (i.e. "instrumental/functional" processes).

Having regard to the typical activities of Sparco, sensitive areas were identified within the following Offences among those contemplated by the Decree:

- Offences committed in the course of relations with the Public Administration (articles 24 and 25 of the Decree);
- Corporate Offences (art. 25-ter of Decree);
- Receiving, laundering and investing money, assets or profits of illicit origin (art. 25-octies of the Decree);
- Cybercrimes and illegal processing of data (art. 24-bis of Decree);
- Crimes against industry and trade (art. 25-bis1 of the Decree);
- Manslaughter and non-intentional serious or very serious injuries, committed with violation of the laws on the protection of health and safety in the workplace (art-25-septies);
- Copyright infringement Offences (art. 25-novies).

Such Offences and sensitive activities are described in the summary sheet of the mapping process (so-called Matrix of Crime Risk Activities) and further detailed in the Special Sections.

For the other Offences within the scope of the Decree, and that are not considered in this Model, the Company believes that the rules of conduct set out in the Code of Ethics, the rules of corporate governance and the procedures used by the company itself can be effective prevention.

The Supervisory Body and the corporate officers must constantly monitor social activity, and to monitor the adequacy of the model, even singling out any new requirements of prevention.

The areas at risk within which the Offences envisaged by the Decree may be committed, as indicated above, have been identified also by interviewing the company's employees in each relevant department/directorate, since they have the broadest and deepest knowledge of each individual sector's operations.

The results of the afore-mentioned mapping activities, reported to the interviewed company managers, have been collated in a descriptive chart (the so-called Matrix of Crime Risk Activities), which shows in detail the actual profiles of risk of Offences indicated by the Decree, within the scope of Sparco's activities.

The Matrix of Crime Risk Activities is attached to this Model as "Annex C - Matrix of Crime Risk Activities".

2.11. GENERAL PRINCIPLES OF INTERNAL CONTROL

The Company's organisational system has to comply with the fundamental principles of: express formalisation of rules of conduct; clear, formal and available-to-all description and identification of the activities, tasks and powers attributed to each function and the different qualifications and professional roles; accurate description of the control activities and their traceability; adequate segregation of operational roles and control roles.

In particular, the general internal control principles listed below should be followed:

Rules of conduct

- Existence of a Code of Conduct that describes the general rules of conduct in connection with the activities performed.

Definitions of roles and responsibilities

- Internal rules should define the roles and responsibilities of the organisational units at all levels, describing in a standardised manner the activities of each structure;
- these rules should be made available and known within the organisation.

Internal procedures and rules

- Sensitive activities should be regulated, consistently and adequately, through corporate governance tools, so that the operating procedures adopted for the activities and the related checks and the responsibilities of the operators involved must be clearly identified at any time;
- If not already done, a Person in Charge/Owner of each of the sensitive activities should be appointed and identified; typically this is the person in charge of the organisational structure responsible for that activity.

Segregation of duties

- Within every relevant process, functions and employees with decision-making authority over the process and its implementation must be separated from those who record it and control it;

- there must be separation between decision makers and those who carry out the decisions, between those who record the transactions and those who control such transactions, in accordance with the law and the procedures laid down by the internal control system.

Authorization and signatory powers

- A system of authority delegation must be defined where there is a clear identification and a specific attribution of powers and limits to the persons whose actions are binding for the Company and express the Company's intentions;
- organisational and signatory powers (authority, powers of attorney and related expenditure limits) must be consistent with the organisational duties assigned;
- powers of attorney must be consistent with the internal system of authority delegation;
- mechanisms are in place to inform external parties about the powers of attorney;
- the system of authority delegation must indicate, among others:
 - the professional requisites and competencies that the person vested with authority has in relation to the specific area to which the authority applies;
 - the express acceptance of the person to whom authority has been delegated or sub-delegated of the relevant functions and consequent assumption of the obligations attributed;
 - the methods with which expenditures are managed;
- authority is delegated in accordance with the principles of:
 - decision-making and financial autonomy of the person to whom authority is delegated;
 - technical and professional suitability of the person to whom authority is delegated;
 - autonomous availability of resources adequate to the task and continuity of performance.

Control activities and traceability

- For all procedures and internal operating rules, the relevant operating controls and their characteristics (responsibilities, evidence, frequency) need to be formalised;
- documents relevant for the carrying out sensitive activities must be adequately formalised and show the compilation and document acknowledgment dates as well as the recognisable signature of the preparer/supervisor; these documents must be filed in places suitable for their conservation, so as to protect the confidentiality of the data contained therein and to prevent damage, deterioration and loss;
- it should be possible to reconstruct and trace the formation of documents, the relevant authorisation, the audit trail of transactions and recording, evidence of their nature and purpose, to ensure the transparency of the choices adopted;
- the person in charge of the activity should produce and maintain adequate *monitoring reports*, containing evidence of the checks performed and any anomaly;
- where possible, information systems should be adopted which ensure a true and fair attribution of any transaction, or any segment thereof, to the person responsible and the participants. The system must be structured so as to make it impossible to make untraceable changes in its records;
- the documents concerning the company's activity, particularly documents or the computer records concerning sensitive activities, should be filed and conserved by

the function responsible in such a way as not to allow subsequent changes, unless there is proper supporting evidence;

- access to documents already filed should always be for a reason and is allowed only to persons authorised on the basis of internal rules or to their representatives, the Board of Statutory Auditors or an equivalent corporate Body or other internal control Body, the independent auditors, if appointed, and the Supervisory Body.

2.12. PROTOCOLS AND RULES OF CONDUCT OF THE ACTIVITIES

The general principles set out above are incorporated in the protocols that govern the phases of formation and implementation of decisions within the activities identified as sensitive. The protocols complete the procedures and application practices in place within the company, and are an integral part of this Model.

3. SUPERVISORY BODY

3.1. IDENTIFICATION OF THE SUPERVISORY BODY

Article 6(1), of the Decree requires that the Model supervision and upgrade be entrusted to a Supervisory Body set up within the organisation, which exercises the tasks assigned to it on an ongoing basis, based on autonomous initiative and control powers.

The members of the SB must be neither debarred, disqualified, bankrupt or have been sentenced, even if by non-final sentence, to punishment which involves disqualification - including temporary - from public offices, or debarred from carrying out management appointments or who have been sentenced, even if by non-final sentence or involving plea bargain, for having committed one of the Offences envisaged by the Decree.

In any case, the members of the Supervisory Body are and will be selected from among persons who have no family relationships with shareholders and directors, as this might impair their independent judgment.

The internal members may not be selected from among the executives in charge of functions that are related to areas at risk of offence and, in any case, cannot belong to the business areas of the Company.

Should an external member be appointed, he/she must not have business relationships with the Company that might give rise to conflicts of interest.

The Board of Directors shall appoint the Body in accordance with the requirements of the Decree, the indications expressed by the Confindustria Guidelines and the guidelines of case law on the subject, preferably by establishing a collective Supervisory Body, with members from within and from outside the company, with autonomy and independence from the other corporate bodies and internal control. Given the company's size and the lack of an internal audit function, the Board of Directors will decide whether to – initially on an interim basis – appoint a single SB, without prejudice to compliance with the requirements of autonomy, independence, continuity and professionalism.

In carrying out its functions, the Supervisory Body shall report exclusively to the Board of Directors.

The Board of Directors assigns an adequate budget to the Supervisory Body to enable it to carry out its functions, based on an annual proposal of the Supervisory Body. The Supervisory Body can exceed the expense budget assigned, subsequently providing justification to the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors. The components of the Supervisory Body shall be chosen from qualified individuals with expertise in auditing, legal and/or accounting provided the following requirements:

- *Autonomy and independence:* this requirement is confirmed if the Supervisory Body is composed of more than one person, by the absence of any hierarchical reporting within the organisation and by the direct reporting line to the Board of Directors.
- *Professionalism:* this is guaranteed by the professional, technical and practical knowledge of the members of the Supervisory Body.
- *Continuity of action:* with reference to this requisite, the Supervisory Body is required to monitor constantly, through investigation powers, compliance with the Model, as well as the Model's implementation and update, representing a constant reference for all the Employees of Sparco.

The members of the Supervisory Body shall remain in Office for three years and in any case not beyond the term of office of the Shareholder's appointment of the Board of Directors that appointed them.

At the end of the period, the Board of Directors may confirm or modify the structure and composition of the Supervisory Body, while respecting the requirements of autonomy and independence, professionalism, competence and integrity required by the Decree.

Dismissal of a member of the Supervisory Body may take place only by resolution of the Board of Directors.

The dismissal can be approved only for just cause.

Just cause can be:

- the loss of the eligibility or independence requirements referred to in previous paragraphs;
- serious breach or misconduct in performing functions;
- non-cooperation with other bodies and/or control functions of the company.

Members of the Body lapse due to the loss of the required honourability and professionalism. Lapses must be promptly reported to the Board of Directors, by the Chairman of the Body or, if it is the Chairman to lapse, by the other members of the Body, even individually. A member of the Body must promptly communicate to other components the loss of requirements.

The Body is considered lapsed if the majority of its components, for any reason or cause, are unavailable. In this case the Board of Directors must, without delay, appoint a new Body.

Termination of office is caused by resignation, death, unexpected inability or impossibility to exercise the appointment, withdrawal or disqualification from office. A Body member may also withdraw at any time from the Office, providing at least two months' notice, in writing, sent to the Board of Directors.

The Chairman of the Supervisory Body must promptly communicate to the Board of Directors, the occurrence of a situation which requires the replacement of a member of the Body. The Board of directors must act on the matter without delay.

Specific organisational documents/internal communications shall provide the operational criteria of this Body, as well as the information flows to and from the Body. For its operation, the Body– once convened in collegial form – must provide its own regulation (hereinafter referred to as "**the Regulation**"), to release information to the Board of Directors.

The Supervisory Body shall appoint a President, who may delegate the exercise of specific functions, as provided by Regulation.

3.2 Powers and functions of the Supervisory Body

The Supervisory Body is responsible for:

- supervising the operation and observance of the Model;
- updating it.

The Supervisory Body performs these tasks by:

- overseeing that the Model is known, understood and complied with throughout the whole Company;
- monitoring that the Model is valid and adequate, with specific regard to conduct found within the Company;

- checking that the Model can effectively prevent the Offences set forth by the Decree;
- making proposals to update the Model, should it be necessary and/or suitable to correct and/or adapt it, in light of new legal and/or corporate conditions (see par. 5 "Model Update");

In performing these activities, the Supervisory Body must:

- cooperate with the competent corporate management to schedule regular training programs aimed at aiding awareness of the provisions of the Model, according to the roles and responsibilities of the Recipients;
- set up specific "dedicated" information channels (a dedicated email address), aimed at facilitating the information and reporting flows to the Body;
- collect, process, store and update any significant information with regard to the assessment of compliance with the Model;
- check and monitor on a regular basis the areas and activities at risk identified in the Model.

To ensure that the Body is fully informed about the implementation of the Model, its effectiveness and its operation, as well as about the need for any update thereof, it is paramount that the Supervisory Body work closely with the Business Units.

To carry out the duties set out above, the Body is vested with the following powers:

- it may access, without prior authorisation, any Company document relevant for the performance of the functions attributed to the Body pursuant to Legislative Decree 231/2001;
- it may order that all of the heads of the Business Units, and in any case all the Recipients, promptly provide all the information, data and news requested of them, to identify aspects related to the various Company activities of relevance under the Model, and to check the actual implementation of the Model by the organisational structures of the Company.
- retain external consultants, if needed, to carry out any audit or control activity or to update the Model.
- promote internal investigations to ascertain any alleged violations of the requirements of the Code of Ethics, of the Model and its implementation procedures.

The Supervisory Body may use the help and support of internal business functions, and of any external consultants for particularly complex problems, remaining, however, directly responsible for the fulfilment of the obligations of vigilance and control arising from Decree.

3.3 REPORTING OF THE SUPERVISORY BODY;

To guarantee full autonomy and independence in performing its functions, the Supervisory Body communicates directly to the company's Board of Directors and the Board of Statutory Auditors. The SB shall report, in particular, to the Board of Directors and to the Board of Statutory Auditors on the actual implementation of the Model, the outcome of the supervisory activities, and any necessary intervention to implement the Model with the following frequency:

- continuously, when required, and at least every six months by filing a written report, to the Board of Directors;
- on a regular basis to the Board of Statutory Auditors, upon request by the same Board and with regard to the SB's activities;

- occasionally to the Board of Statutory Auditors, in cases of alleged violations by the Members of the Board of Directors; the SB may be required by the Board of Statutory Auditors to provide information and clarification.

The Body may be convened at any time by these organs or may in turn submit such request, to report on the operation of the model or to specific situations.

Annually, the SB shall submit to the Board a written report on the implementation of the model at Sparco.

3.4 INFORMATION FLOWS TOWARDS THE SUPERVISORY BODY

The Decree indicates that the Model must include, among others, reporting obligations to the Supervisory Body. These flows concern all the information and documents that should be brought to the attention of the Supervisory Body, in accordance with the protocols adopted in the individual Special Sections of the Model.

For each "Crime Risk Area" (as set out in paragraph 2.10, above) one or more "Internal Managers" will be identified that must, among other things, provide to the SB at least every six months, the information flows as defined therein. Even if, in the specific period, there have been no significant reports to report to the SB, a "nothing to report" report must be sent.

Furthermore, specific duties have been assigned to the corporate bodies and Sparco's personnel. In particular:

- the corporate bodies must report to the Supervisory Body all information that is significant for compliance with, and operation of, the Model.
- the corporate bodies and the Employees must report to the Supervisory Body all information concerning conduct potentially in breach of the Model or that could lead to an Offence.

To this end a specific communication channel has been established for the Supervisory Body, in the form of a dedicated email address to which any reports can be sent. This mode of transmission of reports is to ensure confidentiality of those reporting, also in order to avoid retaliatory attitudes towards them. Reports may be submitted to the following address:

Attorney Claudia Rizzoli

Corso Lanza 112 – 10133 Turin

Phone : 011/517.80.57

Fax 011/508.91.63

Mobile 347/24.70.301

Special email address: odvsparco@rizzolegale.it

The Supervisory Body will assess any reports received, and may summon, should it deem it appropriate, both the reporting party, in order to obtain more information ensuring the required confidentiality, and the person allegedly breaching the rules; the Body shall also carry out any investigation and assessment required to evaluate if the report is well-grounded.

As for the content, the report must be detailed and contain information (such as an indication of the activities in which the infringement was committed; the type of violation, Offence or Administrative Offence; the internal staff involved; the description of the violation and any evidence) to allow the Supervisory Body to proceed promptly and appropriately in the inquiry and investigation.

Reports may be submitted in writing and not anonymously.

The Company may take any measure against anyone who provides, in bad faith, untruthful reports and act to protect from any form of retaliation, discrimination or penalty those who, in good faith, make reports to the Supervisory Body.

In addition to the above reporting, the following information must be sent to the Supervisory Body:

- measures and/or information from the police, or any other authority, including administrative, that concern the Company or its top management, from which it could be inferred that an investigation is underway, even against persons unknown individuals, for the Offences, without prejudice to statutory confidentiality and secrecy obligations;
- requests for legal assistance submitted by senior managers and/or Employees, in the event of prosecution, in particular for the Offences;
- control activity carried out by those in charge of other business units, revealing circumstances, deeds, events or omissions that are critical with respect to observance of the provisions of the Decree or the Model;
- amendments to the system of authorisations and powers of attorney, to the Articles of Association or the staff organisation chart;
- information regarding the actual implementation, at any corporate level, of the Model, highlighting any disciplinary proceedings carried out and the relevant sanctions, if any (including the proceedings against employees), or the dismissal of such proceedings with indication of the relevant grounds;
- reporting of serious accidents (manslaughter, serious or very serious negligent injuries and any injury with more than 40 days of prognosis) suffered by employees, maintenance operators, contractors and/or collaborators in the Company's workplace.

The Supervisory Body, shall file and store all information, document and report that it has obtained in carrying out its institutional duties for 5 years; any such document and information shall be kept confidential, also in compliance with privacy laws.

4. DISCIPLINARY SYSTEM

An essential factor for the effectiveness of the Model is the preparation of an appropriate disciplinary system to punish breaches to the rules of conduct with the aim of preventing the Offences and, in general, the infringement of the Model's internal procedures.

The application of the disciplinary sanctions is not linked to the outcome of any penal proceedings in that the behavioural rules imposed by the Model are adopted by the Company in a completely independent manner, irrespective of the offence that such conducts might bring about.

Penalties for subordinate workers not in management positions

Behaviour kept by employees in violation of individual behavioural rules inferred in this model are applicable – except for verbal – recalls the procedures laid down in article 7 of Law 300 of 30 May 1970, (Statute of workers) and the conventions referred to in the National collective agreement for employees in the manufacturing of leather and replacement (the "CCNL").

In particular, in addition to other cases of breach of legal obligations or of a contract for Employees, or of corporate policy, in the case of (a) violation of the provisions of the Model, of its internal procedures (e.g. non-compliance with required procedures, failure to report required information to the Supervisory Body, failure to perform controls, etc.), of the Code of Ethics, of the Decree or any other provision contained therein or (b) failure to comply with the provisions of the Model in performing activities in areas "at risk" or (c) damage to the Company or causing of an objective situation of danger its assets (the "**Disciplinary Offences**") the following disciplinary measures will apply to Employees, depending on the seriousness of the infringement under articles 62, 63 and 64 of the Collective Labour Agreement:

- verbal warning;
- written reprimand;
- fine of not more than two hours of contractual minimum wages or salary and contingency allowances;
- suspension from work without pay for up to a maximum of 3 days;
- dismissal due to misconduct (with or without advance notice), pursuant to article 64 of the Collective Labour Agreement.

Measures against executives

- Without prejudice to compliance with article 7 of Law 300 of 30 May 1970, (Statute of workers), if a company executive commits a Disciplinary Offence, the following measures will be taken in accordance with the provisions of the Collective Labour Agreement: in case of non-serious violations of one or more behavioural or procedural rules laid down in the model, the executive incurs in a written warning to comply with the Model, which is a necessary condition to maintain the trust relationship with the Company;
- in the event of a serious infringement - or repeated violations – of one or more requirements of the Model that constitute a serious breach, the Director will be dismissed without notice;
- if the violation of one or more of the Model's requirements is so serious as to irreparably damage the trust relationship, making it impossible to even temporarily continue the employment relationship, the worker will be dismissed without notice.

Sanctions against members of the Supervisory Body

In the event of Disciplinary Offences committed by members of the Supervisory Body, the Board of Directors must be promptly informed and can warn that member of the Supervisory Body in writing or terminate the member depending on the seriousness of the Offence. Sanctions for employees and managers will also apply to the members of the Supervisory Body that fall into those categories.

Sanctions against Directors and Board of Statutory Auditors

In the event of Disciplinary Offences committed by Directors or members of the Board of Statutory Auditors of the Company, the Supervisory Body will inform the Board of Directors and the Board of Statutory Auditors which will adopt the most appropriate and adequate measures, in line with the seriousness of the breach and in accordance with the powers granted by the law and/or the Articles of Association (statements in the minutes of meetings, call of or request to call a Shareholders' Meeting to discuss appropriate measures against the individuals responsible for the breach, termination for just cause, etc.).

Sanctions against Collaborators, Partners and Consultants

Any behaviour by Collaborators, Partners or Consultants entailing a Disciplinary Offence might result - according to the provisions contained in the specific clauses of the job orders or in the partnership agreements - in automatic termination of the relevant contractual relationship, without prejudice to the compensation of possible damages suffered by the Company.

Measures against Employees of the Group companies that operate on behalf or in the interest of Sparco

If Disciplinary Offences committed by resources that belong - even de facto - to group companies, operating on behalf and or the interests of the Company, the SB of Sparco must inform the BoD of that company. The latter, through the intermediary of the competent structures of the Company, will communicate the incident to deputies of bodies/structures subsidiaries, which will assess the situation and will take the necessary disciplinary measures, in accordance with the internal regulations and local authorities.

5. MODEL UPDATE

The Board of Directors shall be responsible - as expressly provided for by the law - for the adoption and effective implementation of the Model. Therefore, the Board of Directors shall have the power to approve updates to the Model, power exercised by means of resolutions adopting the means envisaged for such adoption.

Updating the Model, meaning both supplementing and amending it, is aimed at ensuring that the Model is adequate and suitable with regard to preventing the Offences.

Likewise, the Supervisory Body has the duty of actually assessing whether it is necessary or convenient to update the Model, and shall submit the relevant proposals to the Board of Directors.

6. STAFF INFORMATION AND TRAINING

In compliance with the provisions of the Decree, Sparco has defined a communication and training program aimed at ensuring that the Model and the relevant rules of conduct be properly disseminated and brought to the attention of present and future personnel.

The information and training system is supervised by the Supervisory Body, and managed by the HR Department with the heads of the business units from time to time involved in the Model's application.

With regard to the communication of the Model, Sparco undertakes to:

- make the Model known throughout the Company using any means considered suitable (e.g., email, intranet);
- organise a specific training meeting with all the Company's Employees to present the Decree and the Model adopted.

In any case, the training activities aimed at spreading awareness of the provisions of the Decree and of the adopted Model, shall be differentiated with regard to the contents and methods in relation to the position of the Recipients, the risk level of the area in which they work and whether they represent the Company or not.