

**MODEL OF ORGANIZATION, MANAGEMENT AND  
CONTROL**

*Pursuant to Leg.Dec. n. 231/2001*

***GENERAL PART***

## 1. INTRODUCTION

### 1.1 THE SYSTEM OF ADMINISTRATIVE LIABILITY OF INSTITUTIONS

Leg.Dec. no. 231/2001 (hereafter simply the “Decree”), titled “Discipline of the administrative liability of legal persons, companies and associations without legal personality” - issued on 8 June 2001 in execution of the mandate referred to in Art. 11 of Law 29 September 2000 n. 300, and entered into force on 4 July, was intended to adapt the internal rules on liability of legal persons to certain international Conventions to which Italy acceded, such as the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, The Brussels Convention of 26 May 1997 on Combating Corruption, and the OECD Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

This Decree, which regulates the administrative liability of legal persons, companies and associations without legal personality, was introduced for the first time within the Italian legal order, a *tertium genus* (third kind) of liability against the bodies, qualified as Administrative liability (but essentially criminal in character).

Pursuant to art. 1 of the Decree, its scope of application is defined by finding such legislation, extension to entities having a legal personality and to companies and associations without legal personality.

The State, local government agencies, other non-economic public entities, as well as bodies with significant constitutional functions, are excluded from its scope of application.

In addition, recent jurisprudence (Cass. Pen., Sect III, 15657) has amended the ineffectiveness of Leg.Dec. 231/2001 for individual companies, making application and extension now possible.

However, in order to be able to establish the existence of criminal liability on the part of the body, it is necessary for a crime to have been committed, consumed or even attempted, whose title is deemed to be appropriate to establish such liability (so-called catalogue of the offenses assumed).

It follows that not all offenses produce the effects of leg. dec. n. 231/2001, as these consequences are contemplated for the only offenses expressly listed in the same decree.

The list of offenses that may give rise to the liability of the entity and the application of the penalties mentioned above is contained in Section III of Chapter I of the Decree (arts. 24-26). In its original version, the Decree circumscribed the aforementioned catalogue to some offenders, ranging from:

- offenses against the Public Administration, and in particular to the following:
- undue receipt of contributions, funding or other disbursements by the State or other public entity (art. 316-ter Penal Code);
- fraud to the detriment of the State or other public entity (art. 640, paragraph 1 and paragraph 2, No 1 Criminal Code);
- aggravated fraud for obtaining public grants (art. 640-bis Criminal Code);
- Computer fraud to the detriment of the State or other public entity (art. 640-ter Criminal Code);
- Corruption for an official act (art. 318 Criminal Code);
- Corruption for an act contrary to official duties (art. 319 Criminal Code);
- Corruption in judicial deeds (art. 319-ter Criminal Code);
- Instigation to corruption (art. 322 Criminal Code);
- Bribery (art. 317 Criminal Code);
- Malpractice to the detriment of the State or other public entity (art. 316-bis Criminal Code).

Consistent with the guidelines provided by the Government, the legislator subsequently expanded the list of offenses which entail the liability of the entities under the Decree, including the following:

- the forgery of money, public credit cards, revenue stamps, watermarked paper and articles intended for counterfeiting currency (and in particular forgery crimes in coins, contained in Articles. 453, 454, 455, 457, 459, 460, 461 and 464 c.c) (art. 25-bis of the Decree, added by Art. 6 of Leg. Dec. 350 of 25 September 2001, which contains "urgent provisions for the introduction of the Euro", converted, with amendments, in Law No 409 of 23 November 2001);
- "criminal and administrative offenses against corporations and consortia" (art. 25-ter of the Decree), as governed by L. Dec. no. 61 of 11 April 2002, which replaced Title XI of Book V of the Italian Civil Code (false corporate communications, false corporate communications detrimental to shareholders or creditors, false prospectus, false reports or communications of the auditing firm, prevented control, wrongful repayment of contributions, unlawful allocation of profits and reserves, unlawful transactions in shares or shareholdings or of the parent company, operations in judgements of creditors, fictitious capital formation, wrongful distribution of corporate assets by liquidators, unlawful influence on the shareholders' meeting, insider trading, obstacle to the exercise of the functions of public supervisory authorities);
- the crimes of terrorism or subversion of the democratic order, under the Criminal Code and special laws, or crimes other than the aforementioned, that have been committed in violation of Art. 2 of the New York Convention of 19 December, 2002, on combatting the financing of terrorism (art. 25 quater of the Decree, introduced by Law No 7 of 14 January 2003, ratifying the said Convention in the Italian system);
- The female genital mutilation referred to in art. 583-bis of the Criminal Code (art. 25-quater-1 of the Decree, introduced by Law No 7 of 9 January 2006, concerning "Provisions on the Prevention and Prohibition of Female Genital Mutilation");
- the crimes against the personality and individual liberty as per art. 600 cc (reduction into or retention in slavery or servitude), 601 cc (human trafficking), 602 cc (purchase and sale of slaves), 600-bis, first paragraph cc (juvenile prostitution), 600-ter, first and second subsection cc (juvenile pornography) and 600-quinquies cc (tourism aimed at the exploitation of child prostitution), 600-bis, second paragraph, cc, 600-ter, third and fourth paragraph cc, and 600-cc (detention of pornographic material) (art. 25-quinquies of the Decree, introduced by Law No 228 of 11 August 2003, concerning "Measures against human trafficking");
- The offenses of abuse of privileged information and market manipulation provided for in part V, Chapter I-bis, parag. II, of the Single Text as per Leg. Dec. no. 58 (art. 25-sexies of the Decree, introduced by Law No 62 of 18 April 2005, implementing Directive 2003/6 / EC of the European Parliament and of the Council of 28 January 2003 on the use of privileged information and the market manipulation and directives of the Implementation Commission);
- The transnational crimes referred to in art. 10 of Law 16 March 2006 n. 146 ("Ratification and implementation of the United Nations Convention and Protocols against Transnational Organized Crime, adopted by the General Assembly on 15 November 2000 and 31 May 2001");
- offences of culpable homicide and serious or very serious negligent injuries, committed in violation of accident prevention regulations and norms for the protection of hygiene and health at work. Art. 9 of the Law n. 123 of 3 August 2007 amended Leg. Dec. 231/2001, introducing the new art. 25-septies, extending the administrative liability of entities to crimes of culpable homicide and serious or very serious negligent bodily harm (Arts. 589 and 590, third paragraph) committed in violation of accident prevention regulations and rules for hygiene and health and safety at work;
- The crimes of misappropriation, money laundering, self-laundering and use of money, assets or utilities of unlawful origin, (art. 25-octies of Leg. Dec. 213/2001). With Leg. Dec. no. 231 of 21 November 2007, the legislator has implemented Directive 2005/60 / EC of the Parliament and Council of 26 October 2005 on the prevention of the use of the financial system for the laundering of money resulting from criminal activities and the financing of terrorist activities (Directive III Anti-money laundering) and to Commission Directive 2006/70 / EC containing implementation measures.

- Computer crimes (art. 24-bis of Leg.Dec. 213/2001). By Law 48/2008, the legislator ratified the Budapest Convention of 23 November 2001 of the Council of Europe, broadening the group of the offenses provided for by Leg.Dec. 231/01 with the aim of striking a number of offenses related to cybercrime and, more specifically, to sanction conduct and behaviour that undermines the confidentiality, integrity and availability of information.
- Organized crime offenses (art 24-ter of Leg.Dec. 213/2001 added by Law No. 94 of 15 July 2009, art. 2, para. 29), art. 416 cc (conspiracy to commit a criminal offense), 416 bis cc (mafia-type association), 416 cc (political-mafia election exchange), 630 cc (kidnapping of persons for ransom), art 74 DPR 9 October 1990, no. 309 (association for the illicit traffic of narcotics or psychotropic substances), art 407 cpc (illegal manufacture, introduction into the state, sale, possession and carrying in a public place or open to the public weapons of war or war type or parts of weapons, explosives, illegal weapons and more common firearms).
- copyright infringement violations (art 25-noves, D.Lgs 231/2001 added by Law No. 99 of 23 July 2009) With law n.99 / 2009 the legislator has protected copyright infringement.
- crimes against industry and commerce (Article 25-bis L.Dec. 231/2001 added by law of 23 July 2009 n. 99) with 99/2009 law, the legislator aimed at ensuring protection of fair trading relations through the introduction of art. 25-bis 1 of Leg. Dec. 231/2001, which provides for the liability of legal entities in case of the committing of some crimes against industry and trade.
- Environmental offenses (art. 25- undecies L.Dec. 231/2001) with the law of July 7, 2011 no. 121 the legislator implemented Directive 2008/99 / EC on the criminal protection of the environment, as well as Directive 2009/123 / EC amending Directive 2005/35 / EC on the pollution caused by ships and the introduction of sanctions for violations.
- The offenses in order not to make statements or make misleading statements to the judicial authorities (art. 25- novies decies Leg.Dec. 231/2001 added by Law No. 116, 3 August 2009, art. 4).
- Criminal offenses against individuals (art. 2635 cc – art. 25 ter of Leg. Dec. 231/01) and Leg. Dec. 109/12 on offenses for the employment of third-country nationals with illegal status (art. 25 duodicies of Leg. Dec. 231/01)

The current crime catalogue, to which the Decree regulations apply, is now represented by:

- offenses committed in relations with the Public Administration and the Heritage;
- offenses against public faith;
- Corporate crimes;
- Offenses related to market abuse;
- Crimes for the purpose of terrorism or the collapse of the democratic order;
- Crimes relating to female genital mutilation;
- Crimes against individual personality;
- Transnational crimes;
- crimes of culpable homicide and serious injury or very serious injury from accidents at work or occupational diseases;
- receipt of stolen good, money laundering, self-laundering and use of money, assets or other activities of unlawful origin;
- cybercrime;
- industrial and commercial offenses;
- offenses relating to breach of copyright;
- organized crime offenses;
- crimes not making statements or making false statements to the judicial authorities;
- environmental crimes;
- crime of corruption between individuals and offenses for the employment of third-country nationals with illegal status

In addition, another condition, for the liability of the entity, is that a natural person in a qualified relationship with the entity commit the offense.

For the purposes of art. 5 of the aforementioned decree, in order to be liable for the offenses, expressly listed in art. 24 and 25, the subject of this relationship must, alternatively, have:

- a) A high level position: that is to say, a person who carries out the functions of representation, administration or management of the body or of an organizational unit with financial and functional autonomy, as well as a person who, in fact, manages and controls the body (art. 5 point a);
- b) a submissive relationship to people in senior positions (art. 5, point. b). a subject's report to people in apical position (art. 5 point b).

In any case, this is not sufficient to assume the liability of the body. In order to establish this liability, it is not only a comprehensive condition that an individual, in a top position or position of dependence within the entity, commit an offense, it is necessary that the offense be committed in the interest or to the advantage of the entity. On the contrary, the Entity will not be held liable if the individuals in top positions, in committing the offense, acted exclusively in their own interest or that of a third party.

With the terms “interest and advantage”, the legislator wanted to make two very different legal concepts, distinguishing an original interest of the legal person, with a markedly subjective connotation, from an advantage objectively obtained by committing an offense, albeit not envisaged beforehand. Interest and advantage can therefore concur: the former must be considered before the fact; The second, after the fact.

The condition that “the offense has been committed in the interest or benefit of the entity” poses serious problems of compatibility with the category of culpable offenses such as those related to work injuries (crimes of culpable homicide and serious or very serious culpable offenses committed in violation of accident prevention regulations and rules on the protection of hygiene and health in the workplace). In this regard, legitimate doubt of interpretation may arise that, with reference to culpable offenses, the criterion of interest and advantage could be interpreted not in relation to unintended illicit events (murder or injury), but the “conduct” that the natural person held in carrying out his tasks within the institution (implementing omissions). In any case, the regulatory data is difficult to overcome: what according to art. 5 must be committed in the interest or benefit of the body is not the conduct constituting the offense, but the offense in its entirety and therefore necessarily inclusive of the event. What is at stake is therefore not the violation of precautionary or non-performance of security obligations, but the injury caused by such breach or omission.

The liability of the entity for criminally related administrative offenses is autonomous and also exists where the offender is not identifiable or imputable or the offense is extinguished for reasons other than amnesty, and added to that, purely criminal (and therefore personal), of the natural person who committed or helped to commit the offense.

Leg.Dec. 231/2001 provides for the application of a pecuniary administrative sanction against the entity for all types of crime expressly listed in the decree.

The sanctions provided for by the Decree against the company as a consequence of offenses the (even if only attempted) provided for by the Decree are:

- fines up to a maximum of Euro 1.549.370,69 (and precautionary seizure), possibly increase up to three times when the institution is responsible for a number of offenses committed with a single act or omission or committed in carrying out the same activity (art. 21);
- Interdiction penalties (also applicable as a precautionary measure) for a duration not less than 3 months and not exceeding 2 years, which in turn may consist of: interdiction of carrying out the activity; suspension or revocation of authorizations, licenses or concessions, relevant to the committing of the offense; ban on contracting with the P.A.; exclusion from concessions, loans, contributions or subsidies, and any withdrawal of those already granted; prohibition of advertising goods or services;
- confiscate (and preventive sequestration);
- publication of the judgment (in the event of application of an interdict).

## 1.2. CONDITIONS OF EXCLUSION OF CORPORATE LIABILITY

The liability of the entity is based on an “organizational negligence”, as is evident from the ministerial report accompanying Leg.Dec. 231/2001.

Such negligence does not exist if it has demonstrated that it has implemented an organizational system capable of preventing such offenses, in particular by adopting and effectively implementing organizational, management and control models (arts. 6 and 7 of Leg.Dec. 231/2001).

Specifically, art. 6 parag. 1 of Leg.Dec. 231/2001 excludes the liability of the institution for offenses committed by a person in a top position where:

- the management body has adopted and effectively implemented, before the fact, an organizational and management model suitable for preventing offenses of the kind that has occurred;
- the entity has been equipped with a body responsible for monitoring the operation of and compliance with the model, and the task of updating it has been entrusted to an entity with autonomous powers of initiative and control;
- there has been no omission or insufficient monitoring by the control body;
- the entity has set up a system for periodic verification and possible updating of the model;
- the perpetrators of the crime acted by fraudulently evading the provisions of the model.

Therefore, if the offense was committed by the leaders, the entity is not liable if it proves the abovementioned conditions, this shows a clear reversal of the probative burden.

In other words, it is assumed that, in the case of a crime committed by a person in a top position, the “subjective” requirement of liability of an entity is already satisfied when the top level expresses and represents the policy of the institution. In order for this not to happen, the same body will have to prove its non-involvement, and this can only be done by proving the existence of a number of connected requirements. In such a case, the entity is required to show:

- (i) that it has adopted and effectively implemented organizational and management models suitable for preventing offenses of the kind that occurred;
- (ii) that they have monitored the effective functioning of the models and therefore the compliance of the same;
- (iii) that the behaviour causing the offense has been enacted by the leaders by fraudulently avoiding the abovementioned organization and management models.

Pursuant to art. 7 of Leg.Dec. 231/2001, the entity is liable for the offenses committed by persons subject to management or supervision by others if committing the same was made possible by failure to comply with the management or supervisory obligations; this non-compliance is excluded if the entity, before the offense was committed, adopted and effectively implemented a model of organization, management and control suitable to prevent offenses of the kind that had occurred.

In essence, in the presence of the adoption and effective implementation of the organizational models, the entity is not liable for offenses committed by subordinates.

Art. 7, paragraph 3, states that the model, in relation to the nature and size of the organization and the type of activity carried out, must provide for appropriate measures:

- (i) to ensure that the activity is carried out in compliance with the law;
- (ii) to detect and eliminate risk situations promptly.

Art. 6, paragraph 2 of the Decree identifies the essential features that the abovementioned “Organization and Management Model” (hereinafter simply Model) must possess in order to achieve the goal of minimizing the risk of crime in the business environment.

To this end, the Model must in particular:

- identify the areas at risk of committing the offenses provided by Leg.Dec. 231/2001 (ie activities in which crimes may be committed);
- establish specific protocols in order to plan the formation and implementation of the decisions of the institution in relation to the offenses to be prevented;
- identify ways of managing financial resources to prevent the committing of these offenses;
- prescribe information obligations with respect to the body responsible for monitoring the operation and compliance of the model;
- introduce a disciplinary system that is appropriate to penalize the failure to comply with the measures indicated in the model.

PMG S.p.A. (hereafter simply PMG) has identified, as specified in the risk assessment report, the need to take all necessary and appropriate measures to adapt the internal organizational structure to the new provisions of the Decree, by setting up the Organization, Management and Control Model in accordance with art. 6 of the Decree itself, of which this document represents a summary.

## 2. MODEL

### 2.1 L IMPLEMENTATION OF LEG. DEC. 231/2001 BY PMG

PMG, in line with its business policies, recognizing, in fairness and transparency, the prerequisites for carrying out all business activities, has initiated an internal project aimed at ensuring the predisposition of a "Model of Organization, Management and Control".

This Model, apart from representing the will of the Company to comply with the Leg.Dec. 231/2001, constitutes an effective system of information and awareness of all the operators.

PMG, in adopting this Model, wished to comply, in addition to the above mentioned rules, with the indications contained in the “Guidelines for the configuration of Organizational, Management and Control Models” prepared by Confindustria and approved, in their final version by the Board of Directors of the Confederation on 6 February 2002, and subsequently integrated on 24 May 2004 and 31 March 2008 and finally updated in March 2014.

#### A. CONFINDUSTRIA GUIDE LINES

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

- The identification of risks, ie the analysis of the business context to highlight in what areas of activity and in what ways the offenses under the Decree can be verified;
- The preparation of a control system (1) suitable for preventing the risks of offenses identified in the previous phase by assessing the existing control system within the body and its degree of adjustment to the requirements of the Decree.

The most important components of the control system outlined in the Confindustria Guidelines to ensure the effectiveness of the organization, management and control model are as follows:

- the establishment of ethical principles and rules of conduct in a code of ethics;
- a sufficiently formalized and clear organizational system, in particular with respect of the allocation of responsibilities, to hierarchical lines and description of the tasks with specific expectation of control principles;

1. The existing control system within the body, or internal control system, "is the set of rules, procedures and organizational structures designed to enable, through an adequate process of identification, measurement, management and monitoring of the main risks, conducting a sound business, correct and consistent with the goals set "(see Corporate Governance Code, Corporate Governance Committee, Borsa Italiana SpA, 2006, page 35).

- procedures, manual and/or by computer, which regulate the carrying out of the activities, by providing appropriate controls;
- powers of authorization and signature consistent with the organizational and management responsibilities attributed by the body, providing, where required, an indication of spending limits;
- management control systems capable of promptly reporting possible criticalities;
- information and training of staff.
- the control system must also comply with the following principles:
  - verifiability, traceability, consistency and congruity of each operation;
  - separation of tasks (no one can handle an entire process autonomously);
  - documentation of the checks carried out.

## B. OBJECTIVES OF PMG

The primary objective of the project is to activate a risk prevention and risk management system in line with the provisions of the Decree and to prevent and reduce as far as possible, in a corporate setting, the risk of committing crimes and consequently to avoid the application of the sanctions provided for by the same Decree.

The project was divided into two segments:

- 1) the first, with the specific objective of formalizing the Model, as provided for in art. 6.1, letter (a) of the Decree.

To this end, a mapping of the corporate crime areas has been prepared to assess the adequacy of the existing protocols and to prevent and reduce this risk.

In the light of this assessment, the necessary improvements have been made;

- 2) the second, aimed at the creation of the Supervisory Body, art. 6.1, letter (b) of the Decree.

To this end, once the organizational requirements necessary for the proper functioning of this body (autonomy, independence, professionalism, continuity of action) had been enacted, the figures best suited to them were identified, the relative attribution of liability was formalized, and then the definition of the operating modalities defined with which these would be exercised.

## 2.2 THE MAPPING OF BUSINESS AREAS AT RISK

PMG has as its corporate object the production and sale of rubber compounds; of articles in rubber, plastic, metal, rubber - metal and similar; the production and the sale of raw and base materials for the tyre and plastic industry; the acquisition and awarding, both in Italy and abroad, of the economic exploitation rights of intellectual property, industrial inventions and similar; the acquisition and awarding agency mandates, and representation.

Consistent with the provisions of article 6.2, letter (a) of the Decree, PMG has carried out a mapping of business areas at risk of crime (so-called "Sensitive Activities").

The purpose of this phase was to analyze the business context, to see where (in what areas / sectors of business activity and in what manner and degree of risk) facts could be committed that could be attributed to the offending figures considered by the Decree.

The result of this verification has resulted in a list of activities which, in view of their specific content, are more exposed to the potential risk of committing the offenses covered by the Decree, and explained in the Risk Assessment and gap analysis (which constitutes an integral part of this model).

In addition, internal procedures were subject to specific analysis, in which it was assessed, for each of them, that the level of internal controls was adequate to the corresponding level of risk. This led to the adoption of corrections aimed at ensuring the prevention of illicit behaviours.

The elaboration of this mapping developed on the basis of the list of individual offenses sanctioned under the decree.

Each of these has been associated with the business processes in which the work, theoretically, can be carried out.

The mapping of the Sensitive Activities obtained in this way is clearly to be interpreted as an evolving complex, since it can not exclude further extensions of the scope of application of the Decree, as well as procedural and / or organizational evolution structure of the Company, which may result in a variation of the areas potentially exposed to the risk of offense.

## 2.3 STRUCTURE, MODIFICATION AND RECIPIENTS OF THE MODEL

This Model is made up of a General Part, which describes the aims and principles of the Model and identifies and governs its essential components, and a Special Part containing the description of the Offenses punishable under the Decree that could be committed within the Company's Sensitive Activities, as well as the examination and mapping of the risk processes (interview report that forms an integral part of this Model).

In particular, the document, in its general part, after a brief presentation of the essential contents of the Decree, describes the activity carried out for the preparation of the Model and illustrates the constituent elements.

The Supervisory Body (hereinafter referred to as SB), in the exercise of its powers, will have the right to request PMG to add, as annexes to this document, additional special parts of the same.

The Model of Organization, Management and Control pursuant to Leg.Dec. 231/2001 was adopted by resolution of the Board of Directors on 15/7/2016.

As the act issued by the executive body, in accordance with the provisions of Art. 6, paragraph 1, letter a ) of Leg.Dec. 231/2001, the subsequent amendments and integrations of a substantive nature will be the responsibility of the Board of Directors of PMG, including the insertion of further Special Parties on new types of offenses foreseen in the future by Leg.Dec. 231/2001.

For other changes, other than substantive ones, the Board of Directors of PMG has instructed the Company Chairman and/or Managing Director to act accordingly.

The discipline and / or knowledge of this document applies to all those working to achieve the purpose and objectives of the Company, and therefore to the members of the management bodies and employees of the Company and, where possible, to the external consultants, commercial and financial partners, suppliers, customers and, in general, all third parties with whom the Company has relations with its business activities. The Model is shared with Managers involved in “risk areas” who are committed to informing their employees of the aims and objectives pursued by the same.

The Company is committed to facilitating and promoting knowledge of the Model by its recipients and their constructive contribution to its contents, and to prepare every possible tool suitable for ensuring its full and effective application.

Any behaviour contrary to the letter and spirit of this document will be sanctioned in accordance with the provisions herein.

## 2.4 CONSTITUENT ELEMENTS OF THE MODEL

In accordance with current legislation, PMG considers the “Model of Organization, Management and Control” as the set of protocols which, in their implementation and operation, are “intended to programme the formation and implementation of the institution's decisions in relation to the offenses to be prevented” (hereinafter the “Protocols”).

In identifying the Protocols, as stated above, the Company has fully accepted, as mentioned above, the indications provided by the Guidelines developed by Confindustria.

According to this approach, the constituent elements of the Model are:

1. this document;
2. the articles of association;
3. the Code of Ethics;
4. The hierarchical-functional company organization (as per internal organizational chart);
5. company policies and procedures;
6. the system of delegated powers and powers of attorney (explained in the risk assessment report);
7. communication to the staff and the training of the staff;
8. the disciplinary system;
9. the Supervisory Body

The Company's Code of Ethics.

PMG is firmly committed to promoting high quality levels – in an ethical sense - of management of its activities.

In the light of this, the Company has compiled and published a Code of Ethics, formally approved by the Board of Directors on 15/07/2016, which sets out the main strategies and rules of conduct adopted by the company for carrying out the activities that are fair under an ethical as well as legal profile.

In particular, the Code of Ethics today indicates its main contents:

- the moral values that inspire the Company's activities;
- conduct at work;
- conduct in business;
- The management of conflicts of interest;
- Business regulations in case of non-compliance with the rules.

The Code of Ethics is binding for all employees of PMG , as well as for all of its customers and suppliers, who are required to know the contents and to observe what is prescribed therein.

In order to ensure the timely distribution of the contents of the Code of Ethics, PMG has decided:

- to distribute it to all employees, as well as to all members of the Board of Directors and the Board of Statutory Auditors;
- to inform customers and suppliers;
- to place it on the corporate website.

Third party (non-employee) acceptance of the Code of Ethics and compliance with the principles contained therein is ensured by the insertion of specific contractual clauses governing the relationship of cooperation or any other type with the Company.

The bodies of reference for implementing the Code of Ethics, envisaged therein, are intended to ensure compliance with and respect of the Code itself, as well as its interpretation.

In particular, the following fall within the institutional activities of such bodies:

- to spread the Code of Ethics to the employees of the Company, customers, suppliers, and generally to all interested third parties, with the utmost decisiveness and effectiveness;
- manage, implement, examine and verify the provisions of the Code in order to adapt it to the evolution of laws;
- provide interpretation, implementation and evaluation support of the Code of Ethics, as a constant reference tool for correct behaviour to be held during the course of its activity;
- verify, control and evaluate cases of violation of the Code of Ethics by providing appropriate measures for offenses, in collaboration with competent business departments, in compliance with laws, regulations and CNLC;
- Protect and assist employees reporting behaviour that does not comply with the Code of Ethics, protecting them from pressures, interference, intimidation, and retaliation;
- Report to the competent Managers any abnormal situations, in order to take the necessary corrective action.

The hierarchical-functional corporate organization.

PMG has a hierarchical organization of work that allows the clear definition of:

1. lines of dependence and reporting;
2. allocation of powers according to the system of proxies and powers of attorney;
3. contents of individual positions, referring to managers.

To this end, all company information is kept systematically organized and represented in updated organizational charts for organizational changes.

The abovementioned organizational charts identify the various areas of business activity of the individual functions, the names of the managers of each area and their hierarchical reporting lines.

In defining the organization and the hierarchical reporting lines, in order to ensure the control of the activities and those responsible for them, an appropriate distinction of functions was adopted.

The guiding principle of the definition of the organization provides for collaborative input from different functions and / or hierarchical levels on the same process / activity, so as to ensure the constant cross-checking of the related operations.

In order to promote a clear attribution of the levels of responsibility, PMG uses IT systems with logics aligned with the role subdivisions of the organizational structure. In these IT systems, specific access architectures are configured to ensure that certain activities can only be carried out by those resources expressly authorized to execute them.

Business Policies and Procedures.

PMG pursues the goal of providing all its employees with a clear framework of reference on how to carry out business activities and the constraints to which they are subject, in perfect compliance with industry regulations.

In this regard, the Company carries out the development of internal procedures aimed at ensuring:

1. the legality and ethics of conduct;
2. matching the activities to the Company's institutional goals;
3. clarity on the content of the activity and relative assignment of responsibilities;
4. adequate separation of responsibilities, so that for each activity there is always a cross-check by of a plurality of subjects;
5. adequate controls, in the various phases of work, aimed at ensuring the correspondence between actual operations and the requirements of internal regulations;
6. the traceability of the activity, for which there is adequate historical and supporting documentation of the main stages of development.

In this context, particular attention has been paid to setting procedures of the whole process of purchasing, commercial management, financial movements, aspects related to safety at work and relations with the Public Administration, product quality, which, because of their typical content, are among the highest risk, in PMG, according to the Decree.

In detail, the procedural flow has been configured to ensure, as main internal control moments:

1. the matching of individual purchasing transactions to budget estimates, thus ensuring the utilization of the Company's financial resources for company purposes;
2. the clear organizational separation between the functions responsible for purchasing and the choice of suppliers and the function authorized to make payments.
3. management health and safety in the workplace in accordance with UNI INAIL Guidelines and / or BS OHSAS 18001: 2007 standards and applicable law (Leg.Dec. 81/2008) - in the absence of a management model ex art. 30 leg.dec. 81/08.

In many cases, the setting of procedures for activities is also ensured by the logic of the IT systems used by the Company, incorporating the process streams and their respective assignments of responsibility, the observance of which is in such cases binding.

Each of these systems has within it, albeit with different levels of detail, the following:

1. process flows that bind users to follow the sequence of procedural steps provided by internal regulations;
2. user security profiles, for access to and use of the system, which allow individual activities to be performed exclusively for the specially designated resources;
3. Specific ways for data tracing, so that at a later stage it is possible to trace back to the resources that materially performed specific tasks.

The system of delegated powers and powers of attorney for the exercise of delegated powers.

In order to ensure the effective execution of its operations, PMG has conferred on certain individuals specific authorizing powers (so-called “Proxies”, conferring the power to authorize internally expense initiatives), as well as proxies for the exercise of delegated powers (hereinafter “Powers of Attorney” ) - comparison with Risk Assessment Report and Gap analysis on delegation issues.

In particular, PMG has adopted a system of Proxies and Powers of Attorney fully consistent with the organizational philosophy and aimed at establishing a valid instrument in terms of internal control.

The practical implications of these guidelines were the inclusion, in the Proxies and Power of Attorney system, of an organic set of operating constraints.

In addition to being fully in line with the legal provisions applicable to the statutory provisions in force, the system strengthens the overall effectiveness of the internal control instruments at PMG, containing the following constraints:

#### 1. Qualitative

Each recipient of Proxies or Powers of Attorney has the possibility to exercise the powers conferred solely on functional areas of their own competence;

#### 2. Quantitative

The maximum amounts within which the Proxies and Powers of Attorney can be exercised are specified, with a definition of thresholds differentiated according to specific business needs. Exceeding these thresholds, the power of signature / approval / decision is attributed to the Board of Directors.

Communication plan to staff and training.

To ensure the effectiveness of the Model, PMG aims to ensure that all recipients are well-informed, also depending on their different levels of involvement in sensitive processes.

The following are the activities identified for a correct and thorough communication of the Model to employees, and collaborators of the company and their training.

#### A. Communication to and training of employees

- Communication via e-mail at the time of the adoption of the Model: e-mail to all staff members of a disclosure by Management to advise that PMG has adopted a Model for organization, management and

control pursuant to L.Dec. 231/2001, enclosing a copy of the Model itself. This disclosure will be enclosed with a notice form to be transmitted to the SB duly signed by the employee in the address.

- Delivery to new employees of the documentation described above, and insertion of an information note in the body of the employment letter dedicated to Leg.Dec. 231/2001 and the characteristics of the Model adopted.
- Presentation in the training room for the benefit of the Company's operating managers during which:
  - inform about the provisions of Leg.Dec. 231/2001;
  - those present are informed of the importance attributed by the Company to the adoption of a system of governance and risk control;
  - describe the structure and principal contents of the Model adopted as well as the methodological approach followed for its implementation and updating;
- Describe the conduct to be adopted in the field of communication and training of its hierarchical employees, in particular staff working in company areas considered sensitive; illustrate the conduct to be adopted with the SB, regarding communications, reporting and collaboration in the supervisory and update activities of the Model.
- Raise awareness by those responsible for business functions potentially at risk of offense (sensitive to the offenses covered by Legislative Decree 231/2001) of their hierarchical employees, in relation to the conduct to be followed, to the consequences of non-compliance with the same, in general, of the Model adopted by PMG.

#### B. Communication and training to suppliers and consultants

- Inserting a specific contractual clause in any supply, service and consultancy contract (in the body of your text or in the annex):
  - Of knowledge of the provisions of Leg.Dec. 231/2001 and of the prescriptions of the Model;
  - Of commitment to respect the same;
  - Of a termination condition in case of non-compliance with the same.

### 3. GENERAL PRINCIPLES OF CONDUCT FOR RECIPIENTS

All Recipients of the Model refrain from engaging in unlawful conduct, in general, and in particular those that may integrate a criminal offense foreseen by Leg. Dec. 231/2001 and, in carrying out their work, they comply with:

- the PMG Code of Ethics;
- The provisions of the Model, in particular these general provisions, the special provisions contained in the Special Parts, the procedures and protocols adopted under the Model.

Persons in top level positions fulfil their duties in compliance with the mandates and powers conferred on them and are also subject to:

- the provisions of the Articles of Association;
- the resolutions of the Board of Directors of PMG ;
- the directives of the General Management

Persons in top positions and those who hold positions of responsibility must also comply with their management and supervisory duties according to their positions.

Persons subject to management or supervision by others shall comply with the Company's directives and operating rules, provided they comply with applicable laws and are not in conflict with the contents of the Model.

## 4. SUPERVISORY BODY

### 4.1 Identification of the Supervisory Body

Art. 6, paragraph 1 of the Decree provides that the function of monitoring and updating the Model be entrusted to a Supervisory Body within the entity, which with independent powers of initiative and control, continuously carried out its tasks.

Whoever has been interdicted, disqualified, bankrupted, or convicted, even if not with a final sentence, to a penalty that involves disqualification, even if temporary, from public offices or the incapacity to carry out managerial functions or who has been convicted, even with a not final judgment or plea bargaining sentence, cannot be appointed as a member of the Supervisory Board and, if appointed, shall be removed, for having committed one of the offenses under the Decree.

In any case, the members of the Supervisory Board are - and will be - selected from among persons who have no family relationship with shareholders and with Directors, which may compromise the independence of judgment.

The internal components may not be chosen from among the managers responsible for functions that relate to the business areas at risk of offense and, in any case, shall not belong to the company's business areas. In case of appointment of an external component, the same will not have business relations with the Company which could constitute cases of conflict of interest.

In accordance with the provisions of the Decree, the indications set out in the Guidelines of Confindustria and the case law of this case, PMG has decided to set up a Collegiate Supervisory Body within the Company, with autonomy and independence from other corporate bodies and internal control.

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

The Organism or the Supervisory Authority has autonomous spending powers that provide for the use of an appropriate annual budget approved by the Board of Directors' resolution on the proposal of the Supervisory Body. The Supervisory Body may commit resources exceeding its spending powers, subsequently giving an account thereof to the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, after consultation with the Board of Auditors. The members of the Supervisory Body are selected from qualified subjects, who have the following requirements:

- **Autonomy and independence:** this requirement is ensured by the Supervisory Body's multi-party composition, the absence of any hierarchical carry-over within the organization and the ability of reporting to the Board of Directors.
- **Professionalism:** This requirement is guaranteed by the baggage of professional knowledge, techniques and practices, available to the members of the Supervisory Body.
- **Continuity of action:** with reference to this requirement, the Supervisory Board is obliged to constantly monitor, through powers of investigation, compliance with the Model, to oversee its implementation and update, representing a constant reference for all staff of the Company.

With regard to professionalism, the Supervisory Body will have at least:

- **Legal skills:** proper mastery in the interpretation of legal norms with specific preparation in the analysis of the types of offenses that can be identified in the course of business operations and in identifying possible punishable conduct;
- **Management skills:** adequate preparation for the analysis of organizational business process and procedures suitable to the size of the business, as well as the general principles of “compliance” legislation and related controls.
- **Inspection skills:** experience in internal audits acquired in the company environment.

The members of the Supervisory Body remain in office for three years and can be re-elected. The Supervisory Body is equipped with a regulation of its own activities, which it communicates to the Board of Directors.

Grounds for ineligibility and / or forfeiture of members of the Supervisory Body are:

- a marital, kinship or affinity up to the fourth level with the directors or with the members of the Board of Statutory Auditors of the company;
- to be in possession of mandates, powers of attorney or, more in general, powers or tasks that may undermine the independence of judgment;
- Be in the legal condition of interdicted, disqualified, bankrupt or sentenced to a penalty which includes interdictions, even temporary, from public offices or the inability to exercise executive offices;
- Have been subjected to preventive measures by the judicial authority, except for the effects of rehabilitation;
- To be subjected to criminal proceedings, convicted or subject to punishment under art. 444 and ss. Ccp, except for the effects of rehabilitation, in relation to one of the offenses provided for in Leg. Dec. 231/2001 on offenses of the same nature (in particular, crimes against property, public administration, against public faith, against public order, tax offenses, bankruptcy, financial crimes, etc.);
- Be the recipients of measures imposing an administrative penalty for one of the administrative offenses referred to in Articles 185, 187-bis and 187-ter of the TUF;
- Existence, for the President, of causes of ineligibility under art. 2399. C e 2409 septies decies c.c.

In order to ensure the necessary stability of the SB and to safeguard the legitimate carrying out of the functions and the position covered by an unjustified removal, the mandate conferred on one or more members of the SB may only be revoked by means of a specific resolution of the Board of Directors with absolute majority after having heard the Board of Statutory Auditors and other members of the Body.

If the mandate is terminated for all members of the Supervisory Body, the Board of Directors of PMG, after consultations with the Board of Statutory Auditors, will appoint a new Body.

If there are serious reasons of convenience, the Board of Directors will proceed – having heard the opinion of the Board of Statutory Auditors and, if not involved, other members of the Supervisory Body – with the suspension of the duties of one or all of the members of the Supervisory Body, taking prompt action for the appointment of a new member or the entire agency ad interim.

#### **4.2 Powers and** functions of the Supervisory Body

The Supervisory Body has the following duties:

- to vigilate on the operation and compliance with the Model;
- update.

These tasks are undertaken by the Body by means of the following activities:

- vigilating on the spread within the corporate context, of knowledge, understanding and observance of the Model;
- vigilating on the validity and suitability of the Model, with particular reference to conducts observed with the company context;
- checking the effective ability of the Model to prevent crimes being committed as provided for in the Decree;
- Proposes the updating of the Model as necessary and/or suitable undertake corrections and/or updating of the same , in relation to modified legislative and/or company conditions.

In undertaking the said activities, the Body will have the following tasks:

- collaborate with company management responsible for planning a periodic training programme to improve the knowledge of the provisions of the Model divided into the role and responsibilities of the recipients;
- collect, process, store and update all relevant information for the purpose of checking compliance with the Model;
- periodically verify and check the areas/operations at risk identified in the Model.
- For the purpose of an improved and more efficient completion of the relevant tasks and functions, in undertaking its operating activities, the Body can make use of the Internal Auditing Function of the company and the various corporate structures which, from time to time, can be useful in undertaking the said activities and consult specialised external services.

Furthermore the Body can decide to delegate one or more specific tasks to individual members of the same, on the basis of the respective duties, with the obligation to report on these to the Body.

In any event, also concerning the functions which the Body delegates to the individual members or concretely undertaken by other corporate functions, there is the collegiate responsibility of the same Body.

#### 4.3 Reporting of the Supervisory Body

In order to guarantee full autonomy and independence in undertaking the relative functions, the Supervisory Body communicates directly to the Board of Directors of the Company, the state of implementation of the Model, the outcome of the vigilating activity undertaken and any appropriate action for the implementation of the Model:

- in an ongoing manner to the Board of directors and, at least once every six months by presenting a written report;
  - periodically to the Board of Auditors, on the request of the same as regards activities undertaken;
- The PMG Supervisory Body meets at least once every three months and can be called on at any moment by the aforementioned bodies or can, in turn, present a request for this meeting in order to report on the operation of the Model or on specific situations.

#### 4.4 Flows of information regarding the Supervisory Body

The Decree states that among the requirements which the Model must fulfil, there are the information obligations concerning the Supervisory Body.

These flows concern all the information and documents which must be brought to the attention of the Supervisory Body.

For each “area at risk of crime” one or more “Internal managers” will be identified, and these must furnish to the Supervisory Body the definitive periodic flows of information. This also should there be no significant information to be notified for the selected period, in this case a “negative” notification must be forwarded. A communications channel has been set up for consulting the Supervisory Body, consisting in a specific e-mail address, namely [odv@pmgcompounds.com](mailto:odv@pmgcompounds.com) where it will be possible to send any notification. This means of transmission of notifications aims at guaranteeing the confidentiality of the notifying parties in order to avoid any retaliatory action against the same.

Furthermore notifications can be sent to the following address:

PMG S.p.A.  
Via Europa n. 3  
CENATE SOTTO (BG)

The Supervisory Body will assess the notifications received and, should it be deemed necessary, can call the notifier or the assumed perpetrator of the violation in order to receive more information, ensuring the necessary confidentiality leading to all the checks and investigations that will be required in order to ascertain the validity of the notification.

Notifications must be done in writing and not anonymously.

Over and above the aforementioned notifications, the Supervisory Body must receive the following information concerning:

- provisions and/or news from judiciary police bodies or any other authority also administrative, involving the company or management figures, which assumes the start of investigations, also concerning unknown persons, for crimes mentioned in the Decree, the legally imposed obligations of confidentiality and secrecy remaining firm;
- requests for legal assistance sent by managers and/or employees in the case of the start of legal proceedings, in particular for crimes mentioned in the Decree;
- control activities undertaken by managers of other company branches that have detected serious deeds, events or omissions in relation to compliance with the provisions of the Decree or Model;
- modifications in the system of delegations or powers of attorney, statutory modifications or modification of the company organisation;
- Information on the effective implementation, at all company levels, of the Model with evidence of the disciplinary proceedings carried out and any sanctions imposed (including measures against employees), or the procedures for closing such proceedings with the relevant grounds;
- Reports of serious injuries (accidental deaths or severe or serious injuries, in any event any accident with a prognosis longer than 40 days) occurred to employees, maintenance personnel, contractors and / or collaborators present at the Company's workplaces.

All information, documentation and reports collected in carrying out the institutional duties must be filed away and stored for at least five years by the Supervisory Body, keeping the documents and the information obtained confidential, also in accordance with the legislation on privacy.

## 5. ATTEMPTED CRIMES AND CRIMES COMMITTED ABROAD

The Entity also responds for offenses that result from attempted crimes and offenses committed abroad.

In the hypothesis of an attempted crime under the Decree, financial penalties and disqualification sanctions are reduced by one third to half, while sanctions are excluded in cases where the Entity voluntarily prevents the execution of the action or the realization of the event.

The exclusion of sanctions is justified in this case by virtue of the interruption of any identification relationship between the Entity and those who take action in its name and on its behalf.

According to art. 4 of the Decree, the entity - which is based in Italy - can be held to account in relation to offenses - covered by the Decree - committed abroad, in order not to let frequent criminal conduct go unpunished, as well as to avoid the creation of loopholes in the regulatory system in question.

The assumptions on which the Entity is liable for offenses committed abroad are:

- The offense must be committed abroad by a person functionally linked to the Entity, pursuant to art. 5, paragraph 1 of the Decree;
- The Entity must have its head office in the territory of the Italian State;
- The conditions laid down in art. 7, 8, 9, 10 criminal code, with reference to the punishment of offenses committed abroad, must be verified (in Annex B – “Articles of the Criminal Code referred to in Article 4 of Legislative Decree 231/2001”, the various types of the offenses are described);
- No action is taken against Entity in the State in which the offense was committed.

Cenate Sotto, .....

PMG S.p.A.  
The Chairman of the Board of Directors