



USCO



PASSION FOR PARTS

Company USCO S.p.A.

Organisation, Management and Control Model
pursuant to Lgs. D. 231/2001

Modena, 18 December 2020



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General Section

1. REGULATORY FRAMEWORK

1.1 LEGISLATIVE DECREE 8 JUNE 2001 NO. 231

Legislative Decree no. 231/2001 (hereinafter also “Decree” or “Lgs. D. 231/01”), pursuant to Article 11 of Law 29 September 2000 no. 300, concerns the administrative responsibility of legal persons, companies and associations, also those without legal personality, outlining the general principles and criteria for assignment.

This decree is aimed at aligning the domestic regulatory framework on the subject of legal persons' responsibility to the following international conventions:

- 1) Brussels Convention of 26/07/95 on the protection of the European Communities' financial interests;
- 2) Convention of 26/05/97 on combating bribery of officials of the European Community or of Member States;
- 3) OECD Convention of 17/12/97 on combating bribery of foreign public officials in economic and international transactions.

This Decree has introduced within the Italian legal framework a system of administrative responsibility (essentially comparable to criminal responsibility) on the part of entities (more specifically companies, associations, syndicates, etc.) in respect of the crimes listed in the Decree and committed in their interest or to their advantage. The responsibility of the organisation added to that of the individual who actually committed the crime.

Art. 5 of the said decree considers the Organisation responsible for crimes committed in its interest or to its advantage:

- α) by individuals in their capacity as representatives, directors or executives, or by one of its organisational units with financial and functional autonomy, as well as by persons who exercise, possibly *de facto*, management and control over the latter (aka top management)¹;
- β) by individuals who are “subject” to management or supervision by one of the persons listed above².

The constitutive elements of the interest and advantage of the entity, detailed in Art. 5 as criteria for attributing the administrative offence related to a crime, have an alternative value

¹ By means of example, this category includes subjects in top positions within a company, namely the President, Directors, General Managers, Manager of a branch or division, as well as the managing director or the sole shareholder in charge of management.

² The possibility that the organisation is held responsible for crimes committed by individuals acting under the management or supervision of company representatives, directors or executives, or who actually exercise management and control of the organisation is provided for in Art. 5 (1) (b) of Lgs. D. 231/01. By “subjects” reference is made to persons who have a functional relationship with the Organisation. Therefore, apart from employees, this category also includes persons who have a coordinated and continuing relationship with the company, mainly of an individual nature and without an employment contract (project work, multi-party employment, induction, summer orientation internship), free-lance service providers, agents, or any other persons who represent the Company's business interests (provided that their work is done under the management or surveillance of top management, and that therefore is based on specific indications given or somehow shared by the said top management), or any other subject who has established with the Organisation one of the relationship forms mentioned in Art. 409 of the Italian Code of Civil Procedure.

and different meanings. By interest, reference is meant to the criminal intent of the individual concerned, from an *ex ante* perspective (“before” the event): the interest is related to the type of action involved, and therefore it needs to coincide exactly with the said action being aimed at obtaining a beneficial effect for the Organisation, without the said benefit necessarily being achieved. The advantage, on the other hand, is the material result of the crime, and thus has objective connotations in the sense that it may be achieved by the Organisation even if the individual is not acting in its interest, which means that it can only be verified *ex post*.

The inclusion as predicate offences of crimes related to health and safety on the workplace (Art. 25 *septies* of Decree 231) and of environmental crimes (Art. 25 *undecies*), has led to an issue of logical compatibility between the event being involuntary, which is typical of negligent offences, and the intent underlying the concept of “interest” of the organisation.

In this regard, the Unified Divisions of the Court of Cassation, in judgement no. 38343 of 24.4.2014, issued “*after the trial related to the tragic events at Thyssen*”, have clarified that “*in cases related to negligent offence events, the concepts of interest and advantage must necessarily be related to the conduct and not to any illegal outcome*”. The Judges concluded that this approach “*does not entail any difficulty of a logical nature: it is indeed possible that a conduct characterised by acting against the rule of caution, therefore involuntary in nature, may be in the interest of the organisation, or in some way advantageous for it. [...] This interpretation approach [...] is merely based on adjusting the original attribution concept to the changed reference framework, without altering any of the attribution criteria. The adjustment is only related to the subject of the assessment, which is no longer associated with the event but just with the conduct, in accordance with the different conformation of the offence. [...] It is of course possible that the person may voluntarily violate the rule of caution, or even expect the events possibly deriving from an action, even without wishing for them, in order to follow strategies which have been set by the company*”.

The organisation shall not be held responsible if the persons in question have acted in their own exclusive interest or on behalf of third parties.

The provision on administrative responsibility actually includes in the punishment of offences the assets of the organisations, therefore the economic interests of shareholders. As for sanctions, the most serious consequences for an Organisation in these cases are certainly disqualification measures, for example suspending or revoking licences and concessions, a ban on entering contracts with public administration offices, a ban on conducting business, exclusion or withdrawing of financing and contributions, ban on advertising goods and services.

1.2 CRIMES

As for the crimes to which the provisions under examination apply, they mainly include one of the following categories: (a) crimes related to relationships with the Public Administration and against the assets of the Government or any other Public Entity, (b) crimes related to forging money, public credit cards, revenue stamps and instruments or insignia for identification, (c) corporate crimes (including bribery of individuals and instigation to bribing individuals), (d) crimes related to terrorism and aimed at undermining the rule of law, (e) mutilation of female genital organs (f) crimes against individuals, (g) unlawful use of privileged information and

market manipulation, (h) offences involving violation of regulations for preventing injuries and protecting health and hygiene on the workplace, (i) receiving stolen goods, money laundering, use of cash, goods or benefits of illegal origin, as well as self-laundering (j) cross-border crimes, (k) computer crimes and unlawful processing of data, (l) crimes related to copyright violation, (m) crimes against industry or trade, (n) offences associated with organised crime, (o) offences against justice administration, (p) environmental crimes, (q) offences related to immigration and treatment of foreigners, (r) offences related to racism or xenophobia; (s) fraud in sport contests, illegal gaming or betting activities and use of forbidden gambling equipment; (t) tax crimes.

More specifically the provisions in Annex 1 apply to the following crimes:

a) CRIMES RELATED TO RELATIONSHIPS WITH THE PUBLIC ADMINISTRATION AND AGAINST THE ASSETS OF THE GOVERNMENT OR ANY OTHER PUBLIC ENTITY (ARTICLES 24 AND 25):

- 1) fraud against the Government, any other public entity or the European Union;
- 2) computer fraud against the Government or any other public entity;
- 3) embezzlement against the Government or the European Union;
- 4) illegal funding to the detriment of the government or the European Union;
- 5) aggravated fraud to receive public funding;
- 6) graft;
- 7) illegally granting or promising benefits;
- 8) bribery of officials;
- 9) bribery to commit an act against public service;
- 10) bribery related to judicial documents;
- 11) bribery of a civil servant;
- 12) instigation to bribery;
- 13) exercising of illegal influence;
- 14) misuse of funds, graft, illegally granting or promising benefits and instigation to bribery of members of international Courts or bodies of the European Communities, or international parliamentary assemblies, or international organisations and officials of the European Communities and foreign countries.

b) CRIMES RELATED TO FORGING MONEY, PUBLIC CREDIT CARDS, REVENUE STAMPS AND INSTRUMENTS OR INSIGNIA FOR IDENTIFICATION (ART. 25-BIS):

- 1) forging money, spending and introducing into the country, in concert, forged money;
- 2) money alteration;
- 3) spending and introducing into the country, without concert, forged money;
- 4) spending forged money received in good faith;
- 5) forging revenue stamps, introducing into the country, purchasing, storing or circulating forged revenue stamps;
- 6) counterfeiting of safety paper in use for producing public credit cards or revenue stamps;

- 7) manufacturing or storage of watermarks or other instruments intended to forge money, revenue stamps or watermarked paper;
- 8) use of counterfeited or altered revenue stamps;
- 9) counterfeiting, alteration or use of trade marks or insignia, as well as of patents, patterns, and drafts;
- 10) introduction into the country and trading in products with false insignia.

c) CORPORATE CRIMES (ART. 25-TER):

- 1) false corporate accounting;
- 2) forged corporate accounting of listed companies;
- 3) minor forgery of corporate accounting;
- 4) false accounting³;
- 5) interfering with audits⁴;
- 6) false capital raising;
- 7) unlawful returning of capital;
- 8) illegal sharing of profits and reserves;
- 9) illegal transactions on the company's or parent company's shares or stock;
- 10) transactions prejudicial to creditors;
- 11) unlawful sharing of corporate assets by liquidators;
- 12) illegal influence on the general meeting;
- 13) market rigging;
- 14) hindering the work of public supervisory authorities;
- 15) omitted notification of conflict of interest;
- 16) bribing individuals;
- 17) instigation to bribing individuals.

As regards the crime of forged reporting or accounting by the audit firm, it is worth mentioning that Art. 37 (34) of Lgs. D. 27 January 2010, no. 39 repealed Article 2624 C.C. (forged reporting or accounting by the audit firm). Also, Lgs. D. 27 January 2010, no. 39, under Art. 27, provides for offences related to “forged reporting or accounting by managers of the audit firm”; the new specific offence has a broader scope compared to the previous version, because it also considers the possibility of a crime being committed by an auditor in

³ Art. 34 of Law 28 December 2005 no. 262 (containing provisions to protect savings and regulate financial markets, also known as “Law on savings”) added false accounting to the crimes listed in Lgs. D. 58/98 (TUF), specifically under Art. 173-*bis*,

at the same time repealing Art. 2623 C.C.

The consequence of repealing the said article apparently coincides with leaving offences associated with false accounting out of the list of predicate offences, which means that the organisation no longer has an administrative responsibility in that regard.

This seems to be the theory accepted by most jurisprudence; nevertheless it seems appropriate to mention this crime, based on the assumption – even though supported by a minority – that, despite the introduction of the specific offence in TUF (Consolidated financial law), false accounting should still be relevant for the purpose of responsibility on the part of the organisation.

⁴ Article 37 (35) of Lgs. D. 27 January 2010, no. 39 amended Article 2625 (1) of the Civil Code, excluding audits from the list of activities which can be impeded by Directors according to the regulation; impeding checks by the auditors is currently regulated by Art. 29 Lgs. D. 39/2010, which stipulates as follows “1. Members of the Board of Auditors who, by hiding documents or using other illegal means, impede or in any way hinder legal auditing activities are sanctioned with a fine up to 75,000 euro. 2. If the conduct mentioned in paragraph 1 has damaged shareholders or third parties, the penalty is a fine up to 75,000 euro and a jail sentence up to 18 months, 3. In the case of audits on public interest entities, the penalties in paragraph 1 and 2 are doubled. 4. Action in an ex-officio capacity”.

a public interest entity. Nevertheless, the Unified Divisions of the penal court of Cassation with ruling no. 34476/2011 have concluded that forging reports or correspondence by managers of an audit firm is not one of the crimes listed in Lgs. D. 231/01 because the latter expressly refers to Art. 2624 C.C. which has been officially repealed. Therefore, according to the lawfulness principle established by Art. 2 in the said Lgs. D. 231/01, considering that Art. 25-ter of the Decree has not been amended by expressly referring to Art. 2624 C.C., based on the decision by the Judges, it should be concluded that crimes related to forgery in reporting or accounting by managers of an audit firm are not relevant in terms of the administrative responsibility of enterprises.

- d) CRIMES RELATED TO TERRORISM AND AIMED AT UNDERMINING THE RULE OF LAW (ART. 25-QUATER)

- e) MUTILATION OF FEMALE GENITAL ORGANS (ART. 25 QUATER. 1)

- f) CRIMES AGAINST INDIVIDUALS (ART. 25-QUINQUIES):
 - 1) reducing to or keeping in slavery or servitude;
 - 2) child prostitution;
 - 3) child pornography;
 - 4) storing pornographic materials;
 - 5) virtual pornography;
 - 6) tourism aimed at exploiting child prostitution;
 - 7) people trafficking;
 - 8) buying and trading in slaves;
 - 9) illegal brokerage and exploitation of labour;
 - 10) child grooming.

- g) UNLAWFUL USE OF PRIVILEGED INFORMATION AND MARKET MANIPULATION (ART. 25-SEXIES)

- h) MANSLAUGHTER AND SERIOUS OR VERY SERIOUS PERSONAL INJURIES, INVOLVING THE VIOLATION OF REGULATIONS FOR PREVENTING ACCIDENTS AND PROTECTING HEALTH AND HYGIENE ON THE WORKPLACE (ART. 25-SEPTIES)

- i) RECEIVING STOLEN GOODS, MONEY LAUNDERING, USE OF CASH, GOODS OR BENEFITS OF ILLEGAL ORIGIN, AS WELL AS SELF-LAUNDERING (ART. 25-OCTIES)

- j) CROSS-BORDER CRIMES (Law 146/2006, ART. 10):
 - 1) criminal conspiracy;
 - 2) Mafia criminal association;
 - 3) criminal conspiracy aimed at smuggling processed tobacco from abroad;

- 4) association aimed at illegally trafficking drugs or psychotropic substances;
- 5) measures against illegal immigration;
- 6) inducing not to give statements or to give false statements to the judiciary authority;
- 7) aiding and abetting.

It should be noted that reference is made to “cross-border” crimes exclusively in cases where the penalty involves a jail term no lower than a maximum of four years, and whenever an organised crime group is involved, as well as in the following cases:

- it has been committed in more than one country;
- or it has been committed in one country, but a substantial part of its preparation, planning, management or control takes place in another country;
- or it has been committed in one country, but involves an organised criminal group involved in criminal activities in more than one country;
- or it has been committed in one country, but has substantial effects in another country.

k) COMPUTER CRIMES AND UNLAWFUL PROCESSING OF DATA (ART. 24-BIS):

- 1) illegal access to an IT or online system;
- 2) illegally tapping, impeding or interrupting IT or online communications;
- 3) installing equipment aimed at illegally tapping, impeding or interrupting IT or online communications;
- 4) damaging computer information, data and software;
- 5) damaging computer information, data and software used by the government or another public entity or for public use;
- 6) damaging IT and online systems;
- 7) damaging public utility IT or online systems;
- 8) illegally owning and divulging access codes to IT or online systems;
- 9) divulging equipment, devices or computer software aimed at damaging or interrupting an IT or online system;
- 10) forgery of IT documents;
- 11) computer fraud against a person providing electronic signature certification services;
- 12) failure to send or sending false information, data, factual elements relevant within the domestic cyber-security perimeter.

l) CRIMES RELATED TO COPYRIGHT VIOLATION (ART. 25 – *NOVIES*):

- 1) crimes violating the law on the protection of copyright and other rights related to its exercise.

m) CRIMES AGAINST INDUSTRY OR TRADE (ART. 25 – *BIS. 1*):

- 1) upsetting free industry and trade;
- 2) unfair competition using threats or violence;
- 3) fraud against domestic industries;
- 4) business fraud;
- 5) sale of adulterated food products as if they were unadulterated;
- 6) sale of industrial products with fake insignia;
- 7) manufacturing and sale of goods produced usurping industrial property rights;
- 8) counterfeiting geographical indications or denominations of origin of agri- food products.

n) OFFENCES ASSOCIATED WITH ORGANISED CRIME (ART. 24 – TER):

- 1) criminal conspiracy (*also aimed at reducing to and keeping in slavery, human trafficking, trafficking in organs from a living person, buying and trading in slaves, as well as crimes related to violations of the provisions on illegal immigration and removal and grafting of organs and tissues*);
- 2) Mafia criminal associations, also from foreign countries;
- 3) politics-mafia electoral exchange;
- 4) kidnapping to ask for a ransom;
- 5) criminal conspiracy aimed at illegally trafficking drugs or psychotropic substances;
- 6) illegal manufacturing and trafficking of assault or assault-type weapons or parts thereof, of explosive, illegal weapons as well as of ordinary shooting weapons.

o) OFFENCES AGAINST JUSTICE ADMINISTRATION (ART. 25 – DECIES):

- 1) inciting not to give statements or to give false statements to the judicial authority.

p) ENVIRONMENTAL CRIMES (ART. 25 – UNDECIES):

- 1) killing or owning wild animal or plant specimens from protected species;
- 2) damaging habitats in a listed site;
- 3) environmental pollution;
- 4) environmental disaster;
- 5) non-intentional crime against the environment;
- 6) trafficking and abandoning highly radioactive materials;
- 7) aggravating factors (environmental conspiracies by groups, including the mafia and foreign criminal associations);
- 8) illegal wastewater discharge;
- 9) unauthorised waste management;
- 10) violations with regard to environmental reclamation;
- 11) violations with regard to reporting, mandatory bookkeeping and environmental forms;
- 12) illegal waste trafficking;

- 13) organised illegal waste trafficking;
- 14) exceeding the limits in terms of air emissions and quality;
- 15) violations on the subject of import, export and trade in protected animal and plant species;
- 16) violating measures to protect ozone in the stratosphere and in the environment;
- 17) wilful or negligent pollution caused by vessels.

q) OFFENCES RELATED TO IMMIGRATION AND TREATMENT OF FOREIGNERS (ART. 25 - DUODECIES):

- 1) employing third-party citizens who are not legal residents of the country;
- 2) aiding and abetting illegal entry into the country and immigration.

r) OFFENCES RELATED TO RACISM AND XENOPHOBIA (ART. 25 - TERDECIES):

- 1) propaganda and incitement to commit hate crimes based on race, ethnic origin and religious belief.

s) FRAUD IN SPORT CONTESTS, ILLEGAL GAMING OR BETTING ACTIVITIES AND USE OF FORBIDDEN GAMBLING EQUIPMENT (ART. 25 - QUATERDECIES):

- 1) fraud in sport contests;
- 2) illegal gaming or betting activities.

t) TAX CRIMES (ART. 25 – QUINQUIESDECIES):

- 1) false statement using invoices or other documents in respect of non-existent transactions;
- 2) false statement using other artifices;
- 3) issuing invoices or other documents for non-existent transactions;
- 4) hiding or destroying accounting records;
- 5) fraudulent tax evasion.

u) FAILURE TO COMPLY WITH DISQUALIFICATION MEASURES (ART.23).

1.3 CRIMES COMMITTED ABROAD

According to Article 4 of Lgs. D. 231/2001, the Organisation may be held accountable in Italy for crimes – listed under Lgs. D. 231/2001 – committed abroad. The complementary Report to Lgs. D. 231/2001 highlights the need not to leave unsanctioned a crime which is frequently committed, also in order to prevent it from being easily eluded as part of the regulatory framework in question.

The prerequisites (stipulated by the regulation or by Lgs. D. 231/2001 as a whole) on which

the responsibility of the organisation for crimes committed abroad is based are as follows:

- a) the crime must have been committed abroad by a person⁵ functionally associated with the organisation, according to Art. 5 (1) of Lgs. D. 231/2001;
- b) the organisation must have its headquarters in Italy;
- c) the organisation can be held responsible only in cases and under the conditions stipulated in Articles 7, 8, 9, 10 of the Penal Code. This reference is associated with the provisions in articles from 24 to 25- quinquiesdecies of Lgs. D. 231/2001, therefore – also in accordance with the lawfulness principle in Art. 2 of Lgs. D. 231/2001 – in respect of crimes listed in Articles 7-10 of the Penal Code, the company shall be held accountable only if there is a specific legal provision in this regard;
- d) the organisation may be held responsible in cases where no action is taken by the country where the crime has been committed;
- e) in cases where the law stipulates that the penalty against the convicted person is established by the Ministry of Justice, action is taken against the organisation only if the request is formulated against the organisation itself.

1.4 POSSIBLE SANCTIONS

The sanctions in cases of administrative offences associated with a crime are:

- 1) fines;
- 2) disqualification measures;
- 3) seizure;
- 4) publishing of the court order.

1) Fines

Fines are sanctions of an administrative nature and always apply, also if the legal person remedies the consequences of the crime.

The amount of the fine depends on a dual principle:

- a) calculation of shares amounting to no less than 100 and no more than 1,000;
- b) assigning to each share a value ranging between a minimum of € 258.00 to a maximum of € 1,549.00 (depending on the economic and asset situation of the organisation).

In concrete terms, the amount of a fine may range between a minimum of € 25,822.84 (which may be reduced by half, according to Art. 12 of the Decree) and a maximum of € 1,549,370.69. The Court calculates the number of shares taking into account:

- a) the seriousness of the crime;
- b) the extent of responsibility of the organisation;
- c) the efforts made to eliminate or mitigate the consequences of the crime and to

⁵ By person, reference is made here to an individual included in the categories listed in section 1.1.

prevent further offences from being committed.

2) Disqualification measures

These sanctions are added to fines and serve the purpose of preventing a crime from being repeated.

When applying these penalties, the Court pays specific attention to the nature of the company's business, in order to act more effectively on the exercising of the said business.

This category includes the following measures:

- a) ban on conducting business;
- b) ban on entering contracts with the Public Administration;
- c) suspension or revoking of authorisations, licences or concessions functional to committing the crime;
- d) exclusion from benefits, funding, contributions and subsidies, and/or revocation of any of these which may have been previously granted;
- e) ban on advertising goods or services.

If several crimes have been committed, the possible sanction is the one provided for the most serious.

The disqualification is usually temporary (from a minimum of three months to a maximum of seven years), except for some mandatory instances, where the disqualification is not temporary but permanent. These include for example:

- a) cases involving repeat offenders;
- b) cases involving substantial profits;
- c) an offense repeated at least three times over the past seven years.

Mention should also be made of the organisation possibly continuing to do business through a court-appointed receiver (instead of a sanction being levied) according to Art. 15 of Lgs. D. 231/2001, if one of the following conditions applies:

- a) the entity in question provides a public service or a public utility service whose interruption would seriously harm the community;
- b) any interruption of the service delivered by the entity in question, considering the size and economic conditions of the region where it is based, would have substantial repercussions in terms of employment.

3) Seizure

This is a mandatory sanction, of a major and general nature, following a conviction (Art. 19 of the Decree); it consists in confiscation by the Judiciary Authority, of the price or profit generated by the crime, except for the part thereof which is possible to return to the injured party.

If it is not possible to confiscate the product or profit of the crime, the seizure will involve cash, goods or other benefits of a value equivalent to the price or profit of the crime.

There are also other forms of asset confiscation, even without a conviction sentence. The

first case is provided in Art. 6 (5) which stipulates mandatory seizure of the profit made by the organisation through the crime also if the Organisation is not held responsible, by virtue of the discharging evidence that the administrative offence is the result of a crime committed by the top management; in this case seizure serves the function of compensation, to redress the economic balance altered by the predicate offence; it is of a preventive nature, in the sense that it neutralises any objective risk related to the profit falling within the scope of the organisation.

Art. 15 (4) also allows for confiscation of the profit derived from pursuing the company's business when this is arranged by the court-appointed liquidator, and in lieu of the disqualification measure which leads to interrupting the organisation's activity whenever specific requirements are met (the company providing a public service or a public utility service whose interruption would seriously harm the community, or if interrupting the organisation's activity would have serious repercussions in terms of employment).

Finally, Art. 23 provides for seizure of any product derived from the organisation's continuing to do business as major sanction for the violation of duties and bans imposed on the latter through a sanction or a cautionary disqualification measure.

4) Publication of the court order

The publishing of a court order is provided in cases where a disqualification measure is imposed on the organisation in question.

The court order is published (and charged to the convicted legal person) just once, as an abstract or in its entirety, in one or more newspapers specified in the sentence, as well as being posted on the notice board of the Municipality where the Organisation has its headquarters.

1.5 ATTEMPTS

In the event of attempts associated with crimes listed in Chapter I of Lgs. D. 231/2001, the fines (in terms of amount) and the disqualification measures (in terms of time) shall be reduced from between one third and one half; no sanctions are provided in cases where the Organisation voluntarily prevents the action from being committed or the event from occurring.

1.6 LIABILITY OF THE ORGANISATION

Articles 6 and 7 of Lgs. D. 231/2001 include subjective criteria for charging an organisation with an offence.

If the latter has been committed by persons representing, directing or managing the Entity or by one of its organisational units with financial and functional autonomy, as well as by persons in charge of managing and controlling the latter, responsibility on the part of the organisation is assumed, unless it can provide evidence that:

1. the Board of Directors has chosen and effectively implemented, before the offence was committed, models for organisation, management and control suitable to prevent crimes similar to the one which actually occurred;
2. the task of supervising the functioning, effectiveness and compliance with the relevant models, updating them if necessary, has been entrusted to a body with independent

- powers of initiative and control;
3. the persons who committed the crime fraudulently eluded the organisation and management models;
 4. the supervisory authority failed to act or its response was insufficient.

Liability on the part of the organisation is assumed if the offence has been committed by an individual in a top executive or management position; therefore the organisation is responsible for proving that it is innocent of the charges. On the other hand, liability of the organisation needs to be proved in cases where those who committed the offence are not in a top management position within its corporate system; in this instance the burden of the proof is on the prosecution.

If the crime has been committed by persons acting under the management or supervision of the top management, the organisation is liable if the prosecution is able to prove that the crime was made possible through failure to comply with the relevant management or supervision duties. These obligations are considered to have been met if the organisation, before the crime was committed, can prove to have selected and effectively implemented a suitable Model to prevent crimes of the kind of the one which actually occurred.

Having regard to the extension of delegated powers and to the risk of crimes being committed, the models need to meet the following requirements (Art. 6 (2) of Lgs. D. 231/2001):

- defining the scope within which it is possible that crimes could be committed;
- drafting specific protocols for shaping and implementing the decisions by the organisation in respect of the crimes to be prevented;
- selecting procedures for the management of appropriate financial resources to prevent crimes from being committed;
- providing for information duties in respect of the supervisory authority watching over the operation and compliance with the relevant models;
- introducing a disciplinary system, suitable to sanction failure to comply with the measures stipulated in the Model.

Finally, Art. 6 of the Decree stipulates that the organisation and management models may be selected on the bases of codes of ethics compiled by trade associations, then notified to the Ministry of Justice which – in agreement with the Ministries in charge – may publish remarks on the suitability of the models aimed at preventing crimes.

1.7 GUIDELINES BY CONFINDUSTRIA

Following numerous legislative actions which have extended the scope of administrative liability to further specific offences, Confindustria has updated its Guidelines for the construction of organisation models. In March 2014 an updated version of the said Guidelines (replacing the previous versions approved in 2004 and 2008 respectively) was sent to the Ministry of Justice.

On 21 July 2014 the Ministry of Justice informed of its having completed the review proceedings on the new version of the Guidelines and approved them.

The main points listed in the Guidelines with regard to constructing Models can be summed

up as follows:

- selecting possible **areas at risk**, with a view to highlighting corporate offices within which it is possible that the illegal actions sanctioned according to the Decree may be committed;
- preparing a **control system** allowing for the prevention of such risks through suitable protocols. The most significant components of the said control system, according to Confindustria, are:
 - code of ethics;
 - organisation system;
 - mechanical and electronic procedures;
 - authorisation and signature powers;
 - integrated control and management systems;
 - information and training of staff members.

The components of the control system need to be based on the following principles:

- be verifiable, documented, consistent and congruous with each transaction;
- separation of functions (nobody can be independently in charge of one whole process);
- documented inspections should be conducted;
- there should be a suitable sanctioning system if norms of the code of ethics and the protocols provided in the models are violated;
- selection of the supervisory authority requirements, most notably:
 - autonomy and independence;
 - professionalism;
 - continuity of action.
- allow for forecasting the management procedures of financial resources;
- duty to inform the supervisory authority.

Failure to comply with specific points of the said Guidelines does not make the Model any less valid. The Model selected by the Organisation needs to be drafted with specific reference to the actual situation of the Company, therefore it may differ from the Guidelines by Confindustria, which are – by definition – of a general nature.

It is also worth mentioning the dynamic nature of the Guidelines issued by Confindustria, which may, over time, be subject to updates and reviews to be taken into account during the selection phase.

2. THE MODEL

2.1 PURPOSE OF THE MODEL

The purpose of the Organisation, Management and Control Model, selected by the Company in accordance with Lgs. D. 231/01 (hereinafter also referred to as “**the Model**”) is to implement a well-structured and organised control activity system whose objective is to prevent the crimes referred to in Lgs. D. 231/2001, by outlining the activities where there is

risk of a crime being committed, then selecting the measures to prevent the latter.

By selecting this Model, USCO S.p.A. intends to pursue the following major aims:

- establishing values of ethics and compliance with the law;
- making the recipients of the Model aware that, if they violate the provisions contained therein, they might incur in offences subject to penal sanctions in their regard and to administrative sanctions in respect of the Company;
- highlighting the fact that these forms of illicit behaviour are strongly condemned by USCO S.p.A., because (even if the Company might apparently be in a position to gain benefits from them) in all cases they go against legal provisions, as well as the ethical principles which it has agreed to follow as a going concern;
- allowing the Company, by monitoring all risk activities, to promptly intervene in order to prevent or counteract the crimes in question.

2.2 ACCEPTABLE RISK

One critical element in drafting the Model is that of acceptable risk. For the purposes of implementing the provisions in the decree, it is important to set a threshold which imposes a limit on the quantity and quality of the prevention instruments which should be introduced with a view to preventing the crime. Having regard to the risk of the crimes referred to in Lgs. D. 231/2001 from being committed, the acceptability threshold consists in a prevention system which cannot be circumvented other than intentionally, or – for the purposes of excluding the administrative responsibility of the organisation – the persons who committed the crime must have acted fraudulently eluding the chosen Model and inspection procedures.

2.3 CONSTRUCTION PHASES OF THE MODEL

The selection process of the Model is divided into the phases listed below:

1) Preliminary study of the corporate framework

The objective of this phase was the preliminary survey, through a document review and interview with persons involved in the company structure, of the organisation and activities of the various Offices, as well as of the corporate processes into which the activities are divided.

2) Selecting the business areas and corporate processes where there is a “crime risk”

the aforesaid preliminary study of the corporate framework has led to selecting:

- the areas most "sensitive" to crimes being committed, i.e. The business activities where occasions are likely to arise to commit the offences listed in the Decree,
- any processes "instrumental" to the crimes mentioned in the Decree, in other words processes which, theoretically, might be conducive to conditions and/or instrumental for committing crimes.

The study, included in the “mapping of sensitive activities and instrumental processes” (hereinafter also referred to as “**Mapping**”), mentioned in **Annex 2**, involved activities sensitive to crimes being committed according to Articles 24 and 25 of the Decree (crimes against public administration and heritage, committed against the Government or any other

public Entity), as well as some of the crimes mentioned in Art. 24-*bis* (computer crimes), criminal conspiracy pursuant to Art. 24-*ter* (organised crime), some of the crimes mentioned in Art. 25-*bis* (forging of money, public credit cards and revenue stamps, as well as identification instruments or insignia), some of the crimes mentioned in Art. 25-*bis.1* (aka crimes against industry and trade), some of the crimes referred to in Art.25-*ter* of the Decree (aka as corporate crimes, including “bribery and instigation to bribing individuals”), some of the crimes mentioned in Article 25-*quinquies* (crimes against an individual), manslaughter and serious or very serious personal injuries, committed in violation of the norms for the prevention of injuries and protecting health and hygiene on the workplace according to Art. 25-*septies*, crimes such as receiving stolen goods, money laundering, use of money, goods or other utilities of illegal origin and self-laundering according to Art. 25-*octies*, some crimes related to the violation of copyright according to Art. 25-*novies*, crimes against the administration of justice according to Art. 25-*decies*, some environmental crimes according to Art. 25-*undecies*, offences associated with employing citizens from third countries who are not legal residents, pursuant to Art. 25-*duodecies* and finally tax crimes according to Art. 25-*quinquiesdecies*.

Crimes related to terrorism and subversion of law and order according to Art. 25-*quater*, the crime related to mutilation of female genital organs according to Art. 25-*quater.1*, the crimes of privileged information abuse and market manipulation according to Art. 25-*sexies*, the crimes related to racism and xenophobia according to Art. 25-*terdecies*, the crimes of fraud in sports competitions, illegal gaming or betting and gambling exercised using forbidden equipment according to Art. 25-*quaterdecies*, organised crime (except for criminal conspiracy pursuant to Art. 416 P.C.), cross-border crimes, as well as some offences included in the list of crimes above **are not** listed in the Mapping in **Annex 2**. These specific offences have been analysed as part of the mapping of instrumental activities and process; nevertheless, following a careful preliminary evaluation, supported by an extensive set of interviews and document review in the company, no specific occasions for committing the crime have been found. It cannot be totally ruled out that this might occur in theory, however it is unlikely that they may be committed, both because of the company's operational structure, and in view of the elements necessary for the crimes in question (in some instances, with specific references to the psychological element in the crime).

As for criminal conspiracy, according to Art. 416 P.C., the study focused on the profiles which allow for considering these specific offences as part of the mapping of instrumental activities and processes.

Generally speaking, even though the reference to criminal conspiracy also to specific crimes different from those in the mapping cannot be totally ruled out, the study led to considering as a priority, according to the principle of acceptable risk and cost-effectiveness of in-house control processes, the profiles of activities which are part of the company's core business.

Therefore, notwithstanding the specific offences included in the mapping with regard to individual activities and sensitive processes, and notwithstanding the inspection protocols selected as part of this Model (developed according to the principle of a mandatory list of predicate offences), the crime in Art. 416 P.C. is considered on the basis of the “association” underlying the actual specific offence included in the mapping. In other words, the fact has been taken into account that the final crime might have been committed or even just planned by three or more persons from within the organisation or even outside the latter (for example in relations with suppliers or business partners).

As regards the “self-laundering” crime introduced by Law 186/2014 sub Art. 25-octies of Lgs. D. 231/2001, the study, in the light of stringent compliance with the principles in Art. 2 and 3 of Lgs. D. 231/2001, with specific reference to the mandatory list of predicate offences, has followed two directions:

- considering self-laundering a procedure involving the use, replacement or transfer – as part of the Company’s business activity – of any cash, goods or other benefits from non-involuntary crimes which are already a predicate offence for the purposes of Lgs. D. 231/2001 subject to mapping for risk analysis. More specifically, the self-laundering crime can be considered “instrumental” in this regard to predicate offences of a non-involuntary nature already included in the mapping. According to this profile, the inspection protocols of the “source” crime of self-laundering, with exclusive reference to the crimes included in the list of predicate offences according to Lgs. D. 231/2001, are those listed in the special section of the model for each crime macro-category;
- moreover, considering self-laundering with a focus on the time the crime in question was committed, with specific reference to the modal clause in the norm which mentions, as pre-requisite for the self-laundering crime, that there should be actions involved aimed at concretely hindering the criminal origin of the cash, goods or other benefits derived from any non-involuntary crime (therefore also of those not included in the mapping).

Based on this profile, the studies have concentrated on the traceability of financial flows and treasury data, because these are processes which concretely assume that the identification of the criminal origin has been hindered, with specific but not exclusive reference to flows connected with extraordinary transactions, for example mergers, acquisitions, transfer of company branches, shareholder or intercompany funding, investment and asset and investment management, etc.

With regard to this profile, the behavioural principles and specific protocols listed in Chapter 4.2.4 of the special section have also been included.

For the selected business areas and sensitive instrumental processes, the potential specific crime-risks, the possible methods of implementing the latter, the Offices and persons (employees and otherwise) generally involved have been identified. An evaluation of the potential risk level associated with each activity/sensitive process was then conducted, based on a *risk assessment* method focused on the following elements and listed in **Annex 3**:

1. identification and weighting of the two macro-axes for risk analysis:
 - probability axis, showing the level of possibility that the risk event may occur;
 - impact axis, showing the consequences of the risk event occurring;
2. assigning and weighting, for each macro-axis, of specific assessment parameters, according to the following diagram:
 - For the probability axis:
 - frequency with which the activity and other economic-quantitative indices relevant for the corporate activity or process occur/are conducted (e.g.: economic value of the transactions or actions implemented, number and type of subjects involved, etc.);
 - probability that, within the operational framework, the crime might occur (e.g. possible "ease" of committing the crime within the reference framework);

- possible previous crimes committed in the Company, or more in general in the sector where it operates.
- For the impact axis:
 - seriousness of the sanctions potentially associated with committing one of the crimes provided by Lgs. D. 231/2001 in running a business;
 - potential benefit for the Company as a consequence of committing the illicit action in question, which could serve as leverage to commit the crime for the company staff;
- 3. *scoring* of each assessment parameter based on a qualitative scale (e.g. very low - low – medium - high – very high);
- 4. *final scoring* (on each axis and in total) and summary risk judgement based on the latter, colour-coded as follows: RED – high risk, YELLOW – medium risk, GREEN – low risk.

It should be noted that the variables mentioned above have been used for the purpose of selecting a level of risk generally associated with the individual activities/sensitive processes.

Having regard to the crimes mentioned in Art. 25 – *septies* of Lgs. D. 231/01 (manslaughter and serious or very serious personal injuries according to Art. 589 and 590 (III) P.C.), given the technical specificity of individual procedures with regard to health and safety on the workplace pursuant to Lgs. D. 81/08, the variables detailed above have not been applied in this case, and for these areas reference shall be made to the Risk Assessment Document approved according to Lgs. D. 81/08. In this regard, the Company has implemented a system for managing Health and Safety on the workplace compliant with the BS OHSAS 18001 and UNI ISO 45001 standards.

Having regard to the crime mentioned in Art. 346 *bis* of the P.C. (illegal influence trafficking), in view of the fact that the Supreme Court has also clarified that “*the crime referred to in Art. 346 bis P.C. punishes an action leading to possible bribing, notwithstanding the fact that the cash, the assets, need to benefit those who are called upon to exercise the influence and not the person in public office*” (see Pen. Cass., Div. VI, Judgement no. 4113/2016) and that therefore this specific offence can be expected to lead to committing crimes mentioned in Art. 319 and 319-ter P.C., this specific offence, if applicable, has been associated with risk profiles involving bribery conducts.

3) Drafting of the Model

Following the activities listed above, USCO S.p.A. has decided to establish the operating principles and reference "protocols" for the Model which it plans to implement, based on:

- the provisions in the Decree;
- the Guidelines drafted on the subject by Confindustria;
- the Code of Ethics.

The possible choice of not adjusting the Model to some of the instructions which are included in these Guidelines does not make the Model any less valid. The Model, as a matter of fact, needs to be drafted with specific reference to the actual situation of the Company, therefore it may differ from the relevant Guidelines which, by nature, are intended to be general.

2.4 SELECTION AND RECIPIENTS OF THE MODEL

USCO is a leading company in the production and delivery of components for earthmoving machinery. Established in 1989, USCO acquired ITR in 1994 and started manufacturing miscellaneous spare parts. The acquisition of new production and distribution facilities has led to a constant expansion of the range, which today includes steel and rubber tracked undercarriage components. USCO has focused in particular on logistic-distribution factors for streamlined restructuring and efficient technical-productive localisation.

Today USCO is the only enterprise of its kind which is integrated both vertically – having established companies which cover the various levels of the supply chain – and horizontally, through the establishment of several production companies within the same industrial sector.

The Company is sensitive to the need of ensuring fairness and transparency in the running of its business and corporate activities, to safeguard its position and image, the expectations of its shareholders and the work of its employees; it is aware of the importance of having an in-house control system suitable to prevent offences being committed by its directors, employees, staff members, representatives, partners and agents.

This initiative has been taken because we are convinced that this Model can be a valid instrument for raising awareness and training on the subject of ethics of all those who work in the name and on behalf of the Company, making sure that their behaviours on the job are appropriate and straightforward, in order to prevent the risk of the crimes included in the relevant Decree from being committed.

The adoption of the Model, by law, is optional and not mandatory, nevertheless USCO S.p.A., according to Art. 6 (1) (a) of Lgs. D. 231/2001 which stipulates that the Model should be "an official document issued by the management body", has approved this Model with a decision by the Board of Directors dated 18/12/2020.

At the same time as adopting the Model, the Company has established a Supervisory Authority with the task of watching over the functioning, effectiveness and compliance with the Model in question, as well as of updating it.

With the official adoption of the Model, the latter becomes an imperative rule for the Company, for members of its corporate Bodies (i.e. the Board of Directors, the Board of Auditors of the company and their respective members), for its employees and for anyone working in any capacity on behalf or in the interest of the said Company, which includes staff members, consultants, suppliers, business partners (hereinafter also referred to as "**Recipients**").

The selection and possible implementation of such a system will exempt the Company from responsibility according to Lgs. D. 231/2001 and reduce the risk of harmful events to within acceptable limits, acting directly on the probability that the said event might occur and on its impact.

2.5 SELECTION OF THE MODEL BY THE GROUP

As part of the Group, USCO S.p.A. has selected its own organisation, management and control Model, pursuant to Lgs. D. 231/2001, also promoting the selection and effective implementation of its own organisation models by all Group companies based in Italy.

Each company in the Group independently drafts and selects its own organisation, management and control Model pursuant to Lgs. D. 231/2001, also taking into account the rules of behaviour approved by the Group.

It is the responsibility of individual Group companies to implement the inspection principles stipulated in the Model, with regard to activities actually carried out in areas at potential risk with regard to the specific offences stipulated by Lgs. D. 231/2001.

It should be noted that, as part of its management and coordination authority, USCO S.p.A.:

- does not give instructions, in regulatory and binding terms, with regard to drafting and reviewing the Models of Group companies;
- provides support of an advisory nature, aimed at facilitating the selection, updating and monitoring of Models by individual companies in the Group;
- outlines specific rules for fairness and transparency in relations with individual companies in the group through official and traceable correspondence.

Each company in the Group:

- shall adopt ethical-behavioural principles specifically established on the basis of its operations and of specific offences relevant for its purposes;
- independently implements and integrates, if necessary, based on specific operations and to actual exposure to crime-risks included in the Decree, codes of behaviour, disciplinary system and protocols of the Group.

Communication channels shall be established between all companies in the Group regarding the progress of implementation of the selected system according to the Decree, possible violations in respect of the model/Decree and sanctions applied, updates of the organisation models on the basis of new relevant predicate offences.

Finally, the possibility of centralised organisation solutions and the selection of centralised procedure and/or activities outsourced to companies in the Group are subordinated to the following conditions:

- the infra-group *governance* system should make sure that they are based on principles of accounting transparency and fairness;
- the authority of the top management bodies of Group companies must be respected;
- their respective financial and asset autonomy should not be violated.

The structure of the Group is described in **Annex 6**.

2.6 UPDATING THE MODEL

Any subsequent change or integration of a substantial nature, even if suggested by the Supervisory Authority (which includes any changes to the general rules and principles included in the Model), is subject to approval by the Company's Board of Directors. If the changes are not of a substantial nature, the board of Directors shall delegate one of its members, who reports to the Board on a regular basis in respect of the possible amendments.

2.7 STRUCTURE AND CHARACTERISTICS OF THE MODEL

This Model, construed taking into account the Guidelines issued by Confindustria, includes the following:

- a “General Section”, where the relevant regulations and general rules for operation of the model and of the Supervisory Authority are outlined;
- a “Specific Section”, focused on the business areas and instrumental processes which are considered “sensitive”, the rules of behaviour and other control principles considered relevant in respect of the crimes to be prevented and of the company's organisation structure.

Moreover, the annexes mentioned in the text are considered an integral part of the Model.

The Company agrees to select and implement the Model effectively, to constantly adjust it to in-house and external changes, and guarantees compliance, following specific operational procedures, selecting the operational procedures which are considered most appropriate on each occasion and abiding by stringent inspection principles.

The Model is part of the broader organisation and control system already introduced by the Company, which is integrated with the following distinctive elements:

- mapping of corporate activities and processes considered “sensitive” in respect of the crimes listed under Lgs. D. 231/2001 to be analysed and monitored on a regular basis (**Annex 2**);
- the rules of behaviour which the Company has agreed to follow, also by approving the Code of Ethics, aimed at preventing the offences listed in Lgs. D. 231/2001 from being committed;
- assigning to the company's Supervisory Authority (hereinafter also “**S.A.**” or “**the Authority**”) the task of watching over the effective and appropriate operation of the Model;
- information flows in respect of the S.A.;
- a sanctioning system aimed at making sure that the Model is effectively implemented, including disciplinary provisions applicable in the event of failure to comply with the measures provided by the Model in question;
- checking and documenting any transaction which appears to include critical elements in respect of achieving the objectives and of the governance structure, also through the work done by the relevant in-house control bodies;
- compliance with the principle of separated functions, guaranteed by the presence of a system for assigning powers which sets out specific limits with regard to the decision-making authority of individuals and guarantees the separation between those who

suggest or carry out the activity and those who authorise it, which means that there are no persons in the company exercising absolute and unconditional power on a whole process;

- definition of authorisation powers consistent with the responsibilities assigned;
- making available to the S.A. corporate resources of an amount and value suitable and proportionate to the expected results which can be reasonably attained;
- rules and responsibilities regarding the selection, implementation and subsequent amendments or integrations of the Model (updating of the Model), as well as checking on a regular basis the operation and effectiveness of the said Model;
- awareness raising, information and dissemination on all corporate levels and among external recipients in respect of the selected rules of behaviour and procedures;
- awareness raising and information in respect of external recipients about the regulatory principles contained in the Decree.

2.8 MODEL AND CODE OF ETHICS

USCO S.p.A. intends to construct its activity, the pursuance of its business purpose and the Company's progress not just on compliance with law and regulations in force, but also with shared ethical principles. For this purpose, the Company has approved a Code of Ethics, approved by the Board of Directors, aimed at defining the principles of "corporate ethics" which the Company acknowledges as its own and which shall be followed by the corporate Bodies, its employees and all those who work in any capacity towards the company's business purposes.

The Code of Ethics is of a general nature and it is an instrument selected independently by USCO S.p.A., even if reference is made to rules of behaviour relevant for the purposes of the Model.

More specifically, the code of Ethics is aimed at recommending, promoting or banning specific behaviours independently, also over and above the provisions of Lgs. D. 231/2001 and the regulations in force.

3. CORPORATE ACTIVITIES AND PROCESSES INVOLVING “CRIME-RISK”

Following the preliminary analysis of the corporate context, those activities have been outlined as part of which – in theory – it is possible that the crimes mentioned in the Decree may be committed (also known as "sensitive" activities), as well as the corporate processes within which, also in principle, the conditions and instruments may be created for committing specific types of crime (also known as "instrumental processes").

More specifically, the studies included:

a) crimes against the Public Administration and Property; b) computer crimes; c) organised crime; d) forging of money, public credit cards, revenue stamps and identification instruments

and insignia; e) crimes against industry and trade; f) corporate crimes (including the crime related to “bribery and instigation to the bribing of individuals”); g) crimes against individuals; h) crimes related to manslaughter and serious or very serious personal injuries, committed violating regulations on injury prevention and protection of health and hygiene on the workplace; i) crimes related to receiving stolen goods, money laundering, use of cash, goods or other benefits of illegal origin, as well as to self-laundering; l) some of the crimes on the subject of the violation of copyright; m) crimes against the administration of justice; n) environmental crimes; o) crimes related to immigration and treatment of foreigners; p) tax crimes.

In view of the specific nature of the business of the company USCO S.P.A. and of its in-house structure, the main "sensitive" activities and “instrumental” processes identified are the following:

- a) purchase of goods and services;
- b) assigning of consultancy and professional service contracts;
- c) selection and management of agents, business brokers, trade partners;
- d) management of inspections and audits;
- e) management of relations with the public sector to obtain authorisations, licences and concessions;
- f) enabling and management of financial relief instruments for training, investments, etc.;
- g) processes related to product design and manufacturing;
- h) production with a licensing contract;
- i) processes related to product distribution and marketing;
- j) management of cash and financial flows;
- k) handling of gifts, donations, sponsorships, promotional activities and disposal of property;
- l) drafting of financial statement;
- m) managing of entertainment expenses and refunding expenses to employees;
- n) activities related to staff recruiting and management;
- o) handling of company law procedures;
- p) use of intellectual property subject to copyright;
- q) settling disputes and settlement agreements;
- r) use of IT and online resources and information;
- s) waste management;
- t) handling of procedures related to health and safety on the workplace and of relationships with Public Entities for compliance with restraints stipulated by laws and regulations;
- u) handling tax procedures;
- v) relations with the tax administration and tax police officers also on the occasion of inspections, audits and checks
- w) handling inter-company relations.

A detailed analysis of the potential risk profile associated with "sensitive" activities and "instrumental" processes identified is included in the “Mapping of sensitive Activities and instrumental Processes”, drafted as part of the preliminary analysis activities and available in the Specific Section of the document under **Annex 2**.

The company's top management, with the support of the Supervisory Authority, has the task of ensuring the "mapping of sensitive activities and instrumental processes", paying specific attention to moments of change in the company (for example opening new offices, expanding the business, acquisitions, restructuring, etc.) and/or to regulatory changes.

4. GENERAL PRINCIPLES OF THE ORGANISATION AND INSPECTION SYSTEM

This Organisation, Management and Control Model, notwithstanding the specific aims described in section 2.1 above and pertaining to Lgs. D. 231/2001, is part of the broader system for management and control already implemented by the company in order to guarantee, to the extent reasonably possible, the achievement of corporate objectives according to laws and regulations, reliability of financial information and protection of assets, also against possible fraud.

More specifically, as specific instruments aimed at planning the formation and implementing of decisions by the Company and to guarantee suitable control on the latter, also in respect of the crimes to be prevented, USCO S.p.A. has selected the following components:

Organisation system and separation of roles

The organisation system needs to meet the following requirements: (i) clarity, formalising and communication, with specific reference to the assignment of responsibilities, to the definition of hierarchies and the assignment of operational tasks; (ii) separation of roles, meaning that the organisation structures are divided in such a way as to avoid functional overlapping and the concentration of functions in an individual of activities entailing a high degree of criticality or risk.

In order to make sure these requirements are met, the Company avails itself of organisation instruments (organisation structures, organisational communications, codified procedures, etc.) based on the following general principles: (i) possibility of being made known within the company; (ii) clear description of reporting lines; (iii) clear and official outlining of roles, with a description of the tasks and responsibility assigned to each Office.

Powers of attorney

The power of attorney system involves both in-house authorisation powers, on which the Company's decision-making powers are dependent in respect of operations to be authorised, and the powers of representation for signing deeds or documents intended to be forwarded outside the Company and with a binding effect (aka special or general "powers of attorney"). The powers of attorney need to comply with the following requirements: (i) they need to be clearly defined and officially assigned through written communications; (ii) they need to be consistent with the responsibilities and tasks, as well as with the positions covered as part of the organisation structure; (iii) stipulate the limits for their exercising consistently with the roles assigned, paying specific attention to powers of expenditure and to powers of authorisation and/or signature of the transactions and official documents considered "at risk" for corporate purposes; (iv) be updated subsequently to organisational changes. The power of attorney system is subject to the following conditions: a) the power of attorney needs to be included in an official document with certainty of the date; b) the attorney shall meet all requirements in terms of professional skills and experience required by the specific nature of the functions delegated; c) the power of attorney needs to include all powers of organisation,

management and control required by the specific nature of the functions delegated; d) the power of attorney shall assign the necessary independence in terms of budget for the functions delegated; e) the power of attorney needs to be accepted in writing by the person concerned.

For this purpose, the company agrees to guarantee the prompt updating of the powers of attorney, establishing the cases where they may be assigned, amended or revoked (taking over new responsibilities, assigning of tasks incompatible with those for which they had been assigned, resignation, dismissal, etc.).

Procedural system

The operating policies, procedures and instructions selected by USCO S.p.A. serve the purpose of outlining specific guidelines and operating instructions for the management of “sensitive” activities and processes. The Procedural System is the prime instrument with which the Office managers organise and control the corporate management, delegating to the operating practice, in accordance with the principles established by the relevant procedures, the management of individual “operations”, in other words the “basic work units” which constitute a business.

This procedural system is by nature dynamic, because it is subject to the changing operating and management needs of the company, by means of example to organisational changes, different business requirements, amendments to the reference regulatory systems, etc.

Being dynamic by nature, the procedural system needs continuous updating.

The overall level of formalisation of the procedural system, consisting in the existence, accessibility and clarity of a comprehensive reference framework which allows all persons involved to move in a unified manner as regards the management of corporate activities, constitutes in itself, a significant indicator of the Company's ability to organise its business.

The official in-house procedures in support of operating processes and activities, have the following characteristics: (i) suitable dissemination within the corporate structures involved in these activities; (ii) regulation of the procedures and timelines for completing the activities; (iii) clear definition of responsibilities for the activities, following the principle of separation between the person who starts the decision-making process, the person who implements and completes it, and the person who controls it; (iv) traceability of the official documents, actions, transactions through suitable document supports attesting to the characteristics and reasons for the operation and listing the persons involved in the operation in various capacities (authorisation, implementation, registration, audit of the operation); (v) objective decision-making processes, by stipulating – if possible – clearly defined reference criteria and procedures for corporate choices; (vi) approval of specific control mechanisms (e.g. reconciliation, quadrature, etc.) to guarantee the integrity and comprehensiveness of the data managed and information exchanged within the organisation.

Control and monitoring activities

They involve, in various capacities: the board of Directors, the Board of Auditors, the Independent Auditor, the Supervisory Authority, the persons in charge of safety issues, and – more in general – all the company staff; they are an essential component of the day-to-day business of the company USCO S.p.A..

The control tasks of these bodies include the following types of control: (i) supervising the appropriate management of the Company, its organisation structures, as well as compliance with the law and memorandum of association; (ii) line controls, aimed at ensuring that operations are properly conducted and implemented by the same production structures or incorporated in the procedures; (iii) in-house review, aimed at detecting any anomalies or violations of corporate procedures and at evaluating the system of in-house controls as a whole, and of those completed by independent structures from the operational ones; (iv) external review, aimed at verifying that the company's bookkeeping and financial statement are according to the applicable accounting principles; (v) control and management in respect of the prompt reporting of critical situations and definition of suitable risk indicators.

Traceability

Each transaction needs to be duly recorded. The decision-making, authorisation and implementation process of all activities needs to be verifiable *ex post*, also through document supports, and – in any case – it is necessary to regulate in detail the cases and procedures for possible erasure of records entered or from the accompanying documents.

Based on the general principle of traceability of each operation, in order to prevent specific offences, including laundering and self-laundering, specific attention is paid to the need for suitably tracing all financial flows of the Company (both incoming and outgoing), not just of those referring to routine company transactions (collections and payments), but also those referring to financial requirements (funding, risk coverage, etc.), extraordinary or capital operations (mergers, acquisitions, transfers, capital increases, liquidations, shareholding transfers, etc.).

The principles outlined below are consistent with the instructions in the Guidelines issued by Confindustria and the Company reasonably considers them suitable also to prevent the crimes mentioned in the Decree.

For this reason the Company considers it essential to guarantee the appropriate and concrete application of the control principles detailed above in all areas of business/corporate processes identified as potentially involving the risk of crimes being committed according to the mapping and the list in chapter 3 above.

The task of checking the constant application of these principles, as well as the suitability and updating of the latter is entrusted to the Company in charge, as well as to the Supervisory Authority, to the managers of corporate offices and, from the latter, to their staff directly reporting to them. For this purpose, the said managers shall liaise on a regular basis with the Supervisory Authority, which shall be kept constantly informed and required to give opinions and instructions in terms of principles and guidelines.

For an analysis of the Model's audit activities, please refer to Chapter 11 below.

5. Supervisory Authority

5.1 SELECTION

The Supervisory Authority (hereinafter also **S.A.** or **Authority**) shall be selected from within the Company (Art. 6. 1, *b* of Lgs. D. 231/2001), to carry out specialised activities which entail the knowledge of ad hoc instruments and techniques, as well as being characterised by continuity of action.

It cannot be selected from within the Board of Directors.

According to the Decree, the Authority in charge of inspecting the operation and compliance with the Model shall have independent powers of initiative and control.

The Supervisory Authority conducts its functions outside the company's operating processes and is not bound by any hierarchical relationship within the company's organisation structure.

The S.A. shall report directly to the Company's top management, in terms of both operations and inspection, to guarantee its full autonomy and independence with regard to the tasks entrusted to it.

With the decision to approve and implement the Organisation, Management and Control Model pursuant to Lgs. D. 231/2001 the Board of Directors has appointed a collegial body as Supervisory Authority:

- 15) whose members are selected by the Board of Directors;
- 16) consisting of a minimum of three members chosen among persons from outside the Company, specifically qualified, and experts on the relevant subject matters for the purposes of Lgs. D. 231/2001, in order to make sure that the Authority has a suitable competence on legal, accounting, risk assessment matters and internal auditing, health and safety on the workplace, labour law, as well as having the necessary honourability requirements;
- 17) reporting directly to the Board of Directors;
- 18) with independent powers of intervention in its areas of competence. For this purpose, as well as to guarantee the continuous implementation of the audit activity in respect of the adequateness and suitability of the Model, the Authority shall avail itself of in-house personnel and/or external staff;
- 19) operating according to the collegial method, and provided with its own "operational regulations" drafted by the latter;
- 20) with an expense budget for its exclusive use throughout its term in office, approved by the Board of Directors. The S.A. shall make autonomous and independent decisions within the limits of the approved budget, and it shall refer to those who have power of signature within USCO S.p.A. to underwrite the relevant commitment. In the event of the expense request exceeding the approved budget, the S.A. shall be authorised directly by the Board of Directors.

The external members of the S.A. shall be independent of USCO S.p.A., and therefore:

1. they shall not be connected in any way, in any capacity to the Company, *or to a company controlled by the latter or in which it has a shareholding, as well as to parent companies and/or affiliates* by virtue of dependency or subordination;
2. they shall not be in positions which allow them to exercise control or substantial influence over the Company;

3. they shall not have family ties with shareholders or directors of the Company, *or of controlled Companies and/or in which it has a shareholding* which might reduce its independence in judgement.

Among the external members of the S.A., the President of the Supervisory Authority shall be selected and appointed.

The Supervisory Authority shall remain in office for three years. The members of the Authority may be re-elected.

The Authority shall meet on a regular basis, at least once every three months, according to the decisions made in its own "operating regulations".

In order to better understand and control the corporate context, the S.A. may ask that participants at its meetings, also in permanent form, should include – for example – members of the Board of Auditors and managers of corporate offices (e.g.: Human Resources, Organisation, Administration, Finance and Control, etc.) whose positions are somehow related to control issues. The latter shall participate in the meetings exclusively as guests. This means that they shall participate in the meetings exclusively as guests and shall in no way influence the assessments to be made by the Supervisory Authority.

The causes for ineligibility and incompatibility with the position of member of the Supervisory Authority, also as guarantee of its honourability requirement, shall include:

- f) being a member with operating proxies granted by the BoD of USCO S.p.A. *or of companies controlled by the latter or in which it has a shareholding, as well as of parent companies and/or affiliates;*
- g) being an auditor of USCO S.p.A., *or of Companies controlled by the latter and/or in which it has a shareholding, as well as of parent companies and/or affiliates;*
- h) being married, related or having family ties up to the fourth degree with the persons listed in the items above;
- i) having served, over the past three years, in capacities related to Direction, management or control in companies subject to bankruptcy procedures, court-appointed liquidation or similar procedures;
- j) having been sentenced, even if the judgement is not irrevocable, to a jail term which involves being banned from public office, or temporarily banned from management positions in respect of ordinary legal persons;
- k) having been sentenced, even if the judgement is not irrevocable, and following the application of the penalty on request pursuant to Articles 444 and 447 C.P.P. for non-involuntary offences and for crimes punished as wilful misconduct and gross negligence according to Lgs. D. 231/2001.

5.2 DISMISSAL AND REPLACEMENT

To safeguard the autonomy and independence of the Authority, any changes to its structure (discharges, etc.), to its powers and operation procedures shall be made exclusively by decisions approved by the Board of Directors with a unanimous vote and duly motivated.

The S.A. may only be dismissed with just cause.

In this regard, by just cause reference shall be made to:

- 11) serious failure to comply with its duties, in accordance with Chapter 7 of this Model;
- 12) a conviction sentence on the part of the Company, or a settlement in accordance with the Decree, which includes evidence of “failure or insufficient supervision” by the S.A.;
- 13) violation of confidentiality duties;
- 14) the impossibility, for personal reasons causing failure to participate in the proceedings of the Supervisory Authority for a period equal to or longer than six months, to carry out its supervisory functions.

In all cases where a disqualification measure is applied for protection purposes according to the Decree, the Board of Directors, after acquiring the relevant information, may discharge the S.A. if it appears that the latter has failed or acted insufficiently in respect of its duties.

In the event of the requirements of autonomy, independence and professionalism being missing, or of one of the causes for ineligibility/incompatibility outlined above occurring, the Board of Directors, after completing the relevant investigations and heard the person concerned, as well as the other members of the S.A., shall set a term of no less than thirty days, within which the incompatibility situation shall be resolved. If the said term should lapse without the situation being resolved, the Board of Directors shall dismiss the member in question.

By the same token, a serious infirmity which should make one or more of the members of the S.A. unable to perform their supervisory duties, or an infirmity or other reasons of a personal nature which might cause them to be unable to follow the S.A. activities for more than six months, or failure to participate in more than three consecutive meetings without justified reason, will lead to the latter being discharged, following the procedures outlined above.

In the event of one or more members of the Supervisory Authority resigning, being dismissed or discharged, the Board of Directors shall replace them promptly, if the minimum number of members as indicated above cannot be reached. In the meantime the Authority shall continue to exercise its powers and functions, although with a smaller number of members.

5.3 REQUIREMENTS

They include:

1. autonomy and independence: aimed at making sure that the Supervisory authority is not directly involved in management activities which are the subject of its control activities, and – most importantly – that it is able to do its work without being directly or indirectly conditioned by the controlled persons. The said requirement is guaranteed by its collegial composition, by their being no hierarchical reference within the corporate organisation, by the absence of operational tasks and by the option of reporting directly to the Board of Directors;
2. professional qualifications: it is an authority with technical-professional skills and specialisations appropriate for the functions it is called upon to perform (e.g.

- interviewing techniques, flow charting, risk analysis techniques, specific competences in the area of environment health and safety on the workplace, etc.). These characteristics, combined with independence, guarantee its objectivity in judgement;
3. continuity of action: it is an authority within the organisation, suitable in terms of structure and dedicated resources, as well as devoid of operating tasks which may limit the commitment necessary to perform the functions assigned.

The choice of establishing a collegial body was also dictated by the need to reinforce the said requirements.

In order to assign to the Supervisory Authority sufficient ability to retrieve information, and therefore act effectively in respect of the corporate organisation, this Model, followed up by suitable in-house organisation documents, shall be issued by the Board of Directors or by the Supervisory Authority detailing the flow of information to and from the said Authority.

5.4 FUNCTIONS AND POWERS

The Supervisory Authority of USCO S.p.A., in general terms, is in charge of watching over:

- a) effectiveness and compliance in respect of the Model by Employees, Corporate Bodies, Consultants and counterpart companies to the extent required by each of them;
- b) efficacy and adequateness in respect of the Model as regards the corporate structure and the actual ability to prevent the crimes mentioned in Lgs. D. 231/2001 (hereinafter “the Crimes”) from being committed;
- c) any need for updating the Model if it appears that the latter should be adjusted with regard to changing corporate and/or regulatory conditions;
- d) the adequateness, application and efficacy of the sanctioning system.

On an operational level, the Authority is in charge of:

- 1) carrying out inspection activities listed in the Model; the latter – among other things – are officially listed in the Work Schedule for the control activity of the S.A.;
- 2) constantly checking the efficacy and efficiency of corporate procedures in force, with the support of the Offices in charge, as well as of the Prevention and Protection Service Manager (RSPP) in respect of issues related to hygiene, health and safety on the workplace;
- 3) conducting surveys in respect of the company's business aimed at updating the Mapping of sensitive Activities and of instrumental processes;
- 4) completing, on a regular basis, audits on specific operations or specific actions undertaken by USCO S.p.A., especially as part of sensitive or “instrumental” activities for implementing the latter;
- 5) liaising with the President/Managing Director or the Offices delegated to them with regard to staff training programmes;
- 6) monitoring initiatives aimed at divulging knowledge and the understanding of the Model, as well as compiling the in-house documentation necessary in order for the Model to function, with all the instructions, clarifications or updates; the S.A. shall, as

- part of its continuing activity, implement and apply operating procedures for the best possible official management of the activity;
- 7) collecting, drafting and saving the relevant information in respect of compliance with the Model, as well as updating the list of information which needs to be forwarded to it or be made available to it, constituting the "official" archive of the in-house control activity;
 - 8) liaising with other corporate functions in respect of monitoring the activities they are in charge of and included in the protocols;
 - 9) making sure that the in-house control system is compliant with all the regulations in force;
 - 10) making sure that the elements required for the implementation of the Model (adoption of standard clauses, completion of procedures, etc.) are always adequate and compliant with the need to follow the provisions in the Decree, adopting or suggesting the choice – in other cases – of an update of the latter;
 - 11) checking any need for updating the Model;
 - 12) reporting on a regular basis to the President/Managing Director, and – through the latter – to the Board of directors and to the Board of Auditors in respect of the implementation of corporate policies to implement the Model;
 - 13) checking the physical presence and regular keeping of the archive, as well as its efficacy, pursuant to Lgs. D. 231/2001.

Since the Company is not one of the recipients specifically listed in Articles 10 and following of Lgs. D. 231/2007 on the subject of money laundering, the Supervisory Authority is not subject to the communication duties included in Art. 46 of the said decree.

Nevertheless, if it should become aware, in the course of its activities, of sensitive occurrences in respect of the specific crimes mentioned in Art. 25-*octies* of Lgs. D. 231/2001, the Supervisory Authority is required to promptly evaluate the situation and undertake all actions which it considers appropriate (reports to the BoD, enabling the system of sanctions, etc.).

All of the above is subject to the strict application of control protocols on the subject of receiving stolen goods, money laundering and use of cash, goods or benefits of illegal origin referred to in the Model.

For the purpose of completing the tasks mentioned above, the Authority has the powers listed below:

- a) to issue provisions aimed at regulating the work done by the Authority;
- b) to access each and every corporate document relevant for the functions attributed to the Authority according to Lgs. D. 231/2001;
- c) to avail itself of external consultants, with the required professional qualifications to complete the necessary audit and control activities, or updating the Model as appropriate;
- d) to ask Managers of the various Offices to promptly provide any information, data and/or news which may serve for selecting aspects related to the various corporate activities which may be relevant for the purposes of the Model and for checking the actual implementation of the latter by the company organisation structures.

5.5 PROCEDURES AND TIMELINES FOR REPORTING TO CORPORATE BODIES

The Supervisory Authority at USCO S.p.A. follows two lines for reporting:

- 15) the first, on a continuing basis, directly with the President of the Board of Directors/Managing Director;
- 16) on a six-monthly basis, sending a written report on its work to the Board of Directors and Board of Auditors.

The presence of the said reports of a functional nature, sent directly to the Board of Auditors, is a factor which ensures that the job is completed by the Supervisory Authority with the greatest guarantees of independence.

The Supervisory Authority may be called upon at any time by the Board of Directors, or it may in turn submit requests in that regard, to report on the operation of the Model or on specific situations.

It is worth noting that the Supervisory Authority may report to the President/Managing Director and/or to the Board of Directors and/or to the Board of Auditors at any time it should consider that this is necessary or appropriate; in any case it shall send to the latter – on a six-monthly basis – the aforesaid report of an informative nature, on the following topics:

1. the supervisory activity completed by the Authority during the reference period;
2. possible critical elements which may have emerged both in terms of behaviours or events within USCO S.p.A., and in terms of the efficacy of the Model;
3. any corrective and improvement actions suggested and their level of implementation.

Transcripts shall be made of the meetings with the aforesaid persons and bodies, and copies of these minutes shall be kept by the S.A. and by the respective organisations involved.

5.6 OTHER ACTIVITIES

The S.A. shall liaise with the Offices in charge of the various specific profiles, and more specifically:

- f) with the Manager of the Administration, Finance and Control Area, in respect of corporate and administrative-accounting duties which may be relevant in respect of committing corporate crimes and analysing management trends with an economic-financial impact;
 - with the Manager in charge of Human Resources or with any other Offices in charge of either divulging information, training staff, or of disciplinary proceedings;
 - with the Manager of the Prevention and Protection Service (RSPP) with regard to compliance with all requirements provided by law and by corporate procedures on the subject of health, safety and hygiene on the workplace;
 - with any other Office which is considered relevant for the purpose of its activities.

6. Procedures for managing financial resources

The S.A. shares with the management any indications related to integrations to the management systems for financial resources (both incoming and outgoing), adding any measures designed with a view to compliance with Lgs. D. 231/2001 (e.g. detection of anomalies in specific operations or payments which are not justified by the economy of the transaction, with a view to ascertaining whether they might serve to conceal entries not based on books or instances of bribery), as well as in order to ascertain possible atypical financial flows, involving higher margins of discretion compared to routine operations.

All operations related to activities or services which appear atypical or unusual shall be specifically and clearly reported to the S.A. with the relevant reasons.

The management system of financial resources shall ensure the separation and independence of the persons who contribute to forming decisions on the use of resources, those who implement such decisions and those in charge of controlling their deployment.

The Company, for the purpose of implementing decisions regarding the use of resources, shall avail itself of financial and bank brokers subject to a set of rules on transparency and stability compliant with those adopted by Member States in the EU.

All operations which entail the use or deployment of financial resources shall be duly motivated, as well as documented and recorded, mechanically and electronically, according to the principles of professional and accounting compliance; the relevant decision-making process needs to be verifiable.

7. Information flows towards bodies in charge of inspection

7.1 REPORTING DUTIES TO THE SUPERVISORY AUTHORITY

For the purpose of facilitating inspection work on the efficacy and operation of the Model, the S.A. shall be the recipient of:

- *information* which may prove useful and necessary for the supervision tasks entrusted to the S.A.;
- *reports* pertaining to violations, having allegedly or actually occurred, in respect of the Model, and to illicit conducts pursuant to Lgs. D. 231/2001, either past or present.

INFORMATION

In a company setting, the Office managers at USCO S.p.A. shall report to the Supervisory Authority:

- on request of the S.A. itself, and following the procedures selected by the latter, any information and completed inspection activities, at the level of their operating area, useful to perform the duties of the S.A. in terms of checking compliance, efficacy and updating of this Model, and which might reveal facts, actions, events or omissions with potential critical elements in respect of the standards contained in Lgs. D. 231/2001;

- on a regular basis, any information identified in this Model, as well as any other information identified by the Authority and requested by the latter to individual organisation and management structures of USCO S.p.A.. This information shall be forwarded following the timelines and procedures established by the said Authority;
- as evidence any other information, also from third parties and related to the implementation of the Model in "sensitive" areas of activity and compliance with the provisions in the Decree, which may be considered useful for the purpose of the tasks of the Supervisory Authority. More specifically, by means of example and not exclusively, any information concerning the following shall be reported, on a mandatory basis and promptly, to the Authority:
 - inspections and/or measures and/or news from the judiciary police force, financial administration or any other authority, which reveal investigation activities related to crimes mentioned in the Decree, also against unknown persons;
 - requests for legal assistance forwarded by executives and/or employees in the event of judicial proceedings started against them for crimes mentioned in the Decree;
 - stock capital operations, profit and reserve allocations, purchase and transfer of shareholding in Companies or branches thereof, merger, division, spin-off, as well as all transactions – even within the Group – which may potentially harm the integrity of the stock capital;
 - decisions related to the request, payment and use of public funding;
 - details related to the actual implementation, at all corporate levels, of the organisation Model, providing evidence of the disciplinary proceedings completed and of any sanctions levied, or of dismissal measures in respect of such proceedings with the relevant reasons;
 - changes in the organisation and company structure;
 - changes in the system of proxies to directors, as well as of the company's power of attorney systems;
 - transactions with related parties;
 - gifts with a value higher than 500€ (beneficiary organisation, type and amount);
 - donations (beneficiary organisation, type and amount);
 - sponsoring activities (beneficiary, type and amount of the sponsorship);
 - consulting assignments to companies and professionals (nature of the service/subject and amount of the work done);
 - reports and/or news related to crimes committed violating rules on injury prevention and protection of health and hygiene on the workplace;
 - transcripts of a regular meeting compiled according to Art. 35 of Lgs. D. 81/2008;
 - updates on a regular basis of the Document for Risk Assessment and evaluations related to interference risks concerning the Company (standard DUVRI form);
 - details regarding disputes on the subject of intellectual or industrial property rights (person involved, data, subject of the dispute, development of the case);
 - reports and/or challenges in respect to product safety (data, type, control body, etc.);
 - other documents which might reveal facts, actions, events or omissions with possible

critical elements in respect of compliance with the provisions of Lgs. D. 231/2001.

Finally, it should be noted that such information may also be collected directly by the S.A during its inspection activities, conducted on a regular basis as detailed in Chapter 11 below, using the procedures which the S.A. considers most appropriate (for instance, but not only, to compile and use appropriate checklists).

REPORTING

The duty of information is on the part of any staff member (top executives and those subject to management and supervision by the latter) who might become aware of details of crimes being committed or behaviours not in line with the rules of conduct in the company. Duties of reporting on an occasional basis also pertain to third parties who operate in any capacity, in the name or in the interest of the Company as part of corporate activities at risk, and to whom the Company shall provide comprehensive information regarding the organisation Model it has chosen (following the procedures specified in section 10.2 below).

The reports must be extremely detailed, as well as founded on factual, precise and consistent elements.

The channels dedicated to forwarding reports shall guarantee confidentiality with regard to the identity of the person reporting in the management activities of the report, according to the provisions of Art. 6 of Lgs. D. 231/2001.

Moreover:

0. in the event of reports or official complaints submitted in the forms and within the limits of Art. 6 of Lgs. D. 231/2001, pursuance of the interest in the integrity of the organisation, as well as in the prevention and repression of embezzlement, shall be regarded as just cause for disclosing data covered by a duty of secrecy, according to Articles 326 (Disclosing and using official secrets), 622 (Disclosing professional secrets) and 623 (Disclosing scientific or industrial secrets) of the Penal Code, and to [Article 2105 \(Duty of loyalty\) of the Civil Code](#);
1. the previous provision does not apply in the event that the duty of professional secrecy is on the part of someone who has become aware of the data by virtue of a consulting or assistance relationships with the organisations, company or individual concerned;
2. when data and documents which are reported to the body in charge of receiving them are covered by corporate, professional or official secrecy, it is a violation of the relevant duty of secrecy to divulge them using procedures which exceed the purpose of eliminating the offence, and – more specifically – to divulge them outside the communication channel specifically intended for that purpose.

The Company, according to the provisions in Law 179/2017, protects the persons reporting from retaliation or discrimination actions, for reasons – directly or indirectly – related to the said report.

7.2 PROCEDURES FOR FORWARDING INFORMATION AND REPORTS TO THE SUPERVISORY AUTHORITY AND THEIR ASSESSMENT

Having regard to the procedures for forwarding information/reports, the following provisions apply:

- any information and reports, regardless of who they come from, including those pertaining to any violation or alleged violation of the Model, in its general principles as well as in those established by the Code of Ethics, or to illegal conducts pursuant to Lgs. D. 231/2001, shall be submitted in writing and in a form which is not anonymous. The Authority shall act in such a way as to protect the authors of the report from any form of retaliation, direct or indirect discrimination, penalisation, or any consequence deriving from the latter, safeguarding confidentiality with regard to their identity, notwithstanding in any case all legal obligations and the protection of the rights of USCO S.P.A. or of individuals accused wrongfully and/or in bad faith;
- all information and reports shall be sent by the person concerned directly to the Supervisory Authority, following the procedures which are detailed in the sections above;
- the Authority shall assess the reports received and any subsequent measures at its reasonable discretion and under its own responsibility, possibly listening to the author of the report and/or the person responsible for the alleged violation, then implement any measures considered necessary for the purpose of adjusting to the Model, forwarding the necessary communications for the application of possible sanctions. The reasons for the decision and possible refusals to conduct an in-house investigation shall be motivated in writing. Any subsequent measures shall be applied in accordance with the sanctioning system according to Chapter 8 below;
- all recipients of the said information duties are expected to collaborate with the Authority, for the purpose of collecting any information considered necessary by the said Authority for correct and comprehensive assessment of the report. Failure to cooperate or reticence may be considered violations of the Model, which also has consequences in terms of disciplinary sanctions.

It should be noted that the Supervisory Authority is not obliged to act every time a report is submitted, because it has discretionary power and responsibility regarding the decision of whether to act and build a case.

The selection of the Model entails setting up information channels dedicated to the Supervisory Authority, with the following purpose:

- 9) enabling the flow of information and reports to the Authority;
- 10) rapidly resolving uncertain and dubious cases;
- 11) ensuring – in case of reports – confidentiality as to the identity of the person reporting.

The procedures for forwarding and communication (of both information and reports) include the following:

- to the following e-mail account accessible exclusively by the President of the Supervisory Authority: odv@usco.it;
- postal delivery in a closed envelope: Avv. Alessandro Pistochini, OdV di Usco S.p.A, Corso di Porta Vittoria, n. 10, 20122, Milano (MI); in this case they should be addressed to the attention of the Supervisory Authority.

Finally, it should be noted that the said information may also be collected directly by the S.A. during its routine inspection activities, as detailed in Chapter 11 below, following the procedures which the S.A. considers most appropriate (merely by means of example, drafting and using appropriate checklists).

7.3 COLLECTING AND SAVING INFORMATION

Any information, alert, report sent to the Authority shall be saved by the latter in the relevant *database* (as computer file or hard copy) for ten years.

Access to the *database* is allowed to the Supervisory Authority, to members of the Board of Directors and of the Board of Auditors, after submitting an official request to the S.A.

The S.A. may approve or deny the access request, if this is considered necessary in order to protect confidentiality regarding the identity of persons who have submitted a report (pursuant to the provisions of § 7.2 and to the Guidelines by Confindustria); in this case, the S.A. shall officially provide reasons - always in writing - for denying or limiting access to the data.

8. DISCIPLINARY SYSTEM

8.1 GENERAL PRINCIPLES

According to Article 6 (2) (e), and 7 (4) (b) of Legislative Decree 231/2001, the models for organisation, management and control, whose selection and implementation (alongside the other situations mentioned in the said articles 6 and 7) are a pre-requisite for exemption from responsibility on the Company's part, in case of crimes provided in the Decree being committed, may be regarded as being effectively implemented only if they involve a disciplinary system sanctioning failure to comply with the measures stipulated therein.

This disciplinary system shall be aimed both at employees and staff members or third parties operating on behalf of the Company, entailing suitable sanctions of a disciplinary nature on the one hand, of a contractual/negotiating nature (e.g. termination of the agreement, erasure from the list of suppliers, etc.) on the other side.

The application of disciplinary sanctions is irrespective of possibly penal proceedings being started or of their outcome, because the organisation models and in-house procedures are binding rules on the recipients' part; their violation, in order to comply with the provisions of the said Legislative Decree needs to be sanctioned regardless of an offence actually being committed or of the possibility to punish the latter. The principles of imposing a prompt and immediate sanction mean that it is not just mandatory but also not advisable to delay the application of the disciplinary sanction pending the outcome of the penal action.

8.2 SANCTIONS FOR EMPLOYEES AND EXECUTIVES

This organisation Model, for all intents and purposes, is a company regulation intended as an expression of the employer's authority to impart instructions for doing and regulating a task, to the extent that it is made available in a place accessible to everyone, it shall also constitute a disciplinary code.

Therefore, the persons to whom this regulation is addressed are obliged to fulfil all obligations and provisions contained therein, and to uniform their behaviour to the conduct it outlines. Notwithstanding the right to claim damages, any possible failure to comply with these obligations shall be subject to disciplinary sanctions according to the proportionality between sanction and violation, as well as according to the procedure stipulated by Art. 7 of Law 300/1970 and to the relevant CCNL (national collective labour agreement). By means of example:

- 3.1 the sanction is a **VERBAL WARNING** or **WRITTEN REPRIMAND** in the case of an employee who commits minor actions or omissions, disregarding the in-house procedures stipulated in this Model (for example failing to comply with mandatory procedures, omitting to notify the SA of mandatory information, failing to perform a control function, also in respect of persons subject to their management, etc.), or who – while working in areas at risk – behaves in a way which is not compliant with the provisions in the said Model, the said behaviours constituting a violation of the instructions imparted by the Company;
- 3.2 the sanction is a **FINE** in the case of an employee who disregards on several occasions the in-house procedures stipulated in this Model, or who – while working in

areas at risk – behaves on more than one occasion in a way which is not compliant with the provisions in the said Model, even before the said deficiencies have been individually ascertained and challenged, because such behaviours constitute a repeated violation of the instructions imparted by the Company;

- 3.3 the sanction is **SUSPENSION FROM OFFICE AND FROM PAYMENT** in the case of an employee who, by failing to comply with the in-house procedures stipulated in this Model or – while working in areas at risk – by behaving in a way which is not compliant with the provisions in the said Model, engages in actions which expose the Company to an objectively dangerous situations, or actions contrary to the interest of the Company which are likely to cause damage; these behaviours could cause damage or lead to a dangerous situation in terms of the integrity of the company's assets, or to engaging in actions against its interest, also deriving from failure to comply with the instructions imparted by the Company;
- 3.4 the measure of **TERMINATION OF EMPLOYMENT WITH AN INDEMNITY IN LIEU OF NOTICE** may be applied to any employee who, while working in areas at risk, engages in a behaviour which is not compliant with the provisions in this Model, thus leading to one of the crimes mentioned in the Decree being committed, because such behaviour is expected to potentially cause serious damage or a seriously detrimental situation;
- 3.5 the measure of **TERMINATION OF EMPLOYMENT WITHOUT NOTICE** may be applied to any employee who, while working in areas at risk, engages in a behaviour which is not compliant with this Model, to the extent of actually leading to the application against the Company of sanctions provided in the Decree, because such behaviour entails actions which are so serious as to radically undermine the Company's trust in respect of the employee concerned, or lead to one of the offences detailed in the previous sections occurring, which would be extremely detrimental for the company.

Ascertaining the said violations, possibly following a violation by the Supervisory Authority, the management of disciplinary proceedings and the levying of sanctions are always the responsibility of the offices in charge.

More specifically in the case of executive staff, if there is a violation of the general principles in the organisation model or in corporate procedures, the body in charge of pointing out violations and applying sanctions is the Board of Directors, a person or body delegated by the latter, taking measures which are considered suitable and proportionate depending on the violations committed, considering that the said violations constitute failure to comply with the obligations and provisions associated with the employment relationship .

The type and degree of each of the sanctions mentioned above will also depend on the following:

- intentionality of the action or level of negligence, imprudence or lack of skills, also in respect of the predictability of an event;
- the behaviour of the employee overall, with specific reference to the existence or not of previous disciplinary offence by the latter, within the limits allowed by law;
- the employee's job description;
- the functional position of persons involved in the facts which constitute the deficiency;
- the level of hazard and/or the consequences involved in the violation with regard to the Company and to all employees and stakeholders in the said Company;

- any other specific circumstances involved in the disciplinary offence.

8.3 MEASURES AGAINST DIRECTORS

In the event of a violation of the regulations in force and of the Organisation Model by members of the BoD of the Company, the Supervisory Authority shall notify the whole Board of Directors and Board of Auditors, which shall then take the necessary initiatives according to the law, involving – if necessary – the General Meeting.

8.4 MEASURES AGAINST AUDITORS

In the event of a violation of this Model by one or more Auditors, the Supervisory Authority shall notify the whole Board of Auditors and the Board of Directors, which will take the appropriate measures, including – for example – calling a General Meeting of Shareholders in order to adopt the most suitable measures as required by Law.

8.5 MEASURES AGAINST CONSULTANTS, PARTNERS AND AGENTS

Any behaviour enacted by staff members, consultants or by other third parties associated with the Company through a contractual relationship which does not involve employment, violating the provisions of Lgs. D. 231/2001, may lead to the imposing of penalties, or - in cases of serious breach – to termination of the contract, notwithstanding the possibility of claiming damages if the said actions prove detrimental for the Company, also regardless of the termination of the said contractual relationship.

For this purpose, with specific focus on activities outsourced to third parties, the contract may include specific clauses where the contracting third party acknowledges being aware of the provisions in the Decree, and any employees or staff members working on behalf of USCO acknowledge to refrain from behaviours involving the possibility of an offence associated with the said Decree, as well as to adopt suitable control systems (regardless of the crime actually being committed or of the possibility of its being punished), and which regulate the consequences in the event of the provisions in the relevant clause being violated; alternatively, the third party or the staff member may be asked to sign a unilateral "certification" attesting the awareness of the Decree and a commitment to work in accordance with legal provisions (for details in this regard, please refer to section 10.2 below).

8.6 SANCTIONS AGAINST THE VIOLATION OF MEASURES TO PROTECT THE PERSON REPORTING AND WILLFUL MISCONDUCT OR GROSS NEGLIGENCE IN REPORTS WITHOUT MERIT

The disciplinary system selected according to Art. 6 (2) (e) of Legislative Decree 231/2001 involves sanctions to be applied against anyone who violates measures aimed at protecting the person reporting (confidentiality as to their identity), as well as against willful misconduct or serious negligence in reports without merit.

More specifically:

- with regard to members of the S.A., violation of the said measures constitutes a cause for discharging, as well as the sanctions mentioned in sections 8.2, 8.3, 8.4 and 8.5 above – if applicable – (e.g. employee, consultant, auditor); the BoD is in charge of ascertaining the violation and deciding in respect of the sanction to be levied;
- with regard to those who have been permanently invited to meetings of the Supervisory Authority (members of the Board of auditors, executives, employees, consultants), violation of the said measures involves the sanctions mentioned in sections 8.2, 8.3, 8.4 and 8.5 above;
- with regard to other persons, violation of the said measures entails the application of sanctions mentioned in sections 8.2, 8.3, 8.4 and 8.5 above.

The aforesaid sanctions shall be levied in respect of willful misconduct or gross negligence in reports without merit.

The adoption of discriminatory measures in respect of persons reporting, may be the subject matter of an official complaint to the National Labour Inspectorate, which shall take the required action, from the person reporting as well as from a trade union chosen by the latter.

Retaliatory or discriminatory dismissal of the person reporting is null and void. Also null and void are any changes in job description according to [article 2103 of the Civil Code](#), as well as any retaliation or discriminatory measure against the person reporting. It is the duty of the employer, in the event of disputes associated with disciplinary sanctions, with demoting, dismissal, transfers, or the person reporting being subjected to any other organisational measure with a negative impact – either directly or indirectly on their working conditions, subsequent to filing the report, to show that the said measures are based on reasons unrelated to the report in question.

9. RECRUITMENT, INFORMATION AND TRAINING OF STAFF

9.1 RECRUITMENT

The S.A., liaising with the Human Resources Office, shall assess, with the Offices involved, the procedures for building and/or updating a specific system for staff assessment during the recruitment phase, taking into account corporate requirements in respect of the application of Lgs. D. 231/2001.

More specifically, the recruitment process requires:

- asking for a Curriculum Vitae or for a resume of the candidate's academic and professional CV;
- expressly referring to the fact that the candidate is considered to have the necessary competences, thus able to render the services required for being hired with the

relevant job description;

- a set of information derived from a specific questionnaire having been filled out (“questionnaire for employee recruitment according to Lgs. D. 231/01”) by the potential candidate, whose content shall include – for instance – the following questions:
 - is the prospective employee a public official, a Public Administration employee, or has s/he held public offices, currently or in the past? If the answer is affirmative, for how long? If the answer is affirmative, has the prospective employee, pursuant to the provisions in section 16-ter of Art. 53 of Lgs. D. 30 March 2001 no. 165, during the last three years in office, exercised authority or negotiating powers on behalf of public administration offices mentioned in Art. 1 (2) of the said decree? In this case, has the Company been a recipient of public administration services rendered through the said authority? How many years ago was the public office relationship terminated?
 - Is the prospective employee a candidate, or has s/he been a candidate, in general elections or local elections?
 - Is the prospective employee related to public officials, related to Public Administration employees, related to persons in public office, or in charge of a public service?
 - Is the prospective employee related to candidates in general elections or local elections?

The President of the BoD shall appoint the person in charge of making sure that the questionnaire is filled out and the process outcome made available to the Supervisory Authority.

9.2 INFORMATION

To ensure efficacy of this Model, it is the objective of USCO S.p.A. to make sure that the rules of conduct contained therein are properly divulged to current and prospective personnel throughout the company, and that the latter is aware of them, with a different depth of knowledge depending on the level of their involvement in activities at risk.

Through collaboration with the Human Resources Office manager and with managers or the Offices involved on each occasion in implementing the Model, the Supervisory Authority, based on the control activity it performs, may confirm the need for integrating the information and training system aimed at the Company's employees. This Model shall be made available to all Recipients, based on the list in section 2.4 who work with the Company on the date the latter is adopted. For this purpose, the Company agrees to produce, as a hard copy/computer file, all the materials on the subject (e.g. Documents describing the Model), with the occasional relevant updates.

For this purpose, the Company has established a corporate online network (*intranet*) dedicated to that subject, updated also following instructions by the Supervisory Authority, through which all Recipients (as identified in section 2.4), may refer to the Model in question.

Furthermore the Model, in its full version, shall be posted on the relevant notice board and be the subject of the training activity described in the following section.

All of the Company's employees⁶ shall receive copies of the Corporate Model and Code of Ethics, possibly also in electronic format; they shall also be asked to sign an official "statement of commitment", using the form below:

I, the undersigned _____, declare that:

- 2) I have received a copy of the Organisation, Management and Control Model selected by the Company, and the relevant training materials;*
- 3) I have carefully read the Model and understood the contents of Lgs. D. 231/01 and of the Model in question;*
- 4) I undertake to abide by the provisions in the said Model.*

Signed in acceptance

Date

Newly recruited staff members are given a copy of the Organisation Model, through which they are duly informed about the relevant policy pursuant to Lgs. D. 231/2001, as well as being asked to fill out the statement of commitment above.

9.3 TRAINING

The training activity, aimed at disseminating knowledge of the regulation pursuant to Lgs. D. 231/2001 and of the Organisation, Management and Control Model selected by the Company, shall be differentiated in terms of contents and methods for delivery depending on the qualification of the recipients, on the level of risk in the area where they operate, on their having or not representative offices within the Company.

The training on principles and contents of the Model shall be arranged by the Human Resources Office which, following the guidance and plans of the Supervisory Authority, chooses the best way for delivering such services.

⁶The list of employees expected to sign the statement of commitment may exclude, at the Company's discretion, only the employees in charge of operational tasks which do not in any way involve the exercising of sensitive activities pursuant to Lgs. D. 231/2001. Also for these employees, it should be noted that this Organisation Model, to all intents and purposes, constitutes a company regulation, as the expression of the employer's power to give instructions related to how the job should be completed and regulated, and therefore made available in a place accessible to everyone.

On the other hand, the S.A. is in charge of informing the Human Resources Office about:

- changes in the reference regulations in order to possibly arrange for complementary training sessions;
- any need for complementary training actions in the event of errors and/or deviations being detected as regards the correct application of principles contained in the Model and of operating procedures applied to what are known as “sensitive activities”.

The control activity of the S.A. entails the adoption of training actions in respect of detecting errors and/or deviations from the proper implementation of “sensitive” procedures in respect of crimes pursuant to Lgs. D. 231/01.

In this case the S.A. will enable the offices concerned with organising and implementing the relevant training activity.

10. SUPPLIER SELECTION AND INFORMATION

10.1 SELECTION

The selection process of third parties involves the company being duly informed about pending (also previous) proceedings pursuant to Lsg. D. 231/2001 against the counterpart and/or its legal representative. For this purpose, the Company – as part of the supplier selection and qualification procedures – requires that any negotiating relationship is subordinated to receiving the said information, and to the counterpart making true statements, as well as undertaking to report any variation of the information provided.

If the statement includes pending proceedings pursuant to Lsg. D. 231/2001, current or previous, the Company shall notify the Supervisory Authority promptly through dedicated channels.

10.2 INFORMATION

In the case of negotiating relations with third parties, the relevant contracts/assignments shall include specific clauses, with statements and guarantees relevant for the purposes of Lgs. D. 231/2001 to protect the Company from risks and liability. The said contracts/assignments shall:

- be stipulated in writing, based on the procedures aimed at regulating relations with suppliers;
- be underwritten by persons who have suitable powers and expressly delegated in that regard, following the system of powers of attorneys and proxies in force;
- undergo an in-house authorisation procedure to ensure compliance with the principle of separation between functions (i.e. suggesting the agreement, checking it and underwriting it), as well as at verifying the stipulated contents and economic conditions;
- include standard clauses for the purpose of compliance with Lgs. D. 231/2001 (or – in the case of foreign person or of someone operating abroad – with compliance with international and domestic regulations related, most notably, to actions which involve possible bribery and fraud in respect of public entities);
- include a statement by the latter, where they confirm that they are aware of the provisions

in Lgs. D. 231/2001 (or – in the case of a foreign person or of someone operating abroad – agree to follow international and domestic regulations pertaining, most notably, to actions which involve possible bribery and fraud in respect of public entities), as well as undertaking to comply with the provisions in the Decree;

● include a suitable clause (e.g., express termination, penal clauses) to regulate the consequences of any violation by the latter of the provisions in Lgs. D. 231/2001 (or – in the case of a foreign person or of someone operating abroad – agree to follow international and domestic regulations pertaining, most notably, to actions which involve possible bribery and fraud in respect of public entities).

Two examples of a standard clause of this type are presented below as reference; it should be noted that they need to be adjusted to the specific contractual relationship:

«The supplier/consultant/external staff member declares to be aware of the content of Legislative Decree 8 June 2001 no. 231, and agrees to refrain from behaviours possibly involving crimes pursuant to the said Decree (regardless of the crime actually being committed or of the possibility of its being punished). Failure on the supplier's part to respect the said undertaking shall be regarded by the Parties as a serious breach, and cause for terminating the agreement due to default according to Art. 1453 C.C., meaning that USCO S.P.A. may immediately terminate the latter effective immediately».

Or:

«The supplier/consultant/external staff member agrees to follow the laws in force with the utmost attention and care, in particular the provisions of Lgs. D. 231/2001, as well as to respect and adjust its behaviours with regard to principles stipulated in the Organisation Model of USCO S.P.A. (appended hereto) to the extent that they are relevant for the purposes of this agreement. Failure on the part of ... to follow the law or the Organisation Model is a very serious circumstance which, as well as damaging the trust relationship established between USCO S.P.A. and, shall constitute a serious breach of this agreement, meaning that USCO S.P.A. is entitled and has the right to terminate the agreement in advance and effective immediately according to Art. 1456 C.C., as well as to claim, as penalty, the amount of €, notwithstanding the possibility of claiming further damages».

11. REGULAR AUDITS ON THE MODEL

The supervisory activity conducted on an ongoing basis by the Authority in order to: a) verify the effectiveness of the Model (i.e. consistency between the actual behaviours of recipients and the Model itself), b) conduct a regular assessment of its adequacy, compliance with the need for preventing crimes according to Lgs. D. 231/2001, with approved procedures regulating the activities at risk, and c) complete possible updates of the Model, in concrete terms shall be based – first and foremost – on the **Work Schedule for the S.A.'s control Activity**

The control system is aimed at:

- 2) making sure that the operating procedures meet the provisions in the Model and the stipulations of the laws in force;
- 3) showing any areas which might need corrective actions and/or improvement, then check the efficacy of corrective actions;
- 4) developing, within the company, a control culture, also with a view to supporting as much as possible any audits by other persons in charge, in various capacities, of inspection activities.

For this purpose, the control activity is carried out by the S.A. through:

- a) the flow of information;
- b) checks on a regular basis targeted to “sensitive activities”;
- c) meetings with key company staff or with specific partners, consultants or agents.

The in-house audits are managed by the Supervisory Authority. In order to conduct the scheduled audits, the Supervisory Authority may avail itself of staff from other Office, not involved in the activities subject to inspection, with specific competences, or of external consultants.

The Supervisory Authority is expected to ensure, through suitable archives (on hard copy or computer file), that the documentation has been saved correctly, the files updated, and that the procedures followed over time are consistent, as well as to forward the relevant documentation to any other Corporate Bodies concerned.

The “Work Schedule” shall cover one year (from January to December of each business period) and include, for each inspected activity:

- α) a timeline for conducting audits;
- β) selection of the sample;
- χ) the relevant information flows (information flow of the operating staff to the S.A.) for each inspection conducted;
- δ) organisation of formative activities (aimed at resolving procedural and/or information deficiencies) for each anomaly detected.

The company areas to be inspected and the frequency of the audits depend on factors such as:

- risk according to Lgs. D. 231/2001, in relation to the outcomes of the Mapping of sensitive Activities and instrumental processes;
- evaluation of existing operating audits;
- outcomes of previous audits.

The Supervisory Authority shall approve, every year, the Work Schedule, through the document called “Introduction to the Work Schedule”.

Any extraordinary inspections not included in the "Work Schedule" should be planned in the event of substantial changes to the organisation or to any process, as well as in the event of suspicions or reports of non-conformity, or - in any case - whenever the S.A. should decide to arrange occasional ad hoc controls.

To allow for regular audits on the efficacy and updating of the Model by the S.A., cooperation by the various company Offices involved is required on each occasion.

All company Offices shall thus support, as much as possible, the efficient inspection activity; this includes in-house contact persons in charge of the relationship with consultants and trade partners, which are in turn expected to duly provide records of the work done. The

offices in charge of selecting the employees, partners and suppliers shall make sure that updated profiles of the said partners and suppliers, or any other documentation on which basis the selection was made, are kept (e.g. professional track record, technical presentations on the services or products they offer).

The outcomes of the audits are always transcribed and forwarded according to the procedures and timeline for reporting detailed in section 5.5 above.

USCO S.p.A. considers the results of these audits as being fundamental for the improvement of its own Organisation Model. Therefore, also for the purpose of actually implementing the Model, any findings from audits pertaining to the adequate and effective implementation of the said Model shall be discussed within the Supervisory Authority, subsequently – if appropriate – this shall lead to taking action pursuant to the Disciplinary System described in Chapter 8 (General Section) of this Model.

USCO



PASSION FOR PARTS