

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

A SYNTHESIS

This document has been drawn up as a synthesis of the Organization, Management and Control Model (OM&C Model) adopted by the Company and laid down in compliance with Italian Law Decree no. 231 dated 2001.

Document hereof is a tool focussed on communication among involved organization subjects, i.e. employees, customers, suppliers, co-workers (stakeholders), shareholders, administrative and supervisory bodies. Company OM&C Model has been drawn up to promote implemented operation procedures and practices that the aforementioned subjects (OM&C Model Recipients) shall comply with to prevent the Company from being held responsible for any offence committed pursuant to the aforementioned Law Decree provisions. OM&C Model hereof has been drawn up through a risk assessment project that involved corporate organization as a whole and has led to the identification of significant risk areas, thus drawing up of operation protocols to manage significant risk areas hereof.

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Italian Law Decree no. 231 dated 8 June 2001 and alleged offences

In compliance with delegation of powers to Government set forth under Article 11 of Italian Law no. 300 dated 29 September 2000 and international conventions, Italian Law decree no. 231 dated 8 June 2001 has introduced the "Discipline of administrative liability of legal persons, companies and associations, even if with no legal personality". The aforementioned administrative liability refers to and derives from committing specific offences in the interest or for the benefit of the entity by physical persons, being the latter part of the body organization in either top management position or subordinate to management or being supervised by a subject in a top managing position.

It is a kind of independent responsibility to be held by entity that shall be added to criminal liability held by the physical person committing the offence. Furthermore, responsibility hereof shall impose a sentence directly on the Company, or the entities, that had any interest or received any benefit from activities constituting offences, which were carried out by any subject in either top management position or subordinate to management or being supervised by a subject in a top managing position.

The alleged offences introduced by Italian Law Decree no. 231 can be classified in specific areas; classification hereof is essential to establish a relationship between a legal approach and an effective and efficient corporate implementation. Relationship hereof determines organization processes and activities (and connected subjects) potentially involved, thus defining procedures and controls aimed at managing corporate processes hereof. Subsequently, timely procedure implementation shall allow for specific control of each and any kind of offence.

Categories of alleged offences [listed according to model order]

1. OFFENCES AGAINST PUBLIC ADMINISTRATION (PURSUANT TO ARTICLES 24 AND 25 OF ITALIAN LAW DECREE NO. 231/2001)
2. CYBERCRIMES (PURSUANT TO ARTICLE NO. 24-BIS OF ITALIAN LAW DECREE NO. 231/2001)
3. ORGANIZED CRIME OFFENCES AND TRANSNATIONAL CRIMES (PURSUANT TO ARTICLE NO. 24-TER OF ITALIAN LAW DECREE NO. 231/2001)
4. OFFENCES CONCERNING COUNTERFEITING MONEY, CREDIT CARDS AND POSTAGE OR STAMP DUTIES AND IDENTIFICATION INSTRUMENTS OR MARKS AND CRIMES AGAINST TRADE AND INDUSTRY
5. CORPORATE CRIMES (PURSUANT TO ART. 25-TER OF ITALIAN LAW DECREE NO. 231/2001)
6. CRIMES FOR THE PURPOSES OF TERRORISM AND EVERSION OF DEMOCRATIC ORDER (PURSUANT TO ARTICLE NO. ART. 25-QUATER OF ITALIAN LAW DECREE NO. 231/2001)
7. CRIMES AGAINST INDIVIDUAL PERSONALITY (PURSUANT TO ARTICLE NO. 25-QUATER.1 AND ARTICLE NO. 25-QUINQUIES OF ITALIAN LAW DECREE NO. 231/2001)
8. MARKET ABUSE OFFENCES (PURSUANT TO ARTICLE NO. 25-SEXIES OF ITALIAN LAW DECREE NO. 231/2001)
9. OFFENCES COMMITTED IN VIOLATION OF OCCUPATIONAL HEALTH AND SAFETY (ART. 25-SEPTIES OF ITALIAN LAW DECREE NO. 231/2001)
10. CRIMES CONCERNING HANDLING, LAUNDERING OR USING MONIES, GOODS OR OTHER ASSETS OF ILLICIT ORIGIN AND SELF-LAUNDERING (PURSUANT TO ART. 25-OCTIES OF ITALIAN LAW DECREE NO. 231/2001)
11. OFFENCES AGAINST COPYRIGHT (PURSUANT TO ART. 25-NONVIES OF ITALIAN LAW DECREE NO. 231/2001)
12. ENVIRONMENTAL CRIMES (PURSUANT TO ARTICLE NO. ART. 25-UNDECIES OF ITALIAN LAW DECREE NO. 231/2001)
13. INDUCEMENT TO REFRAIN FROM MAKING DECLARATIONS OR TO MAKE FALSE DECLARATIONS TO THE JUDICIAL AUTHORITIES (PURSUANT TO ART. 25-DECIES OF ITALIAN LAW DECREE NO. 231/2001)

14. EMPLOYMENT OF ILLEGALLY RESIDENT NON-EU NATIONALS (PURSUANT TO ART. 25-DUODECIES OF ITALIAN LAW DECREE NO. 231/2001)

Sanctions

Italian Law Decree no. 231 dated 2001 imposed on the Company, in the interest or for the benefit of which alleged offences had been committed by any subject in either top management position or subordinate to management or being supervised by a subject in a top managing position, the following classified sanctions:

- Pecuniary sanctions with possible precautionary seizure for protective remedies
- Disqualification sanctions:
 - ✓ Disqualification from the exercise of business activity
 - ✓ Suspension or revocation of any authorizations, licenses or concessions instrumental to offense perpetration
 - ✓ Disqualification from entering into agreements with the public administration
 - ✓ Exclusion from facilitated conditions, funding, contributions and subsidies, and the possible revocation of those already granted
 - ✓ Prohibition from advertising goods or services.
- Seizure of any profit the Company gained from the crime (seizure can be ordered even for an equivalent amount)
- Publication of conviction sentence, which can be ordered in the event a disqualification sanction is implemented.

Crimes committed abroad

Pursuant to Art. 4 of Italian Law Decree no. 231 dated 2001, the entity can be held responsible and called upon in Italy in relation to crimes – detected to the purpose of entity administrative responsibility – committed abroad. Conditions under the aforementioned Law Decree, on which entity responsibility is based for any crimes committed abroad, are as follows:

- Crime hereof committed abroad by a subject functionally linked to the entity, pursuant to Art. 5, paragraph 1, of the aforementioned Law Decree.
- Entity hereof has its headquarters in Italy.
- No proceeding has already be taken against the entity by the State where crime was committed.

Prerequisite for exoneration from liability

Article 6, paragraph 1 of Italian Law Decree no. 231 dated 2001 sets forth that, whenever offences are committed by subjects from corporate top management, entity shall not be held responsible if it proves that:

- a) Managing body had adopted and efficiently implemented suitable organization and management models to prevent similar offences, before the aforementioned offence was committed.
- b) The task of supervising model operation, efficiency and efficacy and compliance therewith, as well as updating thereof, had been assigned to an internal body onto which independent initiative and control powers were vested.
- c) Physical persons had committed the aforementioned offence eluding organization and management model fraudulently.
- d) There had been no supervision omission or failure by the body under letter b) above.

As far as offences committed by any subjects under third parties' control, provided that a suitable model had been adopted to prevent offence commission, the entity shall be held responsible if the aforementioned offence commission had been possible by failure to comply with any obligation of management or supervision. Should this be the case, the relevant *onus probandi*, i.e burden of proof, shall be borne by the acting authority.

Organization, management and control model, useful for entity exoneration from responsibility, shall be drawn up taking into account the following:

- Identification of corporate activity areas and processes, paying special attention to the ones involving risk of offence pursuant to the above Italian Law Decree; furthermore, risk assessment shall be carried out to identify associated risk level.
- Definition of an internal regulatory system aimed at programming development and implementation of Company resolutions concerning risks/offences to be prevented, by:
 - Company Code of Ethics to lay down behaviour guidelines and ethical values aimed at governing practises to develop and implement Company resolutions in areas at offence commission risk pursuant to the aforementioned Italian Law decree, and at guaranteeing documentation and/or check of each operation carried out in areas hereof.
 - A corporate proxy system and an internal power conferment system aimed at ensuring a clear and transparent implementation of the aforementioned Company resolutions, in compliance with task segregation.
- Identification of processes aimed at managing and controlling financial resources in any areas at potential offence commission risk.

- Conferment of specific control tasks onto Company Supervisory Body. Control tasks hereof are aimed at controlling proper Model implementation and efficiency, Model coherence with the relevant goals, and the relevant periodical updating in relation to Company structure and operation development. Furthermore, Company Supervisory Body shall be responsible for monitoring Model acknowledgement by Company employees, external co-workers, and third parties in general who have substantial relations with the Company.

Organization, management and control model adoption – the reasons

As mentioned above, entity responsibility shall be added to criminal liability held by the physical person who actually committed the offence.

By adopting an Organization, Management and Control Model (OM&C Model), the Company pursues the objective of checking corporate activities are carried out diligently and clearly.

OM&C Model adoption, together with promotion of Company Code of Ethics – the latter including principles by which all recipients shall be inspired by – shall be a tool for managing corporate human resources and stakeholders (i.e. Model Recipients).

OM&C Model adoption and promotion shall be aimed at determining full awareness of offence commission risks in any subjects operating within the Company (bearing in mind that any committed offence is against Company interests even when it may be thought that benefits are obtained). Besides, OM&C Model adoption and promotion shall be aimed at making the Company rely upon rules and control tools to prevent and timely react so that any offence commission is avoided. Specific reference is hereby made to any offence sanctions to be held by the Company pursuant to Italian Law Decree no. 231.

Model implementation

The system to control Organization, Management and Control Model implementation shall be integrated into corporate process management, together with the definition of methods to perform corporate activities that affect sensitive topics. Company monitoring system shall be based on check scheduling, task assignment and executive responsibility conferment, description of required methods and procedures for reporting any nonconforming situations. Any subjects involved and interested in adequate Model implementation shall be informed about any relevant provisions.

Procedures implemented in identifying any offence risk, with specific reference to sensitive activities

On the basis of risk areas and in relation to single activities and different counterparties, behaviour procedures and instructions have been assessed, the aim being to achieve actual integration into corporate activities and coordination with other corporate control systems (e.g. within the scope of administration, human resources, safety and security, and quality).

Procedures are rules recommended by Company Organization, Management and Control Model (OM&C Model) in carrying out any sensitive or offence risk activity and become, through ongoing control and update, the most important and qualifying aspect of OM&C Model.

Sensitive activities had been identified and analysed: they represent Company activity sectors and business processes that could be potentially involved in committing offences under the aforementioned Italian Law Decree and in any related rules.

Involved organization functions are the ones identified according to current corporate organization chart.

Code of Ethics

Conduct rules represent general behaviour principles that any Company employees, corporate bodies, consultants, partners and co-workers shall comply with.

Company Code of Ethics is based on general principles of lawfulness. Any involved subjects (Recipients thereof) shall refrain from any behaviour that could lead to any kind of offences pursuant to Italian Law Decree no. 231 dated 2001 as well as from any behaviour that could become of the kind here above, even potentially.

Company Code of Ethics is available on corporate website.

Proxies and powers of attorney

Corporate proxy system allows company top management to confer onto managers and heads of functions any and all powers needed to exercise powers and tasks assigned to them. Company Administrative Body shall be at the top of corporate proxy system and shall define any powers of attorney necessary to model implementation as well.

Organization charts, task charts and job descriptions shall be integral part of responsibility and task systems.

Supervisory Body

Supervisory Body shall be in charge of promoting model implementation, monitoring corporate behaviours, acquiring information about activities and connected risks detected for the purpose of provisions under Italian Law Decree no. 231 dated 2001. Company Supervisory Body shall be held responsible for increasing awareness and promoting principles under Company Code of Ethics and verifying actual performance of Company Organization, Management and Control Model.

Company Supervisory Body shall be appointed by Company Administrative Body and shall be assigned an annual budget to carry out its tasks. Its activity shall be recorded in dedicated minutes. Any involved party shall apply a dedicated activation procedure.

Company Supervisory Body shall periodically receive information about staff training from heads of functions, either during controls or periodically.

Furthermore, Company Supervisory Body shall receive: reports about internal checks, reports by certification and inspection bodies, communications about sanctions by control entities, reports about injuries and reports about periodical controls carried out about health and safety at the workplace, communication about sanctions to employees concerning potential risk pursuant to Italian Law Decree no. 231 dated 2001, reports about complaints and legal disputes with customers/suppliers featuring potential relevance pursuant to Italian Law Decree no. 231 dated 2001.

Human resources training, education and selection

In order to provide for actual and efficient implementation of Organization, Management and Control Model (OM&C Model) principles and contents and connected procedures, the Company shall guarantee an adequate promotion of the aforementioned principles, contents and procedures to its personnel – from any organization level – and to subjects who, at any title, entered contract relationship with the Company.

Upon hiring, each employee shall be given and explained Company Code of Ethics and any information required to acknowledge OM&C Model contents. Furthermore, he/she shall be required to undersign a statement of acknowledgment, compliance and undertaking to comply with key behaviour rules and principles. Company shall draw up any required training and education activities. Participation to the aforementioned activities shall be compulsory.

Corporate website shall be used to manage corporate institutional communication. Moreover, a dedicated area of corporate network shall be dedicated to OM&C Model, Code of Ethics and connected procedures.

Disciplinary system

The definition of a sanction system (sanctions thereof to be proportionate to infringement type) is aimed at guaranteeing OM&C Model efficiency and efficacy. The aforementioned sanction system shall be implemented in case of infringement of rules of conduct set forth under Company Organization, Management and Control Model (OM&C Model)

Rules imposed by Company OM&C Model shall be adopted by the Company in full autonomy, regardless of criminal relevance of conduct. Recipients of disciplinary system hereof are the same OM&C Model and procedure recipients.

As far as employees are concerned, in compliance with procedures set forth under Article 7 of Italian Law no. 300 dated 30 May 1970 (*Statuto dei Lavoratori*, i.e. Workers' Statute) and any special applicable rules and regulations, any disciplinary provisions shall be implemented taking into account category-related NCLA (National Collective Labour agreement) sanction system. Any corporate regulation or integrative labour contract (if applicable) shall be taken into account as well.

As far any subjects linked to the Company by agreements other than employment contracts, e.g. suppliers, consultants, agents and business partners, applicable measures and sanction procedures shall be ruled by specific contract clauses or communicated in advance.

Updating of organization model

In compliance with provisions set forth under Italian Law Decree no. 231 dated 2001, Company Supervisory Body shall be in charge of updating Company OM&C Model. Company Supervisory Body shall inform Company Administrative Body about the need for OM&C Model updating and provide directions to the purpose hereof and practices required for updating thereof.

Company Administrative Body shall evaluate the need for OM&C Model updating reported by Company Supervisory Body and, after consulting any other Company control bodies, shall resolve about OM&C Model updating, concerning any requested changes or additions.

Reasons for Company OM&C Model updating shall be the following:

- Regulatory amendments concerning entity administrative responsibility and significant innovation connected with provision interpretation thereabout.
- Identification of new sensitive activities or change of any previously identified ones, even possibly connected with starting up of new corporate activities, changes of Company internal structure or corporate activity.

- Issuance and amendment of guidelines by the relevant trade association.
- Commission of offences relevant for the purposes of entity administrative responsibility by any recipients of OM&C Model provisions or, in general, important OM&C Model infringements.
- Detection of deficiencies in OM&C Model provisions further to check about OM&C Model efficiency.

Company OM&C Model shall anyway undergo an annual review process to be arranged by resolution by Company Administrative Body.

Reports

Any reports shall be submitted in writing and in non-anonymous form, as follows:

- By e-mail at: odv@lbandera.com
- By letter to the following recipient: Costruzioni Meccaniche Luigi Bandera S.p.A. – Corso Sempione 120 – 21052 Busto Arsizio (VA) – with the wording: *Riservata per l'Organismo di Vigilanza (FAO Supervisory Body - Confidential)*

Special section contents

The Special Section of Organization, Management and Control Model shall include independent chapters concerning each sensitive activity that had been identified as potentially subject to offence commission risks.

For each activity hereof, the following details shall be provided:

- Involved corporate roles
- List of associated alleged offence
- Possible offence commission procedures
- Formal procedures and guidelines
- Ex-post transaction traceability by means of adequate document/IT records
- Task segregation
- Existence of a proxy system that is consistent with conferred organization responsibilities