

ORGANISATION, MANAGEMENT AND CONTROL MODEL

by
B&B ITALIA S.P.A.

*pursuant to
Legislative Decree 231
June 8th, 2001*

REV	DESCRIPTION OF REVIEWS	APPROVED
0	FIRST ISSUE	Approved by the Board of Directors of B&B, July 3 rd , 2013
1	FIRST REVIEW	Approval by the Board of Directors of B&B, October 24 th , 2018

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GLOSSARY

In this document, the following definitions shall apply:

- **B&B Italia or the Company:** B&B Italia S.p.A. with registered office in Novedrate (CO) Italy Strada Provinciale 32, tax number IT 07122350965.
- **CCNL:** National Collective Bargaining Agreement for Wood and Furniture Confindustria, for workers, clerks and middle managers and National Collective Bargaining Agreement for Industrial Executives.
- **Board of Directors:** Board of Directors of B&B Italia S.P.A.
- **Code of Ethics or the Code:** Document representing the set of values, principles, conduct that inspire the operations of the Company.
- **Decree or Legislative Decree 231/2001:** Legislative Decree no. 231 dated June 8th 2001, containing "Regulations governing the administrative liability of legal persons, companies and associations, including without legal personality, according to art. 11, Law no. 300 dated September 29th 2000" amendments and additions thereof.
- **Addressees:** subjects better defined in paragraph 4 of the Introduction to this document.
- **Entities:** entities with legal personality, companies and associations, including those without legal personality, with the exception of the State, local public entities, other non-economic public entities and entities carrying out functions of constitutional importance.
- **Model or Organizational Model:** the Model of Organization, Management and Control ex art. 6, c. 1, letter a), of Legislative Decree 231/2001 adopted by B&B ITALIA S.P.A.
- **Supervisory board or SB:** the board endowed with autonomous powers of supervision and control, which is entrusted by the Company with the responsibility of supervising the functioning and respect of the Model, as well as its updating.
- **Protocols:** specific decision-making protocols, in compliance with the provisions of Article 6, paragraph 2, letter b) of Legislative Decree 231/01, containing a set of rules and principles of control and conduct considered suitable for governing the identified risk profile.
- **Offences:** offences for which administrative liability is envisaged pursuant to Legislative

Decree 231/2001.

- **FM:** Function Managers, i.e. the Addressees of the Organizational Model who have operational responsibility for each area of company activity where a potential risk for occurrence of the Offences has been identified.
- **Private Parties:** directors, general managers, managers responsible for preparing the company's financial reports, statutory auditors, liquidators of a third party company or those subject to their direction or supervision or those who, according to current legislation, could be the addressees of corruption between private parties pursuant to art. 2635 of the Italian Civil Code.
- **Third parties:** third parties such as, by way of example but not limited to, project workers, interns, temporary workers, employees of Group companies on secondment to the Company.
- **Additional Subjects:** subjects outside the corporate structure such as, by way of example but not limited to, suppliers, consultants, professionals, employment agencies, service contractors as per artt. 4 and 20 of Legislative Decree 276/2003, subcontractors and business partners as well as any other subjects the company deemed appropriate to extend the applicability of the Model to.

For a proper understanding and application of the Model and the Protocols, in consideration of the number of references contained therein and the importance of the subject for the Company, the following are the definitions of "Public Official" and "Person in charge of a public service", as defined by the Criminal Code, and the definition of "Public Administration" as per the opinion of the Council of State no. 11482/2004:

- **Public Official** (art. 357 of the Italian Criminal Code): *"For the purposes of criminal law, public officials are those who exercise a public legislative, judicial or administrative function. To the same end, the administrative function governed by public law and by authoritative acts and characterised by the expression of the determination of the public administration or by its being carried out by means of authorising or certifying powers";*
- **Person in charge of a public service** (art. 358 of the Italian Criminal Code): *"For the purposes of criminal law, persons in charge of a public service are those who, for whatever reason, provide a public service. A public service is defined as an activity regulated in the same way as the civil service, but characterised by the lack of the powers typical of the latter, and excluding the performance of simple requirements of order and the provision of purely material working activity";*

- **Public Administration** (State Council, Opinion n. 11482/2004): "*The notion of public administration (omissis), therefore, seems to be intended in a broad sense and such as to include all the subjects, including private licensees of public services, public enterprises and bodies of public law according to the Community terminology¹, operating, in relation to the scope of activity considered, as part of a civil service*".

It should also be noted that the private nature of some entities, which provide public services even after their transformation into joint-stock companies (e.g. Poste Italiane, ENEL, Ferrovie dello Stato, ENI, etc.), does not rule out the possibility to keep pursuing public aims and that such activities are still governed by public law regulations (in such cases, those who operate in these entities, such as employees, may be qualified as Public Officials or as Persons in Charge of Public Service)².

Eventually, with regard to the persons active in or affected by the international unlawful conduct provided for by Legislative Decree 231/01, the Law has expressly defined the list of persons being part of international entities³, including persons whose activity is attributable to that of a public official and public service appointee.

Finally, it should be noted that, following the approval of Law no. 190 dated November 6th 2012 ("*Provisions for the prevention and repression of corruption and illegality in the Public Administration*"), the list of offences for which administrative liability is envisaged pursuant to Legislative Decree no. 231/01 includes the offence of "*bribery among private individuals*" (art. 2635 of the Italian Civil Code) and with Legislative Decree no. 38/2017 the offence of "*incitement to*

¹ The following is a list of elements indicating a "board governed by public law as interpreted by Community case-law":

- an entity with legal personality organised also in corporate form;
- subject to supervision and control by the State or more than half of the members of the administrative and supervisory bodies designated by the State or local authorities or predominantly financed by the State or public bodies;
- activities carried out in the absence of economic criteria (economic risk borne by the State), pursuit of objectives of general interest, neither industrial nor commercial.

² They can therefore be considered as "public entities", by way of example and not limited to:

- State Administrations (Government, Parliament, Ministries, ordinary and accounting Magistracy, consulates and embassies, etc.)
- Territorial public authorities (Regions, Provinces, Municipalities,...)
- Universities and Schools;
- ASL and Hospitals
- Inland Revenue and social security agencies (INPS, INAIL, etc...)
- Chambers of Commerce
- Independent supervisory authorities (Consob, Bank of Italy, ISVAP, AVCP, Guarantor for the protection of personal data, Guarantor for competition and the market, etc...)
- Other non-territorial public bodies (CNR, AGEA, etc...)
- Employees of private entities pursuing public objectives (Poste Italiane, ENEL, Ferrovie dello Stato, ENI, etc...)

³ Pursuant to the provisions of Article 322-bis ("*Embezzlement, bribery, corruption and incitement to corruption of members of the bodies of the European Communities and officials of the European Communities and foreign states*") of the Penal Code, the following persons:

- members of the Commission of the European Communities, the European Parliament, the Court of Justice and the Court of Auditors of the European Communities;
- officials and other servants employed under contract under the Staff Regulations of Officials of the European Communities or the Conditions of Employment of Other Servants of the European Communities;
- persons seconded by the Member States or by any public or private body of the European Communities exercising functions corresponding to those of officials or other servants of the European Communities;
- and to those working for bodies set up on the basis of the Treaties establishing the European Communities;
- those who, within the framework of other Member States of the European Union, perform functions or activities corresponding to those of public officials and persons responsible for a public service;
- persons carrying out functions or activities corresponding to those of public officials and persons in charge of a public service within other foreign States or international public organisations, if the act is committed in international economic transactions.

For the purposes of Legislative Decree 231/01, "international economic transactions" are considered to be all transactions typical of international trade, such as: exports, tenders, investments, etc.; the corruption that can be prosecuted may involve the intervention of public officials, for example in relation to the issue of permits or authorisations, obtaining tax benefits and the like.

bribery among private individuals" (art. 2635-bis of the Italian Civil Code). The Model and the Protocols therefore serve the purpose of preventing corruption, not only against the Public Administration but also against Private Parties, which might include the aforementioned type of crime and which, if committed in the interest or for the benefit of the Company, could lead to the application of penalties.

RECITALS**1. GENERAL PRINCIPLES**

B&B, as part of the broader corporate policy, responsive to the need of ensuring conditions of fairness and transparency in the conduct of business and corporate activities, to protect the Company and shareholders thereof, has deemed it appropriate to analyze and strengthen all the instruments of control and corporate governance already adopted, implementing and regularly updating the organization, management and control Model, provided for by Legislative Decree 231/2001.

On July 3rd, 2013, the Board of Directors of B&B adopted the first version of its Model. In consideration of the subsequent interventions of the Law aimed at extending the scope of application of Legislative Decree 231/2001 and of new case-law guidelines consolidated in the meantime, the Company has started a project to update the Model by adopting this version - which, although representing its evolution, fully replaces the previous one - by resolution of the Board of Directors dated October 24th 2018.

2. MODEL PURPOSES

With the adoption of this Model, B&B aims to pursue the following main goals:

- to confirm that any unlawful conduct is absolutely condemned by the Company, even if inspired by a misconceived social interest and even if B&B was apparently not in a position to benefit from it;
- to determine in all those who operate in the name and on behalf of B&B and, in particular, in the areas identified as "at risk" of committing the relevant crimes pursuant to the Decree, the awareness of the requirement to comply with the provisions contained therein and more generally with company regulations;
- to inform the Addressees that the breach of the provisions of the Model represents a conduct subject to specific penalties and that in the event of a relevant offence being committed pursuant to the Decree, to the criminal penalties applicable to them in their personal capacity, the administrative liability of the Company could be determined, with the consequent application of the relevant penalties to the same;
- thanks to a close control and monitoring of risk areas and sensitive activities with respect to the potential commission of crimes relevant for the purposes of the Decree and the implementation of specific tools, to allow the Company to promptly prevent or counteract the commission of the same crimes.

3. MODEL STRUCTURE

This document consists of a general part and a special part.

The general part describes the contents of the Decree, referring to the types of offence that result in the administrative liability of an entity, the possible penalties and the conditions for exemption from liability (Section One), as well as the organisational structure of the Company and the activities carried out for the construction, dissemination and updating of the Model (Section Two).

The Special Section contains the protocols, i.e. a set of rules and principles of control and conduct considered suitable for governing the areas for which a risk of potential commission of the offences underlying administrative liability pursuant to Legislative Decree 231/2001 has been identified.

The rules contained in the Model are integrated with those of the Code of Ethics, even though the former has a different objective than the latter, for the purposes it intends to pursue in implementing the provisions of the Decree. It is specified, in fact, that:

- the Code of Ethics is autonomously adopted and subject to general application by the Company in order to specify the principles of "business ethics" that B&B recognizes as its own;
- the Model complies with specific provisions contained in the Decree, aimed at preventing the commission of crimes that may entail the attribution of administrative responsibility to the Company.

4. ADDRESSEES OF THE MODEL

The rules contained in the Model apply to all company representatives involved, even de facto, in B&B activities considered at risk for the purposes of the aforementioned legislation.

In particular, the Model applies to the following addressees (hereinafter "**Addressees**"):

- all members of the corporate boards (Board of Directors and Board of Statutory Auditors);
- managers (i.e. those who are so classified under the applicable national collective bargaining agreement);
- employees (i.e. workers with an employment contract, including a fixed-term contract);
- Third Parties.

Third parties must be bound to comply with the provisions of Legislative Decree 231/2001 and the ethical and behavioural principles adopted by B&B through the Code of Ethics by signing specific contractual clauses, which allow the Company, in the event of non-compliance, to unilaterally terminate the contracts entered into and to request compensation for any damages suffered (including the possible application of penalties under the Decree).

The Company may from time to time assess the opportunity to bind the Additional Subjects, in addition to compliance with the ethical and behavioural principles adopted by B&B through the Code of Ethics, also to the provisions of Legislative Decree 231/2001 and adopted in its Model through the signing of special contractual clauses, which allow the Company, in the event of non-compliance, to unilaterally terminate the contracts entered into and to request compensation for any damages suffered (including the possible application of penalties under the Decree).

GENERAL PART**1. SECTION ONE - LEGISLATIVE DECREE NO 231 DATED JUNE 8TH 2001****1.1. ADMINISTRATIVE RESPONSIBILITY OF THE ENTITIES****LEGAL SYSTEM GOVERNING THE ADMINISTRATIVE LIABILITY OF LEGAL PERSONS**

Legislative Decree no. 231 dated June 8th 2001, in partial implementation of the law no. 300 dated September 29th 2000, regulates - introducing it for the first time in the national legal system - the administrative liability of legal persons, companies and associations, including those without legal personality.

In particular, the law 300/2000, which ratifies, *inter alia*, the Convention on the financial protection of the European Communities dated July 26th 1995, the EU Convention dated May 26th 1997 on the fight against corruption and the OECD Convention of 17 December 1997 to oppose against bribery of foreign public officials in international economic transactions, complies with the requirements set forth by such international and, in particular, EU laws, which provide for liabilities of legal persons and a corresponding penalties system against corporate crimes.

Legislative Decree 231/2001 is therefore part of a system of implementation of international requirements and - in line with the regulatory systems of many European countries - sets the responsibility of *societas*, considered "*as an independent centre of interests and legal ratios, a reference point for different types of provisions, and a source of decisions and activities of those who operate in the name, on behalf or in any case in the interest of the entity.*"

The establishment of an administrative responsibility of the Entities, stems from the empirical consideration that the illegal conduct within the organizations, are an expression conveying not so much the misconduct of the individual but rather that of the economic centre of interest where the individual took the initiative, often as a result of decisions at the top-management thereof. Such criminal behaviours can therefore be effectively prevented by penalizing the Entity as the real beneficiary of the offence.

With regard to the real nature of liability under Legislative Decree 231/2001, it seems to combine both administrative and criminal liability. The ministerial report to the Decree highlights as such a form of liability is a consequence of a crime and therefore linked to the criminal proceedings, is actually different from the standard layout of administrative tort and stands as an autonomous type of liability "*which combines the essential features of both criminal and administrative system trying to reconcile the reasons for preventive effectiveness with those, even more inevitable, for maximum guarantee.*"

In particular, Legislative Decree 231/2001 provides for wide penalty system that moves from pecuniary penalties up to the heaviest disqualification penalties, including the penalty of the prohibition from carrying out the activity.

The administrative penalties provided for by the Decree can in fact only be applied by the criminal court, in the context of the criminal trial, only if all factual and specific requirements set by the law are met: the commission of a crime in the interest or to the advantage of the Entity, by qualified subjects (top-management or employees).

The administrative responsibility of an Entity results as follows:

- commission of an Offence *in its interest*, i.e. whenever the unlawful conduct is carried out with the sole intention of benefiting the Entity;
- the Entity derives from the illegal conduct some indirect *advantages* (economic or not), even though the author of the Offence acted without the exclusive purpose of bringing a benefit to the Entity.

On the contrary, the *exclusive* advantage of the agent (or a third party with respect to the entity) excludes the liability of the Entity, placing it in a position of complete and clear non-involvement in the commission of the offence.

With regard to the subjects, the Law, in art. 5 of Legislative Decree 231/2001, provides for the liability of the Entity if the crime is committed:

- a) "*by persons who hold positions of representation, administration or management of the entity or one of its organisational units with financial and functional autonomy, as well as by persons who exercise, even de facto, the management and control of the same*" (so-called top management);
- b) "*by persons subject to the direction or supervision of one of the persons referred to in point (a)*". (so-called subordinates).

For the purposes of assessing the Entity's liability, in addition to the existence of the aforementioned requirements that allow the crime to be objectively linked to the Entity, the Law also imposes the assessment of the Entity's liability. Such a subjective requirement is identified with a *fault on the part of the organisation*, understood as a breach of rules self-imposed by the organisation itself to prevent specific offences.

The liability of Entities also extends to Offences committed abroad, provided the same are not prosecuted by the State where the offence has been committed, given that particular conditions provided for by Legislative Decree 231/2001 are met.

Such an increased global focus on economic markets makes it far from secondary to verify the extra-territorial nature of the penalties imposed to monitor the rules governing business activities in general and those contained in Legislative Decree 231/2001.

Legislative Decree 231/2001, in fact, contains a provision (art. 4 of the Decree), inspired by a moderate principle of *universality of jurisdiction*, according to which administrative liability can be applied to an Entity with headquarters in Italy for the commission of one of the alleged crimes, provided for in the 231 list of crimes, even when entirely perpetrated abroad. In particular, paragraph 1 of art. 4 mentioned above defines the administrative liability of the Entity in all cases where, for the alleged crime committed abroad, the natural person who committed it pursuant to articles 7, 8, 9 and 10 of the Italian Criminal Code must also be punished.

In order for the Italian court to exercise its jurisdiction and apply the administrative penalties provided for in the Decree against the Entity, in the event of committing an offence abroad, the following specific conditions are required:

1. the offence must be committed abroad (and perpetrated entirely abroad) by the qualified person ("top-management" or "subordinate");
2. the Entity must have its head office in Italy (Articles 2196 and 2197 of the Italian Civil Code);
3. one of the conditions set out in Articles 7⁴, 8⁵, 9⁶ and 10 of the Criminal Code is met⁷;
4. the State where the offence was committed is not going to take legal action against the Entity;
5. in cases where the law provides that the guilty party is punished at the request of the Minister of Justice, proceedings are brought against the Entity only if the request is also made against the latter.

⁴ Pursuant to Article 7 of the Criminal Code (**Offences committed abroad**):

1. *A citizen or a foreigner who commits any of the following offences in a foreign country is punishable under Italian law:*
 1. *crimes against the personality of the Italian State;*
 2. *the offences of counterfeiting the State seal and of using that counterfeit seal;*
 3. *crimes of forgery of coins having the status of legal tender in the territory of the State, or of revenue stamps or of Italian public credit cards;*
 4. *crimes committed by public officials in the service of the State, abusing their powers or violating the duties inherent in their functions;*
 5. *any other offence for which special provisions of law or international conventions establish the applicability of Italian criminal law*

⁵ Pursuant to Article 8 of the Criminal Code (**Political crime committed abroad**):

1. *A citizen or a foreigner who commits a political crime in a foreign country that is not included among those indicated in Article 1(1) above shall be punished under Italian law at the request of the Minister of Justice.*
2. *If the offence is punishable on the basis of a complaint by the injured party, the complaint must also be filed in addition to this request.*
3. *For the purposes of criminal law, a political crime is any crime that offends a political interest of the State, i.e. a political right of the citizen. A common crime is also considered a political crime if it is determined, in whole or in part, by political motives.*

⁶ Pursuant to Article 9 of the Criminal Code (**Common crime of the citizen abroad**):

1. *A citizen who, outside the cases indicated in the two previous articles, commits an offence in foreign territory for which Italian law establishes the death penalty or life imprisonment, or imprisonment for a minimum of three years, shall be punished according to the same law, provided that he is in the territory of the State.*
2. *In the case of a crime for which a shorter sentence restricting personal freedom has been imposed, the offender shall be punished at the request of the Minister of Justice or at the request or on the complaint of the injured party.*
3. *In the cases provided for by the preceding provisions, if the offence is committed against the European Communities, a foreign State or a foreigner, the guilty party is punished at the request of the Minister of Justice, provided that the extradition of him has not been granted, or has not been accepted by the Government of the State in which he committed the offence.*

⁷ Pursuant to Article 10 of the Criminal Code (**Common crime of a foreigner abroad**):

1. *A foreigner who, with the exception of the cases indicated in Articles 7 and 8, commits a crime in foreign territory, to the detriment of the State or a citizen, for which Italian law establishes the death penalty or life imprisonment, or imprisonment for a minimum period of at least one year, is punishable under the same law, provided that he is in the territory of the State, and there is a request from the Minister of Justice, or a petition or complaint from the injured party.*
2. *If the crime is committed against the European Communities, a foreign State or a foreigner, the guilty party is punished under Italian law, at the request of the Minister of Justice, provided that:*
 1. *is in the territory of the state;*
 2. *the offence is an offence for which the death penalty is established or life imprisonment, or imprisonment of at least three years;*
 3. *his extradition has not been granted, or has not been accepted, by the Government of the State in which he committed the offence, or by the Government of the State to which he belongs.*

THE OFFENCES THAT DETERMINE THE ADMINISTRATIVE LIABILITY OF THE ENTITY

The offences that may give rise to the Company administrative liability are only those expressly indicated by the Law in the Decree, which, at the time of its issue, covered only specific offences against the Public Administration. The Law, also in application of subsequent EU directives, has, over the years, significantly expanded the list of crimes subject to the application of Legislative Decree 231/2001, which now includes, in particular:

- Offences against the Public Administration and against the assets thereof (Artt. 24 and 25);
- Computer crimes and unlawful data processing (Art.24-bis⁸);
- Organised crime offences (Art. 24-ter);
- Offences relating to forgery of money, public credit cards, stamps and identification instruments or signs (Art. 25 bis);
- Crimes against industry and trade (Art. 25a(1));
- ⁹Corporate offences, including the offence of bribery among private individuals and incitement to bribery among private individuals¹⁰ (Art.25-ter);
- Offences committed for the purpose of terrorism or subversion of the democratic order (art. 25 - quater);
- Practices of female genital mutilation (Art. 25-quater 1);
- Crimes against the individual (Art. 25d¹¹);
- breach of the regulations on the protection of health and safety at work (art. 25-septies);
- Receiving, laundering and using money, goods or benefits of illicit origin, as well as self-

⁸ Legislative Decree no. 7 of 15 January 2016 led to the repeal of various crimes provided for by the Penal Code, and the amendment of other criminal offences, expressly referred to in Article 24-bis of Legislative Decree 231/2001 (Computer crimes and unlawful processing of data). Among the repealed conduct, there is Article 485 of the Criminal Code. (Falsehood in private writing).

This has led to the amendment of Article 490 of the Italian Criminal Code. (Abolition, destruction and concealment of real acts), which no longer applies to the case of private deeds, as well as to Article 491-bis of the Italian Criminal Code. (Computer Documents), which now provides for the application of criminal law provisions relating to the falsification of documents, only when they concern public computer documents with probative effect.

Among the partially modified illegal conduct, there are all the crimes of "damage" to information systems, as well as information, data or computer programs, also referred to in art. 24-bis of Legislative Decree 231/2001; in this case, all the conduct of damage found under criminal law has undergone a partial reformulation of the special aggravating circumstance, provided for in any case in which the crime was committed "with violence to the person or with threat or with abuse of the quality of system operator".

⁹ Law no. 69 of 27 May 2015 on "Provisions concerning offences against the public administration, mafia-type associations and false accounting" modified the types of offences referred to in articles 2621 and 2622 of the Italian Civil Code and introduced the new offence referred to in article 2621-bis of the Italian Civil Code, "Fatti di live entità", which is also included in the catalogue of offences 231.

¹⁰ With Law no. 190 of 6 November 2012 ("Provisions for the prevention and repression of corruption and illegality in the Public Administration"), the offence of "bribery among private individuals" (Article 2635 of the Italian Civil Code), recently amended by Legislative Decree 38/2017, was included in the catalogue of offences for which administrative liability is envisaged pursuant to Legislative Decree 231/01, and which included the offence of "incitement to bribery among private individuals" (Article 2635-bis of the Italian Civil Code).

¹¹ With law no. 199 of 29 October 2016, containing "Provisions on the subject of combating the phenomena of undeclared work, the exploitation of labour in agriculture and the realignment of wages in the agricultural sector", art. 603 bis of the Italian Criminal Code was recently introduced into the catalogue of offences 231. "Illegal brokering and labour exploitation", which condemns any person '1. recruiting labour for the purpose of exploiting it for work with third parties, taking advantage of the workers' state of need; 2. using, hiring or employing labour, including through the brokering activity referred to in point 1, subjecting workers to conditions of exploitation and taking advantage of their state of need'.

- money laundering¹² (art. 25 - octies);
- Copyright infringement (art. 25-novies);
 - Inducement not to make representation or to make misrepresentation to the judicial authority (Article 25i);
 - Environmental offences¹³ (Art. 25j);
 - Employment of non-EU nationals illegally resident (Art. 25 - duodecies);
 - Racism and xenophobia (Art. 25 - terdecies);
 - Cross-border offences (Law No. 146 dated 16.3.06).

PENALTIES APPLICABLE TO THE ENTITY

The penalties provided for by Legislative Decree 231/2001 for Entities as a result of the commission or attempted commission of the offences abovementioned, are:

- monetary penalty from a minimum of € 25,822.84 up to a maximum of € 1,549,370.69 (and protective precautionary seizure);
- disqualification penalties (also applicable as a precautionary measure) of no less than three months and no more than two years, which, in turn, may consist of:
 - prohibition from exercising the activity;
 - suspension or revocation of authorisations or licences useful to the commission of the offence;
 - prohibition to contract with the Public Administration;
 - exclusion from subsidies, financing, contributions or aids and possible revocation of those already granted;
 - prohibition to advertise goods or services;
- seizure of the proceeds of the offence (and precautionary preventive seizure);
- publication of the sentence (in case of disqualification penalties).

Disqualification penalties only apply to the relevant Offences and provided that at least one of the following conditions is met:

¹² The offence of self laundering (Article 648 ter.1 of the Italian Criminal Code) was introduced into the catalogue of offences 231 by Law No. 186 of 15 December 2014, containing "Provisions concerning the emergence and return of capital held abroad as well as the strengthening of the fight against tax evasion. Provisions on self-recycling".

¹³ Article 25-undecies of Legislative Decree 231/2001 was supplemented with new types of offences by Law No. 68 of 22 May 2015 on "Provisions concerning crimes against the environment".

- the entity has gained a significant profit from the consumption of the Offence and the Offence has been committed by persons in a senior position or by subordinates when, in the latter case, the commission of the Offence has been determined or supported by serious organizational deficiencies;
- in the event of repetition of the offences.

Without prejudice to the application of pecuniary penalties, disqualifications do not apply when, before the opening of the first-tier hearing, the following conditions are met:

- a) the Entity has fully compensated for the damage and has eliminated the harmful or dangerous consequences of the crime or has in any case effectively acted in this direction;
- b) the Entity has eliminated the organizational deficiencies that determined the Offence by adopting and implementing organizational models suitable for preventing Offences as those occurred;
- c) the Entity has made available the profit made for seizure purposes.

The Decree also provides, in the most serious cases, for the judge to order a permanent disqualification on the exercise of the activity if the entity has made a significant profit from the offence and has already been sentenced, at least three times in the last seven years, to a temporary disqualification on the exercise of the activity.

The judge may also apply to the entity, as a final measure, the penalty of the prohibition of contracting with the Public Administration or the prohibition of advertising goods or services if the entity has already been sentenced to the same penalty at least three times in the last seven years.

If the Entity or one of its units is permanently used for the sole or main purpose of allowing or facilitating the commission of Offences, in relation to which its responsibility is provided for, a definitive disqualification from carrying out the activity is always provided for.

In the event of the commission, in the form of an attempt, of the offences indicated in Chapter I of Legislative Decree 231/2001 (artt. 24 to 25-terdecies), the pecuniary penalties (in terms of amount) and disqualification penalties (in terms of time) are reduced by one third to half, while the penalties are excluded in cases where the Entity voluntarily prevents the performance of the event.

EXEMPTION FROM LIABILITY: THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

Articles 6 and 7 of Legislative Decree 231/2001 expressly provide for exemption from administrative liability if the Entity has adopted effective organisation and management models suitable for preventing Offences of the type already occurred. The appropriate organisation is therefore the only instrument able to deny the "fault" of the Entity and, consequently, to exclude the application of penalties against it.

In particular, liability is excluded if the entity proves that:

- a) the management board has adopted and effectively implemented, before the offence was committed, organisational and management models suitable for preventing offences of the type already occurred;
- b) the task of supervising the functioning of and compliance with the models and their updating has been entrusted to a board of the entity with independent powers of initiative and control;
- c) the persons have committed the act by fraudulently circumventing the organisational and management models;
- d) there has been no omission or inadequacy of supervision by the board referred to in point (b).

The adoption of a Model, specifically tailored on the risks the Entity is exposed to, aimed at preventing, through the establishment of rules of conduct, the commission of specific offences, is therefore the measure of diligence defined by the Law and represents - in view of its preventive function - the first element of the system aimed at controlling risks.

Just the adoption of the Model by the *executive board*- which is to be identified as the board having management power: the Board of Directors - does not seem to be sufficient to determine the exemption from liability of the Entity, since it is rather necessary for the Model to be *effective*.

With regard to the effectiveness of the Model, the Law, in Article 6, paragraph 2, of Legislative Decree 231/2001, states that the Model must meet the following requirements:

1. identify the activities related to possible criminal offences (so-called "mapping" of risk activities);
2. provide for specific protocols aimed at planning formation and implementation of the entity's decisions in relation to the Offences to be prevented;
3. identify ways of managing financial resources suitable to prevent the commission of the Offences;
4. provide for information requirements towards the board responsible for supervising the operation of and compliance with the models.

The effectiveness of the Model, on the other hand, is linked to its *effective implementation*, which, pursuant to Article 7, paragraph 4, of Legislative Decree 231/2001, requires:

5. a periodic assessment and possible amendment of the same when significant breaches of the prescriptions are discovered or when changes in the organisation or in the activity take place (updating of the Model);
6. a system suitable against non-compliance with the measures indicated in the Model.

However, the adoption of an Organisation, Management and Control Model is not mandatory for the Entities, but just optional, which, however, allows for exemption from liability and other benefits in terms of penalty reduction.

Exemption from administrative liability with regard to health and safety at work

With the introduction of negligent offences in the scope of application of the Decree, which took place with Law 123/2007 (which, by introducing the art. 25 septies, has provided for administrative liability for the crimes of manslaughter and serious or very serious injuries committed in breach of the regulations on health and safety protection at work), the criterion of exemption from liability indicated in point c) - i.e. the proof that the fact was committed through the fraudulent circumvention of the controls placed by the Entity within its organization - precisely because of the lack of wilfulness of the damaging event (death or serious or very serious injuries) cannot apply. In such a case, the entity will have to prove that the culpable breach committed by its member has been put in place despite the implementation of an effective system to monitor the application of the rules, general and special, to avoid the risk for such an event to occur.

The essential and unifying element of the various and possible forms of responsibility in matters of security, also for the purposes of the applicability of Art. 25 septies of Legislative Decree 231/2001, is represented by the failure to adopt, within the Entity, all the measures of security and prevention technically possible and tangibly feasible, in the light of experience and the most advanced technical-scientific knowledge. Furthermore, the safety requirements of the Entities must be considered not only in their static component (adoption of prevention and safety measures) but also in their dynamic elements, which implies the obligation to inform and train workers on the risks in the working activity and on the appropriate measures to avoid or reduce such risks. Article 30 of Legislative Decree 81/2008, which expressly refers to Legislative Decree 231/2001, provides, in particular, for the exclusion from administrative liability of the Entity that has adopted and effectively implemented a Model that ensures a corporate system aimed at fulfilling all legal requirements related to:

- compliance with the technical-structural standards of the law relating to equipment, plants, workplaces, chemical, physical and biological agents;
- risk assessment activities and the arrangement of prevention and protection measures;
- organisational activities, such as emergencies, first aid, contract management, recurrent safety meetings, meeting of workers' safety representatives;
- health surveillance activities;
- information and training activities for workers;
- supervisory activities with reference to compliance with procedures and instructions for safe

work by employees;

- the acquisition of documents and certifications required by law;
- recurrent checks on the application and effectiveness of the procedures adopted.

The Model must provide for suitable systems to record the implementation of all the activities listed above and, in addition, in view of the type and size of the organisation and the type of activity carried out, a range of functions ensuring the technical skills and powers needed to verify, assess, manage and control risk, also with a view to keeping the measures adopted up-to-date so as to maintain the conditions of suitability over time. Finally, the aforementioned regulation requires that the Model provides for a suitable system of control over the implementation of the Model itself, as well as a disciplinary system suitable for punishing non-compliance with the measures indicated therein. The review and possible modification of the Model must be adopted whenever relevant breaches of the rules on accident prevention and hygiene at work are discovered, or in the event of changes in the organisation and activity in relation to scientific and technological progress. Paragraph 5 of the same article 30 of Legislative Decree 81/2008 states that at the time of first application, the business organisation models defined in accordance with the UNI-INAIL guidelines for a health and safety at work management system (SGSSL) dated September 28th 2001 or the British Standard OHSAS 18001:2007 are deemed to comply with the above requirements.

1.2. SOURCES FOR MODEL CONSTRUCTION: CONFINDUSTRIA GUIDELINES

By specific legislative provision (art. 6, paragraph 3, Legislative Decree 231/2001), the organisation and management models may be adopted on the basis of codes of conduct drawn up by the associations representing the Entities, communicated to the Ministry of Justice.

The main legal instruments used to define and update the Model include, in addition to civil and criminal codes, the Guidelines drawn up by Confindustria.

On March 31st 2014, Confindustria issued an updated version of its "*Guidelines to draw up Organisation, Management and Control Models pursuant to Legislative Decree 231/01*", where, *inter alia*, new indications with reference to risk coverage regarding the occurrence of the most recent Offences introduced into Legislative Decree 231 have been implemented.

On July 21st, 2014, the Ministry of Justice approved these Guidelines, considering that the update should be regarded as "*overall adequate and suitable for achieving the purpose set out in art. 6 of the Decree*".

The guidelines of Confindustria indicate a path that can be summarized as follows:

- identification of the risk areas, aimed at verifying in which area/business sector, prejudicial events envisaged by Legislative Decree 231/2001 can be carried out;

- preparation of a control system capable of preventing risks through the adoption of suitable protocols. The most important elements of the control system devised by Confindustria are:
 - code of ethics;
 - organizational system;
 - manual and IT procedures;
 - powers of authorisation and signature;
 - management control systems;
 - communication to and training of staff.

The parties of the control system must be informed in accordance with the following principles:

- verifiability, documentability, consistency and appropriateness of each operation;
- application of the principle of functions segregation (no one can independently manage an entire process);
- control documents;
- provision of an adequate system of penalties for the breach of the rules of the Code of Ethics and the procedures provided for by the Model;
- identification of the requirements of the Supervisory Board, which can be summarised as follows:
 - autonomy and independence;
 - professionalism;
 - action permanence;
- information requirements by the Supervisory Board.

To draft the Model, B&B has therefore specifically taken into account:

- the provisions of Legislative Decree 231/2001, the ministerial report and Ministerial Decree no. 201 dated June 26th 2003 containing the implementing regulation for Legislative Decree 231/2001;
- the guidelines prepared by Confindustria;
- legal theory and case-law up to date.

2. SECTION TWO - THE CONTENT OF THE MODEL OF B&B ITALIA S.P.A.

2.1. MODEL ADOPTION

THE ACTIVITY AND THE ORGANIZATIONAL STRUCTURE OF B&B

B&B Italia was founded in 1966 thanks to the entrepreneurship and intuition of its charismatic founder Piero Ambrogio Busnelli. It is a leading international company in the field of upholstered furniture, thanks to a brilliant technological approach that introduced for the first time in the sector an industrial method for the production of high quality design furniture. Its innovative strength has extended over the years to other areas of home and outdoor furniture up to the field of community furniture.

The activities are carried out through two divisions: the home division and the contract division.

With reference to the Home Division, "B&B Italia" and "Maxalto" are the two brands with which the Company is known on the international home furnishing market and offer a complete range of products for the living and sleeping areas. The Company's achievements are the harmonious result of collaborations with excellent names in international design. Many contributions that come together to create unique pieces of furniture, where design, research, creativity and technology evolve together, interpreting the contemporary in different contexts from time to time, such as residential furniture, outdoor furniture or that for offices / public areas. Today B&B Italia boasts a collection of world-famous home furnishings that effectively represent the language of Italian design. The company's dynamism and creativity have allowed it to create new collections for unexplored market segments over time. From the collaboration with prestigious designers was born "B&B Italia outdoor", a collection of outdoor furniture, immediately recognized for the innovation of design and product quality; "B&B Italia Project", a collection of chairs, tables and upholstered furniture designed for the community market that turns a new look at furniture for offices, restaurants, hotels and public areas. Not least "B&B Italia Object", a collection of heterogeneous items for spaces with a contemporary spirit, in which the most rigorous expressions of design intersect with highly decorative solutions. The international approach has led the company to build over time a selected network of highly professional points of sale and a significant presence of flagship stores in the most important cities in the world including Milan, London, Paris, Barcelona, Munich, New York, Tokyo.

The Contract division of B&B Italia has been dealing for over thirty years with "turnkey" supplies of furnishings and fittings in the hospitality, retail, office and nautical sectors. Over time it has become an exceptional partner for designers from all over the world to develop with them hotels, residences, offices, theatres, shops, yachts and cruise ships. A consolidated competence that guarantees not only products from the catalogue, but above all functional and technologically advanced solutions, exclusive furnishings, designed, conceived to interpret and solve the specific needs of the customer

and the designer. The activities of design, production, project management and logistics are perfectly integrated to ensure the implementation of complex contract projects, in accordance with the constant search for technical excellence and design.

Organisational, management and commercial activities are carried out at the B&B Italia headquarters in Novedrate, while production activities are carried out at the Noverdrate and Misinto plants.

The B&B Italia plant falls within the category of major-accident hazards and has sent Notification to the relevant supervisory boards. It has implemented a Safety Management System for the prevention of major accident risks, in accordance with the provisions of Legislative Decree 105/15 and its own Company Policy. In this context, it has extended the application of the Management System to business processes not directly connected with the risks of major accidents.

With the entry into force of Legislative Decree 81/08, and in implementation of art. 30 of the same, wanted to extend and apply the Safety Management System in all its corporate headquarters and for all processes under its control.

The organisational structure of B& B Italia is described in detail in the company's organisational chart, which identifies the Areas, Departments, Functions and their managers.

B&B Italia is managed by a Board of Directors composed of 5 to 11 members who have all the powers of ordinary and extraordinary administration to achieve the corporate purpose, excluding only those that the law reserves to the shareholders' meeting.

The Board of Statutory Auditors appointed by the Shareholders' Meeting is made up of 5 members (of whom 3 are permanent and 2 are substitute members).

The Company is also subject to the control of an Auditing Firm. The decision of the Board of Directors of B&B Italia to adopt a Model is part of the Company's broader business policy aimed at raising awareness among all staff and the entire agency network to a transparent and fair management of the Company, to comply with current legislation and the fundamental principles of business ethics in the pursuit of the corporate purpose.

MODEL INSPIRING PRINCIPLES

This Model has been prepared in compliance with the peculiarities of the Company activities and its organizational structure as well as the specific tools already existing in B&B and aimed at planning the formation and implementation of corporate decisions and to carry out controls on corporate activities, and specifically the following:

- Governance tools;
- Internal audit system.

Governance tools

The B&B Model takes into account the governance tools of the Company ensuring its functioning, which can be summarised as follows:

- The Memorandum of Association, the basic document governing the system of corporate governance. It defines the purpose of the company, the registered office, the corporate purpose, the duration, the share capital, as well as the powers and responsibilities of the top management;
- the company's organisational documentation, which describes the company's organisational structure and work processes, the tasks and responsibilities of the organisational units. The main corporate organisational documents are represented by:
 - the system of powers and delegations attributed to the various corporate bodies;
 - the resolutions of the Board of Directors;
 - the Quality Management System consisting of the Quality Manual, procedures, operating practices and related documents, prepared in accordance with ISO 9001 standards;
 - the Integrated Safety and Environment Management System prepared in accordance with BS OHSAS 18001:2007 and ISO 14001 standards;
- and ISO internal documents governing the structure of responsibilities and describing the company's organisational chart;
- the Code of Ethics is made up of a set of principles and values that all internal and external subjects, who have a direct or indirect relationship with the Company, must respect.
- the in-house set of procedures - consisting of procedures, operating instructions and internal communications aimed at clearly and effectively regulating the relevant Company processes;
- additional detail tools - job title, job profile, forms, etc..

The rules, procedures and principles contained in the documentation listed above, although not reported in detail in this Model, are a valuable tool for monitoring illegal conduct in general, including those referred to in Legislative Decree 231/2001, which is part of the broader system of organization, management and control that the Model intends to integrate and that all Addressees are required to comply with, with regards to the type of relationship existing with the Company.

Internal audit system

The internal audit system already in place and implemented by B&B, is a structured and organic system of activities, procedures, rules of conduct, service communications and organizational structures aimed at continuously monitoring the risks of the Company, engaging the entire business and involves different parties.

The main objectives of the Company internal audit system are to ensure with reasonable certainty the achievement of operational, information and compliance objectives:

- the operational objective of the internal audit system concerns the effectiveness and efficiency of the Company in employing resources, protecting itself from losses and safeguarding the Company's assets: in this case, the internal audit system aims to ensure that throughout the organisation the personnel work to achieve the Company's objectives and without putting other interests before those of the Company;
- the objective of information is expressed in the preparation of timely and reliable reports for the decision-making process within the organization and also responds to the need to ensure reliable documents directed to the outside world, while respecting the confidentiality of the company's information assets;
- the compliance objective ensures that all transactions are conducted in accordance with laws and regulations, prudential requirements and relevant internal procedures.

The control system involves every sector of the Company's activity by distinguishing between operational and control tasks, reasonably awaiting any possible conflict of interest.

The following general principles form the basis of this control structure:

- every operation, transaction or action must be verifiable, documented, and consistent;
- No one should be able to manage an entire process independently (segregation of duties);
- the control system must be able to document the performance of controls, including supervision.

The controls also involve the Board of Directors and the Board of Statutory Auditors in various roles, within the scope and in accordance with the provisions of the laws, regulations and codes of conduct in force. Each organisational structure is responsible for the correct functioning of the Internal audit System for all the processes for which it has management responsibility.

The existing type of corporate control structure is inspired by the indications provided by the CoSO Report and by the Corporate Governance Paper AIIA (Italian Association of Internal Auditors) - Integrated approach to the internal audit system - and structured on three levels:

- **a first level** that defines and manages the so-called line controls inherent in operational processes: these are those procedural, IT, behavioural, administrative-accounting, etc. controls carried out both by those who implement a specific activity, and by those who are responsible for supervision. All company functions carry out these direct controls in the management of their responsibilities; they are both hierarchical and functional controls aimed at ensuring the correct performance of operations;

- a **second level** that oversees the risk assessment and control process, ensuring that it is consistent with the company's objectives, meeting organisational segregation criteria sufficiently to allow effective monitoring;
- a **third level** that guarantees the correctness of the design and functioning of the overall Internal auditSystem. This activity is carried out by the Supervisory board through the monitoring of risks and line controls in place.

The existing system of corporate governance and control contains valid elements to be able to be used also for the prevention of the crimes contemplated by the Decree. In any case, the Board of Directors, sensitive to the need to ensure conditions of fairness and transparency in the conduct of business and corporate activities, to protect its position and image, the expectations of its shareholders and the work of its employees, has decided to reexamine its organizational tools, management and control, in order to verify the correspondence of the principles of conduct and procedures already adopted to the purposes of the Decree as amended in recent years, where necessary, adapting them in order to bring them into line with the aforementioned purposes. This assessment will be repeated in the future in order to systematically monitor the correspondence of the above principles with the purposes of the Decree.

MODEL CONSTRUCTION

The choice of the Board of Directors of B&B to adopt a Model is part of the Company's broader business policy, which is expressed in actions and initiatives aimed at raising awareness of all staff belonging to B&B (from management to employees) and all Third Parties and Additional Subjects to the transparent and correct management of the Company, to the respect of the laws in force and the fundamental principles of business ethics in the pursuit of the corporate purpose.

The review of this Model began with an analysis of the system of *governance*, the organisational structure and all the inspiring principles referred to in paragraph 1.2 above, and took into express consideration the indications given to date by the jurisprudence and the rulings, including provisional rulings, of the Judicial Authority, together with those expressed by the Trade Associations (typically Confindustria).

The process of preparing the Model was therefore developed in different phases, based on compliance with the principles of traceability and verifiability of the activities carried out.

The starting point was the assessment of the risk of commission of the Offences in the context of carrying out the sensitive activities identified. The mapping of these processes has led to a precise identification of possible conduct through which it is theoretically possible to commit the Offences.

The internal audit system to monitor the identified risks was then evaluated, the Code of Ethics and specific **Protocols** were adopted, aimed at governing the risk profiles identified following the mapping of the company's activities (see paragraph 2.1.3.1.), as required by Article 6, paragraph 2, letter b) of Legislative Decree 231/01.

In accordance with the requirements of Articles 6, paragraph 2, letters d) and e) of the Decree, the following steps were taken:

- to define the characteristics, roles and tasks of the **Supervisory Board** (as set out in paragraph 2.2 below), which is expressly responsible for overseeing the effective application of the Model and its constant monitoring in terms of adequacy and effectiveness;
- to outline a **system of penalties** (reported in paragraph 2.3 below) against all breaches of the Model;
- to define the methods of **dissemination** of the Model and training of personnel thereof (as indicated in paragraph 2.4 below);
- to define the methods for **updating** the Model (see paragraph 2.5 below).

Risk activities mapping

The B&B Model is based on the identification of the map of activities at risk, or activities within which crimes can be committed, as expressly provided for in art. 6, c. II, letter. a) of the Decree.

The mapping of the activities at risk was carried out by evaluating the specific operating areas and the organisational structure of B&B, with reference to the risks of crime that can actually be envisaged.

The methodology followed involved the involvement of an integrated working group composed of external professionals - with risk management and internal audit skills, legal and criminal - and internal resources of the Company.

The methods and criteria adopted in the various phases are set out below.

Phase I: collection and analysis of all relevant documentation

Documentary analysis was used to identify activities at risk: first of all, the relevant official documentation available at the Company was collected in order to better understand the Company's activities and identify the business areas subject to analysis.

By way of example, the following documents have been analysed:

- corporate organizational chart;
- Bylaws and Company Registration Report;

- operational regulations and official procedures;
- organisational arrangements and communications;
- proxies and powers of attorney;
- operating procedures and instructions;
- Code of Ethics;
- annual financial statements;
- other documents.

Account has also been taken of all the events that have affected the Company with reference to the sensitive areas linked to the Decree.

Phase II: risk assessment

The purpose of the phase in question was the prior identification of processes, sub-processes and company activities and therefore the identification of risk areas or company areas in which crimes may be committed.

These resources were interviewed by the working group in order to construct a Model that adheres as closely as possible to the specific operating areas and the organisational structure of the company, with reference to the risks of offences that are actually conceivable.

In fact, the interviews, also aimed at starting the process of raising awareness of the provisions of Legislative Decree 231/2001, the activities of adapting the Company to the aforementioned Decree, the importance of compliance with the internal rules adopted by the Company for the prevention of crimes, were conducted with the aim of identifying the processes and activities potentially at risk of committing the crimes provided for in the Decree as well as the existing safeguards to mitigate the aforementioned risks.

All the Company's processes were mapped, divided into sub-processes and activities with evidence of the Organisational Units involved and the specific risk profile of potential assessment of the offences involved.

The results of this activity were formalised in specific documents called "Risk Assessment Matrixes", which were then shared and approved by the resources interviewed and remain at the disposal of the Supervisory Board for the institutional activity entrusted to it.

It is important to point out that the map of activities at risk photographs the situation existing at the date of drafting of this Model. The evolution of business activities will require the necessary updating of the mapping, in order to include any risks associated with new activities.

In accordance with the provisions of Article 6, paragraph 2, letter a) of Legislative Decree 231/01, the **areas of company activity identified as being at risk** are reported, or within which there could be potential risks of committing the types of offences envisaged by the Decree.

In particular, the following risk areas have been identified:

- Accounting management, drafting of the Financial Statements and operations on assets;
- Management of cash and financial flows;
- Procurement of goods and services;
- Management of assignments to external professionals;
- Management of contracts with customers of the Contract Division;
- Management of production and intellectual and industrial property rights;
- Staff recruitment, development and administration;
- Management of contracts with intermediaries and business partners;
- Management of IT systems and ICT copyrights;
- Management of litigation and settlement agreements;
- Management of fulfilments and dealings with the Public Administration;
- Management of contracts and business dealings with customers of the Home Division;
- Occupational health and safety management;
- Environmental compliance management.

Phase III: Gap Analysis

The purpose of this phase was to identify, for each area of risk, the existing organisational, control and behavioural controls for the specific types of offences referred to in the Decree, to assess their suitability to prevent the risks highlighted in the previous phase of *risk assessment* and therefore the improvement actions to be carried out.

A comparative analysis was then made between the existing organisation ("*as is*") and a reference model to be evaluated on the basis of the content of the Decree, the indications of the wide jurisprudence and the guidelines of Confindustria ("*to be*"). From this comparison, the areas of improvement of the existing internal audit system that will be implemented in the Protocols and in the procedural body have been identified.

Protocols

Following the identification of the activities at risk and on the basis of the relevant existing control system, the Company has drawn up **specific Protocols**, in compliance with the provisions of Article

6, paragraph 2, letter b) of Legislative Decree 231/2001, which contain a set of rules and principles of control and conduct considered suitable for governing the identified risk profile.

For each risk area not considered sufficiently manned by the internal procedural body, a Protocol has been created, inspired by the rule of documented and verifiable reindeer in the various stages of the decision-making process, so that it is possible to trace the motivation that guided the decision.

Within each Protocol, they are identified:

- purpose of the document;
- scope;
- roles involved in the risk area;
- conduct principles;
- auditing principles;
- reporting to the Supervisory Board;

The auditing principles in the Protocols refer to:

- authorisation levels;
- functional segregation of authorisation, operational and control activities;
- conduct principles;
- specific controls;
- traceability of the decision-making process and storage of supporting documents.

The Protocols have been submitted, for evaluation and approval, to the examination of the subjects responsible for the management of the activities at risk, thus making official and obligatory the rules of conduct contained therein with regard to all those who are carrying out the activity within which a risk profile has been identified.

The definition of the Protocols is completed and integrated with the Code of Ethics, to which the Company intends to conform the management of its activities also in relation to the conduct that may constitute the types of crime governed by Legislative Decree 231/2001.

Ethical principles are the foundation of the company culture and represent the standards of daily behaviour inside and outside B&B.

In particular, the Company undertakes to:

- operate in compliance with the law and current regulations;
- to base its relations with the Public Administration on principles of ethics, transparency, correctness, legitimacy and integrity;
- maintain a collaborative behaviour in relations with customers, suppliers and contractors, characterised by loyalty and availability and aimed at avoiding conflicts of interest.

Where deemed appropriate, specific internal procedures will be issued to implement the individual provisions in detail.

2.2. SUPERVISORY BOARD

FEATURES OF THE SUPERVISORY BOARD

The exemption from administrative liability - as regulated by Article 6, paragraph 1, of Legislative Decree 231/2001 - also provides for the mandatory establishment of a Supervisory board within the Entity, endowed with both an autonomous power of control (which enables it to constantly monitor the functioning of and compliance with the Model) and an autonomous power of initiative, to guarantee the updating of the Model itself, in order to ensure the effective and efficient implementation of the Model.

The characteristic of the **autonomy of the powers of initiative and control** of the Supervisory Board is respected if:

- the Supervisory Board is guaranteed hierarchical independence with respect to all the corporate bodies over which it is called upon to supervise, ensuring that it reports directly to the Board of Directors;
- its members are not directly involved in decisions or supervisory activities in respect of which a conflict of interest may be identified (e.g. decisions concerning an area in which the member has a specific interest and which could involve a mixture of the controller and the controlled party). The management of conflicts of interest on the part of the members of the Supervisory Board, as well as the consequent requirements of abstention, are specifically governed by the internal rules of that body;
- has financial autonomy. The SB is assigned an annual budget, established by resolution of the Board of Directors, which must allow it to carry out its tasks in full autonomy.

In addition to the autonomy of powers provided for by the Decree, the Company has also decided to be consistent with the Confindustria Guidelines and the rulings of the courts on the subject, which have also indicated the requirements of professionalism and consistency of validity as necessary.

With regard to the requirement of **professionalism**, it is necessary for the Supervisory Board to be endowed with specific legal skills, with particular reference to those of a penalistic nature, and also to be able to carry out its own inspection functions with regard to the actual application of the Model and, at the same time, to have the necessary qualities to guarantee the dynamism of the Model itself, through proposals for updates to be addressed to the top management of the company.

Finally, with regard to the **consistency of validity**, the SB must ensure constant monitoring and updating of the Model and its variation to changes in the company's reference conditions and represent a constant point of reference for the addressees of the Model.

With regard to the possible composition of the Supervisory Board, the doctrine and practice have developed different solutions, based on the size and operational characteristics of the Body, the related rules of corporate governance and the need to achieve a fair balance between costs and benefits. Therefore, it is considered feasible to define the structures specifically created in the Body and to assign the tasks of the Supervisory Board to existing bodies. Likewise, both collegial and monosubjective structures can be chosen. Finally, in the enucleation of the members of the Supervisory Board, it is possible to entrust this qualification to external subjects, who possess the specific skills necessary for the best execution of the task.

Finally, pursuant to art. 6, paragraph 4 bis of the Decree, introduced by art. 14, paragraph 12, of Law no. 183 of 12 November 2011, in joint-stock companies the function of Supervisory board may be performed by the Board of Statutory Auditors, the Supervisory Board or the Management Control Committee.

IDENTIFICATION OF THE SUPERVISORY BOARD

Unless the Entity decides to entrust the task of Supervisory board to one of the persons indicated in art. 6, paragraph 4 bis of Legislative Decree 231/2001, the concrete establishment of such body is left to the organisational initiative of the Entity, again in function of the framework outlined by the Decree.

In view of the above, in the present case, the Company, taking into account the extent and complexity of its structure and the activities that are carried out, has chosen to set up a multi-subjective body composed of three members, one of whom acts as chairman, in order to ensure greater effectiveness of the controls delegated by Decree 231/2001 to the Supervisory Board.

The SB is appointed by resolution of the Board of Directors and remains in office for a period not exceeding three years, regardless of the duration of the mandate of the Board of Directors. Each member of the Supervisory Board may be re-elected at the end of each term of office.

Appointment as a member of the Supervisory Board is subject to the presence of subjective eligibility requirements, the recurrence and permanence of which will be assessed annually by the Board of Directors.

First of all, the members of the Supervisory board of B&B, for the purposes of assessing the **requirement of independence**, from the time of appointment and for the entire duration of the office, must not:

- hold executive or delegated positions on the Company's Board of Directors;

- directly participate in decisions or supervisory activities in respect of which a conflict of interest can be identified on the basis of the provisions of the Internal Regulations of the Supervisory Board;
- to be part of the family nucleus of the executive directors or of the shareholder or one of the shareholders of the controlling group, meaning by family nucleus that constituted by the spouse not legally separated, by relatives and relatives by the fourth degree.

In addition, the Company has established that the members of the Supervisory Board must meet the **requirements of professionalism and integrity** set forth in art. 109 of Legislative Decree no. 385 of 1 September 1993. In particular, the members of the Supervisory Board must not have been convicted with a sentence that is not yet final, or with a sentence for the application of the penalty upon request (issued pursuant to Articles 444 et seq. of the Code of Criminal Procedure) and even if with a suspended sentence, except for the effects of rehabilitation:

1. to imprisonment for a period of not less than one year for one of the crimes provided for by Royal Decree 267 of 16 March 1942 (the so-called Bankruptcy Law);
2. on pain of imprisonment for a period of not less than one year for one of the offences provided for by the rules governing banking, financial, securities and insurance activities and by the rules governing markets and securities and payment instruments;
3. to imprisonment for a period of not less than one year for a crime against the Public Administration, against the public faith, against property, against the public economy, for a crime in tax matters;
4. for any crime not culpable to the punishment of imprisonment for a period of time not less than two years;
5. for one of the offences provided for in Title XI of Book V of the Civil Code, as reformulated by Legislative Decree 61/02 (Discipline of criminal and administrative offences concerning commercial companies);
6. for an offence which amounts to and has led to the conviction of a penalty from which derives the prohibition, even temporary, from public offices, or the temporary prohibition from the executive offices of legal persons and companies;
7. for one of the prevention measures provided for by Article 10, paragraph 3, of Law No. 575 of May 31st, 1965, as replaced by Article 3 of Law No. 55 of March 19th, 1990 and subsequent amendments (Provisions against the Mafia);
8. for the accessory administrative penalties provided for by art. 187-quater of Legislative Decree no. 58/1998 (TUF - Consolidated Law on Finance).

Any revocation of the members of the Supervisory Board may only be made for reasons connected with serious breaches of the mandate assumed, including breaches of confidentiality requirements

and the causes of ineligibility mentioned above. By way of example, a proven serious negligence and/or serious inexperience in supervising the correct application of and compliance with the Model, as well as - more generally - in the performance of one's mandate, constitute just cause for revocation of the members of the Supervisory Board.

The revocation of the mandate must, in any case, be decided by the Board of Directors of the Company with an act that clearly specifies the reasons for the decision taken.

The members of the Supervisory Board shall cease to hold office when they are present after their appointment:

1. in one of the following situations and specifically:
 - a. those who find themselves in the conditions provided for by Article 2382 of the Italian Civil Code (disqualified, incapacitated, bankrupt, or those who have been sentenced to a penalty that involves disqualification, even temporary, from public office or incapacity to exercise managerial positions);
 - b. the spouse, relatives and in-laws up to the fourth degree of the directors of the Company, the directors, the spouse, relatives and in-laws up to the fourth degree of the directors of the companies controlled by the Company, of the companies that control it and of those subject to common control;
2. convicted, even with a non-definitive judgement (meaning a judgement that includes that pronounced pursuant to Article 444 of the Criminal Code) for one of the offences indicated in numbers 1, 2, 3, 4, 5, 6 and the conditions of ineligibility indicated above.

They also constitute grounds for disqualification from the office of member of the Supervisory Board:

3. conviction with a non-definitive sentence for one of the offences of numbers 1 to 6 of the conditions of ineligibility indicated above;
4. the application of one of the penalties referred to in numbers 1 to 6 of the conditions of ineligibility indicated above;
5. the application of a personal protective measure;
6. the provisional application of one of the prevention measures provided for by Article 10, paragraph 3, of Law No. 575 of 31 May 1965, as replaced by Article 3 of Law No. 55 of 19 March 1990 and subsequent amendments, and the accessory administrative penalties provided for by Article 187-quater of Legislative Decree No. 58/1998 (TUF).

Finally, the following are further causes of ineligibility or disqualification for members of the SB compared to those outlined above:

7. they have been subject to preventive measures ordered by the judicial authorities pursuant to the Law on preventive measures against persons dangerous to safety and public morality

(Law No. 1423 of 56) or Law No. 575 of 1965 (provisions against the mafia);

8. being investigated or convicted, even with a non-definitive judgment or issued pursuant to Articles 444 et seq. of the Code of Criminal Procedure (plea bargaining) or even with a conditionally suspended sentence, except for the effects of rehabilitation for one or more offences among those strictly provided for by Legislative Decree 231/01.

Finally, it should be noted that the forfeiture of the office of member of the Supervisory Board operates automatically from the moment of the occurrence of the cause that produced it, without prejudice to the other requirements described below.

The appointment of the members of the Supervisory board by the Board of Directors becomes effective only after each member has formally accepted the appointment in writing. Each member of the Supervisory Board may resign from office at any time, subject to prior notice to be presented in writing to the Board of Directors and in copy to the other members.

In the event of termination of office, the member of the Supervisory Board concerned must immediately notify the Board of Directors in writing and the Board of Statutory Auditors and the other members of the Supervisory Board for information. Even in the absence of such communication, each member of the Supervisory Board who becomes aware of the existence of a cause for revocation by another member must promptly notify the Board of Directors in writing and the Board of Statutory Auditors for information so that it can take the necessary measures.

In the event of resignation, incapacity, death, revocation or forfeiture of a member of the SB, the Board of Directors shall resolve to appoint a replacement without delay.

In the event of resignation, incapacity, death, revocation or forfeiture of the Chairman, the latter is replaced by the oldest member, who remains in office until the date on which the Board of Directors has resolved to appoint the new Chairman of the Supervisory Board.

During any *vacancy* period due to the occurrence of one of the events outlined above, the remaining members of the Supervisory Board remain in office and are responsible for requesting the Board of Directors to proceed promptly with the appointment of the missing member.

DEFINITION OF THE TASKS AND POWERS OF THE SUPERVISORY BOARD

The provision of art. 6, paragraph 1, letter b) of the Decree expressly establishes that the tasks of the Supervisory Board are to supervise the functioning of and compliance with the Model, as well as to ensure its updating.

In particular, the SB will have to carry out the following specific tasks

- a) **supervise the functioning of the Model and the compliance with the provisions contained therein** by the Addressees, verifying the consistency between the concrete behaviours and the

defined Model, proposing the adoption of corrective measures and the initiation of disciplinary proceedings against the subjects concerned. More precisely, he'll have to:

- verify the adequacy of the organisational solutions adopted for the implementation of the Model (definition of standard clauses, training of directors and proxies, disciplinary measures, etc.), making use of the competent company structures;
- activate and implement the control system;
- prepare the periodic plan of checks on the adequacy and functioning of the Model;
- carry out periodic checks, as part of the approved plan, on the activities or operations identified in the areas at risk;
- carry out targeted checks on specific operations or on specific and relevant acts carried out by the Company in the areas of risk, as well as on the system of powers in order to ensure the constant effectiveness of the Model;
- promote periodic meetings with the Board of Statutory Auditors and the Independent Auditors to allow the exchange of information relevant to the supervision of the functioning of the Model;
- promote appropriate initiatives for the dissemination of knowledge and understanding of the principles of the Model;
- regulate appropriate information mechanisms by providing for an electronic mailbox and identifying the information that must be transmitted to the SB or made available to it;
- collect, examine, process and store relevant information regarding compliance with the Model;
- evaluate reports of possible breaches and/or non-compliance with the Model;
- promptly report alleged breaches and non-compliance with the Model to the governing body (Board of Directors), for the appropriate disciplinary measures to be imposed with the support of the competent functions;
- verify that the breaches of the Model are effectively punished in compliance with the system adopted by B&B.

b) **Supervise the appropriateness of updating the Model**, informing the Board of Directors, where there is a need to adapt in relation to the extension of the number of Offences that entail the application of the Decree, of evidence of serious breaches of the Decree by the Addressees, or significant changes in the internal structure of the Company and/or in the manner in which the business activities are carried out. In particular, the Supervisory Board shall:

- monitor the evolution of the reference regulations and verify the adequacy of the Model to these regulatory requirements, reporting to the Board of Directors the possible areas of intervention;
- prepare suitable activities to keep the mapping of the areas at risk updated, according to the methods and principles followed in the adoption of this Model;
- supervise the adequacy and updating of the Protocols with respect to the need to prevent the Offences and verify that each party that contributes to the Model is and remains compliant with and adequate for the purposes of the Model as identified by law, to this end being able to avail itself of the information and collaboration of the competent corporate structures;
- assess, in the case of actual commission of Offences and significant breaches of the Model, the advisability of introducing changes to it;
- submit to the Board of Directors proposals for the adaptation and modification of the Model. The adoption of any amendments is in fact the responsibility of the governing body, which, in accordance with Article 6, paragraph 1, letter A), has direct responsibility for the adoption and effective implementation of the Model itself;
- verify the effectiveness and functionality of the Model amendments adopted by the Board of Directors.

In carrying out its supervisory and control activities, the SB, without the need for any prior authorisation:

- will have free access to all the structures and offices of the Company, will be able to communicate with any subject operating in the aforesaid structures and offices and will have free access to and acquire all the information, documents and data he deems relevant. In the event of a reasoned refusal by the addressees of the requests, the SB will prepare a special report to be sent to the Board of Directors;
- may request access to data and information as well as the presentation of documents to the members of the corporate bodies, to the independent auditors, to Third Parties and in general to all the Addressees of the Model. With specific reference to Third Parties, the obligation to comply with the requests of the SB must be expressly provided for in the individual contracts entered into by the Company and/or in the communications sent by the Company;
- may carry out periodic inspections in the various company functions, also with reference to specific operations (also in progress) carried out by the Company.

Taking into account the peculiarities and responsibilities attributed to the Supervisory Board and the specific professional content required by them, in order to fully carry out its supervisory and control

tasks, the Supervisory Board avails itself of the support of the company structures institutionally endowed with technical and human and operational resources, suitable to guarantee the performance on a continuous basis of the assessments, analyses and other necessary fulfilments. The Supervisory Board is also entitled to delegate specific assessment and control activities to the aforementioned company functions, the results of which must be reported to the Supervisory Board.

It is specified that a non-cooperative behaviour on the part of company resources towards the Supervisory Board constitutes a breach of the Model and is therefore punishable on the basis of the provisions of the disciplinary system (paragraph 2.3).

Finally, with regard to issues of health and safety in the workplace and environmental protection, the Body may also make use of the Environmental/Quality/Safety Management System Managers and all the resources activated for the management of the related aspects (Employer, Managers Delegated pursuant to Article 16 of Legislative Decree 81/08, Head of the Prevention and Protection Service and delegated to manage environmental aspects) as well as those further provided for by industry regulations and, in particular, by Legislative Decree 81/2008, Legislative Decree 105/15 and Legislative Decree 152/2006.

Whenever it deems it necessary, depending on the specificity of the topics dealt with, the SB may avail itself of external consultants for the specific skills that the SB deems appropriate.

In order to ensure the full and autonomous performance of its tasks, the Supervisory Board draws up, in accordance with its supervisory requirements, its own annual expenditure budget, which it submits to the Board of Directors for approval.

For all other aspects, the SB, in order to preserve its autonomy and impartiality, will self-regulate through the formalization, within a set of rules, a set of rules that ensure the best functioning (relating, by way of example, the scheduling of activities, the format of the minutes and the definition of the plan of controls). The SB will send, for information, a copy of the regulation cited to the Board of Directors of the Company and to the Board of Statutory Auditors of the Company.

The Supervisory board is equipped with a special e-mail address, to which each Addressee of the Model may apply for clarification on the application of the Model and the legislation referred to above.

The e-mail address of the B&B Italia S.p.A. Supervisory Board is: odv@bebitalia.it

REPORTING ACTIVITY OF THE SUPERVISORY BOARD

As mentioned above, in order to guarantee its full autonomy and independence in the performance of its functions, the Supervisory Board reports directly to the Board of Directors of the Company.

In particular, at the time of approval of the financial statements by B&B, the SB sends the Board of Directors and the Board of Statutory Auditors a detailed report on the following aspects:

- a description of the significant events for the purposes of the Model and Legislative Decree 231/2001, which have affected the Company;
- the possible evolution of the regulations concerning Legislative Decree 231/2001;
- the current status and an assessment of the degree of updating of the Model;
- the reports received from the SB, accompanied by descriptive notes on the in-depth analyses carried out by the SB and the related findings;
- any critical issues that have emerged in the information flows received from the SB with regard to the areas of risk;
- the activities carried out;
- relations with the relevant judicial bodies pursuant to Legislative Decree No. 231/2001;
- conclusions regarding the functioning, compliance with and updating of the Model.

In the event of serious anomalies in the functioning of and compliance with the Model or breaches of its provisions, the SB shall promptly report to the Board of Directors or to the Chairman.

The SB may be convened at any time by the Board of Directors or may, in turn, request - if it deems it appropriate or in any case deems it necessary - to be heard by the Board of Directors or the Chairman to report on particular events or situations relating to the functioning of and compliance with the Model, requesting, if necessary, an intervention by the same. In addition, the SB, if deemed necessary or appropriate, may request to be called by the Board of Statutory Auditors.

In order to guarantee a correct and effective flow of information, the SB also has the possibility, in order to fully and correctly exercise its powers, to ask for clarifications or information directly from the Chairman and from the persons with the main operational responsibilities.

The above meetings with the bodies to which the SB refers must be recorded in minutes and a copy of the minutes must be kept by the SB and the bodies involved from time to time.

2.3. REPORTING SYSTEM PURSUANT TO LEGISLATIVE DECREE 231/2001

REQUIREMENTS TO INFORM THE SUPERVISORY BOARD

Pursuant to Article 6, paragraph 2, letter d), of Legislative Decree 231/2001, the requirements to which the Model must respond include the provision of "*information requirements towards the body responsible for supervising the functioning of and compliance with the models*".

The SB must be informed by the Addressees of the Model of events that could give rise to liability pursuant to the Decree or that in any case represent breaches of the provisions of the Model. Likewise, any document denouncing such circumstances must be sent to the SB.

In particular, in order to more effectively and concretely implement the provisions of the Model, the Company avails itself of the Function Managers, who have operational responsibility for each area of company activity in which a potential risk of commission of the Offences has emerged. The following functions must be formally assigned to the Function Managers:

- personally and on the part of the Addressees subject to their management and supervision, to guarantee the respect and application of the principles and rules of conduct defined in the Code of Ethics, in the remaining procedural body and in internal regulations, as well as of the Model and the Protocols;
- supporting the SB in the exercise of the tasks and activities related to the responsibility assigned to it by interfacing with it and ensuring periodic information flows through assessment and control activities.

An obligation to inform the Supervisory Board has therefore been established, which takes the form of information flows **pre-defined by the Model**, in which information, data and news are reported on compliance with the principles of control and conduct enshrined in the Model, the Code of Ethics and the Protocols and transmitted to the Supervisory Board by the company structures involved in activities potentially at risk, in the times and in the ways that will be defined and communicated by the Supervisory Board itself. These flows are divided into:

- a) **Periodic information flows**, addressed to the Supervisory board, with a defined frequency, by the Function Managers involved in activities at risk pursuant to Legislative Decree 231/2001, who, through a comprehensive self-diagnosis process on the company's activities and on the activities carried out, certify the level of implementation of the Model with particular attention to compliance with internal procedures and regulations.

Through this formal self-assessment activity, they highlight any critical issues in the processes managed, any deviations from the indications dictated by the Model and/or the Protocols or, more generally, from the regulatory framework, the adequacy of the same regulation, with the highlighting of the actions and initiatives adopted or the plan for the solution.

The certificates of the Function Managers are sent, within 15 days of the end of the semester, to the Supervisory board. Referent 231 will file the documentation, keeping it at the disposal of the Supervisory board for which he will produce a report with the results.

Periodic information flows should be sent to the SB at the dedicated e-mail address: odv@beitalia.it.

Finally, with regard to the issues of health and safety totals in the workplace and environmental protection, where the department heads coincide with the delegated managers, the assessment activity mentioned above is documented and coincides with "semi-annual report" that they must send periodically to the employer, as better described in the individual powers of attorney conferred on them.

b) **Event-based information flows**, addressed to the Supervisory board by all the Addressees of the Model, to the realisation of the individual event from which critical issues may emerge with respect to the application of the Model or the potential commission of Offences, as specifically provided for in the Special Part Protocols.

These flows must indicate any information, data, news, report, report or document that the Special Part Protocols envisage forwarding to the Supervisory board *without delay*, as well as any circumstance not expressly regulated, but which lends itself to dubious interpretations and/or applications or such as to impose derogations from the application of the same Protocols.

In addition to the pre-defined information flows, pursuant to art. 6, paragraph 2-bis, of Legislative Decree 231/2001, the requirements to which the Model must respond also include the provision that it must provide *one or more channels* that allow the Addressees of the Model to submit, *for the protection of the integrity of the entity*, **detailed reports of unlawful conduct, relevant under Legislative Decree 231./2001** and based on *elements of precise and concordant facts*, or breaches of the Model of which they have become aware by reason of the functions performed¹⁴ (so-called **occasional reports**).

Finally, in addition to the type of information flows predefined by the Model and the occasional flows described above, it is necessary to add the type of **information flows requested by the Supervisory board**, i.e. any information specifically requested by the Supervisory Board as it is considered relevant for the purposes of its supervision of the effectiveness, effectiveness and updating of the Company's Model.

In fact, the SB, within the scope of its autonomous powers of initiative and control, can identify further information flows in order to acquire other information of interest to it, identifying its content, level of detail, and then requesting its activation from the competent company functions (such as, by way of example and not limited to, the company functions involved in the "at risk" areas indicated in the Special Part of the Model).

CHANNELS FOR REPORTING AND GUARANTEEING CONFIDENTIALITY FOR THE WHISTLEBLOWER

As prescribed by Article 6, paragraph 2-bis of Legislative Decree 231/2001, all channels of communication of reports guarantee the confidentiality of¹⁵ the identity of the whistleblower in the

¹⁴ With Law no. 179 of 30 November 2017, paragraph 2-bis was inserted into art. 6 of Legislative Decree 231/2001, which regulates the "*Protection of employees or collaborators who report offences in the private sector*".

¹⁵ As clarified in the "Guidelines for the protection of public employees who report offences (so-called whistleblowers)" issued by the ANAC in Determination no. 6 of April 28, 2015, "*the guarantee of confidentiality presupposes that the reporter discloses his identity. (...) In essence, the rationale of the law is to ensure the protection of the employee, keeping his or her identity confidential, only in the case of reports from identifiable and recognizable public employees. However, it remains firm, (...) that the Authority also takes into consideration anonymous reports, where these are adequately*

activities of management of the report, as soon as the report is received and at each subsequent stage.

In a general and privileged way, reports must be written and sent to the Supervisory Board through the following alternative communication channels:

- an information channel accessible only to the Supervisory board suitable for guaranteeing the confidentiality of the identity of the whistleblower (preferred means), which the Company undertakes to communicate to all Addressees;
- a physical address to which the report is sent in a sealed envelope, marked "confidential/personal" on the outside: B&B Italia S.p.A. - Organismo di Vigilanza, Strada Provinciale n. 32, 22060 Novedrate (CO).

Alternatively, the whistleblower may ask to be heard by the SB in order to present the whistleblower orally. This procedure provides for the written recording of the report.

In the sole case in which the subject of the report is a conduct by a member of the SB, or by the entire Body, the whistleblower must address directly to the management body of the company. This procedure involves the identification and appointment by the management body of the person responsible for the management of the report.

The SB, or the person responsible for managing the report, evaluates the reports and information received and any subsequent initiatives to be taken, in accordance with the provisions of the internal disciplinary system, possibly listening to the author of the report and/or the person responsible for the alleged breach, giving written reasons for any decision and giving rise to all the checks and investigations that it deems necessary.

Without prejudice to the above, the Supervisory board, or the person responsible for managing the report, shall also evaluate reports received anonymously, provided that they too are adequately detailed and based on *precise and consistent elements of fact*, while it shall not consider and immediately file reports that are clearly not relevant, insufficiently detailed or with defamatory contents.

All the information, documentation, reports, *reports* provided for in this Model are kept by the Supervisory Board, or by the person in charge of managing the report, in a special database (computer or paper) for a period of 10 years; the Supervisory Board, or the person in charge of managing the report, will take care to keep the documents and information acquired confidential, also in compliance with the regulations on privacy.

Access to the database is allowed only to the Supervisory Board.

PROTECTION OF THE WHISTLEBLOWER

circumstantiated and rendered with abundance of detail, that is, where they are able to bring out facts and situations relating them to specific contexts.

It is expressly prohibited by law to¹⁶ carry out acts of retaliation or discrimination, direct or indirect, against the whistleblower for reasons related, directly or indirectly, to the report. The SB, or other person responsible for the management of the report, therefore, acts by guaranteeing the whistleblowers against any form of retaliation, discrimination or penalisation, and ensuring the utmost confidentiality regarding the identity of the whistleblower and any news, information, report, under penalty of the application of specific penalties, except for the requirements inherent to the conduct of investigations in the event that the support of consultants external to the SB or other corporate structures is necessary.

The adoption of discriminatory measures against persons who make the reports referred to in paragraph 2-bis of Article 6 of Legislative Decree 231/2001 may be reported to the National Labour Inspectorate, for measures within its competence, not only by the whistleblower, but also by the trade union indicated by the same¹⁷.

Retaliatory or discriminatory dismissal of the whistleblower shall be null and void.

Any change in circumstances pursuant to Article 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure adopted against the person making the report, are also null and void.

It is the employer's responsibility, in the event of disputes related to the imposition of disciplinary penalties, or to demergers, dismissals, transfers, or submission of the whistleblower to another organisational measure having a negative effect, direct or indirect, on working conditions, following the submission of the whistleblower, to prove that such measures are based on reasons unrelated to the whistleblower.

2.4. DISCIPLINARY SYSTEM FOR MODEL BREACH

For the purposes of assessing the effectiveness and suitability of the Model to prevent the offences indicated in Legislative Decree 231/2001, it is appropriate that the Model identifies, by way of example, and penalties, the behaviours that may favour the commission of Offences.

In particular, Article 6, paragraph 2, of Legislative Decree 231/2001, in listing the elements that must be found within the models prepared by the Bodies, in letter e) expressly provides that the Bodies have the burden of "*introducing a disciplinary system suitable against non-compliance with the measures indicated in the Model*".

Furthermore, in application of the provisions of Article 6, paragraph 2-bis, letter d), of Legislative Decree 231/2001, this disciplinary system must also provide for penalties against "*those who violate*

¹⁶ Art. 6 paragraph 2-bis letter c) of Legislative Decree 231/2001

¹⁷ Art. 6 paragraph 2-ter of Legislative Decree 231/2001

the measures for the protection of the whistleblower, as well as those who make reports with intent or gross negligence that prove to be unfounded".

It is however understood that, even in the event that a certain conduct is not included among the behaviours identified below, if it is in breach of the Model, it may still be subject to penalties.

FUNCTIONS OF THE DISCIPLINARY SYSTEM

The Company, in order to induce subjects acting in the name of or on behalf of B&B to operate in compliance with the Model, has therefore established a specific disciplinary system, aimed at punishing all those behaviours that constitute breaches of the Model, the Code of Ethics and the Protocols, through the application of specific penalties deriving from a connection between the provisions of labour law and the principles and needs of the Model.

This disciplinary system is therefore addressed to all those who collaborate with B&B as employees (managers and non-executives), directors, self-employed workers, collaborators and third party consultants who work on behalf of or within the Company and all those who have contractual relations with the Company for the performance of any work.

If, in the course of its assessment and control activities, the SB detects a possible breach of the Model, the Code of Ethics and the Protocols, it will give impetus to disciplinary proceedings against the author of the potential infringement, independently of any criminal proceedings by the judicial authorities against the author, as well as in relation to any other action that may be appropriate or necessary (e.g. action for damages).

The assessment of the actual responsibility deriving from the breach of the Model and the application of penalties thereof, will take place in compliance with the provisions of the law in force, the rules of the applicable collective bargaining, the internal procedures, the provisions on privacy and in full compliance with the fundamental rights, dignity and reputation of the persons involved.

Any disciplinary penalties imposed shall be based on the principles of timeliness, immediacy and fairness.

ADDRESSEES OF THE DISCIPLINARY SYSTEM

The disciplinary system, as well as the Model, is addressed, in fact, to all Addressees, and precisely to the members of the Board of Directors, managers, employees, Third Parties and Additional Parties.

PENALTIES

Measures against staff

Breaches of the rules of conduct provided for by the Model and the Code of Ethics as well as of the principles of control provided for in the Protocols committed by employees constitute breach of contract and therefore may result in the adoption of disciplinary penalties, within the limits established by the collective agreement applicable to the employment relationship.

In particular, the National Collective Bargaining Agreement for Wood and Furniture Confindustria, for workers, employees and managers, establishes the application of the following disciplinary measures in the event of breach of contract:

- a) Verbal reprisal;
- b) Reproof in writing;
- c) Fine;
- d) Suspension;
- e) Dismissal.

With reference to the penalties that can be imposed, it should be noted that they will be adopted and applied in compliance with the procedures set out in the national collective labour agreements applicable to the employment relationship, following the internal procedures provided for.

All the provisions of art. 7 of Law no. 300 of 20 May 1970 (the so-called "Workers' Statute") in relation to both the presentation of the disciplinary code and the obligation to notify the employee of the charge in advance, also in order to allow him/her to prepare an appropriate defence and to provide any justification, remain unaffected and are understood to be referred to herein.

In accordance with the provisions of the Workers' Statute, the type and extent of the penalty shall be determined taking into account the seriousness of the infringement, the recidivism of the non-compliance and/or the degree of guilt, evaluating in particular:

- the intentionality and circumstances, attenuating or aggravating, of the overall behaviour;
- the role and level of hierarchical responsibility and autonomy of the employee;
- the possible sharing of responsibility with other workers in agreement with each other in determining the breach;
- any similar disciplinary precedents, within the two-year period provided for by law;
- the relevance of the requirements breached;
- the consequences for the Company, the extent of the damage or danger as a consequence of the infringement for the Company and for the stakeholders of the Company itself.

The disciplinary penalties provided for in **points (a) and (b)** are imposed on employees who, through negligence, violate the rules, principles and procedures provided for by the Model, the Code of Ethics and the Protocols, adopt behaviours that are not compliant with them or inadequate, but in any case such as not to undermine the effectiveness of the aforementioned documents.

More precisely:

- the penalty of **verbal reprimand** may be applied in the event of slight non-compliance with the principles and procedures laid down in the Model, the Code of Ethics and/or the Protocols due to the negligence of the employee. By way of example, an employee who, through negligence, fails to keep accurate supporting documentation necessary to reconstruct the Company's operations in areas at risk is punishable by verbal reprimand;
- the penalty of **written reprimand** is adopted in the event of repeated failures punished with verbal reprimand, or in the event of culpable breach of the principles and procedures laid down in the Model, Code of Ethics and Protocols, through non-compliant or inadequate behaviour: by way of example and not limited to in the event of delayed notification to the SB of the information due under the Model;

The disciplinary penalties referred to in **points (c) and (d)** are imposed on employees in the event of repeated breaches referred to in the previous points or in the event of culpable and/or negligent conduct on the part of employees operating in areas at risk, which may also potentially undermine the effectiveness of the Model, the Code of Ethics and/or the Protocols.

More precisely:

- the **fine** may not exceed the amount of four hours of normal hourly remuneration calculated on the basis of the minimum table, in the event of non-compliance with the principles and rules of conduct laid down in this Model, the Code of Ethics and the Protocols for conduct that does not comply with or does not comply with the provisions of the Model to an extent that is considered to be of a certain gravity. By way of example and not limited to, such behaviours include the breach of the requirements to inform the SB of irregularities committed in the performance of its activities, or the repeated failure to participate, without justified reason, in the training sessions provided by the Company relating to Legislative Decree 231/2001, the Organisation, Management and Control Model and the Code of Ethics or in relation to related issues;
- **suspension from service and remuneration** may not be ordered for more than ten days, and must be applied in the event of serious procedural breaches such as to expose the Company to liability vis-à-vis third parties/major failures. For example, but not limited to: failure to comply with the provisions of the Code of Ethics; omission or issue of false declarations relating to compliance with the Model; failure to comply with the provisions of the powers of signature and the system of proxies; failure to supervise the conduct of personnel

operating within their sphere of responsibility in order to verify their actions in the areas of risk; breach of the requirements to inform the Supervisory Board of any situation at risk of assessment of the predicate offences perceived in the performance of their activities; carrying out with gross negligence a report pursuant to Article. 6 paragraph 2-bis of Legislative Decree 231/2001 which proves to be unfounded; the breach, through serious negligence, of measures to protect the whistleblower; any and all other breach of contract or specific provision communicated to the employee.

- The disciplinary penalty referred to in **point e)** is imposed on employees who, in the performance of their activities, behave in a manner that does not comply with the provisions of the Model, the Code of Ethics and the Protocols and is unambiguously aimed at committing an offence covered by the Decree and such as to determine the application to B&B of the administrative penalties deriving from the offence provided for by the Decree.

More precisely:

- **dismissal with notice** for justified reasons is a penalty imposed as a result of significant breach of contract by the employee. Among the breaches punishable by the aforesaid penalty are the following intentional behaviours: repeated failure to comply with the provisions of the Model, the Code of Ethics and the Protocols; intentional failure to comply with the requirements of the Model, the Code of Ethics and the Protocols; adoption, in the company areas at risk, of behaviours that do not comply with the provisions of the Model and are univocally aimed at committing one of the offences provided for by the Decree; failure to notify the Supervisory board of relevant information relating to the commission, even if attempted, of one of the predicate offences; intentional failure to report a crime pursuant to Article 2 of the Decree; intentional failure to comply with the provisions of the Model, the Code of Ethics and the Protocols; failure to comply with the provisions of the Model, univocally aimed at committing one of the offences provided for by the Decree; failure to notify the Supervisory board of relevant information relating to the commission of a predicate offence; intentional reporting of a crime pursuant to Article 3 of the Decree. 6 paragraph 2-bis of Legislative Decree 231/I'm sorry, but it's a little bit unfounded, but I don't know.
- **dismissal without notice** for just cause is a penalty imposed as a consequence of such a serious failure (for the wilfulness of the act, or for the criminal or pecuniary consequences or for its recidivism) that it does not allow the continuation, even temporary, of the employment relationship. Among the breaches punishable by the aforementioned penalty: fraudulent conduct unequivocally aimed at the commission, even with the aid of others, of one or more of the offences provided for in the Decree such as to render the relationship of trust with the employer null and void; drawing up of incomplete or untruthful documentation fraudulently aimed at preventing the transparency and verifiability of the activity carried out; wilful breach

of procedures having external relevance; failure to draw up the documentation provided for in the Model and/or the Protocols; breach or fraudulent circumvention of the control system provided for by the Model and/or the Protocols in any way carried out, including the removal, destruction or alteration of the documentation inherent in the procedure; implementation of conduct that obstructs or circumvents the controls of the Supervisory Board, impediment of access to information and documentation by persons in charge of controls or decisions; malicious execution of a report pursuant to art. 6 paragraph 2-bis of Legislative Decree 231/2001 which proves to be unfounded and particularly burdensome towards the person reported; the intentional breach of measures to protect the whistleblower.

Upon notification of a breach of the rules of conduct of the Model, the Code of Ethics and the Protocols by a non-executive employee, the SB informs the Board of Directors for the adoption of appropriate initiatives. The procedure will be entrusted to the Human Resources Department, which will impose the penalty in accordance with the law and the contract.

The SB must be informed of disciplinary proceedings relating to breaches of the Model with evidence of the initiatives or measures taken to close the proceedings with the relevant reasons.

Measures against top management

The compliance by B&B managers with the provisions and procedures provided for by the Model, the Code of Ethics and the Protocols, as well as the fulfilment of the obligation to ensure compliance with the provisions of the aforementioned documents, are basic elements of the existing relationship between the latter and B&B.

In the context of relations with managers, B&B has in fact included in the individual contract letters a specific clause providing for the application of penalties in the event of conduct contrary to the provisions of Legislative Decree 231/2001 and the Model and Code of Ethics adopted by the Company, and/or failure to supervise and coordinate by the Function Managers.

Each manager will receive a copy of the Model, the Code of Ethics and the Protocols and, in the case of verified adoption, by a manager, of a behaviour that does not comply with the provisions of the Model, or if it is proven that he has allowed employees subordinate to him to engage in conduct that constitutes a breach of the Model, the Code of Ethics and the Protocols, the Company will apply to the manager the penalty it considers most appropriate, because of the seriousness and/or recidivism of the manager's conduct and in any case on the basis of what is provided for by the applicable national collective labour agreement.

In particular, the following penalties may be applied to Executives:

- the manager incurs **written reprimand** and an order to comply with the provisions of the Model, in the event of a minor breach of one or more of the behavioural or procedural rules

provided for in the Model, the Code of Ethics and the Protocols;

- the manager is **suspended** from work **as a precautionary measure** - without prejudice to the right of the same managers to remuneration, and also, again on a provisional basis and possibly for a period not exceeding three months, the use of different positions, in compliance with art. 2103 of the Civil Code - in the event of a serious breach of one or more behavioural or procedural rules provided for in the Model, the Code of Ethics and the Protocols, or in the case of a report made with serious negligence pursuant to art. 6, paragraph 2-bis of Legislative Decree 231/2001 which proves to be unfounded; the breach, through serious negligence, of measures to protect the whistleblower;
- the manager is **dismissed with notice** in the event of repeated and serious breaches of one or more provisions of the Model, the Code of Ethics and the Protocols such as to constitute a significant breach, or in the event of maliciously making a report pursuant to Article 6, paragraph 2-bis of Legislative Decree 231/2001 that proves to be unfounded;
- the manager is **dismissed without notice** if the breach of one or more provisions of the Model, the Code of Ethics and the Protocols is so serious as to irreparably damage the relationship of trust, not allowing the continuation of the employment relationship, even temporarily, or in the case of maliciously making a report pursuant to Article 6, paragraph 2-bis of Legislative Decree 231/2001, which proves to be unfounded and particularly burdensome towards the person reported; the wilful breach of measures to protect the whistleblower.

This is without prejudice to the right of the Company to claim compensation for the greater damage suffered as a result of the conduct of the manager.

The executive may also be revoked from any powers of attorney or delegation granted to him.

The type and extent of the penalty shall be determined taking into account the seriousness of the infringement, the recidivism of the non-compliance and/or the degree of guilt or wilful misconduct, assessing in particular:

- the wilfulness and circumstances, either diminishing or aggravating, of the overall conduct;
- the role and hierarchical responsibility and autonomy of the employee;
- the possible sharing of responsibility with other employees agreeing with each other in causing the breach;
- any similar previous proceedings, within the two-year period provided for by law;
- the relevance of the requirements breached;
- the effects on the Company, the extent of the damage or danger as a consequence of the breach for the Company and for the stakeholders of the latter.

By way of example and not limited to, a serious breach of the requirements to inform the SB regarding the commission of relevant crimes, even if attempted, constitutes a serious breach.

Upon notification of a manager's breach of the rules of conduct of the Model, the Code of Ethics and the Protocols, the SB informs the Board of Directors for the adoption of appropriate initiatives. The procedure will be entrusted to the Human Resources Department, which will impose the penalty in accordance with the law and the contract.

The SB must be informed of disciplinary proceedings relating to breaches of the Model with evidence of the initiatives or measures taken to close the proceedings with the relevant reasons.

Measures against directors

In the event of verified breach of the Model, the Code of Ethics, the Protocols and measures to protect the person making a report pursuant to Article 6, paragraph 2-bis of Legislative Decree 231/2001, as well as in the case of malicious or grossly negligent making of reports that prove to be unfounded, by one or more directors, the Board of Directors, pursuant to art. 2406 of the Italian Civil Code. and in compliance with the applicable legal provisions or in the event of inaction by the Board itself, the Chairman of the Board of Statutory Auditors, upon notification of the infringement by the Supervisory Board, will immediately or in any case promptly convene the Shareholders' Meeting to resolve on any revocation of the mandate or liability action against directors pursuant to Article 2393 of the Italian Civil Code.

Once the report has been examined, the Shareholders' Meeting will formulate in writing any complaint against the director, and will communicate it to the interested party and to the SB by the Board of Statutory Auditors. The Shareholders' Meeting at a subsequent meeting, in accordance with the most appropriate defence terms, will decide on the imposition and possible type of penalty, according to the principle of proportionality, and will communicate it to the interested party and to the SB by the Board of Statutory Auditors.

Directors who violate the provisions of the Model and the measures to protect the person making a report pursuant to art. 6, paragraph 2-bis of Legislative Decree 231/2001, as well as who intentionally or grossly negligently make reports that prove to be unfounded, shall in any case be subject to the liability action and the consequent claim for compensation for any damage suffered under the provisions of the Civil Code by applying the relevant legislation.

Measures against staff with a power of attorney

Respect by senior (non-executive) staff of B&B with power of attorney for the provisions and procedures provided for by the Model, the Code of Ethics and the Protocols, as well as fulfilment of

the obligation to ensure compliance with the provisions of the aforementioned documents, constitute fundamental elements of the relationship between them and the Company.

In the context of relations with attorneys, B&B has in fact included in the individual contract letters a specific clause that provides for the application of penalties in the event of conduct contrary to the rules of Legislative Decree 231/2001 and the Model and Code of Ethics adopted by the Company, and/or failure to supervise and coordinate by the Function Managers and/or breach of measures to protect the person who makes a report pursuant to art. 6 paragraph 2-bis of Legislative Decree 231./2001 and/or the execution, with gross negligence, of reports that prove to be groundless.

Each proxy will receive a copy of the Model, the Code of Ethics and the Protocols and, in the event of verified adoption, by a proxy, of a conduct that does not comply with the provisions of the Model, the Company will apply to the person responsible the penalty it deems most appropriate, because of the seriousness and/or recidivism of the conduct of the proxy. In particular, the executive body will evaluate all appropriate measures to be taken against the public prosecutor, until the revocation of the appointment.

Measures against statutory auditors

In the event of a verified breach by one or more statutory auditors, also of the provisions of art. 6, paragraph 2 bis of Legislative Decree 231/2001 on reporting and the right to confidentiality, the Board of Directors, pursuant to art. 2407 of the Italian Civil Code and in compliance with the applicable legal provisions, upon timely reporting of the verified breach by the SB, will immediately or in any case promptly convene the Shareholders' Meeting to deliberate on the possible revocation of the mandate or on a liability action against the statutory auditors pursuant to art. 2393 of the Italian Civil Code.

The measures taken by the Shareholders' Meeting in relation to the allegations of non-compliance with the Model and with the provisions of Article 6, paragraph 2-bis of Legislative Decree 231/2001 regarding reporting and the right to confidentiality shall be formulated in writing, delegating the material communication of the Board of Directors to the person concerned and to the Supervisory Board. The Shareholders' Meeting at a subsequent meeting, in accordance with the most appropriate terms, in defence, will decide on the imposition and possible type of penalty, according to the principle of proportionality, delegating the material communication to the interested party and to the Supervisory Board by the Board of Directors.

The liability action against the members of the Board of Statutory Auditors is however subject to the possibility of a claim for damages in application of the provisions of the Italian Civil Code.

Measures against Third Parties and Additional Subjects

Any conduct by persons outside the Company that, in contrast with the law, this Model, the Code of Ethics and the Protocols, is likely to involve the risk of committing one of the offences for which the

Decree is applicable, will determine, in accordance with the provisions of the specific contractual clauses included in the letters of appointment, contracts or commercial agreements, the early termination of the contractual relationship, without prejudice to the further reservation of compensation before the competent courts if such conduct results in concrete damage to the Company.

The same early termination of the contractual relationship is provided for in the event of breach of measures to protect the person who makes a report pursuant to art. 6 paragraph 2-bis of Legislative Decree 231/2001 and/or of making, with intent or gross negligence, reports that prove to be unfounded.

These conducts will be evaluated by the Supervisory board which, after hearing the opinion of the Head of the Department/Function that has requested the intervention of the Third Party and/or the Additional Party, will promptly report to the Managing Director and, in the most serious cases, to the entire Board of Directors and the Board of Statutory Auditors.

Measures against members of the Supervisory Board

Without prejudice to the provisions of paragraph 2.2.2, in the event of the verified adoption, by a member of the Supervisory board, of a conduct that does not comply with the provisions of the Model, as well as the breach of measures for the protection of the person making a report pursuant to art. 6, paragraph 2-bis of Legislative Decree no. 231/2001 and/or the execution, with intent or gross negligence, of reports that prove to be unfounded, the Company will apply to the person responsible the penalty it deems most appropriate, because of the seriousness and / or recidivism of the conduct of the prosecutor. In particular, the executive body will evaluate all appropriate measures to be taken against the public prosecutor, until the revocation of the appointment.

2.5. MODEL DISSEMINATION

The administrative liability regime provided for by the law and the adoption of the Organisation, management and control Model by B&B form a system that must find a coherent and effective response in the operating behaviour of the Addressees. In this regard, communication and initial training activities are essential with regard to the adoption of the Model and specific communication activities for each subsequent update of the document.

With this awareness, B&B has structured an internal communication, information and training plan aimed at all company employees, but diversified according to the target audience, which aims to create widespread knowledge and a company culture appropriate to the issues in question, thus mitigating the risk of committing offences.

The plan is managed by the competent company structures, in coordination with the Supervisory board.

In particular, as far as **communication** is concerned, it is envisaged:

- an initial communication at the instigation of the Board of Directors to the members of the corporate bodies, to the Independent Auditors and to the employees;
- the dissemination of the Model and the Code of Ethics on the Company's portal in a specific dedicated area;
- for all those who do not have access to the Company's portal, the Model and the Code of Ethics are made available to them on request by alternative means;
- appropriate communication tools will be adopted to update the Addressees on any changes to the Model and/or to the Code of Ethics and Protocols.

With regard to **information** mechanisms, it is expected that:

- the members of the corporate bodies and the subjects with functions of representation of the Company receive information on where to find the Model and the Code of Ethics at the time of acceptance of the office conferred on them and sign a declaration of compliance with the principles contained in them;
- that third parties and additional parties are provided with specific information on the principles and policies adopted by B&B - on the basis of this Model and the Code of Ethics - and on the consequences that conduct contrary to current legislation or the ethical principles adopted may have with regard to contractual relations, in order to raise their awareness of the need for B&B to ensure that their conduct complies with the law, with particular reference to the provisions of Legislative Decree 231/2001, after hearing the opinion of the Supervisory board;
- new hires receive a copy of the Model and the Code of Ethics or references to where to find them, together with the remaining documentation, at the time of hiring. The signing of a special declaration attests to the delivery of the documents or where to find them.

Finally, with regard to **training**, a training plan is envisaged with the aim of informing all managers and employees of the Company of the contents of the Decree, the new Model and the Code of Ethics.

The training plan takes into account several variables, in particular:

- the targets (the addressees of the interventions, their level and organisational role);
- content (topics related to the role of people);
- delivery tools (classroom, e-learning).

The plan foresees:

- basic training for all personnel: it allows the timely and widespread dissemination of the contents common to all personnel - reference legislation (Legislative Decree 231/2001 and predicate offences), the Model and its functioning, the contents of the Code of Ethics - and is enriched by self-assessment and learning tests;
- specific classroom interventions for persons operating in structures where the risk of illegal behaviour is greatest, in which the specific Protocols are also illustrated;
- In-depth forms in the event of internal regulatory or procedural updates.

Training is an essential part of the Model and compliance with such requirement is to be considered binding and mandatory, so much so that failure to adhere to training programmes is to be considered a breach of the Model and therefore punishable.

2.6. MODEL UPDATING

The updating activity, intended both as an integration and as a modification, is aimed at guaranteeing the adequacy and suitability of the Model, assessed with respect to the preventive function of commission of the Offences indicated by Legislative Decree 231/2001.

The adoption and effective implementation of the Model is the responsibility of the Board of Directors, as expressly provided for by law.

Therefore, the power to update the Model - the expression of an effective implementation of the same - lies with the Board of Directors, which exercises it directly by resolution or by delegation to one of its members and in the manner provided for the adoption of the Model.

In detail, the Company attributes to the Board of Directors the power to adopt, also on the basis of indications and proposals from the SB, amendments and/or additions to the Model and its annexes that may become necessary as a result of:

- significant breaches of the provisions of the adopted Model;
- regulatory changes that extend the administrative liability of entities to other types of offences for which a risk of commission is deemed to exist in the interest or to the advantage of the Company;
- significant changes in the organisational structure, in the system of powers and in the operating methods for carrying out activities at risk and in the controls for monitoring them.

In order to make all those formal and non-substantial changes to the Model that may become necessary over time, the Board of Directors of the Company, in its decision-making autonomy, may grant one of its members the power to make the aforementioned changes, with the obligation for the Director invested with such power to formally notify the Board of Directors of the changes made.