

Organizational, Management and Control Model

pursuant to Legislative Decree 231/2001

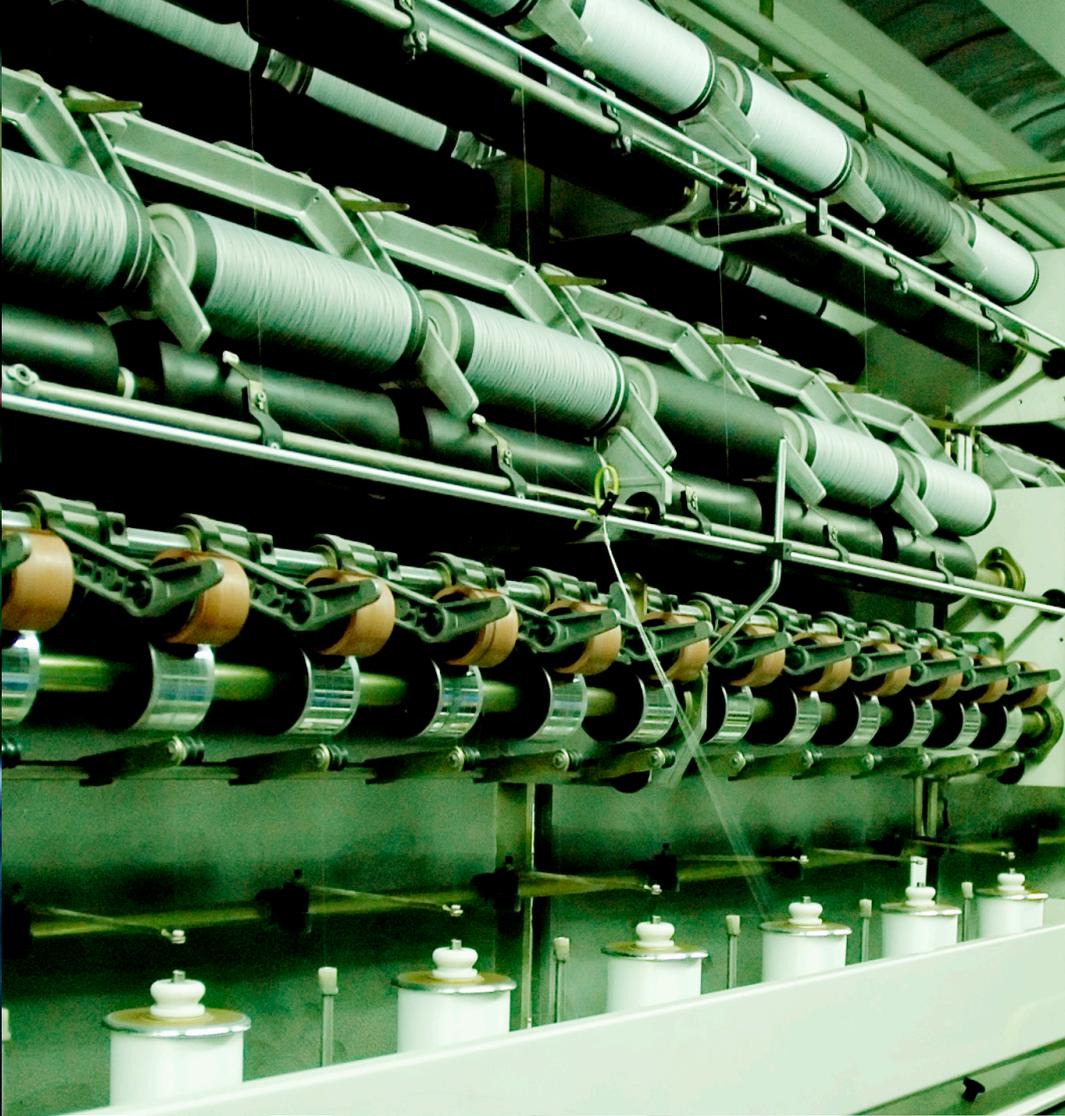
GENERAL PART



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1. The Aquafil Group

1.1 Background

The Aquafil Group is made of Aquafil S.p.A. as well as of all the companies controlled by the latter pursuant to article 2359 of the Italian Civil Code. Since 1969, the Aquafil Group is one of the main players, in Italy and worldwide, in the production of synthetic fibers, namely Polyamide 6.

The Group is leader in quality, innovation and new models of sustainable development. A strategic choice embodied by the constant renewal of processes and products, thanks to a continuous capital and know how investment.

The Group is present, with more than 2.000 employees and 14 plants, in three continents and seven countries: Italy, Slovenia, Croatia, Germany, USA, Thailand and China.

It operates through 2 product business units: the BCF business unit, which manufactures and markets synthetic filaments for textile floorings used in the contract, automotive and residential sectors and the NTF business unit, which manufactures and markets synthetic filaments for clothing and sportswear.

Aquafil has been always committed to environmental safety, and in 2008, it has created the Energy & Recycling Business Unit, which serves all the Group's manufacturing plants so as to promote: sustainability principles, both within and outside the Group, the use of low environmental impact/ renewable energy and energy savings, the use of recyclable raw materials.

1.2 The activities

In the Group plants are produced:

- Nylon 6 Polymers;
- Fibers, mainly Nylon 6, but also 6.6. and Dryarn.

The Group operates also in the plants sector through the engineering company Aquafil Engineering G.M.B.H. specialized in the design of polymerization plants

2. Entities' administrative liability: regulatory background

The legislative decree dated 8 June 2001, no. 231, regarding the "*Discipline of the administrative liability of juridical persons, companies and association also without any legal status*" (hereinafter referred to as the "Decree"), has introduced for the first time in our law system the corporate liability for administrative violations deriving from criminal offences.¹

¹ The discipline has been created on input from the European Union and the OECD, that have already issued treaties against corruption. The Italian Law, through art. 11 of Delegated Law no. 300/2000 and Legislative Decree no. 231/2001, has implemented the international protection against economic crimes, which envisages the Entity as guarantor of economic interests towards the domestic and EU laws.

It is a particular form of liability of administrative nature, substantially resulting in the criminal corporate liability, toward companies, associations and entities in general for particular crimes perpetrated in their interest and advantage by a natural person having a top or subordinated position within the same.

The Decree is an intervention of wide provisional and cultural scope, through which to the criminal liability of the natural person, who perpetrated the crime, is added that of the Entity in advantage or in the interest of which the same crime was committed.

The provisions of the Decree under article 1, paragraph 2, **apply** to the following “Subjects”:

- Entities having a legal status;
- Companies and associations without any legal status.

According to the following paragraph 3, are exempt from the discipline under exam:

- The State;
- Territorial Public Entities;
- Other non-economic Public Entities;
- Entities having constitutional functions.

The liability is therefore attributed to the Entity in case subjects having relationships of various nature with the same Entity have committed the crimes indicated by the Decree.

Art. 5 of the Decree, in fact, indicates as **authors of the crime**:

- Subjects with representation, directorship or management roles in the entity or one of its organizational units, who have financial and functional autonomy, and also those who carry out the management and control of the entity , even if only by deed (so-called “*top-level subjects*”);
- Persons subjected to the management and control of the top-level subjects (so-called “*subordinates*”).

Should the offences be perpetrated by **top-level subjects**, the Entity’s liability is expressly excluded, if this latter provides evidence that the crime was committed through a fraudulent elusion of the existing models and that there was not omitted or insufficient control by the Supervisory Board, appointed with the purpose of controlling the correct functioning and actual observance of the model itself.

Should the crime be perpetrated by **subordinated subjects**, the Entity shall be responsible in case the offence was made possible by the violation of *the management and control duties*. Liability is expressly excluded whereas the Entity adopted, before the crime was committed, and effectively implemented an Organizational, management and control model suitable for preventing crimes like that perpetrated.

Furthermore, the Entity shall be held responsible only in case the illicit conduct has been perpetrated by the above subject “***in the interest or advantage of the company***” (art. 5, par. 1, Legislative Decree no. 231/01); therefore, it won’t be responsible in case top-level or subordinated subjects acted “*in their own or third parties’ exclusive interest*” (art. 5, par. 2, Legislative Decree no. 231/01).

On the other hand, liability is expressly excluded whereas the Entity adopted measures suitable (proportionally to the nature and dimension of the company as well as to the activity carried out) for guaranteeing the carrying out of the activity itself in compliance with the law and for verifying, discovering and timely eliminating hazardous situations.

Art. 9 of the Decree lists the sanctions the Entity may incur in. Namely:

- Pecuniary penalties;
- Interdiction penalties;
- Confiscation;
- Judgment publication.

Pecuniary penalties are applied by quotas in a number not lower than one hundred and not exceeding one thousand. The amount of a quota goes from a minimum of € 258,00 to a maximum of € 1.549,00 and are decided by the court, taking into account:

- The seriousness of the offence;
- The Entity's degree of responsibility;
- The activities implemented by the Entity to eliminate or mitigate the consequences of the fact and to prevent the commission of further offences;
- The economic and patrimonial conditions of the Entity.

Interdiction penalties listed under paragraph 2, on the other hand, are applied in the most serious cases and exclusively if at least one of the following conditions is met:

- The Entity gained from the violation a profit of considerable importance and the violation was perpetrated by top-level subjects, or by subjects under the direction and control of others when the commission of the crime was determined or facilitated by serious lack of organization;
- The violations have been repeatedly perpetrated.

The following are the applicable interdiction sanctions:

- Interdiction from the business activity;
- Suspension or annulment of any authorization, license and concession, functional to the violation;
- Prohibition to enter into agreements with the Public Administration, exception made for the receiving of ordinary public services;
- Exclusion from concessions, loans, contributions or aids and the possible cancellation of the ones already granted;
- Prohibition to advertise goods or services;
- Compulsory administration (art. 15 of the Decree).

Moreover, please note that interdiction sanctions, also applicable as precautionary measure, may last no less than three months and no longer than two years.

2.1 The underlying offences

The applicative scope of the Decree, originally limited to articles 24 and 25 of the Law, has been subsequently expanded both through modifications of the same Decree introduced by following regulations, and through references to the same Decree (from articles 3 and 10 of the Law dated 16 March 2006 no. 146 and art. 192 of Legislative Decree dated 3 April 2006 no. 152).

For the effect of such progressive enlargement, the Decree currently applies to the following offences, either consumed or, with exclusive reference to crimes, even only attempted:

- Undue perception of public funding, fraud against the State or a public body or for the perception

- of public funding and computer fraud against the State or a public body;
- Computer fraud and unlawful data handling;
 - Organized crime-related offences;
 - Bribery and corruption;
 - Offences of forgery of money, public credit cards and revenue stamps and of watermarked instruments and signs;
 - Offences against trade and industry;
 - Corporate offences, including corruption between privates;
 - Offences for the purposes of terrorism or subversion of the democratic order;
 - Female genitalia mutilation practices;
 - Offences against the individual;
 - Market abuse;
 - Offences of non-voluntary manslaughter, severe or very severe damage perpetrated in violation of the provisions for the prevention of industrial accidents and protection of hygiene and safety on the workplace;
 - Receiving of stolen goods, money laundering and utilization of money, goods or benefits of unlawful origin as well as self-money laundering;
 - Copy-right violations;
 - Incitement to not make statements or making false statements to legal authorities;
 - Transnational offences;
 - Environmental offences;
 - Employ of citizens from third countries whose stay is irregular.

Therefore, the liability of the Entity does not arise from the commission by the above subjects of any crime, but is limited to the commission of one of the offences listed by the Decree, above indicated by type and detailed in the document “List of Offences”, attached to this Model, to which reference should be made (see Attachment no. 1).

Any possible liability of the Entity arising from the commission of one or more of the violations listed in the Attachment no.1, does not exclude the personal liability of the person who has committed the crime.

2.1.1 Violations perpetrated abroad

Article 4 of the Decree establishes that Entities are also liable for crimes committed abroad, under the double condition of having their registered offices in Italy and that the further cases and conditions envisaged by articles 7, 8, 9 and 10 of the Italian Criminal Code are met, in order for the Italian national and the foreign citizen to be punished according to the Italian Law for crimes committed abroad.

Furthermore, the provision establishes that Entities are to be prosecuted unless they are prosecuted by the State where the crime was committed. In fact, according to the law, in case the culprit is punished upon request of the Ministry of Justice, the Entity is to be prosecuted only if such request is expressly formulated also toward the Entity itself.

The rules established by article 4 and by the provisions referenced in the Criminal Code exclusively

concern the crimes wholly committed abroad and by subject having the characteristics described by article 5, paragraph 1 of the Decree and belonging to entities having their registered offices in Italy. Furthermore, most of the violations included in Section III of Chapter I of the Decree, the criminal liability of such subjects and of the Entity depends upon the request of the Ministry of Justice.

In summary, therefore, the necessary conditions to apply the mentioned article 4 and therefore for the criminal liability of the entity under the Decree for the underlying offences committed abroad are:

1. The crime must have been perpetrated abroad by a subject functionally related to the Entity;
2. The Entity must have its registered offices in Italy;
3. The Entity is liable in the cases and under the conditions envisaged by articles 7, 8, 9 and 10 of the criminal code;
4. Should the cases and conditions under 3) be met, the Entity shall be held liable unless the State where the crime has been committed has already prosecuted the Entity;
5. Should the law envisage that the culprit is punished upon request of the Ministry of justice, the Entity is prosecuted only in case such request has been made also for this latter;
6. The culprit must be in the territory of the State and not have been extradited when the criminal action is exercised.

2.2 Exoneration from liability of the Entity

According to article 6 of the Decree, should the offences be perpetrated by **top-level subjects**, the Entity's liability is expressly excluded, if this latter provides evidence that, before the violation was committed:

- Had been prepared and effectively implemented **models of organization, management and control suitable at preventing the commission of the crimes**;
- Had been appointed a body within the Entity (the so-called "**Supervisory Board**"), having autonomous initiative powers and with the purpose of controlling the correct functioning and actual observance of the model;
- that the crime was committed through a **fraudulent elusion of the existing models**;
- there has not been **omitted or insufficient control by** the Supervisory Board.

On the other hand, should **the crime have been perpetrated by subordinate subjects**, art. 7 of the Decree subordinates the exclusion of the Entity's liability to the effective implementation of an organizational, management and control model suitable for guaranteeing, according to the type of organization and activity carried out, the compliance with the law and the timely elimination of hazardous situations.

Moreover, the Decree envisages that, with regard to the extension of the proxy powers and the risk of committing the crimes, the organizational models must satisfy the following needs:

- individuate the activities within which the violations can be committed;
- envisage specific protocols aimed at programming the decision making process and decision implementation process of the Entity;
- individuate the most suitable policies for the management of financial resources in order to prevent the commission of the crimes;

- establish information duties for all the company's employees and for any other subject interested to the same (clients, suppliers, partners, other associates), for the Supervisory Board on the main business facts and in particular for those activities deemed at risk;
- introduce disciplinary systems suitable for sanctioning the noncompliance with the measures envisaged by the Model.

2.3 The Guidelines issued by the Industrial Categories Associations

Article 6, par. 3, of the Decree states that “*organization and management models can be adopted, in compliance with the conditions under paragraph 2, on the basis of conduct codes prepared by the Associations representing the entities and communicated to the Ministry of Justice, which, together with the competent Ministries, is entitled to raise, within 30 days, comments on the fitness of the models for crimes prevention*”.

On 7 March 2002, Confindustria (the Italian Industrial Association) drew up and communicated to the Ministry the “Guidelines for the preparation of Organization, Management and Control Models as provided for by L.D. no.231/2001”, with exclusive reference to the offences against the Public Administration, in which it indicates the operative steps – herewith below listed – that the company shall undertake in order to activate a risk management system, compliant with the requisites enforced by the Decree:

- *Corporate risk areas mapping* - Once the offences relevant for the Company have been outlined, the activities during which such crimes could be committed must be identified, also considering the possible methods through which it would be possible to put in practice an illicit conduct within the specific corporate activities;
- *Specific procedures aimed at programming the development and implementation of the Entity's decisions with reference to the offences to be prevented* - The essential elements to be implemented, in order to guarantee the effectiveness of the model are:
 - a *conduct code*, defining the ethical principles with reference to any conduct, which may integrate the offences provided for the Decree;
 - an *organizational system*, clearly defining the corporate hierarchy and the responsibilities for the carrying out of the various activities;
 - an *authorization system*, assigning internal authorization powers, as well as external signature powers, consistent with the adopted organizational system;
 - operative procedures, disciplining the main corporate activities and, in particular, high-risk processes and management of the financial resources;
 - a management control system, timely highlighting critical situations;
 - a personnel communication and training system, for the good functioning of the model.
- the appointment of a *Supervisory Board* with autonomous initiative and control powers, which should supervise the functioning and observance of the models through periodical controls, and update them, should significant violations be found out or should the activities or the organization have changed;
- specific *informative duties toward the Supervisory Board* about the main corporate facts and in particular about high-risk activities;

- specific *informative duties of the Supervisory Board* toward the corporate top management and the control bodies;
- a *suitable disciplinary system*, aimed at sanctioning the violation of the measures indicated in the model.

The components of the control system must be inspired to the following principles:

- verifiability, demonstrability, consistency and compliance of each operation;
- function separation (no one can autonomously manage an entire process);
- the controls must be documented;

On 3 October 2002, Confindustria approved the **Integrative Appendix** to the above Guidelines with reference to the **corporate crimes** introduced by the L.D. no. 61/2002. Aligned with the model for crimes against the Public Administration and the patrimony perpetrated against the State or another Public Body, Confindustria pointed out that it is necessary to plan specific organizational and procedural measures (i.e. the model) aimed at preventing such crimes, as well as at defining the main duties of the Supervisory Board in order to verify the implementation and effectiveness of the model itself.

On 24 May 2004, Confindustria communicated to Ministry of Justice, after having implemented the comments of this latter, the new text of the Guidelines. The Ministry of Justice deemed the Guidelines so integrated "*suitable for the purposes of art. 6, paragraph 3, of the L.D. 231/2001*".

Subsequently, following the numerous interventions, which have modified the discipline of the entities' administrative liability, extending its scope to further violations, it has been issued on 31 March 2008, approved by the Ministry of Justice on 2 April 2008, an updated version of the Confindustria Guidelines. Such update of the Guidelines, which regarded both the general part and the appendix related to the case study, was aimed at providing indications of the measures suitable for preventing the new underlying offences. Namely: *market abuse, internet pedopornography, female genital mutilation practices, transnational organized crime, involuntary manslaughter and severe or very severe damage perpetrated in violation of the provisions for the prevention of industrial accidents and protection of hygiene and safety on the workplace, money laundering*.

Lastly, in March 2014, in the light of the new provisions of law, which have enlarged the list of the underlying offences, Confindustria has updated the Guidelines again.

The new version adjusts the former 2008 text to the new law, case law and practice provisions generated in the meanwhile, keeping separate the two Parts, general and special.

In particular, the main changes and updates of the general Part regard: the chapter on the outline of liability generated by the violations and the summarizing chart of the underlying offences; the disciplinary system and the relevant sanctions; the Supervisory Board, with particular reference to its composition; the case of groups of enterprises.

The special Part, dedicated to a more in depth analysis of the underlying offences through dedicated case studies, has been subject to an extensive review, aimed not only at analyzing the newly-introduced underlying offences (Cybercrimes, Organized crimes, Forgery in Instruments or Identification Marks; Crimes against Industry and Trade; Copyright violations, inducement not to make statements or to

make false statements to the judicial Authorities; Environmental Crimes, Law 190/12, - Corruption between private parties, Employment of illegally staying third country nationals) but also at providing an easier to apply schematic analysis method to the interested operators.

As envisaged by the same Legislative Decree no. 231/2001 (art. 6, par. 3), the document has been subject to the approval of the Ministry of Justice, which, on 21 July 2014, has communicated its final approval.

In preparing the Model, the Company took into account, not only the discipline of the Decree, but also the principles expressed by Confindustria in the Guidelines approved, in their final version, by the Ministry of Justice.

3. The Organizational, Management and Control Model: aims and purposes

3.1 Methodological approach to the Model

The Decree does not envisage a case of “group” model.

We have therefore carefully analyzed the risks and the relevant prevention measures with reference to each Italian company belonging to the Aquafil Group, and provided to the subsequent implementation and approval of the Organizational Models in each legal entity.

Considering also that the corporate functions are centralized in Aquafil S.p.A., which renders services on the basis of contractual agreements with the other Group companies, the conduct principles shared within the Group itself have been reciprocally accepted.

For this reason, the special part of the models of the controlled companies describing the above-mentioned corporate activities must be intended as referred to activities performed on their behalf by Aquafil S.p.A.

This Model has been prepared in line with the last updates to the Decree, the guidelines and with the indications emerged by the case law so far, deemed significant for the preparation of the same Model.

Therefore, the preparation of the Model has followed the following steps:

- analysis of the activities performed by the different corporate areas in order to individuate the relevant risks with reference to the underlying offences referenced in the Decree (so-called “mapping of risk areas”);
- evaluation of the organizational and control measures aimed at mitigating the risk of committing the crimes identified in the mapping step and description of the action plans aimed at overcoming or mitigating the criticalities detected;
- evaluation of the “governance model” with particular reference to the proxy and power of attorney system, in order to individuate possible areas of improvement, also of the organizational model in general;
- preparation of improvement actions on the internal control system from the Decree’s perspective (Action Plan);

- Identification and appointment of a Supervisory Board (also “SB”) – having autonomous initiative and control powers and in charge of controlling the Model’s and its fundamental elements functioning, update and observance – and definition of the *information flows* between the SB and the various supervisory bodies of the Company;
- Preparation of the Company’s Code of Conduct;
- Design of an internal disciplinary system aimed at sanctioning the violations to the Model, the Code of Conduct and the internal procedures;
- Rationalization of all the documentation prepared for this final document, denominated “Model”, to be evaluated and approved by the Company’s Board of Directors.

The Model, so as defined, is mainly aimed at creating a structured and organic system of procedures and control activities, in order to prevent, as far as reasonably possible, the commission of conducts suitable at configuring the offences envisaged by the Decree (the so-called underlying offences).

The adoption of the model is an effective awareness tool for all the Company’s employees and for all the other subjects interested in the same (Clients, Suppliers, Partners, different Collaborators), in order to follow a correct and linear conduct in the carrying out of any activity, aimed at preventing the risk of perpetrating the underlying offenses provided for by the Decree.

3.2 Purposes of the Model

In summary, the following are the purposes of the Model:

- Prevent and reasonably limit the possible risks related to the business activity, with particular focus on the commission of unlawful conducts;
- determine, in all those operating in the name and on behalf of the Company within the risk areas, the awareness of being liable to possible sanctions, both criminal and administrative, not only for themselves but also for the Company;
- strongly confirm that the Company does not tolerate any illicit conduct, of any kind and regardless of its aims, since the same, beyond breaching the applicable laws, is in any case against the ethical principles the Company is willing to respect.

3.3 Structure and Addressees of the Model

The Model is made of the following parts:

- The General Part describes the terms and the effects of the L. D. 231/01, the basic principles and the aims of the Model itself, the adoption, diffusion, update and application procedures of the provisions contained in the Model, the principles stated by the Code of Conduct, the duties of the Supervisory Board, as well as the provisions of the disciplinary System.
- The Special Part describes in detail, with reference to the specific offenses, the risk areas mapping, the evaluation of the precautionary control system, as well the specific procedures related to the risk areas.

The rules described in this Model are addressed to all those performing, also *de facto*, management, administration, direction and control functions within the Company, to the employees, as well as to the consultants, partners, agents, authorized representatives of the Company and generally to all third

parties acting on behalf of the Company within all areas classified as “risk areas” (hereinafter referred to as the “Addressees” of the Model).

Those the Model is addressed to are therefore obliged to timely respect all the provisions contained therein, also in order to fulfill the trust, correctness and diligence duties required by the juridical relationship existing with the Company.

3.4 Approval, modification and update of the Model

Organizational models are, under the provisions and effects of article 6, paragraph 1, letter a) of the Decree, proceedings issued by the Company’s Directors. Therefore the approval of this Model and of its constitutive elements is of exclusive competence and liability of the Board of Directors (hereinafter “BoD”). Any modification and update of the Model is exclusive liability of the BoD, also on recommendation of the Supervisory Board, as far as the following elements are concerned:

- Changes to the document “Bylaws of the Supervisory Board”;
- Granting to the SB all the necessary powers to carry out its supervisory duties;
- Granting to the SB of budget and appropriate resources to correctly carry out its duties;
- insertion/update of the principles contained in the Code of Conduct;
- modification or update of the Disciplinary System;
- adjustments and updates to this Model.

As clarified by the Guidelines, amongst others, the BoD, even with the appointment of the SB, as provided for by the Decree, keeps unchanged any power and liability envisaged by the Italian Civil Code and the Company’s Bylaws, to which are to be added those related to the adoption and effective implementation of the Model and to the functioning of the SB itself.

3.4.1 Implementation of the Model

The adoption of the present Model constitutes the starting point of the dynamic management of the Model itself.

As far as the implementation of the Model is concerned, the Board of Directors and the CFO, with the support of the Supervisory Board, shall be responsible for the implementation of the Model, including the operative procedures therein contained, for the respective areas of competence.

In any case, the Company is willing to reassert that the correct implementation and the control over the respect of corporate provisions and, therefore of the rules contained in the present Model, are both an obligation and a duty of all the Company’s personnel and, in particular, of each person in charge for the various functions, who, within the scope of his/her own competence, has the primary liability of the control of the activities, especially of those considered as “risk activities.

4. Mapping of risk areas and of controls

Article 6, paragraph 2, letter a), of the Decree provides for the Model to foresee a procedure aimed at

“detecting the activities within which offenses can be perpetrated”.

The detection of the areas within which offences could be perpetrated, implies a detailed evaluation of all corporate processes, aimed at verifying whether the offences provided for by the Decree could be theoretically committed and the suitability of the existing control elements aimed at preventing the same. On the basis of the above analysis a document called “Mapping of risk areas and controls” (hereinafter “Mapping of risk areas” or “Mapping”) has been issued. Such document is kept by the Supervisory Board.

The Mapping of risk areas represents the main principle of this Model, determining the scope of effectiveness and operation of all its fundamental elements; it is therefore not only constantly updated, but also reviewed every time the organizational structure of the Company is substantially modified (e.g. creation/change of business units, start/change of activities), or in case important changes of law are applied (e.g. the introduction of new offences to which the Decree applies).

As a consequence, through this Model, the Company provides for the preparation and constant update of the mapping of risk areas to be under the responsibility of the CFO, also upon proposal from the SB, which, also through experts on the matter as needed, shall effect an analysis aimed at detecting and motivating which offences are theoretically applicable to the Company.

Such analysis is aimed at the following goals:

- individuate the corporate functions, which, in consideration of their duties and responsibilities, may be involved in “risk activities”;
- specify the offences theoretically detected;
- specify the actual realization of the offence theoretically detected;
- individuate the elements to control the risk areas detected;

The results emerged from the mapping of risk activities and of the relevant controls will be the subject of a specific periodic communication from the Supervisory Board to the BoD, which shall take the appropriate resolutions regarding the update of the Model.

5. The Corporate Governance Model

It is defined corporate governance the overall system of tools, rules, relations, processes and systems aimed at a correct and effective management and control of the Company, intended as a compensation system between the interests of the minority shareholders, the majority shareholders and the company’s directors. Therefore, the structure of the corporate governance expresses the rules governing the corporate decision-making processes, the ways in which the corporate aims are defined as well as the means to achieve and measure the results reached.

The Company adopts the traditional management and control system, according to which the company’s management is entrusted to the Board of Directors and the supervisory functions to the Board of Statutory Auditors. The legal audit of accounts is entrusted to an audit firm.

Shareholders' Meeting

The Shareholders' Meeting resolves both ordinarily and extraordinarily, on the matters assigned by the Law and the Bylaws.

Chairman to the Meeting is the President of the Board of Directors, or in case of absence or impediment, the Vice President or, in case of further absence or impediment, any other Director, or in lack thereof, a voted attendant to the Meeting.

Board of Directors

The Board of Directors (hereinafter also referred to as "BoD") of the Company is composed according to the provisions of the Bylaws and is exclusively responsible of the ordinary and extraordinary Company's management in order to carry out any action, deemed opportune for the realization of the business purpose, with the sole exception of those pertinent to the Shareholders' Meeting according to the law or the Bylaws.

Signature and representation of the Company before third parties and in trial, as well as the aspects related to the appointment of the Directors, to their honorability, professionalism and independence, to the functioning (call for meetings, resolutions, company's representation), as well the ways to remunerate the same, are disciplined by the Company's Bylaws, to which reference should be made.

Board of Statutory Auditors

The Board of Statutory Auditors (hereinafter also referred to as "BoSA") of the Company is made of three acting auditors and two substitute auditors, according to the Shareholders' Meeting, which appoints the President.

The BoSA is vigilant on the observance of the law and of the Bylaws, on the respect of the principles of correct management, and in particular on the adequateness of the organizational, administrative and accounting system adopted by the Company and on its actual functioning.

For those aspects related to the appointment and functioning of the Board of Statutory Auditors and for anything not specified in this paragraph, reference should be made to the provisions of the corporate Bylaws.

Audit Firm

The accounting control is entrusted to an auditor or audit firm enrolled in the dedicated registers.

Requisites, functions, appointment, responsibilities and activities of the auditor or of the Audit firm are governed by the applicable law.

5.1 Organizational and authorization System

As clarified by the Guidelines, the organizational System must be sufficiently formalized and clear, with particular attention to the assignment of responsibilities, to the organizational chart and to the description of duties, with specific provisions regarding control principles, such as, for example, the juxtaposition of functions.

The organizational structure of the Company is formalized in an organizational chart, which clearly indicates hierarchical dependencies and functional links between the different functions of the same Company.

According to the Confindustria Guideline's suggestions, authorization and signature powers must be assigned consistently with well-defined organizational and management responsibilities, providing, when required, for a precise indication of the limit for expense approval, especially in those areas considered as "risk areas", as provided for by the Company's Policies adopted on the matter and by the proxies granted.

As far as the Decree is concerned, the Company systematically:

- updates the attribution of powers and of the proxies system after modifications and/or integrations of the same;
- establishes a formalized information flow toward all functions, in order to guarantee the timely communication of powers and of the relevant modifications;
- supports the SB in carrying out periodical checks of the respect of the signature powers.

5.1.1 Proxy and power of attorney system

The Board of Directors of the Company is the body responsible for granting and formally approving proxies and signature powers. Currently, such system envisages always the presence of a BoD with its President and directors granted with proxies related to their area of responsibility. Within such system, also some special attorneys are appointed, among non-members of the BoD, to which signature powers are granted according to the responsibilities attributed, also taking into account their role within the centralized corporate functions.

Therefore, such subjects, through the proxy or power of attorney, are granted management and expenditure powers consistent with the organizational responsibilities assigned to the same, ensuring a functional management of the technical aspects required by the relevant regulations, as well as the management of any urgency, which may arise – with particular regard to the management of the environmental and safety on the workplace systems (i.e. accidents, damage, etc.) – through the necessary specific competences.

5.1.2 Control principles and organizational procedures

As clarified by the Confindustria's Guidelines, the procedures must ensure respect of the following principles:

- *"every operation or transaction must be: verifiable, documented, consistent and compliant"*.

Through this principle, the Company wants to ensure that, especially for the risk activities, there is adequate documental support (so-called "*traceability*") which can be controlled at any moment. To this end, it is therefore opportune to easily individuate for each operation who *authorized* it, who *actually carried it out*, who *registered* it and who *controlled* the same. A highly precise tracking down of the operations is guaranteed with dedicated IT systems able to manage the operation, allowing the compliance with the above-described requisites

- *"nobody can manage in full autonomy an entire corporate process"*.

The control system must verify whether there are processes within the Company, which are managed by a single subject and, should this be the case, bring the necessary changes to guarantee the so-

called “*segregation of roles principle*”. Such requisite can be satisfied providing for the assignment to different subjects of the crucial phases of the process and, in particular, those of authorization, accounting, execution and control.

Furthermore, in order to guarantee the segregation of roles principle, it would be opportune to correctly define, assign and communicate the authorization and signature powers, providing, when required, for a precise indication of the expense approval threshold, in order not to grant to any subject unlimited powers.

- “*the controls effected must be documented*”.

The procedures through which controls are effected must guarantee the possibility to track down the controls effected, so as to allow the evaluation of the consistency of the methods adopted (*self assessment*, sample tests, etc.), and the correctness of the results achieved (e.g.: audit reports).

Moreover, the Company establishes that, the following control principles must be guaranteed in all risk activities detected by the mapping, as well as in all corporate processes:

- guarantee integrity and ethics in performing the activity, through the issuing of rules of conduct, aimed at disciplining each activity considered as “risk activity”;
- formally define duties and responsibilities of each corporate function involved in risk activities;
- attribute decisional responsibilities proportionally to the granted level of liability and authority;
- correctly define, assign and communicate the authorization and signature powers, providing, when required, for a precise indication of the expense approval threshold, in order not to grant to any subject unlimited discretionary powers;
- guarantee the segregation of roles principle in process management, providing for the assignment to different subjects of the crucial phases of the process and, in particular, those of authorization, execution and control;
- regulate the risk activity, for example, through dedicated procedures (see. Annex 5 - “Procedures List”) and policies providing for the appropriate check-list (controls, settlements, account balancing, information flow, etc.);
- guarantee the verifiability, demonstrability, consistency and compliance of each operation or transaction. In order to do so, it must be possible to track down the activity through a proper documental support, on which controls can be effected at any time. It is therefore opportune that for each operation it is easy to individuate who authorized it, who actually carried it out, who registered it and who controlled the same. A highly precise tracking down of the operations is guaranteed through the use of dedicated IT systems able to manage the operation, allowing the compliance with the above-described requisites;
- guarantee the demonstrability of the controls carried out. In order to do so, the procedures through which the controls are effected must ensure the possibility to track the controls carried out, in order to allow the evaluation of the consistency of the methods applied and the correctness of the results;
- guarantee the presence of dedicated reporting allowing the systematic reports by the personnel involved in risk activities;
- guarantee the reliability of the financial reporting to the Company’s management;
- guarantee the presence of dedicated communication channels with the Supervisory Board, which

can request either information or meetings with the persons responsible for each function and with the personnel assigned to the so-called risk areas under L.D. 231/2001;

- foresee controls and monitoring of the correctness of the activity performed by the single functions within the considered process (compliance to the rules, correct utilization of the expense and signature powers, etc.).

Said control principles have been the reference point while preparing the corporate procedures and protocols.

This Model is part of a wider and pre-existing control and governance system (made of, *inter alia*, multiple protocols, policies, procedures, quality certifications, standards adopted by the Company), aimed not only at supporting the management and reduction of the risk, but, more in general, at achieving the wider corporate aims. Therefore, the Company, in developing its Model, has taken into account the interrelations and synergic connections with the existing and already operative control systems.

It shall be the SB's responsibility to verify that the competent corporate functions promptly verify and update their processes to the above stated principles.

The result of said verification and update process should be the object of a dedicated periodic report issued by the corporate functions, according to their competences, according to the ways and timing established by the same SB.

5.2 Financial resources management system

Art. 6, par. 2, lett. c) of the Decree establishes that the Models must envisage "systems for the control of the management of financial resources suitable for hindering the commission of the offences".

The Guidelines recommend the adoption of procedures governing the decisions, which, by making documentable and verifiable the various steps of the decision making process, impede the improper management of the Company's financial resources.

The management of financial resources is referred to those activity generating outgoing monetary and financial flows for the fulfillment of corporate obligations of various nature, which can be substantially classified in the following macro-groups:

- normal business operation, related to activities/operations such as, for example, purchases of goods and services, sale of products or other business assets, purchases of licenses, financial charges, tax and social security, payment of salaries ecc;
- extraordinary business operation, related to the financial operations such as, for example, buying and selling of stocks, bond and other financial instruments.

In particular, in compliance with the principles of transparency, accountability and pertinence to the company business, the system for managing financial resources shall be conducted in accordance with the following steps:

- Planning of periodic or spot financial needs by the Finance Department;
- Availability of the needed financial resources within the set due dates;

- Requests for payment duly formalized;
- Check if the amount indicated on the purchase order/contract are consistent with the actual amount of payment.

Always based on the principles indicated by the Guidelines, the control system related to the management of financial resources is based on the segregation of roles in the key-steps of the process; such segregation must be appropriately formalized and must show high traceability of the actions and authorization levels to be associated to each operation.

In particular, the specific control elements are represented as follows:

- Segregation of duties at different stages/activities of the process;
- Existence of a duly formalized request for payment;
- Control of actual payments;
- Accounting reconciliation;
- Existence of DOA for the request and the related payment, depending on the nature of the operation (ordinary/extraordinary) and the amount;
- Existence of an information flow to ensures constant alignment between powers of attorney, operative proxies and authorization profiles of the information systems;
- Systematic reconciliation of the intercompany accounts and of the relations with credit institutions, with the relevant accounting records;
- Traceability of the single actions and steps of the process, which must be carefully evaluated with regard to the exhausted circulation of the documents, which have already originated a payment.

In accordance with the abovementioned criteria, the Company has as adopted specific procedures and administrative processes aimed at regulating the administrative processes, amongst which the procedures referred to General Bookkeeping, Client Accounting and Credit Management Department, Suppliers Accounting, Treasury, whose principles are also implemented in the management of the same activities on behalf of the other Group companies, according to the existing service agreements or the protocol regulating the preparation of the financial statements (Protocol “Financial Statements and Bookkeeping”).

Such procedures are an integral part of this Model and their violation may lead to the application of the Model’s Disciplinary System.

The above described procedures shall be duly controlled by all the corporate Functions involved in the processes regarding the management of financial resources, in the name of the principle of creating responsibility for the same functions, and the control functions/bodies of the Company, amongst which, for the purposes of the Decree, the SB, which shall, in its periodic reports, inform the BoD of the controls effected on the knowledge and application of the mentioned procedures.

The management control is ensured by a budgeting reporting system, managed by the CFO.

6. Code of Conduct

The adoption of a code of conduct as *governance* tool is an essential element of the preventive control

system. In fact, the Code of Conduct aims at recommending promote or forbid given behaviors, to which it is possible to associate sanctions proportioned to the gravity of the offense perpetrated.

The principles contained in the Code of Conduct of the Aquafil Group – hereinafter also referred to as the “Code” - (see Attachment no. 2), are addressed to: directors, managers, employees, consultants, consultants, partners, agents, and authorized representatives acting on behalf of the Company, clients and suppliers.

Therefore, the Code’s applicability extends also to those subjects with whom the respect of ethical principles can be contractually agreed upon.

The SB is responsible for the control on the application and observance of the Code of Conduct with reference to the specific activities carried out by the Company, by promptly communicating any incoherency or need for update to the BoD.

Any doubt about the application of the principles and provision in the Code of Conduct must be timely discussed with the Supervisory Board. Anyone having notice about violations to the principles of the Code or about any other event affecting its scope and effectiveness is due to promptly inform the SB. Should any of the provisions contained in this Code conflict with the internal regulations or procedures, the Code’s rules shall prevail.

The violation of the principles and conduct rules contained in this Code will be sanctioned through the measures contained in the corporate Disciplinary System provided for by the Model.

Any change to the Code of Conduct must be effected by the BoD.

7. The Disciplinary System

The actual effectiveness of the Model must be ensured by a suitable Disciplinary System, aimed at sanctioning any defiance and violation of the provisions contained in the Model and of its constitutive elements. Such violations must be sanctioned disciplinarily, regardless of a criminal investigation being started, since they represent a violation of the diligence and loyalty duties of the worker and in the worst cases a breach in the trust relationship with the employee.

As also clarified by the Confindustria Guidelines, the provision of a disciplinary system and of sanctioning mechanisms, must be differentiated according to the various existing relationships (employees, managers, directors, external collaborators) and in case of employment relationship, it must respect the provisions envisaged by art. 7 of the Workers Statute (L. n. 300/1970), the special legislation and the principle of typicality of violations in relation to the so-called sanctions maintaining the relationship. In this regard, the Company has introduced a Disciplinary Systems for the purposes of the Decree, aimed at sanctioning any violation of the principles and provisions contained in this Model, both by Company’s employees – managers and not – and by directors and statutory auditors, as well as by the members of the Supervisory Board, consultants, partners and third parties.

The Disciplinary System adopted by the Company is attached to this Model and constitutes an integrant part of the same – see Attachment 3.

8. The Supervisory Board (SB)

The Decree under article 6, paragraph 1, letter b) provides for by, among the necessary elements to waive the liability consequent to the perpetration of the offences therein indicated, the appointment of an *internal* corporate Board – the so-called **Supervisory Board** (hereinafter “*the Board*” or “**SB**”) – with autonomous initiative and control powers, having the duty to oversee the functioning and observance of the Model and to update the same.

8.1 Identification of the internal Supervisory Board

8.1.1 Requisites and composition

In order to fulfill the duties provided for by the aforementioned provision, the Board must satisfy the following requisites:

- **Autonomy and independency:** as also pointed out by the Guidelines, the position of the Board within the Company “must guarantee the control initiative autonomy from any kind of interference and/or conditioning from any component of the Company” (including top management). Therefore, the Board must be inserted as high as possible in the corporate hierarchy with the possibility of a reporting line to the Managing Director. Moreover, in order to ensure to the Board the necessary autonomous initiative and independency, “it is necessary for the SB not to be in charge of any operative duty, which, through the participation to operative decisions and activities, would affect its objective judgment when verifying conducts and the Model”. It is to be pointed out that as “operative duties”, for the purposes of this Model and of the Company’s activity, it is to be intended any activity envisaging expenditure and authorization powers, any activity implying management powers excluding budget availability.
- **Professionalism:** such requisite makes reference to the specialist technical expertise, which the Board must possess, in order to carry out the activity provided for by the law. In particular, the members of the Board, must have specific competences related to any technique useful for the carrying out of the inspecting, control system analysis and juridical activity (in particular corporate and criminal law), as clearly specified by the Guidelines. In fact, the following expertise is essential: techniques of risk analysis and assessment, flow charting of procedures and processes, methods for the individuation of frauds, statistical sampling and the structure of the offences and the ways the same are perpetrated.
- **Continuity of action:** in order to ensure the effective implementation of the organizational Model, it is necessary the presence of a structure exclusively dedicated full time to the supervisory activity, so as specified by the SB’s Bylaws.

In compliance with the provisions of the Decree and the Confindustria’s Guidelines, and in the respect of the requisites of autonomy, independence, professionalism and continuity of action above illustrated, the Company’s SB has been individuated in a collegiate body, made of 3 members, of which one is President, according to the procedures envisaged by the Bylaws of the Supervisory Board attached to this Model (Attachment n. 4 “Bylaws of the Supervisory Board”).

8.1.2 Appointment

The BoD appoints the SB and its President, that must comply with all procedures for the summoning of the SB, the establishment of the agenda and for the carrying out of the relevant meetings.

The appointment of the SB by the BoD must be notified to each appointed member and accepted by this latter. The appointment shall be formally communicated by the BoD to all corporate levels, through an internal communication illustrating powers, duties and responsibilities of the SB, beyond its composition and aims.

8.2 Functions and Powers

The SB shall mainly:

- Supervise the effectiveness of the Model, i.e. control that the conducts within the Company are compliant with the Model prepared;
- Verify the suitability of the Model, evaluating its actual effectiveness in preventing the offences envisaged by the Decree and by any subsequent modification enlarging its application scope;
- Verify over time the permanence of the above requisites of effectiveness and adequacy of the Model;
- Monitor the Model update, in order to adapt the same to any change in the law or in the company's organizational structure.

In order to allow the carrying out of the above described duties, the SB:

- Shall have free access to all corporate documents;
- Can use, under its own direct surveillance and responsibility, all the corporate structures or external consultants.

Moreover, the SB shall have assigned financial resources, in order to ensure the correct carrying out of its assigned duties.

8.3 Information flow to and from the Supervisory Board

8.3.1 Information flow from the Supervisory Board to the corporate bodies

The Supervisory Board shall communicate the following to the Board of Directors:

- on annual basis, within the first calendar month, to the BoD, the activities planned to fulfill its duties;
- periodically to the CFO, the status of the defined program (criticalities and deficiencies acknowledged in the corporate processes, necessary and/or opportune corrective measures to the Model and their status of implementation) and any change made to the plan, motivating the same;
- immediately to the CFO and/or the BoD, any significant issue arisen from the activities performed.

The SB must also report annually to the BoD the status of implementation of the Model.

The Supervisory Board can be required to report at any moment to the BoD with regard to the activities carried out, and can, in turn, require a meeting to report about the functioning of the Model or specific issues.

Furthermore, the SB must report to the BoSA any irregularity/anomaly acknowledged in the actions of the corporate management or being particularly relevant for the Company.

The SB shall also coordinate with the competent technical structures within the Company for the different specific profiles.

The meetings of the corporate bodies, which the SB reports to must have their minutes and a copy of such minutes (also soft) is kept by the SB itself in the dedicated archive, as defined by the “Supervisory Board’s Regulation”.

8.3.2 Information flow to the Supervisory Board

Article 6, paragraph 2, letter d) of L.D. 231/01, provides for by the inclusion in the “Organizational Model” of informative duties towards the Board in charge for the control of the functioning and observance of the Model itself. The obligation for a structured information flow was conceived in order to guarantee the supervisory activity on the effectiveness and efficacy of the Model and any possible assessment afterwards of the causes that rendered possible the perpetration of the offences provided for by the Decree. In particular, beyond the information specifically required by the corporate procedures, the SB must promptly receive, by all corporate functions, the information having character of report/timely flow or the periodical information/report on sensitive events and/or activities. Any information which must be reported to the SB is specifically indicated and regulated in the Protocol “Reporting to the Supervisory Board” belonging to this Model and to which reference should be made.

The Board shall act in order to ensure that the informers are not subject to any form of retaliation, discrimination or penalization, and to guarantee at the same time the confidentiality of the informer’s identity, always with regard to the law provisions and the protection of the rights of the Company or of the subjects involved, as well as to the reputation of the people involved.

In order to facilitate the information and reporting flow toward the SB, it has been activated an e-mail address: odv@aquafil.com, specifically dedicated to the communications for the SB.

9. Training on and Communication of the Model

9.1 Training on the Model

Internal training is an essential tool for an effective implementation of the Model and for a widespread dissemination of the conduct and control principles adopted by the Company, in order to reasonably prevent the offences envisaged by the Decree.

With this aim, the Company develops a suitable periodical training program differentiated according to the addressees: employees in general (general training), employees operating in specific risk areas and people in charge of internal control (specific training).

The requisites the training program must respect are the following:

- Be adequate to the position of the subjects within the organization (newly-employed, employee, manager, director, etc.);

- The contents must be differentiated according to the activity carried out by the subject within the Company (risk activity, control activity, safe activity, etc);
- The trainer must be a competent and influential person, in order to ensure the quality of the training topics, as well as to explicitly give importance to the subject training for the Company and for the strategies the same is willing to follow;
- The participation to the training programs is compulsory and appropriate control mechanisms must be defined to monitor the presence of the participants and assess the learning level of the participants.

The training can be classified as general or specific. In particular, general training must be addressed to all corporate levels, in order to allow every employee to be informed about:

- Know the principles established by the Decree and be aware that the Company is willing to make them its own and a fundamental part of the corporate culture;
- Know the aims the Company wants to accomplish through the implementation of the Model and the ways in which everyone's activity may contribute to the achievement of the same;
- Be aware of their role and responsibilities within the existing corporate internal control system;
- Know which conducts are expected or acceptable and those not acceptable for the Company;
- Know the appropriate reporting channel for the type of information to be communicated and for the subject whom the communication is addressed to, and, in particular, know to whom to report and through which procedure any anomaly in the carrying out of the corporate activities;
- Be aware of the applicable disciplinary sanctions in case of violation of the rules of this Model;
- Know the powers and duties of the Supervisory Board.

The **specific training**, on the other hand, is addressed to those people that, due to their activity, need specific competences in order to manage the activity itself, as well as to the staff operating within activities potentially at risk for the perpetration of the offences provided for by the Decree. These subjects must receive both general and specific training. The specific training should allow the subject to:

- be aware of the potential risks associated with his/her activity, as well as of the specific control procedures to activate in order to monitor the activity itself;
- know the risk evaluation techniques regarding the activity carried out as well as the exact processes through which the same is rendered and/or the procedures regulating the same, in order to be able to detect any anomaly and timely report the same in order to implement the opportune corrective actions.

Also the people in charge for the internal control, who monitor the activities potentially at risk, shall be addressed with a specific training, in order to make them aware of their responsibilities and role within the internal control system, as well as of the sanctions they could be subject to, should they fail to respect such responsibilities and role.

Should the Model be significantly changed and/or updated, training modules shall be organized, in order to inform the staff of such changes/updates.

Finally, specific training modules shall be organized for the newly-employed assigned to risk areas.

9.2 Communication of the Model

As provided for by the Decree and by Confindustria's Guidelines, the Company shall fully release the present Model, in order to ensure that the whole staff is informed about all its elements.

The communication shall be widespread, effective, clear and detailed, with periodical updates related to the changes in the Model.

In particular, the communication, in order to be effective, must:

- be sufficiently detailed in relation to the hierarchical level of destination;
- use the most appropriate and most accessible communication channels in order to ensure the information in a timely manner, allowing the staff to which the communication is addressed to, to effectively and efficiently use the same;
- be qualitative with regard to the contents (include all the necessary information), timely, updated (include the most recent information) and accessible.

Therefore, the actual communication plan related to the essential elements of this Model, shall be developed, consistently with the above-stated principles, through the most appropriate corporate means, such as for example a communication via e-mail to all the staff or the publication on the corporate intranet and in-class training.

9.2.1 Communication to partners and collaborators

The Company promotes the knowledge of the principles and rules envisaged by the Code of Conduct and this Model among consultants, partners, agents, and authorized representatives acting on behalf of the Company, clients and suppliers. Therefore, these subjects shall be provided with appropriate informative communications; moreover, dedicated clauses for the acknowledgement and acceptance of the same shall be prepared. The corporate functions will then insert the same in the relevant contractual schemes of reference.



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