

# Model of organization, management and control

Adopted pursuant to Legislative Decree 231/2001

## *General part*

courtesy translation

Milan 13 October, 2020

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*courtesy translation*

## Definitions

<b>AGC Biologics or Company</b>	AGC Biologics S.p.A., with registered office in Bresso, via Meucci 3. Sole shareholder company, subject to the direction and coordination of AGC Biologics Inc.
<b>Code of Ethics</b>	Code containing the ethical principles to which AGC Biologics inspires its action as well as the guidelines whose observance is required of all those who have occasional or permanent working or commercial relationships with the Company or, more generally, have interests in the Company.
<b>Decree</b>	Legislative Decree no. 231/2001.
<b>Group</b>	Le società del gruppo AGC.
<b>Model of Organization or Model</b>	the model of organization, management and control of the Company established pursuant to the Decree.
<b>Recipients</b>	employees, collaborators, consultants, partners of the Company.
<b>Representative</b>	the contact person for the Model identified by the Board of Directors of the Company among the directors, who are assigned the duties provided for in the Model.
<b>Subervisory Board</b>	supervisory and control body established by the Board of Directors of AGC Biologics with the task of supervising the functioning, effectiveness and compliance with the Model itself, as well as updating it.

## ***Premises: Legislative Decree no. 231/2001***

The Legislative Decree no. 231/2001 (the "**Decree**"), implementing Italian Law no. 300/2000, introduced the administrative liability of legal persons, companies and associations, including those without legal personality, outlining the general principles and criteria of attribution. A copy of the Decree in force from time to time is available on Company intranet.

The Legislator adapted the internal regulations on the liability of legal persons to a number of international conventions, including:

- the Brussels Convention of 26/07/95 on the protection of the financial interests of the European Community;
- the Convention of 26/05/97 on the fight against corruption of officials of the European Community or Member States;
- the OECD Convention of 17/12/97 on combating bribery of foreign public officials in economic and international transactions.

For the first time the Legislator has introduced the liability of entities for criminally relevant facts, in addition to that of the natural person who materially committed the offence, and to involve in the punishment of such offences the assets of the entities themselves and, therefore, the economic interests of shareholders.

Article 5 of the aforementioned Decree states that "the entity responsible for crimes committed in its interest or to its advantage:

- by persons covering functions of representation, administration or management of the entity or one of its business units with financial and functional autonomy, as well as persons who manage, *even de facto*, and control them;
- by persons subject to the direction or supervision of one of the above mentioned persons.

The liability foreseen by the Decree also applies to offences committed abroad, provided that the State in whose territory the offence was committed does not proceed in respect of such offences.

If the offence was committed by a person in a senior position, as defined above, the company may be exempted from liability if it can prove that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models pursuant to the Decree that are suitable for preventing offences of the type committed;
- the company has set up a body with autonomous control powers to which it is entrusted: (i) supervising the functioning of the model, (ii) monitoring its compliance, (iii) updating the model;
- the crime was committed by fraudulently circumventing the model;
- there was no lack of supervision by the supervisory body.

If the offence was committed by a person subject to the management of others, the company's liability will be recognised when it is proven that the commission of the offence was made possible by the fact that the persons in top management positions did not sufficiently comply with the obligations of management and supervision.

In summary, the administrative liability of the entity exists in those cases in which a company, in the face of a criminal offense committed (also) in its interest, shows in fact a corporate organization that is guilty negligent and careless, such as to take advantage of criminal behaviour committed within its own structure.

Therefore, the elaboration and adoption by the Company of a model of organization responds to the need to prevent the commission of crimes and, if this happens, to avoid that such action can be traced back to an organizational fault, i.e. to an underlying structural willingness to take advantage of illegal conduct.

Among the offences indicated by the Decree and subsequent amendments, however, only a few can concretely concern the Company's activity: it is therefore with reference to these cases that the Model must compare its preventive effectiveness.

The offences examined are listed in the Attachment to this General Part (**Attachment 1, List of offences**).

## **1. AGC Biologics Model of Organization.**

AGC Biologics S.p.A. (hereinafter "**AGC Biologics**" or the "**Company**") is a biotechnology company focused on research, development, production and clinical validation of gene and cell therapies for the treatment of cancer and rare diseases.

AGC Biologics' product portfolio includes autologous CAR therapies in clinical stage and allogeneic CAR therapies in preclinical and clinical stages for the treatment of cancer. The Company also carries out gene and cell therapy projects for third parties. These projects include i) the development and validation of the manufacturing process and control strategy and ii) the manufacture of viral vectors and genetically modified cells for preclinical, clinical and commercial use.

The Company has its registered office at OpenZone in Bresso and operating unit at the Department of Biotechnology (DIBIT) of San Raffaele Hospital in Milan.

AGC Biologics, having taken note of the legislation in force on the administrative liability of entities arising from crime and its scope, sharing the need for crime prevention expressed by the Legislator and being aware of the fundamental importance of ethics as a necessary element for any healthy company, and the opportunity to be provided with an internal control system for the aforementioned prevention of the commission of crimes by its staff, directors, consultants and partners, has since 2007 reviewed and updated its organizational system, providing for the drafting and application of an organizational, management and control model pursuant to the Decree (the "**Model of Organization**" or "**Model**"). In addition, the Board of Directors of AGC Biologics has established a supervisory and control body with the task of supervising the functioning, effectiveness and compliance with the Model itself, as well as updating it ("**Supervisory Board**").

In this regard, it should be noted that the Company has adopted a system of company procedures as a tool for proper business management. Within this system of procedures, and as its completion, the Model has been considered, in particular, as an opportunity for systemic coordination between its various components, including the Company procedures and protocols already present in the Company or to be implemented following the approval of this Model update.

The Model of AGC Biologics was adopted in its first version on September 28, 2007 and subsequently updated several times to ensure consistency with the legislative data and the activities of AGC Biologics itself. This update, in addition to incorporating the organizational changes resulting from the delisting of the Company on 30 September 2020 and the legislative interventions that have taken place in the meantime, recalls the company procedures issued for the management of critical areas.

The Model, in its preventive function, is primarily addressed to the so - called "top management" persons with functions of representation, administration or management of the Company in its various articulations, as well as to those who exercise, also *de facto*, the management and control of the Company or of business units of the Company itself. In the specific case, AGC Biologics is represented, administered and directed by a board of directors which, in addition to directly complying with the Model and observing it punctually, takes care of its compliance by those who are subject to its management or supervision.

The Model is direct at and must be observed by all the Company's employees in its various categories and requires compliance with its general principles also by third party collaborators, partners and consultants (hereinafter also referred to as the "**Recipients**").

The Company believes, in fact, that the adoption of the Model constitutes, beyond the provisions of the law and its potential exempting efficacy pursuant to the Decree, a valid tool to raise the Recipients' awareness of their potential unlawful conduct, to prevent crimes through the precise indication of specific conduct and an appropriate control system, as well as to react promptly in the event that the same have been committed in any case.

## Code of Ethics

In consideration of the Company's entry into the Group, as well as the delicacy and social relevance of the activities carried out and the services offered, the Company felt the need to adopt, in addition to the Model, the Group's Code of Ethics in which the values and ethical principles to which the Company inspires its action are formalized. This Code of Ethics is based on the sound, transparent and correct management of the activities of the Company and the Group.

In order to guarantee the transparency, correctness, integrity and professionalism of the work and the quality of the services offered by the Company, the Code of Ethics indicates a series of principles and guidelines whose observance is required of all those who have occasional or permanent working or commercial relationships with the Company or, more generally, are stakeholders in the Company.

All those who work and operate in and for the Company are required to observe and enforce the Code of Ethics within the scope of their functions and responsibilities. This obligation constitutes an essential element of the work performance. Compliance by managers, employees, collaborators in any capacity, directors, statutory auditors of the Company and the person in charge of the statutory audit, within the scope of their functions and responsibilities, with the behavioural canons contained in the Code of Ethics and the specific procedures provided for in the Model, is in fact of fundamental importance, both for the good functioning and reliability of the Company and for the protection of its prestige, image and knowhow; all factors that constitute a decisive asset for the success of the company. To this end, the Company ensures full knowledge and understanding of the Code of Ethics by all Recipients through the adoption of training procedures and continuous awareness of its contents.

## 2. **Criteria and activities for updating the Model**

In the management of this update, the Company, taking into account the previous Model and the indications of the Supervisory Body, has not limited itself to implementing the existing Model with respect to the new offences that have meanwhile become part of the Decree but - taking note of the new organizational structure assumed by the Company since the delisting from the Mercato Telematico Azionario occurred on 30 September 2020 - has intended to proceed with an update of the Model with respect to the offences recently introduced by the Legislator.

The Model has been drawn up according to the following principles:

- Documentary simplification. It was decided to maintain a simplification approach in relation to the Model, preferring to prepare a more streamlined and more easily consultable text and refer to specific attachments for further analysis, also intervening intensively directly on the reference procedures. In this last regard, it should be noted that the Company has taken steps to integrate the operating procedures previously transcribed in the Model into corporate policies, so as to ensure greater homogeneity and compliance with the daily activities carried out by the Recipients;
- analysis by process and function rather than by crime. The risk mapping activity has focused in particular on the analysis of the typical areas of action of the company in its normal flow and in the examination of all the other business support activities. The output of this activity has been reflected in the Special Part of the Model through the creation of attachments not divided by offences, as in the previous version, but by company functions (and, essentially, by processes), so as to allow, on the one hand, clear and direct information on sensitive areas and immediate traceability to the company functions involved and, on the other hand, to facilitate (i) the construction of information flows and (ii) the verification activities of the Supervisory Board, consistently with the basic analysis carried out for the construction of the Model.

First of all, the corporate governance system adopted by the Company was analyzed. Subsequently, the practical and operational performance of AGC Biologics' activities was reconstructed through *ad hoc* interviews with the Company's key managers, aimed at providing an effective and complete picture of the Company's activity and its articulations, also taking into consideration the culture, the ethical environment of AGC Biologics and any precedents of the same, as well as the aspects characterizing each management and operational process. This mapping (risk mapping and risk assessment) has been the basis of the so - called gap analysis, i.e. the recognition of which controls and procedures were necessary and to be adopted in order to strengthen and make as advanced as possible the Company's ability to prevent the commission of the crimes referred to in the Decree.

The "mapping of risk areas" was therefore based on the following aspects:

- identification of the activity subject to verification;
- identification of the business function "owner" of the process, i.e. under whose responsibility the activity is conducted;
- identification of any "cooperating" company functions, i.e. those functions that participate in the company activity under examination;
- identification of the type of crimes to be prevented;
- forecast of the ways in which such offences could be committed;
- analysis of the instruments already existing in the Company to protect against the risk of offences being committed;
- Evidence of the safeguards deemed necessary for the best implementation of the crime prevention system.

Thanks to this specificity, it will be possible to constantly adapt the Model - thus characterized by a dynamic character - to the social and corporate context, with a view to preventing the risk of crimes being committed. Following the completion of the corporate reorganization subsequent to the integration of AGC Biologics into the current Group, the Company will carry out a new risk analysis to verify its adequacy with respect to actual future operations and, proceed to make all necessary changes to the Model.

### ***3. Sensitive business areas and activities***

By comparing the outcome of the analysis activity described above with the reference context in which the Company operates and the potential areas for improvement of the Company's prevention system, various activities deemed sensitive to the risk of the commission of crimes of the kind that the Model intends to prevent have been identified. These sensitive areas are listed and analysed in detail, broken down by function, in the Special Part of this Model and in particular in its annexes.

### ***4. The system 231 of AGC Biologics and the structure of the Model***

The Company's system 231 (intended as that set of documents, procedures and persons with roles assigned by the Model), in the light of the provisions of the law and in consideration of its function, is structured in the following elements:

- Supervisory Board with supervisory and control functions with regard to compliance with the principles contained in the Model and, more generally, to verify the functioning and the need/opportunity to update the Model itself;
- system of internal control and company procedures
- provision of sanctions in case of non-compliance with the Model.

In particular, the Model of AGC Biologics is organized as follows, as concern the documental part:

General part: document illustrating the fundamental elements of the discipline, the preparatory work and the criteria used in drafting the Model, the structure of the Model and its main elements, such as, between text and attachments, the Supervisory Board and the disciplinary system;

Special section: document illustrating the company's structure and activity, the offences relevant for the purposes of the Decree, the general principles of conduct as well as, function by function, the activities sensitive to the commission of the offences referred to in the Decree, with an indication of the methods of monitoring and prevention.

### ***5. Supervisory Board***

The Supervisory Body is that body which, pursuant to the Decree, has the task of supervising the functioning, effectiveness and observance of the Model and ensuring that it is updated, in particular in the event of changes in the company's organisation and activities.

The constitution, appointment, term of office, revocation and remuneration of the Supervisory Board are decided by the Board of Directors, after hearing the opinion of the board of statutory auditors.

The criteria for the appointment of the Supervisory Board and its termination, as well as its duties and functions, are defined in the attached document (**Annex 2, Supervisory Board**).

### ***6. The penalty system***

In accordance with the provisions of the Decree, the penalty system is responsible for ensuring compliance with the Model and company procedures.

The violation of the obligations defined in the Model by the Recipients, even if justified by the pursuit of an alleged corporate interest, constitutes a breach of contract and a disciplinary offence. In fact, as mentioned

above, the Company does not intend to pursue any advantage deriving from an unlawful act and, in the event that an offence is committed, as of now it shows its willingness to return that advantage.

The penalty system provides for specific sanctions and the procedures for their imposition in the event of violation or non-compliance with obligations, duties and/or procedures provided for by the Model (**Annex 3, penalty system**).

If the commission of the offence by one of the Recipients of the Model is proven, the Company reserves all rights to compensation for any damage thus caused.

## ***7. The informative flows***

### ***Reporting of the Supervisory Board to the top management***

The Supervisory Board carries out a constant reporting activity towards the top management and, in particular, reports in writing, at least every six months, to the Board of Directors on the activity carried out.

The half-yearly report of the Supervisory Board to the Board of Directors must contain any information deemed useful in relation to the tasks assigned to the Supervisory Board itself and will necessarily cover the following issues:

- the activity carried out (indicating, in particular, the controls and checks carried out and their outcome, as well as any updating of the mapping of areas at risk);
- the critical issues that have emerged (including the ascertainment of conduct that is not in line with the Model, organisational and procedural shortcomings that expose the Company's resources to the risk of committing significant offences, and any lack of or lack of cooperation);
- the corrective actions to be taken for the implementation and effectiveness of the Model (including the state of implementation of actions already decided or planned).

In any case, the Supervisory Board must contact the Board of Directors or other corporate bodies whenever it deems it appropriate for the effective performance of its functions. It is the right of the Supervisory Board to request meetings with the corporate bodies, fixing such meetings in correspondence with its own meetings. Minutes will be drawn up and a copy of the minutes will be kept by the Supervisory Board.

The Supervisory Board may, in turn, be convened at any time by the Board of Directors and other corporate bodies to report on particular events or situations relating to the functioning and compliance with the Model.

The Supervisory Board will coordinate with the competent company functions for the different specific profiles..

### ***Information flows to the Supervisory Board***

Art. 6, paragraph 2, letter d) of the Decree states that the Model must provide for "obligations of information to the Supervisory Board" so that the Supervisory Board can correctly perform its function.

The Supervisory Board, therefore, must be promptly informed by all Recipients - shareholders, directors, employees, consultants and collaborators, partners - of any news relating to the commission, or potential commission, of offences referred to in the Decree, or the existence of possible violations of the Model, as well as of any significant fact or act that concerns the activity of AGC Biologics and that may be relevant to the effects of the functions performed by the Supervisory Board.

In particular, they must be promptly notified to the Supervisory Board:

- by means of half - yearly "negative reporting" by the managers of the various company areas, the indication, to the extent of their knowledge, that no potential offences have been committed in their area by employees and collaborators;
- any orders received from persons hierarchically superior and considered in conflict with the law, the Decree or the Model;
- any requests or offers of money, gifts or other benefits, in particular from or intended for public officials, public service employees, or other persons belonging to, connected to or delegated by the P.A.;
- any omissions, negligence or falsifications in the keeping of accounts or in the preservation of accounting records;
- decisions and procedures relating to the request, disbursement and use of public grants and financing or other disbursements from the State or other public or community bodies;
- the Company's participation in tenders, contests, public or private contracts, i.e. news of notices, auctions, tenders and competitions launched by the Company;
- requests for legal assistance made to the Company by executives, employees or other persons entitled to such assistance, against whom the judiciary has initiated proceedings for the offences provided for by the Decree;
- the measures and/or news coming from judicial police bodies, or any other authority, from which it can be inferred that investigations are being carried out, even indirectly, involving the Company, its personnel or its bodies, for the crimes referred to in the Decree;
- Immediate notification of any tax assessment, by the Ministry of Labour, Social Security, Antitrust and any other Supervisory Authority, by the person in charge of the area subject to the relevant assessment;
- by means of negative information, the information relating to compliance, at all company levels, with the Model, with evidence of the disciplinary proceedings initiated and any sanctions imposed or dismissal measures, with the relative reasons;
- reports prepared by the heads of other company departments as part of their control activities and from which facts, acts, events or omissions relevant to compliance with the provisions of the Decree may emerge;
- any reports of deficiencies or inadequacies of work places or equipment or protective devices adopted by company structures, or any other risk situation related to health and safety at work;
- the results of the monitoring and control already carried out, in the reference period, on the orders acquired by public bodies or by subjects who perform public utility functions;
- news related to organizational changes or related to company procedures and protocols in force;
- updates to the system of powers and proxies of the Company;
- periodic reporting on health and safety at work and on all data relating to accidents at work occurred, transmitting a copy of the minutes of the meeting pursuant to art. 35 of Legislative Decree 81/2008;
- the annual financial statements of the Company;
- communication and documentary information regarding extraordinary corporate transactions;
- timely communication of the issue of new shares and financial instruments;

Periodically the Supervisory Board will propose, if necessary, any additions and/or changes to the above list.

Failure to comply with the above obligations will result in the violation of the Model and the relative application of the sanctions provided for by the sanctions system.

## ***Management of information flows towards the Supervisory Board***

All useful information or reports, even of an unofficial nature, must be channelled to the Supervisory Board, which must ensure their preservation, guaranteeing, where appropriate, the confidentiality due to the reporters, without prejudice to legal obligations and the protection of the rights of the Company or of individuals involved in error or in bad faith.

For these purposes, a "Portal for reporting to the Supervisory Board" is established, accessible from the company intranet reserved for consultation of the Supervisory Board, consisting of sending confidential correspondence to the same at the email address Supervisory Board@agcbio.com by anyone wishing to proceed with the report; this method of transmission of information is intended to ensure confidentiality for those who report the message, also in order to avoid retaliatory attitudes towards them.

In addition to the "Portal for reporting to the Supervisory Board", the Company may set up a physical mail address or one or more mailboxes at company facilities, which may be used by AGC Biologics staff for reporting.

Unfounded information, both in terms of content and form, determined by a slanderous will is prohibited.

Those responsible for such unfounded information will be punished by the Company in accordance with the provisions of the chapter on the disciplinary system.

If the report is received anonymously in writing, the Supervisory Board will consider whether to proceed with investigations, provided that the report contains sufficiently specific references.

The Supervisory Board, after evaluating the reports received, will provide for any inspection activity to be carried out, using internal resources or, if necessary, using external professionals; any consequent measures will be applied in accordance with the provisions of the penalty system.

In addition to the documentation prescribed in the individual parts of the Model, the company functions concerned must make available to the Supervisory Board any information, including from third parties, relating to the implementation of the Model itself..

## ***8. Adaptation and updating of the Model***

The Model is an "act of the executive body" (in compliance with the provisions of art. 6, paragraph I, letter a of the Decree). Its approval, subsequent amendments and additions, with the exceptions specified below, are the responsibility of the Board of Directors, also making use of the experience and indications of the Supervisory Board.

With the adoption of the Model, in fact, the Company undertakes to adapt and integrate the same both in function of possible regulatory changes and on the basis of the changes concerning the Company in its various articulations and in any case on the basis of application experience, in a dynamic perspective and constant updating of the Model. The Supervisory Board may always make its own observations or suggestions regarding such changes.

Any purely formal changes that do not affect the structure and maintenance of the Model may be adopted by the CEO identified for this purpose as the Model's representative person ("**Representative**"). Such

amendments must be reported to the Board of Directors in accordance with the normal procedures identified by the Company (reporting at least quarterly by the CEO).

As pointed out, the Company is particularly attentive to the dynamic aspect of the Model and its constant adherence to the regulatory and corporate reality and, in this sense, intends to subject the Model in its entirety to review at least once a year (and in any case whenever deemed necessary), possibly with the involvement of consultants, in order to assess its suitability and the opportunity for its implementation/revision.

Any changes that will affect the Model or part of it and/or the Annexes to the Model will be made known to all Recipients under the supervision of the Supervisory Board.

## **9. Staff information and training**

For the purposes of the effectiveness of the Model, it is the objective of AGC Biologics to ensure both the resources already present in the company and those who will be included in it, a correct knowledge of the Model itself, as well as the rules of conduct contained therein, with different degrees of depth in relation to their different level of involvement in the sensitive processes identified.

Training and information to personnel, according to the procedures and times defined in agreement with the Supervisory Board, are managed by the competent human resources function.

The training and information activity concerns all personnel, including management personnel, and provides for - in addition to specific information at the time of adoption of this Model, i.e. at the time of recruitment - further training activities for all personnel and, in particular, for those in areas at risk.

### **Communication**

The adoption of the Model, the tasks of the Supervisory Board and its powers are communicated to all employees, collaborators and corporate bodies, as well as to all new employees, by means of the alternative delivery of a copy of the Model, the sending by e - mail to the address of each Recipient or the indication of the intranet address from which to view this document in its latest available version.

A copy of the Model can also be consulted at any time at the office of the corporate secretariat and human resources of AGC Biologics.

### **Training**

The training activity aimed at spreading knowledge of the regulations set forth in the Decree is differentiated, in terms of content and implementation methods, according to the qualification of the Recipients, the level of risk recognized in the area in which they operate, the performance by the subjects of the Company's representative functions and the attribution of any powers.

Specific training is provided to personnel in the most sensitive areas (directors with operational functions, general management, manager responsible for preparing the company's financial reports, RSPP, company safety delegate, health and administrative managers, heads of the individual company structures) through training courses with compulsory attendance, aimed at (i) illustrate the mapping of risks; (ii) define the specific critical aspects of each area; (iii) illustrate the procedures adopted to prevent irregularities.

The mandatory information and training system is supervised and integrated by the activity carried out in this field by the Supervisory Board, in collaboration with the head of the human resources function and the heads of the other functions from time to time involved in the application of the Model.

### ***Information to employees and partners***

AGC Biologics promotes and implements the knowledge and observance of the Model also among commercial and financial partners, consultants, collaborators in various capacities, customers and suppliers, so as to increase the level of effectiveness of the Model itself.

For the purposes of complete information, the Company will be responsible for evaluating the most appropriate ways of publicizing the Model. In this sense, they will be given information on how to find the extract of the Model by consulting the website [www.agc.com](http://www.agc.com).

Contracts entered into and/or renewed after the adoption of this Model shall include clauses requiring the above mentioned subjects to comply with the Model and the Code of Ethics and establishing termination conditions and/or application of penal clauses and/or compensation for damages in the event of violation of the Model or the rules set forth in the Decree or the Code of Ethics.

### ***Annexes to the General Part of the Model of AGC Biologics***

1 List of offences envisaged by the Decree

2 Supervisory Board

3 Penalty system

*courtesy translation*

## ***List of offences***

### ***Schedule 1 – General part***

[omissis]

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## ***Supervisory board (“Organismo di Vigilanza”)***

### ***Schedule 2 – General part***

#### ***1. Composition, appointment, duration and requirements***

The Supervisory Board (“**Organismo di Vigilanza**”, or “**OdV**”), appointed pursuant to the Decree, may be a multipersonal or monocratic body, with the involvement of both external and internal subjects. The Company currently has a collective Supervisory Board, whose members are: Ezio Simonelli, Chairman, Giuseppe Garzillo and Alessandro Rossini.

The constitution, appointment, term of office, revocation and any remuneration of the Supervisory Body are decided by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

The Supervisory Board remains in office for three financial years and expires on the date of the Board of Directors' meeting called to approve the draft financial statements for the last financial year. The member of the Supervisory Board may be re-elected.

The OdV is chosen on the basis of the requirements of authority, professionalism, independence and honourableness outlined in jurisprudence and in the main category guidelines, in order to comply with the provisions of the Decree.

Particular attention is given to the professional background of each candidate, with regard to the knowledge of the contents of the Decree and any past experience in the field. The professionalism and authority of the OdV are in fact closely linked to its professional experience. It follows from this that the OdV, also because of the function it performs, is in possession of suitable technical knowledge to be able to carry out the supervisory, control and updating activities provided for by the Decree on a continuous basis.

Specific care has also been taken to define the powers of the OdV and its position in the company organisation chart in order to ensure its autonomy and independence. To this end, the OdV is directly appointed by the Board of Directors of the Company, to which it is required to report and which is the only body, after hearing the opinion of the Board of Statutory Auditors, with the power to remove it from office or replace it in the event of serious breach of the obligations imposed on the OdV by the regulations and/or the Model.

The Board of Directors shall decide, on indication of the OdV, on an expense budget that the OdV may use for the management of its office.

They shall constitute grounds for ineligibility for office or forfeiture of office if the circumstance occurred after the appointment:

- family relationships within the fourth degree with members of the Board of Directors, with persons who hold positions of representation, administration or management of the Company, including specifically members of management as well as persons who perform, also de facto, management and control functions within

the Company, statutory auditors of the Company and the subject in charge of the audit of accounts of the Company;

- conflicts of interest, including potential ones, with the Company such as to compromise its independence;
- direct or indirect ownership of shareholdings in the Company or in parent and/or subsidiary companies;
- functions of director or statutory auditor with powers covered, in the three financial years prior to their appointment, in companies subject to bankruptcy, compulsory administrative liquidation or similar procedures;
- public employment with central or local authorities in the three years prior to appointment;
- conviction, even if not final, or application of the penalty on request (plea bargaining), for violations relevant to the liability referred to in the Decree;
- a conviction, even if not final, or a plea bargaining sentence for a penalty involving disqualification, even temporary, from public offices, or temporary disqualification from the management offices of legal entities and companies.

At the time of appointment, each candidate for the position of OdV shall deliver, in addition to his/her curriculum vitae, a declaration certifying compatibility with the position, his/her independence and autonomy, the possession of expertise in inspection and consultancy activities or knowledge of specific techniques, suitable to guarantee the effectiveness of the control powers and the proactive power delegated to the OdV itself. The curriculum vitae and the attestation will be delivered to the Board of Directors, which will be convened for the appointment of the OdV itself, after hearing the opinion of the Board of Statutory Auditors.

The OdV shall inform, without delay, the Board of Directors and, on its behalf, its Chairman, as well as the Chairman of the Board of Statutory Auditors, of any event that implies the loss - even temporary - of the prescribed requirements of compatibility, independence and autonomy for the measures deemed appropriate.

The Board of Directors of the Company is also competent to resolve on the revocation of the members of the Supervisory Board:

- in the event of a sudden and absolute incapacity, incompatibility or negligence in the performance of their duties, or
- in the event of serious breaches of the obligations imposed on him/her by the legislation and the Model, such as, for example, the omitted or insufficient supervision by the member of the Supervisory Board resulting from a conviction, even if not finalised in accordance with the Decree, or from a sentence applying the penalty on request (plea bargaining) issued against the Company or other companies in which this member of the Supervisory Board has carried out supervisory activities.

The Board of Statutory Auditors shall be informed of the revocation resolution, which shall be subject to the prior consent of the same Board of Statutory Auditors.

The OdV is bound to the strictest confidentiality and professional secrecy with regard to the information of which it becomes aware in the performance of its duties and acts with the highest degree of diligence to avoid any leakage of information or confidential information to the outside world.

The OdV may be contacted at the following addresses:

- e-mail: [odv@agcbio.com](mailto:odv@agcbio.com);
- reporting portal on the company intranet.

The OdV carries out the activities necessary for the supervision of the Organisational Model with adequate commitment and with the necessary powers of investigation; it is a structure referable to the Company, so as to guarantee due continuity in its supervisory activities and may use the Company's resources to carry out its tasks, requesting the collaboration of any Company function that is deemed useful; the OdV does not carry out operational tasks that may affect and/or compromise its independence and overview of the Company's activities. The OdV may also make use of external consultants or third parties where deemed necessary for the performance of its duties, if it does not have the necessary specific expertise internally. To this end, the subjects in question must be chosen in accordance with the Company's supplier selection procedures and their names and remuneration communicated to the Board of Directors. Since the functions of the OdV presuppose the possibility of becoming aware of confidential information of both the Company and its staff, the Board of Directors has the right to prohibit the collaboration of the persons mentioned above, making adequate internal resources available to the OdV if necessary.

The Company does not intend to approve a statute or regulation of the OdV herein, leaving the widest possible powers to the Body itself, within the scope of its autonomy, including functional autonomy, to organise its activities in the manner deemed most appropriate. The OdV will send a copy of such by-laws or regulations to the Board of Directors for information.

## **2. Functions of the OdV**

In accordance with the provisions of the Decree, the OdV is assigned the following tasks:

- verification of compliance with the Model by the Recipients;
- collecting, reviewing and storing information and reports sent by the Recipients;
- detecting any behavioural deviations of the Recipients from the provisions of the Model that may emerge from the analysis of information flows and reports received;
- proposal for the imposition of sanctions according to the criteria, methods and limits defined in the Model;
- periodic updating of the identification, mapping and classification system of Sensitive Areas and Activities;
- formulation of proposals to update the structure and contents of the Model, and to integrate the catalogue of Sensitive Areas and Activities;
- drafting of periodic reports to be communicated to the Board of Directors and/or the Board of Statutory Auditors of the Company on the effectiveness and efficiency of the Model and on the possible opportunity for its modifications and improvements;
- suggestions regarding the direct updating of Company procedures relevant to the Model and the issuing of operating directives for its implementation and application;

- promotion and definition of initiatives to disseminate knowledge and understanding of the Organisational Model and to raise awareness of the Recipients of the issues relating to the administrative responsibility of entities;
- participation in the continuous training of Recipients with regard to the obligations and fulfilments deriving from the provisions contained in the Model and the Decree and subsequent amendments, as well as the impact of regulatory changes on the company's activities;
- exchange of information and data with the Board of Statutory Auditors and/or the person in charge of the audit of accounts of the Company;
- exhaustive and timely information in the event of inspections, investigations or requests for information by public officials, police, supervisory, judicial or tax authorities.

More generally, the Supervisory Board is responsible for all activities connected with or relating to the supervision of the constant effectiveness and efficiency of the Model and control of the factors that could be prohibitive to the occurrence of a possible offence.

The OdV, in this perspective, and in compliance with the functions indicated above, remains at the disposal of each Recipient to provide clarifications or explanations regarding possible regulatory, interpretative or applicative doubts regarding the Decree and the Model, company policies and procedures relevant to the Model or situations connected to the performance of sensitive activities or, in any case, connected to the Model itself.

### **3. Powers and faculties of the OdV**

In order to perform the functions described above, the Supervisory Board has autonomous powers of initiative and control over the Company's administrative and management activities, having to report directly and collectively to the Company's administrative and control bodies on the conduct and outcome of the checks.

For these reasons, the members of the OdV are not subject, in this capacity and in the performance of their duties, to the hierarchical and disciplinary power of any corporate body or function.

In particular, the OdV has the following powers, the list of which is to be considered illustrative and not exhaustive:

- within the scope of control and inspection activities:
  - ✓ to proceed at any time, within the scope of its autonomy and discretion, to control and verify the effectiveness and application of the Model;
  - ✓ following anonymous reports or following measures, even provisional ones, taken by the competent authority, to carry out, within the scope of its autonomy and discretion, checks and inspections on the activities of the Recipients subject of the above report or measure, within the scope of the legislation in force and in any case guaranteeing respect for the principle of adversarial proceedings and confidentiality;
  - ✓ provide for routine controls and extraordinary or surprise checks; control activities shall be intensified in particular cases, such as the detection of serious violations or offences and staff turnover;

- ✓ request to consult the documentation relating to the activity carried out by individual departments and managers of sensitive areas and activities, also by extracting copies, as well as to carry out interviews and request written reports if necessary;
- ✓ report any violations of the Model or non-compliance with the obligations of conduct under the Decree to the bodies responsible for imposing sanctions;
- ✓ report to the Board of Directors any obstacles to the exercise of its activities;
- ✓ regulate, from an operational viewpoint, the methods and timing for carrying out the fulfilments deriving from the Company policies and procedures relevant pursuant to the Model and, in particular, in agreement with the Board of Directors or the Model Contact Person:
  - suggest the issuing of service communications;
  - regulate the flow of information, establish the method and timing of its transmission;
  - participate in the scheduling of meetings for the training of Company staff and individual Recipients and/or new employees;
- ✓ suggest the drafting and/or modification of reporting forms prepared by the Company for communications to the Supervisory Board;
- ✓ prepare an annual supervision plan on the issues covered by this Model.
- as part of the verification of effectiveness and the formulation of proposals for adapting the Model:
  - ✓ in coordination with those responsible for sensitive areas and activities, periodically verify the suitability of the Model to prevent the commission of offences;
  - ✓ verify the level of knowledge of the Model by Personnel through (i) periodic checks on individual acts (sample checks on Company acts and contracts relating to Sensitive Areas and Activities) and (ii) periodic checks on policies and procedures (verification of the effectiveness of company procedures relevant to the Model);
  - ✓ analysis of requests and reports received by the Supervisory Body;
  - ✓ in the light of the regulatory changes that have occurred from time to time, and as a result of the checks carried out and the verification of the existence of new processes at risk, propose the appropriate adjustments and updates to the Model to the competent bodies;
  - ✓ participate in: (a) meetings with the employees of the areas in charge of administration and management; (b) meetings of the Board of Statutory Auditors and/or the subject in charge of the audit of accounts of the Company;
  - ✓ to dispose of Company funds for the best performance of the assignment by means of a specific request to the Board of Directors, a request which cannot be unreasonably refused.

In carrying out its activities, the Supervisory Board may avail itself, where it deems it appropriate, of (i) external consultants within the limits of the assigned budget, (ii) the staff of the individual company departments, on the basis of their respective skills and professionalism. In the latter case, the OdV shall communicate in writing the

names of the personnel it intends to avail itself of to the heads of the offices and/or departments concerned or, for top management, to the Board of Directors of the Company, in order to ensure the awareness and adequate collaboration of all concerned.

Should the Supervisory Board deem it necessary to exceed the expenditure budget allocated by the Board of Directors for the performance of its duties, it shall make a request to the administrative body.

The OdV will keep the documentation relating to its activity (files, reports, reports, audits, etc.) in a special paper or computer archive (OdV Data Base) whose management methods are the responsibility of the OdV itself. The storage period is 10 (ten) years.

The OdV Data Base can only be accessed by members of the OdV and their delegates. Any further documentation may be produced, also by means of extracts or reports, to the members of the Board of Directors, the members of the Board of Statutory Auditors and the subject in charge of the audit of account of the Company.

## **4. Reporting of the OdV**

The OdV has to report on the implementation of the Model and the emergence of any critical issues.

The following are the reporting lines of the OdV:

- on a periodic basis at least every six months, to the Board of Directors and the Board of Statutory Auditors in relation to the control activities carried out;
- on a periodic basis at least once a year, towards the Board of Directors and the Board of Statutory Auditors in relation to the supervisory plan;
- instantaneously, when facts of particular relevance are ascertained with regard to the Model Contact Person and/or the administrative body and, in any case, with regard to the Board of Statutory Auditors.

This reporting activity has as its object:

- the activity carried out by the Supervisory Board office;
- reports received;
- events considered of particular importance;
- any other data, act or fact that the OdV deems appropriate to communicate to one of the recipients.

The OdV will then report to the Model Contact Person at least once every six months, the operational indications on the best management of the Model and the necessary coordination on the implementation of the Supervisory Plan.

## **5. Reports and complaints to the OdV and reporting elements**

The OdV must be informed of events that could give rise to liability for the Company under the Model. To this end:

- each Recipient must inform the OdV of any conduct that is not in line with the provisions of the Decree or the Model;
- each Recipient is required to inform the Supervisory Board of any Company activities having an impact pursuant to the Model that have not been adequately regulated by the Model;
- each Recipient is required to inform the Supervisory Board of any inefficiencies of the Model or parts of it in the performance of the task set;
- by means of negative information and at the request of the OdV, each member of the management is required to inform the OdV itself of the implementation of the regulations in the Company and the dissemination and application of the Model, with particular reference to the dissemination and application of the principles and procedures laid down in the Model itself, the training activities dedicated to the Model, as well as the sensitive activities carried out during the reference period that may be relevant under the Decree.

Whistle-blowers in good faith are guaranteed against any form of retaliation, discrimination and penalisation, and in any case confidentiality will be guaranteed on the identity of the whistle-blower, without prejudice to legal obligations and the protection of the rights of the Company or of persons accused wrongly or in bad faith.

Communications to the OdV may be sent to the addresses indicated in paragraph 1 above.

The OdV agrees with the heads of the Company departments on adequate periodic information flows in order to keep the OdV itself informed of the general performance of the department itself and the Company.

Courtesy [transparencion.com](https://www.transparencion.com)

## **Sanctioning System**

### **Annex 3 - General part**

#### **1. The function and principles of the sanction system**

In order to ensure the effectiveness of the Model and in compliance with the law, the penalty system has the function of monitoring compliance with the Model, procedures and principles of conduct.

In other words, the provision of an adequate system that is suitable for sanctioning violations of the provisions and organisational procedures referred to in the Model is a qualifying element of the Model and an essential condition for its concrete operation, application and compliance by all Addressees.

In this regard, it should be pointed out that the application of the sanctions provided for is independent of the actual commission of an offence and the possible initiation of criminal proceedings: the purpose of the sanctions provided for herein is in fact to repress any violation of the provisions of the Model and its elements dictated for the prevention of criminal offences, promoting awareness among Company staff and all those who collaborate with the Company of the latter's will to prosecute any violation of the rules set out to ensure the proper performance of the duties and/or tasks assigned.

Violation of the obligations contained in this Model, even if aimed at pursuing an alleged corporate interest, constitutes a breach of contract and a disciplinary offence. In fact, the Company does not intend to pursue any advantage deriving from an unlawful act and therefore, in the event of an offence being committed, the Company shall already indicate its willingness to return said advantage.

A fundamental requirement of the sanctions is their proportionality with respect to the violation detected, which must be assessed on the basis of the following criteria:

- gravity of the violation;
- type of relationship established with the recipient of the sanction (subordinate, parasubordinate, managerial, etc.) taking into account the specific and specific regulatory and contractual provisions;
- possible recidivism.

If the commission of the offence by one of the Addressees is proven, the Company reserves the right to compensation for any damage caused to the Company.

#### **2. The reference legislation**

The following is a reference to the regulations and internal provisions which constitute the disciplinary rules to which this system of sanctions refers and which represent cases by way of example and not exhaustive.

##### **The Workers' Statute**

Within the Company, the provisions of art. 7 of Law no. 300/1970 "Workers' Statute" and subsequent amendments and additions are applied *mutatis mutandis*. In particular, reference is made to art. 7 "Disciplinary sanctions".

## **The Italian Civil Code**

This system of sanctions takes on and adopts the provisions of private law of the Italian Civil Code regarding the diligence of the employee, loyalty obligations, management of the Company and disciplinary sanctions, and in particular the following articles:

- Art. 2104 "Diligence of the employee";
- Art. 2105 "Loyalty obligations";
- Art. 2106 "Disciplinary sanctions";
- Art. 2392 and following "Responsibility towards the company".

## **Legislative Decree 81/2008**

This system of sanctions adopts and adopts the provisions of Legislative Decree no. 81/2008 and in particular the provisions of the following articles:

- Art. 18 "Obligations of the employer and the manager";
- Art. 19 "Obligations of the person in charge";
- Art. 20 "Obligations of workers".

## **Legislative Decree 231/2001**

This sanction system takes on and adopts the provisions of the Decree and, in particular, the "Organisation, management and control model" approved by the Company, of which this document is an integral and substantial part, Including all the Company procedures, institutions, communications, provisions and service orders for the parties in which the correct conduct to prevent or avoid the occurrence of the offences referred to in the Decree is regulated.

## **The National Collective Labour Contract of reference**

This system of sanctions takes on and makes its own the provisions contained in the National Collective Labour Agreement applied in AGC Biologics.

## **3. Violations**

The penalty system is applied as a result of the following violations:

- failure to comply with the provisions of the Model, the Code of Ethics and the Company procedures to which the Model refers, including in particular the provisions contained in the risk assessment document and related annexes to protect health and safety in the workplace;
- non-observance and/or violation of the provisions relating to the powers of signature and, in general, the delegation system;
- lack of or untrue evidence of the activity carried out with regard to the methods of documentation, storage and control of sensitive areas and activities (as identified in the Special Part of the Model);

- violation and/or circumvention of the control system put in place through the removal, destruction or alteration of the documentation provided for by the procedures in force or obstruction of the persons in charge of the control and the OdV from controlling and/or accessing the requested information and documentation;
- omitted supervision by hierarchical superiors of their subordinates regarding the correct and effective application of the provisions of the Model, the Code of Ethics and the reference Company procedures in sensitive areas and activities;
- failure to comply with the obligation to inform the OdV and/or the direct superior of any violations of the Model committed by other employees or recipients of the Model of which there is direct and certain proof;
- failure to communicate, train and update internal and external staff operating in sensitive areas and activities.

## 4. Sanctions

### *Sanctions for directors*

The Company rigorously assesses the infringements of the Model committed by those who represent the top management of the Company. The formation and consolidation of a company ethic sensitive to the values of correctness and transparency presupposes, first of all, that these values are acquired and respected by those who guide the Company's choices, so as to set an example and stimulate all those who, at any level, work for the Company.

Without prejudice to the provisions of Article 2392 and subsequent articles of the Italian Civil Code, depending on the seriousness of the infringement and on the decision of the Board of Directors (with the abstention from time to time of the person concerned), after consulting the Board of Statutory Auditors, protective measures may be applied, within the framework of those provided for by current legislation, including the revocation of the delegation and/or assignment conferred on the person. In the most serious cases, the Board of Directors, after consulting the Board of Statutory Auditors, may propose to the Shareholders' Meeting to revoke the office.

Independently of the application of the sanction, however, the Company may propose liability and/or compensation actions. In cases where the majority of directors are involved in serious violations of the Model, the Board of Statutory Auditors shall convene the Shareholders' Meeting to adopt the appropriate protective measures.

In the case of violations committed by a person referred to in this paragraph, who is also an employee of the Company, the sanctions established by the Board of Directors shall be applied, without prejudice in any case to the applicability of the various disciplinary actions that may be taken on the basis of the employment relationship with the Company and in compliance with legal and/or contractual procedures, insofar as they are applicable.

### *Sanctions for Statutory Auditors*

In the event of non-compliance with the Organisational Model by one or more Statutory Auditors, the Supervisory Board shall inform the entire Board of Statutory Auditors and the Board of Directors, which shall take the appropriate measures, including, for example, convening the Shareholders' Meeting in order to adopt the most suitable measures provided for by law.

Independently of the application of the sanction, however, the Company shall have the right to propose liability and/or compensation actions.

## ***Sanctions relating to employees***

Failure to comply with the provisions of the Model and the procedures described therein, as well as violations of the provisions and principles established by the Code of Ethics, shall result in the application of the disciplinary sanctions identified against Company employees, which shall be applied in compliance with the procedures set out in Article 7 of Law no. 300/1970, the National Collective Labour Contract applied in the Company and any special rules applicable.

The Company shall adequately inform all personnel - in addition to the traditional publication on the Company notice board pursuant to art. 7, Law no. 300/1970 by means of publication on the Company intranet - about the adoption of the penalty system referred to in this Model.

The type and extent of sanctions for violation of the Model and the Code of Ethics, shall be adopted in accordance with the principles of gradualness and proportionality, and commensurate with the following general criteria:

- intentionality of conduct, degree of negligence, imprudence or inexperience demonstrated, also taking into account the predictability of the event;
- relevance of the obligations violated;
- liability related to the position held by the employee;
- relevance of the damage or degree of danger caused to the Company, clients or third parties and the disservice determined;
- the existence of aggravating or mitigating circumstances, with particular regard to the employee's conduct towards the Company, other employees and customers, as well as previous disciplinary measures within the two-year period provided for by law;
- participation in the infringement by several workers in agreement with each other.

With reference to the applicable sanctions, it should be noted that they will be adopted and applied in full compliance with the procedures laid down in the collective national and company regulations applicable to the employment relationship. In particular, for non-managerial employees, the sanctions provided for in the National Collective Bargaining Agreement (verbal warning, written warning, fine, suspension from work and from remuneration and dismissal) shall be applied in the following terms, with the specification that the provisions and documents of the company's workplace health and safety management system shall be included in the Model and Protocols provided for in the Model itself and as recalled:

### **Verbal reminder**

- slight non-compliance with the rules of conduct of the Code of Ethics, the protocols provided for in the Model;
- slight non-compliance with Company procedures and/or the internal control system;

- tolerance of slight non-compliance or irregularities committed by their subordinates or others belonging to their staff pursuant to the Model, protocols, internal control system and Company procedures;
- non-fulfilment for slight negligence of requests for information or the production of documents by the control body, unless justified.

There is "slight non-compliance" in cases where the conduct is characterised by slight negligence and has not generated risks of sanctions or damages for the Company.

### **Written warning**

The sanction of a written warning may be applied to workers responsible for having, with slight negligence, committed the following violations, which have exposed the Company to the risk of sanctions or damages of no particular gravity:

- non-compliance with the rules of conduct of the Code of Ethics and the protocols provided for in the Model;
- non-compliance with company procedures and/or the internal control system;
- tolerance of culpable non-compliance committed by one's subordinates or by other members of staff pursuant to the Model, protocols, internal control system and Company procedures;
- delay in complying with requests for information or the production of documents by the Supervisory Board, unless justified.

### **Fines not exceeding the amount of 3 hours' actual pay / Suspension from work and pay for a maximum of 3 days**

- failures punishable by the previous sanctions, when due to objective circumstances, specific consequences or recidivism, are of greater importance;
- repeated or serious non-compliance with the rules of conduct of the Code of Ethics and the protocols laid down in the Model;
- repeated or serious non-compliance with Company procedures and/or the internal control system;
- failure to report or tolerance of serious non-compliance committed by their subordinates or by other members of staff pursuant to the Model, protocols, internal control system and Company procedures;
- repeated failure to comply with requests for information or the production of documents by the Supervisory Board, unless justified.

### **Dismissal for justified subjective reason or for just cause**

Significant violation (committed with wilful intent or gross negligence) of the rules of conduct laid down in the Model, the Code of Ethics, the related behavioural protocols referred to in the Model and Company procedures, such as to cause, even potentially, serious moral or material harm to the Company, such as the adoption of conduct that integrates one or more offences or unlawful acts that constitute grounds for offences and in any case, by way of example:

- any infringement of the Company regulations issued pursuant to the Decree of such seriousness, either due to the wilfulness of the fact or due to criminal or pecuniary repercussions or due to recidivism or due to its particular nature, that the trust on which the employment relationship is based is broken;
- performance of acts not due or omission of acts due pursuant to the Model or the relative preventive protocols, which has caused, at the end of a judicial process, the Company to be sentenced to pecuniary penalties and/or disqualification for having committed the offences provided for in the Decree;
- infringement of Company procedures of such seriousness, either because of the wilfulness of the act or because it was committed with serious negligence or due to technical, organisational, legal, economic or reputational repercussions or because of recidivism or due to its particular nature, that the trust on which the employment relationship is based is broken.

The employee will be dismissed for just cause if the facts charged to the employee are so serious that the relationship cannot be continued, even provisionally.

Employees involved in disciplinary proceedings for violations falling within the scope of this system of sanctions may be suspended from service on a precautionary basis, in accordance with the terms and conditions established by the applicable National Collective Bargaining Agreement.

The same sanctions, graduated according to the seriousness of the violations committed and in the light of the relationship of trust existing with management staff, shall apply to workers with managerial qualifications.

## ***Suppliers and business partners***

Where possible, a necessary condition for validly concluding contracts of all types with the Company, and in particular supply and consultancy contracts, is the undertaking by the third party contractor to comply with the Code of Ethics.

Such contracts shall provide, when possible, for termination clauses, or rights of withdrawal in favour of the Company without any penalty for the latter, in the event of the commission of offences or the commission of conduct referred to in the offences, or in the event of violation of the rules of the Code of Ethics, the Model.

In any case, the commission of offences or conduct in violation of the Company's Code of Ethics shall be considered just cause for termination of the contract pursuant to article 1453 et seq. of the Italian Civil Code.

In any case, the Company reserves the right to act in criminal proceedings and to claim compensation for damages if such conduct results in damages of any kind, as in the case of application to the Company itself by the judge of the measures provided for in the Decree.

## ***Collaborators, consultants, self-employed workers***

As far as the figures of the Company's self-employed workers and collaborators are concerned, violations or circumvention of the Model and the Code of Ethics represent a serious breach of contract. The provisions of article 1453 et seq. of the Italian Civil Code are therefore referred to in relation to the termination of the contract for breach of contract.

In compliance with the principle of gradual penalties, in relation to the seriousness of the alleged breach, the following penalties may be applied to third parties:

- warning to comply with the Code of Ethics and the Decree, i.e. termination of the contract with the Company;

- immediate termination of the contract with the Company.

Consequently, in all relations with such parties, specific termination clauses must be provided for, where possible, in supply and collaboration contracts and/or immediate withdrawal and/or compensation for damages and indemnity clauses.

## ***Supervisory Body***

In the event of violations of the Organisational Model by the Supervisory Board, any one of the Statutory Auditors or Directors shall immediately inform the Board of Statutory Auditors and the Board of Directors of the Company: these bodies, after contesting the violation and granting the appropriate means of defence, shall take the appropriate measures, including, for example, revoking the appointment of the entire body and the consequent appointment of a new Supervisory Board.

## ***5. Compensation for damages***

If the commission of the offence is proven by one of the Recipients, whether they are company employees, directors, auditors, consultants or partners, and in addition to the sanctions listed in the Model, the Company reserves the right to compensation for any damage thus caused to the Company.

## ***6. The application of sanctions***

In the event that the person responsible for imposing disciplinary sanctions finds that the Model, the Code of Ethics, the Protocols referred to therein and, in general, the Decree have been violated, he or she shall promptly notify the Supervisory Board of such a case.

In such a case, or if the OdV autonomously intercepts a potential violation of the Model, the Code of Ethics, the Decree and, in general, company procedures, having completed its verification and control activities and having found that the procedures have not been complied with but judging that it is not relevant under the Decree, it shall notify the Human Resources Manager for the purposes of assessing the possible relevance of the conduct in relation to other applicable laws or regulations.

If, otherwise, the Supervisory Board finds that the aforementioned potential violation of the Model is relevant pursuant to the Decree, the same shall transmit to the competent body (board of directors and board of statutory auditors in the case of conduct by directors, statutory auditors of the Company or employees of the person in charge of the audit of account of the Company; human resources manager and board of directors in the case of employees; legal affairs & corporate governance manager and human resources manager in the case of third parties) a report containing the following:

- a description of the disputed conduct;
- an indication of the provisions of the Model and/or company procedures that have been violated;
- the details of the person held responsible for the violation;
- any documents proving the violation and/or other evidence;
- any opinion on the seriousness of the violation and the sanction considered appropriate, also in the light of this sanction system.

Upon receipt by the competent body as identified above, the same shall provide for the evaluation of the case and the possible imposition of the sanction deemed appropriate, giving written feedback to the OdV itself for its own evaluations.

*courtesy translation*