



MODEL 231 PURSUANT TO LEGISLATIVE DECREE 231/2001

Guidelines

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1. PREVENTION OF CRIMES AT DAVINES S.P.A.

The nature of the processes managed by the Parma Company DAVINES (hereinafter referred to as "DAVINES" or the "Company") and the changes occurred in the legislative framework, with particular reference to "administrative liability for crimes", suggested in 2012 to start a process of adjustment to the provisions of Legislative Decree 231/2001 and the concomitant adoption in 2014 of an Organization and Management Model and the concomitant appointment of a multi-member Supervisory Body.

The experiences of the three-year period 2014-2017 suggested to give a new impulse to the process in order to:

- improve the "tailor made" character of the Model in the DAVINES organization through a deeper and closer risk assessment of commission of crimes;
- increase the capacity to prevent crimes by improving the system approach to risk management;
- provide added value in terms of company compliance.

Therefore, in May 2018 the company Future Works S.r.l. was instructed to start an adjustment process based on a Model redesign, of which these Guidelines are the main documentary reference, aimed at pursuing the following purposes:

- implementing a set of rules aimed at preventing the commission of crimes by subjects operating in the name and on behalf of the organization;
- strengthening, in all subjects operating in the name and on behalf of the Company, the awareness of the importance of compliance with mandatory rules, the breach of which implies the possibility of imposing sanctions, not only on them (personal liability for acts that constitute an offence) but also on the company (administrative liability for crimes);
- using to that end the base of ethical standards of the company's Ethics Charter and Ethical Code in force, reviewing the contents of the latter and the disciplinary system therein to be used in case of fraudulent behaviour (intentional crimes) or behaviour due to negligence, imprudence or incompetence (unintentional crimes) and, in any case, not compliant with the crime prevention measures envisaged by the Model.
- implementing prevention measures aimed at reducing the levels of risk within acceptable limits for types of crimes that are considered significant in carrying out the Company's business;
- strengthening the systematic implementation of the preventive measures, providing all the people concerned with organizational, information and training support;
- in case of commission of crimes, proving the Model effectiveness, i.e. its exempting character for the purposes of exemption from the potential sanction regime under Legislative Decree 231/2001.

1.1 COMPANY REQUIREMENTS

Davines S.p.A. was established in 1984 by the Bollati family and is registered in the Register of Companies of the Province of Parma under No. 156502 to operate in the cosmetic industry.

Through a constant process of growth until becoming a group, today Davines operates globally by serving market segments through the development of its own brands:

- in the **Hair Care** segment, the Company operates in the market of hairdressing salons with the brand "**Davines**", offering a wide range of professional products that are complementary and synergetic both in terms of technical quality and the creative and concept component.

- in the **Skin Care** segment, the Company operates in the professional market of spas, beauty and fitness centres with the brand "**Comfort Zone**", offering a portfolio of unique and complementary cosmetic products supported by specialist training initiatives.

DAVINES S.p.A. employs over 300 people. The value of the turnover for the year has been growing steadily and in 2017 amounted to approximately Euro 90 million, contributing to give the company the character of a **large company** (see the European Commission's Recommendation of 6 May 2003 - OJEC L.124/36 of 20.05.2003).

DAVINES S.p.A. business consists of research and development, planning of purchases, production, quality control, global and Italian marketing and communication, logistics and distribution on the domestic market.

Distribution activities are carried out by nine companies operating in as many European and non-European Countries, through distribution agreements. The role of foreign branches, specially established in the markets regarded as more strategic, is that of marketing Davines and Comfort Zone branded products as well as developing the relevant market through promotional activities and the organization of events and shows, activities of local public relations, training and technical presentation of professional products; the territorial coverage of the different geographical areas of the relevant country is realized by local distribution agreements entered into with regional (or state, in the USA) sub-distributors, or through a local sales network.

Davines S.p.A. sells products manufactured in its Parma plant to non-EU companies established in the Americas, while it carries out intra-Community transfers to companies established within the EU.

The companies Davines North America Inc. and LaDavines Cosmetics CA de CV carry out logistics activities to serve the United States and Mexico, respectively, with both brands Davines and Comfort Zone; the company Davines (UK) Limited carries out logistics activities with Comfort Zone branded products in the United Kingdom, while the companies Davines Nederland B.V. and Comfort Zone Nederland B.V. carry out logistics activities for Holland (with Davines branded products), Germany and Belgium (with Comfort Zone branded products).

In summary, Davines S.p.A. is the parent company of a multinational group within which it makes the main strategic decisions, which includes the trading companies (with the exception of the Dutch holding company) listed in the following table.

<i>Company name</i>	<i>Country</i>	<i>Ownership</i>	<i>% Ownership</i>
Davines S.p.A.	Italy	-	-
Davines Asia	Hong Kong	Davines S.p.A.	80%
Davines North America Inc.	USA	Davines S.p.A.	100%
Davines France S.à.r.l.	France	Davines S.p.A.	100%
Davines (UK) Ltd.	England	Davines S.p.A.	100%
LaDavines Cosmetics CA de CV	Mexico	Davines S.p.A.	100%
Davines Holding Nederland BV	Holland	Davines S.p.A.	100%
Davines Nederland BV	Holland	Davines Holding Nederland BV	100%
Comfort Zone Nederland BV	Holland	Davines Holding Nederland BV	100%
Comfort Zone Belux BVBA	Belgium	Davines Holding Nederland BV	100%
Comfort Zone Deutschland GmbH	Germany	Davines Holding Nederland BV	100%

DAVINES aims at strengthening its brand by means of displays and cultural events from which increases in financial flows are expected, involving also the *Corporate Communication & External Relation* department. Lately, the company is assessing the establishment of an ad-hoc entity (Foundation) to manage events mainly aimed at raising public awareness on environmental issues, in compliance with the company's ethical values.

In the spirit of giving its own contribution to the global context, by creating a positive impact on people and the environment through the improvement of its social and environmental performance, and working for purposes that are beyond market shares, financial and profitability indicators, DAVINES has recently embarked on a path to share the principle of interdependence signed as a **BCorp**, which may imply also a certification issued by the US no-profit body **B-Lab**.

1.2 COMPANY PURPOSE

DAVINES articles of association provide for a company purpose including the following activities:

- manufacturing and marketing of cosmetics, products and accessories for personal care, hygiene and beauty, decorative cosmetics items;
- manufacturing and marketing of dietary products, herbal products, aesthetic and medical equipment, fitness products, sports articles, hardware and software products, electronic products in general, promotional goods and gadgets and similar and complementary products;
- participation in consortia, joint ventures, acquisition and transfer of know-how, industrial processes, models;
- design, building, marketing and management of production plants and lines, equipment, furniture, hardware and software products, machinery and systems for hairdressers and beauticians;
- agent and representative activities for the aforementioned products, market research and quality control;
- organization and carrying out of professional training courses and internships for hairdressers, beauticians, distributors and wholesalers by means of internal staff or external professionals, organization of events, shows, meetings, internships;
- provision of educational and audiovisual contents for the activities above;
- consultancy and advertising for hairdressers, beauticians, distributors and wholesalers of the products above;
- production, development and marketing of software for the cosmetics sector, the relevant distribution, with reference to the sector commercial organization, market research and software related to production processes, know-how and models. “

The Company carries out its activities at its operating headquarters in Parma.

2. ADMINISTRATIVE LIABILITY FOR CRIMES

On 8 June 2001, Legislative Decree No. 231 was issued with a view to bringing national legislation on liability of legal persons into line with some international conventions Italy had already joined, such as the Brussels Convention of 26 July 1995 on the protection of the European Communities' financial interests,

the Brussels Convention of 26 May 1997 on the fight against corruption involving officials of the European Communities or officials of the Member States of the EU and the OECD Convention of 17 December 1997 on combating bribery of foreign officials in international business transactions.

The Decree introduced an administrative liability regime in the Italian legislation, mainly referable to criminal liability, for entities (i.e. companies, associations, consortia, businesses, etc.), in addition to liability referable to the natural person responsible for the actual commission of the crime. The extension of liability aims at involving in punishing some crimes also the entities that derived an interest or benefit from the crime.

In particular, a company is held liable for crimes committed:

- by people who hold representative, administrative or directive positions in the entity or an organizational unit with financial and functional autonomy, as well as by people who carry out, also effectively, the management and control of the same;
- by people subject to the direction or supervision of any of the subjects above.

The Decree envisages administrative liability for crimes for the entity concerned and a consequent sanctioning regime for the commission of the crimes therein.

The crime categories currently related to Legislative Decree No. 231/2001 are the following:

<i>Art. 24</i>	<i>Undue receipt of disbursements, fraud to the detriment of the State or a public body o for the obtaining of public funds and computer fraud against the State or a public body</i>
<i>Art. 24-bis</i>	<i>Computer-related crimes and unlawful data processing</i>
<i>Art. 24-ter</i>	<i>Organised crime offences</i>
<i>Art. 25</i>	<i>Extortion, improper induction to give or promise a benefit</i>
<i>Art. 25-bis</i>	<i>Counterfeit in coin, in public credit cards and in revenue stamps</i>
<i>Art. 25-bis.1</i>	<i>Crimes against industry and trade</i>
<i>Art. 25-ter</i>	<i>Corporate crimes (including bribery among private individuals)</i>
<i>Art. 25-quater</i>	<i>Crimes for the purpose of committing terrorism or subversion of democratic order</i>
<i>Art. 25-quater.1</i>	<i>Practices of mutilation of female genital organs</i>
<i>Art. 25-quinquies</i>	<i>Crimes against the individual</i>
<i>Art. 25-sexies</i>	<i>Market abuse</i>
<i>Art. 25-septies</i>	<i>Negligent manslaughter or serious or very serious offences committed by violating rules about health protection and work safety</i>
<i>Art. 25-octies</i>	<i>Receiving, laundering and use of money, goods or utilities of unlawful origin</i>
<i>Art. 25-novies</i>	<i>Offenses related to infringements of copyright</i>
<i>Art. 25-decies</i>	<i>Induction not to make statements or to give false statements to the Court</i>
<i>Art. 25-undecies</i>	<i>Environmental crime</i>
<i>Art. 25-duodecies</i>	<i>Employment of illegally staying third-country nationals</i>
<i>Art. 25-terdecies</i>	<i>Racism and xenophobia</i>

and: *some transnational offences (ref. L. No. 146 of 16/03/2006, art. 10)*

It is possible to refer the following category to a reduced sanctioning regime:

Art. 26 *Attempted offences*

with reference to the above.

The nature of crimes that are regarded as significant at DAVINES is stated in document DAV.MPR.G.04.GRS.

Pursuant to Legislative Decree No. 231/2001, an entity cannot be held liable if the people who committed the crime acted in their or third parties' exclusive interest.

Moreover, an entity cannot be held liable if it proves that:

- the governing body has adopted and effectively implemented, before the commission of the crime, organization and management models suitable to prevent offences of the kind concerned;
- the task of supervising the operation and the observance of the models and their update was entrusted to an organisation within the entity that is equipped with autonomous powers of initiative and control;
- top figures committed the crime by fraudulently eluding the organization and management models (intentional crimes) or their behaviour was characterized by negligence, imprudence or incompetence (unintentional crimes);
- there was no omission or insufficient control by the body in letter b) above.

The Company shall be held liable if the offender has not been found or is not punishable (Legislative Decree 231/2001, art. 8, par. 1, point a).

The Legislative Decree requires the Model to:

- identify activities within which crimes can be committed;
- provide for specific protocols aimed at planning the development and implementation of the company's decisions with reference to crimes to be prevented;
- identify methods to manage financial resources that are suitable to prevent the commission of crimes; provide for obligations to inform the body in charge of supervising the operation and the observance of the model;
- implement a disciplinary system to punish failure to comply with the measures stated in the model.

Since the Company is sensitive to the need to ensure correctness and transparency conditions in the conduct of business in order to protect its position and image, shareholders' expectations and employee's work, the Company decided to adopt a Model that is suitable to prevent the commission of crimes in business activities. This choice was made in the belief that the adoption of the Model, though not compulsory according to the Decree, may represent a valid tool for raising the awareness of all those who operate in the name and on behalf of the Company, so that they can base their behaviour on criteria of correctness and compliance with law, as those stated in the Ethical Code (doc. DAV.MPR.C.01.CET).

The choice of methods to prevent crimes avails itself of assessments based on *Risk Management* standards, according to the international regulatory frameworks in force (ISO 31000 series); they are converted into specific organizational measures to be applied to processes managed by DAVINES.

This Model has been adopted by the Board of Directors (BoD); in compliance with the provisions of the Decree, the members of the Supervisory Body (SB) were appointed with the task of supervising the Model operation, effectiveness and compliance with it, as well as of updating it.

The Model applies to all of the Company's statutory activities, for the whole period for prosecution of crimes until their debarment, if applicable.

The DAVINES Model provides for directors, executives, employees and advisors to sign specific statements in order to objectify the awareness requirement in implementing the rules of the Model.

Moreover, DAVINES undertakes to ensure that the Model is complied with, if possible, also in activities entrusted to suppliers, by means of specific clauses in invitations to tender and agreements.

3. REFERENCE REQUIREMENTS OF THE MODEL

The Model has been developed by taking into account the legal framework related to the Company's liability with reference to crimes committed in carrying out the company's activities. The requirements originate from the following sources:

- a) mandatory provisions, according to the following order of priority:
 - European framework laws (from the date of entry into force of the new EU Constitution) / Framework Decisions of the EU Council; these sources represent guidelines for national legislations, which are not applicable until their implementation;
 - EU regulations;
 - national laws;
 - regional laws;
 - other mandatory provisions issued by competent bodies;
- b) company provisions.

The Model may also take into account requirements that, though not strictly binding, facilitate its implementation, according to the following order of priority of sources:

- ruling and decisions of the court (constitutional, civil, criminal case-law);
- jurisprudence;
- guidelines issued by competent bodies;
- voluntary technical standards;
- operational practices.

The general list of reference documents is included in document DAV.MPR.G.02.RRV - Register of binding references, managed by the appointed Supervisory Body.

4. DEFINITIONS

The following are the main definitions used in the Organizational Model of Crime Prevention.

4.1 LEGAL TERMS

Crime conduct

Set of actions or omissions that determines the event of crime and the subjective element that accompanies it.

Crime evidence

Ascertainment by objective evidence of the actual commission of a crime within the company.

Seriousness of the offence

Assessment for the purposes of punishment, mainly referable to:

- the nature, kind, means, object, time, place and any other modes of the action;
- the magnitude of damage or danger caused to the person concerned;
- the magnitude of intention or the degree of negligence.

Interest of the company

Potential benefit to the company arising from the commission of a crime, characterized by the offender's awareness in pursuing the benefit.

Note 1: the interest is mainly subjective.

Note 2: The company's liability is excluded in case the offender acts in their own interest only.

Advantage of the company

Mainly material and economic advantage or benefit referable or consequent to a certain crime.

Note: the advantage is mainly objective.

Crime

Unlawful, voluntary and free act that causes an event contrary to the interest protected by criminal regulations and, therefore, punishable with specific sanctions.

Non-intentional crime

A crime is non-intentional when the event, though foreseen, is not intended by the agent and occurs due to negligence, imprudence or incompetence or due to non-compliance with laws, regulations, orders or rules.

Note: the following non-intentional types can be identified:

- *Generic negligence*
- *Specific negligence*
- *Direct fault*
- *Indirect fault*
- *Ordinary negligence*
- *Extraordinary negligence*

Intentional crime

A crime is intentional when the harmful or hazardous event, resulting from an action or omission and on which the occurrence of a crime depends according to the law, is foreseen and intended by the offender as a consequence of their own action or omission.

Note: the following intentional typologies can be identified:

- *Generic intent*
- *Specific intent*
- *Indirect intent (including "conditional intent")*
- *Alternative intent*
- *Impulse intent*
- *Purpose intent*
- *Damage intent*
- *Hazard intent*

Administrative sanction

It is the measure taken against the company held liable pursuant to Legislative Decree No. 231/2001. They may consist of fines, disqualifications, seizures or the publication of the ruling.

Fine

Sanction, proportionate to the company's administrative liability, consisting of an obligation to pay a certain amount. It is determined in instalments, whose number is not less than 100 and not more than 1000, from € 258 to € 1,549 each.

Disqualification

Sanction, proportionate to the company's administrative liability, consisting of a bar on exercising a business activity, suspension or revocation of authorizations, licences or concessions necessary for the commission of the crime, prohibition to negotiate with the public administration (except for the provision of public services), exclusion from facilitations, financing, contributions or subsidies (and revocation of those already granted, if it is the case), prohibition to advertise goods or services.

Offender

The subject who, in committing a crime, has the control over the unlawful action.

Offended

The holder of the good-security protected by the applicable criminal law provision and affected by the crime.

Attempt to commit a crime

It is possible when an action is suitable to cause the crime in the actual case.

4.2 MANAGEMENT TERMS

Risk acceptance

Decision referable to certain risks and their consequences, as they can presumably take shape in a certain scenario.

Note 1: a risk is acceptable if its magnitude is lower than a given threshold.

Note 2: in a context of risk management, acceptance shall take into account that, though the risk cannot be removed, its existence and magnitude are known and can be borne.

Risk management

Coordinated and iterative activities to manage an organization with reference to the risk of crime commission, aimed at optimizing resources based on the goals defined in the policy of management of crime risks provided for by the Ethical Code. It typically includes the definition of acceptable risk, the identification, assessment, development of preventive measures (risk mitigation), the estimate of residual risk, the acceptance and communication of crime risk.

Risk index

Conventional score used to identify the magnitude of crime risk. It represents the product of the likelihood and the seriousness of consequences (impacts), converted into numerical indices.

Model

Organizational model adopted by an entity to prevent crimes that may be committed in its interest or to its benefit by people who hold representative, administrative or directive positions in the entity or an organizational unit with financial and functional autonomy, as well as by people who carry out, also effectively, the management and control of the same or by people subject to the direction or supervision of any of the subjects above.

Protocol

Set of criteria adopted by the Company to plan the development and implementation of decisions related to crimes to be prevented.

Note: the "Protocols" adopted by DAVINES for crimes regarded as at "significant" risk (see the following chapters of these Guidelines) are the result of the following methodological steps:

- *identification of the legal nature of the crime/s to be prevented;*
- *analysis of the crime commission modes;*
- *mapping of company areas/processes/departments involved in the crime commission;*
- *for each commission mode identified for the same crime, as deriving from the mapping, allocation of likelihood and seriousness coefficients and calculation of the specific risk index (related to the significance of the consequent measures and, therefore, the punishability in case of non-compliance);*
- *for commission modes whose risk index exceeds the acceptability threshold, definition of preventive measures aimed at interrupting or impeding the crime commission process;*
- *estimate of residual risk below the acceptability limits.*

Responsibility within the Model

Responsibility for planning, implementation, control and verification of the effectiveness of a Model and the relevant goals.

Crime risk

The combination of the likelihood of commission of a certain crime and its consequences.

Note: Risks originate from uncertainties due to the difficulty to predict or control certain events and may refer to the management of the whole company or of individual projects and arise at each management stage. The reduction of uncertainty levels leads to the reduction of crime commission risks.

Crime risk situation

Identification, within the company, of conditions that may lead to the commission of a crime.

As far as intentional crimes are concerned, this corresponds to both the possibility to commit the crime and to

carry out acts that are preparatory to it; as far as non-intentional crimes are concerned, it corresponds to the risk that a mandatory provision is not complied with.

4.3 TERMS RELATED TO THE PRODUCTION AND SALE OF COSMETIC PRODUCTS

Cosmetic product

Any substance or mixture intended to be placed in contact with the various external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, keeping them in good condition or correcting body odours.

Note: a substance or mixture intended to be ingested, inhaled, injected or implanted into the human body shall not be considered to be a cosmetic product.

Substance

Any chemical element and its compounds, as they occur in the natural state or obtained by any production process, including any additive necessary to preserve the stability of the products and any impurity deriving from the process used, but excluding any solvent which may be separated without affecting the stability of the substance or changing its composition.

Mixture

A mixture or solution composed of two or more substances.

Frame formulation

A formulation which lists the category or function of ingredients and their maximum concentration in the cosmetic product or gives relevant quantitative and qualitative information whenever a cosmetic product is not covered or only partially covered by such a formulation. The Commission provides indications for the establishment of the frame formulation and adapts them regularly to technical and scientific progress.

Nanomaterial

Any insoluble or biopersistent and intentionally manufactured material with one or more external dimensions, or an internal structure, on the scale from 1 to 100 nm.

Preservatives

Substances which are exclusively or mainly intended to inhibit the development of micro-organisms in the cosmetic product.

Colorants

Substances which are exclusively or mainly intended to colour the cosmetic product, the body as a whole or certain part thereof, by absorption or reflection of visible light; in addition, precursors of oxidative hair colorants shall be deemed colorants.

UV-filters

Substances which are exclusively or mainly intended to protect the skin against certain UV radiation by absorbing, reflecting or scattering UV radiation.

Manufacturer

Any natural or legal person who manufactures a cosmetic product or has such a product designed or manufactured, and markets that cosmetic product under his name or trademark.

Note: within the European regulations of notification of cosmetic products (CPNP), the relevant representatives are called "responsible persons"

Distributor

Any natural or legal person in the supply chain, other than the manufacturer or the importer, who makes a cosmetic product available on the Community market.

Note: within the European regulations of notification of cosmetic products (CPNP), distributors are those that make available in a Member State a cosmetic product already placed on the market in another Member State and translate, on their own initiative, any element of the labelling of that product in order to comply with national law.

Importer

Any natural or legal person established within the Community, who places a cosmetic product from a third country on the Community market.

End user

Either a consumer or professional using the cosmetic product.

Competent national authority

Authority in charge in each Member State of market surveillance, market analysis, assessment and information to consumers on cosmetic products.

Placing on the market

The first making available of a cosmetic product on the Community market.

Making available on the market

Any supply of a cosmetic product for distribution, consumption or use on the Community market in the course of a commercial activity, whether in return for payment or free of charge.

Harmonised standard

A standard adopted by one of the European standardisation bodies listed in Annex I to Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on information society services on the basis of a request made by the Commission in accordance with Article 6 of that Directive.

Undesirable effect

An adverse reaction for human health attributable to the normal or reasonably foreseeable use of a cosmetic product.

Serious undesirable effect

An undesirable effect which results in temporary or permanent functional incapacity, disability, hospitalisation, congenital anomalies or an immediate vital risk or death.

Withdrawal

Any measure aimed at preventing the making available on the market of a cosmetic product in the supply chain.

Recall

Any measure aimed at achieving the return of a cosmetic product that has already been made available to the end user.

5. MODEL STRUCTURE

The Model reproduces the conceptual stages of the continuous improvement cycle (Plan – Do – Check – Act) as stated by ISO 31000 standards with reference to Risk Management:

- Plan - planning consists of the definition and adoption of the crime risk management framework established by the Model and the relevant components; it includes also the definition of the responsibility system and the resources assigned to the Model management;
- Do - the Model is actually implemented in the Risk Management processes from the definition of the operating context to processes of communication and the acceptability limits of crime risk, the processes of identification (so-called mapping), analysis and assessment of risks that are considered significant as being characterized by risk indices exceeding the acceptable ones; the stage includes also the definition of preventive measures able to mitigate risks and take them back to residual values below the acceptability limits;
- Check - checking is carried out at first by the Supervisory Body, through verifications based on documents, inspections and audits, aimed at identifying the state of implementation of the Model (monitoring stage); subsequent checking includes also the Model Review by the BoD based on monitoring results;
- Act - acting consists of enforcement actions, by means of sanctions, against behaviours that do not comply with the Model indications, as well as actions aimed at adjusting the Model to new requirements of risk management and changes occurred in the legal and/or organizational framework, which are able, all together, to lead to the Model continuous improvement.

5.1 COMPONENTS OF THE PREVENTIVE CONTROL SYSTEM

With reference to the nature of the requirements imposed by Legislative Decree No. 231/2001 and suggested for the Model by the guidelines of Confindustria, the components of the crime prevention system necessary for an effective development of the Model are the following:

- **Ethical Code**, aimed at adopting ethical principles to indicate behavioural models that represent the key elements for the development of the Model; for this reason, the Ethical Code shall be considered as an integral part of the Model;
- A formalized and clear **organizational system**, with particular reference to assignation of responsibilities, reporting lines and description of duties and tasks;

- **Mapping of crime risk areas**, i.e. general and contract activities where the risk of crime commission is higher; this analysis applies in crime prevention protocols;
- **General prevention criteria** related to measures applicable to different company activities and for different possible types of crimes to be prevented. These criteria, applicable to all types of crime and aimed at establishing suitable control points, consist of actions such as:
 - protection of the principles of transparency, verifiability and inherence to the company's business;
 - separation of duties among those carrying out critical activities in a risk process;
 - allocation of authorisation and signatory powers assigned and documented in line with organizational and management responsibilities;
 - setting, if it the case, precise expense approval thresholds;
 - acquiring more detailed information on subjects such as agents, advisors, intermediaries;
 - highlighting sensitive processes within the risk activity to prevent the commission of the type of crime concerned;
 - verification of the right and unequivocal definition of operating modes for the processes, stating the right sequence of activities, the goal, the responsibility, the input data and the expected outputs as to ensure the verifiability, accountability and consistency of each operation;
 - raising staff awareness through processes of communication and training that are widespread, effective, authoritative (i.e. issued from a suitable level), clear and detailed, periodically repeated, aimed at the aware application of the behavioural rules stated in the Model as suitable to prevent crimes and to effectively transferring relevant liability.
 - communication focused on the contents of the Ethical Code and the Model, tools such as authorization powers, reporting lines, procedures, information flows and everything contributing to make daily work transparent. Training is targeted to all subjects involved in risk areas and aimed at illustrating the reasons of legal and management expediency that inspire the rules and their actual reach;
 - a periodic, planned and documented monitoring system for compliance with the operating modes provided for by the Model, focused on the Supervisory Body as a third, autonomous and independent party;

and, in particular, in the financial management area:

- joint signatures;
- frequent reconciliations;
- financial supervision;
- separation of duties, as far as possible given DAVINES reduced organizational structure, together with the aforementioned separation of functions (e.g. purchasing vs financial);
- monitoring of financial flows falling outside typical company processes, especially if related to areas that are not properly processed as well as extemporary and discretionary.
- **Specific criteria of crime prevention**, related to certain types of crime. These criteria refer to the risk of occurrence of crimes and the relevant management criteria of measures applicable to different company activities and for different possible types of crime to prevent

5.2 CONTROL PRINCIPLES

The components above shall be organically integrated in a system architecture meeting a series of control principles, such as:

- **Verifiability and consistency of each operation, transaction or action related to potential crimes** - a suitable documentary support shall be used, at any time, to carry out checks that verify the characteristics and grounds of the operation and identify who authorized, carried out, recorded and checked it.
- **Abolition of the autonomous management of whole processes or unlimited powers entrusted to individual subjects** - the system shall ensure the application of the principle of separation of functions, so that the authorization to carry out an operation shall be the responsibility of a person other than who records, actually executes or checks the operation;
- **Clear definition of powers and responsibilities** and knowledge of it within the organization;
- **Authorization and signatory powers** consistent with the assigned organizational responsibilities;
- **Documentation of controls** - the control system shall document (by minutes, reports, etc., if it is the case) the carrying out of controls, including for supervision. To that end, specific check-lists may be used to systematize and make monitoring uniform.

The application of these principles is checked by top functions and the Supervisory Body.

5.3 THE DAVINES MODEL PROCESSES

Based on the components and the control principles adopted, the following tables displays the main management and operating processes of the Model adopted by DAVINES, the main requirements to refer to, the documents stating the management rules of these processes or the effects of these definitions:

TABLE 1

Management processes	Operating processes	Ref. Legisl. Decr. 231/2001	Ref. Confind. Guidelines 2014	Ref. ISO 31000:2009
DECISION-MAKING PROCESSES (BoD)	Adoption of the Ethical Code	-	Part II Par. 3 points A– B/Part II–Par1	4.3.2
	Adoption of the Model, prevention protocols and subsequent amendments and integrations	Art. 6 p. 1 point a)	Introduction - pages 10-11	4.2
	Appointment of SB members	Art. 6 p. 1 point b)	Part III–Par.1-2-4	4.3.3
	Identification of top figures in the organizational structure Authorization and signatory powers	Art. 5 p. 1	Part II Par. 3 points A)– B)	4.3.3
	Adoption of the sanction regime and decisions on sanctions	Art. 6 p. 2 point e) - Art.7 p. 4 point b)	Part II – Par. 4	-
	Review and definition of the annual budget of the SB	Art. 7 p. 4 point a)	Part III – Par. 2. 2	4.3.5 - 4.5

Management processes	Operating processes	Ref. Legisl. Decr. 231/2001	Ref. Confind. Guidelines 2014	Ref. ISO 31000:2009
MANAGEMENT OF THE DOCUMENTED MODEL (SB)	Monitoring of reference requirements	-	-	4.3.1
	Acquisition of declarations of responsibility	-	-	4.3.3
	Documentary management of the Model	-	-	5.7
TRAINING AND INFORMATION ON THE MODEL (SB)	Planning and carrying out of training courses on the Model	-	Part II – Par. 3 points A) – B)	4.3.5
	Identification of information criteria from and to the SB	Art. 6 p. 2 point d)	Part II – Par. 3 points A) – B) / Part III – Par.3	4.3.6 – 4.3.7
ASSESSMENT OF CRIME COMMISSION RISK (SB)	Definition of the risk management process	-	Part II par. 1– Part II par. 3	5.3.1 ÷ 5.3.4
	Definition of acceptable risk levels	-	Part II par. 2	5.3.5
	Analysis of crime commission modes	-	Part II par. 3 point ii	5.4.2
	Mapping of crime risk areas/activities	Art. 6 p. 2 point a)	Part II par. 3 point ii	5.4.2
	Assessment of the risk class for specific implementations/scopes	-	Part II par. 3 point ii	5.4.3
	Assessment of risk significance	-	Part II par. 3 point ii	5.4.4
	Identification of preventive measures for exceeding risk level situations	Art. 6 p. 2 point b) Art. 7 p. 3	Part II par. 3 point iii - Part II par. 3 points A e B	5.5
	Assessment of residual risk	-	-	5.5
VERIFICATION OF CONSISTENCY WITH INTERNAL RULES (SB)	Verification of consistency of crime prevention measures with internal rules and practices	Art. 6 p. 2 point c)	-	4.3.4
	Verification of the correct transfer to suppliers of the obligation to apply requirements	-	-	4.3.4 – 4.3.4
MONITORING OF THE MODEL IMPLEMENTATION (SB)	Analysis of information flows	Art. 6 p. 1 points b) – d)	Part II – Par. 3 points A) – B) - Part III – Par. 2.2 – Points a) – b)	4.3.6 – 5.2
	Checks by audit		Part III – Par. 2.2 – points a)-b)	5.6
	Checks by inspection		Part III – Par. 2.2 – points a)-b)	5.6
	Documentary checks		Part III – Par. 2.2 – points a)-b)	5.6
	Regular meetings		Part III – Par. 2.2	5.6
	Formulation of proposal of changes to the Model and measures thereof		Part III – Par. 2.2 – point c)	5.6
	Management of the Model registrations		Part III – Par. 2.2 – point d)	5.7
	Issue of regular reports		Part III – Par. 2.2 – Points e) – f)	5.7

5.4 DOCUMENTARY STRUCTURE OF THE MODEL

The effective implementation of the Model and its objective demonstrability require appropriate supporting documentation; for this reason, the Supervisory Body is required to systematically keep registrations and preserve them for times compatible with the crime time-barring periods, also with reference to any proceedings. The following are the documents that constitute the Model (in brackets, the BoD's intervention):

ETHICAL CODE

- DAV.MPR.C.01.CET - Ethical Code (approval)

It is the document that provides the BoD's behavioural guidelines in the development of company processes.

MODEL - GENERAL PART

- DAV.MPR.G.01.GUI - Guidelines (approval)

This document provides the requirements, the organizational structure, the processes and the operating criteria of the risk management system represented by the Model, as well as the interaction modes with the rules and practices in force in the organization.

- DAV.MPR.G.02.RRV - Register of binding references (information)

The document, managed by the Supervisory Body, refers to documents containing bonding requirements for the Model development and implementation, either internal or external, mandatory or voluntary but taken as further references binding on the company. The document shall be updated upon each significant context change.

- DAV.MPR.G.03.RDM – Register of the Model documents (information)

It allows to check the documents constituting the Model in the current revision status. Its management is the responsibility of the Supervisory Body.

- DAV.MPR.G.04.GRS - Management of crime risk (approval)

The document identifies assessment criteria for the risk of commission of crimes included in Legislative Decree No. 231/2001, developing a first assessment stage based on mainly qualitative considerations and aimed at classifying and giving a "significance" opinion for the types of crime for which the Model proposes to adopt preventive measures to mitigate the relevant risk. This identification is carried out by comparing the risk so established and the risk defined as acceptable by the organization.

DAV.MPR.G.05.RAD - Data collection and analysis for crime risk assessment (approval)

The document sums up all the activities of data collection and qualitative analysis relating to DAVINES processes that contribute to risk assessment. The document shall be updated upon each significant organization or context change.

- DAV.MPR.G.06.IRR – Crime risk indices (approval)

The document, based on the assessments in the previous document, sums up, for each type of crime within the scope of Legislative Decree No. 231/2001, the values of occurrence probability and impact seriousness related to the potential commission of the crime concerned.

- DAV.MPR.G.07.DIC – Declarations of responsibility (approval)

The document includes standard formats for declarations by directors, executives, employees and advisors aimed at objectively documenting their awareness of having assumed not only responsibilities related to their office but also the obligation to duly apply the Model and the Ethical Code.

MODEL - SPECIAL PART

- DAV.MPR.S.PPR.Oi - Protocols of crime prevention (approval)

Once significant risk crimes have been identified, the protocols develop, with a multidisciplinary approach, an in-depth mapping of company areas involved in the commission of specific crimes, developing measures aimed at preventing their occurrence and, therefore, able to mitigate the risk of commission.

These documents comply with the regulatory frameworks of ISO 31000 on Risk Management.

- DAV.MPR.S.REG.01 – Register of crime preventive measures (approval)

In the absence of a documented Management System (e.g. pursuant to standard UNI EN ISO 9001), the implementation of preventive measures shall be ensured by comparison with existing procedures and operating practices, as documented.

In order to ensure clear reference, the set of preventive measures in the Model is collected, for quick consultation, in the Catalogue of preventive measures that, since they can refer to different protocols, shall have a matrix format with reference to protocols and processes concerned.

The table is subject to constant update by the Supervisory Body.

MODEL - DOCUMENTS FALLING WITHIN THE REMIT OF THE SUPERVISORY BODY

- DAV.MPR.O.01.REG- Regulations of the Supervisory Body (information)

Functional to full compliance with the provisions of Legislative Decree No. 231/2001, the Supervisory Body shall issue Regulations on carrying out its duties provided for by the law, in line with the operating principles of this Model.

6. RELATIONSHIP WITH THE ETHICAL CODE

The behavioural rules included in the Model are integrated with those of the Ethical Code, though, for the purposes it pursues in compliance with the provisions of Decree No. 231/2001, the Model has a different scope from that of the Ethical Code, since:

- the Ethical Code is a tool adopted in autonomy and applicable in general terms at DAVINES with the purpose of expressing "company ethics" principles that the Entity recognizes as its own and requires executives, employees and advisors to comply with. Indeed, the Ethical Code contains the company's rights, obligations and responsibilities towards "stakeholders" (i.e. shareholders, directors, employees, suppliers, etc.); it aims at recommending, promoting or prohibiting certain behaviours, beyond and independently of law provisions,

and can provide for sanctions proportionate to the seriousness of any committed infringement;

- on the contrary, the Model complies with specific provisions of Legislative Decree No. 231/2001 aimed at preventing the commission of certain types of crime, for facts that may imply administrative liability for crimes.

The ethical principles in the Ethical Code that represent a direct reference for the Model are:

- compliance with laws and regulations in force; it implies direct knowledge, to be acquired by information and training activities, of mandatory regulations applicable to the types of crime the Model intends to prevent;
- correctness of internal, interpersonal, interfunctional and external relationships, with particular reference to behaviours adopted by the Entity in carrying out duties referable to the offices of "public officials" or "people in charge of public services" and related risks, such as:
 - offers of money or gifts to the Entity's managers or employees or their relatives, except in the case of gifts or items of modest value;
 - improper influence when business negotiations, requests or relationships with the Entity are in course, such as employment proposals, including if related to the interlocutors' relatives, requests for confidential information, etc.;
 - compliance with transparency rules imposed by law to the Entity.
- distinctiveness of ethically correct behaviours from contrary ones in activities at risk of crime and compliance of the relevant operations or transactions with the principles of registration, authorization, verifiability, legitimacy and consistency.

These principles apply within the crime prevention measures and the related control activities assigned to the Supervisory Body.

7. ASSESSMENT OF CRIME RISK

The choice of modalities of crime prevention is the natural consequence of risk assessment activities referable to the potential commitment of crimes. This iterative analysis, based on the principles of risk management, consists of the stages in figure 1.

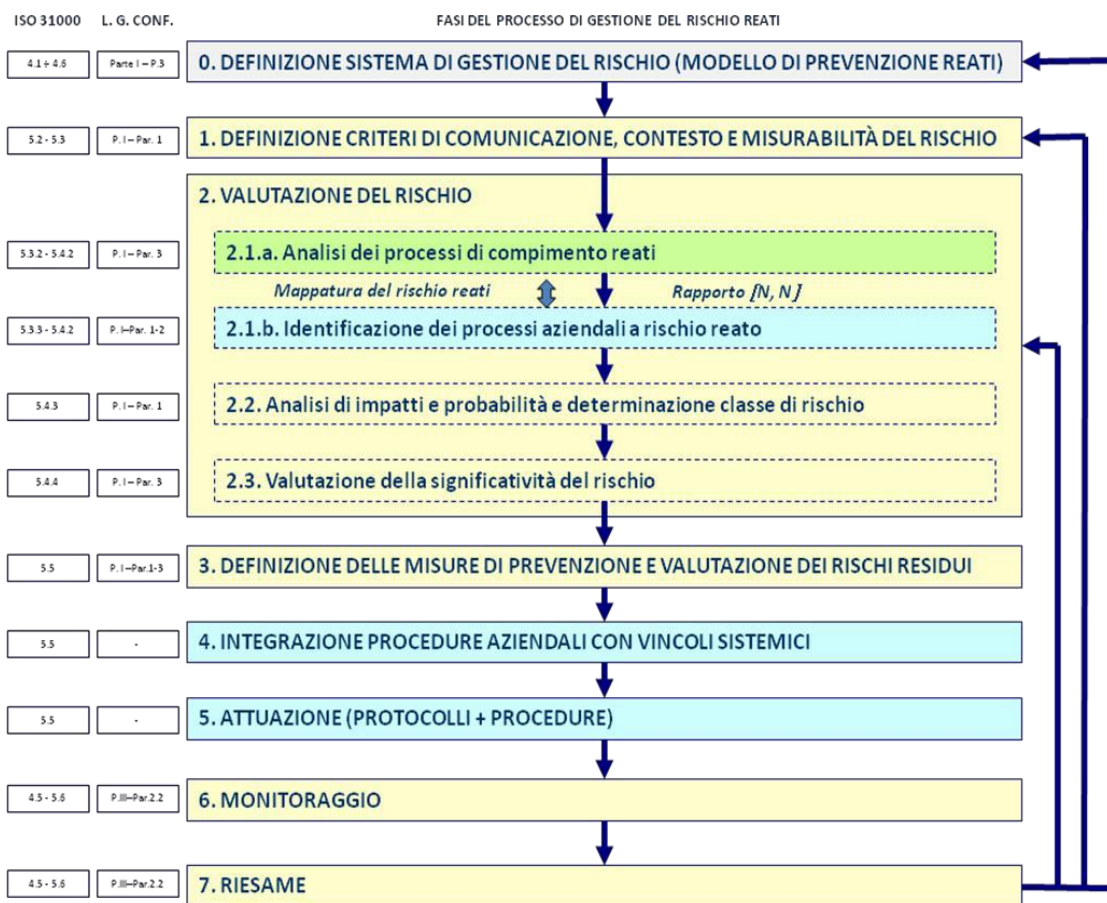
The need to allocate organized activities and relevant resources, which are limited by nature, imposes to make choices based on the magnitude of risks and their probability to occur, in order to statistically reduce the said risks to acceptable levels.

The choices of crime risk management are made by the Board of Directors in the process of adoption of the Model and its subsequent reviews and consist of:

- organizational and financial commitments that the company undertakes in order to ensure the Model effective functioning;
- definition of tolerability levels for risk of crime commission in regular reviews or in case of changes in the organization or the reference context;
- the review of the Model structure and the choices made within risk management processes.

Minimizing risks, to be pursued already in the planning stage and finally materialized in the risk management stage, aims at making the Model ineffective only in case of intentional bypassing (fraudulent avoidance for intentional crimes) or behaviours due to negligence, imprudence or incompetence (unintentional crimes), which means annulling the risks that the commission of crimes may depend on the Model shortcoming or possible defects.

This goal is pursued through the analysis of possible dynamics of crime commission, paying particular attention to those that are considered more likely, and consequent preventive measures. For less likely dynamics and cases of possible interpretability of the Model right application, the latter shall imply a preliminary search for clarifications from subjects involved in its application.



FASI DEL PROCESSO DI GESTIONE DEL RISCHIO REATI	STAGES OF THE CRIME RISK MANAGEMENT PROCESS
L.G. CONF.	CONF. GUIDELINES
0. DEFINIZIONE SISTEMA DI GESTIONE DEL RISCHIO (MODELLO DI PREVENZIONE REATI)	0. DEFINITION OF THE RISK MANAGEMENT SYSTEM (MODEL OF CRIME PREVENTION)
1. DEFINIZIONE CRITERI DI COMUNICAZIONE, CONTESTO E MISURABILITÀ DEL RISCHIO	1. DEFINITION OF COMMUNICATION CRITERIA, CONTEXT AND RISK MEASURABILITY
2. VALUTAZIONE DEL RISCHIO	2. RISK ASSESSMENT
2.1.a. Analisi dei processi di compimento reati	2.1.a. Analysis of crime commission processes
Mappatura del rischio reati	Mapping of crime risk
Rapporto (N,N)	Report (N, N)
2.1.b. Identificazione dei processi aziendali a rischio reato	2.1.b Identification of crime risk company processes
2.2 Analisi di impatti e probabilità e determinazione classe di rischio	2.2 Analysis of impacts and probability and risk class determination
3. DEFINIZIONE DELLE MISURE DI PREVENZIONE E VALUTAZIONE DEI RISCHI RESIDUI	3. DEFINITION OF PREVENTIVE MEASURES AND ASSESSMENT OF RESIDUAL RISK
4. INTEGRAZIONE PROCEDURE AZIENDALI CON VINCOLI SISTEMICI	4. INTEGRATION OF COMPANY PROCEDURES WITH SYSTEMC REQUIREMENTS
5. ATTUAZIONE (PROTOCOLLI + PROCEDURE)	5. IMPLEMENTATION (PROTOCOLS + PROCEDURES)
6. MONITORAGGIO	6. MONITORING
7. RIESAME	7. REVIEW

Fig. 1 - Flow diagram of crime risk management (Source: Future Works)

The criteria for crime risk assessment in the different stages of the process are described in document DAV.MPR.G.04.GRS, to which reference is made for further information; the assessment results are included:

- in document DAV.MPR.G.05.RAD - Data collection and analysis for crime risk assessment, which translates the risk assessment preparatory to the Model development and adoption and its reviews;

- in document DAV.MPR.G.06.IRR - Crime risk indices, for the conversion of collected data into the "first stage risk assessment" aimed at crime "significance" checking;
- for the in-depth assessment of crimes deemed to be significant, in the relevant protocols developed for their mitigation (doc. DAV.MPR.S.PPR.0i).

Once it has been established that the adopted Model is suitable to prevent the commission of crimes, fraudulent behaviours cannot be excluded; for this reason, surveillance shall be carried out on the Model by the relevant Body.

Since the Body's action may require virtually infinite preventive controls, it requires the introduction of priorities based on the following variables:

- risk indices referable to the different crime commission modalities and the relevant acceptability;
- invasive character of possible preventive measures and controls on company operations;
- identification of costs related to the implementation of measures and controls.

Therefore, the risk management techniques will be fully implemented within the Body's activity and are functional also to the assessment of financial resources to be allocated to the Model surveillance.

8. DEFINITION OF PREVENTIVE MEASURES

The crime risk management is made complete by the assessment of the existing system of preventive controls and its adjustment through the preventive measures defined by the Model. This definition shows the intention to set up and implement an effective Model, i.e. characterized by a clear set of rules that cannot be circumvented but intentionally.

The preventive control system shall also aim at ensuring full comprehension by any subject of the addresses and measures adopted through the Model and the relevant documentary traceability. It shall ensure that the risk indices are reduced to an "acceptable level"; a reduction that shall be obtained by:

- reducing the impact probability, through an increase of the prevention action on crime risk activities, within the limit of resources that can be allocated to that purpose;
- reducing the impact seriousness, through organizational protection measures against the possible effects of crime commission.

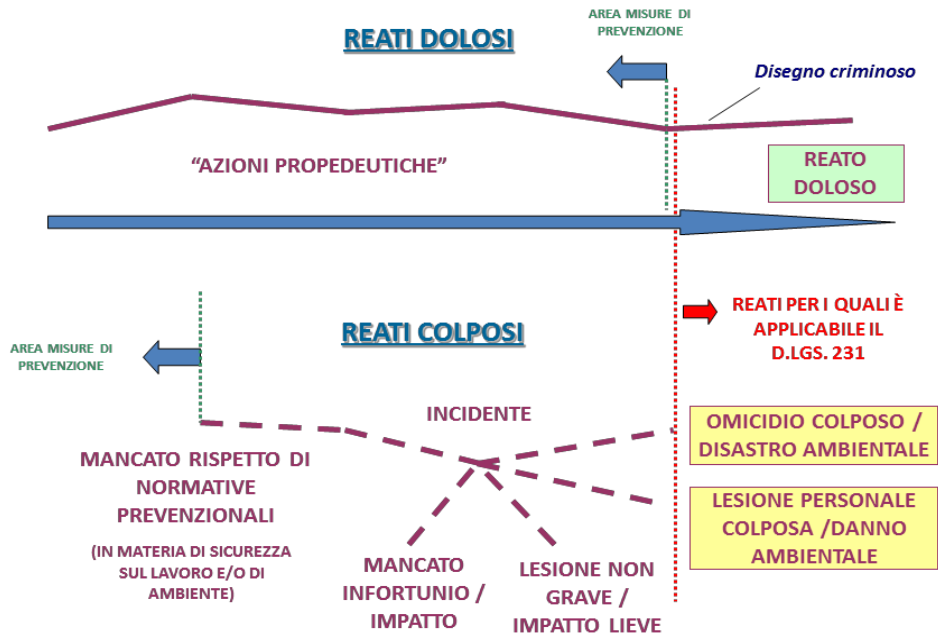
Preventive and protection actions depend also on the crime nature (intentional or unintentional) with reference to the process stages where intervention is necessary, as stated in figure 2; a useful knowledge base may derive from jurisprudence related to crimes.

Crime prevention measures may be classified into:

- **general:** typically considered applicable to all the different types of crime, aiming at:
 - increasing the awareness of subjects working in the crime risk areas, by means of information and training criteria of preventive nature;
 - redefining responsibilities, transfer modalities to operating figures and performance modalities of risk activities;

- representing the surveillance action through the activities of the relevant Body.
- **specific:** developed for certain types of crime.

CRITERI D'INTERCETTAZIONE DEL REATO



CRITERI D'INTERCETTAZIONE DEL REATO	CRIME CAPTURING CRITERIA
REATI DOLOSI	INTENTIONAL CRIMES
AREA MISURE DI PREVENZIONE	PREVENTIVE MEASURES AREA
Disegno criminoso	Criminal intention
"AZIONI PROPEDEUTICHE"	"PREPARATORY ACTIONS"
REATO DOLOSO	INTENTIONAL CRIME
AREA MISURE DI PREVENZIONE	PREVENTIVE MEASURES AREA
REATI COLPOSI	UNINTENTIONAL CRIMES
INCIDENTE	ACCIDENT
REATI PER I QUALI È APPLICABILE IL D.LGS 231	CRIMES FOR WHICH LEG. D. 231 IS APPLICABLE
MANCATO RISPETTO DI NORMATIVE PREVENZIONALI (IN MATERIA DI SICUREZZA SUL LAVORO E/O DI AMBIENTE)	FAILURE TO COMPLY WITH PREVENTION REGULATIONS (ON OCCUPATIONAL SAFETY AND HEALTH AND/OR THE ENVIRONMENT)
MANCATO INFORTUNIO / IMPATTO	NEAR MISS / IMPACT
LESIONE NON GRAVE / IMPATTO LIEVE	MINOR INJURY / SLIGHT IMPACT
OMICIDIO COLPOSO / DISASTRO AMBIENTALE	MANSLAUGHTER / ENVIRONMENTAL DISASTER
LESIONE PERSONALE COLPOSA / DANNO AMBIENTALE	INVOLUNTARY PERSONAL INJURY / ENVIRONMENTAL DAMAGE

Fig. 2: Definition criteria of preventive measures for intentional and unintentional crimes

9. CRIME PREVENTION PROTOCOLS

Legislation Decree No. 231/2001 mentions the need for "providing specific protocols aimed at programming the making and implementation of the body's decisions in relation to the crimes to be prevented" (art. 6).

These protocols, within the Model, include the following elements adopted to prevent each crime or a set of homogeneous crimes:

- legal analysis of the type/s of crime/s taken into account;
- list of presumable modalities of crime commission and specific referable risk assessments;
- mapping of company areas/processes involved in these modalities;
- set of existing procedures and additional preventive measures that may contribute to the risk mitigation;

- assessment of residual risk of crime commission in the presence of the measures above;
- criteria of monitoring, sanctioning, reviewing and continuous improvement of the risk referable to the crimes concerned.

In order to rationalize the contents of operating protocols for each type of crime, a typological protocol framework provides for consistent risk management criteria for "significant" risks.

10. ADJUSTMENT OF COMPANY PRACTICES

Once the measures deemed to be legally more suitable to prevent crime have been established, these bind on any operating rules, whether documented or not, applied by DAVINES; in order to ensure that these rules are compatible with the established preventive measures, it is necessary:

- a suitability verification of documented rules and their consistent modification;
- training for company figures involved in the application of crime prevention measures, with particular reference to those leading to changes in company practices. DAVINES ensures record-keeping of this training, to be carried out externally or in-house.

In support of a right supervision of these processes, a register of preventive measures defined in protocols (doc. DAV.MPR.S.REG.01) is expected to be issued, highlighting the corporate functions involved in crime preventions, together with the top figures representing the main recipients of training on the Model.

11. IMPLEMENTATION OF RISK PREVENTION AND MONITORING MEASURES

The Model compliant implementation is facilitated by proper information and training of subjects concerned; in order to ensure proper surveillance on the compliance of acts carried out within the company's business and the actual effectiveness of the Model, specific actions by the Supervisory Body are planned to that end.

The variability in the evolution of processes in which crimes may arise within the scope of Legislative Decree No. 231/01 imposes to ensure continuous monitoring of crime risk with reference to the following variables:

- organizational structure changes;
- changes in operating processes;
- new operating situations compared with standards;
- company transformations;
- context changes (e.g. in legislation);
- etc.

The seriousness of some risk indices may recommend, beyond the presumed effectiveness of the Model, to take out specific risk insurance policies.

12. MANAGEMENT OF FINANCIAL RESOURCES

The right management of administrative, financial and accounting aspects is a precondition for prevention of crime commission; to that end, of particular importance are the supervision of financial flows and the accounting management of company practices.

As for financial resources allocated to the Model development and management, the BoD shall set, based on a proposal from the Supervisory Body, an annual budget to bear the costs of the following activities:

- management and update of the documented Model;
- monitoring of changes in crime risk processes and relevant systemic documents;
- monitoring of reference contexts, especially in legislation related to crimes concerned and relevant interpretation
- information and training, also for new figures in the organization;
- structural costs of the Supervisory Body;
- analysis of information flowing to the Supervisory Body;
- inspection and auditing activities, carried out directly or entrusted to qualified subjects by the Supervisory Body;
- consultancy support to the Supervisory Body.

13. SUPERVISORY BODY

13.1 PURPOSES AND OPERATIONAL REQUIREMENTS

Pursuant to the provisions of Legislative Decree No. 231/2001, the condition for concession of exemption from administrative responsibility is, besides the Model adoption and effective implementation, "the entrusting of an organism of the company, assigned autonomous powers of initiative and control, of the duty of vigilance over the function of and compliance with the Models as well as care for their update". Within the Model, the aforementioned role is played by the Supervisory Body.

In order to carry out the responsibilities entrusted to it, the composition and activities of the Body shall meet the following requirements (see Confindustria Guidelines):

- autonomy and independence
 - the Supervisory Body shall not be entrusted with operating tasks. The controlled and the controlling subjects shall not coincide;
 - removing economic or personal interferences and conditioning by top organs;
 - providing, within the Model, for causes of non-eligibility and loss of office as member of the Supervisory Body, ensuring honourableness, absence of conflict of interest and family ties with company bodies and the top management;
- professionalism
 - appointing subjects that are experts on inspections and consultancy, able to carry out statistical sampling, analyses, assessments and containments of risks, processing and assessment of questionnaires;
 - it is advisable that at least some of the Supervisory Body's members have legal skills;

- continuity
 - establishing a structure devoted to the surveillance of the Model;
 - keeping the documentation of activities carried out.

13.2 STRUCTURE

In the light of the provisions of art. 6 of Legislative Decree No. 231/2001, DAVINES governing body has opted for a monocratic structure for the Supervisory Body, giving the role to a qualified external professional.

However, the SB may, within the limits of the budget allocated by the BoD, avail itself of outsourced supporting activities for specialist assessments, while keeping the role of direct reference. This formulation allows to combine the responsibilities reserved by law to the SB with the more specific professionalism of external consultants, making the SB activity more effective and penetrating.

In carrying out its functions, the Supervisory Body finds its primary interface in DAVINES Board of Directors; however, its supervisory and monitoring functions allow the SB to freely interface with the different functions of the organization, especially top ones.

For further information, please refer to the Regulations adopted by the Supervisory Body in line with the characteristics and principles of the Model (doc. DAV.MPR.O.01.REG).

13.3 CARRYING OUT OF CONTROLS

The Supervisory Body's carries out the following activities, adjusted from time to time based on specific actions defined in crime prevention protocols:

- issuing of circular letters stating all company events requiring notification to the SB;
- planning of documentary controls or controls carried out by audit or inspection;
- implementing control procedures, taking into account that primary responsibility for the control of activities, including those related to risk areas, remains in any case entrusted to the operational management, confirming the importance of staff training;
- carrying out investigations on the company's activity aimed at the updated mapping of risk areas and collecting indications or reports, including anonymous ones, to stimulate notifications to the Supervisory Body; anonymity shall be ensured by all subjects that may endanger it while processing information, including in the IT field;
- periodically performing verifications aimed at determining specific operations or acts carried out within risk areas;
- in particular, carrying out verifications of the main company deeds and major agreements entered into by the company;
- reviewing all notifications received, actions carried out by the Body and other subjects concerned, as well as events deemed to be at risk;
- proposing suitable updates and extensions of crime prevention protocols based on the progressive inclusion of new crimes in the scope of Legislative Decree No. 231;

- promoting suitable training and information initiatives to spread the Model knowledge and comprehension and preparing internal organizational documentation necessary for the Model operation, including instructions, clarifications or updates;
- collecting, drafting and keeping records produced while applying the Model;
- coordinating with the other corporate functions (also through specific meetings) to improve monitoring of risk areas. To that end, the Body is informed on the evolution of company's activities and has free access to all relevant company documentation. Moreover, the management shall inform the Body of any situations in the company's activities that may expose the company to crime risk;
- checking the actual presence, regular keeping and effectiveness of documentation required in compliance with the provisions of individual crime prevention protocols;
- conducting internal investigations aimed at ascertaining alleged violations of the Model provisions,
- supporting the organization in the application of disciplinary measures.

The Body's regulations shall comply with these addresses, with the possibility to complement the contents based on its needs.

In any case, the activities require that the following basis principles are followed within the Body:

- planning of control activities;
- documentation of control activities.

For further information, please refer to the Regulations adopted by the Supervisory Body.

13.4 REPORTING TO THE BOARD OF DIRECTORS

The Supervisory Body shall report directly to the Board of Directors.

In particular, the SB shall send the BoD a regular report, at least every year, to contribute to the annual review of the Model by the BoD, plus additional reports referable to significant cases of failure to apply or of alleged or actual ineffectiveness of the Model.

Annual reports may focus on the following types of data:

- summary of the main activities subjected to documentary analyses, verifications or inspections or, in any case, analysed within the quarterly reporting;
- actual or potential risk factors found in the investigation;
- partial and progressive statistical analyses aimed at objectifying data from the analysis;
- state and needs for adjustment of documents constituting the Model, with particular reference to mapping crime risks and relevant indices.

Since annual reports shall be the basis of the BoD annual review, their nature and content shall take into account the specific directions given by the BoD.

13.5 CRIMINAL PROFILE OF THE BODY'S RESPONSIBILITIES

The provisions on the Supervisory Body's activities and obligations allow to state that the body is given control tasks not with reference to the commission of crimes but to the Model operation and compliance with it,

taking care also for its update and any adjustments in case of changes in the company's structure or the introduction of new crimes in Legislative Decree No. 231/2001.

Indeed, the surveillance obligation does not imply the obligation to prevent the unlawful act; this, and the criminal liability arising from it pursuant to art. 40, paragraph 2, of the Italian Criminal Code, and, therefore, the principle according to which "not preventing an event that one is legally obliged to prevent is equivalent to cause it" apply only when the party concerned is put in the position of guarantor of the asset protected.

Pursuant to the provisions of the fight against mafias, the members of the Supervisory Body are subject to anti-mafia checks.

14. REVIEW AND UPDATE OF THE MODEL

The Model management includes also its review by the Board of Directors in order to verify the Model compliance with the requirements of effectiveness in crime prevention. The Supervisory Body is required to provide the Board of Directors with elements necessary to assess the Model.

In particular, the Review implies the assessment of:

- data obtained in the Model implementation stage from the last review, also in comparison with previous data;
- analysis on the effectiveness of preventive measures adopted;
- information related to specific applications of Legislative Decree No. 231/2001 in courts, even if referred to different companies;
- the achievement of goals established for the purpose of the Model implementation or specifically established within the crime risk management policy or in previous reviews;
- risk indices previously assigned with reference to specific types of crime, also with reference to company transformations or activities managed together with other companies;
- particular elements of systematicity in the non-compliant implementation of the Model and relevant corrective actions to be carried out;
- analysis on the effectiveness of the information and training systems;
- information on the behaviour of subjects with a contractual relationship with the company, in order to assess those deserving praise or prizes for their particular correctness, transparency and dedication in applying the Model;
- any other elements affecting the Model.

The Board of Directors shall carry out a review on a generally annual basis and documented by a specific Determination.

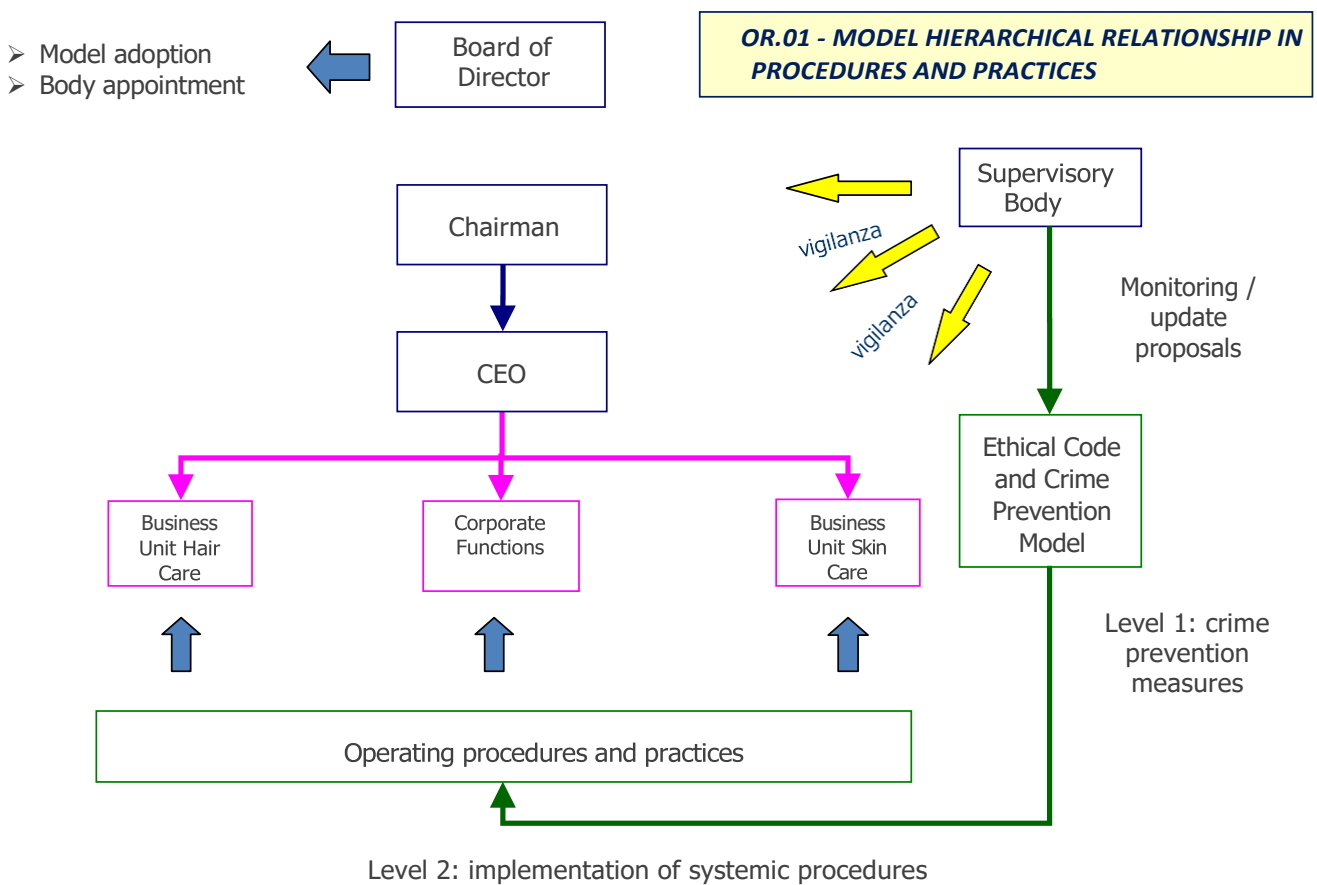
Records of these reviews shall be documented and kept for a period compatible with the time-barring period of the types of crime subject to the application of Legislative Decree No. 231/01.

15. RESPONSIBILITY IN IMPLEMENTING THE MODEL

The organizational structure requires a clear formalization of responsibilities, reporting lines and description of duties, providing for specific verification obligations such as, for example, the opposition of functions. These systems are necessary to address the activities of operating and managerial staff towards the efficient pursuit of the company's goals.

The Model structure and operating principles are displayed in fig. 3.

FIGURE 3: THE MODEL STRUCTURE AND OPERATING PRINCIPLES



The framework of responsibilities related to the Model implementation is displayed below.

15.1 Board of Directors (BoD)

It is the organization's governing body and carries out the following functions:

- provides the directions for the definition of the Model and the relevant scope;

- decides on the adoption of the Model and its subsequent amendments and integrations;
- appoints the Supervisory Body and oversees its work;
- defines, on an annual basis, the budget for the Model management and the SB activities;
- examines the Model activities and adjustment proposals from the SB;
- identifies the top figures and the relevant Model application responsibilities within the organizational structure;
- identifies the management criteria for the Company administrative processes;
- ensures the application of the sanction system in case of failure to comply with the established preventive measures;
- periodically reviews the Model and assesses its continuous suitability and effectiveness.

The BoD may delegate certain actions for the Model operating management to the Chairman or the Managing Director.

15.2 Supervisory Body (SB)

- It ensures the systemic management of the Model and its compliance with legislative, regulatory and corporate requirements;
- shall have Regulations in place to plan its surveillance activity;
- verifies the dynamic update of the Model to adjust it to goals, changes in the company or the legislative framework, proposing the Board of Directors proper changes in the structure, responsibilities and crime risk management criteria;
- promotes initiatives aimed at spreading the Model knowledge and comprehension, also through dedicated training courses, providing indications on the Model right interpretation to functions requesting them;
- defines content and modalities of information to notify to the SB;
- verifies proper planning of crime risk, through the analysis of crime commission and company processes/functions/areas concerned, proposing changes and integrations in risk mitigation measures;
- verifies compliance of company procedures and practices to the Model requirements and reports any needs for change;
- supervises the implementation of the Model by documentary verifications, audits and inspections on all the company areas and functions, in order to assess the Model effectiveness and its capacity to prevent crimes, also in legal terms; since the internal audits are planned and carried out by the organization with reference to all possible company risks, based on an annual plan, the Body shall identify those to be steered towards checks of the Model, deciding when it is necessary to outsource the relevant activities;
- collects, processes and keeps relevant information from the different corporate functions, collaborating with them, also through specific meetings, to improve the monitoring of activities in risk areas;
- draws up quarterly reports for the Sole Director to inform them on the state of supervising activities;
- ensures annual reporting to the Board of Directors aimed at the Model review stage;

- at the request of the Board of Directors, collaborates in the identification of criteria for the application of Sanctions in case of failure to comply with the Model prevention measures;
- manages records kept in the Model implementation.

15.3 Chairman / Managing Director / Managers / Department managers

They are the top figures of the organization and collaborate with it to:

- ensure the Model implementation in processes directly managed in collaboration with the staff reporting directly to them.
- make proposals to the SB for Model changes and integrations;
- analyse notifications of crime risk situations to ascertain their objective reality in order to adopt any necessary prevention measures.

Information on top figures is displayed in the company organization chart annexed to document DAV.MPR.G.05.RAD.

15.4 DAVINES employees and collaborators

- They shall apply crime prevention measures, to the extent that it lies within their competence;
- at each request by the SB, shall allow it to check their activities and the relevant documentation.

16. EFFECTS ON MANAGEMENT, EMPLOYEES AND SERVICES AGREEMENTS

Pursuant to Legislative Decree No. 231/01, the Company shall be liable for offences committed in its interest or to its advantage:

- a) by people who hold representative, administrative or directive positions in the entity or an organizational unit with financial and functional autonomy, as well as by people who carry out, also effectively, the management and control of the same;
- b) by people subject to the direction or supervision of any of the subjects above.

Since the Model operation and effectiveness depend on its proper and compliant application by subjects working in the name and on behalf of the Company, they are based on the following fundamental goals:

- ensuring that the behavioural directions given by the Ethical Code and the crime prevention systemic requirements introduced by the Model are perfectly known by managers, employees and collaborators, through suitable information and training processes;
- ensuring a suitable process of transfer of responsibility to these subjects, in particular responsibilities for the application of the Model, starting with agreements that define the employment relationship;
- ensuring control of the actual discharging of responsibilities assumed by these subjects.

In order to ensure compliance with the principles above, the Model provides for the following tools:

- controlled distribution of the Ethical Code and the relevant documents constituting the Model to all subjects required to implement the relevant measures and prevention requirements;

- signing of contractual clauses or declarations of responsibilities related to the commitment of external or internal subjects involved in the Model application to apply the rules provided for by the Model and/or the system documents, in compliance with applicable agreements, including collective ones;
- information and training activities aimed at the proper comprehension of the Model;
- monitoring of proper discharging of responsibilities given, through surveillance by the relevant Body.

17. INFORMATION AND TRAINING SYSTEM

17.1 INFORMATION SYSTEM

The information system adopted within the Model is aimed at:

- towards the organization, ensuring, like training activities and as a complementary measure, the effective transfer of information on crime prevention criteria, in order to avoid any incomprehension and misunderstanding on the nature and goals of the Model provisions;
- towards the Supervisory Board, complying with the specific requirement of Legislative Decree No. 231/2001 and ensuring fruition of information and data functional to the carrying out of activities;
- towards the Board of Directors, ensuring proper conditions of Model management.

Information to be disseminated to the organization may refer to:

- documents of the Model;
- communications of the Board of Directors or the Supervisory Body, meeting and/or review minutes related to the Model application or implementation outcomes;
- reviews of legislative changes related to the Model application;
- documents, publications, reviews, judgements related to crime occurrence dynamics;
- other useful information.

Typical information to be directed to the Supervisory Body may refer to:

- decisions related to the request for, provision and use of public funding;
- requests for legal aid submitted by executives and/or employees against which judicial authorities proceed for crimes provided for in the aforementioned legislation;
- proceedings and/or notifications by judicial police departments or any other authority indicating investigations underway for offences under Legislative Decree No. 231/01, also in regard to unknown persons;
- commissions of inquiry or internal reports showing liability for alleged criminal violations under Legislative Decree No. 231/2001;
- news on the actual implementation, at all company levels, of the organisation Model, with specific attention to any disciplinary proceedings and any sanctions inflicted, or any act of dismissal of such proceedings with the corresponding reasons;
- summary tables of contracts awarded;
- reports prepared by company managers in the context of their control activity, from which facts, actions, events or omissions may emerge that are not complying with the provisions of the Model;
- irregularities or anomalies detected with reference to the behavioural rules provided for by the

Ethical Code and the Model and the relevant internal procedures and regulations related to the aforementioned crimes;

- etc.

The information obligation concerns DAVINES top functions operating in crime risk areas / sectors / job orders, but also employees who come by news on the commission of crimes, especially within the Company, or "practices" that are not in line with the Ethical Code.

The information flow shall allow to distinguish notices of evidence of crimes from more common crime risk situations; this difference shall be integrated into the training activities below;

In case of information on serious cases, normal information channels shall not be followed, in order to allow to report serious violations within the company; in these cases, anonymity and protection from retaliation are guaranteed; In these cases, the Body assumes a more general role of controller of ethical principles included in the Code.

In any case, all DAVINES staff members are free to directly contact the Supervisory Board to report violations of The Model or any irregularities.

Finally, it is primarily the task of the Supervisory Body to provide information to the Board of Directors showing:

- the state of implementation of the Model within the organization;
- its constant suitability to changes in the legislative, regulatory and corporate framework;
- relevant information on violations of the crime prevention measures introduced by the Model;
- the state of planning and implementation of surveillance carried out by the Supervisory Body;
- any other information useful to make the Model effective.

This information is conveyed through timely notices and quarterly and annual reports.

17.2 TRAINING ACTIVITIES

Training activities aim at increasing the awareness levels of subjects that may potentially interact with the Company for the purpose of preventing crimes to which Legislative Decree No. 231/2001 is applicable.

These activities focus on courses divided into training modules on the structure of the Model and the prevention protocols adopted for each type of crime.

The training activities are planned on an annual basis and are aimed at executives, employees and collaborators directly involved in the management of crime risk processes.

The content of training modules is reviewed on an annual basis in order to be adjusted to information acquired on the organization and the dynamics of crime occurrence and prevention.

18. SANCTION SYSTEM

In order to ensure the Model effectiveness, it is essential to provide for a suitable sanction system for violations of the behavioural rules provided for by the Ethical Code and the Model; these violations shall be fought against since they are prejudicial to the trust relationship established with the company and, consequently, shall

imply disciplinary measures, irrespective of the imposition of a judicial sentence in cases in which the violation constitutes a criminal act.

In general, the sanction system shall meet the following requirements:

- objectivity of the provision whose application is requested by systemic requirements;
- graduated scale of sanctions in case of non-compliance.

As for objectivity, due to the disciplinary value of the ethical code and the measures provided for by procedures whose non-compliance will trigger a sanction, they are binding on all employees and brought to their knowledge in compliance with the provisions of the Worker's Statute of Rights (Law No. 300/1970).

The sanctions regime varies depending on the different contexts of the individual contractual relationship (management, employment, consultancy). The existence of collective bargaining tools imposes to ensure the consistency between the sanctions and the regime provided for by Collective Agreements, with particular reference to:

- the nature of sanctions;
- procedures of notification;
- forms of charging sanctions,
- and conditions imposed by the procedures under art. 7 of the Worker's Statute of Rights.

The imposition of sanctions by the Board of Directors complies with the principles of timeliness and immediacy aimed at protecting the effectiveness of the disciplinary measure; for this reason, as well as for the autonomy of the behavioural rules applicable within DAVINES from the provisions of the Criminal Code, the application of the sanction is independent, including in terms of time, of the outcome of any proceedings brought before criminal courts against the subjects concerned.

In the absence of standard contracts or in case of possibility to include sanctions provided for by standard contracts, sanctions shall be explicitly provided for by individual supply and collaboration agreements.

Special provisions exist for subjects holding corporate positions or members of the relevant bodies, in line with the provisions of the articles of association and powers established in proxies and powers of attorney.

Overall, sanctions applicable for failure to comply with the Crime Prevention Model are the following:

FOR MEMBERS OF THE BOARD OF DIRECTORS

- Referral to the Shareholders' Meeting for revocation, if it is the case, or alternative measures.

FOR EXECUTIVES

- Written reprimand;
- Fine (up to a defined maximum);
- Suspension from tasks;
- Termination of the employment relationship;

The last sanction is applicable only in case of a final judgement.

FOR EMPLOYEES

- Written reprimand;
- Fine;
- Suspension from tasks;
- Suspension from work;
- Dismissal.

The last sanction is applicable only in case of a final judgement.

FOR CONSULTANTS

- Written reprimand;
- Fine (to be established as a percentage up to a defined maximum % of the contractual amount);
- Agreement termination.

These sanctions shall be explicitly provided for by individual supply and collaboration agreements.

18.1 DETECTION OF VIOLATIONS

Each head of office or organizational unit is required to detect any violations committed by staff hierarchically and/or functionally reporting to them.

Events and behaviours deemed to be violations of the Model and/or the Ethical Code shall be reported to the Board of Directors, which shall adopt any necessary initiatives initiating targeted internal enquiries.

18.2 INTERNAL ENQUIRIES

The enquiry related to any violation of the Model and/or the Ethical Code shall define the circumstances, conditions and behaviours assumed by the subjects involved in the violation, aiming at the same time at protecting the analysis objective nature, but also the right of the staff concerned to present their counter-arguments with reference to:

- for employed persons, the provisions of art. 7 of Law No. 300 of 20 May 1970 and the collective agreement applied to the employment agreement, or other regulations applicable to the peripheral organizational unit concerned;
- specific provisions of collaboration or supply agreements on the conditions for the application of sanctions.

Enquiries, whoever carries out them, even in collaboration with the reporting subjects, shall be carried out in such a manner as to prevent any form of retaliation, discrimination or penalization against them, ensuring also their anonymity and confidentiality of reported facts, without prejudice, however, to legal obligations and to the protection of the Company's rights.

Mandatory provisions on personal data protection apply to collected information classified as sensitive.

18.3 APPLICATION OF SANCTIONS

Compliance with the provisions of the Model and/or the Ethical Code is an essential part of the contractual obligations of the Company's employees, pursuant to article 2104 ("Employee's diligence") of the Italian Civil Code, as well as of the Company's collaborators and any subjects operating in the name and on behalf of the Company.

Breach of the aforementioned provisions constitutes a failure to fulfil obligations arising from the employment relationship, with all legal consequences, including in relation to the preservation of the employment relationship.

In case of violations, DAVINES implements sanctions based on the criteria of coherence, impartiality, consistency and proportionality, as well as in compliance with the provisions that regulate employment relationships.

In these cases, the Company reserves the right to carry out any actions necessary and appropriate to compensate damages suffered as a consequence of the subject's behaviour.

As for violations of the Model, the implementation of sanctions is the responsibility of the Board of Directors; the sanctioning criteria aim at protecting the objectivity and graduation of sanctions with reference to their seriousness.

18.3.1 Corporate bodies - Revocation

Violations of the Model and/or the Ethical Code by these subjects - ascertained according to the above - shall be assessed by the Shareholders' Meeting for the adoption of the relevant measures.

18.3.2 Managerial staff - Resolution

A Manager's behaviour in violation of the Ethical Code, once ascertained according to the provisions of par. 14.2 above, may justify, in the most serious cases, the manager's dismissal pursuant to applicable provisions of law and collective agreements. The aforementioned sanctioning flow for managerial staff is the responsibility of the Chairman according to the specifications applicable to these contractual forms.

18.3.3 Sanctions for non-executive employees

In compliance with the sanctioning regime provided for by collective bargaining for violations of the employment agreement and with the procedures under art. 7 of Law No. 300 of 30/5/1970 (Worker's Statute of Rights) and any applicable special regulations, penalties applicable in case of violation are graduated based on the ascertained behaviour seriousness as follows:

- a) written warning;
- b) fine up to a limit not exceeding three hours' pay;
- c) suspension from work or pay up to a maximum of three working days;
- d) if violations, for their seriousness, constitute also a just cause and/or justified reason for terminating the employment agreement, the Company may dismiss the employee;
- e) if violations are also a crime and, as such, are charged to the employee by judicial authorities, the Company, as a result of the procedures under art. 14.2 above and the investigation of criminal proceedings, shall apply the sanctions under letters a), b), c) and d) above, depending on the seriousness; the Company may also wait for the results

of the criminal proceedings to adopt the most suitable disciplinary measures. In this case, the employee shall be informed that the Company reserves the right to implement the relevant sanctions upon the judgement becoming final.

In case of conviction by a final court judgement, also pursuant to art. 444 of the Italian Code of Criminal Procedure, the employee may be dismissed, once the seriousness of their conduct has been ascertained by the final judgement, or charged in case of judgement pursuant to art. 444 of the Italian Code of Criminal Procedure.

In case of measures restricting the employee's personal freedom following a charge of a crime by judicial authorities for violations of the Ethical Code, the employee may be suspended from work and pay for a period corresponding to the duration of the measure, if the Company does not intend to sanction the violations by dismissal.

18.3.4 Collaborators - Withdrawal

Any violation of the Ethical Code or the Model by a collaborator operating on behalf of the Company, ascertained according to art. 14.2 above, may be deemed to be contrary to the rules of correctness and as performance not in good faith of the collaboration agreement, in conflict with the provisions of articles 1175 and 1375 of the Italian Civil Code, with the consequence that, in the most serious cases, the Company may withdraw from the agreement.

If violations are also a crime and, as such, are charged to the collaborator by judicial authorities, the Company, as a result of the procedures under art. 14.2 above and the investigation of criminal proceedings, may, in the most serious cases, withdraw from the collaboration agreement; the Company may also wait for the results of the criminal proceedings to withdraw. In this case, the collaborator shall be informed that the Company reserves the right to decide upon the judgement becoming final.

In case of conviction by a final court judgement, also pursuant to art. 444 of the Italian Code of Criminal Procedure, the Company may withdraw from the collaboration agreement, once the seriousness of the conduct has been ascertained by the final judgement, or charged in case of judgement pursuant to art. 444 of the Italian Code of Criminal Procedure.

In case of measures restricting the collaborator's personal freedom, the Company may suspend the collaboration relationship and the payment of the agreed consideration for a period corresponding to the duration of the measure, if the Company does not intend to exercise its right to withdraw.

18.3.5 Suppliers - Termination

Any violations of the principles and rules of the Model and/or the Ethical Code by the main suppliers and sub-contractors shall be notified to them by the Company, which may exercise its right to terminate the relevant agreement/s.

This express termination clause shall be included in each agreement with the main suppliers and sub-contractors of the Company.

19. CONFIDENTIALITY

The management of data related to the application of the Model is subject to the confidentiality requirements related to protection of privacy pursuant to the provisions of Legislative Decree No. 196/2003 as amended.

Therefore, the criteria of assumption, management, analysis and documentation of information supervised by the Supervisory Body follow the regimes of protection against undue disclosure provided for by the same law.

These management criteria take into account also any obligations provided for by the laws in force and referable to the following circumstances:

- existence of any obligation of self-denunciation by the company;
- obligations to provide available information at the specific request of judges or competent authorities in ascertaining alleged crimes.