

MF GROUP S.p.A.
ORGANISATION AND MANAGEMENT MODEL
ex Legislative Decree 231/2001

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1. ADMINISTRATIVE LIABILITY FOR COMPANIES

Legislative Decree 231 of 8 June 2001 (hereinafter “the Decree”), “*Administrative liability of legal entities, companies and associations, including those that do not constitute legal entities*” introduced the concept of vicarious liability for companies¹ to the Italian legal system in relation to certain offences (defined in article 24 and ensuing articles) that are committed in the interest, or for the benefit, of the company by individuals that, de facto, manage or control the company, or by their subordinates.

Administrative liability of a company is based on “organisational” blame: a company is held jointly responsible for the offence together with the individual that committed it (who is criminally responsible), where it has failed to create an organisation structure that it is effective in preventing such offences and, in particular, if it has omitted to set up an internal control system and establish suitable procedures in relation to the performance of activities in those areas in which there is a greater risk of offences being committed.

The methods for establishing an internal control system are defined in articles 6 and 7 of the **Decree** and comprise:

1. the approval of an “organisation and management model” (“the **Model**”), which has the principle objective of preventing the commitment of offences.
2. the set up of an internal Supervisory Body (**SB**) to oversee implementation of the provisions and constantly check their effectiveness in relation to prevention.

MF GROUP S.p.A. (hereinafter “the Company”), being a limited company, belongs to the category of legal entities that may be subjected to the administrative liabilities in question.

In this regard **MF GROUP S.p.A** has adopted an organisation, management and control model that prevents the commitment of offences, as defined by articles 24 and ensuing articles, and, where an offence is committed, prevents, in accordance with the terms specified in the Decree, administrative liability from arising.

Article 6, in relation to offences committed by parties holding executive positions (and as a result who perform representative, administrative, executive and control functions within the company), prescribes that administrative liability does not arise only on the condition that one of the offences was committed through fraudulent evasion of the **Model** and that the offence was not allowed to take place as a result of insufficient or neglected monitoring of the **Model**.

On the other hand, with regard to offences committed by those individuals who, being responsible to others, do not hold executive positions, article 7 excludes in total administrative liability where the **Model** has been adopted and effectively implemented.

¹ In accordance with Legislative Decree 231/2001, companies are defined as those entities that constitute legal entities (e.g. S.p.A, S.r.l... - limited companies) and those that do not (e.g. S.n.c, S.a.s...partnerships)

2. **FUNDAMENTAL PRINCIPLES AND LAYOUT OF THE MODEL**

The **Model** expresses the willingness of the board of directors of **MF GROUP S.p.A.** (BoD) to take all possible measures to ensure that the business is conducted in conformance to law, internal regulations, the code of conduct (the “**Code of Ethics**”) and aspires to the principles of correctness, transparency and traceability.

The **Model** aims to guarantee that all of the activities relating to **MF GROUP S.p.A.**:

- Are carried out in observance to the laws, internal regulations, and the **Code of Ethics**;
- Have transparent and lawful purposes and are not aimed at gaining illegal advantage for **MF GROUP S.p.A.**;
- Are documented, motivated and consequently are verifiable.

In this regard, adoption of the **Model** has required a complex analysis of the activities of **MF GROUP S.p.S.**, in order to perform an evaluation of the risk that **Offences** may be committed. In addition the incidence of existing procedures on this risk was assessed.

Where the risk of an **Offence** being committed was not sufficiently addressed by existing rules and procedures, amendments were introduced in order to meet these risks and at the same time a penalty system was introduced to accompany the rules and procedures.

Finally, a new internal organisation was set up (**Supervisory Body-SB**), which has been assigned the role of overseeing and monitoring the definite and effective implementation of the **Model**.

This report sets out in the following order:

- A summary analysis of the risks of offences being committed;
- The collective rules and fundamental principles of the procedures directed at the prevention of offences;
- The principles relating to the set up and duties of the **SB**;
- Penalties against breaches of the rules and procedures directed at preventing offences.
- the **Code of Ethics** that expresses the principles of “company ethics” that **MF GROUP S.p.A.** aspires to and that it requires its employees, managers and directors to comply with.

The **Model** has been prepared and approved through resolution passed by the board of directors of **MF GROUP S.p.A.** Consequently, it is binding for all company divisions.

In the event that organisational or regulatory changes or amendments to the company’s objects take place, which require the **Model** to be updated or modified, the **SB** will update or amend it either completely or partially and will submit it for approval to the BoD.

The **SB** is required to take similar action in the event that the **Model** proves to be incomplete or inadequate, resulting from identified breaches or evasion.

The managers of the various company activities (“Managers”), in relation to their respective duties, are required to verify regularly the efficiency and effectiveness of the procedures designed to

prevent the commitment of **Offences**. Where the managers identify the need to amend or update these procedures, they must present a documented report to the **SB**, who will take the necessary action.

Updates and amendments are communicated in accordance with the provisions set out in paragraph 5.

3. MAP OF RISKS

Given the business and legal form of **MF GROUP S.p.A.**, the offences for which a real risk exists are:

- OFFENCES COMMITTED AGAINST PUBLIC SERVICE AUTHORITIES defined in articles 24 and 25 of the **Decree**;
- COMPANY OFFENCES defined in article 25 *ter* of the **Decree**.

3.1 OFFENCES COMMITTED AGAINST PUBLIC SERVICE AUTHORITIES

Offences committed against public service authorities defined in the **Decree** comprise:

1. Extortion (article 317 penal code)
2. Corruption in relation to an act of office or contrary to the duties of office (articles 318-319 penal code)
3. Incitement of corruption (article 322 penal code)
4. Embezzlement, extortion, corruption and incitement to corrupt members of the bodies of the European Community and officials of the European Community and overseas States (article 322- bis penal code)
5. Corruption of legal actions (article 319-ter)
6. Fraud against the State, another Public Entity or the European Union (article 640, comma 2.1 penal code)
7. Aggravated fraud to attain public funds (article 640-bis penal code)
8. Unlawful receipt of funds against the State or the European Union (article 316-ter penal code)
9. Misappropriation against the State or the European Union (article 316-bis penal code)
10. Systems fraud against the State or another Public Entity (article 640-ter penal code)

3.1.1 IDENTIFICATION OF RISK AREAS

The offences taken into consideration presume that a relationship is established with the Public Service Authority (in the broad sense of the definition, including also Public Agencies of overseas States).

All of the areas in the company in which, in the normal course of business relations are entered into with Public Service Authorities, are considered to be at risk (areas of direct risk).

Likewise, the areas in the company, although they do not involve direct contact with Public Service Authorities, which manage financial and similar instruments that could be used to secure advantage and benefits to public officials in order to commit offences against Public Service Authorities (areas of indirect risk).

The areas of activity that **MF GROUP S.p.A.** considers to be more specifically at risk are as follows:

Areas of direct risk

- management of relations with institutions and public entities (contracts or grant agreements, requests for administrative provisions, licences and authorisations, other communications to public individuals);
- management of legal and out of court disputes;
- personnel management;
- accounting and tax management (tax declarations and any controls on the accuracy of accounting entries and tax balances);
- management of relations with Public Watchdogs;
- receipt and use of subsidised loans;
- management of software belonging to public service authorities.

Areas of indirect risk

- administration, finance, accounting, tax (attention should be made to invoicing activities, in particular supplier);
- management of consultancy and professional services contracts;
- employee selection;
- holding office of manager or company officer.

Any amendments to the identified business risk areas may be approved by the BoD of **MF GROUP S.p.A.**, also based on the opinion and proposals of the **SB**, which is engaged to identify the related assumptions and define appropriate operating action.

In relation to the risk areas identified above, those considered to be particularly high risk are as follows:

1. taking part in tenders or direct negotiations held by Italian or overseas Public Entities to award work contracts or bids, supplies or services, concessions, partnerships, assets (businesses, investments, etc.) or other similar transactions that take place in a potentially competitive context. Also represented by situations where, albeit that there is only one competitor in a particular procedure, the contracting entity had the possibility to choose other companies on the market;
2. applying to obtain contributions or loans from Italian public or European Community organisations and their effective use.
The following scenario constitute areas of particular focus within these business risk areas:
 - a) taking part in tenders or direct negotiations in geographical areas in which there are not sufficient transparency conditions to guarantee safeguarding of the procedures;
 - b) taking part in tenders or negotiations in conjunction with a partner (e.g.: joint ventures, including temporary associations, consortiums, etc.);
 - c) assignment, for the purpose of taking part in a tender or negotiation process, of a specific consultancy or company representative role to a third party.

3.2 COMPANY OFFENCES

The offences defined in article 25 - *ter* of the **Decree** may be grouped into 5 distinct categories.

All of the regulations were reviewed and broadened following issue of Legislative Decree of 11 April 2002, n. 61, which modified all of Chapter XI of book V of the Italian Civil Code (“*Criminal law provisions governing companies and consortiums*”).

I) False communications, documentation and reports

- False company communications (articles 2621 and 2622 Italian Civil Code)
- False documentation (article 2623 Italian Civil Code)
- False reports or communications by independent auditors (article 2624 Italian Civil Code)

II) Protection of share capital through criminal proceedings

- Wrongful repayment of capital contributions (article 2626 Italian Civil Code)
- Illegal apportionment of profits or retained earnings (article 2627 Italian Civil Code)
- Illegal transactions on the shares or on the parent company (article 2628 Italian Civil Code)
- Transactions that prejudice creditors (article 2629 Italian Civil Code)
- False capital formation (article 2632 Italian Civil Code)
- Wrongful allocation of company assets by the liquidators (article 2633 Italian Civil Code)

III) Protection of work of company officers through criminal proceedings

- Obstruction of Control (article 2625 of Italian Civil Code)
- Unlawful influence over the shareholders (article 2636 Italian Civil Code)

IV) Protection of work of supervisory bodies through criminal proceedings

- Obstruction of work of public authority supervisory bodies (article 2638 Italian Civil Code)

V) Final common provisions

- Extension of individual duties (article 2639 Italian Civil Code)
- Attempted crimes (article 26)
- Considerable profit (article 25 *ter*, comma II)

3.2.1 IDENTIFICATION OF RISK AREAS

With regard to each category of offence described above a specific area potentially at risk may be defined.

The business areas specifically at risk in relation to company offences are considered to be the following:

- Preparation of the financial statements, the directors’ report, the consolidated financial statements and other company communications;
- Company operations that may affect the integrity of share capital;
- Control activities carried out by appointed bodies (e.g. Board of Statutory Auditors)

The identification of specific risk areas may be notified and endorsed by the BoD of **MF GROUP S.p.A.**, after informing the **SB**.

4. GENERAL RULES OF CONDUCT AND PROCEDURES

4.1 SUBJECTIVE SCOPE OF APPLICATION

The provisions of the **Model** — including the related implementation procedures – are binding for – company officers, management, employees, external collaborators, professionals, consultants, business partners and all individuals that operate under its responsibility (hereinafter “**the Recipients**”)

MF GROUP S.p.A. condemns any conduct, other than lawful, that departs from the provisions of the **Model** and the **Code of Ethics**, even where the conduct is carried out in its interest or with the intention of securing an advantage.

4.2 GENERAL RULES OF CONDUCT

The **Recipients** are required to adhere to the following rules of conduct while carrying out their work.

In general the following conduct is prohibited:

- conduct that constitutes an **Offence** or is against the law;
- conduct that does not conform to internal procedures and the **Code of Ethics**.

In carrying out work or performing tasks, the Recipients must:

- act in accordance with the principles of lawfulness, correctness and transparency;
- not act, even negligently, in such a way as to impede or obstruct application of the **Model** and the controls carried out by the **SB** in relation to its implementation.

4.3 GENERAL RULES OF CONDUCT TO PREVENT OFFENCES AGAINST PUBLIC SERVICE AUTHORITIES AGENCIES

Areas at direct risk

The **Model** expressly prohibits:

1. conduct that broadens the categories of offences defined above (articles 24 and 25 of the **Decree**);
2. conduct that, although it does not directly constitute the offences defined above, may potentially do so;
3. conflicts of interest with Public Service Authorities in relation to matters defined by the above offence categories.

In particular it is forbidden to:

- give generous sums of money to public officials;
- to agree other advantages of any kind (promise of employment, etc.) in favour of representatives of Public Service Authorities that could determine the same consequences described in point 2 above;
- perform services, on behalf of Partners, which are not adequately justified within the context of the partnership agreement;
- pay fees to external collaborators that are not adequately justified by the services to be performed and current local practice;
- give free samples and gifts outside normal company practice (according to the provisions of the

Code of Ethics, this constitutes any type of gift received or bestowed, which is outside standard commercial or polite practice, or that is aimed at obtaining favourable treatment in any business area). In particular, any type of gift to an Italian or overseas public official (even in countries in which generous gifts are common practice), or a member of their family, which may influence the independent judgement or secure any type of advantage for the company, is forbidden. The type of gifts that are acceptable are those that are immaterial in value or aimed at promoting either artistic initiatives (for example, gifting books of artwork), or the brand image of the group. The gifts offered – with the exception of those that are of little value – must be documented in order to allow the prescribed controls to be carried out;

- to make false declarations to Italian public authorities or European Community (EC) organisations in order to acquire public funds, grants or subsidised loans;
- to use amounts received from Italian public authorities or European Community organisations in relation to funds, grants or subsidised loans, for purposes other than those for which they were designated.

For the purpose of applying the above rules of conduct:

1. relations with Public Service Authorities in respect of identified business risk areas must be managed as a whole, through appointment of a manager for each transaction or group of transactions (where these are repetitive in nature) that take place in the business risk areas;
2. partnership agreements must be documented in writing, outlining all of the terms of the agreement - in particular with regard to agreed economic terms for joint participation in the agreement – and must be proposed or verified or approved by at least two group members; in the agreement the partner declares he is aware of and will adhere to the content and provisions of the **Model**;
3. the engagements conferred on external collaborators must also be documented in writing, with specification of the agreed fee and must be proposed or verified or approved by at least two group members; in the agreement the collaborator declares he is aware of and will adhere to the content and provisions of the **Model**;
4. no form of payment may be made in cash or in kind;
5. declarations made to Italian authorities or European Community organisations in order to acquire public funds, grants or loans, must contain only true information and, if received, the appropriate documentation must be provided;
6. individuals who perform a supervisory role in relation to obligations connected with the fulfilment of the above activities (invoice payment, allocation of funds received from the State or EC organisations, etc.) must pay particular attention to these obligations and immediately refer any irregularities to the **SB**;
7. where communication with Public Agencies takes place through information systems, the operator responsible for processing data and declarations must always be identifiable (through passwords and digital signatures).
This does not affect the validity of higher protection procedures provided within each individual group company in relation to the performance of activities in risk areas.

Areas at indirect risk

Clearly it is advisable that the **Model**, in the guidelines for implementation, should provide for

further controls on a number of areas of activity that, although there is no direct risk that an offence is committed against Public Service Authorities, may provide the opportunity to embezzle sums of money or other benefits.

For example controls on invoicing activities, in particular from suppliers, may be appropriate. It is in fact necessary to prevent the risk that these activities be directed at accumulating financial resources that may be used for illegal payments to public officials.

Particular caution should be exercised when choosing collaborators, external consultants and professionals, and in selecting employees, appointing directors, and other company officers: again it would be appropriate to adopt measures aimed at preventing, or minimising, the risk that these activities conceal the embezzlement of assets.

- **Invoicing activities**

Invoicing activities must follow internal procedures that provide for intervention and/or authorisation by at least two individuals. No invoice, with the exception of immaterial amounts, may be issued or paid by means other than the prescribed procedures, and not by only one person, even a company director. With regard to urgent cases, more rapid procedures than those normally applied may be followed. These may not however depart from the requirement of intervention and control by at least two individuals.

Any person that notes activities that could give rise to suspected illegal invoicing activities, or invoicing of sums greater than the correct amount, must immediately notify the administration and accounting manager, who will subsequently communicate the matter to the **SB**.

- **Employee selection**

The employee selection process must be assigned to a specific department, within Human Resources, which will manage a database in which trace of all the employment processes is maintained. The selection of the prospective candidate should be carried out by at least two individuals who document their involvement in the selection process.

- **Engagements assigned to consultants and independent professionals**

Engagements are assigned to independent professionals, consultants and external collaborators through written engagement letters that define precisely the terms of engagement. This letter should specify, even approximately, the fee to be paid. The choice of professionals is carried out by the company manager that requires the service, applying the limits assigned by the individual powers.

The level of fees for the service provided is reviewed by the relevant company manager at the time of payment. Any irregularity is notified to the finance manager and is subsequently communicated to the **SB**.

- **Appointment of directors and other company officers**

The resolution to nominate directors and members of the other corporate bodies must always take into account, even in summary form, the reasons that led to the choice of the individual in question

4.4 GENERAL RULES OF CONDUCT FOR PREVENTION OF COMPANY OFFENCES

1. It is expressly forbidden:

- To carry out, collaborate in or instigate conduct that results in any of the offences detailed above;
- To carry out, collaborate in or instigate conduct that, although it does not directly constitute the type of offence defined above, it may potentially do so.

2. The Recipients are obliged to:

- A. Aspire to conduct that is correct, transparent and collaborative, which complies with law and internal company procedures, in relation to all of the activities involved in the preparation of the financial statements and other company communications, in order to provide the shareholders and third parties with true and fair information regarding the company's financial performance, state of affairs and financial position, disclosing conflicts of interest should they exist;
- B. Observe thoroughly all rules of law designated to safeguard the integrity and effective working of the share capital, while still observing internal company procedures, in order not to prejudice the guarantees given to creditors and third parties in general;
- C. Safeguard the routine operation of the company and its corporate bodies, to guarantee and encourage both internal controls on the management of the company as foreseen by law, and freedom of shareholder decision making;

With respect to the above conduct it is forbidden to:

with regard to point A above:

- present or transmit for use in the preparation of the financial statements, reports and statements or other company information, false, incomplete or misleading information in relation to the financial performance, state of affairs and financial position of the company and the group;
- fail to communicate data and information required by law regarding the financial performance, state of affairs and financial position of the Company and the group;

with regard to point B above:

- return capital contributions to shareholders or waive the obligation to fulfil them, except where there is a legitimate reduction, for any reason, in share capital;
- appropriate earnings or advances on earnings that have not effectively been obtained or are to be allocated in accordance with law to reserves;
- acquire or subscribe to shares in the company or the subsidiaries outside circumstances permitted by law;
- carry out share capital reductions, mergers or de-mergers, which breach legal provisions to safeguard creditors;
- carry out the formation of, or a fictitious increase in, share capital allocating shares for a value lower than the nominal value on incorporation of a company or at the time of a share capital increase;
- divert the appropriation of company assets, on liquidation of the enterprise, from creditors to the shareholders, prior to paying the creditors or providing the amounts required to satisfy them;

with regard to point C above:

- carry out conduct that materially prevents, through concealment of documents or other fraudulent means, or obstructs the performance of control or audit procedures on the company by the relevant bodies.
- determine or influence the decisions made by shareholders, through simulated or fraudulent acts aimed at changing the regular process of shareholders decision making;

4.4.1 IMPLEMENTATION PRINCIPLES OF ABOVE CONDUCT

It is considered appropriate to define the principles and methods of implementing the conduct described above, in relation to the different categories of company offences.

A. Financial statements and other company communications

The annual financial statements, the directors' report and the consolidated financial statements are prepared in accordance with the following principles:

- suitable measures are adopted to guarantee that the above documents are prepared correctly and in conformance with the principles of true and fair view, completeness and accuracy, and that any irregular circumstances are immediately notified;
- suitable measures are adopted in order to guarantee that the information communicated to subordinates by the competent managers is true, correct, accurate, timely and documented, also using information systems;
- suitable measures are adopted to guarantee that in the event that an individual notes unfounded requests to change the criteria of identification, recording and presentation of accounting information, that they inform the **SB** immediately;
- it is the requirement of those who provide information, required by this procedure, to subordinates, to identify the documents or original sources from which the transmitted information was extracted, in order that it may be verified.

Where possible, and useful for the understanding and verification of the information, a copy of cited documents should be attached.

B. Safeguarding of share capital

All of the operations on the company's share capital, including the incorporation of companies, acquisition or disposal of investments, mergers and de-mergers, even within the **MF GROUP S.p.A.** group, must be performed in compliance with law, more specifically:

- the operations to be carried out should be evaluated and submitted to the members of the board of directors, avoiding operations that are withheld from the bodies that pass resolution, and all managers are invited to refrain from such conduct;
- information on regulations on crimes and administrative offences to safeguard share capital, in particular following any changes in these regulations;
- provision of a suitable company penalties system.

C. Routine operation of the company

In order to prevent an offence being committed that obstructs the control of managing the company by the designated bodies, the following rules and internal procedures have been established:

- submission to the board of statutory auditors, sufficiently in advance, of all documentation relating to matters on the agenda of the shareholders' or board of directors' meetings or for which it is required to express an opinion in accordance with law;
- presentation to the board of statutory auditors of all documentation regarding

management of the company that the board of statutory auditors requires for its periodic controls;

- assign to the **SB** the task of co-ordinating the collection of information and documentation requested by the control bodies, evaluating its validity and delivering or communicating it;
- dissemination of the rules of conduct on this area, defined in the Model, throughout the entire organisation, so that the directors, management and all employees may provide the control bodies with the highest degree of collaboration, transparency and professionalism;
- provision of a suitable company penalties system.

4.5 THE PROCEDURES

In order to carry out the activities at risk defined in paragraph 3, **MF GROUP S.p.A.** adopts procedures aimed at preventing **Offences** being committed.

The procedures conform to the fundamental principles of the **Model** and to the following general principles relating to the definition of the procedures:

1. traceability of the stipulation of acts and authorisation levels, in order to guarantee transparency and the ability to justify the choices made;
2. assign to individuals distinct from decision making roles, the accounting for and control of the actions resulting from these decisions;
3. assign to managers the task of implementing procedures relating to their areas as they are responsible for their own behaviour;
4. filing and storage of documentation relating to the business activities in order that it may not be modified at a later date, at least not without specific evidence, and may only be accessed by individuals responsible for filing and storage, the board of statutory auditors and the SB. Where filing and storage is carried out by a third party, the service must be governed by contract that foresees, among other things, that the individual who performs the service complies with specific control procedures that do not allow subsequent modification of the documents in storage, except where sufficiently documented;
5. access to filed documents, as detailed above, must always be justified and granted only to, individuals authorised in accordance with internal regulations, the board of statutory auditors and the **SB**;
6. the selection of all employees and external collaborators, including agents and freelance workers with similar roles, must be based exclusively on objective and verifiable requisites, including skills, honour, experience and professionalism;
7. payments made, for any reason, to employees and collaborators, including agents and freelance workers with similar roles, must be commensurate with the services provided to **MF GROUP S.p.A.** and conform to the work assigned, in addition to the criteria of reasonableness and market and fee conditions should these exist;
8. the bonus remuneration system, for employees and external collaborators, including agents and workers with similar roles, must be aimed at the company pursuing objectives that are realistic and consistent with the roles assigned, work performed and responsibilities assigned;
9. the independent use of financial resources must be made in accordance with pre-determined limits, consistent with management skills and responsibilities;
10. documented justification of each payment and the related decision making process;
11. justifiability of any payment made through reference to a class or type of expense, as long as it is within the limits stipulated in relation to the independent use of financial resources;
12. adoption of accounting procedures that are constantly updated;
13. adoption of organisational measures in order to guarantee truthfulness, completeness and accuracy in relation to the identification, registration and presentation of the operations;

14. where individuals are requested to provide information to superiors, the board of statutory auditors, independent auditors or the **SB**, they are obliged to do provide a quick response, specifying the documents or sources from which the information was taken;
15. any individual who identifies a breach, departure from or modification of the procedures in this paragraph is obliged to refer them immediately to the **SB**. Departures from procedures are admitted for particularly urgent matters or where it is temporarily impossible to comply with them, on the condition that authorisation is obtained from the manager responsible for the related procedure. The **SB** is notified immediately of any such departures.

4.5.1 Supply procedures

The procedures relating to the purchase of assets or services by **MF GROUP S.p.A.**, must observe the following principles:

- assets and services to be used to meet customer orders must be purchased exclusively from “authorised” suppliers, in compliance with international quality procedures;
- the purchase of assets (excluding stationery, utilities, and others) and services (with the exception of the provisions detailed in the following paragraph) require a written order from the Purchasing Department and written approval from the relevant in-charge or company management depending on the amount involved; payment may be made following the control, to be carried out by a separate department, between the asset/service received and the order.

4.5.2 Consultancy procedures

Procedures relating to consultancy services must observe the following principles:

- consultancy services must be engaged — in compliance with regulations and the related authorisation process - in writing and must specify, the duration, fees, expenses to be reimbursed, and the consultant’s requirement to provide statements and/or reports documenting the results of their work.
- the fees and the reimbursed expenses must not be paid to individuals other than the consultants or the enterprise they work for;

4.5.3 Commercial procedures

Procedures relating to participation in tenders, preparation of commercial proposals, and customer relations must observe the following principles:

- the decision to take part in a tender or submit a commercial proposal must be discussed beforehand with company management;
- prices and other supply terms for both public and private enterprises must be determined following consultation with company management and based on documented and objectively verifiable criteria;
- discount limits that may be applied without authorisation from company management have been established;
- where the company takes part in tenders through joint ventures, consortiums, temporary associations, participation may only take place where the joint ventures, consortiums, and temporary associations, agree to comply with the **Model** or alternatively, have adopted an organisation model that conforms with the **Decree**;
- commercial management adopts and regularly updates product catalogues;
- commercial management evaluates potential customers; this must take into consideration, among other things, the reliability, level of expected sales, available references. Where the outcome of the evaluation is positive, initial standard supply terms and credit limits are established, which are

- reviewed regularly in the course of the relationship;
- the amounts owed by customers are reviewed on a monthly basis; commercial management is informed of all cases where the credit limits are exceeded;
 - the Area Managers send a summary of their activities on a monthly basis to the sales and commercial management, highlighting visits to customers and subjects covered during the period. Company management is regularly informed of commercial activities;
 - credit notes are only issued where supported written request from a company department that is approved by company management.

4.5.4 Human resources management

Procedures relating to personnel employment and agency agreements must observe the following principles:

- the request to hire personnel or confirm a position is prepared by the head of the department for which the new resource is required, and is approved by human resources management or company management;
- the candidates, selected based on objective and predetermined criteria established in general terms by human resources management in agreement with company management, are compared by human resources management and the department head who submitted the request;
- on signing of the employment letter or agency contract, the new employee/agent receives a copy of the **Model** and the **Code of Ethics**, and formally undertakes to comply with them;

4.5.5 Procedures relating to the recording, preparation and control of accounting entries, financial statements, reports and other company information

The recording, preparation and control of accounting entries are governed by the following principles:

- adoption of local and international accounting standards where applicable;
- use of software to record accounting entries that, using an access system that varies according to the work performed and through processes that are progressively menu driven and restricted, guarantees the complete input of significant information and prevents any adjustments without flagging the person responsible, the date and the original entry;

4.5.6 Procedures for entering into commitments and obligations relating to payments

Commitments and payment obligations are governed by the following principles:

- assignment of representative and contractual powers only to department heads in relation to the roles performed, except in specific justifiable circumstances that are suitably motivated;
- assignment of representative powers only on written authority documented in the company books, in order that the related limits may be contested by third parties;

4.5.7 Procedures relating to cash flow, funds and liquidity management

The management of cash flows, company funds and liquidity is governed by the following principles:

- the power to open and close bank and post office current accounts is delegated exclusively to company management;
- sole signatory powers in relation to current accounts are delegated only to company management and finance and control management;
- only non-negotiable cheques may be issued;
- regular update of outstanding receivables and payables;

- for each payment or receipt, correspondence between the amounts and the accounting entry and the related contracts;
- regular reconciliation of bank accounts.

4.5.8 Procedures relating to management of hardware and software systems

Management of hardware and software systems is performed in accordance with the following principles:

- identification of a limited circle of individuals who are allowed access to the company server, with only the System Administrator having the power to grant exceptions for justified reasons;
- regular controls — by qualified individuals — on the operation and efficiency of the un-interrupted power supply (UPS) and the antivirus system; the server back-up system, including data recorded using accounting software; the procedures carried out by the System Administrator for storing back-up tapes in a safe, fireproof location;
- use of passwords for each computer work station, that are known only to the relevant user, that are regularly changed and are required to be reinserted after prolonged periods of disuse;
- identification by the System Administrator, on suggestion by finance and control management, of the areas of accounting software for which access may be granted only to specific employees.

5. THE SUPERVISORY BODY

5. ROLES

A **Supervisory Body (SB)**, set up to oversee implementation of the **Model**, has been assigned the following roles:

- oversees the effectiveness of the **Model** in preventing **Offences** from being committed, observance of the provisions of the **Model**, and its adequacy in relation to the company structure and the controls carried out on **MF GROUP S.p.A.**;
- proposes amendments and updates, which are deemed appropriate or necessary to guarantee the constant efficacy of the **Model**, to the BoD;
- issues mandatory advice on the amendments and updates to the **Model** that are put forward by the BoD;
- prepares periodic reports for the BoD and the board of statutory auditors regarding the implementation, effectiveness and adequacy of the **Model**;
- oversees personnel training aimed at implementation of the **Model**;
- assists employees in the implementation of the **Model**;
- records conduct or situations that breach the provisions of the **Model**, and circumstances that potentially may favour the commitment of **Offences**, or in relation to **Offences** already committed.

5.2 COMPOSITION

The SB is an internal body that provides a support function to company management, which comprises a maximum of three company employees one of which acts as chairman.

The **SB** is appointed by the BoD through motivated resolution; the resolution to appoint the **SB** also determines the remuneration. The **SB** remains in office for three calendar years, with the exception of terms that have the same duration as the BoD.

The members may not be revoked, except for just cause, and may be re-appointed for one term. A member who is revoked or waives the office is immediately substituted. The substitute will remain in office until expiry of the three year mandate that was in course when appointed.

5.3 POWERS AND DUTIES

The **SB** carries out its duties and exercises power independently and does not respond to any hierarchical restrictions.

In carrying out his duties in relation to the **SB** the company employee is not subjected to the hierarchical restrictions relating to the position held in the company.

The **SB** may request at any time to be heard by the BoD or the board of statutory auditors, and in turn may be called by them at any time.

The **SB** must immediately refer to the board of statutory auditors any breach of the **Model** carried out by a member of the BoD, and any breach carried out by any other individual required to conform to the **Model** is referred to the BoD.

With regard to penalties applied in relation to breach of the **Model** — also following notification by the **SB** — the **SB** is informed in writing by the board of statutory auditors in the case of breach by a member of the BoD, and for all other cases is informed by the BoD.

The Company:

1. provides the **SB** with the secretarial support required to carry out its duties,
2. provides Company premises when requested by the **SB**;
3. reserves a post office box for the **SB** and an e mail address for each member.

4. provides to the **SB** the financial resources required to carry out its duties. For this purpose, each year the **SB** submits an expenditure plan to the board of directors for approval.

The **SB** may commit the Company to amounts in excess of the financial resources approved by the board of directors, on condition that this is required to act urgently in relation to exceptional circumstances. The use of the financial resources awarded by the board of directors is justified by the **SB** on presentation of the new expenditure plan. In this statement the **SB** justifies, providing the reasons for the urgency and the exceptional circumstances, the expenditure that exceeded the original amount granted by the board of directors.

In carrying out its duties the **SB**:

- has unlimited access to company offices and documentation – on paper or otherwise – stored therein;
- may request the assistance of employees or competent managers;
- may use the services of external consultants;
- may request information, relating to activities at risk, from employees, the BoD, the board of statutory auditors, the independent auditors and company consultants;
- may request information and documentation relating to activities at risk from Company agents and other third parties who perform similar work;
- may request the immediate intervention of the BoD where it is obstructed from carrying out its duties.

5.4 ACTIVITIES OF THE SB - REGULATIONS

The **SB** performs its duties and exercises power according to the following regulations. The **SB** requires majority ruling.

Under the regulations, the chairman is assigned the role of co-ordinating and proposing the activities.

The regulations ensure continuity of the **SB**'s operations, regarding both its supervisory role and relations with the BoD and the board of statutory auditors.

In order to guarantee this continuity, the regulations foresee:

- a meeting of the **SB**, at least on an annual basis;
- inspection, at least on an annual basis, of the areas at risk in order to verify compliance with the procedures;
- the possibility for each member to carry out individual inspections in addition to the annual inspection;
- presentation of the expenditure plan and funds for urgent action to the Board of Directors in order to obtain the financial resources required;
- filing and storage of documentation relating to the work performed, and details of the method of filing;
- an annual report to the BoD and the board of statutory auditors on the implementation, effectiveness and adequacy of the **Model**;
- the documents, relating to the activities at risk, that must be received through the department heads.

5.5 CONFIDENTIALITY REQUIREMENTS

The members of the **SB** respect the confidentiality of information acquired in carrying out their work and respect the anonymity of individuals who notify irregularities or request assistance from the **SB** in implementing the **Model**.

6. TRAINING AND UPDATES

In order to promote a corporate culture that aspires to lawfulness and transparency, **MF GROUP S.p.A.** ensures widespread diffusion of the **Model** and guarantees that it is upheld by all relevant parties.

A copy of the **Model** — and copies of all amendments and updates - are submitted, other than to each member of the BoD, the board of statutory auditors, the **SB** and each member of the team of independent auditors, to each employee and all individuals required to conform to the provisions of the **Model**.

Written proof of distribution is maintained.

An electronic copy of the **Model** has also been put onto the company server, in order to allow employees to consult the document regularly.

Before commencing work, new employees receive a copy of the **Model**.

Human resources management illustrates the fundamental principles of the Model and the penalties system.

The direct in-charge of the new employee will illustrate the general rules of conduct and procedures detailed in paragraph 4. Similar procedures apply in relation to agency and similar business agreements.

Adoption of the **Model** is made known to all parties with whom **MF GROUP S.p.A.** enters into important business relationships.

7. PENALTY SYSTEM

Departure from the general rules of conduct, the procedures defined in paragraph 4, and any provision of the **Model** is penalised in accordance with the following principles, with the exception of any civil responsibilities.

The seriousness of the crime is evaluated in consideration of:

- wilfulness of conduct or the degree of negligence, imprudence, inexperience, also taking into account the degree of foresight relating to the event,
- overall conduct of the party responsible for the infringement, also taking into account precedents,
- conduct following the infringement ,
- duties performed and the role of the party responsible for the breach.

The following conduct constitutes infringement:

- A. lack of respect, either through omission or in co-operation with others, of the general rules of conduct and the procedures;
- B. preparation, also in co-operation with others, of incomplete or untrue company documentation;
- C. aiding others, through omission, in the preparation of incomplete or untrue documentation;

- D. failure to prepare documentation required by the procedures;
- E. breach or evasion of the control systems defined in the **Model**, carried out in any way, including the removal, destruction or alteration of documentation relating to the procedures, obstruction of controls, hinder access to documentation by the officers in charge of control procedures;
- F. all other conduct, committed or omitted, which prejudices or endangers the interests of **MF GROUP S.p.A.** in the effective implementation of the **Model**.

The **SB** is always informed of any infringement, with the exception of those breaches identified by the board itself.

The **SB** is always informed of penalties applied in relation to infringements, in accordance with paragraph 5.3.

The general rules of conduct, the procedures and, in general, the **Model**, represent a group of rules that all of the company officers and employees of **MF GROUP S.p.A.** – including managers – must conform to in accordance with law and contractual obligations.

With regard to employees of **MF GROUP S.p.A.**— including managers – breach of the general rules of conduct, the procedures and, in general, the **Model** represent disciplinary offences.

Disciplinary action – which is carried out in accordance with article 7 of the Workers' Statute of Rights (Law n. 300 of 30 May 1970) and applicable collective contracts – is the responsibility of bodies or competent individuals in accordance with law, the articles of association, and internal regulations. Penalties are applied taking into consideration the seriousness of the disciplinary offence, evaluated based on the above criteria.

The breach, by a member of the BoD, of the general rules of conduct, the procedures and other provisions of the **Model**, is notified to board of statutory auditors by the **SB**. In the event that there is a serious breach, in consideration of the above criteria, the board of statutory auditors will request the BoD to call a shareholders' meeting to propose revocation for just cause of the director responsible for the breach.

Where the shareholders' meeting is not called in time by the BoD, the board of statutory auditors will do so in accordance with article 2406 of the Italian Civil Code.