ORGANISATION, MANAGEMENT AND CONTROL MODEL

PURSUANT TO LEGISLATIVE DECREE 231 OF 8 JUNE 2001

SICK S.p.A - Vimodrone

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GENERAL PART

1 DESCRIPTION OF THE REGULATORY CONTEXT

1.1 Introduction

Legislative decree 231 of 8 June 2001 (referred to below as "legislative decree 231/2001" or the "Decree"), implements the powers delegated to the Government by means of article 11 of law 300 of 29 September 2000[1], and applies to the "*liability of entities for unlawful administrative actions resulting from offences*".

The rules in question apply to legal entities, companies and associations.

Legislative decree 231/2001 is based on a number of international and European conventions ratified by Italy which impose rules on legal entities in respect of certain categories of offence.

Under the terms of legislative decree 231/2001, companies can be held liable for certain effective or attempted offences committed in their interests or to their advantage by members of senior company management (known as parties "in a senior position") and personnel subject to the instructions or supervision of these latter (article 5, section 1, of legislative decree 231/2001)[2].

The administrative liability of companies is separate from the criminal responsibility of the individual committing the offence or parties aiding and abetting this latter.

This extension of liability is substantially aimed at ensuring that the company assets and, in the final analysis, the economic interests of its shareholders, are penalised if it should be responsible for offences. Prior to the entry into force of the decree, the shareholders suffered no direct consequences when offences were committed by the directors or managers in the interests or to the advantage of the company.

Under the terms of legislative decree 231/2001, both pecuniary penalties and prohibition orders are applicable to a company directly and on an autonomous basis in the event of offences committed by parties functionally linked to it pursuant to article 5 of that decree.

The company has no administrative liability for offences however if it has adopted and effectively implemented Organisational, Management and Control Models aimed at preventing the offences in question from being committed.

No such liability applies in any case if the senior figures and/or those subject to their supervision acted solely in their own interests or in the interests of third parties[3].

[1] Legislative decree 231/2001 was published in edition 140 of the Official Journal of 19 June 2001, and law 300/2000 was published in edition 250 of 25 October 2000.

[2] Article 5, section 1, of legislative decree 231/2001: "Liability of the entity – The entity is responsible for offences committed in its interests or to its advantage by: a) individuals representing, administering or managing them or its organisational unit who have financial and functional autonomy and any other individuals managing or controlling them, and b) individuals subject to the management or supervision of one of the parties referred to in point a)".

[3] Article 5, section 2, of legislative decree 231/2001: "Liability of the entity – The entity has no responsibility if the individuals indicated in section 1 acted solely in their own interests or those of third parties".

1.2 Types of offence

On the basis of legislative decree 231/2001, the entity may only be held liable for the offences specifically listed in articles 23 to 25 *sexiesdecies* or in other regulatory provisions (such as article 10 of law 146/2006 on "transnational offences") if these are committed in its interests or to its advantage by any of the parties referred to in article 5, section 1, of the decree.[4]

For the sake of simplicity, the offences covered by legislative decree 231/2001 fall into the following categories:

- offences in the company's relations with public administrative bodies (such as corruption, misappropriation and embezzlement to the prejudice of the state, fraud and computer fraud to the prejudice of the state and the offer or promise of benefits pursuant to **articles 24 and 25 of legislative decree 231/2001**)[5]
- electronic offences and the unlawful processing of data (such as illegal access to an IT or electronic communications system, the installation of equipment used to intercept, prevent or interrupt electronic communications, and damage to IT or electronic communications systems under the terms of **article 24 *bis* of legislative decree 231/2001**)[6]
- offences relating to organised crime (such as Italian or foreign mafia related crime, political and mafia collusion in vote rigging, and kidnapping for purposes of extortion pursuant to **article 24 *ter* of legislative decree 231/2001**)[7]
- crimes against public trust (such as counterfeiting of banknotes, credit cards, duty stamps and identity documents, pursuant to **article 25 *bis* of legislative decree 231/2001**)[8]

[4] Article 23 of legislative decree 231/2001 also penalises the entity if it fails to observe the prohibitions and other measures applied to it in the course of the conduction of its business.

[5] The following offences: embezzlement against the state or the European Union (article 316-bis of the criminal code), unlawful receipt of public monies to the prejudice of the state (article 316-ter of the criminal code), fraud (article 640 of the criminal code), aggravated fraud to the prejudice of the state (article 640, section 2, point 1, of the criminal code), aggravated fraud through the receipt of public monies (article 640-bis of the criminal code), computer fraud to the prejudice of the state or other public bodies (article 640-ter of the criminal code), corruption in office (articles 318, 319, 319-bis and 321 of the criminal code), corruption by persons in public service (article 320 of the criminal code), corruption in judicial acts (article 319-ter of the criminal code), instigation to perform corrupt acts (article 322 of the criminal code), misappropriation (article 317 of the criminal code), unlawful instigation to offer or promise benefits (article 319-quater of the criminal code), and corruption, instigation to corrupt and misappropriation in respect of members of the European Union, officials of the European Union, foreign states and international public bodies (article 322-bis of the criminal code). Law 190 of November 2012 added the offence of "Unlawful instigation to offer or promise benefits" to the criminal code, as referred to in article 319-quater thereof.

[6] Article 24-bis was added to legislative decree 231/01 by article 7 of law 48/2008, and amended by legislative decrees 7 and 8/2016. The offences in question include counterfeiting of public electronic documents or documents which can be used as evidence (article 491-bis of the criminal code), unlawful access to IT or electronic communications systems (article 615-ter of the criminal code), unlawful custody and distribution of access codes to IT or electronic communications systems (article 615-quater of the criminal code), distribution of IT equipment, devices or programmes aimed at damaging or interrupting an IT or electronic communications system (article 615-quinquies of the criminal code), unlawful interception, impediment or interruption of IT or electronic communications (article 617-quater of the criminal code), installation of equipment aimed at intercepting, impeding or interrupting IT or electronic communications (article 617-quinquies of the criminal code), damage to electronic information, data and programmes (article 635-bis of the criminal code), damage to electronic information, data and programmes used by the state or other public bodies or in any case in the public interest (article 635-ter of the criminal code), damage to IT or electronic communications systems (article 635-quater of the criminal code), damage to IT or electronic communications systems used in the public interest (article 635-quinquies of the criminal code) and fraud in the use of digital signatures for certification purposes (article 640-quinquies of the criminal code).

7 Article 24-ter was added to legislative decree 231/01 by article 2, section 29, of law 94 of 15 July 2009 and amended by law 69/2015. The offences in question include criminal collusion aimed at committing certain of the offences specified in articles 600-bis, 600-ter, 600-quater, 600-quater.1, 600-quinquies, 609-bis, 609-quater, 609-quinques, 609-octies, 609-undecies of the criminal code, Italian and foreign mafia-related crimes (article 416-bis of the criminal code), political and mafia collusion in vote rigging (416-ter), kidnapping for purposes of extortion (article 630 of the criminal code) and criminal collusion for trafficking in narcotic and psychotropic substances (article 74, of presidential decree 309/1990), illegal manufacturing, importing, sale, transfer, custody and possession in public places of weapons of war or components thereof, explosives, illegal arms and common firearms (article 407, section 2 a), point 5), of the criminal code).

- crimes against industry and commerce (such as interference with the freedom of industry and commerce, fraudulent commercial practices and sales of industrial products under false names, pursuant to **article 25 *bis* 1 of legislative decree 231/2001**)[9]
- company offences (such as false company communications, impeding of control, unlawful influence on the shareholders' meeting, corruption in relations between private parties, pursuant to **article 25 *ter* of legislative decree 231/2001,** as amended by law 262/2005 and, more recently, with legislative decree 39/2010 and law 190/2012)[10]
- acts of terrorism and overturning of democratic order (pursuant to **article 25 *quater* of legislative decree 231/2001**)[11]

8 Article 25-*bis* was added to legislative decree 231/01 by article 6 of draft law 350/2001, converted to law with amendments by article 1 of law 409/2001, as amended by legislative decree 125/2016. The offences in question include counterfeiting of money and the distribution of counterfeit money in the state by collusion (article 453 of the criminal code), alteration of coinage (article 454 of the criminal code), distribution of counterfeit money in the state without collusion (article 455 of the criminal code), distribution of counterfeit money received in good faith (article 457 of the criminal code), counterfeiting of duty stamps and acquisition, custody and distribution of counterfeit duty stamps (article 459 of the criminal code), counterfeiting of watermarked paper for use in the manufacture of currency of duty stamps (article 460 of the criminal code), manufacture or custody of watermarks or articles for use in the counterfeiting of currency, duty stamps or watermarked paper (article 461 of the criminal code), and the use of counterfeited or altered duty stamps (article 464 of the criminal code). The terms of this article were later extended to the counterfeiting, alteration and use of trademarks and distinguishing signs, patents, models and drawings (article 473 of the criminal code), and the distribution and sale in the state of products with false markings (article 474 of the criminal code), by means of the amendment introduced with article 17, section 7 a), point 1) of the law of 23 July 2009.

9 Article 25-bis 1 was introduced by article 17, section 7 b), of law 99 of 23 July 2009. The offences in question include interference with the freedom of industry or commerce (article 513 of the criminal code), unlawful competition with threats of violence (article 513 bis), fraud against national industries (article 514 of the criminal code), fraudulent commercial practices (article 515 of the criminal code), sale of non-genuine food products as genuine (article 516 of the criminal code), sale of industrial products under false names (article 517 of the criminal code), manufacture and sale of goods through with the usurpation of industrial property rights (article 517 ter), counterfeiting of geographic indications or the names of origin of food and agricultural products (article 517 quater).

10 Article 25-ter was added to legislative decree 231/2001 by article 3 of legislative decree 61/2002, as amended by law 69/2015 and legislative decree 38/2017. The offences in question include false company communications, including those causing prejudice to shareholders or creditors (articles 2621, 2621-bis, 2622 and 2623 of the civil code), impeding of control (article 2625, section 2, of the civil code), false paying up of company capital (article 2632 of the civil code), Undue return of resources assigned (article 2626 of the civil code), illegal distribution of profits and provisions (article 2627 of the civil code), illegal transactions on company shares and quotas or those of parent companies (article 2628 of the civil code), transactions contrary to the interests of creditors (article 2629 of the civil code), failure to issue notice of conflicts of interest (article 2629 bis of the civil code), failure on the part of liquidator to distribute company assets (article 2633 of the civil code), corruption between private parties (article 2635 of the civil code), unlawful exercise of influence over the shareholders' meeting (article 2636 of the civil code), stock market rigging (article 2637 of the civil code), and impeding public supervisory authorities from performing their duties (article 2638 of the civil code). Legislative decree 39/2010 repealed the terms of article 2624 of the civil code on false relations with or communications to independent auditors, which ws also removed from legislative decree 231/2001. Article 2635 of the civil code on corruption between private parties was added to the decree by law 90 of 6 November 2012.

11 Article 25 *quater* was incorporated by means of law 7/2003. The offences in question include those related to terrorism or the overturning of the democratic order as set out in the criminal code and special laws, subversive associations (article 270 of the criminal code), associations aimed at committing acts of terrorism, both international and otherwise, and the overturning of the democratic order (article 270 *bis* of the criminal code), assistance to associates (article 270 *ter* of the criminal code), recruitment for purposes of terrorism, both international and otherwise (article 270 *quater* of the criminal code), training in acts of terrorism, both international and otherwise (article 270 *quinquies* of the criminal code), financing of terrorist activities (law 153/2016, article 270 *quinquies*1 of the criminal code), removal of assets or money subject to seizure orders (article 270 *quinquies* 2 of the criminal code), conduct of a terrorist nature (article 270 *sexies* of the criminal code), terrorist attacks or acts aimed at overturning the democratic order (article 280 of the criminal code), acts of terrorism using deadly ordnance or explosives (article 280 *bis* of the criminal code), acts if nuclear terrorism (article 280 *ter* of the criminal code), kidnapping for purposes of terrorism or anti-democratic purposes (article 289 *bis* of the criminal code), instigation to commit any of the offences described in sections one and two (article 302 of the criminal code), political conspiracy by agreement (article 304 of the criminal code), political conspiracy by association (article 305 of the criminal code), armed gangs: creation and participation (article 306 of the criminal code), assistance to those taking part in conspiracies or armed gangs (article 307 of the criminal code), taking control of, hijacking and destroying an aircraft (law 342/1976, article 1), damage to ground installations (law 342/1976, article 2), sanctions (law 422/1989, article 3), active collaboration (legislative decree 625/1979, article 5), the New York Convention of 9 December 1999 (article 2).

- crimes against the individual (such as trafficking in persons and reduction to and maintenance in a state of slavery, pursuant to **articles 25 *quater* 1** and **25 *quinquies* of legislative decree 231/2001**)[12]
- offences involving abuse of the market (unlawful use of privileged information and market manipulation, pursuant to **article 25 *sexies* of legislative decree 231/2001**)[13]
- transnational offences (such as criminal association and the impeding of justice, on condition that these are of a transnational nature)[14]
- offences against the health and safety in the workplace regulations (manslaughter and the causing of serious personal injuries, pursuant to **article 25 *septies* of legislative decree 231/2001**)[15]
- receiving of stolen goods, money-laundering and use of funds, assets or goods of criminal origins, and self-money-laundering (pursuant to **article 25 *octies* of legislative decree 231/2001**)[16]
- infringement of copyrights (**article 25 *nonies* of legislative decree 231/2001**)[17]
- instigation not to make statements or to make false statements to judicial authorities (**article 25 *decies* of legislative decree 231/2001**)[18]

[12] Article 25-*quinquies* was added to legislative decree 231/2001 by article 5 of law 228 of 11 August 2003, and amended by law 199/2016. The offences in question include reduction to and maintenance in a state of slavery or servitude (article 600 of the criminal code), trafficking in persons (article 601 of the criminal code), acquisition of and trading in slaves (article 602 of the criminal code), unlawful brokerage and exploitation of labour (article 603 *bis* of the criminal code), offences relating to child prostitution and the exploitation thereof (article 600-*bis* of the criminal code), child pornography and the exploitation thereof (article 600-*ter* of the criminal code), possession of pornographic materials produced through the sexual exploitation of children (article 600-*quater* of the criminal code), virtual pornography (article 600-*quarter* 1), tourist initiatives involving the exploitation of child prostitution (article 600-*quinquies* of the criminal code), and unlawful brokerage and exploitation of labour (article 603-*bis* of the criminal code). Article 3, section 1, of legislative decree 39 of 4 March 2014 added a reference to the offence of soliciting children to article 25 *quinquies*, section 1 c) of the decree (article 609 *undecies* of the criminal code).
Article 25-*quater* 1 was added by law 7 of 9 January 2006. It refers to the offence of mutilating female genital organs (article 583 *bis* of the criminal code).

[13] Article 25-*sexies* was added to legislative decree 231/2001 by article 9, section 3, of law 62/2005. The offences in question include the abuse of privileged information (article 184 of legislative decree 58/1998) and market manipulation (article 185 of legislative decree 58/1998).

[14] Transnational offences are not included directly in legislative decree 231/2001, but that decree is applicable to them on the basis of article10 of law 146/2006. For the purposes of that law, a transnational offence is one subject to a maximum period of imprisonment of four years, when an organised criminal group is involved, and when the offence a) is committed in one or more states, b) is committed in one state but a substantial part of its preparation, planning, organisation and control take place in another state, c) is committed in one state but an organised criminal group taking part i criminal activities in more than one state is involved, or d) is committed in one state but has substantial effects in another. These include offences of criminal association (article 416 of the criminal code), mafia-related association (article 416-*bis* of the criminal code), criminal association aimed at trafficking in tobacco=products processed abroad (article 291-*quater* of presidential decree 43/1973), association aimed at illegal trafficking in narcotic or psychotropic substances (article 74 of presidential decree 309/1990), provisions against clandestine immigration (article 12, sections 3, 3-bis, 3-ter and 5 of legislative decree 286/1998), instigation not to make statements or to make false statements to judicial authorities (article 377-*bis* of the criminal code) and aiding and abetting (article 378 of the criminal code).

[15] Article 25-*septies* of legislative decree 231/01 was added by law 123/07. The offences in question include manslaughter and the causing of serious personal injuries due to breach of the accident prevention or health and safety in the workplace regulations (articles 589 and 590, section 3, of the criminal code).

[16] Article 25-*octies* of legislative decree 231/01 was added by article 63, section 3, of legislative decree 231/07. The offences in question include receiving of stolen goods (article 648 of the criminal code), money laundering (article 648-*bis* of the criminal code) and the use of funds, assets of goods of criminal origin (article 648-*ter*). Subsequently, article 3, section 5, of law 186 of 15 December 2014 added the new offence of self-money-laundering pursuant to article 649-*ter* 1, to legislative decree 231/2001.

[17] Article 25 *nonies* was added by law 99 of 23 July 2009, containing provisions for the development and internationalisation of enterprises and energy-related matters, and involved the addition to the decree of articles 171, section 1 a)-*bis* and section 3, 171-*bis*, 171-*ter*, 171-*septies* and 171-*octies* of law 633 of 22 April 1941 on the protection of copyrights and other rights relating to the exercise thereof.

- environmental offences (pursuant to **article 25 *undecies* of legislative decree 231/2001**)[19]
- the employment of illegal immigrants (pursuant to **article 25 *duodecies* of legislative decree 231/2001**)[20]
- offences of racism and xenophobia (article 25 *terdecies* of legislative decree 231/2001)[21]
- sport fraud (**article 25-*quaterdecies* of legislative decree 231/2001**)[22];
- tax offences (**article 25-*quinquiesdecies* of legislative decree 231/2001**)[23]**;**

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[18] Article 25 *decies* was added by article 4, section 1, of law 116 of 3 August 2009, which added article 377-*bis* of the criminal code on instigation not to make statements or to make false statements to judicial authorities to legislative decree 231/2001.

[19] Article 25 was added by article 2 of legislative decree 121 of 7 July 2011, which incorporated a number of offences in legislative decree 231/2001 (punishable due to criminal content), in addition to contraventions (punishable due to gross negligence), including: 1) article 137 of legislative decree 152/2006 (Environment Act), regarding breaches of the rules on administrative authorisations, controls and communications to authorities for the management of industrial waste waters; 2) article 256 of legislative decree 152/2006, regarding the collection, transport, recovery, disposal and management in general of unauthorised waste or the breach of the terms of authorisations issued; 3) article 257 of legislative decree 152/2006, regarding breaches of the rules on the clean-up of sites causing pollution of the land, subsoil or surface waters due to concentrations of pollutants in excess of the threshold of risk; 4) article 258 of legislative decree 152/2006, regarding the supply with criminal intent of false information in a waste analysis certificate on the nature, composition and chemical and physical properties of the waste, and the use of false certificates during waste transport operations; 5) articles 259 and 260 of legislative decree 152/2006, regarding the unlawful trafficking of waste in simple or organised forms; 6) article 260 *bis* of legislative decree 152/2006, regarding a number of offences of criminal intent relating to the IT system for the traceability of waste (SISTRI), the counterfeiting of waste analysis certificates, and the transport of waste using altered electronic or hard copy certificates; and 7) article 279 of legislative decree 152/2006, regarding emissions of pollutants in excess of the limits when running a plant or factory, including values in excess of those laid down to prevent air pollution. Article 25-*undecies* waw amended by law 68 of 2015, which introduced pecuniary penalties for the following violations: environmental pollution (article 452-*bis* of the criminal code), environmental disaster (452-*quarter* of the criminal code), acts of negligence against the environment (article 452-*quinquies* of the criminal code), trafficking and dumping of highly radioactive materials (article 452-*sexies* of the criminal code) with the related aggravating circumstances (article 452-*octies* of the criminal code), the killing, destruction, capture, seizure and custody of protected wild animal and plant species (article 727-*bis* of the criminal code), and the destruction of or damage to the habitat within a protected site (article 733-*bis* of the criminal code). Law 68/2015 also introduced pecuniary penalties for the offences specified in law 150/1992, articles 1, 2, 3-*bis* and 6 (international commerce in animal and plant species at risk of extinction), in relation to the offences specified in article 3, section 6, of law 549/1993 (measures for the safeguarding of the stratospheric ozone layer and environment) and the offences referred to in legislative decree 202/2007 (pollution caused by ships).

[20] Article 25 *duocedies* was added by article 2 of legislative decree 109 of 16 July 2012, which incorporated the offence specified in article 22, section 12-*bis*, of legislative decree 286 of 25 July 1998.

[21] Article 25 *terdecies* states that "in relation to the offences described in article 3, section 3-*bis*, of law 654 of 13 October 1975, the entity will be subject to a pecuniary penalty of two hundred to eight hundred quotas. In the event of conviction for the offences in section 1, the prohibition orders specified in article 9, section 2, will apply for a period of no less than one year. If the entity or an organisational unit thereof is used on a stable basis for the sole or prevalent purpose of permitting or encouraging the offences indicated in section 1, a permanent prohibition will apply to the conduction of its business pursuant to article 16, section 3".

[22] Article 25 *quaterdecies* states that "1. In respect of the offences under articles 1 and 4 of law no. 401 of 13 December 1989, the following fines will apply: a) in the case of offences, a fine of up to five hundred quotas; b) in the case of contraventions, a fine of up to two hundred and sixty quotas. 2. In the event of conviction for the offences in section 1 a) of this article, the prohibition orders set out in article 9, section 2, will apply for a period of no less than one year.

[23] Article 25 states that:"1. In relation to the offences under legislative decree no. 74 of 10 March 2000, the following fines will apply:
a) for the offence of a fraudulent declaration through the use of invoices or other documents relating to non-existent transactions pursuant to article 2, section 1, a fine of up to five hundred quotas;
b) for the offence of a fraudulent declaration through the use of invoices or other documents relating to non-existent transactions pursuant to article 2, section 2-*bis*, a fine of up to four hundred quotas;
c) for the offence of a fraudulent declaration by any other method, pursuant to article 3, a fine of up to five hundred quotas;
d) for the offence of issuing invoices or other documents relating to non-existent transactions pursuant to article 8, section 1, a fine of up to five hundred quotas;
e) for the offence of issuing invoices or other documents relating to non-existent transactions pursuant to article 8, section 2-*bis*, a fine of up to four hundred quotas;
f) for the offence of concealing or destroying accounting documents pursuant to article 10, a fine of up to four hundred quotas;
g) for the offence of fraudulent failure to pay taxes pursuant to article 11, a fine of up to four hundred quotas;
1-bis. In respect of the offences described in legislative decree no.74 of 10 March 2000, when these are committed in relation to cross-border fraudulent systems and with a view to evading value added tax to a value of no less than ten million Euros, the following fines will apply:
a) for the offence of presenting an inaccurate tax return pursuant to article 4, a fine of up to three hundred quotas;

- smuggling (**article 25 -*sexiesdecies* of legislative decree 231/2001**)[24];

- attempted offences (article 26 of legislative decree 231/2001)[25]

1.3 System of penalties

Articles 9 - 23 of legislative decree 31/2001 apply the following penalties to entities as a consequence of the committing or attempts to commit the offences referred to above:

- pecuniary penalties (and precautionary sequestration)
- prohibition orders (also applicable as precautionary measures) for a period of no fewer than three months and no more than two years (on the understanding that, pursuant to article 14, section 1, of legislative decree 231/2001, *"Prohibition orders regard the specific activity to which the unlawful conduct of the entity refers"*), and may consist of the following:
  - prohibition of conducting business
  - suspension or revocation of authorisations, licences or concessions due to the committing of offences
  - prohibitions against engaging in negotiations with public administrative bodies for reasons other than obtaining public services
  - exclusion from subsidies, loans, contributions or aid and the revocation of any such concessions already granted
  - prohibition against advertising goods or services
- confiscation (and precautionary sequestration)
- publication of the judgment (in the case of a prohibition order)

The pecuniary penalties are determined by the court by means of a quota-based system, with the application of quotas ranging from a minimum of a hundred to a maximum of a thousand, with a value variable from a minimum of € 258.22 to a maximum of € 1,549.37. When applying the penalty, the court determines:

- the number of quotas on the basis of the seriousness of the offence, the degree of liability of the entity and the actions carried out by it to eliminate or reduce the consequences and prevent further offences from being committed
- the value of the single quota, on the basis of the economic and capital situations of the entity

b) for the offence of failure to issue the tax return pursuant to article 5, a fine of up to four hundred quotas;
c) for the offence of unlawful offsetting pursuant to article 10-quater, a fine of up to four hundred quotas;
2. If the entity should make a significant profit as a result of the offences committed pursuant to sections 1 and 1-bis, the fine will be increased by one third.
3. In the cases described in sections 1, 1-bis and 2, the prohibition orders set out in article 9, section2 c), d) and e) will apply.

[24] 1. In respect of the offences under the terms of presidential decree no. 43 of 23 January 1973, a fine of up to two hundred quotas will apply. 2. When the customs duties payable are in excess of a hundred thousand Euros, the entity will be liable to pay a fine of up to four hundred quotas. 3. In the cases described in sections 1 and 2, the prohibition orders set out in article 9, section2 c), d) and e) will apply.

[25] Article 26 states that the pecuniary penalties and prohibition orders will be reduced by a third to a half in the event of attempts to commit the offences indicated in the decree. That regulation also states that the entity will not be liable if it voluntarily prevents the action from being carried out or the event form occurring.

Prohibition orders apply only to specific administrative offences, provided at least one of the following conditions is satisfied:

a) if the entity has made a considerable profit from the offence and it has been committed by persons in senior positions or by persons subject to the management of senior personnel when, in this latter case, the committing of the offence has been brought about or rendered possible by serious organisational shortcomings

b) in the event of repetition of the offences

The court determines the type and duration of the prohibition order in consideration of the suitability of such orders to prevent offences of the nature concerned. Where necessary, a combination of prohibition orders may be applied (article 14, sections 1 and 3, of legislative decree 231/2001).

The prohibition of conducting the company business, engaging in negotiations with public administrative bodies and advertising goods and services may also be applied on a permanent basis in the most serious cases[26]. Rather than applying the penalty in question, the conduction of the company business may be placed in the hands of a receiver appointed by the court, subject to the terms and conditions of article 15 of legislative decree 231/2001[27].

1.4 Attempted offences

If the offences under the terms of legislative decree 231/2001 are committed in attempted form, the pecuniary sanctions (in terms of the amount) and prohibition orders (in terms of duration) are reduced by a value ranging from a third to a half (articles 12 and 26 of legislative decree 231/2001).

The entity is not held liable if it voluntarily prevents the conduct from being committed or the event from occurring (article 26 of legislative decree 231/2001). In such a case, the exclusion of penalties takes place when all relations between the entity and the persons allegedly acting in its name and on its behalf are broken off.

[26] On this subject, see article 16 of legislative decree 231/2001, which states that, "*1. A permanent prohibition order may be applied if the entity has made a considerable profit from the offence concerned and has been subject to at least three temporary business prohibition orders over the previous seven years. 2. The court may prohibit the entity on a permanent basis from entering into negotiations with public administrative bodies or from advertising its goods and services if it has been subject to the same penalty at least three times in the last seven years. 3. If the entity or one of its organisational units should be used on a stable basis with the sole or prevalent purpose of permitting or encouraging the committing of the offences for which it is liable, it may be prohibited from conducting its business on a permanent basis, and the terms of article 17 will not apply*".

[27] "Receiver – If the conditions exist for the application of a prohibition order which suspends the entity from conducting its business, rather than applying the penalty in question, the court may place the conduction of the business of the entity in the hands of a receiver for the period for which the prohibition order would have applied, when at least one of the following conditions is satisfied: a) the entity supplies a public service or service of public utility whose stoppage could cause serious prejudice to the community; b) taking into account the size of the entity and the economic conditions of the area in which it is based, the stoppage of the activities could have serious repercussions on the employment situation. In its ruling ordering the continuation of the business, the court indicates the tasks and powers of the receiver, taking into account the specific activity in relation to which the offence has been committed by the entity. Within the context of the duties and powers indicated by the court, the receiver is responsible for the adoption and effective implementation of organisational and control models aimed at preventing the offences in question from being repeated. The receiver may carry out non acts of extraordinary administration without the authorisation of the court. The profits made from conducting the business of the entity will be confiscated. The continuation of the business by the receiver cannot be ordered when the stoppage of the activities are the result of a permanent prohibition order".

1.5 Offences committed abroad

On the basis of article 4 of legislative decree 231/2001, the entity may have to respond in Italy for offences under the terms of that decree which are committed abroad[28].

The liability of the entity is subject to the following conditions:

i) the offence has to be committed by a party functionally linked to the entity, pursuant to article 5, section 1 of legislative decree 231/2001

ii) the main premises of the entity have to be within Italian territory

iii) the entity may only respond in the cases and conditions considered in articles 7, 8, 9 and 10 of the criminal code (if the law states that the individual responsible is to be punished at the request of the Ministry of Justice, action is only taken against the entity if that request is also issued against it) and, in accordance with the principle of legality set out in article 2 of legislative decree 231/2001, only in respect of offences for which it may be held liable by an ad hoc legislative provision

iv) when the cases and conditions in the above articles of the criminal code are satisfied, action will be taken against the entity if the State in which the offence was committed does not do so

1.6 Organisational, management and control models

Legislative decree 231/2001 attributes exempting status to the Organisational, Management and Control Models adopted by the company. In the event of offences committed by a party in a senior position, the company is not held liable if it is able to demonstrate that (article 6, section 1, of legislative decree 231/2001)[29]:

- before the offence was committed, the management body adopted and effectively implemented organisational and management models suitable for the prevention of offences of the nature in question
- the task of supervising the operation and observance of the models and their updates is entrusted to a company body in possession of autonomous powers of initiative and control

[28] Article 4 of legislative decree 231/2001 states that, "*1. In the cases and conditions considered in articles 7, 8, 9 and 10 of the criminal code, the entities whose main premises are within state territory also respond in the event of offences committed abroad if the state in which the offence was committed does not do so. 2. Where the law states that the individual responsible is to be punished at the request of the Ministry of Justice, action is only taken against the entity if that request is also issued against it.*"

[29] Article 6 of legislative decree 231/2001 was amended by the draft law on "*Provisions for the protection of persons reporting offences or irregularities when these came to the notice of the persons concerned within the context of a public or private employment relationship*". More precisely, sections 2 *bis*, 2 *ter* and 2 *quater* state that, "*The models referred to in section 1, point a), refer to a) one or more channels through which the persons indicated in article 5, section 1 a) and b), may present reports of unlawful conduct of relevance for the purposes of this decree with a view to safeguarding the entity, when these are based on precise, consistent facts, or in the event of breaches of the organisational and management model of the entity which have come to their notice in the course of their duties. These channels guarantee the anonymity of the persons making the reports; b) at least one alternative reporting channel which guarantees the anonymity of the person making the report, on the basis of electronic systems of safeguarding; c) the prohibition of any direct or indirect form of retaliation or discrimination against the person making the report, for reasons directly or indirectly linked to the report; d) the disciplinary system adopted under the terms of section 2 e), includes penalties in the case of any breaches of the measures protecting the person making the report, and in the case of reports made with malicious intent or through gross negligence which turn out to be unfounded. 2-ter. The adoption of discriminatory measures against persons making the reports described in section 2-bis may be reported to the National Labour Inspectorate, to enable the necessary measures to be applied. Such a situation may also be reported by the person concerned and the trade union organisation to which this latter belongs. 2-quater. The dismissal of the person making the report as a form of retaliation or discrimination will be null and void. Changes of duties under the terms of article 2103 of the civil code, and any other retaliatory or discriminatory measure adopted against the person making the report will also be null and void. In the event of any disputes linked to the application of disciplinary measures, the stripping of functions, dismissal, transfer or the application of any other form of negative organisational measure with a direct or indirect effect on the working conditions following the presentation of the report, the employer is responsible for demonstrating that such measures are based on reasons unrelated to the report in question*".

- the offence was committed by persons who unlawfully evaded the organisational and management models
- the supervisory body implemented its powers in an effective and sufficient manner

The company therefore has to demonstrate that it had no involvement in the offence committed by the party in a senior position, by proving that all of the above conditions were satisfied and that the offence was not committed due to any organisational shortcoming on its part.

In the case of an offence committed by persons subject to the management and supervision of others, the company is liable if the offence was made possible by the breach of the management and supervisory obligations which the company has to observe.

Article 7, section 4, of legislative decree 231/2001 also defines the requirements for the effective implementation of the organisational models:

- periodic checks and, where applicable, amendments to the model when any significant breaches of its terms are discovered or in the event of changes to the organisation and its activities
- a disciplinary system which penalises any failure to observe the measures set out in the model

Legislative decree 231/2001 specifies the content of the Organisational and Management Models and states that, with a view to extending the powers delegated to the risk of committing offences, such models have to:

- identify the activities in relation to which offences may be committed
- lay down specific protocols aimed at planning training operations and implementing the decisions taken by the company on the offences to be prevented
- identifying methods for managing the financial resources which prevent offences from being committed
- setting up obligations to supply information to the body responsible for supervising the operation and observance of the models
- introducing a disciplinary system which penalises any failure to observe the measures set out in the model

With reference to offences against the health and safety in the workplace regulations, article 30 of legislative decree 81/08 states that the Organisational and Management Model has to be adopted through the implementation of a company system which ensures the fulfilment of all the legal obligations on the following:

- observance of the technical and structural standards applicable to tools, plant, workplaces and chemical, physical and biological substances
- risk assessment and the related preventive and protective measures
- organisational activities, such as emergency management, first aid, tender management, regular safety meetings and consultations for employees' safety representatives
- health monitoring activities
- information and training for workers

- supervisory activities relating to the observance of safe working procedures and safety instructions
- the acquisition of the mandatory documentation and certification
- periodic checks on the application and effectiveness of the procedures adopted

1.7 Codes of conduct drawn up by trade associations

Article 6, section 3 of legislative decree 231/2001 states that "The organisational and management models may be adopted n such a way as to guarantee the requirements of section 2 on the basis of codes of conduct drawn up by the trade associations representing the entities, of which notice will be issued to the Ministry of Justice which, with the assistance of the other relevant Ministries, may present observations on the suitability of the models to prevent offences, within thirty days of receiving such notice".

When drafting this Model, the company referred to the Confindustria guidelines of 7 March 2002, as amended in March 2008 and March 2014 and approved by the Ministry of Justice.

The Confindustria guidelines suggest that when drawing up their Organisational, Management and Control Models the company should use the relevant risk assessment and risk management processes, with the inclusion of the following phases:

- the identification of the "sensitive" activities within whose context the offences could be committed, and the related risks
- analysis of the control systems which existed before the Organisational Model was adopted
- assessment of residual risks not covered by the preventive control measures
- the setting up of specific protocols to prevent the offences and upgrade the preventive control system as required

It should be noted however that any failure to conform with specific points of the reference guidelines does not of itself have a negative impact on the validity of the Model adopted by the Company. As this has to be drawn up with reference to the effective situation in which the company operates, it may deviate from the guidelines (which are by definition of a general nature), with a view to fully satisfying the prevention requirements laid down in the decree.

2 DESCRIPTION OF THE COMPANY SITUATION

2.1 Company Business

SICK S.p.A. operates in the area of industrial automation components and services, the automation of factory machinery and plant, logistical processes and the measurement and control of gases and dust, with particular reference to substances emitted in industrial processes, and related technical assistance for its customers (installation and maintenance).

The business of SICK S.p.A. includes the development, assembly, sale and installation of photoelectrical equipment, induction sensors and proximity switches, rotary and linear position measurement systems, accident prevention systems, laser measurement sensors, visual systems,

bar code readers, physical gas flow meters, dust and gas analysers and the supply of services to outside companies operating in the same industries.

SICK S.p.A. offers high quality standards which it guarantees, among other factors, through the application of controlled methods and procedures aimed at achieving full customer satisfaction.

With a view to guaranteeing, offering and further implementing its quality standards, the SICK S.p.A. Quality & HSE Manager is responsible for the management and development of the project for obtaining and maintaining ISO 9001 quality certification. ISO 2001 certification was obtained on 14 April 2020. The Safety Management System is also in the process of being drawn up.

SICK S.p.A. has adopted the SAP management application. This has enabled the company to achieve adequate automation of a number of processes and to control and track all the authorisation processes. The Italian company belonging to the SICK Group has also appointed an Export Control Manager and a deputy Export Control Manager.

The Export Control Manager is responsible for issuing instructions to all the employees, and may stop any transaction or any other action which might be subject to authorisation or prohibition.

The transactions are approved if all the Business Partners have been subjected to dedicated screening and found to be in observance of the laws on embargoes, if the products have not been used for prohibited purposes, the supply does not breach any restriction or prohibition and the financial transactions take place in accordance with the company guidelines.

2.2 Description of the company structure

2.2.1 The company shareholder structure

SICK S.p.A. is an Italian company belonging to the SICK Group, with share capital of € 1,508,000 (one million five hundred and eight thousand Euros).

SICK AG holds 2,610,000 (two million six hundred and ten thousand) shares, each with a nominal value of € 0.52 (fifty two cents) and SICK Engineering GmbH holds 290,000 (two hundred and ninety thousand) shares, each with a nominal value of € 0.52 (fifty two cents).

2.2.2 The organisational system of SICK S.p.A.

The company is administered by a board of directors with five members currently in office. This has the broadest ranging powers for the ordinary and extraordinary administration of the company and is responsible for all matters not reserved to the shareholders' meeting in law and on the basis of the articles of association. The board of directors entrusts the ordinary management of the company to the following figures:

- The Managing Directors, upon whom all the powers for the ordinary administration of the company have been conferred, with the exception of those which cannot be delegated in law and on the basis of the articles of association, or which are reserved to the board. These powers are to be exercised subject to the limits laid down in the documents adopted by the company.

- The Chairman of the Board, on whom the powers of ordinary and extraordinary administration of the company are conferred, including the powers to appoint special representatives to conduct specific items of business.
- The Special Representative, upon whom the powers for the financial management are conferred through a resolution passed by the Board of Directors and who may freely exercise those powers for the financial management of the Company, with the exception of those which cannot be delegated in law and on the basis of the articles of association, or which are reserved to the board or on a joint basis along with the signature of another company representative or board member. These powers are to be exercised subject to the limits laid down in the documents adopted by the company.
- The General Representative, upon whom the powers to represent the company are conferred through a resolution passed by the Board of Directors and who may freely exercise those powers for the financial management of the Company, with the exception of those which cannot be delegated in law and on the basis of the articles of association, or which are reserved to the board or jointly with the signature of the Managing Director, another company representative or board member. These powers are to be exercised subject to the limits laid down in the documents adopted by the company.
- The Board of Auditors, consisting of three acting and two replacement auditors, who remain in office for three financial years.

The organisational structure of SICK S.p.A. is as follows:

- Three Managing Directors (MD), who report directly to the Chairman of SICK S.p.A.
- Two of the above report directly to:
- The Financing, Controlling & Administration Manager (General Representative)
- The Service Manager (Special Representative)
- Internal Legal & Compliance
- CCF Manager (Customer Care Fulfillment - in charge of the commercial cycle processes)
- Sales Manager FA (Factory Automation)
- Sales Manager LA (Logistics Automation)
- Sales Manager PA (Process Automation)
- Sales Manager RS (Regional Sales)
- HR Manager
- Personnel Administration Manager
- Head of MarCom (Marketing & Communication)
- Executive Assistant to MD

- IT Operator
- Facility Management Support
- Quality & HSE Manager
- Head of PM (Product Management, occupied by the MD on an interim basis)
- Head of CPM
- SIT Team Leader
- Development Engineer

The company Management Team consists of two of the Managing Directors and the General Representative (Financing, Controlling & Administration Manager) and an Extended Management Team, a list of whose members can be found in the organisational flowchart attached to this document (annexe 1).

The above heads of the company departments have specific organisational and coordinating tasks in respect of the company business.

The employer has set up the Protection and Prevention Service, the head of which (RSPP) is independent of the company.

Any changes or updates to the organisational flowchart attached to this document (annexe 1) do not require the new approval of the Organisational, Management and Control Model (also referred to below as the Model), unless the changes have an impact on the correct functioning of the rules set out in this document.

2.3 The SICK S.p.A. governance systems

The main **governance** systems used by the company can be summed up as follows:

- the articles of association of SICK, which describe the business conducted by the company and the provisions on company governance, such as the functioning of the shareholders' meeting and board of directors
- the system of powers of attorney attributed by the board of directors to the Chairman of the Board, Managing Directors and General and Special Representatives
- the organisational flowchart, which describes the functions and system of reporting within the company
- the identification of the Chairman of the Board as the employer, who is in possession of the broadest ranging powers and a considerable degree of financial autonomy
- the company procedures, including the IT procedures, governing the main business processes
- the company documentation on the management of health and safety in the workplace and the environment

- the Management Team (set up on the basis of the Group policies) and Extended Management Team (operating at Italian level)

This series of governance tools adopted (as summarised above) and the terms of this Model are used to identify the taking and implementing of decisions on all aspects of the business (see article 6, section 2 b), of legislative decree 231/01).

2.4 The code of ethics

The principles and rules contained in this Model are consistent with the provisions of the code of ethics adopted by SICK S.p.A.

The code is familiar to all those subject to it and expresses the ethical principles adopted by the company, whose observance is required by all those involved in achieving the company goals.

The code of ethics refers to principles of conduct aimed at preventing the offences described in legislative decree 231/01, even though these are not directly included in the Model.

The code of ethics therefore has to be regarded as an integral part of this Model and a fundamental system for the achievement of the objectives set out in that document.

3. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AND THE METHODOLOGY USED TO DRAFT IT

3.1 Introduction

The decision taken by the Board of Directors of SICK to adopt an Organisational, Management and Control Model pursuant to legislative decree 231/2001 not only exempts the company of liability in respect of certain types of offence but is also an act of company responsibility towards its stakeholders (including the shareholders, employees, customers, suppliers and partners) and to the community as a whole.

On February 3th 2016, the Company approved and made effective the Model in question for the first time, than updated on 18th February 2018; Following a number of significant organisational changes and the introduction of new types of offence in the 231 catalogue, the Company took the decision to set up an activity (referred to below as the "Project") for the review and update of its Organisational, Management and Control Model pursuant to legislative decree 231/2001.

3.2 The SICK project for the updating of the Model

Among the other requirements of the Model, article 6, section 2 a), of legislative decree 231/2001 indicates the identification of the processes and activities within which the offences expressly referred to in that decree may be committed, in other words, the company activities and processes commonly defined as "sensitive" (referred to below as the "sensitive activities" and "sensitive processes").

The review and updating project was divided up into a number of operational phases:

Phase 1 - Analysis of documentation and interviews:

- meeting with the board and supervisory body for the definition of objectives and preparation and presentation of the project
- analysis of documentation and identification of the main areas at risk of offences
- identification of the main methods of committing the offences
- identification of the key officers for the interviews and distribution of questionnaires
- interview with key officers

Phase 2 - Risk assessment and gap analysis:

- identification of any gaps in the checks aimed at covering the risks of offence
- drafting of the risk assessment matrix in English
- validation of the gap analysis draft with senior management

Phase 3 - Review and update of MOG 231/2001:

- drafting of form 231, including the part on the managing of reporting (whistleblowing)

- definition of the implementation plan, drafting of institutional documentation with a review of the code of ethics and disciplinary system, where applicable

Phase 4 - Training and definition of the flows of information:

- 231/2001 information and training sessions
- definition of the flows of information and monitoring tools

Each phase was shared with the SICK contact person for the project and the Supervisory Body.

4 THE SUPERVISORY BODY PURSUANT TO LEGISLATIVE DECREE 231/2001

4.1 The SICK S.P.A. Supervisory Body

In accordance with the provisions of article 6, section 1 a) and b), of legislative decree 231/2001, the entity may be exonerated of liability for the committing of offences by qualified parties pursuant to article 5 of legislative decree 231/2001 if the management body has proceeded as follows, among other factors:

- adopted and effectively implemented Organisational, Management and Control Models aimed at preventing such offences from being committed

- entrusted the task of supervising the functioning and observance of the model and updating the terms thereof to an autonomous body within the entity which has its own powers of initiative and control

The conferral of those tasks upon a body with autonomous powers of initiative and control, in combination with the correct and effective performance of those tasks, are therefore essential conditions for exoneration of liability under the terms of legislative decree 231/2001.

The main requirements of the supervisory body, as proposed by the Confindustria guidelines for the setting up of the Organisational, Management and Control Models, may be summarised as follows:

- Autonomy and independence

- Professionalism

- Continuity of action

Legislative decree 231/2001 provides no specific indications as to the composition of the supervisory body. In the absence of such indications, the company opted for a solution which, taking into account the aims pursued by the law, the relevant provisions in case law and the reference guidelines, is able to ensure that the controls for which that body is responsible are able to take place in an effective manner, taking the size of the company and its organisational complexity into consideration.

More precisely, SICK decided to set up a body with at least one outside member, to guarantee observance of the relevant requirements. To reinforce the continuity of action factor, the supervisory body is backed up by one internal company resource.

At the time of setting up the supervisory body, the Board of Directors determined the number of members and explained its selection of such members on the basis of their professional qualities.

4.2 General principles on the setting up, appointment and replacement of the supervisory body

The supervisory body of the company is set up by means of a resolution passed by the Board of Directors. It remains in office for three years as of the time of its appointment and its members may be re-elected. The supervisory body is removed from office upon expiry of the period determined at the time of its appointment, but it continues to perform its duties on an interim basis until a new body is elected, which has to take place during the first meeting of the Board of Directors following its removal from office.

If a member of the supervisory body should step down from office in the course of his or her mandate, the Board of Directors will pass a resolution for his/her replacement. Until such time as the new appointment is made, the supervisory body will continue to operate through the other members remaining in office. If this should be impossible for any reason, a new interim member will be appointed by the Chairman of the Board of Directors.

The fees payable to the members of the supervisory body, if any, are determined by the Board of Directors for the entire duration of the mandate.

To be appointed as a member of the supervisory body, the parties in question have to satisfy a number of eligibility requirements.

At the time of the appointment, the parties elected to act as members of the supervisory body have to issue a declaration in which they state that they are not subject to the following motives for ineligibility:

- directorships in the three financial years prior to their election in companies subject to bankruptcy, compulsory liquidation or other insolvency procedures
- convictions, even if not yet confirmed whether pursuant to article 444 of the code of criminal procedure or otherwise, in Italy or abroad for offences referred to in legislative decree 231/2001 or offences which in any case have a negative impact on the professional integrity of the person concerned
- convictions, even if not yet confirmed, or rulings which in any case ascertain liability, involving even a temporary prohibition from holding public office, or temporary prohibition from occupying management roles in legal entities and enterprises

If a potential member should be subject to any of the above motives for ineligibility, his or her candidacy will automatically be withdrawn.

The supervisory body may make use of the assistance and professional skills of all the company functions and structures or outside consultants - under its direct control and responsibility – when carrying out its tasks. This enables the supervisory body to ensure the suitable levels of professionalism and continuity of action.

For that purpose, the Board of Directors allocates an annual expense budget to the supervisory body at the request of this latter.

The allocation of the budget enables the supervisory body to operate autonomously and with the appropriate resources to enable it to carry out the tasks assigned to it by this Model in an effective manner, as laid down in legislative decree 231/2001. The Board of Directors is informed of the supervisory body's expenditure.

With a view to guaranteeing the necessary stability for the members of the supervisory body, the revocation of its powers and their reallocation to another body may only take place for just causes and by means of a specific resolution passed by the Board of Directors.

The possible just causes for revoking the powers of the supervisory body include the following, which are listed here merely by way of example:

- *gross negligence* in carrying out the tasks entrusted to it, which include the following, merely by way of example: failure to draw up the six-monthly information report for the Board of Directors on its activities, as described in section 4.4 below, and failure to inform the Chairman or Managing Director of confirmed breaches of the Model, with the presumable committing of offences, as described in section 4.4 below
- *failure to supervise or insufficient supervision* on the part of the supervisory body – pursuant to the terms of article 6, section 1 d), of legislative decree 231/2001 – as a result of which judgment has been passed against the company, or in any case a ruling has been issued which ascertains its liability, under the terms of legislative decree 231/2001
- the allocation of operating functions and responsibilities within the organisation which are incompatible with the tasks of the supervisory body

In particularly serious cases, the Board of Directors may in any case order the suspension of the powers of the supervisory body and appoint an interim body.

4.3 Functions and powers of the supervisory body

The activities required of the supervisory body cannot be taken over by any other company body or structure, on the understanding that the management body will in any case be responsible for monitoring its operations, as that body has the ultimate responsibility for the operation and effectiveness of the Model.

The supervisory body has the powers of initiative and control necessary to ensure effective and efficient monitoring of the functioning and observance of the Model pursuant to article 6 of legislative decree 231/2001.

For this reason, the body is responsible for the general monitoring of:

- the real (rather than merely formal) effectiveness of the Model and its adequacy in respect of the need to prevent offences subject to legislative decree 231/01 from being committed
- the observance of the provisions of the Model by those subject to them
- the updating of the Model to take into account any changes to the company or regulatory conditions

More specifically, the following tasks and powers are entrusted to the supervisory body for the exercise of its functions:

- targeted checks on the specific activities at risk, with free access to the relevant data for the purpose
- the updating of the risk map in the event of significant organisational changes or the extension to the range of offences taken into consideration by legislative decree 231/2001
- monitoring of information and training initiatives carried out by the relevant department aimed at increasing awareness and understanding of the Model within the company
- collecting and managing the information necessary to ensure that the implementation status of the Model is kept up to date at all times
- expressing an opinion at regular intervals on the adequacy of the Model with respect to the provisions of legislative decree 231/2001, the reference principles, the changes to the regulations and any significant developments in case law, and on the operation of the Model, on the basis of the outcomes of the checking and control activities
- reporting any breaches of protocol or shortcomings noted during the checks carried out to the Managing Director, to enable this latter to adopt the necessary corrective action, with the involvement of the Board of Directors where necessary
- monitoring the consistent application of the penalties laid down in the internal regulations in the event of breaches of the Model, without affecting the responsibility of the relevant department for the application of such penalties
- detecting any unacceptable conduct which might emerge from the analysis of the flows of information and reporting for which the various departments are responsible

The Board of Directors ensures suitable communications with the company departments on the tasks and powers of the supervisory body.

The supervisory body is required to treat all the information which comes into its possession in relation to the performance of its tasks as confidential.

Such information may only be disclosed to the parties duly authorised to receive it by means of the methods specified in this Model.

4.4 Obligations to supply information to the supervisory body – flows of information

The supervisory body has to be promptly informed by means of a suitable system of internal communications of any actions, conduct or events which could lead to a breach of the Model or which are in any case of relevance for the purposes of legislative decree 231/2001.

The obligations to provide information on any conduct contrary to the provisions of the Model form part of the broader duty of diligence and loyalty of the employees pursuant to articles 2104 and 2105 of the civil code.

No disciplinary measures will apply to any employees who correctly fulfil their obligation to provide information.

On this matter, the following general provisions apply:

- reports have to be obtained on: *i*) the committing or reasonable risk of committing the offences specified in legislative decree 231/2001; *ii*) breaches of the health and safety in the

workplace or environment regulations; *iii*) practices not in line with the rules of conduct laid down by the company, and *iv*) conduct which could in any case lead to a breach of the Model

- an employee who intends to report an effective or presumed breach of the Model may contact his/her direct superior or, if the report is not followed up or the employee does not wish to make the report through his/her direct superior for any reason, report directly to the supervisory body. The report will in any case be brought to the notice of the supervisory body
- with a view to obtaining the reports in question in an effective manner, the supervisory body will inform all the interested parties of the methods of presenting them
- the supervisory body assesses all the reports received at its discretion and takes action should it be necessary to do so

Employees making such reports in good faith will be safeguarded against all forms of retaliation, discrimination and penalisation, and their anonymity will in any case be guaranteed, without affecting the legal obligations which apply and the safeguarding of the rights of the company or persons accused incorrectly and/or in bad faith.

In addition to the reports described above, information on the following factors must also be passed on to the supervisory body:

- decisions on applications for and the issue and use of public funding
- rulings and/or notifications from police bodies or any other authorities on the conduction of investigations, including those against persons unknown, due to the offences specified in legislative decree 231/2001 or the health and safety in the workplace regulations which might involve the company
- requests for legal assistance issued by directors or employees if legal action should be taken against them in relation to the offences specified in legislative decree 231/2001 or the health and safety in the workplace regulations
- investigating commissions or internal reports from which liability emerges for offences under the terms of legislative decree 231/2001
- information on the effective implementation of the organisational model at all levels within the company, with evidence of disciplinary proceedings carried out and any penalties applied or the filing of such proceedings with an explanation of the motives for such decisions
- the summary schedules of tender contracts awarded following Italian or European invitations for offers or private negotiations
- information on orders received from public bodies or entities carrying out functions of public utility
- periodic reports on matters relating to health and safety in the workplace
- notifications on changes at organisational and company level

The reports may be presented in writing, anonymously if preferred, through the following confidential channels of information:

- email: odv@sick.it
- by letter to: SICK S.p.A., Via Cadorna 66, 20055 Vimodrone (MI)

- through the platform: https://digitalplatform.unionefiduciaria.it/whistleblowing

In accordance with the terms of the domestic legislation on the protection of public and private employees reporting unlawful conduct in the workplace as laid down in the international conventions (OECD, UN and European Council) ratified by Italy, as well as the recommendations of the European Council and Parliament, whether binding or otherwise, SICK SpA has upgraded its structure to bring it into line with the whistleblowing regulations.

Article 54-*bis* of legislative decree 165/2001, entitled "Protection of public employees reporting unlawful conduct", introduced a series of regulations into the Italian legal system on whistleblowing.

A whistleblower is an employee of a body or administrative entity who reports breaches or irregularities committed against the public interest and the interests of the administrative entity concerned to the bodies empowered to take the necessary action.

On 29 December 2017, legislative decree 179/2017, containing "Provisions for the protection of parties reporting offences or irregularities which have come to their knowledge within their public or private workplace", came into force. Article 1 of that decree amended article 54-*bis* and at the same time introduced a new provision in the private sector in respect of legislative decree 231/2001 on the organisational and management model (also referred to below as the "MOG") and the administrative liability of entities for offences, relating to the presentation and management of reports of this nature.

Consequently, in accordance with the new section 2-*bis* of article 6 of legislative decree 231/2001, a number of channels were set up aimed at safeguarding the entity by enabling reports on conduct constituting offences of breaches of Model 231 to be presented. These reporting channels also ensure that the identity of the reporting parties remain confidential.

SICK SpA has adopted an anonymous reporting tool which enables all its employees to report any effective or attempted unlawful conduct, for the precise reason that it takes the view that each employee plays a fundamental role in preventing offences of all kinds.

The reports may be presented through a user friendly platform, and will be received solely by the members of the supervisory body, which can also be contacted by means of alternative methods, such as emails sent to odv@sick.it or by standard post to the address set out above.

The supervisory body guarantees that all information and reports received will be treated with maximum confidentiality, upon pain of revocation of the mandate in the event of failure to do so, without affecting the requirements relating to the investigations which might have to be carried out by any outside consultants not forming part the supervisory body.

All the information and reports presented in relation to this Model will be kept by the supervisory body in a dedicated digital and hard copy archive, which will be managed and protected in accordance with the relevant regulations in force.

The records of the supervisory body will be kept in separate, locked cabinets to which only its members and any persons duly authorised by it will have access, and will only be used for purposes related to the performance of the tasks described above.

4.4.1 Collection and storage of information

All the information and reports received in relation to the Model are kept in specific confidential files by the supervisory body.

The outgoing members of the supervisory body have to ensure that the files are correctly passed on to the new members.

4.5 Reporting by the supervisory body to the company departments

The supervisory body reports on the effectiveness and observance of the Model, the emergence of any critical factors and the need for any changes. For that purpose, the supervisory body draws up:

- an annual report on its activities for presentation to the Board of Directors
- notice for presentation to the Chairman, to be issued immediately in the event of confirmed breaches of the Model with the presumable committing of offences

The annual report covers the following aspects:

- the inspections and checks carried out by the supervisory body and the results thereof
- the state of progress of any projects for the implementation or review of sensitive processes
- any legislative or organisational changes which require updates to the risk identification or amendments to the Model
- any disciplinary measures applied by the relevant bodies following breaches of the Model
- any other information deemed significant, and a summary assessment of the adequacy of the Model with respect to the provisions of legislative decree 231/2001

Minutes have to be taken and kept of the meetings with company bodies on which the supervisory body reports. The supervisory body files the relevant documentation as described in the previous point.

5 DISCIPLINARY AND PENALTY SYSTEM

5.1 Function of the disciplinary system

Articles 6, section 2 e), and 7, section 4 b), of legislative decree 231/2001 state that the introduction of a system which penalises failure to observe the measures set out in the Model is a condition for the effective implementation of the Organisational, Management and Control Model.

Consequently, the setting up of a suitable disciplinary and penalties system is an essential requirement for the effectiveness of the Organisational, Management and Control Model pursuant to legislative decree 231/2001.

The penalties have to apply to each breach of the provisions of the Model, irrespective of any criminal action that might be taken by the judicial authorities and the outcome thereof, if the conduct in question involves committing an offence of relevance for the purposes of legislative decree 231/2001.

The penalty applies in any case whether or not an offence has been committed, and is regarded as the company's reaction to failure to observe procedures or rules of conduct referred to in the Model.

5.2 Measures applicable to employees

The observance of the provisions and rules of conduct set out in the model constitutes fulfilment by the employees of SICK of the obligations laid down in article 2104, section 2, of the civil code. The content of the Model forms a substantial and integral part of such obligations.

The violation of any of the provisions and rules of conduct set out in the model constitutes a breach of discipline.

By way of example, conduct of the following nature constitutes a breach of discipline:

a) deliberate violation or disregarding of, or incorrect or merely partial application of, the provisions of the Model or the internal procedures to which it refers

b) violation or disregarding of, or incorrect or merely partial application of, the provisions of the Model or the internal procedures to which it refers due to negligence (for example, failure to fulfil the obligations to supply information to the supervisory body and failure to take part in the company training initiatives)

c) wilful violation, disregarding or evasion of, or incorrect or merely partial application of, the provisions of the Model or the internal procedures to which it refers

d) wilful violation, disregarding or evasion of, or incorrect or merely partial application of, the provisions of the Model or the internal procedures to which it refers with a view to evading the company control procedures or in any case committing an offence

The disciplinary measures and penalties apply to employees of the company pursuant to the terms of article 7 of law 300 of 20 May 1970 (the “Workers' Charter”) and any special regulations which might apply.

In the case of non-managerial employees, the measures in question are as set out in the national collective bargaining employment contract (CCNL) for the employees of companies supplying cleaning services and integrated/multipurpose services, in respect of which each breach of the Model may be subject to the following, depending on the gravity of the situation and/or in the case of repeated breaches:

1) an oral warning in the case of slight shortcomings, as described in point a)

2) a written warning in the case of repeated breaches as described in point a)

3) a fine not in excess of three hours of wages or salary, calculated using the table of minimums in the event of a breach described in point b) or in the event of a repeated breach on more than three occasions in a calendar year, in the case of the breaches described in point a)

4) suspension of employment without pay for up to a maximum of 3 days in the cases described in point c) or repetition of the breaches described in point b)

5) dismissal in the event of the breaches described in point d) or a repetition of the breaches described in point c)

Each time a breach of the Model is reported, disciplinary proceedings will be set up with a view to ascertaining the truth of the report. During this stage, the employee will be informed of the breach of which he/she is accused and he/she will be given a suitable period of time to reply to the accusations in his/her defence. If the breach is confirmed, the disciplinary measure applied to the employee in question will be in proportion to the seriousness of the situation, taking any repetition into account.

It is understood that the procedures, provisions and guarantees laid down in article 7 of the Workers' Charter and the relevant regulations on disciplinary measures will be observed.

The supervisory body has to be informed of all actions regarding disciplinary measures, to enable it to proceed with the assessments and monitoring for which it is responsible.

5.3 Measures applicable to management personnel

When breaches of the provisions and rules of conduct set out in the Model are committed by management personnel, the measure regarded as most appropriate - inclusive of dismissal - will be applied in accordance with the relevant terms of the civil code, Workers' Charter and the regulations on disciplinary measures contained in the relevant contracts of employment.

By way of a specific penalty, the supervisory body may also propose suspending any powers of attorney which may be conferred upon the manager responsible.

The supervisory body will always be informed of any procedure involving the application of penalties due to breach of the Model.

5.4 Measures applicable to directors

Upon receiving notice of a breach of the provisions and rules of conduct set out in the Model by a member of the Board of Directors, the supervisory body will promptly inform the Board of Auditors and the entire Board of Directors of the situation. The parties receiving the notice from the supervisory body will assess the founded nature of the report, following which the most appropriate measures may be adopted, as specified in the articles of association, including the convening of the shareholders' meeting for the adoption of the most appropriate measures laid down in law.

Merely by way of example, the following are breaches of duties on the part of directors:

- the committing or attempted committing of an offence under the terms of legislative decree 231/01 in the course of his or her duties

- failure to observe the rules set out in the Model

- failure to supervise the employees, agents or partners of the company on observance of the Model and the rules set out therein

- tolerance of irregularities on the part of employees, agents or partners of the company

The supervisory body has to be informed of all actions regarding disciplinary measures, to enable it to proceed with the assessments and monitoring for which it is responsible.

5.5 Measures applicable to auditors

Upon receiving notice of a breach of the provisions and rules of conduct set out in the Model by one or more auditors, the supervisory body will promptly inform the entire Board of Auditors and the Board of Directors of the situation. The parties receiving the notice from the supervisory body will assess the founded nature of the report, following which the most appropriate measures may be adopted, as specified in the articles of association, including the convening of the shareholders' meeting for the adoption of the most appropriate measures laid down in law.

5.6 Measures applicable to the Supervisory Body

If one or more members of the Supervisory Body should be in breach of their duties or responsibilities, the Board of Directors will take the necessary action after it has ascertained the breaches in question, in accordance with the relevant regulations in force.

If the Supervisory Body should fail to identify and report any breaches of the Model and, in the most serious cases, the committing of offences, as a result of negligence or incompetence, the Board of Directors will promptly inform all the other controlling bodies of the situation.

The Board of Directors will carry out the necessary investigations and may adopt the appropriate measures in law. The Company will in any case continue to have the right to compensation for any greater damage sustained by it as a result of the conduct of the Supervisory Body.

5.7 Measures applicable to business partners, consultants and outside collaborators

Any conduct in breach of the principles laid down in the Model and Code of Ethics on the part of business partners, consultants and outside collaborators of all kinds, or by any other parties with contractual relations with the company, will be subject to the penalties laid down in the contractual clauses which apply.

By means of these clauses, the parties concerned are obliged to adopt and effectively implement the company procedures and/or to conduct themselves in such a way to prevent the offences specified in legislative decree 231/2001 from being committed. Any failure to fulfil that obligation, in whole or in part, will be subject to penalties, including the right of the company to suspend the execution of the contract and/or withdraw from it or terminate it on a unilateral basis, without in any case affecting the right of the company to compensation for any damages sustained.

6 TRAINING AND COMMUNICATION PLAN

6.1 Introduction

With a view to effectively applying the Model, SICK guarantees the correct disclosure of its contents and principles and those of the Code of Ethics, both within and outside the organisation.

In this way, the aim of the company is to extend awareness of the principles of the Model and Code of Ethics not only to its employees but to all those involved in achieving the company objectives - even if only on an occasional basis - on the basis of contractual relationships.

The communication and training operations vary in accordance with the parties to whom they are aimed, but will in any case be complete, clear, accessible and continuous, to enable the various recipients to obtain full knowledge of the company provisions which they are obliged to observe and the ethical principles on which their conduct has to be based.

6.2 Employees and Agents

Each employee and agent operating on behalf of the company is obliged to: *i*) familiarise him/herself with the contents of the Model placed at his/her disposal, and *ii*) be aware of the operating methods applicable to him/her.

The employees have to be able to gain access to and consult the documentation making up the Model and the related control protocols and company procedures. With a view to ensuring an understanding of the Model, the employees have to take part in the company training initiatives, which will be adapted to their needs on the basis of their level of involvement of the activities defined as sensitive under the terms of legislative decree 231/2001.

A copy of the Model in hard copy format will be placed at the disposal of the members of the company bodies.

Suitable tools of communication will be adopted to update the employees on any changes made to the Model and any procedural, regulatory and organisational changes.

Taking part in the training programmes is compulsory for all recipients, and attendance has to be suitably documented.

7 ADOPTION OF THE MODEL – CRITERIA FOR THE UPDATING AND UPGRADING OF THE MODEL

7.1 Updating and upgrading

The Board of Directors resolves on the updating and upgrading of the Model in relation to changes and/or additions that might become necessary due to:

- Changes to the internal structure of the company and/or the way in which it conducts its business
- Changes to the business areas
- Regulatory amendments
- The outcomes of checks
- Significant breaches of the terms of the Model

The Model will in any case be subject to periodic reviews at least once every three years, unless legislative amendments should occur which require this interval to be reduced.

The Board of Directors may delegate the tasks described above to a Director or the Managing Director and subsequently ratify the operations carried out. Furthermore, in case of non-substantial amendments, these may be made by the Supervisory body itself in agreement with the Company's Management and then the Board of Directors will proceed to their ratification during its first session.