

EXECUTIVE SUMMARY OF THE ORGANIZATIONAL, CONTROL AND MANAGEMENT MODEL IN COMPLIANCE WITH LEGISLATIVE DECREE NO. 231/2001

PREFACE

This executive summary intends to give an illustrative outline of the Organizational, Control and Management Model's (OCMM) key points and the principles and contents of the Legislative Decree n. 231/2001 (hereafter Law 231). Therefore, the document does not cover all OCMM issues: for specific details it is necessary to refer directly to the Model.

REGULATORY FRAMEWORK

Legislative Decree no.231 of 8th June 2001 introduced a new regulatory framework for Corporate administrative liability. Within this framework, companies are to be held accountable and financially sanctioned, should they incur into or attempt offences in the interest of or to the advantage of the company as a result of managers' or employees' criminal misconduct.

Companies may implement organizational, control and management models (hereafter "Model" or OCMM), designed to prevent offences, whose principles can be identified in the Law itself and in the Code of Conduct ("Guidelines") drawn up by Confindustria (the Confederation of Italian Industry).

Pursuant to Law 231, the Company is accountable for offences committed in its own interest or to its advantage:

By "persons whose position involves the representation, administration and/or management of the Company or by one of its organizational units with financial and functional autonomy, in addition to individuals who effectively manage and control the Company itself" (namely "individuals holding managerial positions", Art. 5, sub 1, letter a), Law 231/2001);

- Individuals under the direction and supervision of an individual holding a managerial position ("Individuals subject to supervision"; Article 5, sub 1, letter b), Law 231/2001).

Companies cannot be held accountable, pursuant to the paragraphs of article 5, sub 2, Law 231/2001, if the afore-mentioned individuals acted on their own behalf or in the interest of a third party.

Offences – as listed in Law 231/2001 and subsequent addenda – related to Corporate administrative liability as defined by the Legislator and pursuant to Article 2 of Law 231/2001, can be grouped, for ease of reference, under the following categories:

- Offences against Public Administration (e.g. corruption, embezzlement of State funds, common fraud towards the State, IT fraud towards the State) or against the Public Trust (e.g. forgery of coinage, commercial credit papers and Stamp);
- Corporate offences and accounting crimes (e.g. false company financial disclosures, forgery of accounts, undue influence on Corporate Boards Meetings);
- Offences relating to terrorism and crimes against the democratic order (including the funding of such purposes);
- Offences against individuals (e.g. exploitation of prostitution, dealing in human beings and slavery, labor mistreatments);
- Offences of insider trading and rigging the market;
- Offences related to safety and security work regulations;
- Crimes against intellectual property;
- Offences related to laundering proceeds of criminal activities and to the financing of terrorism;

- Offences that imply the fraudulent use of information technology;
- Private Corruption;
- Environmental crimes; etc.

The exemption from sanctions is justified by virtue of the proven absence of collusion between the Company and individuals, who are deemed to be acting on their own behalf.

The Company is not held accountable for offences if it demonstrates:

- the adoption of an organizational, control and management Model aimed at preventing the offences of Law 231/2001;
- the appointment of a Surveillance Board with autonomous powers of initiative and control, aimed at ensuring compliance, implementation and updating of the Model;
- that the Surveillance Board has adequately performed its control activities.

The Model is defined as an organic complex of principles and rules, necessary for the implementation and efficient management of the monitoring and control system for sensitive activities, in order to prevent offences stated in Law 231/2001 and addenda, or attempts thereof. The preventive purposes of the Model apply to Board's members, managers as well as employees of the Company.

The Model must:

- i) identify activities within which offences may be committed (risk map);
- ii) identify specific principles aimed at setting up company's measures necessary to prevent offences;
- iii) identify mandatory information to be supplied to the Board, whose responsibility is to ensure that the Model is effective and complied with;
- iv) implement a disciplinary system to sanction activities that are not compliant with the Model;
- v) implement measures – depending on the nature and size of the company as well as the type of business – in order to guarantee that activities are carried out in compliance with the Law, to detect and promptly address possible risks.

The adoption of organizational models, designed to prevent the offences listed in Law 231/2001 and addenda, must be followed by the effective implementation of such models and by a policy, which guarantees they are promptly updated and/or upgraded.

THE ORGANIZATIONAL, CONTROL AND MANAGEMENT MODEL OF COPAN ITALIA S.P.A.

The Organizational, Control and Management Model of Copan Italia S.p.A. (hereinafter "Model"), must be approved by the Board of Directors of the Company.

The Model applies to all individuals working to achieve the goals and objectives of the Company. These include members of the governance bodies of the Company, individuals involved in the Surveillance Board, Company employees, agents, external consultants and commercial partners, including distributors, vendors or joint-venture partners.

The core part of the Model is the risk assessment (risk map), being the need to implement such matrix evidenced by D. Lgs. 231/01 itself.

The risk matrix is approved by the BoD. After the first approval, the matrix's update is proposed by the SB and approved by the BoD. The matrix is based on a structured risk assessment approach and maps all the Company's activities and processes potentially relevant for in terms of compliance with the D. Lgs. 231/01.

Due to compliance reasons with Italian law the full version of risk map and 231 Model must be written and made available to employees in Italian language.

The main relevant areas identified in Copan Italia S.p.A. as per law 231 are the following:

- Relationship with public administration - authorization, licenses and concessions relating to business activities
- Public Financial Support (eg soft loans, grants, tax credits, tax bonuses, etc.)
- Audits and inspections by Public Authorities (e.g. HSE - Customs, etc.)
- Institutional relations with Authorities and PR Activities
- Corporate presentation (eg participation in trade fairs) and commercial development support (eg brochures, catalogs, etc.)
- Hiring and HR management
- Manpower utilization
- T&A and PR expenses
- Gifts, donations and grants
- Purchase of goods and services
- Consulting and professional services
- Selection and management of agents, distributors or other third parties
- R&D, brands, patents, models and design management
- Relationship and engagements to Universities and Research Centers or Consultants
- Design, production, distribution and marketing of products
- Licensing e Product Placement
- Business Development & Sales
- IT governance
- Use of copyrights or other IP protected items
- M&A and financial transactions
- Cash and financial flows management
- Balance sheet management
- Corporate affairs
- Legal disputes and transactional agreements
- Compliance with health and safety regulations
- Management of environmental processes
- Dealing with third parties – public or private – while carrying out one’s
- Professional activities for the Company or in the Company’s interest

THE SURVEILLANCE BOARD

According to Law 231/2001 the Surveillance Board is an internal Body of the Company. It defines and performs its duties and activities as a collective body and is vested with “autonomous powers of initiative and control” pursuant to Art. 6, sub 1, letter b) of Law 231/2001. The necessary autonomy of the Surveillance Board is guaranteed by its composition, the positions held by its members within the organization and their reporting lines.

According to the Model, the Surveillance Board must be made up by a minimum of 2 external members chosen and appointed by the Board of Directors. These members should be fully qualified on the relevant issues of Law 231/2001, so as to assign legal, accounting, risk assessment and auditing expertise to the Surveillance Board, in addition to reliability requirements as stated by the law.

External members must be independent from the Company and must not have conflicting interests with those regarding the Surveillance Board’s activities, or be related to members or administrators of the same. A President must be chosen amongst the Surveillance Board external members.

In order to gain a better understanding of the Company's functioning, Surveillance Board's members can invite individuals within the organization to attend their meetings.

Such members should be chosen amongst those who cover roles of responsibility regarding control issues in the Organization or amongst the members of the Board of Auditors.

Among the others, the following characteristics are inconsistent with the appointment as member of the Surveillance Board:

- to be a member of the Board of Directors of the Company;
- to be an External Auditor providing auditing of accounts according to art. 2409 of Italian Civil Code;
- to be related to the individuals mentioned above up to the fourth degree of kinship;
- to have covered, in the past three years, administrative, control or executive roles in companies that have declared a state of bankruptcy or have been subject to compulsory administrative liquidation or have undergone similar procedures;
- to have been sentenced, even though not irrevocably, to:
 - imprisonment, hence to disqualification from holding public offices or executive positions in private companies;
 - imprisonment further to having committed crimes against Law 231/2001;
- to have plea-bargained a sentence for crimes against Law 231/2001.

The Surveillance Board:

- reports directly to the Board of Directors;
- has autonomous power of intervention within the scope of its competencies and can count on staff both within and outside the organization to check the suitability of the Model;
- is provided with a budget assigned and approved by the Board of Directors for the period in which it holds office;
- operates on a collective basis following an "operating regulation" that is written and approved internally.

In order to preserve the Surveillance Board's independence, any change in its structure and scope must reach the Board of Directors' unanimous consent and be adequately justified.

In case one or more members of the Surveillance Board resigns or falls from office, the Board of Directors must promptly appoint a substitute. In the meantime the Board will function regularly even though it misses part of its members. In case the President of the Surveillance Board falls from office, is declared legally incapable or dies, the most senior member of the Board takes his place until the Board of Directors appoints a new President.

The Surveillance Board will have its meetings at least every three months and as often as declared in its "operating regulation".

It is the Surveillance Board's responsibility to monitor that:

- the Model's prescriptions are followed by the recipients, on the basis of the different offences described in the Decree;
- the Model is effective, according to the Company's structure and its capability to prevent offences;
- the Model is updated in case of changes in the Company's organization;
- the sanctioning system is effective and suitable.

Therefore, the Surveillance Board's main tasks can be summarized as follows:

- to carry out periodical checks to determine if the Model's consistency and functional requirements are maintained over a certain period of time, subsequently promoting the appropriate updating of the Model; external consultants may be appointed to carry out this activity;
- to suggest OCMM's updates and adjustments to the Company and the relevant control system with the support of other competent functions in order to:
 - (i) verify that 231/2001 Decree's dispositions are followed;
 - (ii) implement effective control actions, verifying that the instructions are followed by the Model's recipients;
 - (iii) enforce sanctions (such as the annulment of contracts with Partners or External Consultants) in case of procedure violations;
- to issue and keep standard instructions regarding procedures to be followed when dealing with risky activities and with Public Administration up to date;
- to monitor the storage of a paper and electronic database of implemented controls, Partner's profiles, training activities and the relevant documentation as prescribed by Law 231;
- to implement the control procedures described in the Model;
- to perform auditing activities regarding operations and sensitive processes;
- to train employees on Law 231/01, and to promote the knowledge and comprehension of the Model and the definition of the internal documentation (instructions, clarifications and updates) for the Model's functioning;
- to perform auditing activities regarding operations and sensitive processes;

With reference to this last point the Surveillance Board audit plan is a key part of 231 compliance. In fact, the Surveillance Board must perform specific auditing activities on the processes assessed as high risk as per law 231.

The SB's audit plan is issued by the Surveillance Board on an annual basis and describes the tests to be performed in terms of frequency, test documentation, sample selection criteria, etc.

The audit plan covers all high-risk activities and processes and defines for each activity a number of tests to be performed.

The results of SB's activities are reported continuously to the CEO and, through a six-monthly formal report, to the Board of Directors and to the Board of Statutory Auditors.

DISTRIBUTION OF THE MODEL AND TRAINING TO EMPLOYEES

The knowledge of the Model and related training activities are essential parts of "231" compliance framework.

The Model has to be distributed to all relevant employees (employees who manage relevant risky activities according to the risk assessment).

As per Italian labor laws the Model must also be kept available on the public showcases of the Company.

The distribution of the Model has to be tracked and is also possible to ask to relevant employee a formal "declaration of acceptance" of Model's principles.

Training activities about 231 law and the Model adopted by the Company are mandatory. The training sessions must be planned under the supervision of the Surveillance Board and can be directly delivered by the SB itself.

All the relevant employee must participate to the training session.



As well as the distribution of the Model, the participation to the training session has to be formally tracked.

It is responsibility of the Surveillance Board to give adequate assurance to the BoD about the effectiveness of training activities.

That is the reason why after the training session a questionnaire with multiple-choices questions is distributed to all attendees.

If the cumulative results of questionnaires are unsatisfactory, a refresh training session must be organized.

The documentation of Model's distribution and 231 training activities has to be conserved in the SB's file.