



***ST Powder Coatings S.p.A.***

***(hereinafter also the "Company" or "ST Powder Coatings")***

***ORGANIZATION, MANAGEMENT AND CONTROL MODEL***

***PERSUANT TO LEGISLATIVE DECREE NO. 231 OF JUNE 8, 2001.***

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<b>ADOPTION / REVISION NO.</b>	<b>DATE</b>	<b>SUMMARY DESCRIPTION OF THE REVIEW</b>	<b>ADOPTED BY</b>
FIRST ADOPTION	September 16, 2015	-	Board of Directors
REVISION 1	March 31, 2020	Regulatory update	Board of Directors
REVISION 2	January 24, 2023	Update of general and special sections (in order to incorporate organizational and regulatory changes effective March 31, 2020)	Board of Directors



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## DEFINITIONS

<b>"Addressees"</b>	People to whom the Model is addressed and, in particular: the corporate bodies and their members, the employees of the Company of any level and classification, the representatives of the other companies of the ST Powder Coatings Group, the Collaborators, Agents, Consultants, Suppliers, Contractors, Partners, as well as the members of the Supervisory Board and any other third parties involved in Sensitive Activities.
<b>"Agents"</b>	Individuals who are permanently appointed by the Company, under a special contract of agency, to promote the conclusion of contracts for the sale of the Company's products and/or services, in one or more specified areas or to specified customers.
<b>"BoD"</b>	Board of Directors of ST Powder Coatings S.p.A.
<b>"CCNL"</b>	National Collective Labor Agreement. The National Collective Labor Agreement that applies to the Company is the National Collective Agreement for Chemical Industry.
<b>"Code of Ethics"</b>	Code of Ethics adopted by ST Powder Coatings S.p.A.
<b>"Collaborators"</b>	Individuals who are not employees of the Company and who work at and/or for the Company on the basis of a collaborative relationship (e.g., Continuous Coordinated Collaboration Agreement).
<b>"Company" or "ST Powder Coatings" or "ST Powder"</b>	ST Powder Coatings S.p.A. with legal head office located in Via Frattini n. 7, 46100 - Mantova (MN), C.F./P.IVA 03433880238, REA: MN - 224111.
<b>"Consultants"</b>	Individuals who are not employees of the Company, but they act in the name and/or on behalf of ST Powder Coatings Italia S.p.A. on the basis of a mandate or other consulting relationship.
<b>"Contractors"</b>	All contractors of works or services within the meaning of the Civil Code, as well as subcontractors, outsourced workers, and self-employed workers who have entered a contract with the Company and whom the Company uses to carry out the Sensitive Activities.
<b>"Decree"</b>	The Legislative Decree No. 231 of June 8, 2001.
<b>"Delegation"</b>	The internal act of assigning functions and tasks within the corporate organization.

<b>"Distributors"</b>	All entities, located in Italy and in the European and non-European territory, involved in the distribution of the Company's products and/or services.
<b>"GDPR"</b>	The EU Regulation 2016/679 (General Data Protection Regulation).
<b>"Governing Body"</b>	Board of Directors of ST Powder Coatings S.p.A.
<b>"Group"</b>	The ST Powder Coatings Group; the group of companies composed by ST Project S.r.l. (Group holding company), ST Powder Coatings S.p.A., ST Powder Coatings España S.L, ST Powder Coatings Portugal Unipessoal Lda, Barten S.r.o., ST Project Magyaror szàg Kft., Porfesték Kft. and ST Powder Coatings Polska Sp. Zo.o.
<b>"Group Companies"</b>	All the Companies belonging to the Group of companies headed by ST Project S.r.l, which are directly or indirectly controlled by the latter.
<b>"Key Officer"</b>	The subject who, according to his or her assigned responsibilities within the organization, governs the processes to which one or more Sensitive Activities are attributable.
<b>"Model" or "Model 231"</b>	The Model of organization, management and control provided for by Legislative Decree No. 231/2001 in the most recently adopted version by the Company.
<b>"Power of Attorney"</b>	The unilateral legal transaction by which the Company grants powers of external representation and expenditure to third parties.
<b>"Predicate Offenses"</b>	The types of offenses identified by the Legislative Decree No. 231/2001 that, as consequence of their commission, may result in the Company's administrative liability pursuant to the aforementioned Legislative Decree No. 231/2001.
<b>"Process Owner"</b>	The person who because of the organizational position held or activities performed is responsible for a significant Sensitive Activity or has greater visibility of it for the purposes of the Model.
<b>"Risk Assessment" or "Control &amp; Risk Self-Assessment" or "CRSA"</b>	The activity of mapping the areas of activity at potential risk of commission of predicate offenses, considered abstractly configurable in relation to the operations of ST Powder Coatings, aimed at risk prevention, meaning by "risk" any variable or factor that, in the context of the Company's activities, alone or in correlation with other variables, may negatively affect the

achievement of the objectives indicated in the organization, management and control Model and the penal-preventive purposes set by Legislative Decree No. 231/2001.

**"Senior Managers"  
or "Senior Executives"**

Subjects who hold representative, administrative or management positions within the Company or a corporate area with financial and functional autonomy, or who exercise, even *de facto*, management and control over the Company.

**"Sensitive Activity " or  
"Process"**

The set of activities and business operations organized for the purpose of pursuing a specific goal or managing a specific business area of ST Powder Coatings S.p. A., in areas potentially at risk of the commission of one or more of the crimes provided for in the Decree, as indicated in the Risk Assessment and listed in the Special Sections of the Model, also referred to generically and collectively as the area/areas at risk.

**"Subordinates"**

Individuals subject to the direction or supervision of one of the Senior Executives, whether they are personnel in any capacity subordinate or assimilated or collaborators or external consultants, even if only occasional, although in the absence of subordinate relationships.

**"Supervisory Board"  
or "Body"  
or "SB"**

The Company's Supervisory Board, pursuant to Legislative Decree No. 231/2001, that has the task of supervising and verifying the effective implementation of the 231 Model, reporting any deficiencies in it and proposing its update according to regulatory and organizational changes.

**"Suppliers"**

Suppliers of goods and/or services used the Company within the scope of Sensitive Activities.

**"Whistleblowing"**

Institute that allows all the Addressees of the organization, management and control Model to report illegal conduct, according to Legislative Decree No. 231/2001, and/or any violations of Model 231 and the Code of Ethics of which they have become aware performing tasks and work activities within and/or on behalf of ST Powder.

## STRUCTURE OF THE MODEL

The Model of organization, management and control of ST Powder Coatings is divided into a "General Section" and several "Special Sections" and it includes all the documents mentioned in the text itself, which are considered integral part of it.

In the General Section, after a reference to the principles of the Decree (Chapter 1), the methodology used to develop the Model is explained (Chapter 2); the Company and business profile of ST Powder are illustrated (Chapter 3); the purposes and nature of the Model are illustrated, and follows the description of the methods of its intervention and modification (Chapter 4), the elements of the preventive internal control system (Chapter 5), the characteristics and functioning of the SB (Chapter 6), the methods of dissemination of the Model (Chapter 7), and the disciplinary and sanctions system connected to possible violations of the principles established by the Model (Chapter 8).

The Company decided to begin the path of compliance with Legislative Decree n. 231/2001 by carrying out the *Control & Risk Self-Assessment* (hereinafter also *CRSA*) activities (**ANNEX A**), which are functional to the updating of the Organization, Management and Control Model, adopted for the first time in 2015 and subsequently updated during 2020.

The categories of offenses identified by the Legislative Decree No. 231/2001, as most recently updated at the time of the CRSA was carried out, that are abstractly applicable to the Company are:

- crimes against the Public Administration (art. 24 and 25 of the Decree);
- computer crimes and unlawful data processing (art. 24-bis of the Decree);
- organized crime offences (art. 24-ter of the Decree) and transnational crimes (art. 10 of Law No. 146/2006);
- corporate crimes, including bribery among private individuals and incitement to bribery among private individuals (art. 25-ter of the Decree);
- receipt of stolen goods, money laundering and use of money, goods or assets of unlawful origin, as well as self-laundering (art. 25-octies of the Decree);
- crimes related to payment instruments other than cash (art. 25-octies.1);
- copyright infringement offenses (art. 25-novies of the Decree);
- crimes related to employment of illegally staying third-country nationals (art. 25-duodecies of the Decree);
- crimes relating to counterfeiting money, public credit cards, revenue stamps, and instruments or identifying signs, including trademarks and patents (art. 25-bis of the Decree);
- crimes against industry and trade (art. 25-bis. 1 of the Decree);
- crimes against individual personality including the crime of illegal intermediation and exploitation of labor (art. 25-quinquies of the Decree);
- crimes for the purposes of terrorism, including international terrorism, or subversion of the democratic order (art. 25-quater of the Decree);
- inducement to refrain from making statements or from making false statements to the judicial authorities (art. 25-decies of the Decree);
- crimes of racism and xenophobia (art. 25-terdecies of the Decree);
- manslaughter or serious or grievous bodily harm, committed in violation of the regulations on the protection of health and safety at work (art. 25-septies of the Decree);
- environmental offences (art. 25-undecies of the Decree);
- tax offences (art. 25-quinquiesdecies of the Decree);



- smuggling (art. 25-sexiesdecies of the Decree).

The Company reserves the possibility of integrating and/or updating the CRSA and the Model, considering that, at present, the other offences identified by the Decree and not listed above<sup>1</sup> are not applicable to the Company or, in any case, are such as to consider the risk of their commission mitigated as a result of compliance with the general principles set forth in this Model and the Code of Ethics, as well as a result of the control safeguards provided for the activities carried out by ST Powder, including through the other companies which are part of the Group.

Therefore, based on the findings of *CRSA* activities, the Model was divided into "Special Sections", which are dedicated to the aforementioned crime families, and aimed to:

- provide the Addressees with a representation of the Company's system of organization, management and control;
- point out the Addressees the principles of behavior, the general rules of conduct and the specific provisions to which they must adhere in the performance of their tasks.

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<sup>1</sup> The categories of offences deemed not applicable to the Company are:

- crimes related to practices entailing the mutilation of the female genital organs (art. 25 quater.1 of the Decree);
- market abuse offences (art. 25-sexies of the Decree);
- crimes related to fraud in sports competitions, abusive exercise of gambling or betting and games of chance exercised by means of prohibited devices (art. 25-quaterdecies of the Decree);
- crimes against cultural heritage (art. 25-septiesdecies);
- laundering of cultural assets and destruction and looting of cultural and landscape assets (art. 25-duodevicies).

## **GENERAL SECTION**

## 1. LEGISLATIVE DECREE NO. 231/2001

### 1.1 Main features and scope of application

Legislative Decree No. 231/2001 introduces and regulates the administrative criminal liability of legal entities. The Decree, which implements EU legislation on combating corruption, has innovated our legal system, which until 2001 did not recognize criminal or administrative liability for collective bodies, which could at most be required to pay, jointly and severally, the fines, penalties and administrative sanctions imposed on their legal representatives, directors or employees. Since 2001, the Decree has been continuously updated, with the aim to progressively extending its scope of application, by introducing new categories of predicate offenses, as will be seen in Section 1.2 below.

The Decree's scope of application is quite broad and affects all entities provided with legal personality, companies, associations, including those without legal personality, public economic organizations, and private organizations that provide public services. The government, territorial public entities, non-economic public entities, and entities that perform functions of constitutional importance (for example, political parties and trade unions) are excluded from the scope of the Decree.

The new liability assigned to legal entities is based on the following punitive model: the legislature identifies certain types of crimes, the perpetrators of which are always natural persons, which may be committed in the interest or to the advantage of the legal entity; then it identifies a particular connection between the perpetrator of the crime and the legal entity, so that it may be inferred that the perpetrator of the crime has acted within the scope of the activities carried out for the entity; the link between natural person-organization and the connection between crime-interest of the legal entity gives rise to the latter's direct liability; it chooses a specific punitive system for the entity, which is separate from the system applicable to the natural person.

Therefore, the liability of the entity arises if:

- a crime to which the Decree connects the liability of the legal entity is committed;
- the crime was committed by a person who has a particular connection with the legal entity;
- there is an interest or advantage for the entity in the commission of the crime.

This new form of corporate liability has a mixed nature. It can be defined as a type of liability that combines the essential features of the criminal system with those of the administrative system. The entity is liable for an administrative offense and is punished with an administrative sanction, however the mechanism for imposing sanctions is based on criminal procedure; the competent Authority for challenging the offense is the Public Prosecutor and the competent Authority for imposing sanctions is the Criminal Judge.

The administrative liability of the entity is independent of that of the natural person who committed the crime and thus exists even if the perpetrator of the crime has not been identified or if the crime has been extinguished by a cause other than an amnesty.

In any case, the liability of the legal entity is in addition to and does not replace that of the individual perpetrator of the offence.

## 1.2. Criminal offenses identified by the Decree and following amendments

The liability of the legal entity is subject to the limits provided by the law. The first and most important limit consists of the limited number of crimes for which the entity can be held liable. This means that the legal entity cannot be punished for any crime committed carrying out its activities, but only for offences specified by the legislature and expressly indicated by law. Articles 24 ff. of the Decree, in its original version and subsequent amendments, indicate the offences (known as Predicate Offences) that may result in the liability of the entity.

The reason why the applicability of the Decree to predicate offenses is limited is logical and understandable: it would not make sense to punish the legal entity for the commission of offenses that have no connection with its activity and arise solely from the choices or interests of the natural person who commits them. These are very different categories of crimes. On one hand, some crimes are typical of and exclusive to the business activity; on the other hand, others go beyond the actual business activity and relate to typical activities of criminal organizations.

As of the date of approval of this Model, the categories of predicate offenses covered by the Legislative Decree No. 231/2001 are the ones listed below:

- misappropriation of funds, fraud against the state, a public body or the European Union or for the purpose of obtaining public funds, cyber fraud against the state or other public agency, and fraud in public procurement (art 24);
- computer crimes and unlawful data processing (art. 24-bis);
- organized crime offenses, including transnational crimes (art. 24-ter *and* art. 10, Law No. 146 of March 6, 2006);
- embezzlement, extortion, undue inducement to give or promise benefits, bribery and abuse of office (art. 25);
- crimes relating to counterfeiting money, public credit cards, revenue stamps, and instruments or identifying signs, including trademarks and patents (art. 25-bis);
- crimes against industry and trade (art. 25-bis.1);
- corporate crimes, including bribery among private individuals and incitement to bribery among private individuals (art. 25-ter);
- crimes for the purpose of terrorism, including international terrorism, or subversion of the democratic order (art. 25-quarter);
- crimes related to practices entailing the mutilation of the female genital organs (art. 25-quater.1);
- crimes against individual personality including the crime of illegal intermediation and exploitation of labor (art. 25-quinquies);
- market abuse offences (art. 25-sexies);
- manslaughter or serious or grievous bodily harm, committed in violation of the regulations on the protection of health and safety at work (art. 25-septies);
- receipt of stolen goods, money laundering and use of money, goods or assets of unlawful origin, as well as self-laundering (art. 25-octies);
- crimes related to payment instruments other than cash (art. 25-octies.1);
- copyright infringement offences (art. 25-novies);
- inducement to refrain from making statements or to make false statements to the legal authorities ( (art. 25-decies);
- environmental offences (art. 25-undecies);
- crimes related to employment of illegally staying third-country nationals (art. 25-duodecies);

- crimes of racism and xenophobia (art. 25-terdecies);
- crimes related to fraud in sports competitions, abusive exercise of gambling or betting and games of chance exercised by means of prohibited devices (art. 25-quaterdecies);
- tax crimes (art. 25-quinquiesdecies);
- smuggling (art. 25-sexiesdecies);
- crimes against cultural heritage (art. 25-septiesdecies);
- laundering of cultural assets and destruction and looting of cultural and landscape assets (art. 25-duodevicies).

### 1.3. Criteria for imputation of liability to legal entities

If one of the Predicate Offenses is committed, the legal entity can be punished only if certain conditions are met. These conditions are defined as "criteria for attributing liability to the legal entity". These criteria can be distinguished into "subjective" and "objective."

The first "subjective" criterion is that the crime was committed by a person connected to the legal entity by a qualified relationship. There must, therefore, be a significant connection between the individual-offender and the legal entity. The legal entity's administrative liability can only exist if the perpetrator of the crime belongs to one of these two categories:

- **"Senior Executives"** such as, for example, the legal representative, director, general manager or director of an autonomous organizational unit, as well as the individuals who manage, even *de facto*, the organization. These are the individuals who have autonomous power to take decisions in the name and on behalf of the legal entity. All persons delegated by the directors to manage or direct the activities of the company or its branch offices also belong to this category. In the context outlined above, the structure of the system of delegation of powers and duties is of particular importance in the overall logic of defining this organization, management and control Model;
- **"Subordinates"**, i.e., all those who are subject to the direction and supervision of the executive management; typically, employees, but also individuals who are not part of the legal entity's personnel, who have been entrusted with an assignment to be carried out under the direction and supervision of the Senior Executives. Thus, what matters for the purpose of belonging to this category is not the existence of an employment contract, but rather the actual activity performed. It is clear that the law aims to prevent the legal entity from escaping liability by delegating to external collaborators activities in the context of which an offense may be committed. The external parties concerned include, for example, collaborators and consultants, who, on behalf of the company, carry out activities in its interest. Lastly, the Model also covers contractual relationships or mandates with individuals who do not belong to the legal entity's personnel, if they act in the name, on behalf or in the interest of the company.

The second "objective" criterion is that the offence must be committed in the interest or to the advantage of the legal entity. The crime must, therefore, affect the company's business or the company must have obtained some benefit, even if only potential, from the crime. The two conditions are alternatives, and it is sufficient that at least one of them is fulfilled:

- "interest" exists when the perpetrator acted with the intent to benefit the company, regardless of whether that objective was eventually achieved;

- "advantage" exists when the company has obtained, or could have obtained, a positive economic result, or a different kind of positive result, from the offence committed.

The law does not require that the benefit obtained or hoped for by the legal entity has necessarily an economic nature: liability exists not only when the unlawful conduct has resulted in a financial advantage, but also in the event that, even in the absence of such a concrete result, the criminal act was committed in the interest of the company.

The improvement of the legal entity's position in the market, the concealment of a financial crisis, and the gain of new territorial areas are outcomes that involve the company's interests without providing it with an immediate economic benefit.

The legal entity cannot be held liable if the crime was committed in the exclusive interest of the perpetrator or in the exclusive interest of a third party.

The Decree also establishes the conditions under which the crime is not attributable to the entity: if - prior to the commission of the crime - it has adopted and effectively implemented an "organization and management model" (the Model) that is able to prevent the commission of crimes of the kind committed.

Considering the law from a different point of view, it can be stated that the legal entity is liable for the offence only if it fails to adopt the Model or to comply with the required standards pertaining to its organization and the performance of its activities: a shortcoming that can be attributed to a mistaken business policy or to structural deficiencies in the company's organization. Since the legal entity cannot express its own will to commit the crime, it will be its representatives, directors or organization that will express and give concrete expression to its culpable participation in the commission of the offence.

For the crime not to be attributed to it, the legal entity must nevertheless prove that it has done everything in its power to organize, manage and monitor itself so that no crime listed in the Decree can be committed during its business activities. For this reason, the Decree provides for the exclusion of liability only if the legal entity proves:

- that the Governing body has adopted and effectively implemented, prior to the commission of the act, organization, management and control models capable of preventing crimes of the kind committed;
- that the task of supervising the operation of and compliance with the models and ensuring that they are kept up to date was entrusted to a body within the organization endowed with autonomous powers of initiative and control (Supervisory Board referred to in paragraph 6 below);
- that there was no failure or insufficient supervision by the aforementioned Body.

The conditions listed above must be all met in order to exclude the legal entity's liability. Therefore, the company's exemption from guilt on the adoption and effective implementation of a Model for the prevention of crimes and the establishment of a Supervisory Board for the Model. The Supervisory Board is assigned the responsibility of overseeing the compliance of the business with the standards and procedures set forth in the Model.

In particular, the Decree assigns the following tasks to the Supervisory Board:

- supervision of the operation of the Model;

- possible updating of the Model;
- acquisition of information regarding violations of the rules of conduct, including through the creation of internal information flows;
- coordination with other corporate bodies with similar expertise;
- where appropriate, proposal for the beginning of disciplinary or sanctions proceedings.

The Model serves as ground for non-punishment of the entity whether the Predicate Offense was committed by a Senior Executive or by a Subordinate. However, the Decree is much stricter on the guilt of the entity and leaves less possibility of defense if the crime is committed by a Senior Executive. Indeed, in this case, the Decree requires also that the entity proves that the individuals committed the crime by fraudulently circumventing the Model. The Decree requires a higher degree of proof of extraneousness to the crime since the entity must also prove a kind of internal "fraud" committed against the Model by the Senior Executives.

In the event of offences committed by Subordinates, the entity can only be held liable if it is established that the commission of the crime was made possible by the failure to comply with management or supervisory obligations. This is a true organizational negligence: the company has indirectly allowed the commission of the offence by failing to supervise the activities and individuals at risk of committing a predicate offense.

The adoption and implementation of the Model does not constitute an obligation under the law. However, considering the aforementioned criteria for attributing the crime to the legal entity, the Model is the only available tool to prove that it is not guilty and, ultimately, to avoid being subject to the sanctions provided by the Decree. It is therefore in the company's interest to have an effective model and to ensure that all the Addresses are compliant with it.

#### **1.4. Guidance of the Decree regarding the characteristics of the Organization, Management and Control Model**

The Decree does not analytically regulate the nature and characteristics of the Model, but merely sets out some general principles. The mere adoption of the Model is not a sufficient condition to exclude the company's liability. In fact, the Model operates as a cause of non-liability only:

- if it is suitable, that is, only if it is reasonably suitable to prevent the crime or crimes committed;
- if it is actually implemented, i.e., if its content is concretely observed and becomes an integral part of the internal control system.

As regards the suitability of the Model, the Decree requires it to have the following minimum content:

- the activities of the company in the context of which crimes may be committed are identified;
- there are specific protocols aimed at planning the making and implementation of the company's decisions, in relation to the crimes to be prevented;
- methods of managing financial resources suitable for preventing the commission of crimes are identified;
- an appropriate disciplinary and sanctions system is introduced to punish non-compliance with the measures specified in the Model;
- there are obligations to provide information to the Supervisory Board;
- one or more channels of communication to report possible wrongdoing are provided;
- in relation to the nature and size of the organization, as well as the type of activity carried out, appropriate measures are put in place to ensure that the activity is carried out in compliance with the law and to find, put and eliminate risk situations in a timely manner.

With reference to the effective implementation of the Model, the Decree provides for the need for periodic verification and updating of the Model if significant violations of the provisions contained therein emerge or if there are changes in the company's organization or activities, or regulatory changes.

Therefore, the Model is a set of principles, tools and conduct rules that govern the organization and management of the enterprise, as well as the control tools. It varies and considers the nature and size of the company and the type of business it runs. The rules and conduct provided for by this Model must allow the company to determine whether there are risky situations, that is, situations that are favorable to the commission of an offense covered by the Decree. Once such risky situations have been identified, the Model must be able to eliminate them through the imposition of certain conduct and controls.

## 1.5. Sanctions

A legal entity held liable for committing one of the predicate offenses may be punished with four types of penalties, differing in nature and in the manner of enforcement.

### 1) Fines

When the judge holds the legal entity liable, the financial penalty is always applied. The fine is determined by the judge through a system based on "quotas." The amount of the pecuniary penalty depends on the seriousness of the crime, the degree of liability of the company, and the activity carried out to eliminate or mitigate the consequences of the crime or to prevent the commission of other offenses. The court, in determining the *quantum* of the penalty, shall consider the economic and asset conditions of the company.

### 2) Disqualification sanctions

Disqualification sanctions may be applied in addition to fines, but only if they are expressly provided for the crime prosecuted and provided that at least one of the following conditions is met:

- the entity obtained a significant profit from the crime and the crime was committed by a Senior Executive, or a Subordinate, but only if the commission of the crime was made possible by serious organizational deficiencies;
- in case of repeated offenses.

The disqualification sanctions under the Decree are:

- disqualification, temporary or permanent, from engaging in the activity;
- the suspension or revocation of authorizations, licenses or concessions instrumental to the commission of the offense;
- the prohibition of contracting with the public administration, except to obtain the performance of a public service;
- exclusion from special terms, funding, contributions or subsidies and the possible revocation of those already granted;
- a temporary or permanent ban on advertising goods or services.



Disqualification sanctions are aimed at the specific activity to which the entity's offense relates and are normally temporary, lasting for a period that varies from three months to two years, but may exceptionally be applied with permanent effects. They can also be applied as a precautionary measure, prior to conviction, at the request of the Public Prosecutor, if there are serious reasons to believe that the legal entity is liable and there are well-founded and specific elements to believe that there is a concrete danger that offenses of the same type as the one being prosecuted may be committed.

### 3) Confiscation

It consists of the acquisition by the state of the price or profit of the crime or a value equivalent to them.

### 4) The publication of the conviction

It involves the publication of the conviction only once, in excerpt or in full version at the expense of the legal entity, in one or more newspapers specified by the Judge in the judgment as well as by posting in the municipality where the entity has its head office.

All sanctions are of an administrative nature, even if they are applied by a criminal Judge. The penalty framework established by the Decree is very severe, both because the fines can be very high and the disqualifying penalties can significantly limit the company's normal operations, precluding it from a range of business.

Administrative sanctions against the legal entity shall be prescribed, except in cases where the statute of limitations is interrupted, within five years from the date of commission of the crime.

The entity's final conviction is recorded in the National Register of Administrative Offense Penalties of the Entity, which is a repository containing all decisions on penalties that have become irrevocable, applied to entities under the Decree.

## 2. PROCESS OF DRAFTING THE MODEL

### 2.1 The Company's decision

Although the adoption of the Model represents an option and not an obligation, ST Powder Coatings has decided to proceed with the elaboration and development of a 231 Model, in order to ensure ethically shared conduct and pursue compliance with the principles of legitimacy, fairness and transparency in the performance of the company's activities, as well as to adapt to the prevention purposes set out by the Legislator and to protect the interests of Shareholders, Directors and, ultimately, of the Company as a whole from the negative effects resulting from a hypothetical application of sanctions.

Furthermore, the decision to adopt an organization, management and control Model respond to ST Powder Coatings' need to pursue its mission in strict compliance with the goal of creating value for its shareholders.

Therefore, the Company has decided to initiate an adjustment project in compliance with the provisions contained in the Decree, in order to update its Model - adopted in 2015 and most recently updated with resolution of the Board of Directors of 31.03.2020 - given the changed business reality of reference as well as the regulatory changes introduced in the meantime. The Model represents not only a valid tool for raising the awareness of all those who work for the Company, so that they always maintain correct and straightforward behavior in the performance of their activities, but also an indispensable means of prevention against the risk of committing the crimes provided for in the Decree.

### 2.2 Methodological approach adopted

The Model, inspired by Confindustria's "*Guidelines for the Construction of Organization, Management and Control Models Pursuant to Legislative Decree No. 231 of June 8, 2001*," in the version of March 2008, updated in 2014 and, most recently, in June 2021, was drafted and updated taking into account the nature, size, and organizational structure of the Company and the Group to which it belongs, as well as the activities concretely performed by the Company.

Specifically, the project that led to the updating of the Model was developed according to the steps outlined in summary below.

The Company first carried out a preliminary analysis of its business environment and, subsequently, an analysis of the areas of activity that present potential risk profiles in relation to the commission of the crimes indicated by the Decree and deemed abstractly applicable to the Company.

In particular, the following were analyzed, by way of example only and not exhaustively:

- the history of the Company and the corporate and Group context;
- the sector of business/market to which it belongs;
- the organizational structure (formalized in company organizational charts, job description etc.);
- the existing corporate governance system;
- the system of powers of attorney and delegations;
- signature powers;
- legal relations with third parties;

- intra-group relations;
- the typical way of conducting *business*;
- the type and frequency of relationships and activities held with public administrations;
- cases of any alleged irregularities recorded in the past;
- the procedures formalized and disseminated within the Company and observed when carrying out typical company activities;
- the practices widespread within the Company and observed when carrying out typical company activities.

Therefore, on the basis of the preliminary analyses, the corporate subjects involved in the areas of activity that present potential risk profiles in relation to the commission of the crimes provided for by the Decree and abstractly applicable to the Company were identified, as well as the individuals who are part of these corporate areas and occupy key roles in the corporate organization, so-called *Key Officers*, in order to be able to conduct the interviews useful for the purposes of updating the *Control & Risk Self-Assessment* (i.e., the self-assessment of the risks of commission of the Predicate Offences and the internal control system) and, correspondingly, the organization, management and control Model.

In order to elaborate the Model and keep it updated, the Company then proceeded through interviews with the *Key Officers* and document analysis:

- to the identification of Sensitive Activities, i.e., the areas/activities in which it is possible that the predicate offenses provided for by the Decree and applicable to ST Powder Coatings may be committed and to the exemplification of the possible ways in which these offenses may be committed (so-called **mapping of processes/activities at risk**);
- to the analysis of the operating procedures for carrying out the Sensitive Activities, the identification of the individuals involved and the analysis of the system of allocation of responsibilities;
- to the self-assessment of the risks of committing Predicate Offenses and the internal control system (so-called Internal Control System "**ICS**") suitable for preventing potentially unlawful conduct;
- to the identification of adequate control measures, necessary for the prevention of the above-mentioned crimes or, in any case, for the mitigation of the risk of their commission;
- to the identification of any deficiencies and/or areas of improvement in the existing control measures (so-called **Gap Analysis**).

The results of the analysis conducted and described above, including exemplifications of the possible ways in which crimes may be committed within the scope of Sensitive Activities, are contained or referred to in the document formalizing results emerging from the CRSA, which is a prerequisite of this Model (**ANNEX A**).

The final phase of the project was characterized by the drafting of the organization, management and control Model, whose structure was described at the beginning of this document.

Therefore, in light of the results of the Control & Risk Self-Assessment activities, the Model identifies the general and specific principles of conduct that must be observed and implemented to prevent, to a reasonable extent, the commission of the Predicate Offenses relevant to the Company, in order to obtain tendential and actual integration with the other management systems adopted and implemented by the Company.

### 2.3 Criminal liability in business groups

In identifying corporate areas of risk, all the matters related to the fact that ST Powder Coating is part of a group of companies were taken into account, including its transactional dimension.

In this regard, it should be noted that Legislative Decree No. 231/2001 does not address the issue of crime liability in business groups.

On this point, criminal jurisprudence and the Confindustria Guidelines, even in the version updated as of June 2021 - assuming that the "group," in the Italian legal system, is considered unitarily only in the economic perspective and not also in the legal perspective - exclude the possibility of affirming a direct liability of the "group" as such, since it is not, moreover, mentioned among the subjects referred to in Article 1 of Legislative Decree No. 231/2001.

Conversely, the legal entities that are part of the group may be held liable for offenses committed during business activities, and from such a perspective, the main problem is to identify the conditions under which the other companies, with specific regard to the parent company, may be held liable for the crime committed by one of them. Excluding the existence of a position of guarantee at the head of the holding company's executive management, relating to preventing the commission of offenses within its subsidiaries, the parent company may be held liable for the Predicate Offense committed in the subsidiary's business if:

- the predicate offense in question was committed in the immediate and direct interest or benefit not only of the subsidiary but also of the parent company;
- natural persons functionally related to the parent company have participated in the commission of the predicate offense by making a causally relevant contribution in terms of complicity, proven concretely and specifically.

Ultimately, according to the position gradually consolidated within the jurisprudence of legitimacy, in order for the parent/holding company to be held liable for crimes committed within the scope of the subsidiary, it is necessary that 1) in the commission of the offense, the individual who acted on behalf of the subsidiary participated with the involvement of a natural person who acted on behalf of the holding company itself, also pursuing the interest of the latter, and that 2) from the commission of the crime the holding company derived a specific and concrete utility or otherwise gained a concrete advantage.

The Court of Cassation, Criminal Section, Sec. II, Dec. 9, 2016 No. 52316, has expressed this view, stating the following principle of law: *"on the subject of liability for crime (...) the parent company (so-called holding company) or other companies belonging to a group may be held liable, pursuant to Legislative Decree no. 231/01, for the crime committed in the context of the activity of a subsidiary company belonging to the same group, provided that at least one natural person acting on behalf of the holding company itself is also involved in the commission of the predicate crime (...) the enucleation of a generic reference to the group, or to a so-called general 'group interest', is not sufficient."*

The Confindustria Guidelines, even in the updated version of June 2021, devote an entire paragraph to liability for offences in business groups, reiterating, among other things, that each company in the group, as an individual recipient of the precepts of the Decree, is called upon to independently carry out the activity of preparing and revising its own organizational model, even though this activity may also be conducted on the basis of the instructions and implementation methods provided by the parent company according to the organizational and operational structure of the group and without prejudice to the autonomy of the subsidiaries in adopting the Model.

The aforementioned Guidelines also highlight the peculiarities of 231 liability in transnational groups, based on the fact that the group operating in a transnational dimension presents specific profiles of

potential danger in terms of economic crime due to the geographic dispersion of activities; the decentralization of decision-making; the increasing range of incidence, volume and complexity of economic operations; the possible broader impact of criminal episodes; and the accentuated difficulties in prosecuting them.

Within the framework of Legislative Decree No. 231/2001, the commission of crimes abroad, moreover, is subject to regulation by the provision of Article 4, which establish that, under certain conditions (the reference is to Articles 7, 8, 9 and 10 of the Criminal Code), legal entities that have their headquarters in the territory of the State are also liable in relation to crimes committed abroad, provided that the State of the place where the act was committed does not proceed against them.

### 3. COMPANY AND BUSINESS PROFILE OF ST POWDER COATINGS S.p.A.

#### 3.1 The Company

ST Powder Coatings S.p.A. is a company established in 2004 that produces a wide range of products and offer services in the field of powder coatings.

The Company, with an extensive international sales network, has a strong presence throughout the European Union to which it exports nearly 50 percent of its sales.

The Company, since its founding, boasts a path of growth studded with prestigious international awards, which help testify to its highly innovative character.

In 2006 the company obtained ISO 9001 Certification for quality and ISO 14001 Certification for the environment; in the same year it obtained Qualicoat and GSB International approvals.

In 2013 the Company obtained BS OHSAS 18001 Certification for health and safety of workers, which also led to the Certiquality Recognition of Excellence for jointly achieving quality, environmental and safety certifications.

In 2017, ST Powder Coatings was selected to take part in Elite, the London Stock Exchange Group's international program for companies with a solid business model and a clear growth strategy.

In 2018, ST Powder Coatings was nominated in the special category *Excellence of the Year / Innovation & Leadership for the Le Fonti Innovation Awards*, competing as the only Italian powder coatings manufacturer. The nomination was motivated by the fact that the company constitutes "a fast-growing Italian excellence leader and reference point in the chemical sector of powder coatings production for innovation and quality."

Finally, in September 2020, the Company was awarded the prestigious Elite certification by London Stock Exchange Group.

The Company has its legal office in Mantua, Italy, at Via Frattini No. 7, an operational headquarter in Montecchio Maggiore (VI), at Via Segrè No. 46, a local unit used as goods warehouse in Cusago (MI), and an additional local unit used as goods warehouse in Caponago (MB).

The Montecchio Maggiore plant, which covers an area of 20,000 square meters, produces thermosetting powder coatings and is specifically designed and built to achieve an optimal layout of the production facilities, in which the most advanced industrial automation technologies have been adopted. In fact, all the stages that constitute the production process of powder coatings have been entrusted to equipment and tools that represent the state of the art in the industry.

ST Powder Coatings S.p.A. is wholly owned and controlled by ST Project S.r.l., which exercises management and coordination over it.

#### 3.2 Corporate Purpose

Pursuant to Art. 5 of the Bylaws, the Company's corporate purpose is: the production and sale of thermosetting powder coatings, paints in general, chemical products, thermoplastic products; the purchase, economic use, transfer and concession in use of trademarks, patents or other intellectual propriety rights nationally and abroad; the non-financial lease or concession on loan for use of its own assets; the company also has as its corporate purpose the construction, purchase, renovation, sale, non-financial lease and management in the broadest sense of civil and commercial real estate and buildings, as well as the construction of urbanization works.

In addition, the company's corporate purpose is to engage in the following activities, on a non-prevailing basis and, in any case, only with regard to the companies of the Group to which it belongs and, therefore, not with regard to the public: the granting of financing in any form or name; the leasing of movable and immovable property; the incorporation of companies and the assumption of corporate shareholdings for the purpose of stable investment and not for public placing; foreign exchange brokerage; collection, payment and funds transfer services; and the coordination and technical, administrative and financial assistance of the companies of the Group to which it belongs. Moreover, in accordance with the provisions of the Bylaws, the Company may carry out any other financial, industrial and commercial, movable and real estate transactions that the administrative body deems necessary or useful for the achievement of the corporate purpose, including opening of mortgages and other medium-long term loans, including the granting of real, personal guarantees and in favor of third parties. It may also confer and assume agency, commission and representation mandates within the scope of the corporate purpose and otherwise enter any contract of collaboration.

### **3.3 The ST Powder Coatings Group**

ST Powder Coatings S.p.A. is part of the ST Powder Coatings Group, having ST Project S.r.l. as its parent company.

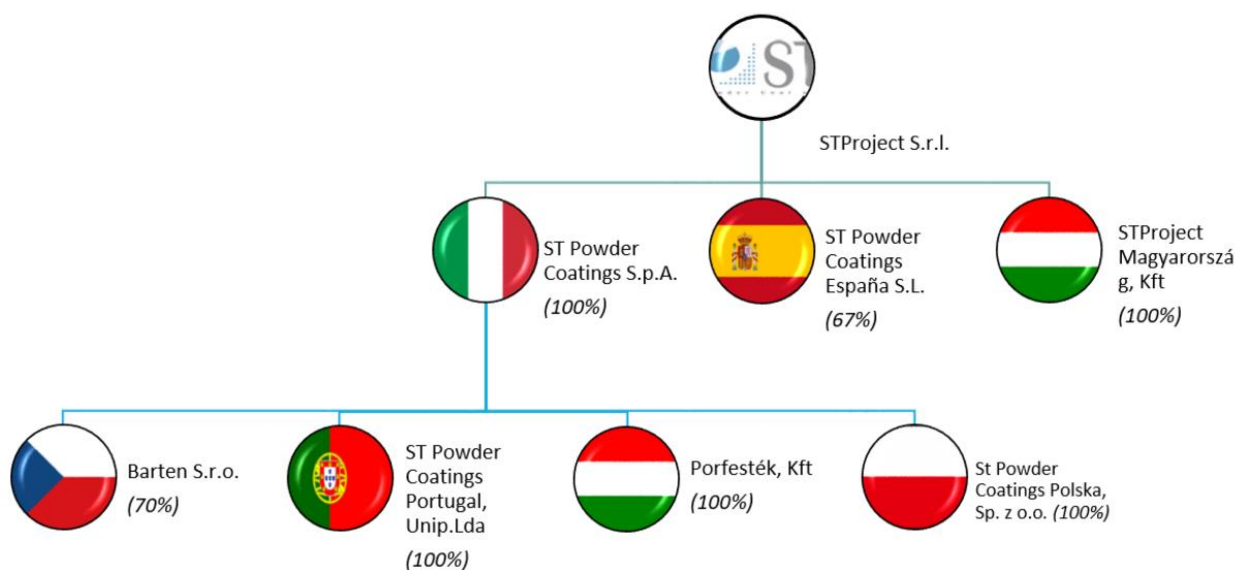
The ST Powder Coatings Group operates in the field of the chemical industry, playing a leading role both nationally and internationally. Products offered range from powder coatings in polyester, epoxy-polyester, epoxy, polyurethane and silicone nature systems, offered in a wide range of products and accessories, to complementary products such as sprays and customizable color charts.

The Group was founded in 2004 and has gradually grown, to date presenting its sales network throughout the European Union, to which it exports about 50 percent of its turnover. In 2021 the sales volume exceeded 40 million euros. It currently employs about 150 people.

The Group has two production plants, a first, and main one, in Montecchio Maggiore, Italy, and a second in Spain, and boasts a distribution network in twenty countries of the European Union.

The ST Powder Coatings Group includes ST Project S.r.l. (Group holding company), ST Powder Coatings S.p.A., ST Powder Coatings España S.L, ST Powder Coatings Portugal Unipessoal Lda, Barten S.r.o., ST Project Magyaror szàg Kft., Porfesték Kft. and ST Powder Coatings Polska Sp. Zo.o.

The organizational chart of ST Powder Coatings Group, which outlines the structure of the Group, is shown below.



The group organizational chart mentioned above (updated as of September 2022) is available at the following link: <https://www.stpowdercoatings.com/it/il-gruppo/struttura>.

### 3.4 Intragroup relations

The intragroup relationships, aimed at optimizing the efficiency of companies in a group perspective and the overall result of the management and coordination activities they are interested in, are based on strict compliance with the principles of good corporate and entrepreneurial management, also taking into account the provisions of Articles 2497 and following of the Civil Code.

Intragroup relations consist of the sale, purchase of products and provision of services. With reference to intercompany product sales and purchasing activities, about 90 percent of these are products sold by ST Powder Coatings S.p.A. to other Group companies.

As provided in Article 5 of ST Powder Coatings' Bylaws, the Company's corporate purpose is to carry out certain activities, on a non-prevailing basis, with regard only to Group companies, and not to the public. In particular, the activities are the following: the granting of financing in any form and name, the leasing of movable and immovable property, the incorporation of companies and the assumption of corporate shareholdings for the purpose of stable investment and not for public placement, foreign exchange brokerage, collection, payment and funds transfer services, and finally the coordination and technical, administrative and financial assistance of Group companies.

ST Powder Coatings S.p.A. also performs intercompany services for other Group companies, particularly in IT and administration, finance and control.

### 3.5 Corporate governance

#### 3.5.1 Administration of the Company

According to Article 26 of ST Powder Coatings' Bylaws, "The company shall be administered by a sole director or by a board of directors consisting of two to five directors. The determination of the



*number of members of the board of directors shall be responsibility of the shareholders' meeting upon their appointment (...)."*

Article 32 of ST Powder Coatings' Bylaws then provides that *"In the case of multi-person management, the delegation of management powers to one or more directors or to an executive committee shall be resolved by the board of directors, which shall determine the content, limits and manner of exercise of the delegation. In any case, the board may issue directives or avocation of operations covered by the delegation."*

ST Powder Coatings S.p.A. is currently administered by a Board of Directors consisting of a Chairman of the Board and a Director.

By a resolution dated June 24, 2021, the Company's Board of Directors resolved to grant, severally, full powers of representation and the broadest delegated powers for ordinary and extraordinary administration to the Chairman of the Board of Directors, with the sole exception of certain acts that remain under the exclusive responsibility of the Board of Directors, namely: mergers, demergers, and corporate transformations insofar as they are the responsibility of the administrative body; purchase and sale of a business unit or business assets worth more than Euro 1.000.000,00; disposals and acquisitions of corporate holdings; establishment of new companies, appointment and revocation of special attorneys. At the same meeting, the Company's Board of Directors resolved to reserve to the Director, severally, full powers of representation and the delegation of powers to carry out all management and development operations related to the Italian sales and distribution network without value limits.

With reference to powers of representation, the Company's Bylaws, in Article 30, provides that *"The corporate signature and legal representation of the company before third parties and in court shall be vested in the sole director, the chairman or, where appointed, also in the managing directors, as well as in those individuals, including individuals who are not part of the board, designated by the board, within the limits of and in accordance with the resolutions passed by the board."*

### **3.5.2 System of delegations, powers of attorney and powers**

The exercise of powers, delegations and powers of attorney conferred by the Company must take place in full compliance with the principles set forth in the protocols of conduct illustrated in this Model. Therefore, it is understood that neither members of the Company's Board of Directors nor proxies are exempt from compliance with the protocols of conduct relevant to the activities exercised. The granting of delegations and powers of attorney shall in no case be considered as an overriding and derogatory act to the principles and rules of conduct set forth in the Model.

Conversely, appointed proxies and/or delegated individuals are expressly prohibited from making decisions and/or concluding transactions of any kind going beyond the limits of the delegations or powers of attorney granted to them.

As outlined above, on June 24, 2021, the Company's Board of Directors determined the number of members of the Board of Directors, as well as the content and limits of the management powers granted to directors.

Moreover, the Company's Bylaws provides that the sole director or the Board of Directors may appoint one or more general managers, determining their management duties and powers to represent the Company. The sole director or the Board of Directors may also appoint *"ad negotia"* attorneys to perform certain acts or categories of acts.

As regards the field of health and safety and environment, by Special Power of Attorney dated 03.18.2016, the Chairman of the Board of Directors of the Company, in execution of the minutes of the BoD dated 03.03.2016, appointed an attorney (Employer) to provide, limited to the plants of Montecchio Maggiore and Cusago, whatever was deemed necessary and useful in order to be constantly compliant with the regulations and rules of good engineering in all areas and matters of prevention, hygiene and safety of workers and workplaces, pursuant to Article 2, letter b) (Employer), Legislative Decree No. 81/2008, as well as in matters of environmental protection pursuant to Legislative Decree No. 152/2006. By Special Power of Attorney dated 19.11.2019, the Members of the Company's Board of Directors, supplementing what had already been stated in the Special Power of Attorney dated 03.18.2016, ordered that all the powers granted to the Attorney (Employer) should be extended to and include the Company's warehouse located in Caponago.

### **3.5.3 Board of auditors**

In accordance with the provisions of its Bylaws, control over the management of ST Powder Coatings S.p.A. is entrusted to a Board of Statutory Auditors composed of three regular members and two alternate members, registered with the register of auditors established at the Ministry of Justice.

The Company's Bylaws provide that "*unless otherwise resolved by the shareholders' meeting, the board of auditors is also responsible for auditing the company's accounts whether permitted by law.*"

## 4. THE ORGANIZATION, MANAGEMENT AND CONTROL MODEL

### 4.1 Purpose of the Model

The adoption of the Model is aimed at the creation of a system of provisions and organizational tools in order to ensure that the Company's activities are carried out in full compliance with the Decree and to prevent and sanction any attempts to engage in conducts involving the risk of committing one of the types of offenses indicated in the Decree.

Therefore, the Model has the following purposes:

- to improve the corporate governance system;
- to introduce into the Company additional principles and rules of conduct aimed at promoting and improving an internal ethical culture, with a view to enhancing fairness and transparency in the conduct of business;
- to prepare a structured and organic system of prevention and control aimed at mitigating the risk of commission of crimes related to the company's business;
- to make all the individuals who work in the name and on behalf of ST Powder Coatings in the "areas of activity at risk" aware that they could risk, in the event of violation of the provisions set forth therein, to be subject to measures both against the author of the violation (on a civil, disciplinary and, in some cases, criminal level) and against the Company (administrative liability under the Decree);
- to inform all those who work in any capacity in the name of, on behalf of, or otherwise in the interest of ST Powder Coatings that violation of the requirements established by the Model will result in the application of appropriate sanctions or termination of the contractual relationship;
- to reiterate that ST Powder Coatings does not tolerate unlawful conduct of any kind and regardless of any purpose, since such conduct (even if the Company were ostensibly in a position to take advantage of it) is in any case contrary to the ethical principles to which the Company adheres;
- to actively censure conduct engaged in violation of the Model through the imposition of disciplinary and/or contractual sanctions.

Therefore, the Model prepared by ST Powder Coatings is based on a structured and organic system of protocols and control activities that:

- identifies the areas and Sensitive Activities potentially at risk in the performance of the company's activities, i.e., those activities in the scope of which there is a higher chance that offenses may be committed;
- defines an internal regulatory system, aimed at the prevention of crimes, which includes, among others:
  - a Code of Ethics that expresses ethical commitments and responsibilities involved in the conduct of the company's business and activities;
  - a system of mandates, powers and powers of attorney for signing corporate acts that ensure a clear and transparent representation of the process of making and implementing decisions;
  - formalized procedures designed to manage operating and control methods in areas at risk;
- finds its prerequisite in an organizational structure consistent with the activity carried out by the Company and designed with the aim of ensuring, on the one hand, proper strategic-

operational management of business activities and, on the other hand, continuous control of conduct. This control is ensured by guaranteeing a clear and organic allocation of tasks, applying a proper segregation of functions, ensuring that the defined structure is actually implemented, through a system of delegation of internal functions and mandates to represent the Company externally that ensures a clear and consistent segregation of roles;

- identifies financial resource management and control activities in risk activities;
- entrusts the SB with the task of supervising the operation of and compliance with the Model and, if necessary, to propose its updating.

## **4.2 Code of Ethics**

The Code of Ethics adopted by the Company is attached to this Model (**ANNEX C**) and is an integral part of it.

The Code of Ethics of ST Powder Coatings was approved by the Company's Board of Directors on 24/01/2023.

ST Powder Coatings' adoption of ethical principles, aimed at enhancing the transparency and fairness of the company's business activities, and useful in order to prevent crimes under Legislative Decree No. 231/2001, is an essential element of the preventive control system.

In that respect, in fact:

- the Code of Ethics represents a tool subject to general application by the Company for the purpose of expressing principles of "corporate ethics" that it recognizes as its own and on which it calls for the observance of all Addressees.
- on the other hand, the Model responds to the specific requirements set forth in the Decree and is aimed at preventing the commission of certain types of offenses for acts that, if and insofar as they are committed in the interest or to the advantage of the Company, may result in criminal-administrative liability under the provisions of the Decree.

## **4.3 Addressees of the Model**

The provisions of the Model are addressed to all the Addressees of the Model as indicated in the relevant definitions contained at the beginning of this Model.

Those to whom the Model is addressed are required to comply punctually with all its provisions, also in order to fulfill the duties of loyalty, fairness and diligence arising from the legal relationships established with the Company.

The Company condemns any conduct that differs not only from the law, but also from the provisions of the Model and the Code of Ethics, even if the conduct is carried out in the interest of the Company or with the intention of ensuring it an advantage.

As regards sanctions in the case of commission of violations of the Model by Addressees who do not have with the Company a salary employment relationship, please refer to the following paragraph 8.5.

## **4.4 Adoption, amendments and additions to the Model**

The Decree stipulates that it is the Governing Body that adopts the Model, leaving it up to each entity to identify the body within itself to be entrusted with this task.

In accordance with the guidelines set out by Confindustria, ST Powder Coatings has identified its Board of Directors as the Governing Body responsible for the adoption of the Model. On the other hand, the task of supervising the effective implementation of the Model is entrusted, in accordance with the Decree, to the Supervisory Board.

Consequently, since this document is an "*act of issuance of the executive body*" (in accordance with the requirements of Art. 6, co. I, lett. a), of the Decree), following amendments and additions of a substantial nature to the same are placed under the remit of the Board of Directors.

Substantive changes include, but are not limited to:

- the inclusion of additional Special Sections in this document;
- the deletion of some parts of this document;
- the modification of the members of the SB;
- the identification of a Supervisory Board other than the one currently provided;
- the updating/modification/integration of control principles and rules of conduct.

In order to ensure that changes to the Organizational Model are made with due timeliness and effectiveness, the directors have the authority to make any changes and/or additions to this document, of an exclusively formal nature, that means leaving the substantive content of the Model unchanged. The Board of Directors and the Company's Supervisory Board must be promptly informed of any such amendments and/or additions.

## 5. THE ELEMENTS OF THE PREVENTIVE INTERNAL CONTROL SYSTEM

The Model prepared by ST Powder Coatings is based on and integrated with a structured and organic internal control system consisting of protocols and rules, tools for defining responsibilities, and mechanisms and tools for monitoring business processes, which pre-existed the issuance of the Model.

The control principles that inspire the architecture of ST Powder Coatings' internal control system, with specific reference to the Sensitive Activities outlined in the Model and consistent with the provisions contained in the Confindustria Guidelines, are described below:

- **clear identification of roles, duties and responsibilities** of individuals involved in carrying out company activities (internal or external to the legal entity);
- **separation of duties** between those who operationally perform an activity, those who control it, those who authorize it, and those who record it (where applicable);
- **verifiability and documentability of ex-post operations:** the relevant activities carried out (especially within the scope of Sensitive Activities) must find adequate formalization, with specific reference to the documentation prepared during their implementation. The documentation produced, and/or available on paper or electronic support, must be filed in an orderly and systematic manner by and under the responsibility of the functions/subjects involved, also in compliance with the dictates and appointments provided for under the so-called GDPR (EU Reg. No. 679/2016);
- **identification of preventive controls and ex-post, manual and automatic verifications:** manual and/or automatic controls must be provided in order to prevent the commission of the Predicate Offences or to detect *ex-post* irregularities not in line with the purposes of this Model. These controls are more frequent, articulated and sophisticated within those Sensitive Activities characterized by a profile of higher risk of commission of crimes.

The elements of the preventive control system that must be implemented at the corporate level to ensure the effectiveness of the Model are as follows:

- a system of ethical principles aimed at the prevention of crimes provided by the Decree;
- an organizational system that is sufficiently formalized and clear;
- a system of authorization and signature powers consistent with defined organizational and managerial responsibilities;
- a management control system capable of providing timely warning of the existence and occurrence of critical situations;
- a staff communication and training system covering the elements of the Model;
- an adequate disciplinary and sanctions system, which aim is to punish the violation of the Model's rules;
- a system of operating procedures, either manual or computerized, designed to regulate activities in risk areas of the Company, with appropriate control points;
- an information and IT applications system for carrying out operational or control activities within or in support of Sensitive Activities.

Without prejudice to the provisions, outlined in this paragraph, that have common elements to all the offenses deemed relevant, please refer to each Special Section for the protocols containing specific elements for each Sensitive Activity.

## 5.1 System of ethical principles

The Company considers it essential that Addressees comply with ethical principles and general rules of conduct in the performance of their activities and in the management of relations with corporate bodies, employees and third parties, Agents, Suppliers, Contractors, Consultants, Partners and with the Public Administration, including the principles for the resolution of any situations of conflict of interest.

These ethical principles and general rules of conduct are formulated in the **Code of Ethics (ANNEX C)**.

## 5.2 Organizational system

The Company's organizational system is defined through the elaboration of the corporate organizational chart and a system of delegations, powers and organizational provisions (job description, internal organizational directives), which provide a clear definition of the functions and responsibilities assigned to each local organizational unit.

## 5.3 Authorization system

The authorization and decision-making systems are reflected in the Company's articulated and consistent system of delegation of functions and powers of attorney, based on the following provisions:

- delegations/powers of attorney must combine each management power with its corresponding responsibility and appropriate position in the organizational chart and be updated as a result of organizational changes;
- each delegation/proxy must specifically and unambiguously define and describe the delegate's management powers and the person to whom the delegate reports from a hierarchical/functional point of view;
- management powers assigned with delegations/proxies and their implementation must be consistent with corporate aims;
- the person granted the mandate must have adequate powers of expenditure for the duties assigned to him/her.

## 5.4 Management and cash flow control system

The management control system adopted by ST Powder Coatings is divided into the following different stages: annual budgeting, analysis of periodic financial statements and forecasting at the Company level.

The system ensures the ability to provide timely reporting of the existence and occurrence of critical situations through an adequate and timely information flow and *reporting* system.

Financial resources are managed based on a system of powers and responsibilities that ensures an adequate level of control. Finally, liquidity management is guided by criteria of asset preservation, with the related prohibition of carrying out risky financial transactions.

## 5.5 Information and training program

With specific reference to the activities carried out within the scope of Sensitive Activities, an adequate program of periodic and systematic information and training is provided and guaranteed to both corporate officers and third parties involved in Sensitive Activities.

These activities integrate and complete the information and training program on the specific subject of the activities implemented by the Company in terms of compliance with Legislative Decree No. 231/2001 provided for and specifically regulated in the designated chapters of the General Section of the Model.

## **5.6 Disciplinary and sanctions system**

The existence of a system of sanctions applicable in the event of non-compliance with the company's rules of conduct and, specifically, with the provisions and internal procedures set forth in the Model is essential to ensure the effectiveness of the Model itself. With regard to this matter, please refer to what is fully described below, Chapter 8 of this document.

## **5.7 System of Operating Procedures**

Article 6(2)(b) of the Decree explicitly states that the Model must "*provide for specific protocols aimed at planning the making and implementation of the entity's decisions in relation to the crimes to be prevented.*"

To this end, the *Control & Risk Self-Assessment* documentation (**ANNEX A**) shows, for each Sensitive Activity, the applicable company *policies* and procedures, considering, among other aspects, the particular organizational structure of the Company.

In particular, these documents set out in greater detail the activities covered by the Sensitive Activities and thus guide and guarantee the actual implementation of the principles of conduct and control established in this Model.

These *policies* and procedures applicable to the Sensitive Activities integrate and complete the principles and rules of conduct, as well as the elements of the organization, management and control system described or referred to in this Model and are, therefore, to be considered an integral part of the organizational protocols defined in the Model itself, useful for the purpose of preventing the commission of the offenses referred to in the Decree.



## 6. SUPERVISORY BOARD

### 6.1 Identification of the Supervisory Board's requirements

In order to fulfill the duties established by the Decree, the Body must meet the following requirements:

- **autonomy and independence:** as also specified by the Confindustria Guidelines, the position of the Body within the legal entity "*must guarantee the autonomy of the control action from any form of interference or conditioning by member of the Legal Entity and, in particular, the Governing body*". The Supervisory Board in carrying out its activities and duties is not subject to the hierarchical and/or disciplinary power of any corporate body or function. Moreover, in order to ensure the necessary autonomy of action and independence, "*the Supervisory Board (SB) shall not be assigned operational tasks that, by making it a participant in decisions of the entity's activity, could affect the objectivity of judgment at the time of audits*" (Court of Rome, April 4, 2003, referred to by Confindustria Guidelines);
- **professionalism:** this requirement refers to the specialized technical skills that the Body must have in order to effectively carry out its activities. In particular, the members of the Body must have specific knowledge of inspection, consultancy and analysis of control systems and expertise in the legal field (particularly in the criminal sector), as clearly specified in the Confindustria Guidelines;
- **continuity of action:** in order to ensure the effective implementation of the Organizational Model, it is necessary to have a designated structure, concerning supervisory activities, which has no operational task that could lead it to make decisions with economic-financial effects.

Therefore, the Supervisory Board must:

- be independent and in a third-party position with respect to those subject to its supervision;
- be placed at the highest possible hierarchical position;
- be endowed with autonomous powers of initiative and control;
- be endowed with financial autonomy;
- do not have operational tasks within the organizational structure of the Company;
- ensure continuity of action;
- fulfill certain requirements of professionalism;
- establish a systematic channel of communication with the Board of Directors as a whole.

### 6.2 Identifying the SB

Based on the provisions contained in the Confindustria Guidelines, the Board of Directors of ST Powder Coatings, with a resolution dated 27.03.2021, renewed the appointments of the members of the Supervisory Board, in collegial composition, assigning the Supervisory Board the task of supervising the enforcement of, and compliance with the Model and, with a resolution of 03.03.2022, subsequently appointed a new member of the Body itself, replacing a previous internal member who had resigned.

Each member of the SB possesses the professional skills, knowledge and expertise, being endowed with suitable inspection and advisory skills, as well as the requisites of honorability essential to the performance of the tasks assigned to them.

In the light of the considerations on the type and peculiarities of the Company, it is believed that the optimal composition of the SB is a collegial form, so as to ensure completeness of professionalism and experience, as well as continuity of action.

Any change in the composition of the SB or assignment of the role of SB to individuals other than those identified herein or any change in the tasks assigned to the SB must be approved by the Governing Body.

In order to fully comply with the dictates of the Decree, the SB, as identified above, reports directly to the executive management of the Company (Board of Directors) and is not connected to the operational structures by any hierarchical ties, so as to ensure its full autonomy and independence in the performance of the duties.

The activities carried out by the SB cannot be reviewed by any other company body or structure, it being understood that the Governing Body is in any case called upon to carry out a supervisory activity on the adequacy of its intervention, as it is ultimately responsible for the implementation and effectiveness of the Model.

As a further guarantee of independence, and in accordance with the provisions of the Confindustria Guidelines, in the context of the procedures for the drawing up of the corporate *budget*, the Governing Body must approve an allocation of financial resources, proposed by the SB itself, which the SB may use for any necessary needs in order to properly perform its duties (e.g., specialized consulting, travel, etc.).

In accordance with the above, the Board of Directors of ST Powder Coatings, with resolution dated 27.03.2021, resolved to allocate an expense budget of 10,000.00 euros annually to the SB.

### **6.3 Procedure for appointing the SB and term of office**

The SB is appointed by the Board of Directors with a decision made by a majority of its members.

The appointment of the member of the SB is formalized with the declaration of acceptance by the member, issued at the same time as the declaration referred to in paragraph 6.4 below, by which the member certifies, under his or her own responsibility, that there are no causes of ineligibility and incompatibility.

The Board of Directors shall, prior to each new appointment, verify the existence of the requirements expressly required by the Decree for the member of the SB, as well as the other requirements mentioned in this chapter.

The Board of Directors shall, prior to each new appointment, verify the existence of the requirements expressly required by the Decree for the member of the SB, as well as the other requirements mentioned in this chapter.

The Board of Directors periodically evaluates the adequacy of the SB in terms of its organizational structure and powers granted.

The term of the appointment will be the same as that of the Board of Directors of the Company or a different term stipulated in the resolution of appointment.

The member of the SB may resign from the position and, on the other hand, be re-elected when the term expires.

#### **6.4 Eligibility requirements, causes of ineligibility, incompatibility, grounds and powers of removal**

The appointment as a member of the Supervisory Board is subject to the subjective requirements of honorability, integrity, respectability and professionalism, as well as to the absence of the following causes of ineligibility and incompatibility with the appointment itself:

- existence of relationships of family, marriage or kinship within the fourth degree with members of the Board of Directors, with Senior Executives in general, with statutory auditors of the Company and with auditors appointed by the auditing company or existence of other situations of conflict of interest with the Company, even potential ones, as provided for in the Code of Ethics, as such to compromise the independence required by the role and duties of the Supervisory Board;
- provision of surety or other guarantee in favor of one of the directors (or their spouse), or having with the latter any relationship - unrelated to the office conferred - of credit or debit;
- owning, directly or indirectly, shareholdings of such an extent as to be able to exert significant influence over the Company;
- performance of administrative functions - in the three fiscal years prior to appointment as a member of the SB - of companies subject to bankruptcy, compulsory liquidation or other insolvency procedures;
- public employment relationship with central or local government during the three years preceding the appointment as a member of the SB or the establishment of a consulting/collaboration relationship with the same body;
- existence of a conviction, even if not final, or a judgment of application of the penalty on request (so-called plea bargaining), in Italy or abroad, for the offences referred to in the Decree;
- existence of a conviction, which may or may not be final, to a penalty which entails disqualification, including temporary disqualification, from public office, or temporary disqualification from the executive offices of legal entities and companies;
- existence of a conviction, with final ruling, or judgment of application of the penalty on request (the so-called plea bargaining) in Italy or abroad, for offences other than those referred to in the Decree, involving professional morality;

When accepting the appointment, a member of the SB shall provide the Company a special declaration in which he or she certifies, under his or her own responsibility, that there are no such causes of ineligibility and incompatibility.

The rules described above also apply in the event of the appointment of a member of the SB to replace a previously appointed member.

If during the term of office, the member of the SB ceases to serve (e.g., due to resignation or revocation), the Company's Board of Directors shall appoint the replacement(s).

Removal from the position of member of the Supervisory Board and the assignment of that position to another person may take place only for just cause, including those causes related to organizational restructuring of the Company, by means of a special resolution of the Board of Directors passed unanimously.

In this regard, "just cause" for revocation of the powers associated with the office of the member of the Supervisory Board may mean, by way of example:

- the loss of the subjective requirements of honorability, integrity, respectability and professionalism existing at the time of appointment;
- the occurrence of a reason of incompatibility;
- gross negligence in the performance of the duties associated with the position, such as (but not limited to): failure to prepare the semi-annual information report or annual summary report on the activities carried out to the Board of Directors; failure to prepare the activity plan;
- the "omitted or insufficient supervision" by the Supervisory Board, according to the provisions of Article 6, paragraph 1(d) of the Decree;
- the assignment of operational functions and responsibilities within the corporate organization that are incompatible with the requirements of "autonomy and independence" and "continuity of action" proper to the Supervisory Board;
- the false statement about the non-existence of the reasons for incompatibility described above.

In cases of seriousness, the Board of Directors may order the suspension of the powers of the SB and the appointment of an *interim* Body before providing for the removal of the SB.

## 6.5 Duties of the SB

The SB is completely independent in the performance of its duties and its decisions are unquestionable. In particular, the SB must:

- supervise compliance with the Model by the Addressees;
- supervise the effectiveness and adequacy of the Model in relation to the corporate structure and the actual ability to prevent the commission of the Predicate Offenses;
- propose and recommend the updating of the Model where there is a need to adapt the Model in relation to changed business, regulatory or external context conditions and, in cooperation with management functions (including through special meetings), evaluate the adequacy and updating needs of the Model.

The SB must also operate:

- *ex-ante* (by training and informing the staff, for example);
- continuously (through monitoring, supervising, reviewing and updating activities);
- *ex-post* (by analyzing causes and circumstances that led to the violation of the provisions of the Model or the commission of the offense).

For the effective performance of the aforementioned duties, the SB is entrusted with the following duties and powers:

- periodically verifying the mapping of risk areas in order to ensure that it is adapted to changes in business and/or corporate structure;
- collecting, processing, and storing relevant information regarding the Model;
- periodically verifying the actual application of corporate control procedures in the areas of activity at risk and their effectiveness;

- verifying the adoption of actions to solve critical issues in terms of internal control systems detected during *Control & Risk Self-Assessment* activities;
- conducting periodic audits on specific operations or acts carried out within the scope of Sensitive Activities;
- conducting internal investigations and carrying out inspection activities to ascertain alleged violations of the requirements of the Model;
- monitoring the adequacy of the disciplinary and sanctions system provided for cases of violation of the rules defined by the Model;
- coordinating with other company roles, as well as with other control bodies, including by means of special meetings, for the better monitoring of activities in relation to the procedures established by the Model, or for the identification of new areas at risk, as well as, in general, for the evaluation of the various aspects pertaining to the implementation of the Model;
- coordinating and cooperating with the individuals who are responsible for the protection of workers' health and safety, as well as for environmental management, in order to ensure that the control system pursuant to the Decree is integrated with the control system set up in accordance with special regulations for safety in the workplace, as well as for environmental protection;
- promoting initiatives for the dissemination of knowledge (also with specific reference to the organization of training courses) and understanding of the principles of the Model and ensuring the preparation of internal organizational documentation, which is necessary for its operation, containing instructions, clarifications or updates;
- conducting periodic reviews of the content and quality of training programs;
- proposing to the Governing Body the assessment criteria for identifying information on Sensitive Activities (see paragraph 6.6).

To this end, the SB will have the power to:

- issue provisions aimed at regulating the activity of the SB itself;
- access any and all company documents relevant to the performance of duties assigned to the SB under the Decree;
- issue directives to the various corporate structures, including executive management, in order to obtain the information deemed necessary for the performance of their duties, in order to ensure the timely detection of any violations;
- conduct periodic audits based on the basis of its own plan of activities or even not planned audits, but, nevertheless, deemed necessary for the performance of its duties;
- ascertain deficiencies or alleged violations of the requirements of this Model.

In carrying out of its activities, the SB shall, in any case, have the right to call upon the support of External Collaborators, who can be individuals belonging to any corporate function of the Company that from time to time it may be useful to involve for the pursuit of the specified purposes and/or Third Party Consultants for the performance of verifications and audits.

The Supervisory Board's External Collaborators, at the Supervisory Board's instructions, may, even individually, carry out the monitoring activities deemed appropriate for the operation of and compliance with the Model.

Individuals belonging to a corporate function, in the performance of the assignment given to them as Co-workers of the SB, are exempted from the performance of their corporate operational functions and report, hierarchically and functionally, exclusively to the SB.

The Supervisory Board will adopt its own Regulations to ensure its organization and outlines its operational aspects such as, for example, the periodicity of inspection actions, the procedures for passing resolutions, the procedures for convening and taking minutes of its meetings, the resolution of conflicts of interest and the procedures for amending/revising the Regulations themselves.

Moreover, the SB prepares and takes care of updating a "Plan of Activities" that it intends to carry out in order to fulfill its assigned tasks, to be transmitted to the Governing Body.

## 6.6 Obligations to provide information to the Supervisory Board

In order to enable the SB to carry out, properly and constantly, its supervisory duties, the SB itself is the recipient of information flows coming from those required to comply with the Company's Model, consisting of:

- information that is useful and necessary for carrying out the supervisory tasks entrusted to the SB itself (hereinafter classified as **General Information** and **Information on Sensitive Activities**);
- reports of alleged or actual violations of the Model (hereinafter **Reports**).

Therefore, towards the Supervisory Board, information flows consisting of communications and/or documents, both of a general and specific nature, that are envisaged for the functions of the Company and for each area at risk of the Offence. Depending on the type and relevance of the information contained in the Model, there are different timelines, event-based and/or periodic, with different deadlines.

In addition, the SB must be allowed access to any kind of information that may be useful for carrying out its activities. Conversely, the SB is required to keep secret all information acquired.

In particular, the following specific information and/or documents concerning, but not limited to, the following are subject to disclosure to the Supervisory Board by the heads of each corporate area concerned:

- the critical issues, anomalies or irregularities found by the company functions when implementing the Model;
- measures and/or information from the judicial police, or any other authority, which indicate that investigations are being carried out, even against unknown individuals, for the Predicate Offenses;
- internal and external communications regarding any case that can be connected with hypotheses of offenses under the Decree (e.g., disciplinary measures initiated/implemented);
- requests for legal assistance made by employees in the event of the initiation of legal proceedings for the Predicate Offenses;
- commissions of inquiry or internal reports from which responsibility for the offenses under the Decree emerges;
- news relating to disciplinary proceedings carried out with reference to violations of the Model and any sanctions imposed or decision to dismiss such proceedings and the reasons for doing so;
- news about changes in organizational structure;
- updates to the system of delegations and powers of attorney (including the system of powers and proxies in relation to occupational health and safety);
- copies of the minutes of the Board of Directors;

- news on organizational changes in key roles concerning occupational safety and health (e.g., changes regarding roles, duties and individuals who are delegated to ensure the workers' protection) and environmental issues;
- changes to the occupational safety and health and environmental regulatory system;
- any communications from the external auditor and the Board of Statutory Auditors concerning matters that may highlight deficiencies in the system of internal controls, reprehensible facts, and observations on the Company's financial statements.

Such information on Sensitive Activities must be provided to the SB by the heads of company functions according to their area of responsibility. These individuals have been qualified as *Process Owners* based on the *Control & Risk Assessment* activity conducted.

In particular, the information contents regarding Sensitive Activities, as well as, in general, the discipline of information flows to the SB, in terms of frequency, transmission methods and responsibilities for the transmission of information flows, will be regulated in detail in a special Procedure Information Flows Towards the SB.

The Supervisory Board may, at its discretion, take action with controls, audits and inspections, including spot checks, on its own initiative or following a report, avoiding as far as possible to interfere with the company's decision-making processes, but intervening promptly with the tools at its disposal to prevent and, where appropriate, repress, any behavior that is in conflict with company rules.

## 6.7 Reporting misconduct to the SB (so-called whistleblowing)<sup>2</sup>

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<sup>2</sup> We refer to the dictates of **Law No. 179 of November 30, 2017**, the novelties of the so-called "**whistleblowing**," which, with the introduction of paragraph 2-bis to Article 6 of Legislative Decree No. 231/2001, established that Models 231 must provide for one or more channels that allow senior and subordinate individuals to submit – in order to protect the legal entity 's integrity - circumstantiated reports of unlawful conduct, relevant under Legislative Decree No. 231/2001 and based on precise and concordant factual elements, or of violations of the 231 Model itself, of which they have become aware by reason of the functions they perform, as well as at least one alternative reporting channel suitable for ensuring, by electronic means, the confidentiality of the whistleblower's identity. Provision is also made for the prohibition of retaliatory or discriminatory acts against the whistleblower, for reasons related to the report; in the disciplinary system, sanctions will be provided for those who violate the whistleblower protection measures, as well as with malice or gross negligence make reports that turn out to be unfounded. In particular, outlining the aforementioned regulatory text currently in force, the aforementioned **paragraph 2-bis** requires organizational models to provide: "a) one or more channels that allow the individuals indicated in Article 5, paragraph 1, letters a) and b), to submit, in order to protect the integrity of the legal entity, circumstantiated reports of unlawful conduct, relevant under this decree and based on precise and concordant elements of fact, or violations of the organization and management model of the entity, of which they have become aware by reason of the functions performed; these channels guarantee the confidentiality of the identity of the reporter in the activities of handling the report; b) at least one alternative reporting channel suitable for ensuring, by electronic means, the confidentiality of the identity of the reporter; c) the prohibition of retaliatory or discriminatory acts, direct or indirect, against the reporter for reasons directly or indirectly related to the report; d) in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against those who violate the measures to protect the reporter, as well as those who make reports that prove to be unfounded with malice or gross negligence." In addition, pursuant to **paragraph 2-ter**, "The adoption of discriminatory measures against individuals who make the reports referred to in paragraph 2-bis may be reported to the National Labor Inspectorate, for measures within its competence, not only by the reporter, but also by the labor organization indicated by the reporter." Finally, **paragraph 2-quater** provides that "Retaliatory or discriminatory dismissal of the reporting person is null and void. Change of duties pursuant to Article 2103 of the Civil Code, as well as any other retaliatory or

In order to protect the company's integrity, Senior Executives and/or Subordinates shall transmit to the Supervisory Board:

- circumstantiated reports of illegal conduct relevant under Legislative Decree No. 231/2001 based on precise and concordant factual elements;
- violations of the Model and Code of Ethics of which they have become aware by reason of their duties.

Reports must be made in good faith to protect the integrity of the Company and must be based on precise and concordant facts of which the reporter has become aware by reason of the duties performed. Reports must not be aimed at exposing situations of an exclusively personal nature or have emulative purposes.

In fact, reports for acts or facts other than those relevant under the Decree or the Model are not the responsibility of the Supervisory Board.

Confidentiality of the reporter's identity is ensured while handling the report.

Anonymous reports will be considered only if they are adequately substantiated and based on precise and concordant factual elements, that is where they are able to bring out facts and situations by relating them to specific contexts.

Direct or indirect acts of retaliation or discrimination against the whistleblower for reasons directly or indirectly related to the report are prohibited, and violation of this prohibition constitutes a disciplinary offence that results in the application of the sanctions provided for in paragraph 8 below.

Similarly, reports made with malice or gross negligence, for the sole purpose of harming the reporter, other individuals within or outside the company or the Company itself, which prove to be unfounded, are prohibited and represent a source of liability for the reporter in disciplinary actions, or in other relevant venues.

The SB will be required to make the most appropriate checks to ascertain the truthfulness and substantiation of the facts reported. If it deems appropriate, it may acquire information from the reporter and the alleged perpetrator of the reported violation. The SB may also listen to or contact other relevant corporate subjects or any third parties in order to handle the report, without revealing the identity of the reporter or by revealing the identity of the reporter upon the assumption of a commitment to confidentiality by the third party involved.

Actions aimed to verify the matter of the circumstances represented in the reports will be taken in accordance with the principles of impartiality and confidentiality, carrying out any activity deemed appropriate.

## **6.8 Reporting to the Supervisory Board**

General Information and information on Sensitive Activities envisaged by the information flows as well as circumstantiated Reports of illicit conduct relevant under the Decree based on precise and concordant elements of fact or violations of the Model of which the recipients of the Model have

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discriminatory measures taken against the reporting person, are also null and void. It is the employer's burden, in the event of disputes related to the imposition of disciplinary sanctions, or to demotions, dismissals, transfers, or subjecting the reporter to other organizational measures having direct or indirect negative effects on working conditions, subsequent to the submission of the report, to prove that such measures are based on reasons unrelated to the report itself."



become aware by reason of the functions performed must be formulated in writing and forwarded to the SB:

- to the designated e-mail box at e-mail: [odv@stpowdercoatings.com](mailto:odv@stpowdercoatings.com), or
- to the regular mail address: Supervisory Board c/o ST Powder Coatings S.p.A., Montecchio Maggiore (VI), 36075, via Emilio Segrè, 46.

In accordance with the current Article 6 of Legislative Decree No. 231/2001 and in view of the foreseeable future transposition of Directive (EU) 2019/1937 concerning the protection of individuals who report violations of Union law, the Company will also implement a system for reporting unlawful conduct (so-called whistleblowing) based on an IT platform with features that offer greater guarantees in terms of protecting the confidentiality or, as appropriate, the anonymity of the reporting person.

As soon as the process of implementation of the aforementioned system of reporting unlawful conduct is completed, the Addressees of the Model will be made aware of its full entry into operation in the appropriate forms by means of publication of a special procedure for the management of reports, which will give evidence of the operating procedures relating to reporting and the processing of personal data that may result from it. In this regard, specific training will be carried out.

The SB will evaluate the Reports received with discretion and responsibility, providing for investigation also by hearing the author of the Report and/or the person responsible for the alleged violation, giving reasons in writing for any independent decision not to proceed and in any case notifying the Board of Directors as part of the *reporting* process (on this point, please consider the following paragraph 6.9).

## **6.9 Reporting of the SB to the Board of Directors**

The SB reports on the implementation of the Model and any critical issues directly to the Company's Board of Directors.

The SB, towards the Board of Directors, is responsible for:

- communicate, at the beginning of each fiscal year, the Plan of Activities, which it intends to carry out to fulfill its assigned tasks;
- periodically inform, and at least semi-annually, on the progress status of the Sensitive Activities Plan, and any changes made to it, justifying them;
- promptly report any violations of the Model or illegitimate and/or illegal conduct, which the SB has ascertained or otherwise deems to be well-founded, of which it has become aware through Reporting by the Addressees;
- write, at least once a year, a report summarizing the activities carried out in the previous twelve months and their results, critical elements and violations of the Model, as well as proposals regarding the necessary updates to the Model to be put in place. This report should also be shared with the Board of Auditors.

The Board of Directors has the power to convene the SB at any time, which, in turn, has the power to request, through the relevant functions or individuals, the convening of the aforementioned body for urgent and particularly serious reasons.

In addition, the SB may communicate the results of its investigations to the heads of the Sensitive Activities if the checks carried out reveal deficiencies, conduct or actions that are not in line with the Model. In such a case, it will be necessary for the SB to obtain, from the heads of the Sensitive Activities, a plan of actions to be taken, with a corresponding timeline, in order to prevent the recurrence of such circumstances.

The SB must inform the Board of Directors immediately if the violation concerns the executive management of the Company.

#### **6.10 Retention of information**

All information, reports and other documents received by the SB are retained by the Organism itself in a dedicated archive managed by the SB in accordance with the provisions of the GDPR and with the organizational provisions adopted by the Company in this regard.

Access to the Archives is allowed exclusively to members of the SB.

## **7. DISSEMINATION OF THE MODEL**

For the purposes of the effectiveness of the Model, it is of primary importance that the rules of conduct contained therein be fully understood by each Addressee, with different degrees of depth depending on the different degree of their involvement in Sensitive Activities.

### **7.1 Initial communication**

In order to ensure effective knowledge and application of the Model, its adoption is formally communicated to the different categories of Addressees, and, where appropriate, through publication on the company website.

In particular, all possible new hires will be required to sign a declaration that they have read the Model and the Code of Ethics, in the latest updated version, and that they are committed to comply with its provisions and prescriptions. A facsimile of the declaration to be signed by each employee is attached to this Model (**ANNEX E**).

On the other hand, with regard to third parties involved in the Company's Sensitive Activities (such as Consultants/Suppliers/Contractors/Partners/Collaborators of the Company), the letter of appointment or the contract entailing the establishment of the collaboration with them must explicitly contain a clause (the so-called. "Clause 231") aimed at providing for the counterparty's declaration to refrain from engaging in conduct that may constitute a crime covered by the Decree, the counterparty's commitment to be aware of the measures established by the legal entity, as well as the Company's power to punish the lack of compliance with the requirements indicated in the Model and/or the Code of Ethics (e.g., express termination clauses, penalty clauses, warnings to comply). If an appointment letter or contract has already been signed and it does not contain the above clause, it will be necessary to sign an addendum to the contract.

A facsimile of the clause and a facsimile of the mentioned addendum are attached to this Model (**ANNEX D**).

In case of significant revisions and/or updates to the Model, the Company shall duly inform the Addressees.

The Model is also made available according to the methods and tools that the Board of Directors deems appropriate to adopt, such as, by way of example, its dissemination on the Company's website, including excerpts of it, on the company intranet or making a hard copy of the Model available at the Company's headquarters.

### **7.2 Training activities**

Training activities on 231 shall provide at least information regarding: the regulatory framework (Legislative Decree No. 231/2001 and Confindustria Guidelines); the Model adopted by the Company; cases of corporate application of the regulations; and the safeguards and protocols introduced following the adoption of the Model itself.

ST Powder Coatings organize specific training/information programs for corporate subjects according to the position held, the powers and delegations of authority granted, and the risk level of the business area in which those subjects work.

The SB evaluates the effectiveness, in terms of planning, content, updating, timing, mode and identification of participants, of training sessions.

Participation in the above training activities by the identified individuals is mandatory: consequently, failure to participate will be sanctioned in accordance with the disciplinary and sanction system contained in the Model.

The company should keep timely records of the trainings and ensure their preservation.

Finally, training planning should include periodic update sessions.

## **8. DISCIPLINARY AND SANCTIONS SYSTEM**

The Decree provides that a "*disciplinary system suitable for sanctioning non-compliance with the measures indicated in the model*" shall be set up, for both Senior Executives and Subordinates.

The existence of a system of sanctions applicable in the event of failure to comply with the rules of conduct, provisions and internal procedures set forth in the Model is essential to ensure the effectiveness of the Model itself.

The application of the sanctions considered must remain completely independent of the developing and outcome of any criminal or administrative proceedings initiated by the Judicial or Administrative Authority, in the event that the conduct to be reprimanded is also worth integrating a criminal offence relevant under the Decree or a criminal or administrative offence relevant under occupational health and safety regulations. In fact, the rules laid down by the Model are assumed by the Company in full autonomy, regardless of the fact that any conduct may constitute a criminal or administrative offence and that the Judicial or Administrative Authority intends to pursue such an offence.

The disciplinary and sanctions system is published in a place and/or manner, including in a digital form if appropriate, accessible to all Employees and in any case communicated to all Addressees. The verification of the adequacy of the disciplinary and sanctions system, the constant monitoring of any procedure for the enforcement of sanctions against employees, as well as actions against external parties are entrusted to the Supervisory Board, which also reports violations of which it becomes aware in the performance of its duties.

Except for the provisions included in paragraph 6.4 ("Eligibility requirements, causes of ineligibility, incompatibility, grounds and powers of removal"), the outlined disciplinary and sanctions system may also be applied to the members of the Supervisory Board, with respect to the duties assigned to them by the Model (on this point see paragraph 8.4 below).

### **8.1 Violations of the Model**

The following conducts constitute violations of the Model:

1. conduct that constitute one of the offences covered by the Decree;
2. conduct that, although not constituting one of the offenses covered by the Decree, is uniquely directed towards their commission;
3. conduct that does not comply with Code of Ethics and the procedures referred to in the Model;
4. conduct in violation of the preventive control tools set forth in Chapter 4 of this General Section;
5. adoption, while performing sensitive activities, of behaviors that do not comply with the provisions of the Model, as explained in the following chapters of the special sections, and that expose the Company to a situation of objective risk of commission of offenses and, in particular, of one or more of the Predicate Offenses covered by the Decree;
6. uncooperative conduct towards the SB, consisting of, but not limited to, refusal to provide the requested information or documentation, failure to comply with the general and specific directives of the SB in order to obtain the information deemed necessary for the performance of its duties, failure to participate, without any justifying reason, in scheduled inspection visits, failure to attend training sessions;

7. failure to comply with measures aimed to protect the individual who reports illegal conduct or violations of the Model;
8. violation of the whistleblower's rights to confidentiality, as well as the adoption of any act of retaliation, discrimination or penalization, whether direct or indirect, related, directly or indirectly, to the report;
9. reports that turn out to be unfounded, if made with malicious intent or gross negligence (which means reports made with malicious intent, in bad faith, or containing false information when the reporter knows them to be false);
10. violation of applicable regulations and laws regarding confidentiality and data protection of individuals who may be subject to or affected by reports.

## 8.2 Measures with regards to employees

The violation of the individual rules of conduct set forth in the Model and the Code of Ethics by non-executive employees constitutes a disciplinary offence in accordance with the CCNL for Chemical Industry.

Any type of violation of the rules of conduct set out in the Model authorizes the SB to request the relevant corporate area of ST Powder Coatings to initiate the disciplinary procedure and the possible application of one of the sanctions listed below, determined on the basis of the seriousness of the violation committed, in light of the conduct indicated in paragraph 8.1 and in the subsequent special sections of the Model, the criteria used for internal calibration of sanctions set out below, as well as of the conduct before (e.g. any previous violations committed) and after the fact (e.g. communication to the SB of the irregularity) of the perpetrator of the violation.

The disciplinary measures that can be imposed on these workers - in compliance with the procedures set forth in Article 7 of Law No. 300 of May 30, 1970 (Workers' Statute of Rights) and any special applicable regulations, as well as the CCNL - are those laid down in the following system of sanctions:

- a) verbal warning;
- b) written admonition;
- c) fine not exceeding four hours of salary;
- d) suspension from work without salary for up to eight days of work;
- e) dismissal for misconduct.

In any case, the relevant corporate subjects of ST Powder Coatings shall always keep the SB informed of any sanctions imposed and/or violations ascertained.

For the purpose of internal calibration of sanctions, the severity of violations will be taken into account and it will be evaluated on the basis of the following **criteria**:

- the existence and intensity of the intentional element;
- the existence and intensity of negligence, recklessness, malpractice implied in the conduct;
- the existence and intensity of recidivist behavior;
- the magnitude of the danger and/or consequences of the violation for the persons covered by the regulations on the protection of health and safety in the workplace, as well as for the Company;
- the predictability of consequences;
- the timing and way of committing the violation;
- the circumstances under which the violation was committed.

In particular, and subject to the provisions stated in the following period, with reference to violations of the Model committed by the employee it is provided that:

1. an employee shall be subject to a "written warning" if he committed repeated violations that resulted in verbal warnings in the previous six months and, depending on the severity of the violation, the employee who breaches the internal procedures established by the Model or adopts, while performing his activities in areas at risk, a conduct in violation of the provisions contained or mentioned in the Model;
2. an employee shall be subject to a fine, not exceeding four hours of pay, if he committed repeated violations as the ones listed in paragraph 1 in the preceding six months. However, a fine shall be imposed on the employee even in the case of first violation, if the latter is of a more serious nature, also considering the type of activities performed.
3. an employee shall be subject to the sanction of suspension from service and salary, not exceeding eight working days, if he committed repeated violations already punished with a fine in the previous six months. However, if the misconduct is of a more serious nature, also in relation to the duties performed, suspension may be inflicted even in the case of the first violation.  
The same measure is inflicted to the employee who violates the internal procedures established by the Model or adopts, while performing activities in areas at risk, a behavior that causes injury to morality, hygiene, discipline, unless these acts have to be punished with more serious sanction, considered the extent or severity of the consequences or the recidivism;
4. an employee shall be subject to the measure of disciplinary dismissal, without the right to notice, if he adopts a recidivist behavior in any of the failures that result in disciplinary suspension as described in point 3) of his list, committed in the preceding six months; furthermore, the same measure shall be imposed on the employee who adopts a behavior that is not compliant with the provisions of this Model and is unequivocally directed to the perpetration of one of the crimes covered by the Decree.

With reference to the risk of commission of offenses in violation of regulations on occupational health and safety provided for in Article 25-septies of the Decree, as well as in accordance to the provisions of Circular of Ministry of Labor No. 15816 of July 11, 2011 concerning the "Organization and management model pursuant to Article 30 of Legislative Decree No. 81/2008" the possible violations, ranked from most to least severe, are listed below:

1. an employee shall be subject to the measure of written warning if he does not comply with the Model, in the event that the violation leads a situation of possible danger to the physical integrity of one or more individuals, including the violator, and provided that one of the hypotheses described in the points 2, 3, 4 below is not integrated;
2. it is subject to the measure of a fine, not exceeding the amount of four hours' pay, the employee who does not comply with the Model, in the event that the violation results in a situation of possible danger to the physical integrity of one or more individuals, including the violator (with reference to a conduct of recidivism that has already determined the imposition of written warnings);
3. it is subject to the measure of suspension from service and pay, for up to eight days of work, the employee who does not comply with the Model, in the event that the violation causes a

serious injury to the physical integrity of one or more individuals, including the offender, and provided that one of the hypotheses described in point 4 below is not integrated;

4. it is subject to the measure of disciplinary dismissal without the right to notice, the employee who engages in recidivist behavior in any of the offenses that provide for suspension from the service and from pay up to three days, committed in the previous six months, as specified in point 3 above, as well as the employee who does not comply with the Model, in the event that the violation causes an injury, qualifiable as "very serious" ex art. 583, paragraph 2, Penal Code, to the physical integrity, including the offender, or the death of one or more individuals.

Where there is no express prohibition in the above-mentioned CCNL of reference, if the offense committed has a serious nature, the employee may be cautiously suspended from work with immediate effect, until the sanction is imposed, or until the communication of the decision not to proceed with the adoption of any sanction, without prejudice to the right to remuneration for the period in question.

Without prejudice to compliance with Article 7 of Law No. 300/1970 and the above-mentioned CCNL of reference, no disciplinary action may be taken without first notifying the employee of the charges and hearing the employee's defense.

In particular, by virtue of the provisions of the above-mentioned CCNL of reference, for disciplinary measures more serious than verbal warning (i.e., written warning, fine, suspension, dismissal for misconduct), the employee must be notified in writing, with specific reference to the facts constituting the infraction.

Disciplinary measures may be issued only after eight days from the dispute. During the above-mentioned period, the employee may present his or her justifications, including verbal explanations. If the measure is not issued within the eight days following the first eight days provided for the submission of justifications and, therefore, within sixteen days after the dispute, such justifications shall be deemed accepted.

Disciplinary measures must be issued within sixteen days of the dispute even if the employee does not submit any justification.

The application of the measure must be justified and notified in writing.

Disciplinary sanctions shall not be taken into account for any effect two years after their application.

For matters not expressly provided for in this Model, please refer to the applicable law and CCNL.

### **8.3 Violations of the Model by Executives and related measures**

Violations of individual rules set forth in this Model and the Code of Ethics committed by employees with an "executive" status constitute disciplinary offenses.

Any type of violation of the rules of conduct established by the Model authorizes the SB to request the Governing Body to activate the disciplinary procedure aimed at the imposition of one of the sanctions listed below, determined on the basis of the seriousness of the violation committed in light of the criteria set forth in paragraph 8.2 and the conduct before (for example, any previous violations committed within the two-year limit) and after the fact (for example, the communication to the SB of the irregularity).



The disciplinary measures that can be imposed on executives - in compliance with the procedures laid down in Article 7 of Law No. 300 of May 30, 1970 (Workers' Statute of Rights), any special applicable regulations and the applicable CCNL - are those provided by the following sanctioning system:

- a. written warning;
- b. fine
- c. suspension from service and pay;
- d. disciplinary dismissal.

In any case, the relevant company areas shall always keep the SB informed of any sanction imposed and/or violations ascertained.

In particular, with regard to the violations of the Model committed by executives, it is provided that:

- in the event of a non-serious violation of one or more procedural or conduct rules laid down in the Model, the executive shall be subject to a written warning or fine. The latter consists of a warning to comply with the Model, which is a necessary condition for maintaining a relationship of trust with the Company;
- in the event of a non-serious but repeated violation of one or more procedural or conduct rules laid down in the Model, the executive is subject to the measure of suspension from service and salary;
- in the event of a serious, or non-serious but repeated violation of one or more procedural or conduct rules provided for in the Model requiring the suspension from service and pay as described in the previous point, as well as when the violation of one or more procedural or conduct rules provided for in the Model is so serious as to irreparably compromise the relationship of trust, thus preventing the continuation, even on a temporary basis, of the employment relationship, the executive shall be subject to the measure of disciplinary dismissal without notice.

For the employees of the Company with the "executive" status, the following constitutes serious violation of the provisions of the Model:

- failure to comply with the obligation to direct or supervise subordinate workers on the proper and effective application of the Model itself;
- failure to comply with the obligation to manage and supervise other workers who, although not connected to the Company by a subordinate relationship (i.e., Consultants, outsourced workers, etc.) are nevertheless subject to the direction and supervision of the executive pursuant to Article 5, paragraph 1, letter b), of Legislative Decree No. 231/2001, regardless of the effective legal qualification of the contract or relationship with such workers.

In the event of serious offence, the executive shall be subject to the measure of suspension from work as a precautionary measure with immediate effect, until the sanction is imposed, or it is given notice of the decision not to proceed with the adoption of any sanction.

With regard to the matters not expressly considered by this Model, please refer to the applicable law and CCNL.

#### **8.4 Measures against members of the Governing Body, Statutory Auditors and members of the Supervisory Board**

In the event of a violation of the Model and the Code of Ethics by one or more members of the Company's Governing Body, the Supervisory Board shall inform the entire Board of Directors and the Statutory Auditors, who will take appropriate measures in line with the seriousness of the violation committed, in light of the criteria specified in paragraph 8.2 and in accordance with the powers provided by law and/or the Company Bylaws (statements in the minutes of the meetings, request to call or calling of the Meeting putting on agenda appropriate measures against the individuals held responsible for the violation, etc.).

The disciplinary measures that can be imposed on one or more members of the Company's Governing Body, subject to a resolution of the Board of Directors to be adopted with the abstention of the interested party, are those provided for by the following sanctioning system:

- a. written warning;
- b. temporary suspension from office;
- c. removal from office.

In particular, with reference to violations of the Model committed by one or more members of the Company's Governing Body, it is provided that:

- in the event of a non-serious breach of one or more rules of procedure or rules of conduct laid down in the Model, the member of the Governing Body shall be subject to a 'written warning' consisting of a warning to comply with the Model, which is a necessary condition for maintaining a relationship of trust with the Company;
- in case of serious violation of one or more rules of procedure or rules of conduct laid down in the Model, the member of the Governing Body shall be subject to the measure of temporary suspension from office;
- in the event of a serious violation of one or more rules of procedure or conduct laid down in the Model as to irreparably compromise the relationship of trust, the member of the Governing Body shall be removed from office.

In addition, for members of the Company's Governing Body, it also constitutes a punishable infringement of the Model the violation of their obligation to direct or supervise subordinates regarding the proper and effective application of the Model's requirements.

In case of violation of the Model by the entire Governing Body of the Company, the SB will inform the Shareholders or Auditors so that an appropriate action can be taken.

In case of violation of the Model by the Statutory Auditors, the SB will inform the Governing Body, which will take appropriate measures consistent with the seriousness of the violation and in accordance with the powers provided by law and/or the Company Bylaws (statements in the minutes of meetings, request for appropriate measures against the person responsible for the violation, etc.).

If the Governing Body is informed about violations of the Model by one or more members of the SB, the said Governing Body will, in collaboration with the Statutory Auditors, take the actions deemed most appropriate with the seriousness of the violation and in accordance with the powers provided for by law and/or the Bylaws.

In particular, if the violation is committed by a member of the SB who is also an employee of the Company, the sanctions set forth in Sections 8.2 and 8.3 will apply.

In any case, the Board of Directors and the Statutory Auditors shall always keep the SB informed about sanctions imposed and/or violations ascertained.

### **8.5 Measures against Agents, Consultants, Suppliers, Contractors, Partners, other third parties involved in Sensitive Activities**

Any violations of the Model and the Code of Ethics committed by Agents, Consultants, Suppliers, Contractors, Partners and other third parties involved in Sensitive Activities, such as representatives of other Group Companies, may result, in accordance with the provisions of the specific contractual clauses included in the letters of engagement or agreements with them, and based on the seriousness of the violation found:

1. the written warning to comply with the requirements of the Model and the Code of Ethics;
2. the application of a penalty;
3. the termination of the contractual relationship, without prejudice to any claim for compensation, if damage to ST Powder Coatings results from such a conduct, as in the case a Judge applies the measures provided for by the Decree.