ORGANIZATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE N° 231/2001

SUMMARY DOCUMENT

REGISTRERED OFFICE

Via Caprera n. 54, 31030 – Castello di Godego (TV)

VERSION #	Main updates
N°1	Model adoption
N°2	Adaptation for transposition of new predicate offense 231
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Annexes:

- **Matrix of the eligible offenses ex DLgs (30th September 2023).**

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TERMS AND DEFINITIONS

- **"CARON", "CARON TECHNOLOGY S.R.L.", "COMPANY"**: CARON TECHNOLOGY S.R.L. (P.IVA e CF 02436890269);
- **"CODE OF ETICHS":** Code of Ethics and Conduct adopted by CARON TECHNOLOGY S.R.L.
- "**231 Model**": the organization, management and control model adopted by CARON TECHNOLOGY S.R.L. pursuant to Italian Legislative Decree no. 231/2001 and including the Code of Ethics, the Whistleblowing Procedure and related implementation procedures;
- "**Confindustria Guidelines**": Guidelines for the construction of organization, management and control models pursuant to Legislative Decree no. 231/2001" drawn up by Confindustria on 7 March 2002, as updated from time to time;
- "**Legislative Decree 231**": Legislative Decree 8 June 2001 no. 231 and further amendments and supplements;
- "**CCNL**": National Collective Labor Agreement for personnel employed by CARON - "CCNL SME METALMECHANICALS";
- "**Disciplinary System**": sets out the penalties applicable in the event of violation of the 231 Model;
- "**Board of Directors**" or "**BoD**": CARON's Board of Directors;
- "**Model**": Organization, Management and Control Model adopted by CARON TECHNOLOGY S.R.L.;
- "**Supervisory Body**" or "**SB**": body appointed by the Board of Directors pursuant to Article 6(1)(b) of Legislative Decree no. 231/2001 with autonomous powers of initiative and control which has the task of supervising the functioning of, compliance with, the 231 Model and updating it;
- "**Stakeholder**": any person or organization that may influence, be influenced, or perceive itself as being influenced by a Company decision or activity (such as customers, suppliers, partners, collaborators in various capacities, as well as shareholders, and institutional investors);
- "**Senior Executives**": persons who hold positions of representation, administration or management of the entity or one of its organizational units with financial and functional autonomy and those who actually exercise the management and control of the entity pursuant to article 5(1) of Decree 231;
- "**231 Offences**": the offences set out by Decree 231;
- "**Risk analysis**": Specific analysis activities of the organization aimed at detecting the activities in the context of which crimes may be committed;
- "**Process**": Set of related or interacting activities that transform input elements into output elements;
- "**Protocol**": Specified method to carry out and activity or a process;

- "**Risk**": Probability of reaching the threshold of committing a predicate offence with administrative liability pursuant to LD no. 231/2001.

GENERAL SECTION

1. LEGISLATIVE DECREE NO. 231 OF 2001

Legislative Decree no. 231 of 8 June 20011, containing the "*Regulations governing the administrative liability of legal persons, companies and associations, including those without legal personality*" (hereinafter referred to as the "Decree" or "Legislative Decree no. 231/2001"), introduced into our legal system the liability for offences also for the entities.

This extension of liability is aimed at also involving the assets of entities in the punishment of certain criminal offences, and, therefore, the economic interests of shareholders who, until the entry into force of the law in question, were not affected by the perpetration of offences for the benefit of the company by directors and/or employees.

In fact, the principle of the personality of criminal liability meant that the shareholders were exempt from criminal liability, being simply required, where the conditions were met, to pay damages and civil liability under Articles 196 and 197 of the Italian Criminal Code in the event of insolvency of the perpetrator.

The regulatory innovation, therefore, has very important consequences; since the entry into force of the law, in fact, the legal entity and its shareholders can no longer be considered extraneous to crimes committed by directors and/or employees, and will therefore have every interest in implementing a control and monitoring system on the same, such as to exclude or limit the criminal liability of the company.

The Decree innovates the Italian legal system in that the entity may be called to answer, directly and independently, in the event of the commission or attempted commission of an offence by one or more qualified natural persons, where such offence is committed in the interest of the entity or to its advantage.

In particular, the offence must have been committed by certain individuals who have a functional relationship with the entity and, specifically, by those who are:

- **in a top position with respect to the structure of the body, i.e. at the top of it;**

  or
- **in the position of subordinates of such subjects.**

Since the objective of the regulation is not only to punish but also to prevent the commission of offences, the legislator has established in some cases a general exemption and in others a reduction of the penalty, in the event of the adoption of an appropriate prevention system by the company.

In particular, article 6 of the Decree provides for a specific form of exemption from liability if the company, in the case of an offence committed by a person in a top management position, proves that it has adopted and effectively implemented, before the offence was committed, organization and management models suitable for preventing offences of the type that has occurred.

Liability is excluded if the aforesaid conditions apply, as a whole, at the time the crime or offence is committed; however, the adoption and implementation of the "model" occurring after the crime or offence has been committed will also have positive effects with regard to the sanctions that can be imposed on the entity (Articles 12, subsection 3, 17, subsection 1, letter c), and 18, subsection 1, of the Decree).

For further details on the regulations referred to in the Decree, please refer to the Appendix to this document.

1.1 THE ADMINISTRATIVE LIABILITY OF ENTITIES PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

Crimes for which the company may be held liable pursuant to Legislative Decree no. 231/2001 - if committed in its interest or to its advantage by persons qualified pursuant to Art. 5, subsection 1 of the Decree itself - may be included, for the sake of clarity, in the following categories:

- **crimes against the public administration (referred to in articles. 24 and 25 of Legislative Decree 231/2001);**
- **computer crimes and unlawful data processing (referred to in art. 24-bis of Legislative Decree 231/2001);**
- **organised crime offences (referred to in art. 24-ter of Legislative Decree 231/2001);**
- **crimes of forgery of coins, public credit card, tax stamps and in instruments or signs of identification (referred to in art. 25-bis of Legislative Decree 231/2001);**
- **crimes against industry and trade (referred to in Article 25-bis.1 of Legislative Decree no. 231/2001;**
- **corporate offences (referred to in Article 25-ter of Legislative Decree no. 231/2001);**
- **crimes for the purposes of terrorism and subversion of the democratic order (referred to in Article 25-quater of Legislative Decree no. 231/2001);**
- **crime of female genital mutilation practices (referred to in Article 25-quater.1 of Legislative Decree no. 231/2001);**

- **crimes against the individual personality (referred to in Article 25-quinquies of Legislative Decree no. 231/2001);**
- **offences relating to market abuse (referred to in Article 25-sexies of Legislative Decree no. 231/2001);**
- **transnational crimes (referred to in Article 10 of Law no. 146 of 16 March 2006, "ratification and implementation of the United Nations Convention and Protocols against transnational organised crime, adopted by the General Assembly on 15 November 2000 and 31 May 2001")**
- **crimes committed in violation of the rules on the protection of health and safety at work (referred to in Article 25-septies of Legislative Decree no. 231/2001)**
- **crimes of receiving stolen goods, money laundering and the use of money, goods, or utilities of illegal origin, as well as self-laundering (referred to in Article 25-octies of Legislative Decree no. 231/2001)**
- **copyright infringement offences (referred to in Article 25-novies of Legislative Decree no. 231/2001)**
- **offences of inducing people not to make statements or to make false statements to the judicial authorities (referred to in Article 25-decies of Legislative Decree no. 231/2001)**
- **environmental offences (referred to in Article 25-undecies of Legislative Decree no. 231/2001)**
- **the crime of employment of third country nationals whose stay is irregular (referred to in Art. 25-duodecies of Legislative Decree no. 231/2001)**
- **the crime of racism and xenophobia (referred to in Art. 25- terdecies of Legislative Decree no. 231/2001)**
- **the crime of fraud in sports competitions, abusive gaming or betting and gambling exercised by means of prohibited equipment (referred to in Article 25-quaterdecies of Legislative Decree 231/2001)**
- **tax offences (referred to in Article 25- quinquesdecies of the Decree)**

On the basis of Article 187-quinquies of Legislative Decree no. 58/1998, the entity may also be held responsible for the payment of a pecuniary administrative sanction for violations of the prohibition referred to in Article 14 or the prohibition referred to in Article 15 of Regulation (EU) no. 596/2014 (i.e., the prohibition of insider dealing and illicit communication of inside information; prohibition of market manipulation), committed in its interest or to its advantage, by persons belonging to the categories of "top management" and "persons subject to the management or supervision of others". Moreover, the last subsection of the aforementioned Article 187-quinquies states that the provisions of Legislative Decree 231/2001, expressly

referred to therein, concerning, among other things, organization, management and control models with exempting effect, shall apply to the above-mentioned infringements43.

Finally, Article 39, subsection 2 of Legislative Decree no. 124 of 26 October 2019 introduced Article 25-*quinquesdecies* of Legislative Decree no. 231/2001, which is entitled "*Tax offences*". The provision states that "*In relation to the commission of the offence of fraudulent declaration through the use of invoices or other documents for non-existent transactions provided for in article 2 of Legislative Decree no. 74 of 10 March 2000, a fine of up to five hundred shares shall be applied to the company*".

However, subsection 3 of the said article 39 states that this provision shall take effect from the date of publication in the Official Gazette of the relevant conversion law.

(cfr. Matrix of the eligible offenses attached).

1.2 EXEMPTION FROM LIABILITY OF AN ENTITY

Article 6 of Decree 231 provides for the exemption from liability of an entity for offences committed by persons in top positions if it proves that:

- the management has adopted and effectively implemented, prior to the commission of the fact, organization, management and control models suitable to prevent crimes from being committed;
- the task of supervising the functioning and the observance of the models to look after their updating has been entrusted to a body of the entity possessing autonomous powers of initiative and control (*i.e.,* supervisory body);
- the offence was committed by fraudulently eluding the model in place;
- there was neither insufficient supervision nor a lack of supervision by the supervisory body.

In the case of an offence committed by a person in a subordinate position, on the other hand, article 7 of Decree 231 makes the company's exemption from liability contingent on effective implementation of an organization, management and control model suitable to ensure, for the type of organization and activity carried out, compliance with the law and to prevent situations at risk of offences.

Decree 231 also provides that the organization, management and control model must meet the following requirements:

- identify the activities within which 231 offences may be committed;
- provide for specific procedures aimed at scheduling training and implementing the entity's decisions;
- identify procedures for managing financial resources suitable to prevent the offences from being committed;
- establish reporting obligations towards the supervisory body on the main company events and in

- particular on activities considered to be at risk;
- introduce suitable disciplinary systems to sanction failure to comply with the measures indicated in the model.

Furthermore, according to the Article 6, paragraph 2-bis, of Decree 231, the organization, management and control model must provide, pursuant to Italian Legislative Decree No. 24 of 10 March 2023 on whistleblowing, internal reporting channels, the prohibition of retaliation and the above disciplinary system.

1.3 SANCTIONS

Decree 231, concerning the "*Regulations on the administrative liability of legal entities, companies and associations, including those without legal status,*" introduced the liability of entities for administrative offences caused by crimes for the first time in the Italian legal system (the regulation was developed on the initiative of the European Union and the OECD, which have long since adopted conventions on the fight against bribery. With article 11 of the Delegated Law no. 300/2000 and Legislative Decree no. 231/2001, Italian lawmakers have transposed the obligations of the aforementioned international conventions in Italy). This is a particular form of liability, nominally administrative, but essentially of a punitive and criminal nature, for companies, associations and entities in general, for specific crimes and administrative offences committed in their interest or to their advantage by a natural person who holds a senior or subordinate position within them.

Decree 231 is **a measure with far-reaching legislative scope in which, in addition to the criminal liability of the natural person who committed the crime, the legal requirements referred to therein also set out that of the entity**.

The provisions contained in Decree 231 pursuant to Article 1(2) apply to:

- entities having legal status;
- companies and associations without legal status.

However, the following are excluded from the regulation under consideration:

- the State;
- local public entities;
- other non-economic public entities;
- entities performing functions of constitutional relevance.

Liability is attributable to the entity where the offences, indicated by Decree 231, have been committed by persons linked in various ways to the entity.

Article 5 of Decree 231 indicates the perpetrators of the crime as:

- persons who hold positions of representation, administration or management of the entity or one of its organizational units with financial and functional autonomy and those who actually exercise the management and control of the entity (Senior Executives);
- persons subject to management or supervision of Senior Executives (Subordinates).

Moreover, the entity will be liable if the unlawful conduct has been carried out by the persons indicated above "*in the interest or to the benefit of the company*" (article 5(1) of Decree 231) (objective liability criterion). The two requirements of interest and advantage are autonomous and do not overlap. More specifically, according to the supreme court case law, interest consists in an intended undue enrichment of the entity, although not necessarily achieved, resulting from the offence, according to a markedly subjective perspective; hence, this requirement must be ascertained by the judge "ex ante", by placing himself at the moment the criminal action takes place. The second requirement has been identified as an objective advantage achieved through the commission of the offence, although not intended, and therefore has an essentially objective connotation which, as such, must be verified "ex post" on the basis of the actual effects resulting from commission of the offence.

The element of the company's interest or advantage in the commission of the offence is required in relation to both malicious and negligent offences envisaged by Decree 231. The inclusion in Decree 231 of Art. 25-septies, which extended the company's liability to the offence of manslaughter and grievous or very grievous bodily harm committed in violation of the rules on the protection of health and safety at work, has raised questions of compatibility within the regulatory framework, since the objective liability criterion of the interest or advantage referred to in Art. 5, paragraph 1 has not been modified to adapt it to the structure of this type of offence, which have been addressed over time by case law and in legal theory. Indeed, as some authors have pointed out, saying that an unlawful fact not wanted by the perpetrator was committed in the interest of someone else seems a contradiction in terms.

If we analyse the text of the law, the interest or advantage criterion is explicitly referred (art. 5, paragraph 1, Decree 231) to the offence in its entirety, including all its constituent elements and, therefore, in this case, also the material event.

In order to reconcile the inconsistency of negligent offences with the objective liability criterion, in the initial judgments concerning the offence under art. 25-septies of Decree 231, the courts have adopted the interpretative approach that the interest criterion should be referred, rather than to the offence in its entirety, to the conduct per se that infringes the precautionary rules, i.e. the negligent act regardless of the resulting material event (death or injury of an employee). Again with regard to case law, in other cases, the

interest or advantage requirements have been deemed to be fully compatible with the negligent offence structure, it being necessary to ascertain, from time to time, whether or not the negligent conduct that resulted in the material event was caused by choices that objectively fall within the entity's sphere of interest. Some scholars believe that, with respect to the negligent cases referred to in Art. 25-septies, the only relevant criterion is that of the advantage, which translates either into a saving of expenses resulting from failure to adopt the security measures required for the prevention of the above offences or into a saving of time required for the performance of the production activity.
There are also some scholars who have proposed to diversify the solution according to whether or not the perpetrator is aware that he is acting negligently. In the former case, given that the perpetrator is fully aware of the risk and of the precautionary rules that should be observed, it would certainly be possible to argue that the negligent conduct was in the interest of the legal person. Where there is no awareness, however, the only solution would be to resort to the other objective liability criterion provided for in Article 5, namely that of advantage.
According to other scholars the interest or advantage should be linked to the activity in which the negligent act is carried out rather than to the negligent action per se, on the assumption that the fact, although negligent, was committed by a person qualified to perform the "institutional" activities that pertain to the relevant entity, without investigating either the specific "purposes" intended by the individual agent, or even less the actual advantages that the legal person has obtained from the event.
The entity will not be liable in the event that the Senior Executives or Subordinates acted in “their own exclusive interest or in that of third parties" (article 5(2) of Decree 231).

Article 9 of Decree 231 provides for the sanctions that may be imposed on the entity. Precisely, they are:

- **pecuniary sanctions;**
- **interdictory sanctions;**
- **confiscation;**
- **publication of the conviction.**

Pecuniary sanctions are applied for quotas in a number not less than one hundred and not more than one thousand. The amount of a quota ranges from a minimum of €258.00 to a maximum of € 1,549.00 and the quotas are determined by the judge taking into account:

- **the gravity of the fact;**
- **the degree of the entity’s liability;**

- **the activity carried out by the entity to eliminate or mitigate the consequences of the fact and prevent**
- **similar offences from being committed;**
- **the entity's economic and financial conditions.**

Pursuant to Article 12, paragraph 2, of Decree 231, the financial penalties may be reduced in certain cases taking into account, on the one hand, the company's compensatory and remedial conduct (i.e. the company has fully compensated the damage and eliminated the harmful or dangerous consequences of the offence), to be considered satisfied also when the company has effectively taken action in that sense and, on the other hand, the elimination of the organizational shortcomings that led to the offence, through the adoption and effective implementation of organizational models.

Interdictory sanctions, on the other hand, listed in Article 9(2), are applied in the most serious and applicable cases only if at least one of the following conditions applies:

- the entity has gained a considerable profit from the crime and the crime was carried out by Senior Executives, or by Subordinates if the crime resulted from or was facilitated by serious organizational shortcomings;
- in the event of repeat offences.

Interdictory sanctions are:

- debarment from exercising an activity;
- suspension or revocation of authorisations, licences or concessions functional to committing the offence;
- disqualification from contracting with the public administration, other than to obtain a public service;
- exclusion from concessions, loans, grants and subsidies and possible revocation of those already granted;
- prohibition to advertise goods or services;
- judicial commissioner (article 15 of Decree 231).

In addition, it should be noted that the disqualification sanctions, also applicable as a precautionary measure, may be imposed for not less than three months and not more than two years, except for offences against the Public Administration, pursuant to Article 25, paragraphs 2 and 3 of Decree 231; for these offences the recent Law no. 3 of 9 January 2019 - "Measures to combat crimes against the public administration, as well as on the limitation period and on the transparency of political parties and movements" - provided for a more severe sanction by establishing that, when the offence is committed by one of the Senior Executives, the

disqualification period may not be less than four years and no more than seven, while, if the offence is committed by a Subordinate, it may not be less than two years and no more than four.
At the same time, in order to avoid excessive disqualification periods from being imposed as a precautionary measure (art. 45 of Decree 231), the new law amended the provisions of art. 51, specifying that the maximum length of precautionary measures is one year for the precautionary measure ordered by the court and one year and four months for the precautionary measure after conviction in first instance proceedings.
In addition, pursuant to Article 50, Decree 231, the precautionary measures ordered against entities must be revoked - including ex officio - not only when the applicability conditions of Article 45 are not met, including if due to supervening events, but also in the specific cases provided for by Article 17, Decree 231, which regulates the remediation of the consequences of the predicate offence for prevention purposes.
In this regard, Law no. 3/2019 has introduced another change by taking into account the entity's cooperation in the trial and by establishing, in art. 25, paragraph 5 bis, Decree 231, a lighter disqualification sanction (not less than three months and not more than two years) if before the first instance ruling the entity has effectively taken steps to mitigate the effects of the criminal activity, ensure evidence of the offences and to identify the persons responsible for it or to seize the sums or other benefits and has eliminated the organizational shortcomings that led to the offence through the adoption and implementation of an organizational, management and control model suitable for preventing offences of the type that has occurred.

1.4 CRIMES COMMITTED ABROAD

Article 4 of Decree 231 establishes that entities are also liable for offences committed abroad, on the double condition that they have their head office in Italy and that the cases and further conditions provided for in Articles 7, 8, 9 and 10 of the Criminal Code are met so that the citizen and foreigner can be punished under Italian law for offences committed abroad.
The rule also provides that the liability of entities is to be prosecuted provided that the State of the place where the offence was committed does not prosecute them as well. Finally, the law provides that in case in which the offender is punished on request by the Minister of Justice, the entity in question will only be prosecuted if the request from the Minister also involves the entity.
The rules established by article 4 and by the rules referred to in the Criminal Code solely concern crimes committed in full abroad by persons having the characteristics referred to in article 5(1) of Decree 231 and belonging to entities with headquarters in Italy. In addition, for most of the types of offences provided for in

the aforementioned Decree, the punishment of these individuals and the entity would depend on the request of the Minister of Justice.

In summary, the necessary prerequisites for Article 4 above to apply and therefore for the punishment of the entity pursuant to Decree 231 for 231 Offences committed abroad are:

- the offence must be committed abroad by the person functionally linked to the entity;
- the entity must be headquartered in Italy;
- the entity may be liable in the cases and under the conditions provided for in Articles 7, 8, 9 and 10 of the Criminal Code;
- if the cases and conditions indicated in point 3) are met, the entity shall be liable provided that the State of the place where the offence was committed does not prosecute it;
- in those cases where the law provides that the offender is punished on request by the Minister of Justice, the entity will only be prosecuted if the request from the Minister also involves the entity itself;
- the offender must be in the territory of the State at the time of prosecution and must not have been extradited.

1.5 ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The aims of this 231 Model are to:

- prevent and reasonably limit the risks connected with the company's activities, with particular regard to any illegal conduct that may involve the Company's liability and the imposition of sanctions against it;
- raise awareness among all those who work in the name and on behalf of the Company in the at-risk areas that engaging in unlawful conduct may make them and the Company liable to criminal and administrative sanctions;
- confirm the Company's commitment to combating unlawful conduct of any kind and regardless of any purpose, since such conduct, in addition to being in conflict with the laws in force, is in any case contrary to the ethical principles to which the Company abides*;*
- raise the awareness of the Company's employees and Third Parties, so that in carrying out their activities, they adopt conduct in compliance with the 231 Model, such as to prevent the risk of committing the predicate offences.

The 231 Model is composed of the following parts:

- the **General Section**, which describes the Company and governance system, refers to the Code of Ethics and sets out the contents and the impacts of Decree 231, the general

characteristics of the 231 Model, its adoption, updating and application, the duties of the Supervisory Body, the Disciplinary System, and training and information activities;

- the **Risk Areas Section**, which describes in detail, with reference to the specific At-Risk Processes and the types of offences associated with them, the map of the At-risk Activities, as well as the system of controls in place to monitor and protect these activities.

2. DESCRIPTION OF CARON TECHNOLOGY

Caron Technology S.r.l. is a Company, internationally known, which has been active for over 35 years of experience in the design and manufacture of machines for the drafting and cutting of fabrics for clothing, upholstery and technical textiles, including custom fabrics.

The company's object consists of, in particular:

- in the production and trade of equipment and machinery, their spare parts and accessories, including those produced by third parties;
- in the development and marketing of software intended for said machines (including those produced by third parties) as well as in the related assistance activities.

Caron Technology's proposal is varied and complete, ranging from the highly appreciated Caron-branded automatic spreaders to a series of equipment designed for those who wish to set up a smooth, effective production cycle that guarantees speed and perfection.

This is state-of-the-art equipment, rigorously made in Italy and competitive in price, thanks to which the Company has established itself on the domestic market as well as on the most important foreign markets which, at present Company, account for 40% of turnover.

Caron Technology's success stems from the continuous search for new applications, but also from an attitude marked by proximity to its customers, to offer suggestions on cutting room optimization along with quick maintenance.

3. METHODOLOGICAL APPROACH AND CONTROL PRINCIPLES

INTRODUCTION

The main objective of the 231 Model is to configure a structured and organic system of processes, procedures and control activities aimed at preventing, as far as possible, conduct constituting offences covered by Decree 231.

With particular reference to the control activity for each at-risk process/activity, the Company has provided for:

- **General Control Standards** or applicable regardless of the at-risk process and/or activity (segregation of tasks, roles and responsibilities, traceability of activities and controls, definition of appropriate roles and process responsibilities, regulation of activities by means of company rules);
- **Specific Control Standards** or standards specifically set out for the management of individual At-risk Processes/Activities;
- **Cross-Control Standards** or standards set out for the governance of other relevant compliance issues, but with an impact in terms of strengthening the oversight of At-Risk Processes/Activities such as, for example, the Internal Control System on Financial Reporting, Anti-Corruption Management System, and *Tax Control Framework*);
- **To-Do and Not-To-Do Cross-Area and Process Behavioral Indications** explaining the requirements and/or prohibitions for all processes indiscriminately, that is, for each at-risk process and activity.

The evaluation of the CARON control system aimed at adopting this 231 Model considered the types of offences covered by Decree 231 in force at the time the analysis was carried out and considered these types of offences to be of interest to the Company, given its organization and the nature of the activities carried out.

With regard to the types of offences provided for by Decree 231 for which, as a result of the *Risk Assessment* activities, the risk that these are committed as part of CARON's operations has been assessed as extremely unlikely, the Company has in any case deemed the safeguards set out in the principles of the Code of Ethics, as well as in the procedures in force, to be adequate.

Moreover, CARON will monitor, in order to provide adequate evidence, the indications inferable from the application practice, as well as the updating of the Confindustria Guidelines on the subject, also in order to implement and/or adapt its internal procedures on the subject.

3.1 MAPPING OF AT-RISK AREAS AND CONTROLS

Article 6(2)(a) of Decree 231 states that the model must provide for a mechanism aimed at "*identifying the activities within the scope of which offences may be committed*".

The identification of the areas in which there may be a theoretical risk of offences being committed implies a detailed assessment of all company processes, aimed at verifying the abstract configurability of the types of offences set out by Decree 231 and the suitability of the existing control elements to prevent them. This analysis results in a mapping of the at-risk areas and controls.

Mapping is the fundamental premise of the 231 Model, determining the scope of effectiveness and operation of all its constituent elements and is therefore subject to periodic evaluation and constant updating, also on the impetus of the SB, as well as to review whenever substantial changes occur in the Company's organizational structure (e.g., establishment/modification of organizational units, start-up/modification of activities), or when important legislative changes occur (e.g., introduction of new 231 Offences).

Mapping is conducted, with the involvement of the SB, by management through the 231 Steering Committee, coordinated by the Compliance Department. The Compliance Department periodically reports to the Supervisory Board on the activities carried out and the results found.

Updating the Mapping should ensure that the following objectives are achieved:

- identify the company functions which, in view of the tasks and responsibilities assigned, could be involved in At-Risk Activities;
- specify the types of offence envisaged;
- specify the concrete ways for committing the abstractly assumed crime;
- identify the control elements put in place to protect against the identified risks/offences.

The path for the adoption of this 231 Model has followed the following steps:

Step 1) - Risk Assessment

Within the framework of the *Risk Assessment*, CARON has conducted the following activities: Identification of key roles in CARON activities based on functions and responsibilities; collection and analysis of relevant documentation; carrying out interviews with the identified persons; identification of activities at risk of 231 offences (At-Risk Activities); identification of At-Risk Processes and related control standards that must be followed; assessment of the level of risk inherent in the activities; sharing of the results of this phase with the respondents.

The assessment of the level of risk of committing the 231 Offences was carried out jointly:

- incidence of activity: evaluation of the frequency and/or relevance of the activity based on specific qualitative and quantitative drivers;
- risk of the offence being committed: assessment of the abstract possibility of committing unlawful conduct in the interest or to the benefit of the entity.

Step 2) Gap Analysis

Downstream of the *Risk Assessment*, CARON has conducted the analysis of the existing control system and carried out the *Gap Analysis*, i.e., the identification of differences between existing control systems and the processes set out in order to adapt the Internal Control System to the control standards that must necessarily be met in order to prevent 231 Offences from being committed.

At the end of the *Gap Analysis*, an assessment is made of the level of residual risk of the offence being committed, considering the total risk of the activity as calculated above and the level of adequacy of the existing control standards.

Step 3) – Model 231 update and follow-up activities

The Model update project identified the improvements needed to increase the level of compliance for each sensitive activity and, therefore, mitigate the risk of crimes being committed as much as possible. These improvements were carried out by the Company to align with the requirements of current regulations.

Preparation of the draft Organizational, Management and Control Model; sharing of the prepared draft with the Administrative Body and subsequent approval of the Organizational Model by the Administrative Body.

The same project phases, insofar as applicable, are put in place when updating the Model.

3.2 CARON’S ORGANIZATION, MANAGEMENT AND CONTROL MODEL

CARON TECHNOLOGY S.p.A. has adopted an ORGANIZATION, MANAGEMENT AND CONTROL MODEL according to its system of governance and capable of enhancing the controls and bodies already in place prior to the adoption of the Model itself.

The Model, therefore, represents a diligent set of principles, procedures and provisions that: i) affect the internal functioning of the Company and the ways in which it relates to the outside world and ii) regulate the diligent management of a control system of sensitive activities, aimed at preventing the commission, or attempted commission, of the crimes referred to in Legislative Decree 231/2001.

The 231 Model is composed of the following parts:

- the **General Section**, which describes the Company and governance system, refers to the Code of Ethics and sets out the contents and the impacts of Decree 231, the general

characteristics of the 231 Model, its adoption, updating and application, the duties of the Supervisory Body, the Disciplinary System, and training and information activities;

- the **Risk Areas Section**, which describes in detail, with reference to the specific At-Risk Processes and the types of offences associated with them, the map of the At-risk Activities, as well as the system of controls in place to monitor and protect these activities.

4. SUPERVISORY BODY

INTRODUCTION

Article 6(1)(b) of Decree 231 provides, among the essential conditions for the exemption from administrative liability of the entity, the establishment of a special body with autonomous powers of initiative and control, which is specifically tasked with supervising the functioning, effectiveness of, and compliance with, the model as well as updating it.

In the absence of specific indications in Decree 231 concerning the composition of the supervisory body, the relevant requirements have been identified by case law, doctrine and Confindustria Guidelines and can be identified as follows:

- **Professionalism:** the set of competences that the supervisory body must have in order to carry out its activities effectively, consisting of specific knowledge in legal, economic, risk analysis and risk assessment fields;
- **Autonomy and Independence:** freedom of initiative and the absence of any form of interference or conditioning from inside or outside the entity, also having regard to the availability of the resources necessary for the effective and efficient discharge of the assignment;
- **Good repute:** the absence of situations that could undermine or affect the integrity of the members of the supervisory body and compromise their independence and reliability;
- **Continuity of action:** the constant and continuous control and verification activity on the implementation of the 231 Model in order to ensure its real effectiveness.

Considering the specific nature of the tasks for which it is responsible, the CARON Supervisory Body is constituted as a single-member body, an external person (i.e., person not linked by an employment relationship with the Company).

4.1 REQUIREMENTS

SB members must meet the requirements of good repute, professionalism, autonomy and independence, failure of which constitutes or may constitute ground for ineligibility, forfeiture of office or removal, in accordance with paragraph “*Grounds for ineligibility, forfeiture of office and removal of members of the SB*" above.

Good repute and professionalism

The good repute requirement is satisfied if the absence of the grounds for ineligibility, forfeiture of office or removal of SB members has been ascertained and monitored over time.

The SB must be composed of persons with specific skills in inspection activities, in the analysis of control systems and management of business risks and in the legal and economic field, so that the presence of adequate professional skills to perform the relevant functions is ensured.

Where necessary, the SB may avail itself of the help and support of external consultants, without prejudice to the fact that the SB alone is responsible for supervising the functioning of, and compliance with, the 231 Model.

Autonomy and Independence

The SB has autonomous powers of initiative and control within the Company, such as to allow the effective performance of the tasks provided for in the 231 Model.

The autonomy and independence, which the SB must have, are also ensured by the presence of one or more external members without operational tasks and interests that may condition their autonomy and objective judgement, as well as by the position given to the SB within the company organizational structure: the SB operates in the absence of hierarchical constraints and reports solely to the company's senior operational management, i.e., the Board of Directors as a whole.

In addition, the SB has autonomous spending powers based on an annual *spending* budget presented and approved by the Board of Directors, upon proposal of the body itself. In any case, the SB may request a supplement to the funds allocated, if they are not sufficient for the effective performance of its functions, and may extend its spending autonomy on its own initiative in exceptional or urgent situations, which will be the subject of a subsequent report to the Board of Directors.

The SB does not have management or decision-making powers relating to the performance of the Company's activities, nor powers to organize or change the Company's structure, nor sanctioning powers.

The SB members, in the discharge of their duties, must not find themselves in situations, also potential, of conflict of interest due to any reason of a personal or professional nature. Should such situations arise, the member concerned must immediately inform the other members of the SB, refraining from taking part in the relevant deliberations.

The internal members of the SB must hold an organizational position of high level of responsibility and must not hold any executive role within the Company and/or other Group companies nor be hierarchically dependent on the Senior Management.

The activities carried out by the SB are not syndicated by any other Company body or function, without prejudice to the power and duty of the Board of Directors to supervise the adequacy of the intervention put in place by the SB, in order to ensure the effective adoption and implementation of the 231 Model.

4.2 GROUNDS FOR INELIGIBILITY, FORFEITURE OF OFFICE AND REMOVAL OF MEMBERS OF THE SB

The following are **grounds for ineligibility and/or forfeiture** of office of the individual members of the SB:

a) to hold, or have held in the last three years, positions on the boards of directors of the Company;
b) to engage, directly or indirectly, except when acting as Head of the Company's Audit Department and/or as a member of the Board of Statutory Auditors, in financial and/or contractual relationships, whether for consideration or free of charge, with the Company and/or their respective directors, of such importance as to compromise their independence as assessed by the Board of Directors, or having been in the above situation in the three years prior to appointment;
c) to hold, directly or indirectly, shares in the Company, which enable the holder to exercise control or significant influence or such as to compromise independence as assessed by the Board of Directors;
d) to perform or have performed work over the past three years on behalf of the Independent Auditors of the Company or of another Group company by taking part, either as auditor or as head of statutory auditing or with management and supervisory functions, in the audit of the financial statements of the Company or of another Group company;
e) being a relative by blood or marriage, within the fourth degree, or spouse or civil partner of members of the Board of Directors of the Company;
f) as a public administration employee, to exercise or have exercised, in the last three years of service, authoritative or negotiating powers on PA behalf with the Company;
g) to be legally disqualified, incapacitated, bankrupt or found guilty, including by a non-final sentence, with imposition of a penalty that involves the disqualification, even temporary, from public offices or the inability to exercise managerial offices; a sentence rendered by plea bargaining is to be considered equivalent to a conviction;
h) having been convicted or entered into a plea bargain, albeit not final, for any of the offences envisaged by Decree 231 or for similar offences, except for the effects of rehabilitation or if the offence is no longer prosecutable.

i) to be the recipient of a court order instituting proceedings for any of the offences envisaged by Decree 231 or for similar offences;
j) to be the recipient of preventive measures that restrict personal freedom or of disqualifying measures for any of the offences envisaged by Decree 231 or for similar offences;
k) to be the recipient of prevention measures, personal or financial, pursuant to Legislative Decree 159/2011 as amended and supplemented.

If, during the performance of the office, any of the grounds for forfeiture of office arise, the provisions of paragraph above shall apply.

Just **cause for revocation** is defined as:
a) serious infirmity such as not to allow the member of the SB to perform his or her duties properly;
b) the assignment to the SB member of operational functions and responsibilities within the company organizational structure that are incompatible with the requirements of autonomy of initiative and control, independence and/or continuity of action of the SB;
c) with respect to a member who is Head of the Audit Department or a Statutory Auditor, the dismissal from the functions assigned according to the Company Organization Chart and/or from the office held in corporate bodies;
d) gross negligence in the discharge of their duties, as set out in the 231 Model;
e) violation of confidentiality obligations with regard to news and information acquired in the discharge of one's duties;
f) violation of the 231 Model;
g) omitted or insufficient oversight attested - also incidentally - in a conviction or plea bargain (even if not final) against the Company or another body in which such member is, or was, at the time of the charged circumstances, a member of the supervisory body.

Causes for **revocation** of the SB are:

- ascertainment of a serious breach by the Supervisory Body in the discharge of its duties;
- a conviction of the Company, even if not final, or enforcement of the conviction (plea bargain), for one of the predicate offences provided for by Decree 231 where the acts - also incidentally - result in omitted or insufficient oversight by the SB, in accordance with the provisions of article 6(1)(d) of Decree 231.

4.3 TASKS

The SB performs the following *general tasks*:

- supervises the effectiveness of the 231 Model and its dissemination within the Company of the knowledge and comprehension of, and compliance with, the 231 Model, including through checks on the forms and methods of providing training;
- verifies over time the adequacy of the 231 Model, assessing its concrete suitability to prevent the offences set forth in Decree 231 from being committed and of subsequent measures that modify its scope;
- monitors and promotes the updating of the 231 Model, in order to adapt it to the reference regulatory framework, to changes in the company's organizational structure and whenever it deems it appropriate, especially where significant violations of the provisions of the 231 Model have been identified as a result of supervisory activities;
- sends to the relevant functions the results of the investigation carried out in relation to the non-compliance or violation of the 231 Model for initiation of any disciplinary proceedings pursuant to section "Disciplinary System" below;
- verifies the effective implementation of 231 Model, in particular through the planning of a control plan and the performance of surprise audits (so-called spot audits).

The performance of the tasks by the SB takes place in such a way as to ensure constant and continuous operation over time.

To this end, the SB has adopted its own rules of operation through the adoption of a special internal rules of procedure. Also, in order to ensure the maximum degree of autonomy and independence in the SB's activities and decisions, the aforementioned regulation provides that resolutions are in any case taken with the favorable vote of the majority of the external members. The SB meets when convened by its Chairman or at the request of at least two members If the Chairman is unable to act, the call is made on the initiative of the most senior member by age.

The SB ensures the traceability and filing of the documentation produced and acquired in the discharge of its duties (minutes, reports, notes, information flows, etc.) according to the procedures provided for in the aforementioned internal regulations.

In order to allow the performance of the tasks described above, the SB:

- prepares an annual plan of checks as part of the Company's structures and functions, without prejudice to the possibility of conducting spot audits;
- has free access to the Company's records;

- interacts with the Company's corporate bodies and with company functions in so far as it is considered functional to supervisory activities and, to this end, may request, if necessary, the direct hearing of employees, Directors and the Board of Statutory Auditors;
- has regular discussions with the independent auditors and, if necessary, with the other players in the Internal Control System;
- coordinates with the *Audit* Department and with the *Compliance* Department for the matters within their preview.

In particular, the *Audit* Department supports the SB in carrying out the above tasks through the SB technical secretariat and, starting from 2021, by conducting audit activities on the control plan which is an integral part of the Annual Audit Plan.

The *Compliance* Department, in addition to carrying out the activities already mentioned in this Model 231 - *Steering Committee 231* coordination , *risk assessment and* training6, supports the SB on: the updating of Model 231 and monitoring of regulatory and case law developments regarding the liability of entities; the definition of the annual control plan and performance of the checks therein provided until the end of the 2020 financial year; monitoring of ordinary information flows as described below (see paragraph below "*Reporting to the Supervisory Board").*

4.4 REPORTING TO THE SUPERVISORY BODY

Article 6(2)(d) of Decree 231 requires the provision in the 231 Model of disclosure obligations towards the body delegated to supervise the functioning and observance of the 231 Model.

The obligation of a structured information flow is designed as a necessary tool for the Supervisory Body to ensure that it supervises the effectiveness and adequacy as well as compliance with 231 Model and for the possible subsequent verification of the causes that made it possible to commit the offence.

In particular, the Addressees

odv@carontechnology.com,

of the 231 Model must promptly send information concerning the Model to the Supervisory Body:

- any violation, even potential, of the 231 Model and any other aspect potentially relevant to the application of Decree 231;
- measures and/or news from judicial police bodies, or from any other authority, from which it can be inferred that investigations are in progress against the Addressees for 231 Offences, as well as measures and/or news from other Authorities that may be relevant for this purpose;

- events and acts that may cause the risk of injury to workers and any other aspect of accident prevention measures, occupational health and safety and environmental issues potentially relevant to Decree 231.

There are also ordinary information flows to the SB on a quarterly basis, governed by the company guidelines set out in the **Risk Areas Section** of the 231 Model.

4.5 *WHISTLEBLOWING*

Italian Legislative decree No. 24 of 10 March 2023 - transposing Directive (EU) 2019/1937 in Italy - replaces the previous provisions on whistleblowing provided for by Decree 231 for the private sector (and by Law no. 179/2017 for the public sector), putting together into a single regulatory text the entire regulation of the reporting channels and the system of protection of persons who report violations of national or European Union legislation that harm the public interest or the integrity of the private entity (and of the public administration), of which they have come to know in the discharge of their work.

In order to effectively implement the provisions of Legislative Decree No. 24/2023, which, inter alia, repealed the provisions of Article 6, paragraph 2-ter and paragraph 2-quater, and amended Article 6, paragraph 2-bis, of Decree 231, CARON has adopted a new reporting procedure ("Whistleblowing Procedure") which forms an integral part of the 231 Model (Annex 2) and regulates the process of receiving, analysing and managing reports.

Specifically, the **Whistleblowing Procedure**:

- provides for reporting channels that allow anyone to report information on violations of laws (including European regulatory provisions) and regulations, of the Code of Ethics, of the 231 Model as well as of the system of rules and procedures in force in the CARON;
- ensures, also through the use of encryption tools, the confidentiality of the identity of the whistleblower, of those involved in the report, as well as of the content of the report itself and the relative documentation;
- sets out protective measures for the authors of the report, of the public disclosure or of the report to the judicial or accounting authorities, as well as for the other persons specifically identified by Legislative Decree No. 24/2023 (e.g. enablers, colleagues, etc.);

- prohibits any form of retaliation against the person making a report, a public disclosure or a complaint to the judicial or accounting authority, as well as the other persons specifically identified by Legislative Decree No. 24/2023 (e.g. enablers, colleagues, etc.).

In compliance with the Article 6, paragraph 2-bis, of Decree 231 and of Legislative Decree No. 24/2023, this 231 Model extends the application of the Disciplinary System also to those who break the rules on the management of the report and/or the measures put in place to protect the whistleblower, as well as to the whistleblower in the cases referred to in Article 16, paragraph 3, of Italian Legislative Decree No. 24/2023, except for the provisions of Article 21, paragraph 1, letter c) of Italian Legislative Decree No. 24/2023 (see paragraph of the Disciplinary System).

The whistleblower may also request to make an oral report by means of a direct meeting with the personnel of the Audit Department in charge of managing the reporting channel.

The company has adopted a platform for reporting which you can find on the company's institutional website.

4.6 REPORTING BY THE SUPERVISORY BODY TO THE CORPORATE BODIES

The SB reports to the Board of Directors and the Board of Statutory Auditors, with a specific **report**, on the outcome of the supervisory activities carried out during the period, with particular reference to the monitoring of the implementation of the 231 Model and any legislative innovations regarding the administrative liability of entities.

The report will also address any critical issues that have emerged both in terms of conduct or events within the Company, which may lead to violations of the provisions of the 231 Model and the proposed corrective and improvement measures of the 231 Model and their implementation status.

On this occasion, dedicated meetings are organized with the Board of Statutory Auditors to discuss the topics covered in the report and any other topics of common interest.

The report is also sent to the Chairman of the Board of Directors and the Chief Executive Officer.

5. DISCIPLINARY SYSTEM

INTRODUCTION

For the effective implementation of the organization, management and control model, Decree 231 requires the preparation of an adequate Disciplinary System (article 6(2)(e) and article 7(4)(b) of Decree 231).

The Disciplinary System adopted by CARON is aimed at sanctioning non-compliance with the principles, measures and rules of conduct indicated in the 231 Model and in the related procedures, including the *Whistleblowing* Procedure.

The application of disciplinary sanctions does not depend on whether the alleged conduct of the worker (whether he or she is a subordinate, senior executive or collaborator) constitutes a violation that leads or may lead to criminal proceedings and/or application of any other sanctions.

The Disciplinary System is adopted by the Company in accordance with the following principles:

- **Specificity and autonomy:** the Disciplinary System adopted by CARON is aimed at punishing any violation of the 231 Model, regardless of whether or not it leads to committing an offence. The Disciplinary System is, therefore, autonomous with respect to other possible sanctioning measures, since the Company is called upon to sanction the violation of the 231 Model regardless of the possible initiation of criminal proceedings and the outcome of the resulting judgment;
- **Compatibility:** the procedure for ascertaining and applying the sanction must be consistent with the law and the contractual rules applicable to the relationship with the Company;
- **Suitability**: the system must be efficient and effective for the purposes of preventing the risk of committing unlawful conduct, with particular regard to the conduct relevant to giving rise to the crimes covered by Decree 231;
- **Proportionality**: the sanction must be proportionate to the violation found. Proportionality will have to be assessed based on two criteria: (i) the seriousness of the violation and (ii) the type of employment relationship in place with the employee (subordinate, para-subordinate, managerial, etc.), taking into account the specific regulations that exist at legislative and contractual level;
- **Drafting in writing and appropriate disclosure**: the Disciplinary System must be formalised and must be the subject of timely information and training for all Addressees.

Compliance with the provisions of 231 Model is required in the context of self-employment contracts, including coordinated and continuous and/or hetero-organised and employment contracts, without prejudice to the application of the relevant regulations concerning disciplinary sanctions (article 7 of

Law no. 300 of 20 May 1970 - so-called "Workers' Statute" and the applicable national collective labour agreement).

The Supervisory Body is responsible, with the support of the Functions, for monitoring the functioning and effectiveness of the Disciplinary System.

The disciplinary procedure is initiated on the instigation of the HRO or following notification by the SB of non- compliance and/or possible infringements of Model 231 to the functions in charge;

Where, as mentioned below, the SB is not required to conduct the investigation of possible non-compliance and/or violations of Model 231, the SB performs an advisory function. In all cases the SB also plays an advisory role in the disciplinary proceedings for the imposition of sanctions.

In particular, the SB must be provided with prior information regarding any proposal to close disciplinary proceedings or impose a disciplinary sanction for violation of the 231 Model, so that it can express its opinion; The SB's opinion must be received within the time limit set for the conclusion of the disciplinary procedure.

The execution and definition of the disciplinary procedure are entrusted, considering the type of employment contract and/or assignment involved, to the Corporate Bodies and/or company departments that are competent by virtue of the powers and attributions conferred on them by applicable law, the Articles of Association and the Company's internal regulations.

This is without prejudice to the right of the Company to claim any damage and/or liability that may result from the conduct of employees, members of the corporate bodies and Third Parties in violation of the 231 Model.

The application of disciplinary sanctions takes inspiration from the principle of **gradualness and proportionality** with respect to the objective seriousness of the violations committed.

The determination of the gravity of the infringement, which is the subject of an assessment for the purpose of identifying the applicable sanction, is based on the respect for and assessment of the following:

- the deliberate nature of the conduct that led to the violation of the 231 Model or the degree of fault;
- negligence, imprudence or inexperience demonstrated by the author while committing the infringement, especially with regard to the actual possibility of foreseeing and/or preventing the event;
- the significance, seriousness and possible consequences of the non-observance or infringement of Model 231 (measurable in relation to the level of risk to which the Company is exposed and thus diversifying between non-compliant conduct and/or violations that did not involve exposure

to risk or involved modest exposure to risk and violations that involved appreciable or significant exposure to risk, up to violations constituting a fact of criminal relevance);

- the position held by the agent within the company's organization, especially in view of his or her level of hierarchical and/or technical responsibility;
- any aggravating and/or mitigating circumstances that may be detected in relation to the conduct of the person to whom the alleged conduct is attributable, including, by way of example, (i) the possible commission of several violations with the same conduct (in this case, aggravation will be made with respect to the sanction handed down for the most serious violation), and (ii) repeat offence by the agent (in terms of the imposition of disciplinary sanctions against the latter in the two years prior to the violation);
- the concerted action of several Addressees, in agreement with each other, in committing the violation;
- other particular circumstances characterizing the infringement.

The procedure for reporting the infringement and the imposition of the sanction are diversified according to the category to which the agent belongs.

5.1 CONDUCT SUBJECT TO SANCTIONS AND MEASURES AGAINST EMPLOYEES: MIDDLE MANAGERS, OFFICER WORKERS AND WORKERS

Violation by the Company's employees of the principles and individual rules of conduct provided for in this 231 Model constitutes a disciplinary offence (for employees with executive status see section *"Measures against employees with executive status"* below).

The sanctions that can be imposed on employees fall within those provided for by the Disciplinary System and/or the sanction system provided for by the National Collective Labour Agreement for personnel employed by SME METALMECHANICALS (or "CCNL SME METALMECHANICALS").

The disciplinary measures that can be imposed against employees, in accordance with the provisions of Article 7 of the Workers' Statute and any special applicable regulations, are those provided for by the disciplinary rules set out in the CCNL SME METALMECHANICALS.

The Company's Disciplinary System is therefore based on the relevant provisions of the Italian Civil Code and on the provisions of the aforementioned CCNL.

Without prejudice to the criteria for assessing the seriousness of the infringement set out in section 8.4 *"General principles on sanctions"* above, for employees the sanctions applicable to any infringements found, in application of the CCNL TLC, are:

1. verbal reprimand;
2. written reprimand;
3. fine not exceeding three hours of base salary;
4. suspension from work and pay for a maximum of 3 days;
5. disciplinary dismissal ex Art. N°10.

5.2 MEASURES AGAINST EMPLOYEES WITH EXECUTIVE STATUS

Executives have a relationship with the Company that is pre-eminently based on trust. An executive's behaviour is reflected, in fact, not only within the Company, representing a model for all employees, but also externally.

Therefore, compliance by the Company's executives with the provisions of the 231 Model and the obligation to enforce it with hierarchically subordinate employees, are considered an essential element of the executive employment relationship, since executives represent a stimulus and model for all those who depend on them hierarchically.

Any infringements committed by Company executives, by virtue of the particular relationship of trust existing between them and the Company, will be sanctioned with the disciplinary measures deemed most appropriate to the individual case, in compliance with the general principles previously identified, compatibly with legal and contractual provisions, considering that the above violations constitute, in any case, breaches of the obligations arising from the employment relationship potentially suitable to meet the principle of just cause for withdrawal.

If the breaches by executives of the 231 Model are abstractly attributable to a criminal offence, the Company, if it is not able, pending any investigation by the judiciary and for lack of sufficient elements, to make a clear and exhaustive reconstruction of the facts, may, pending the outcome of the judicial investigations, formulate a communication to the persons identified as responsible by which it reserves all rights and actions under the law.

5.3 MEASURES AGAINST DIRECTORS NOT LINKED TO THE COMPANY BY AN EMPLOYMENT RELATIONSHIP, STATUTORY AUDITORS AND MEMBERS OF THE SB

The Company has appointed a Sole Auditor.

The Company evaluates strictly the breaches of the 231 Model put in place by those who are at the top of the Company and represent its image vis-à-vis employees, shareholders, customers, creditors, supervisory authorities, and the general public. The values of fairness, respect for the law and

transparency must to be embodied, shared and respected above all by company decision-makers, so that they set an example and act as inspiration for everyone who work in and for the Company at all levels.

The Chairperson of the SB informs the Chairperson of the Board of Directors and the Chairperson of the Board of Statutory Auditors (henceforth, collectively the “Chairpersons”) of the situations concerning potential violations of the 231 Model by one or more Directors and/or members of the Board of Statutory Auditors and/or members of the SB, acquired in the performance of his or her duties, so that the Chairpersons mentioned above can jointly carry out the preliminary investigation to ascertain any non-compliance or infringement. Upon completion of the investigation, if the non-compliance or infringements have not been deemed unfounded, the Chairmen shall forward the results of the investigation to the Board of Directors, the Board of Statutory Auditors and the SB, which will promote appropriate and suitable actions, taking into account the seriousness of the violation detected and in accordance with the powers/tasks attributed by the law and/or the Articles of Association and/or this 231 Model.

In the case of Statutory Auditors, the Board of Directors will take the appropriate measures, in order to adopt the most appropriate measures permitted by law.

For members of the SB, a violation of the 231 Model constitutes grounds for removal for just cause by the Board of Directors pursuant to paragraph 5.2 Grounds for ineligibility, forfeiture of office and removal of member of the SB.

5.4 MEASURES AGAINST THIRD PARTIES

For Third Parties, violations of Decree 231 and of the principles and ethical and behavioral rules set out in the 231 Model shall be considered as breach of contract and sanctioned, in accordance with the specific clauses included in the individual contracts to which the Company is a party, with termination of the contract pursuant to Article 1456 of the Italian Civil Code in the most serious cases.

5.5 MEASURES FOR THE APPLICATION OF LEGISLATIVE DECREE NO.24/2023 (THE DISCIPLINE OF "WHISTLEBLOWING")

Legislative Decree No. 24/2023 (the ‘**Decree**‘) has transposed into Italian law the Directive (EU) 2019/1937 ‘*on the protection of persons who report breaches of Union law*‘ (the ‘**Directive**‘).

Here is a summary of the Decree’s main provisions, focusing in particular on those affecting private employers.

Scope of application

Until now, **only** employers, **which had previously adopted** the set of organizational and management rules, policies and procedures aimed at preventing the criminal offences referred to in Legislative Decree No. 231/2001 (the so-called "**Model 231**"), were required to have a specific whistleblowing procedure. All other employers, which had decided not to have a Model 231, were under no obligation to approve a whistleblowing procedure.

The Decree significantly changes that approach and imposes the adoption of whistleblowing procedures to all employers:

- **staffed with an average of at least 50 employees in the last year;**
- **or if smaller, are active in certain specific industries (e.g., ships/flight security);**
- **or have adopted a Model 231 (i.d. CARON).**

Italian businesses of this size, however, are generally not adequately prepared or structured to handle such complex procedures; therefore, we expect that they will face significant organizational challenges in aligning with the Decree.

The Company activated the opportune internal reporting channels, aimed at enabling the persons specifically identified in art. 3, paragraph 3, of the Whistleblowing Decree, to make the reports of breaches of which they have become aware in a public or private working context.

The sanctions set forth in the preceding paragraphs, subject to the principles and criteria set forth therein, shall be applied:

1. against:
    - of those who are responsible for any act of retaliation or discrimination or in any case of unlawful prejudice, direct or indirect, against the reporter (or anyone who has collaborated in the investigation of the facts that are the subject of a report) for reasons related, directly or indirectly, to the report;
    - of those who have obstructed or attempted to obstruct reporting;
    - of anyone who violates obligations of confidentiality and protection of personal data;
    - of the person who has been convicted, even by a judgment in the first instance, of crimes of defamation and slander or the person who has been held civilly liable in case of a report made with malice or gross negligence.

2. Against the manager of the report who:
    - fails to issue the reporter with notice of receipt of the report within 7 days from the date of receipt;
    - omits to maintain interlocutions with the reporter;
    - fails to diligently follow up on the reports received;
    - fails to provide acknowledgement of the report within three months from the date of the notice of receipt or, in the absence of such notice, within three months from the expiration of the seven-day period from the submission of the report.
    - fails to schedule a meeting with the reporter, if requested, within a reasonable time;
    - fails to make available clear information on the channel, procedures and prerequisites for making internal and external reports.

3. As well as against:
    - Whoever fails, in case the internal report was submitted to a person other than the manager of the internal reporting channel, to transmit it to the manager and give simultaneous notice of the transmission to the reporter.
    - Acts taken in violation of the prohibition against retaliation shall be null and void. Persons who have been dismissed as a result of reporting (internal and/or external), public disclosure, or reporting to the judicial or accounting authorities are entitled to be reinstated in their jobs.

6. TRAINING AND DISSEMINATION OF THE MODEL

Training is an essential tool for the effective implementation of the 231 Model and for a widespread dissemination of the principles of conduct and control adopted by CARON, in order to ensure reasonable prevention of the crimes referred to in Decree 231.

The requirements to be met by the training tool are as follows:

- be appropriate to the position held and to the job classification level of the persons within the organization (Senior Executives, Subordinates, new hires, employees, managers, etc.);
- the contents must differ according to the activity carried out by the person within the company and the associated 231 offence risk profile;
- the periodicity of training activities must take place in accordance with the regulatory updates to which Decree 231 is subject and the importance of the organizational changes that the company adopts;
- participation in the training program must be compulsory and appropriate control mechanisms must be adopted to verify the attendance of the persons and the degree of learning of each individual participant.

As approved by the 231 Steering Committee to support the adoption of the 231 Model, the Company provides, for all employees, modules, activities and training projects on 231 issues based on the following rationale:

- targeted training, specifically designed to update and improve the competence of the company roles most involved in Decree 231, both in terms of responsibilities set out within the scope of the 231 Model and in terms of direct relations with public entities and third parties in general;
- widespread training aimed at very broad target groups of the company population in a generally undifferentiated manner;
- specific on-boarding initiatives for new hires following their inclusion in the workforce.

In line with the provisions of Decree 231 and the Confindustria Guidelines, the Company promotes adequate dissemination of this 231 Model, in order to ensure that the Addressees are fully aware of it.

In particular, it provided that communication be:

- carried out through appropriate and easily accessible communication channels both by employees and Third Parties, such as the intranet portal and the Company's website;

- differentiated in terms of content for the various Addressees and timely to allow for updating.

CARON implements actions to raise awareness on business ethics with respect to Third Parties in business relations with the Company, through the adoption of specific contractual clauses that provide for the express commitment of said parties to operate in compliance with Decree 231 and to behave in accordance with the ethical and behavioral principles and rules contained in the 231 Model, under penalty, in the most serious cases, of termination of the contract pursuant to Article 1456 of the Italian Civil Code.

Finally, the Company periodically communicates information relating to the management of corporate responsibility issues through social responsibility reports to its Stakeholders.

7. APPROVAL, IMPLEMENTATION AND UPDATING OF THE 231 MODEL

The General Part and Special Part of the 231 Model are adopted by the CARON Board of Directors by means of a specific resolution, after hearing the opinion of the Supervisory Body. The Code of Ethics is adopted by resolution of the CARON Board of Directors, while the procedures for implementing the 231 Model are adopted in accordance with specific procedures.

The 231 Model is a dynamic instrument, which affects the corporate operation, which in turn must be checked and updated in the light of feedback, as well as the evolution of the regulatory framework and of any changes that may have occurred in the company organization.

The Supervisory Body is responsible for updating the 231 Model by submitting any changes and/or additions that may be necessary in the light of regulatory or organizational changes or the outcome of the actual implementation of the 231 Model to the Board of Directors. For this purpose, the Supervisory Body avails itself of the 231 Steering Committee.

The 231 Steering Committee, also on the impetus and/or in concertation with the SB, is tasked with identifying, with the involvement of the company departments concerned, the areas for improvement and additions to the 231 Model and coordinating the implementation of the related implementation plans. The 231 Steering Committee meets on a regular basis and, through the Group Compliance Officer, makes proposals and provides information to the Chief Executive Officer as well as to the BoD, through the CRC, and the SB.

The 231 Steering Committee is coordinated by the Compliance Department and is supported in the discharge of its duties by all the relevant company departments.

8. CODE OF ETHICS AND CONDUCT

CARON adopts a Code of Ethics and Conduct (Code of Ethics) as a fundamental element of internal control and risk management system, in the belief that business ethics is the fundamental condition for the company's success.

The Code of Ethics is periodically reviewed and updated by the Company's Board of Directors.

The Code of Ethics is available on the intranet portal and on the Company's website and is referred to in full by this 231 Model.

Compliance with the Code of Ethics in the performance of their duties and responsibilities is a duty of the members of the Corporate Bodies, the Management, and the employees. Compliance with the Code of Ethics must also be ensured by external collaborators and by third parties that do business with the the Company.

The policies, procedures, regulations and operating instructions are designed to ensure that the values of the Code of Ethics are reflected in the conduct of the Company and all its addressees.

Violation of the principles and rules of conduct contained in the Code of Ethics entails the application of the sanctioning measures contained in the Disciplinary System provided for in the 231 Model (section *"Disciplinary System"* below).

RISK AREAS SECTION

(only internal USE)