FSI SGR S. p. A.

Organisational, Management and Control Model pursuant to Legislative Decree 231/2001

General Section

APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING OF 6 NOVEMBER 2020

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1 Description of the regulatory framework

1.1 Introduction

Legislative Decree no. 231 of 8 June 2001 (hereafter referred to as "L. Dec. 231/2001" or the "Decree"), by implementing the provisions of Article 11 of Law no. 300 of 29 September 2000, regulates the "*liability of organisations for administrative offences connected to criminal acts*".

The legislation in question is addressed to organisations with legal personality and companies and associations even if they do not have legal personality. However, the Decree does not apply to the State, regional public bodies, non-profit public bodies and organisations which perform constitutionally important functions (e.g. political parties and trade unions).

L. Dec. 231/2001 primarily originates from some international and community conventions ratified by Italy, which oblige the signatory countries to provide for liability for collective organisations, for some types of crime.

Accordingly companies can be deemed "liable" for some crimes (generally wilful, sometimes negligent), committed or attempted in the interests or to the benefit of the companies themselves, by senior company representatives (referred to as persons "in senior positions"), and by those who are subject to the management or supervision of said senior representatives (referred to as persons subject to the management of others) pursuant to Article 5, paragraph 1, of L. Dec. 231/2001.

Therefore, organisation's liability is in addition to the personal responsibility of the individual who committed the crime.

In line with other European legal systems, this expansion of liability seeks to tie the punishment of certain crimes to company's assets and, ultimately, the economic interests of the shareholders who, up until the Decree entered into force, never used to suffer direct consequences of the commission of crimes in the interests or to the benefit of the company, by directors and/or their subordinates.

Organisations are held liable for the commission or attempted commission of some crimes by persons functionally linked to them. Failure to comply with the rules contained in the Decree may lead to penalties for the organisation, which can in turn have a significant impact on the exercise of its own business.

However, the administrative liability of a company is ruled out if the company has, among other things, adopted and effectively implemented, before the commission of the crimes, an Organisational, Management and Control Model (hereafter also referred to as the "Model") capable of preventing those crimes; this Model may be adopted on the basis of codes of conduct drawn up by associations that represent companies, including the Italian Banking Association and Confindustria.

Lastly, companies have no administrative liability if the senior figures and/or their subordinates acted in their own exclusive interests or to the benefit of third parties.

1.2 The legal nature of the administrative liability of organisations

According to the Explanatory Report on the Decree, with the approval of the Italian parliament, there is the "birth of a *tertium genus* which married the essential sections of the criminal system to the administrative system in an attempt to reconcile the rationale of preventive effectiveness with the even more unavoidable rationale of maximum guarantee".

The Decree introduced into our legal system an "administrative" form of corporate liability in accordance with the provisions of Article 27 of the Constitution, although it has many points of contact with liability of a "criminal" nature.

In this regard, Article 2 of the Decree provides for the typical principle of legality under criminal law; Article 8 establishes that the organisation's liability is independent of the liability of the natural person who committed the criminal act; Article 34 establishes that such liability should be ascertained in the context of criminal proceedings and should therefore be subject to the guarantees of the criminal process.

In this regard, legal doctrine and case law has sought to marry this new type of liability with the liability established in Article 27 of the Constitutional Charter i.e., "criminal liability is personal", through the requirement of reasonableness, understood as "negligence in organisation": in the event that a crime is committed by a natural person (in a senior or subordinate position), the organisation is liable independently, for negligence, constituting the negligence of not having an organisation capable of preventing the commission of the type of crime that took place.

In line with the above, the organisation's liability is conceptually based on the civil-law principle of association with the organisation, according to which the civil effects of acts committed by the board are attributed directly to the company itself. The same effective shift (from the natural person/board to the organisation) also occurs in relation to the criminal or administrative consequences of the crime. Such a solution thus makes it possible to ensure that whoever commits the offence pays the legal consequences for it.

The Decree expressly provides that the company is liable for crimes committed in its interests or to its benefit:

- by "people holding representative, directive or managerial positions in the organisation or in one of its organisational units with financial and operational independence, or by persons who exercise the management and control of the organisation, including de facto (referred to as "senior figures");
- by "people subject to the management and supervision of one of the senior figures (referred to as subordinates"). In this regard, according to the doctrinal guidance that has consolidated over the years, it is not necessary for subordinates to have an employment relationship with the organisation, but it is sufficient for there to be a relationship from which there emerges an oversight obligation on the part of the organisation's senior figures (for example, think of agents, partners in joint ventures, quasi-employees in general, distributors, suppliers, consultants, collaborators).

On the contrary, the exclusive benefit of the agent (or a third party in relation to the organisation) excludes liability on the part of the organisation, becoming a situation where the commission of the crime is absolutely and manifestly unrelated to the organisation.

Lastly, the company can also be liable if the employee who committed the offence colluded with individuals unrelated to the company's organisation.

1.3 Types of offence leading to administrative liability on the part of the organisation

The types of crime and administrative offence that bring about administrative liability on the part of the company are only those which are explicitly stated by the legislator in the Decree or in special laws which make reference to that piece of legislation.

Over the years, the range of "predicate" crimes under L. Dec. 231/2001 has significantly expanded and currently includes the following "families":

i) crimes committed against the Public Administration or its assets (Articles 24 and 25);

ii) IT offences and unlawful data processing (Article 24-*bis*);

iii) organised crime offences (Article 24-*ter*);

iv) crimes of counterfeiting of money, public credit cards, revenue stamps and identification instruments or signs (Article 25-*bis*);

v) offences against industry and commerce (Article 25-*bis.1*);

vi) corporate crimes (Article 25-*ter*);

vii) offences committed for the purposes of terrorism or the subversion of democracy, (Article 25-*quater*);

viii) offences involving the practice of female genital mutilation (Article 25-*quater*.1);

ix) crimes against the individual (Article 25-*quinquies*);

x) crimes of abuse of insider information and market manipulation offences (Article 25-*sexies*);

xi) crimes of involuntary manslaughter and serious or very serious injuries, committed in breach of the rules on accident prevention and the occupational health and safety of workers (Article 25-*septies*);

xii) crimes of receiving stolen goods, laundering, and the use of money, goods or benefits of illicit origin, as well as self-laundering (Article 25-*octies*);

xiii) offences of breach of copyright (Article 25-*novies*);

xiv) the crime of inducement to not make statements or to make false statements to the judicial authorities (Article 25-*decies*);

xv) environmental crimes (Article 25-*undecies*);

xvi) the crime of employment of illegally staying third-country citizens (Article 25-*duodecies*);

xvii) crimes of racism and xenophobia (Article 25-*terdecies*).;

xviii) crimes of fraud in sports competitions, the abusive carrying on of gambling or betting operations using prohibited devices (Article 25-*quaterdecies*);

xix) tax crimes (Article 25-*quinquiesdecies*);

xx) smuggling (Article 25-*sexiesdecies*);

xxi) cross-border crimes (Law no. 146 of 16 March 2006 "*Law ratifying and executing the United Nations Convention and Protocols against Cross-border Organised Crime*), listed below:

- criminal conspiracy (Article 416 of the Criminal Code);
- mafia-related criminal conspiracy, including foreign conspiracies (Article 416-bis of the Criminal Code);
- the crime of inducement to not make statements or to make false statements to the judicial authorities (Article 377-bis of the Criminal Code);
- the crime of criminal conspiracy for the smuggling of foreign processed tobacco (Article 291-quater of Presidential Decree no. 43 of 23 January 1973);
- criminal conspiracy for the purposes of the illegal trafficking of narcotic or psychotropic substances (Article 74 of Presidential Decree no. 309 of 9 October 1990);

- crimes related to the smuggling of migrants (Article 12, paragraphs 3, 3-bis, 3-ter and 5 of Legislative Decree no. 286 of 25 July 1998);
- the crime of aiding and abetting (Article 378 of the Criminal Code);

For details of the individual crimes for which administrative liability is established pursuant to L. Dec. 231/2001, see the Appendix to this General Section titled "List and description of the crimes and administrative offences provided for by L. Dec. 231/2001".

1.4 The Penalty System

The Decree provides for the following penalties to be issued to the company as a consequence of the commission or attempted commission of the abovementioned crimes:

- a financial penalty of between a minimum of €25,822.84 and a maximum of €1,549,370 (and precautionary interim seizures);
- ban penalties (also applicable as a precautionary measure) of a duration of no less than three months and no more than two years (with the specification that, pursuant to Article 14, paragraph 1, of L. Dec. 231/2001 "*Ban penalties are applicable to the specific activity to which the offence committed by the organisation relates*") which, in turn, may consist of:
  - prohibition from carrying on the activity;
  - suspension or cancellation of authorisations, licences or concessions functional to the commission of the offence;
  - prohibition from entering into contracts with the public administration, except in order to procure a public service;
  - exclusion from relief, financing, grants or subsidies and the possible revocation of any already granted;
  - prohibition from advertising goods or services;
- confiscation (and precautionary interim seizure);
- publication of the judgement (in the event that a prohibitive penalty is applied).

These penalties can be qualified as administrative, even if they are applied in legal proceedings.

The financial penalty is determined by the criminal judge through a system based on between one hundred and one thousand "shares" varying in value from a minimum of €258.00 to a maximum of €1,549.00.

Financial penalties (in terms of value) and ban penalties (in terms of time) are reduced by between one third and one half, while the application of penalties is excluded in cases in which the organisation voluntarily prevents the commission of the act or the occurrence of the event (Article 26 of the Decree). In such cases, the exclusion of penalties is justified thanks to the legal institution of "active withdrawal" through the interruption of all relationships of association between the organisation and the persons acting in its name and on its behalf.

1.5 Liability and modifying events

The Degree also governs the organisation's financial liability in relation to events which modify the organisation such as transformations, mergers, demergers and business transfers.

Article 28 of L. Dec. 231/2001 establishes that, in the event of the "organisation's transformation, it remains liable for crimes committed prior to the date on which the transformation took place". The new organisation will therefore subject to the penalties applicable to the original organisation, for acts committed prior to the transformation.

In the event of a merger (Article 29 of the Decree), the organisation resulting from the merger, including in mergers by incorporation, is liable for crimes for which the organisations participating in the merger were responsible.

In the event of a partial demerger, the Decree establishes that the spin-off organisation remains liable for crimes committed prior to the demerger. However, the beneficiaries of a partial or total demerger are jointly and severally obliged to pay the financial penalties due from the spin-off organisation for crimes prior to the demerger. The obligation is limited to the value of the assets transferred.

If the merger or demerger takes place before the conclusion of proceedings to establish the organisation's liability, when deciding on the financial penalty, the judge shall take account of the original organisation's financial condition and not that of the organisation resulting from the merger.

In any case, prohibitive penalties are applicable to the organisations that have retained or acquired, even partially, the business unit within which the crime was committed.

In the event of the transfer or contribution of the business unit within which the crime was committed, Article 33 of the Decree establishes that, without prejudice to the fact that the transferor organisation has the benefit of excussion, the transferee is obliged, jointly and severally with the transferor, to pay the financial penalty, within the limits of the value of the transferred business and the financial penalties entered in the mandatory accounting records, or which the transferee in any case knew about.

1.6 Crimes committed abroad

According to Article 4 of the Decree, the organisation can be held liable in Italy in relation to crimes – provided for by the same L. Dec. 231/2001 – committed abroad, provided that the specific objective and subjective requirements for charges to be brought are met.

The organisation's liability for crimes committed abroad are based on the following prerequisites:

- the offence must be committed abroad (and carried out entirely abroad) by a senior figure or subordinate pursuant to Article 5, paragraph 1, of L. Dec. 231/01.
- the organisation must have its own registered office within the territory of the Italian State (Articles 2196 and 2197 of the Civil Code);
- the State in which the crime was committed must not have established and issued a penalty for the offence committed by the organisation;
- the conditions for admissibility provided for by Articles 7, 8, 9 and 10 of the Criminal Code must be met.

Although the legislation does not make reference to organisations which do not have their registered office in Italy, the case law (Preliminary Investigating Judge of Milan, Order of 13 June 2007, idem, Order of 27 April 2004, Court of Milan, Order of 28 October 2004) has established that national jurisdiction exists in relation

to crimes committed by foreign organisations in Italy, basing the relative decisions on the principle of territoriality.

1.7 The Organisational, Management and Control Model

The Model provides the organisation with exemption from liability only if it is sufficient in terms of preventing predicate crimes and effectively implemented.

In fact, in the event of a crime committed by a senior figure, the company is not liable if it proves that (Article 6, paragraph 1, of L. Dec. 231/2001):

- the governing body has adopted and effectively implemented, prior to the commission of the unlawful act, Organisational, Management and Control Models suitable for preventing the kind of offences that have occurred;
- the task of supervising the functioning and observance of the Models and its updating has been entrusted to a body of the organisation, equipped with autonomous powers of initiative and control;
- the persons have committed the offence by fraudulently evading Organisational, Management and Control Models;
- there has been an absence of or insufficient supervision by the Supervisory Board.

Therefore, the company must demonstrate that it is unrelated to the acts with which the senior figure is charged, proving that the requirements listed above are concurrently met and, hence, that the crime did not derive from “organisational negligence” on its part.

However, in the event of a crime committed by persons subject to the management or supervision of others, the company is liable if the crime was made possible by the breach of managerial and supervisory obligations that the company is required to fulfil (Article 7 of L. Dec. 231/2001).

In any case, the breach of managerial or supervisory obligations is excluded if the company, prior to the commission of the offence, has adopted and effectively implemented an Organisational, Management and Control Model suitable for preventing the kind of offences that have occurred.

Here we see an inversion of the burden of proof, onto the prosecution. In fact, it will be the judicial authority that must, in the eventuality provided for by the cited Article 7, prove the failure to adopt and effectively implement an Organisational, Management and Control Model suitable for preventing the kind of offences that have occurred;

Article 6, paragraph 2, of L. Dec. 231/2001 outlines the content of Organisational, Management and Control Models, and establishes that, in relation to the scope of delegated powers and the risk of the commission of crimes, they must:

- identify the activities during which the offences may be committed;
- provide for specific protocols to help plan the formation and implementation of the company’s decisions in relation to the offences to be prevented;
- identify methods for managing financial resources suitable for preventing the commission of the offences;
- provide for obligations to inform the body responsible for supervising the functioning and observance of the Model;

- introduce a disciplinary system suitable for punishing non-compliance with the measures stated in the Organisational, Management and Control Model.

Moreover, Article 7, paragraph 4, of the Decree defines the requirements for the effective implementation of Organisational Models:

- periodic checks and any changes to the Organisational, Management and Control Model when significant breaches of requirements are discovered or when organisational changes are made or activities are changed;
- a disciplinary system suitable for punishing non-compliance with the measures stated in the Organisational, Management and Control Model.

2 The FSI SGR S.p.A. Governance System

2.1 FSI SGR S.p.A.'s activities and governance model

"*Private equity activities make it possible to combine an entrepreneurial spirit, managerial and organisational skills, national and international contacts, financial assets and capital for the development of new businesses or to consolidate or relaunch existing businesses, and to give the entire economic system an innovative drive [...]. The underlying logic that inspires decisions is the selection of dynamic companies, with high prospective growth rates and clear, well defined strategic objectives, even if the optimal target profile has different characteristics in relation to the type of investment intended to be made*" (F. MINNETTI, *"Corporate Banking e finanza straordinaria d'impresa",* 2011, pp. 132 et seqq.).

Consistently and in line with the financial literature cited above, FSI SGR S.p.A. (hereinafter also referred to as "FSI" or the "Company") intends to promote, establish and manage closed-end, Italian and foreign, reserved, alternative undertakings for collective investment in securities in order to represent a professional operator at both the national and international levels in the private equity sector. In particular, the Company has the objective of supporting the growth plans of mid-market companies with significant prospects for development, including through raising foreign and private capital (growth capital).

FSI's organisational structure is described in detail in the organisational diagram which shows the functions and related responsibilities. This organisational structure is continuously updated, by virtue of any corporate developments and/or changes, and the relevant Company functions will be responsible for the timely reporting of such developments and/or changes to the Supervisory Board.

The company's organisational system seeks to fulfil the requirements of: (i) clarity, formalisation and communication, with particular reference to the attribution of responsibilities, the definition of hierarchies and the assignment of operational activities; (ii) the separation of roles, i.e. the organisational structures are designed in such a way that avoids functional overlapping and the concentration on one person of activities which entail a high degree of criticality or risk. In order to ensure that those requirements are met, the Company has internal organisational tools (e.g. organisational diagrams, etc.) inspired by the following general principles: (i) availability of information within the Company; (ii) clear description of the lines of reporting; (iii) clear and formal delimitation of roles, with a description of the tasks and responsibilities attributed to each function.

The Company has adopted a "traditional"-type governance plan, the organisational structure of which is centred around a Board of Directors responsible for the strategic supervision and management of the Company, a Board of Statutory Auditors responsible for the audit function and a Chief Executive Officer who also covers the role of General Manager.

The Board of Directors is invested with ordinary and extraordinary powers for the administration of the Company and, in particular, it has the power to carry out any acts that it deems appropriate for the implementation and achievement of the business purpose, excluding the activities reserved, according to law and the articles of Association, for the Shareholders' Meeting. The body with strategic supervisory duties is also responsible for establishing guidelines for the internal control and risk management system, formed of all the rules, procedures and organisational structures intended to allow for the identification, measurement, management and monitoring of the main risks. The Chairman is responsible for convening Board Meetings, setting their agenda, coordinating the work and ensuring that all directors are provided with adequate information on the items on the agenda. The Chairman has the authority to sign for and legally represent the Company in relation to third parties and any judicial, financial or administrative authority.

The Board of Statutory Auditors has the task of supervising compliance with the law and the Articles of Association, observance of the principles of correct administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its concrete operation.

The Chief Executive Officer is at the top of the internal organisational structure and, as such, performs management functions in exercise of specific powers granted by the Board of Directors (e.g. preparing and submitting the Company's draft business and strategic, economic and financial plan to the Board of Directors; independently appointing/renewing "designated representatives" in companies in which the Company holds an interest, etc.).

The General Manager presides over the coordination and optimisation of the Company's operational activities in accordance with the powers granted by the Board of Directors. The General Manager is responsible for representing and signing for the company, within the limits of the delegated responsibilities and powers granted by the Board of Directors.

FSI's Articles of Association also provide for the establishment of an Investments Committee for each fund under management – the members of which are appointed from the Board of Directors – as an advisory body whose activities fall within the investment process, with reference to the assessment of investment and divestment opportunities for Funds, and in relation to all investment and divestment transactions resolved by companies in which the Funds themselves invest which require FSI to vote or, in any case, express its will.

Lastly, the Company has established the Shareholdings Committee, with advisory functions, responsible for supporting the Board of Directors and the Chief Executive Officer in the context of the investment/divestment process for the Funds under management, as well as monitoring assets.

2.2 Governance tools

FSI has an organisational model aimed at pursuing the company mission, ensuring operational efficiency and effectiveness, managerial and accounting transparency, and full compliance with the applicable regulatory framework.

In this regard, the Company has adopted:

- the Articles of Association which, in compliance with laws in force, establish different types of rules applicable to corporate management and aimed at ensuring the correct conduct of management activity;
- the Code of Ethics, which contains the collection of ethical principles of conduct which those operating for FSI are obliged to adopt, including in relation to activities that could constitute offences provided for by L. Dec. 231/2001. This document has been adopted by the Company to confirm the importance of ethical matters;
- a an internal regulatory system (company organisational diagram, guidelines, regulations, procedures, etc.), aimed at governing the relevant Company processes in a clear and effective manner. This regulatory system has the following features: (i) adequate distribution among the company units involved in the activity; (ii) regulation of the procedures and schedules for carrying out activities; (iii) clear definition of responsibilities for activities, in accordance with the principle of separation between the person who starts the decision-making process, the person who implements and concludes it, and the person who controls it; (iv) traceability of records, operations and transactions through adequate documentation stating the characteristics of and reasons behind the operation and identify the persons in any way involved in the operation (operation authorisation, performance, registration, verification); (v) the objectification of decision-making processes, though establishing, where possible, defined

reference criteria and methodologies for the making of company decisions; (vi) the establishment of specific control mechanisms (such as reconciliation, book-balancing, etc.) so as to ensure the integrity and completeness of the data handled and information exchanged within the organisation.

- outsourcing contracts, aimed at governing, in line with the legislation in force, services provided to FSI by specific providers for the correct carrying out of company activities;
- a composite system for the assignment of powers, aimed at ensuring efficiency and fairness in decision-making activities and when representing the Company. This system concerns both internal authorisation powers, on which the company's decision-making processes regarding operations to be carried out depend, and the power to represent the company by signing acts or documents to be used externally which may bind the Company (referred to as special or general "powers of attorney"). Assigned powers must respect the following requirements: (i) they must be clearly defined and formally assigned by means of written communications; (ii) they must be consistent with the assigned responsibilities and tasks and the positions covered within the organisational structure; (iii) they must have limits to their exercise in line with the roles allocated, paying particular attention to spending powers and authorisation powers and/or the power to sign transactions and acts considered "at risk" within the company; (iv) they must be updated following organisational changes.

That overall organisational structure is made known to – and thus becomes binding for – all persons with a relationship of employment with the Company, via the company intranet.

2.3 The Internal Control System

In order to ensure the sound and prudent management of the Company, FSI combines the profitability of the company with a conscious assumption of risks and with an operating conduct based on criteria of correctness..

In this context, the Company's internal control system comprises a set of rules, procedures and organisational structures that seek to ensure that company strategies are followed and the following purposes are achieved:

- effective and efficient company processes;
- safeguarding the value of assets and protection from losses;
- reliability and integrity of accounting and operational information;
- operations that comply with the law, supervisory regulations and internal policies, plans, regulations and procedures.

The internal control system is a document-based infrastructure that provides the means to organically review the guidelines, procedures, organisational structures, risks and checks in place in the company, adopting company guidelines and instructions from the Supervisory Boards, as well as legislative provisions, including the principles established by L. Dec. 231/2001.

In particular, this control system establishes company rules and organisational solutions in order to:

- ensure sufficient separation between operational functions and oversight, functions to avoid conflicts of interest in the allocation of professional responsibilities and tasks;
- adequately identify, measure and monitor the main risks taken in the various operational divisions, in line with the guidelines established by the Company;
- allow for the recording of all management events and, in particular, all transactions, in sufficient detail, ensuring that they are correctly attributed in terms of timing;

- ensure that there are reliable information systems and suitable reporting procedures at the various managerial levels which have oversight functions;
- ensure that anomalies found by operational units, the internal audit function or other functions with oversight responsibilities are reported in a timely manner, at the appropriate company level, and handled immediately.

In line with the instructions of the Supervisory Authority, the Company has identified the four following macro-types of control:

- *line controls*, aimed at ensuring that daily operations and individual financial transactions are carried out correctly. This oversight activity is performed by the organisational units (or business or support units) or incorporated into electronic procedures, or performed as back-office activities;
- *risk management controls*, which aim to contribute to the establishment of methodologies for measuring risk, verifying compliance with the limits assigned to the various operational functions and checking that the operations of the individual production units are consistent with the assigned risk-reward objectives;
- *compliance controls*, comprising policies and procedures for identifying, assessing, controlling and managing risk following a breach of the law, the Supervisory Authority's regulations, the rules on self-regulation, or any other regulations applicable to the Company;
- *internal audit*, aimed at identifying anomalous developments, breaches of procedures and regulations, and assessing the functionality of the internal control system as a whole. This function is performed by several divisions, which are all independent from production units.

The internal control system is periodically subject to review and updated in relation to developments in company operations and the relevant regulatory framework.

3 FSI's Organisational, Management and Control Model and the methodology used in drafting and updating it

3.1 Characteristics and Content of the Model adopted by FSI

In accordance with the Decree, the adoption of an Organisational, Management and Control Model is not only a way to exempt the Company from liability in relation to the commission of some types of crime, but it is also an act of social responsibility for FSI, leading to benefits for all stakeholders: shareholders, investors, employees, creditors and all other parties with interests linked to the Company's success.

The introduction of a business activity control system, together with the adoption and dissemination of ethical principles, improve the already high standards of conduct adopted by the Company, enhance FSI's reputation and the confidence placed in it by third parties (e.g. institutional investors) and, above all, play a regulatory function insofar as they govern the conduct and decisions of those who are called to work for the Company on a daily basis in accordance with the aforementioned ethical principles.

The decision of the FSI Board of Directors to adopt a Model is part of the company's wider business policy that is expressed in actions and initiatives aimed at raising the awareness of all FSI staff and all third parties with regard to the transparent and correct management of the company, compliant with current legal regulations and fundamental principles of business ethics in the pursuit of the company purpose.

The adoption of this Model is a fundamental element in the promotion and development of the principles of Corporate Social Responsibility (CSR), according to which managerial direction should be inspired by the pursuit of a function/objective which is broader than simple profit-making, and which materialises in creating value in relation to all entities directly and indirectly tied to the success of the Company. The logic behind CSR stems from the composition of the various interests of the multiple stakeholders, and therefore entails the creation of tangible and intangible value for the business, for people, for the surrounding area and for the environment.

When preparing this document, FSI made reference to the following aspects:

- the instructions given in the Decree;
- the general principles inherent to an adequate internal control system, as inferred from best practice on the market;
- the general principles established in the "Guidelines for Organisational, Management and Control Models pursuant to Legislative Decree no. 231 of 2001" drawn up by the relevant trade association (Confindustria), which was last updated in 2014;
- the principles established by the legal doctrine on the issue as well as the main judgements and/or rulings of the Italian judiciary.

Therefore, the Model is made up of a combination of rules, tools and conduct functional to providing FSI with an effective organisational and management system, the purpose of which is to identify and prevent criminal conduct on the part of the Company itself or persons subject to its management and/or supervision.

With reference to the requirements identified in the Decree, the Model is made up of the following elements:

- *General Section*, which identifies:
  - the main legislative provisions established by the Decree;
  - the requirements that the Company must meet in terms of the "administrative liability of organisations";

- the guiding principles of the Model, as well as its components;
- the disciplinary system adopted by the Company;
- the characteristics the Supervisory Board;
- training and awareness-raising activities in relation to the Model.

- *Special Section* containing the *Map of activities at risk of crime.* In particular, the aforementioned Special Section also provides information regarding:
  - the identification of the areas and sectors of activity in which one or several of the crimes provided for by the Decree could be committed;
  - the identification of the specific crime risks, considering the possible methods by which the crimes could be committed (among other things) in the various areas of the company that have been identified;
  - a description of the risk prevention system adopted by the Company. In particular, it identifies specific control protocols (e.g. regulations, procedures, policies, etc.) aimed at governing, for each business division, conduct and controls in the context of the respective sensitive processes and activities included in the *Map of activities at risk of crime*.
- *Code of Ethics,* which contains the combination of rules of conduct and ethics, also aimed at preventing unlawful or improper conduct, including conduct aimed at bringing about or encouraging the commission of the crimes referred to in the Model. In this regard, the adoption of ethical principles is the cornerstone of the internal control system
- *Flows of information to the Supervisory Board*, which senior figures and subordinates internal to the Company are obliged to forward to the Supervisory Board in order to facilitate its supervisory and oversight activities. Moreover, the Supervisory Body is also obliged to pass information to the corporate bodies to report the existence of any critical issues linked to the implementation and/or violation of the Model.

The full list of crimes included in the Decree is also appended to this document; said crimes were analysed during the preparation of the Company's Model to assess their material applicability in relation to its own operations.

3.2 Recipients of the Model

The principles and contents of the Model are aimed at members of the governing bodies, managers, employees, and all other individuals who work for or on behalf of FSI or are in any case linked to the Company by legal relationships as necessary for the pursuit of the Company's business purpose (e.g. collaborators, consultants, target companies, partners, suppliers).

3.3 Criteria and activities for creating the Model

Article 6, paragraph II, sub-paragraph a) of the Decree provides that the Model must "identify the activities during which the offences may be committed". Therefore, as a starting point, the activities relevant to the creation of the Model were identified.

The Model has therefore been developed over several methodological phases, summarised as follows.

Phase 1: Collection and analysis of all relevant documentation

First of all, documentation available within the Company, and of use for the purposes of the analysis (e.g. authorisations, powers of attorney, procedures, regulations, documentation pertaining to corporate and organisational structure, etc.), was collected.

The aforementioned documentation was then analysed in order to a knowledge base of information on the Company's structure and the scope of its operations, as well as the distribution of powers and responsibilities among personnel within the Company.

Company resources responsible for company processes and existing control mechanisms were then identified, in order to bring the Model as close as possible to the specific operational areas and organisational structure of the Company, with reference to the risks of offences that might be realistically contemplated.

Phase 2 – Identification of activities at risk of crime

On the basis of FSI's process and activity map, the operational business areas theoretically at risk of crime were identified, including through interviews with internal personnel. Then, the possible crimes (provided for by the Decree) that could theoretically be committed by company personnel responsible for the management of each activity were associated with the relevant activities.

A description of some examples of the ways in which the crime could theoretically be committed by personnel within the company was prepared in relation to every mapped crime.

Phase 3 – Gap analysis and action plan

In order to record and analyse in detail the existing control system in place to control risks found and pointed out during the analysis of processes, and to assess the degree to which the Model complies with the provisions of the Decree, an appropriate theoretical analysis of the Model was carried out (on the basis of the main relevant best practices).

In cases in which at-risk activities were found to be not sufficiently controlled, measures (an action plan) more effective at actually preventing the identified crimes were established with support from personnel from within the company, taking account of the existing operational rules in force or the practices followed in operational reality.

When reviewing the existing control system, the following benchmark principles were considered:

- existence of formalised procedures;
- ex-post traceability and verifiability of transactions by means of sufficient documentary/digital media;
- separation of duties;
- existence of formalised authorisations in line with the assigned organisational responsibilities;
- provision of a sufficient flow of company information and training activities.

Phase 4: Preparation of the Map of activities at risk of crime and controls

A detailed analysis of all company activities aimed at assessing any theoretical possibility of the commission of the crimes contained in the Decree, and the suitability of the existing control measures for preventing the commission of those crimes, led to a company document titled "Map of activities pursuant to L. Dec. 231/2001".

Phase 5: Definition of protocols for the prevention of crime

The activities subject to crime risk were identified for every company division, and specific control protocols (or a system of rules, e.g. policies, regulations, organisational procedures, operating instructions, etc.) were established for each such activity, to regulate the identified risk profile.

Through the procedure illustrated above, it will therefore be possible to constantly adapt the Model in order to manage the crime risk in light of developments in the company's operations (e.g. addition of new businesses that could involve additional sensitive activities), any internal organisational changes (e.g. revision of the company's organisational structure with the consequent amendment of the missions allocated to internal divisions), as well as any regulatory changes (e.g. the introduction of new crimes that would make it necessary to update the current Map of activities at risk of crime).

3.3.1 The crime prevention protocol system

The system of crime prevention protocols was created taking account of general principles of prevention, and finalised by the Company on the basis of the guidance found in the Confindustria and Abi Guidelines, the analysis of case law, and national/international best practice.

The general principles of control used as the basis for the tools and methodologies used to structure the specific control measures can be described as follows:

- *Regulation*: the existence of functional diagrams, guidelines, regulations, procedures, operational policies, decisions, service orders and service notices, which constitute formalised company provisions including principles of conduct and operational processes for the performance of sensitive activities;
- *Separation of duties*: separation of activities between among those who authorize them, those who carry them out, and those who oversee them. This separation is guaranteed by the involvement of several individuals in order to ensure that processes remain independent and objective;
- *Definition of authorisation and signatory powers*: authorisation and signatory powers must: i) be consistent with the assigned organisational and managerial responsibilities and, where required, give an indication of the spending approval thresholds; ii) be clearly defined and known within the Company and by third parties working with the Company;
- *Traceability*: every operation relating to sensitive activities must be adequately documented. The decision making/authorisation process, performance and control of sensitive activities must be verifiable *ex-post*, including via specific documentation and, in any case, the procedures for storing relevant documentation and the case and processes for potentially deleting or destroying it, as well as any recordings made, must be governed in detail;
- *Information and Training*: company communications must take place in accordance with an efficient information flow system at all hierarchical/functional levels. Those working for FSI must be able to know and understand, through adequate and pertinent training activities, the company regulations aimed at preventing the risk of crimes being committed. The effectiveness of training activities is ensured by the

keeping of a database of courses held and the identification of the training programmes followed by every employee.

3.3.2 Methods for mapping crimes referred to in Article 416 of the Criminal Code – Criminal conspiracy

The types of crime referred to in Article 416 of the Criminal Code, "Criminal conspiracy", are illegal acts characterised by specific peculiarities which must be taken into account when assessing risks. In particular, it should be noted that when identifying the types of crime included in L. Dec. 231/2001 which could potentially be committed in the context of the Company's activities, it is necessary to consider the risks deriving from crimes committed by means of "conspiracy".

In particular, the risks deriving from "Criminal conspiracy" are considered in relation to relevant activities that could give rise to the potential commission of "criminal" conduct that falls within the scope of the predicate offences under L. Dec. 231/2001 (e.g. corruption, money laundering, etc.).

In this regard, the offences referred to in Article 416 of the Criminal Code represent the "vehicle" through which FSI's senior figures and subordinates could wilfully commit "crimes" via a collusive process with other persons internal and/or external to the Company (e.g. through conspiracy among three or more individuals in order to establish a criminal design aimed at committing such crimes).

3.3.3 Crimes attributable to designated FSI representatives

FSI identifies specific individuals designated to represent the Company within the Corporate Bodies of the companies in which it invests. In that context, representatives designated by FSI are obliged to perform their duties in line with the interests of the companies to which they are assigned.

In light of the "231/01" risks deriving from potential crimes which could involve the aforementioned persons in the context of the operations of companies in which FSI invests, the representatives designated by FSI are obliged to:

- act in accordance with the provisions contained in the "Code of Ethics" adopted by the Company;
- operate in compliance with the crime prevention protocols adopted as part of the Organisation, Management and Control Models, under L. Dec. 231/2001, of the individual companies in which the FSI invests, in which the designated representatives are called to perform their duties.

4 The Supervisory Board pursuant to L. Dec. 231/2001

4.1 Introduction

The Decree provides for the company's liability for crimes committed in its interest by senior figures or employees. The same legislation provides for exemption from such liability if the company has, among other things, adopted Organisation, Management and Control models for the prevention of crime and has entrusted the task of overseeing and updating that Model to a Supervisory Board (hereinafter also referred to as the "SB") that has autonomy, independence and professionalism.

This chapter identifies the characteristics, functions, powers and responsibilities of FSI's SB, as well as the provisions relating to the flows of information to and from the SB itself.

4.2 Characteristics the Supervisory Board

The requirements of integrity, professionalism, autonomy and independence are fundamental in order that the SB can perform the functions assigned to it, ensuring the necessary continuity of action without being subject to conditioning or interference by the governing body.

Within FSI, those requirements are obtained by ensuring that the Supervisory Board occupies the highest possible hierarchical position, reporting to the most senior level of the company, namely the Board of Directors as a whole, and ensuring that the activities carried out and opinions expressed by the SB in the performance of its functions are absolute and final.

The SB's autonomy and independence are also guaranteed by the provision, as part of the annual budgeting process, of reasonable financial and human resources to be used for the work of the SB itself, which is given the company resources that are in line with the expected and reasonably obtainable results. For its own secretarial and operational activities, the SB makes use of FSI's Compliance and Anti-Money Laundering Department, to the extent that this is compatible with the activities assigned to the latter.

In order for it to remain independent, it is also established that the SB will not be given operational duties, which could compromise the objectivity of its judgement in relation to checks on conduct and the effectiveness of the Model. In the performance of their duties, members of the SB must not be subject to conflicts of interest or potential conflicts of interest for any personal, family or professional reasons. If they are subject to a conflict of interest, they are obliged to inform the other members of the Board immediately and must abstain from participating in the relative deliberations.

The SB must be able to ensure the necessary continuity in the exercise of its functions, including through the planning and preparation of activities and controls, the taking of meeting minutes and the regulation of information flows from company divisions.

Lastly, the SB must has sufficient technical-professional expertise to fulfil the functions assigned to it, both in inspection activities and in the analysis of control systems. Where necessary, the Board may also make use of the help and support of external technical expertise (e.g. for matters of criminal law) to obtain particular specialist knowledge.

4.3 Functions, duties, powers and internal regulations

The SB must continuously carry out the necessary to oversee the Model, be sufficiently committed and have the necessary investigatory powers.

In accordance with the instructions provided by the Decree, in general, the function of the SB is to:

- supervise the effective application of the Model in relation to the various types of crime taken into consideration therein;
- verify the Model's effectiveness and its real ability to prevent the commission of relevant crimes, without prejudice to the fact that management is responsible for carrying out line controls and verifying that company procedures are complete and duly formalised and, in general, that internal regulations are consistent with the principles of this Model;
- identify and propose updates and amendments to the Model to the relevant body (Chief Executive Officer or Board of Directors depending on the nature of the necessary changes) in relation to legislative changes or changes to the needs or condition of the company;
- check that updates and amendments proposed to the relevant body (Chief Executive Officer or Board of Directors depending on the nature of the necessary changes) have been effectively incorporated into the Model.

In relation to the function outlined above, the SB has the following duties:

- to periodically check the map of Relevant Activities and the adequacy of control points in order to bring them in line with changes to the activities and/or structure of the company;
- to carry out periodic checks and inspections, according to the SB's pre-established schedule of activities, targeted at certain operations or specific actions carried out in the context of Relevant Activities;
- to collect, process and store relevant information (included in paragraph 4.5) regarding compliance with the Model, and update the list of information sent to the SB itself;
- to conduct internal investigations to resolve presumed breaches of the provisions of the Model brought to the attention of the SB through specific reports or emerging during the course of its oversight activity;
- to verify that the constituent elements of the Model (standard clauses, procedures and the relative controls, the authorisation system, etc.) are effectively adopted and implemented and meet the requirements for compliance with L. Dec. 231/2001, and propose corrective actions and updates if they do not.

For the performance of the functions and duties outlined above, the SB is assigned with:

- the power to have full access to company documents and, in particular, those regarding contractual and other types of relationship entered into by the Company with third parties;
- the power to make use of the support and cooperation of the various company divisions and corporate bodies that may be affected by, or in any case involved in, control activities;
- the power to hire professionals specialising in legal matters and/or audit and the implementation of processes and procedures for specific consulting and assistance assignments.

To this end, FSI's Board of Directors grants the SB specific spending powers on the basis of an annual spending budget set by the SB itself.

Additional ways for the BS to exercise its powers may be defined by means of an internal document adopted by the Supervisory Board itself and passed on the Board of Directors.

4.4 Composition, and requirements for appointing members of the Supervisory Board, responsibilities

The SB must have sufficient technical-professional expertise to fulfil the functions assigned to it, in order to fulfil the requirement of professionalism and ensure that it can perform the necessary operations as assigned to it by the Decree.

From this perspective, it should be noted that FSI's SB is made up of three members, appointed by the Board of Directors after checking that the requirements of autonomy, independence, professionalism and integrity are met.

Members must have an adequate degree of professionalism in relation to legal/criminal and economic/business matters.

The aforementioned members shall have the same three-year term in office as the Board of Directors that appointed them, without prejudice to the possibility of early revocation due to serious confirmed breaches or conflicts of interest, removal from office decided by the Board of Directors due to the fact that the integrity requirement is no longer met, or the resignation of one or several members.

Persons under the conditions of ineligibility or removal from office provided by Article 2399 of the Civil Code cannot be appointed.

The additional causes for ineligibility and removal from office established the Company's directors and statutory auditors by the statutory and legislative provisions in force at any time are also applicable to members of the Supervisory Board.

In the event that a member is appointed within the Company, the conditions of ineligibility provided for by Article 2399, paragraph 1, sub-paragraph c), of the Civil Code do not apply.

The Board of Directors checks, on an annual basis, that the members of the SB continue to meet the integrity requirements and – for external members only – independence requirements.

In the event that this Model is breached by one or several members of the SB, the other members of the SB or any statutory auditor or director shall immediately inform the Company's Board of Statutory Auditors and the Board of Statutory Auditors which, after giving notice of the breach and providing adequate tools for a defence, will take the necessary measures including, for example, removing the entire SB from office and appointing a new board.

Members of the SB can only be removed from office for serious breaches of the obligations incumbent on them pursuant to the law and this Model, by means of a resolution of the Board of Directors, having consulted the Board of Statutory Auditors (e.g. unjustified absence from two or more consecutive SB meetings).

Causes of illegibility and removal from office if the circumstance arises after appointment, fo include conviction, in a final judgement, for having committed one of the crimes referred to in the Decree or a conviction leading to permanent or temporary disqualification from holding public office or temporary disqualification from executive offices of legal persons.

In the event that personnel within the company (e.g. a Senior Figure in relation to the Internal Control System) is appointed as member of the SB, decisions related to early removal from office, transfer to another position, dismissal or the application of penalties in relation to the internal member may only be resolved by the Board of Directors, having consulted the Board of Statutory Auditors.

Internal members can always leave office if they are allocated operational functions and responsibilities within the company organisation which are incompatible with the requirements of autonomy and continuity of action that must be met by the SB.

FSI's SB may be convened by the Board of Directors at any time, through the Chairman of the Supervisory Board, to report on the functioning of the Model or specific situations.

The SB may also request to be convened by the Board of Directors or the Board of Statutory Auditors to report on the functioning of the Model or specific situations. Minutes must be taken for meetings with Corporate Bodies at which the SB reports. A copy of those minutes is held by the SB.

The gross annual remuneration for external members is established by the Board of Directors.

4.5 Reporting Flows

4.5.1 Reporting obligations to the Supervisory Board

The Supervisory Board must be informed in good time, by means of the appropriate internal communication system, of any actions, conduct or events which:

1) may give rise to a breach or suspected breach of the Model liable to expose FSI to the "risk of crime" ("extraordinary" flows or "breaches");

2) can be considered relevant for the purposes of the Decree ("ordinary" flows of information).

"Extraordinary" flows or "breaches" of information

As regards the first category of information flows, the reporting obligations in relation to any conduct contrary to the provisions of the Decree or the Model fall within the scope of the broader duty of diligence and employee loyalty as established by the Civil Code and, in any case, derive from the contractual relationship that binds all parties operating in the name and/or on behalf of FSI.

The correct fulfilment of reporting obligations by the employee cannot give rise to the application of disciplinary measures.

In this regard, as a general requirement, any reports related to the following matters must be communicated:

- orders and/or notices from the judicial police or any other authority stating that investigations will be carried out in relation to known or unknown persons, for crimes provided for by the Decree which may involve FSI;
- requests for legal assistance forwarded by employees in the event that legal proceedings are brought against them in relation to the crimes referred to in the Decree, unless expressly prohibited by the Judicial Authority;
- notices regarding disciplinary procedures carried out and any penalties issued (including measure taken against employees) or decisions to discontinue such procedures and the relative grounds;
- the commission, or a reasonable risk of the commission, of the crimes referred to in the Decree;
- conduct that is not in line with company regulations;
- conduct which, in any case, may bring about a breach of the Model.

Those who report the aforementioned circumstances in good faith are protected against any form of retaliation, discrimination or penalisation and in any case the identity of the person submitting the report is kept confidential, except in the case of legal obligations and the protection of the rights of the Company or of persons accused wrongfully and/or in bad faith.

The information, reports or accounts provided for in the Model are stored by the Supervisory Board in a specific file (electronic or paper documentation).

All recipients of this Model are obliged to report to the SB every breach or suspected breach liable to expose FSI to the "risk of crime", in writing and in a non-anonymous manner, through appropriate private channels of communication; the Supervisory Board analyses such reports.

Every report must be sufficiently substantiated and contain sufficient information to identify the terms of the breach, so as to allow the SB to proceed with its investigatory activities in a timely and appropriate manner.

To facilitate the flow of information to the Board, also in accordance with the legislative provision on Whistleblowing (Law no. 179/2017), the following channels have been established:

- **email**: organismo.vigilanza@fondofsi.it
- **ordinary post addressed to**: FSI SGR S.p.A., Via San Marco 21 - 20121, Milan – Organismo di Vigilanza [Supervisory Board].

In addition to the reporting system outlined above, in accordance with Article 4 – *undecies* of the Consolidated Law on Finance [TUF], FSI has established specific internal procedures for personnel to report conduct or circumstances which could constitute violations of the legislation governing the activity carried out, as well as Regulation (EU) no. 596/2014 (cf. "*Whistleblowing Guidelines*").

The SB will assess reports received responsibly and with discretion. To that end, it may hear the author of the report and/or the person responsible for the alleged breach.

FSI protects the person making the report from any retaliatory action that they could incur and/or discriminatory conduct adopted as a result of the report submitted (e.g. dismissal, mobbing, demotion, etc.).

Therefore, the SB shall act to protect those who submit reports from any form of retaliation, understood as acts liable to give rise to even the mere suspicion of discrimination or punishment.

It is also ensured that the identity of those who make reports is kept confidential, without prejudice to legal obligations.

Ordinary flows of information

As regards the second type of information flow relating to actions, conduct or events that could be relevant for the purposes of the Decree ("ordinary" flows), it may include by way of mere example:

- operations perceived to be "at risk" (for example: investment/divestment activities in relation to target companies attributable to Public Bodies; partnership agreements entered into with foreign Sovereign Funds, etc.);
- inspections by public authorities (e.g. Guardia di Finanza [Finance Police], local health authorities or other Supervisory Authorities);
- reports prepared by managers of other company functions in the context of their oversight activities, from which there emerge circumstances, conduct, events or omissions of a critical nature in relation to compliance with the Decree;
- organisational changes;
- any communications from the Board of Statutory Auditors concerning aspects which may point to shortcomings in the internal control system, inappropriate conduct, or observations on the Company's financial statements;

- a declaration attesting that the information contained in corporate communications is truthful and complete;
- a copy of the minutes of meetings of the Board of Directors and Board of Statutory Auditors;
- any other information which, although not included in the above list, is relevant for the purposes of the correct and complete performance of supervisory activities and the updating of the Model.

For more details, see the document "Flows of information to/from the Supervisory Board pursuant to L. Dec. 231/2001".

The authorisation system adopted by the Company, as well as any changes or additions to it, must be communicated to the SB.

Lastly, the SB has the power to issue further specific provisions with regard to reporting obligations for the various types of crime referred to in the Decree.

As regards the procedures for storing and sending "ordinary" flows, see what is established for "extraordinary" flows of information and "breaches"

4.5.2 Reporting obligations incumbent on the Supervisory Board

FSI's SB reports all news deemed relevant under the Decree, as well as proposed changes to the Model for crime prevention, to the Board of Directors and/or Board of Statutory Auditors, for matters falling under their respective responsibility.

More specifically, in relation to the Board of Directors and the Board of Statutory Auditors, the SB is obliged to:

- report in a timely manner any problems linked to activities, where relevant ("extraordinary" flows or "breaches)[1];
- report, at least every six months, with regard to the activity carried out, the implementation of the Model, any planned corrective measures or improvements, as well as the relative progress.

Moreover, the SB is obliged to give account to the Board of Directors on an annual basis for the expenses incurred in performance of the requirements of their office.

Lastly, the SB may, depending on the individual circumstances:

- communicate the results of its findings to managers of functions and/or processes if areas of improvement emerge from its activities. In such cases, it will be necessary for the SB to obtain, from the process managers, an action plan, with the relative schedule, for the implementation of the activities to be improved, as well as the outcome of that implementation;
- report to Senior Management any conduct/actions that are significantly contradictory to the Model.

[1] Such flows of information will be communicated unless explicitly prohibited by any Judicial Authorities involved.

5 The Disciplinary System

5.1 Function of the Disciplinary System

Article 6, paragraph 2, sub-paragraph e) and Article 7, paragraph 4, sub-paragraph b) of the Decree explicitly establish (with reference both to persons in senior positions and to persons subject to the management of others) that the organisation's exoneration from liability is subject, among other things, to proof of the introduction of a "disciplinary system capable of penalising failures to adhere to the measures outlined in the Model".

The definition of a system of penalties that are commensurate to the severity of the breach and designed to act as a deterrent contribute to the effectiveness of the SB's oversight and effective adherence to the Model.

The application of the disciplinary system and the relative penalties is independent from the conducting and outcome of any criminal proceedings brought by the judicial authority against the material author of the criminal conduct.

Moreover, the breach of the provisions of Article 6, paragraph 2 bis, of L. Dec. 231/2001, concerning the reporting of unlawful conduct relevant for the purposes of L. Dec 231/2001 itself, or breaches of the Model, constitutes grounds for the application of the penalties provided for by this disciplinary system.

In particular, those who violate the measures protecting whistleblowers or make intentional or grossly negligent reports that prove to be unfounded will be subject to disciplinary measures.

5.2 General Principles of the Disciplinary System

The Code of Ethics and the Model constitute a combination of regulations to which the employees of a company must adhere pursuant to the provisions of Articles 2104 and 2106 of the Civil Code and of the National Collective Bargaining Agreements (hereinafter referred to as "NCBAs") on rules of conduct and disciplinary measures. Therefore, all employee conduct that breaches the provisions of the Code of Ethics, the Model, and their implementing procedures constitutes a breach of the primary obligations of the employment relationship and, consequently, infringements which entail the possibility of the opening of a disciplinary procedure and the consequent application of the relative penalties.

Article 2105 of the Civil Code recognises that employees have a duty of loyalty, regardless of their position, and requires employees not to engage in business, on their own behalf or for third parties, in competition with their employer, disclose news pertaining to the organisation or the business production methods or make use of such news to the detriment of the business.

If the aforementioned provisions are breached, the employer may apply disciplinary measures, graded according to the severity of the breach, in accordance with the provisions of the National Collective Bargaining Agreement applied, as well as Article 7 of Law no. 300/70 (hereinafter also referred to as the "Workers Statute" for brevity).

In accordance with the regulatory provisions contained in the Workers Statute, as well as the principles of gradation and proportionality, the type and level of penalties that can be issued following the breach of the provisions contained in the Model will be determined on the basis of the following general criteria:

- significance of the breaches committed;
- duties and functional position of the persons involved in the conduct;
- intentionality of the conduct or the degree of negligence, imprudence or inexpertise;

- the employee's overall behaviour with particular regard to whether or not there have been previous disciplinary measures, within the limits permitted by law and the NCBAs;
- the extent of the loss or risk of losses resulting from the breach for the Company and for its stakeholders;
- in case of several breaches, punishable with different penalties, have been committed with a single act, then only the most severe penalty shall be applied.

If unlawful conduct is repeated within a two-year period, then the most severe of the relevant penalties shall automatically be applied.

Penalties shall be issued in a timely and immediate manner regardless of the commencement or outcome of any criminal proceedings.

In any case, disciplinary measures applied to employees must be issued in compliance with Article 7 of the Workers Statute and all other existing legislative and contractual provisions on the matter, in terms of both the applicable penalties and the way in which such powers are exercised.

Conduct by employees which breaches the Model constitutes a disciplinary offence, leading to the application of disciplinary penalties, as stated previously.

In this regard, the Disciplinary System takes account of the following principles:

- the system must be adequately publicised by being displayed in a location accessible to all employees, being published on the company intranet, and potentially being the subject of specific training and professional development courses.
- the penalties must respect the principle of proportionality in relation to the infringement committed, according to the provisions of the relevant NCBA. To that end, the penalties that can be issued are included in the "*national collective bargaining agreement for management staff and employees working in professional areas dependent on banks, financial institutions and related enterprises*", in relation to staff classified as "employees" or "management staff", as well as the "*national collective bargaining agreement for management staff employed by banks, financial institutions and related enterprises*", for staff classified as "executive staff".
- suspension from service and remuneration for employees not classified as executive staff must not last more than 10 years;
- employees whose conduct is brought into question must be guaranteed the right to a defence (Article 7 of the Workers Statute) and, in any case, disciplinary measures more severe than a verbal warning cannot be applied until 5 days have passed from the written notice of the fact that gave rise to them.

The penalty must be sufficient to ensure the effectiveness of the Model.

This Disciplinary System and the Code of Ethics shall be made available to employees by being published on paper and displayed on FSI's notice boards, thus ensuring full respect for the regulatory provisions contained in Article 7 of the Workers Statute.

5.2.1 Penalties for non-executive employees

In the event that a non-executive employee breaches the provisions contained in the Model, the following penalties will be applied:

- verbal warning provided for by Article 44, paragraph 1, sub-paragraph a), in Chapter V of the NCBA, in cases of:
  - minor breaches of what is established by the internal procedures contained in the Model or the adoption of conduct that does not meet the requirements of the Model;
  - tolerance of or a failure to report minor breaches committed by other employed staff.

By way of example but not of limitation, a verbal warning may be issued to an employee who, through negligence, fails to properly conserve the supporting documentation necessary to retrace Company operations in areas at risk of crime;

- written warning provided for by Article 44, paragraph 1, sub-paragraph a), in Chapter V of the NCBA, in cases of:
  - repeated conduct punishable by a verbal warning (i.e. repeated breach of the internal procedures contained provided for by the Model or the repeated adoption of conduct that does not meet the requirements of the Model);
  - a failure to report, or tolerance of, non-minor breaches committed by other staff;
  - repeated failure to report, or tolerance of, minor breaches committed by other staff;

For example, an employee who intentionally delays reporting information due to the SB pursuant to the Model may be punished with a written warning.

- suspension from service and remuneration for a period of no more than 10 days provided for by Article 44, paragraph 1, sub-paragraph c), in Chapter V of the NCBA, in cases of:
  - breach the internal procedures contained in the Model or negligence with regard to requirements of the Model;
  - failure to report, or tolerance of, serious breaches committed by other staff liable to expose the Company to an objectively dangerous situation or bring about negative effects for the Company, including of a reputational nature.

For example, employees who carry out the following conduct may be punished with suspension from service and remuneration: breach of the provisions of the Code of Ethics; omission or issuance of false declarations on compliance with the Model; breach of the provisions on signatory powers and the authorisation system.

- dismissal with notice for just cause provided for by Article 44, paragraph 1, sub-paragraph d), in Chapter V of the NCBA, in cases of:
  - breach of the requirements of the Model with conduct that may constitute a possible crime punishable under L. Dec. 231/2001.
  - repeated conduct punishable by suspension from service and remuneration.

Breaches punishable by the aforementioned penalty include the following intentional conduct: repeated failure to observe the provisions of the Model and the Group Code of Ethics and Conduct; intentional failure to comply with the obligations required by the Model and the Code of Ethics and the provisions of the company documentation system.

- dismissal for just cause provided for by Article 44, paragraph 1, sub-paragraph e), in Chapter V of the NCBA, in cases of:

- conduct in breach of the provisions of the Model liable to bring about the possible application, against FSI, of penalties provided for by L. Dec. 231/2001, attributable to failings so serious that they undermine the trust on which the employment relationship is based and do not allow the employment relationship to continue, even on a provisional basis.
- repeated conduct of particular severity, punishable by suspension from service and remuneration.

The breaches punishable by the aforementioned penalty include: fraudulent conduct unequivocally aimed at the commission of an offence provided for by the Decree and such as to harm the relationship of trust with the employer; preparation of incomplete or untrue documentation wilfully intended to prevent the transparency and verifiability of work performed; intentional breach of externally significant procedures; failure to prepare documents required by the Model.

Moreover, if required by the nature of the breach or the need for consequent investigations, the Company may temporarily suspend the worker from service for the amount of time strictly necessary.

5.2.2 Penalties for employed staff in "executive" positions

Relationships with executive staff are characterised by their eminently fiduciary nature. The conduct of executives is not only reflected within the Company, constituting a model and example for all those working there, but it also has repercussions on the Company's external reputation. Therefore, compliance with the provisions of the Code of Ethics, the Model, and the relative implementing procedures constitutes an essential element of the employment relationship between the Company and its executives.

With regard to executives who have committed a breach of the Code of Ethics, the Model or the procedures established in implementation thereof, the function responsible for disciplinary procedures will commence the due procedures to issue the relative notices and apply the most appropriate disciplinary measures, in accordance with the provision of the NCBA for executives and, where necessary, the procedures referred to in Article 7 of the Workers Statute.

By virtue of the higher level of diligence and professionalism required by the position covered, staff classified as "executive" may be penalised by more severe measures than other employees, for committing the same infringement.

When assessing the seriousness of breaches by staff classified as "executive", the Company takes account of the powers conferred, the technical and professional competence of the person involved, with reference to the operational area in which the breach took place, as well as any involvement of lower-level staff in the breach, even if they were simply aware of the alleged conduct.

If the breach carried out irremediably and seriously harms the relationship of trust that must necessarily exist between the executive and the employer, the penalty is dismissal for just cause, pursuant to legislation in force.

5.2.3 Penalties against directors

In the event that a director is found to have violated the Model, the Code of Ethics or procedures established in implementation thereof, the Board of Directors may – in accordance with the principles of gradation and proportionality in relation to the severity of the conduct, negligence or any misconduct – apply any measure permitted by law, including the following penalties:

- formal written warning;

- financial penalty of between two and five times the monthly remuneration;
- total or partial revocation of any powers or authorisations.

In the most severe cases, when the failing is liable to harm the company's confidence in the person responsible, the Board of Directors convenes a Shareholders' Meeting to adopt the appropriate measures.

On receiving the report of the breach from the SB, the Board of Directors or, if it fails to take action, the Chair of the Board of Statutory Auditors shall immediately convene a Shareholders' Meeting to resolve on any revocation of powers or action for liability against the directors pursuant to Article 2393 of the Civil Code.

After examining the report, the Shareholders' Meeting will prepare a written notice of breach to be issued to the director, delegating the material notification of the interested person to the SB and the Chairman of the Board of Statutory Auditors. At a subsequent session, the Shareholders' Meeting shall decide whether to issue a penalty, and the type of penalty, in accordance with the principle of proportionality, delegating the material notification of the interested person to the SB and the Chairman of the Board of Statutory Auditors.

5.2.4 Penalties against members of the Board of Statutory Auditors

In the event that a violation is committed by one or several statutory auditors, the Supervisory Board, which must be immediately informed, must always send notice of what has happened to the entire Board of Statutory Auditors and the Board of Directors.

The Board of Directors and the Board of Statutory Auditors may, in accordance with the legal provisions, adopt the appropriate measures, including statements in the meeting minutes, formal warning, reduction of remuneration or fees, precautionary removal from office, and the convening of a Shareholders' Meeting to adopt more suitable measures.

5.2.5 Penalties against collaborators, partners, consultants, suppliers and target companies

Violations committed by partners, consultants, collaborators, suppliers and target companies in which FSI has invested also constitute grounds for the termination of the contract existing between them and the Company, in accordance with specific safeguarding clauses.

Moreover, the Company reserves the right to bring action for compensation before the competent legal authorities if the breach of the Model by the aforementioned individuals leads to material losses for the Company.

In the event of conduct not complying with the Decree and the internal provisions adopted by FSI through the Model and the Code of Ethics, carried out by partners, consultants, collaborators or suppliers, the Company will be entitled, depending the various types of contract entered into, (a) to withdraw from the relationship, where the contract has not yet been performed, or (b) terminate the contract pursuant to Article 1456 of the Civil Code, where the performance of the contract has already commenced.

In the event that the aforementioned violations are committed by target companies, in consideration of the specific characteristics of the contract entered into, FSI will activate mechanisms to protect itself on the basis of the provisions of the individual investment contracts, taking account of the type of investment made by FSI and the specific and unique situation of each company in which FSI has invested.

Collaborators, consultants, partners, suppliers and target companies will be able to access and consult the Code of Ethics and an extract from the Model on the FSI website.

6 Training and Communication Plan

6.1 Introduction

In order to effectively implement the Model, FSI intends to ensure that its contents are correctly disclosed within and outside of its own company organisation.

In particular, one of the Company's objectives is to extend the communication of the contents of the Model to all its intended recipients.

Communication and training activities, diversified according to who they are aimed at, are in any case inspired by the principles of completeness, clarity, accessibility and continuity in order to allow the various recipients to have full knowledge of the company rules and regulations with which they are obliged to comply, as well as the ethical standards that must inspire their conduct.

The Supervisory Board monitors and checks the effective performance of communication and training activities, collaborating with the relevant company divisions where necessary.

6.2 Dissemination of the Model

In order to ensure effective and rational communication activities, the Company promotes and facilitates knowledge of the contents of the Model by all members of the governing bodies and employees, to varying levels of depth depending on the level of involvement in the relevant activities.

All members of the governing bodies and all employees are obliged to declare: i) that they have reviewed and have full knowledge of the principles of the Code of Ethics and the Model; ii) their commitment not to carry out any conduct aimed at encouraging and/or obliging any of the following persons to violate the principles specified in the Code of Ethics or Model: a) persons who perform representative, administrative or managerial functions within FSA or an operational unit with financial and functional autonomy; (b) persons subject to the management or supervision of one a person referred to in point (a), and (c) FSI's external collaborators.

Members of the governing bodies and employees must also be given the opportunity to access and consult the documentation comprising the Model on the company intranet.

Moreover, the Company uses suitable communication tools which will be adopted to update the members of the governing bodies and employees on any changes made to the Model, as well as any significant procedural, regulatory or organisational changes.

The communication of the Model is also aimed at third parties who have contractual relationships with the Company, but are not FSI employees nor members of its governing bodies. By way of example, this will include those who work on an ongoing basis for the Company, in coordination with it, without there being any relationship of subordination ("collaborators"), those who act in the name and/or on behalf of the Company by virtue of an agency contract or other contractual relationship for the provision of professional services ("consultants"), contractual counterparties with which the Company collaborates in some way, including, for example: temporary associations of companies, joint ventures, consortia, agencies, partnerships in general, etc., for the purposes of collaborating with the Company in the context of relevant activities ("partners"), suppliers of non-professional goods and services to the Company which do not fall within the definition of partner ("suppliers"), as well as counterparties directly involved in the exercise of the Company's business purpose ("target companies").

To this extent, the aforementioned companies will be able to access and consult the Code of Ethics and an extract from the Model on the FSI website.

Moreover, in case of any new commercial relationship, the same parties (collaborators, suppliers, consultants, target companies) are obliged to declare: i) that they have reviewed and have full knowledge of the principles of the Code of Ethics and the Model; ii) their commitment not to carry out any conduct aimed at encouraging and/or obliging any of the following persons to violate the principles specified in the Code of Ethics or Model: a) persons who perform representative, administrative or managerial functions within FSA or an operational unit with financial and functional autonomy; (b) persons subject to the management or supervision of one a person referred to in point (a), and (c) FSI's external collaborators.

6.3 Existence of relevant circumstances for the purposes of L. Dec. 231/2001

In the event that a counterparty declares that it is subject to proceedings to ascertain liability pursuant to L. Dec. 231/2001 or that it is subject to interim measures provided for by L. Dec. 231/2001 or has reported convictions that have become final pursuant to the Decree, including judgements applying the penalty on request under Article 444 of the Code of Criminal Procedure, the relevant FSI's divisions must assess whether such circumstances preclude the signing of the contract, taking consideration of FSI's reputational safeguarding and legal protection.

These concern the need to protect FSI's reputation from the risks to which it would be exposed due to the involvement of one of its counterparties in proceedings to ascertain liability under the Decree, and from the risk of a counterparty, issued with a financial or prohibitive penalty, even on a preliminary basis, sees its ability, economic or otherwise, to perform its obligations under the contract significantly compromised.

Where the competent division believes that, despite the existence of such circumstances when the contract is signed, FSI is in any case protected from the aforementioned risks (for example, in consideration of the foreseeable positive conclusion of any proceedings underway, or the counterparty's adequate ability to meet the obligations take on, even if financial or prohibitive penalties are expected), it must inform the Supervisory Board ex-post, giving the reasons that justify its proposed decision.

6.4 Training Plan

FSI defines a training plan at all company levels on sensitive issues linked to the Decree. Training is a fundamental tool for effective compliance with and implementation of the Model and for the widespread dissemination of the standards of conduct adopted by the Company, aimed at preventing the risk of the commission of crimes to which FSI is exposed by virtue of its operations. The level of training is modulated, with a different degree of depth, in relation to the qualifications of the recipients and the varying degrees to which they are involved in sensitive activities.

The Company therefore develops a sufficient training programme, through training courses which provide the following content:

- a common institutional section for all recipients, concerning the reference legislation (L. Dec. 231/2001 and predicate offences) as well as the Model and the functioning thereof;
- a special section in relation to specific operational environments which, with reference to the map of sensitive activities, is aimed at disseminating knowledge of the crimes that may be committed and circumstances that may arise, and the specific controls for the areas for which the operators are responsible.

The training and relative content must be structured into different modules for recipients depending on the function and organisational role covered within the Company. Particular attention must be paid to both newly hired employees (a training module in this regard must be included in the initial obligatory training set) and to staff moving on to new positions/roles, particularly if related to specific or “sensitive” roles/activities.

Training is obligatory and records of attendance of the courses provided must therefore be kept.

Training initiatives may be held via sessions in classrooms, dedicated meetings, or remotely using computer systems (e.g. video conferencing, e-learning).

The contents of the training must be duly updated in relation to developments in external regulations and the Model, ensuring that the necessary additions are made to the training materials, and that said materials are used, in the event of significant updates (e.g. the administrative liability of organisations being extended to new types of crime).

Lastly, the Supervisory Board shall be responsible for monitoring and checking the effective performance of communication and training activities, collaborating with the relevant company divisions where necessary, and performing periodic checks on the level of employee knowledge of all parts of the Decree and the Model.

7 Updating the Model - Criteria for updating and adapting the Model

7.1 Adoption of the Model

According to Article 6, paragraph I, sub-paragraph a) of the Decree, the adoption and effective implementation of the Model is the responsibility of the governing body. In this regard, FSI deemed it necessary to start and complete the internal project aimed at the preparation of an Organisational, Management and Control Model in accordance with the provisions of the Decree, adopting this document – which contains the reference principles for the creation of the Model – with a resolution of the Board of Directors.

In consideration of the above, on 28 November 2017 the Company adopted the first edition of its Organisational, Management and Control Model pursuant to L. Dec. 231/2001, which is periodically subject to updates by virtue of regulatory developments, organisational changes and the relative best practices.

7.2 Updates and adaptation

The Board of Directors has the power to adopt amendments and/or additions to the Model, which may or may not be based on information and proposals originating from the SB.

FSI is committed to updating and amending this Model by virtue of:

- significant changes to any parts of the Model (e.g. the addition of new Special Sections);
- legislative changes to the decree and developments in case law;
- significant reorganisations of the company structure and/or overall corporate governance model;
- violations and circumventions of the requirements contained in the Model, demonstrating its ineffectiveness or inconsistency for the purposes of crime prevention.

The methodology chosen for updating the Model, in terms of organisation, the definition of operating processes, phased structuring and the assignment of responsibilities among the various company divisions, is defined by FSI in order to ensure the quality and authority of the outcomes.

Therefore, in accordance with the provisions of Article 6 of L. Dec. 231/01 and the recommendations contained in the Guidelines prepared by ABU and the Confindustria guidelines, the process for updating the Model takes place through the phases defined in paragraph 3.3 above.

Moreover, FSI's Chief Executive Officer has the right to make changes or additions of a specific or formal nature to the Model, by virtue of the need to ensure that the Model is constantly adapted, in a timely manner, to emergent operational and/or organisational changes within the Company, such as:

- the addition of relevant activities, indicated in the Special Section of the Model. In such cases, the Chief Executive Officer is obliged to communicate changes to the Model to the Board of Directors;
- changes to the Model following a change of name, the joining or separation of business functions, or the updating of FSI's body of internal procedures.

Following approval, changes are communicated to the Supervisory Board and the relevant company divisions. The latter are responsible for adopting all resulting measures in order to render the company's procedures and control systems consistent with the changes made.