

<b>NMS GROUP</b>	<b>NERVIANO MEDICAL SCIENCES</b>	<b>ACCELERA</b>	<b>NERPHARMA</b>	<b>SIMIS</b>
General Part		Document		
ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL		xx	xx	

**ORGANISATIONAL, MANAGEMENT AND  
CONTROL MODEL OF THE NMS GROUP**  
*Adopted pursuant to Legislative Decree 231 of 8  
June 2001*

***GENERAL PART***

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## INTRODUCTION

### GENERAL PRINCIPLES

The NMS Group as part of a wider-ranging company policy and culture of ethics shared throughout the Group, aware of the need to ensure fair, transparent conditions in its company activities and dealings, to protect the Group itself, as well as its expectations and interests, has considered it appropriate to analyse and consolidate all corporate governance and control tools already adopted, implementing and updating the Organisational, Management And Control Model pursuant to Legislative Decree 231/2001 (hereinafter also the "Organisational Model").

In 2012, the Board of Directors adopted the first version of the Organisational Model, which was subsequently updated on 28 June 2016. In the first half of 2019, considering subsequent legal developments to extend the scope of Legislative Decree 231/2001 (hereinafter the "Decree"), as well as organisational and governance changes, the Group started a project to update its Organisational Model, adopting the current version - which, although representing an evolution of the previous version - fully replaces it - as decided by the Board of Directors in the meeting of December 27<sup>th</sup>, 2020.

The NMS Group is composed by : NMS GROUP S.p.A, Nerviano Medical Sciences s.r.l.; Accelera s.r.l.; Nerpharma s.r.l.; Simis s.r.l. (hereinafter also "Group Companies").

### OBJECTIVES OF THE ORGANISATIONAL MODEL

With the adoption of the Organisational Model, the Group aims to achieve the following main objectives:

- confirm that any unlawful conduct is absolutely condemned by the Company, even if inspired by a mistaken company interest and even if the Group were not apparently to benefit from said conduct, as such a conduct goes against legal provisions, as well as regulations and rules of conduct adopted by the Group and which it observes in its own company activities;
- ensure that all persons operating in the name and on behalf of the Group, and, in particular, in areas identified as "at risk" of the crimes indicated in the Decree being committed, are made aware of their duty to comply with the provisions herein and more in general with company regulations;
- inform Addressees that the commission, even if only attempted, of a Crime - also if to the advantage or in the interest of the NMS Group - is an infringement of the Group's Organisational Model and Code of Ethics and as such is an offence and may be subject to criminal and administrative penalties, not only for the Offender, but also for the Group, with the consequent imposition of relative penalties;
- enable the Company, through strict control and monitoring of at-risk areas and activities that are sensitive as regards the potential commission of offences that are significant for the purposes of the Decree and the adoption of ad hoc tools, to promptly take action to prevent or offset the commission of the crimes.

## **ORGANISATIONAL MODEL CONFIGURATION**

This document is composed by a General Part and a Special Part.

The General Part describes the contents of the Decree, referring to the crimes resulting in the corporate criminal liability, the possible penalties and conditions for exemption from liability (Section 1), the guidelines issued by Confindustria and Farindustria, as well as the Group's organisational and governance structure and the activities carried out to disseminate and update the Organisational Model (Section 2).

The Special Part contains the protocols and procedures, i.e. the set of rules and principles of control and conduct considered suitable for the governance of areas where a risk of the potential commission of predicate crimes concerning corporate criminal liability pursuant to the Decree have been identified.

The choice of adopting a "univocal" approach where possible, identifying a single programme, depends on the possibility of the Parent Company (a group of companies) being involved, due to crimes committed by other group companies. In fact, case law has emphasized the importance of Legislative Decree 231/2001 for groups of companies, expanding corporate criminal liability to other group companies and, in particular, to the parent company in cases where the crime has been committed in a subsidiary.

This possibility depends on two circumstances, the degree of technical/economic integration (which indicates the consistency of activities carried out by group companies) and the extent of the single management approach adopted by the parent company (which reflects the way the parent company carries out management and coordination activities).

The following documents are also part of the Organisational Model:

1. List of crimes relevant for the purpose of the Decree
2. Code of Ethics
3. Whistleblowing Policy

## **ADDRESSEES OF THE ORGANISATIONAL MODEL**

The Organisational Model rules apply to the following Addressees:

- Board of Directors/Sole Director
- Top management (i.e. persons that are classified as top managers based on the applicable National Collective Bargaining Agreement)x
- employees (i.e. workers with a contract of employment, including a fixed term contract)

Third parties must be required to comply with the provisions of the Decree and with the principles of ethics and conduct adopted by the Company through the Code of Ethics, by signing specific contract clauses enabling the Company, in the event of a breach, to unilaterally terminate contracts stipulated and to claim for compensation for any damages suffered (including any application of penalties pursuant to the Decree).

## **DEFINITIONS**

In this document, the following terms have the meaning given to them hereunder:

## Organisational Model pursuant to Legislative Decree 231/2001

- **NMS Group or Group:** The Group of companies composed by NMS GROUP S.p.A., Nerviano Medical Sciences s.r.l., Accelera s.r.l., Nerpharma s.r.l., Simis s.r.l.;
- **Entity or Company:** In this document, the term Entity or Company refers to each Company of the Group
- **“At-risk activities”:** the process, operation, activity or group of operations and activities, that may expose the Company to the risk of penalties pursuant to the Decree, based on the commission of a Crime.
- **“CCNL”:** the National Collective Bargaining Agreement applicable to employees, and specifically the CCNL for Employees in the Chemical-Pharmaceutical Industry dated 19<sup>th</sup> July 2018, as amended.
- **“Supervisory Authorities”:** all authorities with specific independence and impartiality, whose objective is to protect some public interests , such as the proper functioning of the Public Administration, free competition, the protection of professional confidentiality, etc. Supervisory authorities include but are not limited to: AIFA (Italian Medicines Agency), the Ministry of Health, the Data Protection Authority, etc.
- **“Legislative Decree 231/2001” or the “Decree”:** Legislative Decree 231 of 8 June 2001 on “Regulations on the corporate criminal liability, companies and associations, also without legal personality, in accordance with Article 11 of Law 300 of 29 September 2000”, published in the Official Journal no. 140 of 19 June 2001, as amended.
- **“Listed crimes”:** any crime or offence included in the Decree.
- **“Addressees”:** Directors, top managers (if classified as such based on the applicable CCNL) and employees (i.e. workers with a contract of employment, including a fixed term contract). Addressees are required to comply with the Organisational Model, Code of Ethics and Compliance Programs.
- **“Employees”:** all natural persons that have a contract of employment with the Company.
- **“Code of Ethics”:** the document officially intended and approved by Group senior management as company policy, which contains the general principles of conduct, i.e. recommendations, obligations and/or bans, that Addressees shall comply with, failing which penalties apply.
- **“Guidelines”:** the Guidelines for the development of Organisational Models pursuant to Decree, published by trade associations, which are considered for the purposes of preparing and adopting the Organisational Model.
- **“Organisational Model pursuant to Decree” or the “Organisational Model”:** the Organisational Model considered by Company Boards as being suitable for preventing Crimes and, therefore adopted by the Company, pursuant to Articles 6 and 7 of the Legislative Decree, in order to prevent the commission of the Offences by top managers or employees, as described in this document and relevant attachments.
- **“Company Boards”:** the Chairman of the Board of Directors/the Managing Director/Sole Director and/or the Board of Statutory Auditors of the Group, based on the context.
- **“Supervisory Body” or “OdV”:** the Body envisaged by Article 6 of the Legislative Decree, aimed at supervising the functioning of, compliance with and updates to the Organisational Model.

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- **“Personnel”**: all individuals that have an employment relationship with the Company, including workers, temporary workers, outsourced staff, trainees and freelancers who have been appointed by the Group.
- **“Top Managers”**: persons as indicated in Article 5(1)(a) of the Decree, who have the function of representing, administering or managing Group Companies; in particular, members of the Board of Directors and/or the Sole Director, the Chairman and any agents and attorneys in fact of Group Companies.
- **“Personnel reporting to Top Managers”**: persons as indicated in Article 5(1)(b) of the Decree, i.e. Personnel operating under the management or supervision of Top Managers.
- **“Public Administration” or “PA”**: the term Public Administration means:
  - the State (or State Administration); or Public Authorities; a Public Authority is identified as such by law or is an Entity subject to a system of public controls, supervised by the State or another Administration regarding the appointment and withdrawal of its directors, as well as the Administration of the Authority. In the case of a Public Authority, the State or another Public Administration is involved in administration expenses; or the State has managerial powers over the public authority's bodies; or institutional public funding is provided or public initiatives are carried out.
  - Public Officer: a person that exercises “a legal, judicial or administrative public function”. For the purposes of criminal law “public functions are administrative functions regulated by the provisions of public law and by authoritative acts, characterised by the manifestation of the will of the Public Administration or by its implementation by means of authoritative or certification powers” (Article 357 of the Criminal Code);
  - Office In-charge of Public Service: a person who “for any reason provides a public service. The term public service means an activity governed in the same ways as a public function but characterised by the lack of powers typical of the latter, and excludes the performance of simple duties and works of a merely material nature” (Article 358 of the Criminal Code). “For any reason” means in the sense that a person exercises a public function, also without being formally or duly appointed (a “de facto” public service officer). The term does not concern the relationship between the PA and person providing the service.
- **“Compliance Programme”**: the set of rules and principles of control and conduct considered suitable for governing areas for which a risk of the potential commission of predicate crimes of corporate criminal liability pursuant to the Decree has been identified.
- **“Crimes” or “Crime”**: the crimes, or individual crime, referred to in the Decree (as amended).
- **“Disciplinary system”**: the set of penalties applicable in the case that the rules of procedures and conduct in the Organisational Model are infringed;
- **“Third Parties”**: suppliers, consultants, agents, service contractors, business partners, customers as well as any additional parties that the Company may consider appropriate to include. Third parties are required by the Company to comply with the provisions of the Decree and with the principles of ethics and conduct adopted by the NMS Group through the Code of Ethics, by signing specific

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contract clauses that enable the Company, in the event of a breach, to unilaterally terminate contracts stipulated and to claim compensation for any damages sustained (including any application of penalties pursuant to the Decree).

**GENERAL PART**

## SECTION 1

### LEGISLATIVE DECREE 231 OF 8 JUNE 2001

#### 1. CORPORATE CRIMINAL LIABILITY

##### 1.1 THE LEGAL FRAMEWORK APPLICABLE TO THE CORPORATE CRIMINAL LIABILITY

The Decree which partially implements the Delegated Law 300 of 29 September 2000, governs - introducing for the first time in Italian law - the corporate criminal liability, companies and associations without legal personality for some crimes committed in the interest of said: a) by senior managers. i.e. persons who hold the position of representatives, directors or managers of the entity or of one of its organisational units that enjoys financial and functional independence, in addition to individuals who are responsible for the management or control of the entity; b) by individuals subject to the management or supervision of one of the persons/entities referred to in letter a) (basically, in the case of companies, employees of the entity);

This is an extension of the liability in which the punishment of some criminal offences involves not only the natural person that actually committed the offence, but also entities that benefited from the commission of the offence, or in whose interest the offence was committed. The "advantage" or "interest" are two separate criteria for assigning liability, as the entity may be liable only for the fact that the offence was committed in its interest, regardless of whether or not an actual advantage was actually obtained.

The corporate criminal liability applies to categories of crimes specifically indicated in Decree 231 and may also be established in relation to crimes committed abroad, provided that the State where the crimes were committed does not take action and that the specific conditions indicated in the Decree exist.

A structured system of penalties is established, from minor financial penalties to more serious disqualification sanctions, including the "capital" sanction of a ban on performing the activity. Penalties are also administered for the attempted commission of crimes.

The administrative penalties established by the Decree may in fact be applied only by a criminal judge, in the context of criminal proceedings, only if all objective and subjective conditions indicated by the legislator do exist: the commission of a Crime in the interest of or to the advantage of the Entity, by qualified persons (Top Management or Personnel reporting to them).

The corporate criminal liability arises in the following cases:

- commission of a Crime *in its interest*, i.e. when the unlawful conduct is adopted with the sole intent of the Entity gaining a benefit;
- the Entity obtains an indirect advantage (financial or otherwise) from the unlawful conduct, even though the offender acted without the sole aim of obtaining a benefit for the Entity.

On the contrary, the *sole* advantage of the party taking action (or a third party in relation to the entity) rules out the liability of the Entity, that is not involved in any way in the commission of the Crime.

For the purposes of establishing the liability of the Entity, in addition to the conditions referred above making it possible to objectively connect the crime to an entity, the legislator must also establish the wrongful misconduct of the entity. This subjective condition is *organisational fault*, meaning the infringement of rules adopted by the entity to prevent the specific predicate crimes.

## **1.2 THE CORPORATE CRIMINAL LIABILITY IN THE CONTEXT OF COMPANY GROUPS**

As stated in Confindustria guidelines, the Decree does not specifically address aspects related to the liability of the entity belonging to a group of companies.

Moreover, as further stated in the Guidelines, as the group cannot be considered an entity, it cannot be directly considered as liable for the offence, and therefore it is not possible to claim in any way the direct liability of the Group pursuant to the decree 231.

Therefore, legal theory and case law have queried the possibility that legally relevant actions, also pursuant to the Decree taken by a company of the Group may have legal consequences on the scope of liability of other entities of the same Group - in particular of the parent company - concluding that, in certain conditions, this hypothesis cannot be ruled out.

Further study of liability for an offence in the group therefore appears appropriate, so that organisational choices, concerning governance and internal control and risk management systems can be made, taking due account of considerations made so far on this matter.

In this regard, the most authoritative legal theory and case law, referred to in the aforementioned Confindustria Guidelines, note that for the purposes of establishing liability for an offence pursuant to the Decree, it is necessary to identify and substantiate the existence of criteria which establish that this liability refers individually to each entity.

In particular, as regards the parent company, the existence of conditions for establishing liability might be identified if:

- a possible Listed crime was committed in the immediate and direct interest or to the advantage of not only the subsidiary but also the parent company;
- individuals functionally connected to the parent company had taken part in the commission of the Listed crime, with a causally significant contribution (Court of Cassation, V criminal section, ruling no. 24583 of 2011), to be proven in a concrete and specific manner.

As regards the latter aspect, the Confindustria Guidelines indicate the possible contributions that may be causally significant, for example:

- directives that are illegal, if the essential aspects of the unlawful conduct of the offenders may be inferred in a sufficiently specific way based on the programme established by the senior management of the parent company;
- interlocking directorates of the parent company and subsidiary; this circumstance increases the risk of liability spreading within the group, as the companies might be considered as separate subjects only on a formal level.

## **1.3 OFFENCES THAT RESULT IN THE CORPORATE CRIMINAL LIABILITY**

The offences that may constitute the corporate criminal liability of the Group are only indicated specifically by the legislator in the Decree, which, at the time of its issue, only contemplated some crimes against the Public Administration. The legislator, also in accordance with subsequent EU directives, has considerably extended the category of Offences covered by the Decree, over the years. At present, this category includes, in particular:

- crimes against the public administration and against assets of the public administration (Articles 24 and 25);

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- Cybercrime and unlawful data processing (Article 24 bis);
- Offences related to organised crime (Article 24 ter);
- Crimes concerning the forging of money, public credit notes, revenue stamps and instruments or identity marks (Article 25 bis);
- Crimes against industry and trade (Article 25 bis 1);
- Corporate crimes, including the crimes of private-to-private corruption and incitement to private-to-private corruption (Article 25 ter);
- Crimes for the purpose of terrorism or subversion of democracy (Article 25 quater);
- Crimes against the individual (Article 25 quinquies);
- Administrative offences and crimes of market abuse and manipulation<sup>1</sup> (Article 25 sexies);
- Manslaughter or grievous or very grievous bodily harm through negligence, committed in breach of the rules on occupational health and safety (Article 25 septies);
- Receiving, laundering and using money, goods or benefits of unlawful origin, as well as (Article 25 octies);
- Copyright infringement and related crimes (Article 25 novies);
- Inducement to refrain from making statements or to make false statements to the legal authorities (Article 25 decies);
- Environmental crimes (Article 25 undecies);
- Employment of illegally staying third-country nationals (Article 25 duodecies);
- Racism and xenophobia (Article 25 terdecies);
- Fraud in sports competitions, unlawful betting or gambling and gambling using prohibited equipment (Article 25 quaterdecies);
- Transnational crimes (Law 146 of 16.3.06).

For details of the individual crimes for which corporate criminal liability is envisaged pursuant to the Decree, reference is made to the catalogue attached to this Organisational Model (Attachment 1).

### 1.4 PENALTIES APPLICABLE TO THE ENTITY

The Decree establishes a structured system of administrative penalties if the Entity is liable for a crime committed by one of its representatives.

This system has four types of penalties, applicable in the case of a final judgement:

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<sup>1</sup> Following the issue of Law 62/2005 on "provisions implementing obligations arising from Italy's membership of the European Community. EU Law 2004", enacting Directive 2003/6/EC on "Market abuse" and relative implementing provisions, which now includes insider dealing and market manipulation as typical crimes for which the entity has liability.

Article 9 of Law 62/2005 has in fact considerably revised regulations on issuers governed by the Consolidated Finance Act (TUF – Legislative Decree 58/1998) with targeted actions concerning public disclosure, the definition of insider dealing and market manipulation, the introduction of administrative offences and consolidation of the supervisory and investigative powers of Consob.

As regards the liability of legal entities (Legislative Decree 231/2001) the regulations in question not only extend the liability of entities to the crime of insider dealing and market manipulation regulated by Articles 184 and 185 of the Consolidated Law on Finance, and designated as "market abuse" under Article 25 sexies of Legislative Decree 231/2001, but also introduce a provision which is crucially important.

Reference is made to Article 187 quinquies of the Consolidated Law on Finance, which also considers the entity as liable for market abuse meaning administration infringements, committed in the interest or to the advantage of the entity, by senior managers or their subordinates.

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- financial penalties;
- disqualification sanctions;
- confiscation of profit;
- publication of the judgement.

Financial penalties are imposed in all cases of a final judgement. The extent of the penalty is determined, in accordance with Article 10 of the Decree, based on a complex system of “units”. The amount of a unit ranges from a minimum of 258 Euro to a maximum of 1,549 Euro. For each type of Crime, the Decree envisages the imposition of a financial penalty up to a specific number of units.

The imposed penalty is established by the judge, based on criteria in Article 11 of the Decree, i.e. the severity of the case, the degree of liability of the entity, the activity carried out by the entity to limit or attenuate the consequences of the fact and to prevent the commission of additional crimes, the economic and financial conditions of the entity.

Disqualification sanctions consist of the following:

- a ban on performing the activity;
- the suspension or withdrawal of authorisations, licences or concessions functional to the commission of the Crime;
- a ban on dealing with the public administration, other than to obtain a public service;
- the exclusion from concessions, loans, grants and subsidies and possible revocation of those already granted;
- a ban on advertising goods or services.

The duration of disqualification sanctions may not be less than three months, nor more than two years.

These penalties are only imposed for some Crimes specifically indicated in Decree 231.

Disqualification sanctions are imposed when one of the following conditions is met: (a) the entity has gained considerable profit from the Crime and, at the same time, the Crime was committed by a Top Manager or, if committed by subordinates, the commission of the Crime was facilitated by shortcomings in the Organisational Model; or, alternatively, (b) there was repeat offending.

In selecting the disqualification sanction, the judge must observe the same criteria as those applicable to financial penalties. In particular, the disqualification sanction must be specific, i.e. it concerns the specific activity that the offence of the entity refers to. As regards disqualification sanctions, the ban on performing the activity is only administered if all other penalties are inadequate. It is also possible for several disqualification sanctions to be imposed simultaneously. If the conditions to impose a disqualification sanction exist, which results in the activity of the entity being suspended, if the entity provides a public service or an essential public service which, if interrupted, could cause serious harm to the general public, or if the interruption of the activity, given the size of the entity and economic conditions of the area where it is located, may have serious repercussions on employment, the judge may, instead of a disqualification sanction, order the activity of the entity to continue only under the supervision of an administrator for a period equal to that of the penalty that would have been imposed. Disqualification sanctions are, generally, temporary. However, if a legal entity is banned from temporarily performing the activity at least three times in seven consecutive years, and has gained a considerable profit, the Decree establishes a permanent ban on performing the activity.

Confiscation of the price or profit of the Crime is always ordered in the case of a conviction. If it is not possible to enforce confiscation of the goods comprising the price or profit of the crime, then sums of

money, goods or other assets of equivalent value may be confiscated.

The publication of the conviction in one or more newspapers indicated by the judge at the expense of the convicted entity may be ordered by the judge if a disqualification sanction is imposed.

During criminal proceedings, on request of the public prosecutor, the judge may order some interdictory measures described above, as a precautionary measure. This is possible if there are serious indications of the entity's liability and there are substantial and specific grounds to believe that offences of the same nature are likely to be committed. Precautionary measures may not last for more than one year. Instead of disqualification sanctions, the administration of the entity, for the entire duration of the penalty that would have been applied, may be ordered, also on a precautionary basis.

### **1.5 EXEMPTION FROM LIABILITY: THE ORGANISATIONAL MODEL**

Articles 6 and 7 of the Decree specifically provide for the exemption of corporate criminal liability if the Entity has adopted effective and efficient Organisational Models suitable for preventing Crimes of the type that occurred. An adequate organisation therefore represents the only tool that can negate the "fault" of the Entity and, consequently, of ruling out the administration of penalties.

Specifically, after establishing that a Top Manager has committed a crime in the interest or to the advantage of the entity, the entity may be exempt from liability only by demonstrating that, prior to the commission of the Offence:

- a) the Entity had adopted and effectively implemented an Organisational Model suitable for preventing the commission of crimes of the type committed;
- b) the entity had established a body with powers of initiative and control (the Supervisory Body), appointed to monitor the functioning of, compliance with and updates to the Organisational Models;
- c) the persons committed the crime by fraudulently circumventing the Organisational Models.
- d) there was neither insufficient supervision nor a lack of supervision by the unit referred to in letter b).

If the Offence is committed by a subordinate, the liability of the Entity exists if commission of the Offence was made possible by a failure to meet management and supervision obligations. According to Article 5 of Decree 231, if the Entity, before the fact is committed, adopted and effectively implemented the Organisational Model, then it did not fail to meet its management and supervision obligations.

The burden of proving that the Organisational Model was not adopted, however, unlike the case of an offence committed by Top managers, lies with the accused.

The mainstay of regulations on the corporate criminal liability are provisions in Organisational Models. However, these Models are not an obligation for Entities, but only an option.

The adoption and effective implementation of an Organisational Model, the contents of which corresponds to requirements in the Decree, constitutes an objective circumstance that makes it possible to rule out the existence of the entity's organisational fault, and consequently its liability in the case of crimes committed by its representatives or employees.

The Decree gives Organisational Models numerous functions. If produced prior to the commission of the Offence, they make the legal entity exempt from liability; if adopted after the commission of the Offence (provided this is before the declaration of the start of first instance proceedings), they may

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lead to a reduction in the financial penalty and exclusion of disqualification sanctions; if adopted following the application of a precautionary measure, they may result in suspension, in accordance with Article 49 of the Decree.

As for the effectiveness of the Organisational Model, the legislator, under Article 6(2) of the Decree establishes that the Model must meet the following requirements:

- a) identify activities in which there is the possibility that the Offences indicated in the Decree may be committed;
- b) establish specific programmes designed to assist management in formulating and implementing the entity's decisions in relation to the crimes to be prevented;
- c) identify methods for managing the financial resources necessary for preventing the crimes;
- d) establish obligations for sending information to the body responsible for supervising the functioning and observance of the Organisational Model;
- e) introduce a disciplinary system that penalises failure to comply with the measures set out in the Organisational Model;
- f) provide reporting system (whistleblowing).

The characteristics of the Model's effectiveness are instead related to its *effective implementation*, which, in accordance with Article 7(4) of the Decree, requires:

- a) periodic verification and possible modification of the Organisational Model when significant infringements of the regulations are identified or when the organisation or its business activities change (updates to the Organisational Model);
- b) a disciplinary system penalising failure to comply with the measures set out in the Organisational Model.

## **2. SOURCES FOR IMPLEMENTING THE ORGANISATIONAL MODEL: CONFINDUSTRIA AND FARMINDUSTRIA GUIDELINES**

Article 6(3) of Decree 231 establishes that Organisational Models may be adopted based on the codes of conduct (or guidelines) produced by industry associations and notified to the Ministry of Justice. In particular, Confindustria published its own "Guidelines for producing Organisational Models pursuant to Legislative Decree 231/2001" in March 2002, updating them following various amendments to the Decree, in March 2008 and in July 2014 following new laws and application practices introduced in the meantime.

Confindustria's Guidelines identify a template based on risk management and risk assessment processes which may be summarised as follows:

- identification of at-risk areas, in order to pinpoint the company sector/area where harmful events as envisaged in Legislative Decree 231/2001 may occur;
- preparation of a control system that can prevent risks through the adoption of specific protocols. The most significant components of the control system conceived by Confindustria are:
  - code of ethics;
  - organisational system;
  - manual and IT procedures;

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- powers of authorisation and signature;
- management control systems;
- personnel communication and training.

Control system components must be based on the following principles:

- the verifiability, documentability, consistency and suitability of each operation;
- the adoption of the principle of separating functions (no-one can independently manage an entire process);
- the documentation of controls;
- the establishment of an adequate system of penalties for infringements of the code of ethics and of procedures indicated in the Organisational Model;
- the identification of the requisites of the Supervisory Body, which may be summarised as follows: autonomy and independence; professionalism; ongoing action;
- disclosure obligations of the Supervisory Body.

To prepare its own Organisational Model, the Group therefore considered:

- the provisions of Legislative Decree 231/2001, the accompanying ministerial report and ministerial decree 201 of 26 June 2003 on the implementing regulation of Legislative Decree 231/2001;
- the guidelines prepared by Confindustria;
- legal theory and case law up until the present day.

This Compliance Model was also produced taking into account not only the provisions of Legislative Decree 231/2001, but also guidelines for pharmaceutical companies on corporate criminal liability, prepared by Farindustria.

## PART TWO

### CONTENT OF THE MODEL OF NMS GROUP COMPANIES

#### 1. ADOPTION OF THE MODEL

##### 1.1 ACTIVITY AND ORGANISATIONAL STRUCTURE OF THE NMS GROUP

The Group is a large Italian enterprise committed to innovation and research and development in the field of oncology, with the highest quality standards and a know-how recognised worldwide. With just over four hundred employees in total, the NMS Group employs over two hundred qualified researchers, involved in research and development projects covering the entire discovery chain, from pre-clinical to clinical stages, production and packaging of the drug.

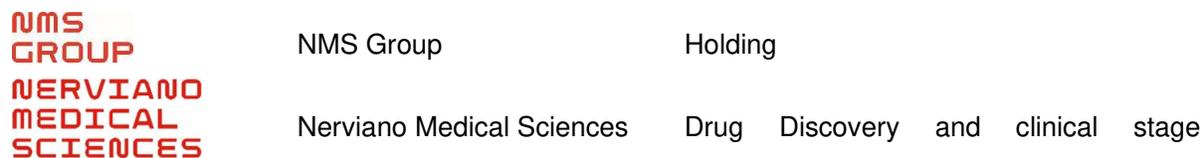
The Group is composed by five Companies, some involved directly in innovation and pharmaceutical research and development, others in services supporting these activities, as described in more detail in this document.

However, the "discovery" field and applied research are at the heart of the Group's activities, placing it as a leader, also at international level, in the field of personalized medicine. The NMS Group is the only Italian company capable of managing the entire integrated chain of research and development: from the pre-clinical stage to research, First-Time-In-Man of the clinical stage, production and packaging of the end product. The Group therefore monitors the entire development of the drug, from pre-clinical trials to trials in humans, up to production of the active ingredient.

Its mission is to discover and develop new oncological molecules and therapeutic strategies that may represent future bespoke treatment for cancer patients, thus contributing to mapping the future of oncology. The wealth of in-company expertise and experience is a point of excellence for NMS and, together with its steadfast commitment and enthusiasm, forms the basis for achieving the organisation's objectives.

The current research strategy is based on "targeted" oncological treatment and the activities of researchers, who with their long-term experience and multi-disciplinary scientific expertise in the field of chemical and biological research, focus on validating new specific pharmacological targets. The challenge we face at present, with daily dedication and a passion for discovery, is to improve our understanding of pathogenetic processes and the proliferation of tumours and contribute to fighting them, creating new treatment opportunities.

The core business of the individual Companies is shown in the diagram below:



		molecules
<b>ACCELERERA</b>	Accelera	Pre-Clinical Development
<b>NERPHARMA</b>	Nerpharma	Drug Substance & Production
<b>SIMIS</b>	Simis	Real Estate, Energy & Facility

## **NMS GROUP**

The NMS GROUP mainly deals with equity investments, for stable investment rather than placement purposes, in other Companies or entities both in Italy or abroad, and in their relative management, with funding and the technical and functional coordination of the Companies and entities it has equity investments in, and in the sale, ownership and management of public and private securities for stable investment rather than placement purposes.

## **NERVIANO MEDICAL SCIENCES**

Nerviano Medical Sciences is one of Europe's leading companies in pharmaceutical research and development, specialised in the oncological sector. The Company mainly carries out medical/scientific and also clinical research, on its own behalf and also for third parties, relative to clinical, pharmaceutical, biological, cosmetic, hygiene and diagnostic, food, dietary, veterinary and livestock products, as well as scientific equipment, medical devices, medical/surgical devices, equipment for prostheses, and general-use instruments and materials for chemical, pharmaceutical and bacteriological laboratories. As a pharmaceutical production facility, the Company can also manufacture, purchase, sell and market all of the above products and preparations and provide consultancy and technical assistance services for pharmaceutical and diagnostic products, and medical instruments, in Italy and abroad.

## **NERPHARMA**

Nerpharma operates as a Contract Development and Manufacturing Organization (CDMO). The company, as a pharmaceutical production facility, manufactures, purchases, sells and markets pharmaceutical and diagnostic products and medical instruments in Italy and abroad, and provides consultancy and technical assistance services for these products. The company can also carry out research and development relative to chemical, pharmaceutical, biological and cosmetic, hygiene and diagnostic products and preparations, as well as, food, dietary, veterinary and livestock products, scientific equipment, medical devices, medical/surgical devices and equipment for prostheses, plus general-use instruments and materials for chemical, pharmaceutical and bacteriological laboratories.

## **ACCELERERA**

Accelera is a Contract Research Organization (CRO).

In particular, Accelera belongs to the non-clinical segment of CROs, offering both research services, which are provided before the candidate drug is selected, and development services which include toxicology, metabolism studies and bio-analysis conducted after the candidate drug has been

selected. It mainly carries out pre-clinical and chemical compound development activities, as well as research and development relative to chemical, biological, cosmetic, hygiene and diagnostic products and preparations, and food, dietary, veterinary and livestock products. It can also carry out research and development relative to scientific equipment, medical devices, medical/surgical devices and equipment for prostheses, as well as general-use materials for chemical, pharmaceutical and bacteriological laboratories.

## **SIMIS**

SIMIS manages the maintenance and valuation of own and third-party property, and more in general carries out real estate activities of all types, with a particular focus on the development, purchase, sale, rental, rationalisation, redevelopment and diversification of real estate, as well as related functional services. SIMIS provides services for the organisational management of businesses, in particular the maintenance of company areas in Nerviano, administration and technical management services for civil and industrial buildings (with particular reference to the pharmaceutical sector), and maintenance services for plants and scientific equipment. It can provide logistics services for warehouses and depots, including relative handling, services for the purchase, management and disposal and hire of vehicles used for company activities, catering services through canteens and special arrangements, property maintenance services, security services, portering services, and IT/digital assistance services.

The organisational structure of the NMS Group is described in detail in individual company organisation charts, which indicate the Departments and Functions and relative persons in charge. This organisational structure is continually updated, based on any company developments and/or changes, which shall be promptly reported by competent Company functions to the Supervisory Body.

The Companies Accelera Srl and Simis Srl are managed by a Sole Director, while the Companies NMS Group Spa, NMS Srl and Nerpharma Srl are managed by a Board of Directors, comprising 7, 3 and 3 members respectively who have powers of ordinary and extraordinary administration within the limits established in the relative Articles of Association. The Chairman of the Board of Directors, Managing Director and Sole Director legally represent the Company before third parties and the courts, and may take action and start judicial and administrative proceedings at all levels of jurisdiction and appoint lawyers and attorneys to represent them.

The Board of Statutory Auditors of each Group Company is appointed by the Shareholders' meeting and includes three standing auditors and two alternate auditors, tasked with monitoring legal compliance.

### **1.2 THE PRINCIPLES INSPIRING THE MODEL**

This Model has been prepared in compliance with specific aspects of the Group's activities and its organisational structure and, therefore, supplements specific tools already existing, used to plan training, implement company decisions and monitor company activities, and specifically:

- Governance tools;
- Internal control system.

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### 1.2.1 GOVERNANCE TOOLS

In developing the Group Model, the organisation's governance tools were taken into consideration; these tools, developed internally and at a Group level, guarantee the organisation's functioning and can be summarised as follows:

- Articles of Association - which, in compliance with applicable legislation, include various provisions relative to corporate governance, intended to ensure correct management activities.
- The system of powers and authority - which establishes the powers to represent or commit the Group, and through the system of internal powers, responsibilities for environmental and safety issues. The system of powers is updated if the Organisational Structure and/or organisational provisions are revised/updated, or following indications from individual Departments.
- Intragroup Service Agreements.
- A set of internal documents - including procedures, operating instructions and internal notices intended to clearly and effectively regulate significant processes of the Group, with particular reference to the Internal Control System (ICS) meaning the structured set of organisational regulations, rules and procedures governing company management and activities.

The rules, procedures and principles in the above documentation, although not explained in detail in this Model, are a useful tool for monitoring unlawful conduct in general, including the conduct referred to in the Decree which is part of the broader-ranging organisational, management and control system that the Model intends supplementing, and that all recipients must comply with, regarding their dealings with the Group.

The Group has also adopted:

- the **Code of Ethics** (Attachment 2) based on requirements indicated in the Decree and inspired by a sound, transparent and fair management of the activities of Group Companies. The rules of conduct in the code supplement those of the Model, although the latter, due to its aim of implementing the provisions of the Decree, has a different scope from the Code. In fact, the Model has been produced with a view to eliminating the risk of committing the crimes referred to in the Decree, or in any case of reducing this risk to within tolerable limits and therefore complies with specific provisions of the Decree;
- the **Whistleblowing Policy** (Attachment 3): which establishes procedures for reporting unlawful conduct, collusion or omissions that constitute or may constitute a violation, or inducement to violate laws and regulations, the values and principles set out in the Code of Ethics, internal control principles, company policies and/or regulations that may cause, in dealings with one or more Group Companies, harm of any kind (e.g. economic, environmental, harm to the safety of workers or third parties, or even only reputational) to the Companies, as well as customers, members, partners, third parties and more in general, society.

### 1.2.2 THE INTERNAL CONTROL SYSTEM

The internal control system already existing and adopted by the Group is a structured, organic system of activities, procedures, rules of conduct, service notices and organisational structures for the

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ongoing governance of Group risks, that involves all company activities and different subjects, developed with a particular focus on the ICS, based on an adequate risk assessment, the identification of appropriate safeguards and an Internal Audit system for relative controls.

The main aims of the Group's internal control system are to guarantee with reasonable security the achievement of operating, disclosure and compliance objectives:

- the operating objective of the internal control system concerns the Group's effectiveness and efficiency at using resources, protecting from losses and safeguarding company assets: in this case, the internal control system ensures that personnel operate throughout the organisation to achieve company objectives and without putting interests other than those of the Group first;
- the disclosure objective involves preparing prompt, reliable reports for the decision-making process within the organisation and also meets the need to ensure reliable documents for external disclosure, in compliance with safeguarding the confidentiality of company information assets;
- the compliance objective ensures that all operations are conducted, conforming to laws and regulations, prudential requirements as well as relevant internal procedures.

The control system involves each sector of activity carried out by the Group, making a distinction between operation and control tasks, reasonably minimising all possible conflicts of interest.

The following general principles form the foundations of this control system:

- each operation, transaction and action shall be verifiable, documented, consistent and appropriate: adequate documentation shall be provided for each operation, which makes it possible, at any time, to carry out controls on the characteristics and reasons of the operation and the party authorising, carrying out, registering and checking it. To minimise risks of the destruction or loss, even accidental, of data, unauthorised access or processing which is not permitted or does not conform to law, adequate security measures are adopted
- no-one may independently manage an entire process: compliance with this principle is guaranteed by the adoption of the principle of the segregation of functions and duties within the Group, based on which different people and functions are responsible for authorising an operation, recording it in the accounts, carrying it out and/or controlling it. Moreover, no-one has unlimited powers. Powers and responsibilities are defined and disseminated within the Group, powers of authorisation and signature are consistent with organisational responsibilities;
- the control system shall be able to document controls carried out, as well as supervision.

### 1.3 CONSTRUCTION OF THE MODEL

The decision taken by the Board of Directors and/or Sole Director of Group Companies to adopt a Model is part of a wider-ranging business policy of the Group - shared by its entirety - that includes actions and initiatives to raise awareness among personnel of the fair and transparent management of the Group, compliance with legislation in effect and the basic principles of ethics in doing business, in achieving company objectives.

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For this reason, the Group had adopted its own Organisational, Management and Control Model in the past, pursuant to the Decree, and based on legal developments, it was appropriate to start a project to update the Model.

The "construction" of this Model is based on an analysis of the governance system, the organisational structure and all core principles, as indicated in paragraph 1.2 above, and specifically considers indications of case law and rules, also provisional, of the Judicial Authorities, as well as indications from trade associations (typically Confindustria and Farmindustria).

The process to structure the Model was therefore based on various stages, in compliance with the principle of the traceability and verifiability of activities carried out.

The starting point was the identification of a **map of at-risk activities**, i.e. activities carried out by the Group in the context of which Crimes may be committed (cf. paragraph 1.3.1), as indicated in Article 6, paragraph 2, letter a) of the Decree.

Therefore, the internal control system which provides for oversight of identified risks was assessed and the Code of Ethics and specific **Compliance Programmes** were adopted, in order to govern the risk profiles identified following the mapping of company activities (cf. paragraph 1.3.2), as required by Article 6, paragraph 2, letter b) of Legislative Decree 231/01.

In compliance with Articles 6, paragraph 2, letter d) and letter e) of the Decree, the following actions were therefore taken:

- the characteristics, roles and duties of the **Supervisory Body** (as indicated in paragraph 2) below were defined. This Body is specifically established to oversee the actual adoption of the Model and to check its adequacy and effectiveness over time;
- a **sanction system** (indicated in paragraph 3) below, concerning all violations of the Model, was defined;
- procedures to **disseminate** the Model and train personnel (as indicated in paragraph 4) below, were defined;
- procedures to **update** the Model (indicated in paragraph 5) below, were defined.

### 1.3.1 THE MAP OF AT-RISK ACTIVITIES

The NMS Group Model is based on identifying a map of at-risk activities, i.e. activities in the context of which crimes may be committed, as specifically indicated in Article 6, paragraph 2, letter a) of the Decree.

The mapping of at-risk activities was overseen taking into account the history and past events of the Group, and assessing its specific operating areas and organisational structure, with reference to the risks of crimes that could actually be committed.

The methodology adopted involved an integrated work team of external professionals - with risk management, internal control, legal and judicial expertise - and internal resources of the Group.

The methodologies and criteria adopted in the various stages are outlined below.

#### Stage one: collection and analysis of all significant documentation

Before identifying at-risk activities, document analysis was carried out: significant official documentation, available at the Company, was obtained, in order to better understand the Group's activities and identify the company areas to analyse.

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By way of example only, the following documentation was analysed:

- the articles of association;
- the company organisation chart;
- operating regulations and formalised procedures;
- powers and authority;
- aspects relative to disciplinary sanctions set out in applicable National Collective Bargaining Agreements;
- Code of ethics;
- Organisational Model and previously adopted procedures;
- significant contracts;
- other documentation (Travel policy, IT procedures, etc.).

All events concerning the Group, with reference to sensitive areas, as defined in the Decree, were also considered.

### Stage two: risk assessment

The purpose of this stage was to previously identify the processes, sub-processes and company activities and therefore identify the risk areas or company areas in the context of which offences may be committed.

Company activities were therefore divided into the following reference processes:

- Operation
- Communication
- Commercial
- Health, Safety & Environment
- Human Resources
- Administration, Finance and Control
- Purchasing and Logistics
- Legal and Corporate Affairs
- Information Systems

Using this classification, company resources were therefore identified with an in-depth knowledge of the aforesaid company processes and existing control mechanisms, who were interviewed by the work team in order to construct a Model as close as possible to the specific operating areas and organisational structure of the Group, with reference to the risks of crimes that could actually be committed.

The interviews, which also aimed to start the process of raising awareness of the Decree's provisions, of the Group's activities to align with the Decree and the importance of complying with internal rules adopted by the Company to prevent the crimes, identified the processes and activities potentially at

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risk of the crimes indicated in the Decree being committed, as well as existing controls to mitigate such risks.

All Group processes were therefore mapped, divided into sub-processes and activities and relative company Departments/Functions involved. The risk profile for each activity was therefore identified, by indicating the potential Crimes that may be associated and providing examples of ways in which the crimes could be committed. The results of this activity were formalised in a specific document, the "Map of at-risk activities", which was then shared with and approved by company officers, and is used by the Supervisory Body for its institutional activities.

It is important to note that the map of at-risk activities reflects the current situation at the time of writing. Developments in company activities will require necessary updates to the mapping, to include any risks that may be associated with new activities.

As provided for in Article 6, paragraph 2, letter a) of Legislative Decree 231/01, **areas of company activities identified as at risk**, i.e. in the context of which there could be potential risks of committing the crimes indicated in the Decree, are reported.

In particular the following risk areas were identified:

- Environmental compliance;
- Health and safety on workplace compliance;
- Procurement of goods, services and contracts;
- Consultancy services and professional appointments of third parties;
- Administration, Accounting and Financial Reporting;
- Extraordinary and ordinary asset transactions;
- Management of gifts, donations and entertainment expenses;
- Management of relations with partners and other company boards;
- Management of relations and obligations with the Public Administration and Supervisory Authorities;
- Management of intercompany relations;
- Management of litigation and settlement agreements;
- Communication and media relations;
- Management of sales activities;
- Selection and recruitment of agents and brokers;
- Cash and financial flows;
- Research & Development and Production;
- Promotional events, congresses and sponsorships;
- Applications for and management of public funding;
- Personnel recruitment and management;
- Information Systems.

These areas are considered most at risk of the commission of some crimes indicated in Articles 24, 24-bis, 24-ter, 25, 25-bis; 25-bis.1, 25-ter, 25-quater, 25-quinquies, 25-septies, 25-octies, 25-novies, 25-decies, 25-undecies and 25-duodecies of the Decree and transnational crimes.

As regards other crimes and offences (typically regarding female genital mutilation practices, market abuse, racism and xenophobia and fraud in sports competitions, illegal gaming or betting and gambling using banned equipment), it was considered that the Group's activities do not face risk profiles by making it feasible for these crimes to be committed in its interest or to its advantage.

Reference to the principles in this Model and in the Code of Ethics, which require company officers, staff and business partners to respect values of solidarity, protection of the individual, fairness, integrity and compliance with the law, was therefore considered exhaustive.

### Stage three: Gap Analysis

The purpose of this stage was to identify, for each risk area, the organisational oversight, controls and existing conduct monitoring the specific crimes referred to in the Decree, assess their suitability at preventing the risks identified in the previous risk assessment stage and therefore the improvement actions to adopt.

Comparative analysis was therefore carried out on the existing Organisational, Management and Control Model (“*as is*”) and on a Reference Model, assessed based on the contents of the Decree, indications from case law and Confindustria guidelines (“*to be*”).

In particular, the analysis was carried out in order to verify:

- the existence of general rules of conduct to monitor activities carried out;
- the existence and adequacy of procedures governing activities, in compliance with control principles;
- compliance with and the actual adoption of the general principle of the segregation of duties;
- the existence of authorisation levels guaranteeing adequate control of the decision-making process;
- the existence of specific control and monitoring for sensitive activities.

This comparison identified areas for improvement in the existing internal control system, which were shared with the Legal Function and will be adopted in Compliance procedures and company procedures.

### 1.3.2. COMPLIANCE PROGRAMMES

Following the identification of at-risk activities and based on the existing control system, the Company produced specific **Compliance Programmes**, conforming to Article 6, paragraph 2, letter b) of the Decree, which contain a set of rules and principles of control and conduct considered suitable to govern the risk profile identified.

For each at-risk area considered as not sufficiently monitored by internal or Group procedures, a Compliance Programme was created, in order for various stages of the decision-making process to be documented and verified, also making it possible to trace the reasons behind decisions.

The following are identified in each Compliance Programme:

- the objectives of the document;
- the scope;
- the roles and responsibilities of players involved in activities;
- a brief description of the activities;
- principles of conduct;
- principles of control;
- information flows to the Supervisory Body;

The principles of control in the Compliance Programmes refer to:

- authorisation levels;

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- the functional segregation of authorisation, operating and control activities;
- principles of conduct;
- specific controls;
- formalisation;
- the traceability of the decision-making process and filing of supporting documents.

The Compliance Programmes were reviewed by subjects responsible for managing at-risk activities, for assessment and approval, making the rules of conduct they contain official and mandatory for everyone carrying out activities assigned a risk profile. For details of Compliance Programmes in effect, reference is made to the Special part of this Model.

The Compliance Programmes are supplemented by the Code of Ethics, which the Company uses to standardise the management of its activities, also as regards conduct that may constitute the commission of crimes indicated in the Decree.

Principles of ethics form the basis of company culture and represent standards for daily behaviour within and outside the Group.

In particular, the Group undertakes to:

- operate in compliance with law and applicable regulations;
- observe principles of ethics, transparency, fairness, lawfulness and integrity in relations with the Public Administration;
- deal with customers, suppliers and contractors, adopting a cooperative approach based on loyalty and readiness to help, and avoiding conflicts of interest.

If appropriate, specific internal procedures will be issued adopting provisions in detail.

## 2. SUPERVISORY BODY

### 2.1 THE CHARACTERISTICS OF THE SUPERVISORY BODY

Exemption from corporate criminal liability - as regulated in Article 6, paragraph 1 of the Decree - also requires the mandatory establishment of a Supervisory Body within the Organisation, that has independent powers of control (to constantly monitor the functioning of and compliance with the Model) and independent powers of initiative, to guarantee the Model is updated, in order to ensure its effective and efficient adoption.

The **independence of the Supervisory Body's powers of initiative and control** is ensured if:

- the Supervisory Body is guaranteed hierarchical independence from all corporate bodies it monitors, and reports directly to the Board of Directors/Sole Director;
- its members are not directly involved in management activities that are controlled by the Body;
- it has financial independence to carry out its activities properly.

Besides the independent powers contemplated in the Decree, the Company has also aligned with Confindustria Guidelines, and relevant rulings of the judicial authorities, that also call for professionalism and ongoing action.

As regards the requirement of **professionalism**, the Supervisory Body must be able to carry out its control functions in relation to the actual adoption of the Model, and at the same time have the necessary qualities to guarantee the Model's dynamic operation, through proposed updates submitted to senior management.

As regards **ongoing action**, the Supervisory Body shall guarantee continual monitoring of and updates to the Model and changes, if applicable company conditions change, and shall act as a contact point for Recipients of the Model.

As regards the possible composition of the Supervisory Body, doctrine and practices have come up with various solutions, depending on the size and operations of the Organisation, relative corporate governance rules and need to achieve a balance between costs and benefits. Therefore, the Supervisory Body may either be an entity specifically established within the organisation, or the duties of the Supervisory Body may be assigned to a function already existing. Similarly, a joint, or single-member body is possible. Lastly, members of the Supervisory Body may be external professionals, that have specific expertise necessary to carry out duties to the best of their abilities.

Lastly, pursuant to Article 6, paragraph 4 bis of the Decree, introduced by Article 14, paragraph 12 of Law no. 183 of 12 November 2011, companies with share capital may appoint the Board of Statutory Auditors, Supervisory Board or Management Control Committee to act as the Supervisory Body.

### 2.2 IDENTIFICATION OF THE SUPERVISORY BODY

The Supervisory Body is established by the Entity, based on the provisions contemplated in the Decree.

In view of the above, in this particular case, the Company, considering the extent and complexity of its structure and activities, decided to appoint a Supervisory Body of three members, with one acting as chairman, in order to increase effectiveness of controls assigned to the Supervisory Body by the Decree 231/2001.

Two members of the Supervisory Body, in compliance with requirements of being independent, well-

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established and having independent powers of initiative and control, were appointed from outside the organisation, thus guaranteeing a diversified skills set. The third member, who acts as internal member, was appointed within the organisation, in compliance with the characteristics indicated above.

The Supervisory Body is appointed by the Board of Directors/Administrative body and remains in charge for three years. Each member of the Supervisory Body may be re-appointed.

Members of the Supervisory Body are appointed, subject to their eligibility, which is ascertained from time to time by the Board of Directors/Administrative Body.

Above all, members of the Supervisory Body, for the purposes of meeting the requirement of being **independent**, from their appointment and for the entire term of office, shall not:

- be in a position, even potentially, of having a conflict of interest with the Group;
- hold executive or delegated positions on the Board of Directors and/or Administrative Body;
- carry out, within the Group, executive type functions directly related to the business and/or operational management activities of the Group. If the members of the Supervisory Body are subjects within the company, they shall have a sufficiently high-ranking organisational position and, in any case, a position that does not make them dependent on executive bodies;
- have relatives, spouses or relatives by marriage to the fourth degree on company boards, or who hold representative, administrative or management functions with the Group or its organisational structure with financial and functional independence, or who carry out - also on a de facto basis - management and control of the Group, or hold positions with the independent auditors.

Moreover, the Company has established that members of the Supervisory Body must **meet professional standards and be of good standing**.

In particular, as regards professional standards, members of the Supervisory Body shall have an adequate professional background in legal, and company risk management and control matters, and as regards good standing, shall not have been sentenced, even if not final, or been sentenced with application of the penalty on request (pursuant to Articles 444 and subsequent of the Code of Criminal Procedure), and even if the ruling has been conditionally suspended, save for the effects of reinstatement:

1. to a term of imprisonment of at least one year for one of the crimes indicated in Royal Decree no. 267 of 16 March 1942 (bankruptcy law);
2. to a term of imprisonment of at least one year for one of the crimes indicated in laws on banking, financial, real estate and insurance activities and in laws on the markets and equity, and payment instruments;
3. to a term of imprisonment of at least one year for a crime against the Public Administration, against public faith, assets, the public economy or for a tax crime;
4. to a term of imprisonment of at least two years, for any intentional crime;
5. for one of the crimes contemplated in Part XX of Book V of the Civil Code, reworded by Legislative Decree 61/02 (On criminal and administrative offences concerning commercial companies);
6. for a crime resulting in a ban, also temporary, on holding public positions, including a

temporary ban on executive positions being held by legal persons and companies;

7. for a prevention measure contemplated in Article 10, paragraph 3 of Law no. 575 of 31 May 1965, as replaced by Article 3 of Law no. 55 of 19 March 1990 as amended (Provisions against the mafia);
8. for additional administrative sanctions contemplated in Article 187 - quater of Legislative Decree no. 58/1998 (TUF - Consolidated Law on Finance).

Any removal from office of members of the Supervisory Body may only take place due to reasons connected with serious breach of the position held, including violations of confidentiality obligations and ineligibility. By way of example only, proven serious negligence and/or serious malpractice in monitoring the correct adoption of the Model and its compliance, and - more in general - in carrying out the position, constitute just cause for the removal from office of members of the Supervisory Body.

Removal from charge shall, in any case, be decided by the Board of Directors/Sole Director of Group Companies, with a document that clearly indicates the reasons for the decision taken.

Members of the Supervisory Body are removed from office when, after their appointment:

1. one of the situations contemplated in Article 2399 of the Civil Code, paragraph 1, letters a), b) and c) applies, and specifically:
  - a. they are in the conditions indicated in article 2382 of the Civil Code (banned, disqualified, bankrupt, or sentenced with a ban, also temporary, on holding public positions, or holding executive positions);
  - b. the spouse, relatives and relatives by marriage to the fourth degree of directors of the Group, the directors, the spouse, relatives and relatives by marriage to the fourth degree of directors of companies controlled by the Group, of companies that control the Group and of companies under common control;
  - c. persons connected to the company or to companies it controls or to Companies that control it or that are subject to common control by a relationship of employment or by a consultancy or paid service, or by other relations of a financial nature that affect independence, save for any internal member.
2. they have been sentenced by a final ruling (also meaning a ruling handed down pursuant to Article 444 of the Code of Criminal Procedure) for one of the crimes listed in numbers 1, 2, 3, 4, 5, 6 of the ineligibility conditions previously indicated.

Causes for being removed from office as a member of the Supervisory Body also include:

1. being sentenced, also in a non-final ruling, for one of the crimes listed in numbers 1 to 6 of the ineligibility conditions previously indicated;
2. the adoption of one of the sanctions listed in numbers 1 to 6 of the ineligibility conditions previously indicated;
3. the adoption of a personal enforcement order;
4. the temporary adoption of one of the prevention measures contemplated in Article 10, paragraph 3 of Law no. 575 of 31 May 1965, replaced by Article 3 of Law no. 55 of 19 March 1990 as amended and the additional administrative sanctions contemplated in Article 187 - quater of Legislative Decree no. 58/1998 (TUF).

Lastly, additional causes for the ineligibility of members of the Supervisory Body or their removal from

office, include the following:

- a) being subject to prevention measures ordered by the judicial authorities pursuant to law, concerning prevention measures against persons dangerous for safety and public morals (Law no. 1423 of 1956) or Law no. 575 of 1965 (provisions against the mafia);
- b) being investigated for, or sentenced, even if not final or issued pursuant to Articles 444 and subsequent of the Code of Criminal Procedure (plea bargaining), or even if the sentence has been conditionally suspended, save for the effects of reinstatement for one or more crimes including those contemplated, as mandatory, in Legislative Decree 231/01;

Members of the Supervisory Board are automatically removed from office as soon as the cause for their removal occurs, without prejudice to further obligations described below.

The appointment of members of the Supervisory Body by the Board of Directors/Sole Director is effective only after each member has provided formal acceptance in writing of the position, also giving a statement that the requirements of the Model, in particular concerning eligibility, professional standards, autonomy and independence, are met.

Each member of the Supervisory Body may step down from office at any time, subject to notification in writing given to the Board of Directors and a copy given to other members of the Supervisory Body.

If the conditions for being removed from office apply, the member of the Supervisory Body concerned shall immediately notify the Board of Directors/Sole Director in writing, as well as the Board of Statutory Auditors and other members of the Supervisory Body. Even in the absence of this notice, each member of the Supervisory Body who becomes aware of the existence of grounds for removal from office relative to another member, shall promptly notify the Board of Directors in writing, as well as the Board of Statutory Auditors, to enable necessary measures to be taken.

In the event of waiver, incapacity, death, removal from office or the expiry of the term of office of a member of the Supervisory Body, the Board of Directors/Sole Director will promptly appoint a replacement.

In the event of waiver, incapacity, death, removal from office or the expiry of the term of office of the Chairman, the most senior member will take up the position, who will remain in office until the date when the Board of Directors/Sole Director resolves on the appointment of the new Chairman of the Supervisory Body.

During any gap between the occurrence of one of the above events, the other members of the Supervisory Body will remain in charge and shall request the Board of Directors/Sole Director to promptly appoint the missing member.

### **2.3 DEFINITION OF THE DUTIES AND POWERS OF THE SUPERVISORY BODY**

The provisions in Article 6, paragraph 1, letter b) of the Decree specifically establish that the duties of the Supervisory Body are to monitor the functioning of and compliance with Model and oversee updates.

In particular, the Supervisory Body shall carry out the following specific duties:

- a) **monitor the functioning of the Model and compliance with its provisions** by Recipients, ensuring the consistency of actual conduct and the Model, proposing the adoption of corrective actions and start of disciplinary proceedings against subjects concerned. More specifically, the Supervisory Body shall:

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- verify the adequacy of organisational solutions adopted to implement the Model (definition of standard clauses, training of directors and attorneys in fact, disciplinary measures, etc.), working with relevant company and/or Group structures;
  - activate the procedures to implement the control system;
  - prepare the periodic plan to control the adequacy and functioning of the Model;
  - carry out periodic audits, as part of the approved plan, on activities or operations identified in at-risk areas;
  - carry out controls on specific operations or specific and significant actions carried out by the Company in at-risk areas, and on the system of powers, in order to guarantee the ongoing effectiveness of the Model;
  - promote periodic meetings (at least annually) with the Board of Statutory Auditors and Independent Auditors to exchange information which is significant for monitoring the functioning of the Model;
  - promote suitable measures to disseminate the knowledge and understanding of the principles of the Model;
  - regulate adequate information mechanisms, setting up an email address and identifying information that may be sent to the Supervisory Body or made available to it;
  - collect, review, produce and retain significant information concerning compliance with the Model;
  - assess reports of possible violations of the Model;
  - promptly report to the administrative body (Board of Directors/Sole Director) on ascertained violations of the Model that may result in the liability of the Company, and propose any actions, as contemplated in paragraph 3 of the Model, for the purposes of adopting suitable disciplinary measures.
  - check that violations of the Model have been effectively and adequately sanctioned in compliance with the sanctions system adopted by the Group.
- b) **Monitor the advisability of updating the Model**, informing the Board of Directors/Sole Director, if there is a need to align regarding new Offences contemplated in the Decree, evidence of serious violations by Recipients, or ***significant changes to the internal organisation of the Group and/or procedures to carry out business activities***. In particular, the Supervisory Body shall:
- monitor developments in the applicable legal framework and check the Model's adequacy for said reporting to the Board of Directors/Sole Director on possible action areas;
  - arrange suitable activities to update the mapping of at-risk areas, according to the procedures and principles adopted in this Model;
  - monitor the adequacy of and updates to Compliance Programmes in relation to needs to prevent Crimes, and verify that all parts of the Model are compliant and adequate for its purposes, as identified by law, and to this end, use information and work with competent company and Group structures;
  - assess, in the event of the actual commission of a Crime and significant violations of the Model, the advisability of making changes to the Model;

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- submit proposals to align and update the Model to the Board of Directors/Sole Director. The adoption of any amendments is overseen by the Board, that, in accordance with Article 6, paragraph 1, letter A), is directly responsible for the adoption and effective implementation of the Model;
- check the effectiveness and functioning of amendments to the Model adopted by the Board of Directors/Sole Director.

In carrying out its monitoring and control activities, the Supervisory Body, without the need for any prior authorisation:

- shall have free access to all Group structures and offices and may consult with any person operating at said structures and offices, and access and freely obtain all information, documents and data considered significant. If denied access, with reasons given by the recipients, the Supervisory Body will produce a specific report to send to the Board of Directors/Sole Director.
- may request access to data and information as well as the presentation of documents to company boards, the independent auditors, third parties and in general all Recipients of the Model. With specific reference to Third Parties, the obligation to comply with the requests of the Supervisory Body shall be specifically indicated in individual agreements entered into by the Company.
- It may carry out periodic inspections of various company functions, even with reference to specific operations (also underway) that may be adopted by the Company.

Where necessary, depending on the specific nature of matters addressed, the Supervisory Body may be assisted by company and Group structures with the necessary technical expertise and human and operational resources, suitable for guaranteeing ongoing controls, analyses and other necessary obligations, or by external consultants

In order for it to meet its duties in full and independently, the Supervisory Body is assigned an adequate annual budget, established by the Board of Directors/Sole Director, that shall enable the Supervisory Body to carry out its duties autonomously, without limitations that may arise from insufficient financial resources.

For all other aspects, the Supervisory Body, in order to maintain its autonomy and impartiality, will self-regulate, through the formalisation of rules in a specific regulation that guarantee its best functioning (such as the scheduling of activities and controls, the recording of meeting minutes and regulation of information flows) and govern activities in its area of responsibility in detail. The Supervisory Body may send, for information, a copy of this regulation to the Board of Directors/Sole Director and the Board of Statutory Auditors of the Group.

### **2.4 INFORMATION FLOWS FOR THE SUPERVISORY BODY**

Pursuant to Article 6, paragraph 2, letter d) of the Decree, the Model shall govern “*disclosure obligations with the body appointed to monitor the functioning of and compliance with models*”.

The Supervisory Body shall be informed by Model Recipients about events that could cause liability pursuant to the Decree or that in any case represent violations of company rules. Similarly, the Supervisory Body shall be sent all documents reporting these circumstances.

In particular, in order to have a more effective and concrete adoption of provisions in the Model, the Company appoints Key Officers, responsible for each area of company activity in which a potential risk of the commission of Crimes has been identified. These Officers are identified and appointed from the CEO/Sole Director of Group Companies, with the support of the Human Resources Department, that will promptly notify the appointment to the Supervisory Body. The Key Officers shall be formally assigned the following functions:

- personally guarantee, and through the Recipients subject to their management and oversight, compliance with and the adoption of the principles and rules of conduct set out in the Model, in Compliance Programmes and the Code of Ethics;
- assist the Supervisory Body in carrying out duties and activities related to its responsibilities, interfacing with the Supervisory Body and ensuring periodic information flows through verification and control activities.

An obligation to provide disclosure to the Supervisory Body has therefore been established, with periodic information flows and occasional reporting:

- a) **Periodic information flows:** information, data and news about compliance with principles of control and conduct set out in the Model, the Code of Ethics and Compliance Programmes and sent to the Supervisory Body by company structures involved in activities potentially at risk, according to the time and procedures that will be defined and notified by the Supervisory Body. On a six-monthly basis, or at different intervals if required by individual Compliance Programmes, the Heads of company functions operating in at-risk areas pursuant to the Decree (Key Officers), through an overall self-evaluation of activities carried out, certify the level of adoption of the Model, with particular reference to compliance with the principles of control and conduct identified in the specific Compliance Programmes. Through this formal self-evaluation, any criticalities in managed processes, any deviations from indications in the Model and/or Programmes, are identified, as well as the actions and initiatives adopted or the plan to remedy them.

Ordinary reporting is also sent to the Supervisory Body by the Employer pursuant to Legislative Decree 81/2008, focussed on periodic occupational health and safety reports.

- b) **Occasional reporting:** information of any type, not included in the previous category, from all Recipients of this Model, concerning any violations of the provisions of the Model or in any case resulting from a conduct that is not in line with the rules adopted by the Company, and also concerning the commission of offences, that may be considered useful for the purposes of carrying out the duties of the Supervisory Body.

In particular, all company functions shall promptly report to the Supervisory Body on all information that is significant as regards compliance with and the functioning of the Model, and specifically:

- measures and/or information from the judicial police, or any other authority, save for confidentiality obligations of law, which indicate that investigations are being carried out, also regarding unknown persons, for crimes which the Decree refers to, if said investigations involve the Company or in any case the Recipients of the Model;
- the measures and/or information concerning the existence of administrative proceedings or significant civil law disputes, save for confidentiality obligations of law, which indicate that investigations are being carried out, also regarding unknown persons, relative to requests or initiatives of independent authorities, the financial administration, the Ministry of the

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Environment, local administrations, contracts with the Public Administration, and applications for and/or the management of public funding;

- requests for legal assistance forwarded to the Company by personnel in the case where criminal or civil proceedings are brought against them for Crimes contemplated in the Decree;
- information on violations of the Model, indicating sanctions imposed or measures to dismiss proceedings, with relative reasons;
- reports prepared by heads of various functions and by the Board of Statutory Auditors and Independent Auditors identifying conduct that does not conform to provisions in Decree 231 and that affect compliance with the Model
- any appointment to give to the independent auditors (or companies connected to it), other than the certification of the financial statements;

c) **Reporting of crimes or irregularities by an internal or external stakeholder**, during working activities, in compliance with regulations on whistleblowing, the Company has decided to adopt specific channels, described in the Whistleblowing Policy (Attachment 3), to send this reporting.

In any case, with reference to the previous list of information, the Supervisory Body is in duty to request any changes and additions to information to provide, if considered necessary or appropriate.

Information may be reported in writing via the dedicated internal communication system, on paper or by email, using the channels indicated by the Supervisory Body:

Company	Traditional channel	Digital channel
NMS Group S.p.a..	<i>NMS - Organismo di Vigilanza Viale L. Pasteur, 10 – 20014 (Nerviano)</i>	Website – Governance and Compliance section “Reporting to the Supervisory Body”
Nerviano Medical Sciences S.r.l.		
Nerpharma S.r.l.		
Accelera S.r.l.		
Simis S.r.l.		

The Supervisory Body assesses reporting and information received and any consequent initiatives to adopt, in compliance with provisions in the internal disciplinary system, contacting the person reporting the information and/or who committed the alleged violation, as applicable, justifying any decision taken in writing and overseeing all assessments and investigations considered necessary.

The Supervisory Body takes action guaranteeing that whistleblowers are protected from all forms of retaliation, discrimination or penalisation, and ensuring the utmost confidentiality about their identity and about any news, information, reports, subject to its position being withdrawn, save for requirements of investigations in the event that the Supervisory Body needs the support of external consultants or other company structures.

All information, documentation and whistleblowing reports, contemplated in this Model, are kept by

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the Supervisory Body, in a specific database (as a hard or soft copy) for 10 years or in any case until required; the Supervisory Body shall keep documents and information obtained confidential, also in compliance with privacy regulations.

Only the Supervisory Body may access the database.

## **2.5 REPORTING ACTIVITIES OF THE SUPERVISORY BODY**

As indicated above, in order to guarantee full autonomy and independence in carrying out its functions, the Supervisory Body reports on the results of its activities, periodically and per event, to the CEO and periodically to the Board of Directors/Sole Director and the Board of Statutory Auditors.

Specifically, the Supervisory Body sends the Board of Directors/Sole Director and Board of Statutory Auditors a detailed report, on an annual basis, concerning the following aspects:

- a description of significant events affecting the Company;
- legal developments concerning the Decree;
- the status of Model updates;
- reports received by the Supervisory Body;
- evidence in information flows received by the Supervisory Body concerning at-risk areas;
- activities carried out;
- the plan of activities;
- relations with judicial authorities which are significant pursuant to the Decree;
- conclusions on the functioning of, compliance with and updates to the Model;
- the periodic plan of controls prepared for the future year.

In case of serious deficiency in the functioning of and compliance with the Model or violations of its provisions, the Supervisory Body reports promptly to the Board of Directors/Sole Director or the Chairman.

The Supervisory Body may be convened at any time by the Board of Directors/Sole Director or may, in turn, request - if considered appropriate or necessary - to consult with said to report on particular events or situations regarding to the functioning of and compliance with the Model, requesting action to be taken. Moreover, the Supervisory Body, if considered necessary or appropriate, may request to meet with the Board of Statutory Auditors.

To guarantee a correct and effective information flow, the Supervisory Body may also request clarifications or information directly from the Chairman and parties with main operating responsibilities.

Meetings with bodies that the Supervisory Body reports to, shall be recorded and a copy of the minutes shall be kept by the Supervisory Body or by bodies involved from time to time.

## **3. DISCIPLINARY SYSTEM**

In order to assess the effectiveness and suitability of the Model at preventing the crimes indicated in Legislative Decree 231/2001, the Model identifies - by way of example - and sanctions conducts that may encourage the commission of crimes.

The above is pursuant to Article 6, paragraph 2 of the Decree, which lists the items that must be included in models prepared by Organisations, and under letter e) specifically establishes that the Organisation shall "introduce a disciplinary system that is suitable for sanctioning failure to comply

with the measures indicated in the Model".

In any case, even if a certain conduct is not contemplated, it may be subject to sanctions in compliance with point 3.3. below, if it violates the Model.

### 3.1 THE FUNCTIONS AND ADDRESSEES OF THE DISCIPLINARY SYSTEM

In order to encourage subjects acting in the name and on behalf of the Group to comply with the Model, the Company has established a specific disciplinary system that punishes all conduct that violates the Model, the Code of Ethics and Compliance Programmes, through the adoption of specific sanctions.

This disciplinary system is addressed to all subjects that work with the Group as employees pursuant to Articles 2094 and 2095 of the Civil Code, directors, auditors, freelancers, subjects that have entered into temporary work contracts pursuant to Article 61, Law 276/2003, that operate on behalf of and in the context of the Group, and all subjects that have contractual dealings with the Company to carry out any work or perform any contract, for works or services on a continual or periodic basis or through employment agencies (third party subjects).

If the Supervisory Body identifies a possible violation of the Model, Code of Ethics and Compliance Programmes in its monitoring and control activities, it may report its findings in order to start disciplinary proceedings or other remedies described below against the potential offender, independently of criminal action taken by the judicial authorities against the offender, and in relation to any other action considered appropriate or necessary.

Actual liability arising from violation of the Model and Code of Ethics will be established, and the relative sanction imposed, in compliance with applicable laws, regulations of the applicable collective bargaining agreement, internal procedures, privacy and whistleblowing regulations, and also in full compliance with fundamental rights of the dignity and reputation of subjects involved.

### 3.2 SIGNIFICANT CONDUCT

Conducts for which sanctions may be imposed refer to behaviour that violates the Model of the NMS Group, and specifically that violate the provisions of the General Part, Special Part and Compliance Programmes, Procedures referred to therein and the Code of Ethics.

Violations of the Model also refer to behaviour, including the omission, that violates indications and/or requirements of the Supervisory Body, as well as whistleblowing concerning a potential crime committed by an internal or external stakeholder that may harm the Company or violations of obligations to protect the whistleblower or information reported with wilful misconduct or gross negligence.

To guarantee compliance with the constitutional principle of lawfulness, and principle of the proportion of sanctions, a list of possible violations, in increasing order of severity, is given below, by way of example only:

- violations related, in any way, to activities indicated as "at-risk", violations of one or more procedural rules and/or of the conduct indicated in the Model, which may constitute minor shortcomings and provided that said do not constitute any of the violations indicated below;
- violations related, in any way, to activities indicated as "at-risk" in the Model, violations of one or more procedural rules and/or of a conduct indicated as more serious shortcomings if said

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does not harm normal operations of the Group, the violations indicated in point I if recurrent, and provided that said do not constitute any of the violations indicated below and lastly the reporting of unlawful conduct at risk of the offences pursuant to the Decree being committed, without specific and consistent grounds, or when not actually taking place, considered as wilful misconduct or gross negligence;

- violations that may objectively be construed as of one of the crimes that may, according to the Decree, result in the liability of the Organisation, violations of one or more procedural rules and/or conduct in the Model (including the failure to report information or failure to protect Whistleblowers), that harm the assets of the Company or exposes it to an objective situation that harms the integrity of company assets;
- violations intended to commit one of the crimes that may trigger, according to the Decree, the liability of the Organisation or in any case that may cause a risk for the liability of the Group pursuant to the Decree; violations of one or more procedural rules and/or of the conduct indicated in the Model, which irreparably harms the relationship of trust, preventing contract relations from continuing.

### 3.3 SANCTIONS

Sanctions are adopted by Group Companies involved in compliance with applicable legislation and, where applicable, with regulations on collective bargaining in effect from time to time, and Article 7 of Law 300/70 and are commensurate with the severity of the violation and any repeat violations.

In any case, the type and extent of the sanction imposed shall take into account principles of proportionality and adequacy in relation to the alleged violation.

In general, the following are significant, by way of example:

- the type of crime committed also in consideration of its severity, as listed, by way of example only, in paragraph 3.2 above;
- the circumstances in which the crime was committed,
- the method of committing the crime;
- the severity of the conduct;
- the intention of the conduct or degree of negligence, carelessness or malpractice, also as regards the foreseeability of the event;
- the overall conduct of the recipient with particular reference to the existence or otherwise of previous disciplinary proceedings, within the limits permitted by law;
- the role held by the recipient;
- the functional position of people involved in the facts constituting the shortcoming;
- other particular circumstances, such as the commission of several violations relative to the same conduct, in which case the sanction for the most serious violation will apply;
- the conduct immediately following the act;
- the aggravating (or attenuating) circumstances in which the crime took place, with particular reference to professional standing, previous work services and/or previous contract relations, previous disciplinary measures and the circumstances in which the act was committed;
- any involvement of several people in the commission of the violation;
- a repeat offender.

The adoption of disciplinary sanctions does not affect in any way the right of the Group to take action

against the party responsible, in order to receive compensation for all damage sustained as a result or consequence of the conduct ascertained.

### **3.3.1 MEASURES AGAINST NON-EXECUTIVE STAFF**

Violations of the rules of conduct set out in the Model and Code of Ethics, and in the principles of control in Compliance Programmes by employees constitute breach of contract and may therefore result in the adoption of disciplinary sanctions pursuant to Articles 2106 and 7 of Law 300/1970.

Pursuant to and for the purposes of Articles 50, 51, letter l) and 52, letter a) of the National Collective Bargaining Agreement for the chemical/pharmaceutical sector of 19 July 2018, the Model, Compliance Programmes, Code of Ethics and disciplinary system constitute, together, an «Internal Regulation», which is an integral part of the disciplinary code contained in the aforesaid Bargaining Agreement.

In particular, the Bargaining Agreement for chemical/pharmaceutical sector operators, which governs employment relations between the Group and its employees, establishes the adoption of the following disciplinary measures for breaches of contract:

- a) verbal reprimand;
- b) written reprimand;
- c) fine;
- d) suspension;
- e) dismissal for a justified subjective reason or for just cause.

The disciplinary sanctions in points (a) and (b) are imposed on employees who, due to negligence, violate the rules, principles and procedures in the Model, Code of Ethics and Compliance Programmes by adopting a conduct that is non-conforming or inadequate, but which does not impact the effectiveness of said documents. These disciplinary sanctions are also imposed if employees do not comply with obligations on whistleblowing.

More specifically:

- a verbal reprimand may be given in the case of a minor formal non-compliance with procedures in the Model, Code of Ethics and/or Compliance Programmes due to the employee's negligence. By way of example only, an employee who, due to negligence, does not accurately keep supporting documentation necessary to reconstruct the Group's operations in at-risk areas, may be punished with a verbal reprimand, save for a more serious sanction being imposed;
- a written reprimand may be given in the case of recurrent failures punished with a verbal reprimand, or in the case of a formal and/or substantial violation of the principles and procedures in the Model, Code of Ethics and Compliance Programmes, due to non-conforming or inadequate conduct: by way of example only, in the case of a minor delay in reporting information to the Supervisory Body pursuant to the Model, or in the case of failing to keep supporting documentation where indicated, according to established procedures, save for a more serious sanction being imposed. This sanction is also adopted in the case of a serious failure to comply with whistleblowing regulations, for example if an employee, with gross negligence, reports information that is false or without grounds concerning another subject or an employee attempts to violate regulations protecting the whistleblower.

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The disciplinary sanctions indicated in points (c) and (d) are imposed on employees in the case of repeated violations of previous points or in the case of the misconduct or negligence of employees operating in at-risk areas, that may even only potentially impact the effectiveness of the Model, Code of Ethics and/or Compliance Programmes, regardless of whether or not harm has been caused and regardless of its extent.

More specifically:

- the fine may not be more than the amount of three hours of ordinary pay. By way of example only, this type of conduct includes the violation of reporting obligations with the Supervisory Body concerning irregularities committed during work activities, or repeated failure to participate, without justified reasons in training sessions provided by the Company on the Decree, Organisational, Management and Control Model and Code of Ethics or regarding relative issues;
- suspension from service and pay will be imposed, by way of example, in cases of: failure to observe provisions in the Code of Ethics; the omission of information or false statements given regarding compliance with the Model; the violation of the provisions pertaining to powers of corporate signature and the system of delegated powers; omission to monitor the conduct of personnel operating within own areas of responsibility in order to monitor their actions in at-risk areas; the violation of reporting obligations with the Supervisory Body regarding all situations at risk of listed offences being committed during own activities; any and all contract breaches or violation of specific provisions notified to the employee. Moreover, as regards whistleblowing, this sanction is imposed if an employee, as part of his/her work, wilfully reports a wrongdoing of another subject that proves to be false and without grounds, or in cases where an employee violates measures to protect whistleblowers.

An employee may be dismissed for a justified subjective reason or for just cause if, in carrying out his/her duties, he/she adopts a conduct that does not conform to the requirements of the Model, Code of Ethics and Compliance Programmes and is unequivocally intended to carry out a crime sanctioned by the Decree and as such may result in administrative sanctions for the crime, indicated in the Decree, being imposed on the Group.

More specifically:

- dismissal with notice for a justified subjective reason, with notice, may take place in the following cases, by way of exemplification only: repeated failure to observe the provisions in the Model, Code of Ethics and Compliance Programmes; omission due to misconduct, or gross negligence and/or wilful recklessness of the obligations required by the Model, Code of Ethics and Compliance Programmes; the adoption, in company at-risk areas, of a conduct that does not conform to the provisions of the Model which is unequivocally intended to commit one of the crimes contemplated in the Decree; failure to notify the Supervisory Body of significant information relative to the commission, also attempted, of one or more listed crimes.
- Dismissal without notice for just cause is imposed in the following cases, by way of example only: fraudulent conduct which is unequivocally intended to commit one of the crimes contemplated in the Decree; the intentional preparation of incomplete or untruthful documentation intended to prevent the transparency and verifiability of activities carried out; the wilful violation of procedures of external significance; failure to prepare documentation required by the Model and/or Compliance Programmes; the violation or wilful evasion of the internal control system contemplated in the Model and/or Compliance Programmes carried

out in any way, including the removal, destruction or alteration of documentation concerning the procedure; conduct that is obstructive or evasive regarding controls of the Supervisory Body, preventing access to information and documentation by persons in charge of controls or decisions.

On being informed of the violation of rules of conduct in the Model, Code of Ethics and Compliance Programmes by a non-executive employee, the Supervisory Body notifies the Personnel Department for the adoption of suitable measures. The procedure will be overseen by the Trade Union Relations Department, that will impose the relative sanction.

### **3.3.2 MEASURES AGAINST EXECUTIVE STAFF**

The compliance of Group executives with the provisions in the Model, Code of Ethics and Compliance Programmes, and the obligation for said provisions to be observed, constitute a specific contract obligation relative to the relationship between the executives and the Company.

Each executive will receive a copy of the Model and its attachments, and if an executive adopts a conduct that does not conform to the Model, or if it is proven that employees under the executive's responsibility have been allowed to adopt a conduct violating the Model, Code of Ethics and Compliance Programmes, the Company will impose the most suitable sanctions on the Executive, based on applicable legislation and the National Collective Bargaining Agreement for the industrial sector, and any additional agreements.

Violations committed by executives are managed by the Human Resources function, as decided by the Administrative Body of the Group Company concerned, that will also evaluate the suspension of powers granted and any withdrawal, at the end of the proceedings, as well as claims for compensation for damages sustained due to the conduct of the executive.

On being informed of the violation of rules of conduct in the Model, Code of Ethics and Compliance Programmes by an executive, the Supervisory Body notifies the Chairman/CEO/Sole Director for the adoption of suitable measures.

The same sanctions system applies if the executive is involved in episodes that result in violations of whistleblowing regulations.

### **3.3.3 MEASURES AGAINST DIRECTORS**

In the case of actions or conduct that do not conform to the provisions and procedures referred to in the Model, Code of Ethics and/or Compliance Programmes by directors, the Supervisory Body informs the Board of Directors, for the most suitable measures to be taken in compliance with applicable legislation.

The adoption of the aforesaid disciplinary sanctions does not exclude the Group's right, pursuant to Article 2393 of the Civil Code, to take action against the directors concerned for liability.

### **3.3.4 MEASURES AGAINST THIRD PARTIES**

All conduct adopted by Third Parties that have contractual relations with the Company of the types indicated above and which, in contrast with law, this Model, the Code of Ethics and Compliance

Programmes, may involve the risk of one of the offences listed in the Decree being committed, may, based on specific contract clauses included in letters of appointment, contracts or commercial agreements, cause the termination of or withdrawal with immediate effect from contract relations, as well as the payment of any sum as a sanction, save for any further claims for compensation.

This conduct will be assessed by the Supervisory Body that, after consulting with the head of the Company Department/Function requesting the action of the Third Party, will promptly report to the CEO/Sole Director and, in more serious cases, to the entire Board of Directors and Board of Statutory Auditors.

#### **4. DISSEMINATION OF THE MODEL**

The corporate criminal liability established by laws and the adoption of the Organisational, Management and Control Model by the Group form a system in which recipients must adopt an operating conduct that is effective and consistent.

In this regard, communication and training are fundamental to promote the dissemination of the contents of the Decree and Organisational Model adopted, and knowledge of the subject matter and compliance with rules - which are an integral part of the professional culture of each employee and staff member.

The Group has therefore established an internal communication, information and training plan - for all company employees, but diversified depending on the recipients, which aims to create widespread knowledge and a company culture on the matters at hand, thus mitigating the risk of crimes being committed.

The plan is managed by competent company structures, coordinating with the Supervisory Body.

In particular, as regards **communication**:

- initial communication, on the initiative of the Board of Directors/CEO, is given to members of company bodies, the independent auditors and employees on the adoption of this Model;
- the Model and Code of Ethics are distributed on the company intranet;
- all persons that do not have access to the intranet, may access the Model and Code of Ethics by alternative methods, e.g. the documents are affixed on notice boards;
- suitable communication tools will be adopted to update recipients about any amendments to the Model and/or Code of Ethics and Compliance Programmes.

As regards **information**:

- members of company bodies and subjects representing the Group will receive a hard copy of the Model and Code of Ethics on acceptance of their position and will sign a statement of their compliance with the principles contained therein
- Third Parties are given specific notices, through institutional contacts and using a method approved by the Supervisory Body, concerning the principles and policies adopted by the Group - based on this Model and the Code of Ethics - and on the consequences of conduct that goes against applicable legislation or the principles of ethics adopted regarding contract relations, in order to raise awareness of the Group's requirement and that their conduct must conform to law, with particular reference to provisions in the Decree;

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- On employment, new recruits are given a copy of the Model and Code of Ethics, along with other documentation. They sign a specific statement declaring they have received the documents, have full knowledge of said and undertake to observe relative provisions.

As regards **training**, a training plan is provided with the aim of informing all Group employees and executives about the contents of the Decree, the new Model and the Code of Ethics.

The training plan, created and managed by the Legal Department, assisted by the Human Resources Department, and consulting with the Supervisory Body, considers numerous variables, in particular:

- the targets (recipients of actions, their level and organisational role),
- the contents (issues relevant to the role of people);
- learning tools (classroom, e-learning)

The plan provides for the following:

- basic training also through e-learning for all personnel to promptly and extensively disseminate contents common to all personnel - applicable legislation (the Decree and listed crimes), the Model and its functioning, the contents of the Code of Ethics - also with self-assessment and learning tests. Participation in all training events must be appropriately recorded.
- specific classroom initiatives for people working in structures more at risk of crimes being committed, which explain specific Compliance Programmes.
- Learning modules in the case of updates to legislation or internal procedures.

Training courses for employees are mandatory: the Legal Department informs the Supervisory Body of results, in terms of take-up and satisfaction.

## **5. COORDINATION BETWEEN SUPERVISORY BODIES AND GROUP COMPANIES**

The Supervisory Body of each Group company may request information from the Supervisory Bodies of other Group companies - if members are not the same - if considered necessary for the correct performance of control activities within the Group.

Therefore, each Supervisory Body of subsidiaries, save for its own autonomy:

- in carrying out duties to monitor the functioning of and compliance with the respective Model, may assist and be assisted by the Supervisory Body of the Parent Company;
- promptly informs the Supervisory Body of the Parent Company in the case of violations of the Model committed by directors of the Group Company involved;
- notifies the Supervisory Body of the Parent Company of changes to its own Model adopted and of any updates.

## **6. UPDATING THE MODEL**

The purpose of activities to update the model, meaning additions and amendments, is to guarantee the adequacy and suitability of the Model, assessed based on its function of preventing the commission of crimes indicated in the Decree.

The Model has been adopted by the Administrative Body of Group Companies, which is responsible for updates and additions if considered appropriate or necessary, in relation to:

- significant violations of provisions of the adopted Model;

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- regulatory amendments that extend the corporate criminal liability of organisations to other types of crime for which the risk of commission in the interest or to the advantage of the Group exists;
- significant changes to the organisational structure, system of powers and operational procedures for carrying out activities at risk and controls to monitor these activities.

Proposals to amend and supplement the Model and its attachments may be submitted by the Supervisory Body to the Board of Directors, after consulting with competent company functions.

**SPECIAL PART**

## 1. INTRODUCTION

The Special Part of the Model defines the organisational, management and control rules that must guide the Company and all Recipients of the Model in carrying out activities in which the Crimes contemplated in Legislative Decree 231/2001 may be committed.

In order to prevent or mitigate the risk of committing the crimes contemplated in Legislative Decree 231/2001, the Company, besides adopting the Code of Ethics, has defined specific prevention programmes for specific at-risk areas which are not monitored, and has updated some existing company procedures that already include oversight considered significant for the purposes of preventing the crimes contemplated in the Decree.

With reference to each of these at-risk areas, risk profiles of the commission of specific predicate offences were identified; subjects involved for various reasons in carrying out activities, and principles of conduct and control to monitor these risks were determined, as well as procedures to be observed by Recipients of the Model to guarantee constant information flows with the Supervisory Body so that it may effectively and efficiently carry out its own control activities.

The Company prepares its compliance programmes based on the following principles:

- formal assignment of responsibilities;
- internal powers of authorisation and signature: must be assigned based on formal rules, in keeping with organisational and management responsibilities and with a clear indication of spending limits;
- segregation of duties and functions: different subjects shall authorise the operation, perform it, report it and control it;
- traceability: the preparation of documents and information sources used to support activities carried out shall be traceable to guarantee the transparency of choices made; all stages of each operation shall be documented so that control and verification activities are always possible. Control and verification activities shall in turn be documented, in reports;
- filing/keeping documents: documents concerning at-risk activities shall be filed and kept by the Head of the Department/Function concerned or a person delegated by said, according to procedures that prevent access by third parties, unless specifically authorised. Documents approved officially by company bodies and by subjects authorised to represent the Company with third parties may not be amended, unless indicated in procedures and provided that said amendments are traced;
- confidentiality: the Head of the Department/Function, or subject delegated by said, may access documents that have already been filed. Members of the Supervisory Body, the Board of Directors, Board of Statutory Auditors and Independent Auditors may also access documents.

The following are identified in each Compliance Programme:

- The premises and objectives of the document, identifying the Crimes that may be potentially committed
- The scope
- The subjects involved, with a description of roles and responsibilities
- Activities relative to at-risk areas
- Principles of conduct
- Principles of control

- Reporting to the Supervisory Body

A Head will be appointed for each Compliance Programme, that guarantees compliance with and the adoption of the rules of conduct and controls defined in the document, oversees updates and informs the Supervisory Body of significant facts or circumstances identified while carrying out at-risk activities in its areas of responsibility, in compliance with provisions in the General Part. This position is generally held by the Head of the Department/Function where the at-risk activities, or a significant part of them, are carried out.

## 2. COMPLIANCE PROGRAMMES

The specific compliance programmes, to which reference is made for all further details, relative to specific at-risk areas, are as follows:

### **Compliance Programmes common to all Group Companies**

- "Occupational health and safety compliance"
- "Environmental compliance"
- "The procurement of goods, services and contracts"
- "Consultancy services and professional appointments of third parties"
- "Administration, Accounting and Financial Reporting"
- "Management of company obligations and relations with Company Boards"
- "Management of relations and obligations with the Public Administration and Supervisory Authorities"
- "Management of intercompany relations"
- "Management of litigation, settlement agreements and relations with the Judicial Authorities"
- "Management of the security of information systems"
- "Personnel recruitment and management"
- "Management of cash and financial flows"
- "Management of gifts, donations and entertainment expenses"

### **Specific Compliance Programmes for some Group Companies**

#### **NMS Group**

- "Extraordinary and ordinary asset transactions"
- "Communication and media relations"

#### **NMS/Nerpharma/Accelera**

- "Research & Development and Production"
- "Applications for and management of public funding"
- "Management of sales activities"
- "Selection and recruitment of agents and brokers"

#### **NMS Group/NMS/Nerpharma/Accelera**

- "Promotional events, congresses and sponsorships".



## **ATTACHMENTS**

1. List of significant crimes pursuant to the Decree
2. Code of Ethics
3. Whistleblowing Policy