ORGANISATION, MANAGEMENT AND CONTROL MODEL

PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

OF

VALAGRO S.P.A.

GENERAL SECTION OF THE FINAL DOCUMENT

APPROVAL	**23/01/2015**
I UPDATE	**28/05/2015 (SELF-MONEY LAUNDERING)**
II UPDATE	**30/11/2015 (AMENDMENTS TO CORPORATE CRIMES AND NEW ENVIRONMENTAL CRIMES)**
III UPDATE	**14/03/2017 ("INTRODUCTION OF THE CRIME "ILLEGAL LABOR EXPLOITATION")**
IV UPDATE	**3/5/2018 (AMENDMENTS TO THE CRIME OF CORRUPTION AMONG PRIVATE INDIVIDUALS AND REFORM OF THE ANTI-MAFIA CODE)**
V UPDATE	**15/12/2020 (INTRODUCTION OF THE CRIME "INFLUENCE PEDDLING" AND "TAX CRIME")**

CONTENTS OF GENERAL SECTION

CONTENTS OF SPECIAL SECTIONS

a) **Special Section A, relating to crimes against the Public Administration;**

b) **Special Section B, relating to corporate crimes;**

c) **Special Section C, relating to bribery among individuals;**

d) **Special Section D, relating to the offences of handling stolen goods, money-laundering and use of money, goods or benefits of illicit origin and self-money laundering;**

e) **Special Section E, relating to copyright offences;**

f) **Special Section F, relating to crimes against industry and commerce and relating to industrial property;**

g) **Special Section G, relating to environmental offences;**

h) **Special Section H, relating to workplace health and safety offences;**

i) **Special Section I, relating to the exploitation of workers with irregular stay permit;**

j) **Special Section L, relating to the crime of inducement to make false statements to the judicial authorities;**

k) **Special Section M, relating to criminal association offences;**

l) **Special Section N, relating to computer crimes;**

m) **Special Section O, relating to cross-border offences;**

n) **Special Section P, relating to crimes against the persons;**

o) **Special Section Q, relating to tax crimes.**

GENERAL SECTION

PREAMBLE

Valagro S.p.A. (hereinafter "**Valagro"** for short) with registered office in Atessa (Chieti), the parent company of the Group of the same name which operates internationally in the sector of production and marketing of raw materials, products and equipment for agriculture, gardening, manufacturing industry, green turf, human and animal food, cosmetics, personal well-being and treatments.

Given that Valagro carries on its business activities in Italy and in many other countries of the world, it has decided to adopt an Organisation, Management and Control Model (hereinafter "**Model**" for short, i.e. compliance program) that complies not only with the Italian regulatory provisions contained in **Legislative Decree 231/2001** but also with U.S. rules represented by: "The Foreign Corrupt Practices Act" ("**FCPA**") and by "*FCPA a resource Guide to the U.S Foreign Corrupt Practices Act*, *November 2012*" prepared by the American Department of Justice ("**DOJ**") and by the Securities and Exchange Commission ("**SEC**")

Below, therefore, is a brief description of the aforementioned regulatory provisions and associated best practices, followed by a description of the activities carried out by VALAGRO in drawing up its own Model.

1. THE ITALIAN REGULATORY FRAMEWORK: LEGISLATIVE DECREE NO. 231/2001 AND THE ADMINISTRATIVE LIABILITY OF COMPANIES FOR THE COMMISSION OF OFFENCES

1.1. Moving beyond the principle *societas delinquere non potest* and the scope of the new administrative liability of companies for the commission of offences

The Italian legislator, in implementing the delegated powers conferred pursuant to Law no. 300 of 29 September 2000, by means of Legislative Decree no. 231/2001 - enacted on 8 June 2001 (hereinafter also "**Decree**") and governing the "*Regulation of administrative liability of legal persons, companies and associations including those without legal personality*" - adapted Italian regulatory provisions on the liability of legal persons to a number of International Conventions previously signed on behalf of the Italian State.[1]

The legislator, therefore, putting an end to a lively scholarly debate, moved beyond the principle *societas delinquere non potest*[2] by introducing a regime of administrative liability for companies or

1 In particular: Brussels Convention of 26 July 1995 on the protection of financial interests; Brussels Convention of 26 May 1997 on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union ; OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions. The Italian Legislator, by Law no. 146/2006, ratified the United Nations Convention and Protocols against transnational organised crime adopted by the General Assembly on 15 November 2000 and May 31, 2001.

[2] Prior to the enactment of the Decree, it was not possible for a company to assume the role of *defendant* in criminal proceedings. It was considered, in fact, that Article 27 of the Constitution, which affirms the principle of the personal nature of criminal responsibility, prevented the extension of criminal responsibility to a company, as being a subject "without personality". Therefore the company could only be held

entities (organizations with legal personality, companies and associations including those without legal personality - hereinafter collectively referred to also as "Entities" and individually as “Entity", but excluding the State, local public authorities, non-profit-seeking public bodies and bodies implementing constitutional functions), such administrative liability being tantamount in practice to criminal liability and applicable where the unlawful activities in question fall within specific offence categories (the so-called “predicate offences”) which are committed **in the interest or to the advantage of the Entities themselves -** by (as specified in Section 5 of the Decree):

i) persons who carry out functions of representation, administration or management of the Entity or one of its financially and operationally independent organisational units, and also by persons who exercise, (also *de facto)* management and control powers over the Entity (so-called ***Senior Managers***);

ii) persons subject to the management or supervision of one of the subjects specified at subsection i) (so-called ***persons in subordinate positions***).

In relation to the meaning of the terms "interest" and "advantage", the governmental Report accompanying the Decree gives the former term a subjective connotation related to the intent of the perpetrator (natural person) of the offence (who must have undertaken the action in order to realise a specific interest of the Entity), but it assigns the latter term a more objective connotation referring to the actual results of the agent's conduct (the reference is to cases in which the perpetrator, while not intending to act directly in the interest of the Entity, nevertheless realises an advantage to it).

Nevertheless, with specific reference to unpremeditated offences in the area of health and safety, it is unlikely that the death or injury of a worker could be in the interest of the Entity or translate into an advantage for it.

In such cases, the interest or advantage in question should be deemed to refer instead to the benefit ensuing from non-compliance with health and safety protection regulations. Thus, the interest or advantage to the Entity could be represented by cost savings in the area of health and safety protection, or by speedier performance of services or by increased productivity, sacrificing the required accident prevention safeguards.

Based on specific legislative provisions (Section 5, paragraph 2 of the Decree), the Company will escape liability if the aforementioned persons have acted **in their own exclusive interest or in the interest of third parties.**

liable under the civil law for loss caused by the employee, or, based on Articles 196 and 197 of the Criminal Code, for the payment of a fine imposed on an employee in the event of the latter's insolvency.

One should note that not all offences committed by the aforementioned subjects involve administrative liability attributable to the Entity, given that only specific categories of offence are identified as being of relevance.[3]

Below is a summary of the relevant offence categories pursuant to the Decree.

The first category of offences under the Decree which involves the administrative liability of Entities is **offences against the Public Administration**, as specified in Sections 24 and 25 of the Decree, namely:

- fraud against the State or other public body (Article 640, paragraph II, no. 1, Criminal Code);
- aggravated fraud to obtain public funds (Article 640-bis, Criminal Code);
- computer fraud against the State or other public body (Article 640-ter, Criminal Code);
- corruption in the exercise of official functions (Articles 318 and 321, Criminal Code);
- corruption for an act contrary to official duties (Arts. 319 and 321, Criminal Code);
- corruption in judicial proceedings (Articles 319-ter and 321, Criminal Code);
- incitement to bribery (Article 319-quater, Criminal Code);
- inducement to corruption (Article 322, Criminal Code);
- corruption of persons performing a public service (Articles. 320 and 321, Criminal Code);
- embezzlement, extortion, undue induction to give or promise benefits, corruption, incitement to corruption of members of International Courts, European Union Bodies, International Parliamentary Assemblies, International Organizations and of Officials of the European Union and of Foreign States (Article 322-bis, Criminal Code);
- extortion (Article 317, Criminal Code);
- embezzlement to the detriment of the State or other public body (Article 316-bis, Criminal Code);

[3]One should also bear in mind that the "catalogue" of predicate offences relevant for the purposes of the Decree is in continuous expansion. On the one hand there is a strong impetus to this end from EU bodies, and on the under other hand - also at domestic level - numerous draft laws have been submitted with a view to including new offence categories. The possibility has also been examined for some time now (see the proceedings of the Pisapia Commission) of including the liability of Entities within the Criminal Code directly, thus altering the nature of the responsibility in question (which would for all purposes become criminal and no longer be exclusively administrative in character) as well as extending the range of offence categories. More recently, draft proposals to amend the Decree have been brought forward, aimed to make use of the experience gained in its application to date and, ultimately, aimed at "correcting" certain aspects which appeared excessively onerous.

- misappropriation of contributions, funding or other disbursement by a public body (Article 316-ter, Criminal Code);
- influence peddling (Article 346-bis, Criminal Code introduced by Law no. 3 of 9 January 2019);
- fraud in public supplies (Article 356, Criminal Code);
- fraud against the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (Article 2, Law 898/1986);
- embezzlement (Article 314, paragraph 1, Criminal Code);
- embezzlement through profit from errors of others (Article 316, Criminal Code);
- abuse of office (Article 323, Criminal Code).

Section 25-bis of the Decree - introduced by Section 6 of Law no. 409 of 23 September, 2001 - refers, then, to the **offences of counterfeiting of currency, cards and bearer's coupons issued by Governments or authorised Institutes and revenue stamps**, amended by Legislative Decree no. 125 of 27 July 2016:

- counterfeiting currency, spending and introducing counterfeit currency into the State, by agreement (Article 453, Criminal Code);
- altering currency (Article 454, Criminal Code);
- spending and introducing into the State counterfeit currency, other than by agreement (Article 455, Criminal Code);
- spending counterfeit currency received in good faith (Article 457, Criminal Code);
- counterfeiting of revenue stamps, introducing into the State, purchasing, possessing or putting into circulation counterfeit revenue stamps (Article 459, Criminal Code);
- forgery of watermarked paper in use in order to manufacture public currency/credit notes or revenue stamps (Article 460, Criminal Code);
- producing or possessing watermarks or instruments designed for the counterfeiting of currency, revenue stamps or watermarked paper (Article 461, Criminal Code);
- using forged or altered revenue stamps (Article 464, paragraphs 1 and 2, Criminal Code).

A further important category of offences involving the administrative liability of the Entity are **corporate crimes**, a category governed by Section 25-ter of the Decree, introduced by Legislative Decree no. 61 of 11 April 2002, which identifies the following categories, as amended by Law no. 262 of 28 December 2005, Law no. 190/2012, Law no. 69 of May 27, 2015 and Law. No. 38/2017:

- false corporate communications (Article 2621, Civil Code);
- minor events ("fatti di lievi entità" Article 2621 bis, Civil Code);
- false corporate communications of listed companies (Article 2622, Civil Code, in the new formulation provided for by Law no. 69/2015);
- false statement in a prospectus (Article 2623, Civil Code, repealed by Article 34 of Law no. 262/2005 which, however, introduced Section 173-bis of Legislative Decree no. 58 of 24 February, 1998)[4];
- falsification in reports or communications of audit firms (Article 2624, Civil Code)[5];
- obstructing auditors in the course of their duties[6] (Article 2625, Civil Code);
- improper refund of contributions (Article 2626, Civil Code);
- illegal distribution of profits and reserves (Article 2627, Civil Code);
- unlawful operations on the shares or quotas of the company or parent company (Article 2628, Civil Code);

[4] Article 2623 of the Civil Code (False statement in a prospectus) has been repealed by Law 262/2005, which reproduced the same offence category by the introduction of Section 173-bis of Legislative Decree no. 58 of 24 February 1998, (hereinafter also the Consolidated Law on Finance (*Testo Unico della Finanza*, TUF). This new criminal law provision is not currently among the offences referred to by Legislative Decree no. 231/2001. One branch of legal scholarship, however, considers that Article 173-bis TUF, though not referred to by Legislative Decree 231/2001, is of relevance to the administrative liability of Entities since it must be deemed to be continuous, from a regulatory point of view, with the previous Article 2623 of the Civil Code. The case law, however, has taken a contrary view - although in relation to the different offence referred to in Article 2624 of the Civil Code (Falsification in reports or communications of audit firms) [see following note] - considering this offence no longer to be a source of liability pursuant to Legislative Decree 231/2001 and relying on the legality of the provisions contained in the Decree. Given the absence of any special ruling on Article 2623, analogous to that which occurred in respect of Article 2624, it has been decided as a precaution to give theoretical consideration to the offence in the Model.

[5] Note that Legislative Decree no. 39 of 27 January 2010, (Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, which amends EEC Directives 78/660 and 83/349 and repeals EEC Directive 84/253), which entered into force on 7 April 2010, repealed Article 2624 of the Civil Code - Falsification in reports or communications of audit firms - and reinserted this offence category within the aforementioned Legislative Decree no. 39/2010 (Article 27) which, however, is not referred to by Legislative Decree no. 231/2001. The United Chambers of the Supreme Court of Cassation, in its judgment no. 34776/2011, decided that the offence category of falsification in audits already provided for by Article 2624 of the Civil Code can no longer be considered a source of liability for offences committed by Entities, since the aforementioned article was repealed by Legislative Decree no. 39/2010. The Court has highlighted that the legislative intervention which reformed the field of accounting audits was intended to remove offences committed by independent auditors from the sphere of application of Legislative Decree no. 231/2001 and that, therefore, based on the principle of legality that governs it, it had no choice but to conclude that the offence of falsification in audits had, in essence, been abolished.

- transactions to the detriment of creditors (Article 2629, Civil Code);
- failure to disclose conflicts of interest (Article 2629-bis, Civil Code);
- fictitious formation of capital (Article 2632, Civil Code);
- improper distribution of corporate assets by liquidators (Article 2633, Civil Code);ù
- **corruption in private sector** (Article 2635, paragraph 3, Civil Code as amended by Law No. 190/2012);
- inducement to corruption among private individuals (Article 2635-bis, Civil Code introduced by the Legislative Decree no. 38/2017);
- exerting unlawful influence on Shareholder Meetings (Article 2636, Civil Code);
- manipulation of stock market transactions (Article 2637, Civil Code, as amended by Law no. 62 of 18 April 2005);
- hindering public supervisory authorities in the exercise of their functions (Article 2638, Civil Code, as amended by Law no. 62/2005 and by Law no. 262/2005).

The reform did not end there, and Law no. 7 of 14 January 2003 introduced Section 25-quater, which further extends the field of application of the administrative liability of Entities to **crimes aimed at terrorism and subversion of the democratic order** provided for by the Criminal Code and by special laws.

Subsequently, Law no. 228 of 11 August 2003, then amended by the Law no. 199/2016, introduced Section 25-quinquies, by which Entities are liable for the commission of **crimes against persons**:

- reduction to or maintenance in slavery or servitude (Article 600, Criminal Code);
- trade and commerce in slaves (Article 601, Criminal Code);
- purchase and sale of slaves (Article 602, Criminal Code);
- juvenile prostitution (Article 600-bis subsections 1 and 2, Criminal Code);
- juvenile pornography (Article 600-ter, Criminal Code);
- virtual pornography (Article 600-quarter.1 Criminal Code);
- sex tourism involving juvenile prostitution (Article 600-quinquies, Criminal Code);
- possession of pornographic material (Article 600-quater, Criminal Code);
- Illegal labour exploitation (Article 603-bis Criminal Code)

- Soliciting of underage persons (Article 609-undecies Criminal Code).

Law no. 62/2005, (the "*Legge Comunitaria*") and Law no. 262/2005, better known as the "Law on Savings", again expanded the number of offence categories relevant for the purposes of the Decree. Section 25-sexies was in fact introduced, relating to the **offences of market abuse:**

- misuse of privileged information (Section 184 of Legislative Decree no. 58/1998);
- market manipulation (Section 185, Legislative Decree no. 58/1998).

Law no. 7 of 9 January 2006, furthermore, introduced Section 25-quater of the Decree, which provides for the administrative liability of the Entity in cases of **infibulation (female genital mutilation** - Article 583-bis, Criminal Code).

Subsequently, Law no. 146 of 16 March 2006, which ratified the UN Convention and Protocols against transnational organised crime, adopted by the General Assembly on 15 November 2000, and 31 May 2001, provided that Entities would be liable for certain **offences of a cross-border nature**.

Offences are regarded as being cross-border in nature when an organised criminal group is involved and when a term of imprisonment is provided for as punishment amounting to no less than 4 years, and when - in terms of the location of the offence- the offence is committed in more than one State; it is committed in one State, but has substantial effects in another State; it is committed in one State, but a substantial part of its preparation or planning or management or control occurs in another State; it is committed in one State, but an organised criminal group is involved in that State which is engaged in criminal activities in more than one State.

The following are the offences in question:

- criminal association (Article 416, Criminal Code);
- mafia-type criminal association (Article 416-bis, Criminal Code);
- criminal association aimed at smuggling tobacco processed abroad (Section 291-quarter, Presidential Decree no. 43 of 23 January 1973);
- association for the purpose of illicit trafficking in narcotics or psychotropic substances (Section 74, Presidential Decree no. 309 of 9 October 1990);
- smuggling of migrants (Section 12, paragraphs 3, 3-bis, 3-ter and 5, Legislative Decree no. 286 of 25 July 1998);
- obstruction of justice, taking the form of inducement not to make statements, or to make false statements to the judicial authorities, and aiding and abetting (Article 377-bis and 378, Criminal Code).

The Italian Legislator updated the Decree by means of Law no. 123 of 3 August 2007 and, subsequently, through Legislative Decree no. 231 of 21 November 2007.

Section 25-septies of the Decree was introduced by Law no. 123/2007, subsequently replaced by Legislative Decree no. 81 of 9 April 2008, which provides for the liability of Entities for the offences of **manslaughter and serious or grievous injury committed in violation of workplace health and safety rules**:

- manslaughter (Article 589, Criminal Code), with breach of accident prevention and workplace health and safety rules;
- unpremeditated bodily harm (Article 590, paragraph 3, Criminal Code), with breach of accident prevention and workplace health and safety rules.

Legislative Decree no. 321/2007 introduced Section 25-octies of the Decree, by which the Entity is responsible for the commission of the offences of **handling stolen goods** (Article 648, Criminal Code), **money laundering** (Article 648-bis, Criminal Code) and **use of money, goods or benefits of illicit origin** (Article 648-ter, Criminal Code).

Recently, the bill No. 1642 "Provisions related to the emergence and return of funds held abroad as well as of the strengthening of fight against tax evasion. Provisions on self-money laundering", which became law with the approval by the Senate on 4th December 2014, introduced in Criminal Code Art. 648 ter1 (self-money laundering), including it among the list of the crimes provided for by the Legislative Decree no. 231/2001, amending Section 25 octies of the same Decree.

Finally, Law no. 48 of 18 March 2008, introduced Section 24-bis of the Decree, which extends the liability of Entities to a number of so-called **computer crimes**:

- unauthorised access to a computer or electronic communications system (Article 615-ter, Criminal Code);
- unlawful tapping, obstruction or interruption of computer or electronic communications (Article 617-quater, Criminal Code);
- installation of equipment designed to tap, obstruct or interrupt computer or electronic communications (Article 617-quinquies, Criminal Code);
- damaging computer information, data or programs (Article 635-bis, Criminal Code);
- damaging computer information, data or programs used by the State or other public bodies or which are provided as a public service (Article 635-ter, Criminal Code);
- damaging computer or electronic communications systems (Article 635-quater, Criminal Code);

- damaging computer or electronic communications systems provided as a public service (Article 635-quinquies, Criminal Code);
- unauthorised holding and distribution of access codes to computer or electronic communications systems (Article 615, Criminal Code);
- distribution of equipment, devices or computer programs designed to damage or interrupt a computer or electronic communications system (Article 615-quinquies, Criminal Code);
- electronic documents (Article 491-bis, Criminal Code);
- violation of rules concerning the National Perimeter of cybersecurity ("*Perimetro di sicurezza nazionale cibernetica*") (Article 1, paragraph 11, Decree no. 105 of 21 September 2019).

The aforementioned provision (Article 491-bis, Criminal Code: *"if any of the acts of falsification provided for by this section relates to a public electronic document of probative value, the provisions of this section relating to public documents, respectively, will be applicable")* extends the provisions relating to falsification in an official document to acts of falsification in an electronic document; the following are the offences referred to:

- material falsification (*falsità materiale*) by a public official in official documents (Article 476, Criminal Code);
- material falsification (*falsità materiale*) by a public official in certificates or administrative authorisations (Article 477, Criminal Code);
- material falsification (*falsità materiale*) by a public official in certified copies of official or private documents and in certificates attesting to the content of documents (Article 478, Criminal Code);
- false statement by a public official in official documents (Article 479, Criminal Code);
- false statement by a public official in certificates or in administrative authorisations (Article 480, Criminal Code);
- false statement in certificates by persons performing an essential public service (Article 481, Criminal Code);
- material falsification (*falsità materiale*) committed by a private individual (Article 482, Criminal Code);

- false statement by a private individual in an official document (Article 483, Criminal Code);
- falsification in register entries and notifications (Article 484, Criminal Code);
- falsification in a signed blank sheet. Public instrument (Article 487, Criminal Code);
- other acts of falsification in a signed blank sheet. Applicability of the provisions on material falsification (Article 488, Criminal Code);
- use of false documents (Article 489, Criminal Code);
- suppression, destruction and concealment of authentic instruments (Article 490, Criminal Code);
- authenticated copies that lawfully take the place of missing originals (Article 492, Criminal Code);
- falsification by public officials providing a public service (Article 493, Criminal Code);
- computer fraud by persons providing electronic signature certification services (Article 640-quinquies, Criminal Code).

Law no. 94 of 15 July 2009, containing provisions on public safety, introduced Section 24-ter and, hence, the liability of Entities for the commission of **organised crimes**[7]*:*

- criminal association for the purpose of reduction to slavery, trafficking in human beings or purchase or sale of slaves (Article 416, paragraph 6, Criminal Code);
- mafia-style criminal association (Article 416-bis Criminal Code);
- political-mafia electoral exchange (Article 416-ter, Criminal Code);
- kidnapping for ransom (Article 630, Criminal Code);
- crimes committed by exploiting conditions of subjugation and the code of silence arising from the existence of mafia-style conditioning; association aimed at illegal trafficking of narcotic or psychotropic substances (Section 74, Presidential Decree no. 309 of 9.10.1990);
- criminal offences of illegal manufacture, introduction into the State, offer for sale, sale, possession and transport to a public place or place open to the public of weapons

[7] Previous to this, organised criminal offences were relevant for the purposes of the Decree only if they had a cross-border dimension.

of war or similar or parts thereof, of explosives, of illegal weapons as well as common firearms (Article 407, paragraph 2, letter a) no. 5 of the Code of Criminal Procedure).

Law no. 99 of 23 July 2009, containing rules in the area of the development and internationalisation of companies, as well in the energy field, has expanded the offence categories of forgery provided for by Section 25-bis of the Decree, adding a number of offences which safeguard **industrial property**, namely:

- forgery, alteration or use of trademarks or distinguishing marks or patents, models and designs (Article 473, Criminal Code);
- introduction into the State and trade in products with false signs (Article 474, Criminal Code).

The same legislative intervention introduced Section 25-bis 1, whose aim was to establish the liability of Entities for **crimes against industry and commerce** as well as Section 25-novies, having the same purpose in relation to **copyright offences.**

Regarding the former, the following offences are of relevance:

- Disrupting the freedom of industry or trade (Article 513, Criminal Code);
- Unfair competition with threats or violence (Article 513-bis, Criminal Code);
- Fraud against national industries (Article 514, Criminal Code);
- Fraudulent trading (Article 515, Criminal Code);
- Sale of non-genuine food as genuine (Article 516, Criminal Code);
- Sale of industrial products with misleading signs (Article 517, Criminal Code);
- Manufacture and sale of goods produced by usurping industrial property rights (Article 517-ter, Criminal Code);
- Infringement of geographical indications or designations of origin for food products (Article 517-quater Criminal Code);

With reference to copyright protection, the following provisions are of relevance: Section 171, first paragraph, letter a-bis), and third paragraph, 171-bis, 171-ter, 171-septies and 171-octies of Law no. 633 of 22 April 1941).

Moreover, Section 4 of Law no. 116 of 3 August 2009 introduced Section 25-decies, whereby the Entity is liable for the offence provided for by Article 377-bis of the Criminal Code, namely **inducement not to make statements, or to make false statements to the judicial authorities.**

Subsequently, Legislative Decree 121/2011 introduced into the Decree a new provision, Section 25-undecies, which extended the administrative liability of Entities to so-called **environmental offences,** namely to two offences recently introduced in the Criminal Code (Articles 727-bis and 733-bis of the Criminal Code) and also to a series of offence categories already provided for by the so-called Environmental Code (Legislative Decree 152/2006) and by other special provisions safeguarding the environment (Law no. 150/1992, Law no. 549/1993, Legislative Decree no. 202/2007)[8]. Subsequently, the Law No. 68, dated May 22nd, 2015 entered into force since May 29th, 2015 introduced the Chapter VI-bis in Book II of the Criminal Code, named "**Crimes against environment**". Signally the new crimes against environment, relevant also according to the Decree, are:

- Article 452 bis of the Criminal Code: environmental pollution;
- Article 452 quarter of the Criminal Code: environmental disaster;
- Article 452 quinquies of the Criminal Code: crimes against environment committed with negligence;
- Article 452 sexies of the Criminal Code: traffic and leave of highly radioactive materials;
- Article 452 octies of the Criminal Code: aggravating circumstances.

Finally, Legislative Decree 109/2012 was enacted in implementation of EC Directive 2009/52 which, *inter alia*, sanctioned the inclusion of Section 25-duodecies, providing as follows: "**Use of third-country nationals with irregular stay permit** - in relation to the commission of the criminal offence referred to in Section 22, paragraph 12-bis of Legislative Decree no. 286 of 25 July 1998, committed by an employer who employs foreign workers without a stay permit: in this case, the Entity is punishable by a fine between 100 and 200 quotas, up to the limit of € 150,000".

Recently the Law no. 161/2017, entered into force on 19 November 2017, which has reformed the Anti-Mafia Code (Legislative Decree no. 159/2011), has amended art. 25-duodecies of the Decree through the introduction of three new paragraphs, which provides two new offences relating to illegal immigration respectively provided by art. 12 paragraphs 3, 3 bis, 3-ter, and in art. 12, paragraph 5, of the *Testo unico sull'immigrazione* (Legislative Decree 286/1998). In particular:

[8] In particular, the offence categories referred to in Article 727-bis of the Criminal Code were introduced (killing, destruction, capture, removal, possession of specimens of protected wild animal or plant species) as well as Article 733-bis of the Criminal Code (damage to habitat). With reference to Legislative Decree no. 152 of 3 April 2006, (Environmental Code), the following should be noted: the infringements related to discharges of industrial waste water referred to in Article 137, those relating to waste as referred to in Articles 256 (unauthorised management), 257 (remediation of sites), 258 (breach of obligations of notification and keeping of mandatory registers and forms), 259 (cross-border shipments), 260 (illegal traffic of waste), 260-bis (Waste Traceability Control System - SISTRI) and infringements relating to the exercise of the hazardous activities referred to in Article 279. In addition to these provisions are the penalties provided for by Law no. 150/1992 (Regulation on offences relating to the application in Italy of the Convention on International Trade in Endangered Species of Wild Fauna and Flora); certain infringements of Law no. 549/1993 Measures for the protection of the ozone layer and the environment; and certain offences provided for by Legislative Decree 202/2007 Implementation of Directive 2005/35/EC on ship-source pollution and on the introduction of penalties.

- paragraph 1-bis establish that the Entity is punishable by a fine between 400 and 1000 quotas for the crime of transportation of irregular foreigners in the territory of the State, provided by the art. 12 – paragraphs 3, 3 bis and 3-ter of Legislative Decree 286/1998;

- paragraph 1-ter establish that the Entity is punishable by a fine between 100 and 200 quotas in relation to the crime of facilitation of illegal residence of foreign nationals in the territory of the State, provided by Art. 12, paragraph 5, Legislative Decree no. 286/1998;

- in case of conviction for the new offences introduced in paragraphs 1 bis and 1 ter of the same article, paragraph 1-quater establish the application of a disqualification penalties provided by art. 9, paragraph 2 of the Decree for not less than one year.

With this regulatory amendments, the Legislator has therefore extended the catalogue of predicate offences relevant for the purposes of the Decree, establishing the Entity's liability for crimes related to the conduct of those who **manage, organize, finance, carry out the transport of the foreigners in Italy or promote their permanence in order to obtain an unfair profit from such foreigner's illegal status.**

Article 5, paragraph 2, of Law no. 167 of 20 November 2017 (2017 European Law) introduced **Article 25 terdecies** into the Decree extending corporate liability to the crimes of **racism and xenophobia** provided for under Article 3, paragraph 3-bis, of Law no. 654 of 13 October 1975. This provision punishes instigation and incitement – carried out in such a way that there is an actual danger of spread – based in whole or in part on denial, serious minimization or apologia of the Shoah or crimes of genocide, crimes against humanity and war crimes, as defined by Articles 6, 7 and 8 of the Statute of the International Criminal Court, ratified under Law No. 232 of July 12, 1999.

Article 5, paragraph 1, of Law no. 39 of 3 May 2019 introduced **Article 25 quaterdecies** into the Decree extending corporate liability to the crimes of fraud in sports competitions, abusive gaming or betting and gambling exercised by means of prohibited equipment as per Articles 1 and 4 of Law no. 401 of 13 December 1989.
The following monetary sanctions are envisaged for the abovementioned offences:
(a) for offences, monetary sanctions up to five hundred odds;
(b) for fines, monetary sanctions up to two hundred and sixty quotas.
In addition, the second paragraph provides that in cases of conviction for one of the offences referred to in letter a), disqualification sanctions provided for under Article 9, paragraph 2, are applied for a duration of no less than one year.

Law no. 157 of 19 December 2019, which converted with amendments Law Decree no. 124 of 26 October 2019, containing "Urgent provisions on tax matters and for unfailing needs", introduced into the Decree **Article 25-quinquiesdecies**, rubric "*Tax Offences*", which provides for the application of the following sanctions to the entity:

- for the crime of **fraudulent declaration through the use of invoices or other documents for non-existent transactions** pursuant to Article 2, paragraph 1 of Legislative Decree 74/2000, a

fine of up to 500 shares. A reduced sanction (up to 400 quotas) is instead provided for the hypotheses referred to in the newly introduced paragraph 2-bis of the aforesaid regulation (i.e. where the amount of the fictitious passive elements is less than 100,000 euro);
- for the crime of **fraudulent declaration by means of other devices** pursuant to Article 3 of Legislative Decree 74/2000, the monetary sanction up to 500 quotas;
- for the offence of **issuing invoices or other documents for non-existent transactions** pursuant to Article 8, paragraph 1 of Legislative Decree 74/2000, the monetary sanction up to 500 quotas. A reduced sanction (up to 400 quotas) is instead provided for the cases referred to in the newly introduced paragraph 2-bis of the aforesaid regulation (i.e. where the amount not corresponding to the true amount indicated in the invoices or documents per tax period is less than 100,000 euro);
- for the crime of **concealment or destruction of accounting documents** pursuant to Article 10 of Legislative Decree 74/2000, the monetary sanction up to 400 quotas;
- for the crime of **fraudulent deduction from the payment of taxes** pursuant to Article 11 of Legislative Decree 74/2000, the monetary sanction up to 400 quotas.

Article 25 quinquiesdecies was then amended by Legislative Decree no. 75 of 14 July 2020, which - transposing the EU Directive 2017/1371 on "*the fight against fraud affecting the financial interests of the Union by means of criminal law*" (the so-called "PIF Directive") – has introduced the following paragraph 1-bis: "*In relation to the commission of the crimes provided for by Legislative Decree no. 74 of 10 March 2000, if committed within the framework of cross-border fraudulent systems and in order to evade value added tax for a total amount of not less than ten million euro, the following fines are applied to the institution:*
a) for the crime of unfaithful declaration provided for in Article 4, the monetary sanction up to three hundred shares;
b) for the crime of failure to make the declaration provided for in article 5, monetary sanctions of up to four hundred shares;
c) for the crime of undue compensation provided for in article 10-quater, the monetary sanction up to four hundred shares."

Finally, Legislative Decree no. 75 of 14 July 2020 introduced **Article 25 sexiesdecies** concerning **smuggling** and provided for the application of a fine of up to 200 quotas (or 400 quotas if the border fees due exceed € 100,000) in relation to the commission of the smuggling offences provided for in the Presidential Decree no. 43 of 23 January 1973.

One should note for completeness, furthermore, that Section 23 of the Decree punishes **non-compliance with disqualification sanctions**, which occurs if a penalty or precautionary disqualification pursuant to the Decree has been imposed on the Entity which, nevertheless, infringes or fails to comply with the obligations or prohibitions contained therein.

1.2. The penalties envisaged by the Decree

In cases where the subjects referred to in Section 5 of the Decree commit one of the offences envisaged by Section 24 *et seq.* thereof, or one of the offences provided for by the special legislation referred to, the Entity may be subject to heavy sanctions.

Pursuant to Section 9, the penalties - referred to as administrative sanctions - may be:

I. fines;

II. disqualification sanctions;

III. forfeiture;

IV. publication of the judgement.

In general, one should note that the establishment of the Entity's liability, as well as the determination of the legal criteria for the application of the penalty and of the quantum thereof, are matters for the Court with jurisdiction in the proceedings relating to the offences from which the Entity's administrative liability arises.

The Entity is deemed liable for the offences identified in Sections 24 *et seq.* (except for the offence specified in Section 25-septies), even if in the form of attempted commission. In such cases, however, the fines and disqualification sanctions are reduced by a third to a half.

Pursuant to Section 26 of the Decree, the Entity is not liable when it takes voluntarily steps to prevent the implementation of the action or the occurrence of the event.

I. Fines

Fines are regulated in Sections 10, 11 and 12 of the Decree and they apply in all cases where the Entity is found liable. Fines are applied by "quotas", amounting to no less than 100 and no more than 1000, while the actual amount of each quota ranges from a minimum of € 258.23 to a maximum of € 1,549.37. The Court determines the number of quotas based on the indices identified by paragraph 1 of Section 11, while the actual amount of the quotas is determined based on the economic and financial circumstances of the Entity involved.

II. Disqualification sanctions

The following are the disqualification sanctions, identified by paragraph II of Section 9 of the Decree, which may be imposed only in the cases strictly provided for and only for certain offences:

a) disqualification from carrying out the activity;

b) suspension/withdrawal of authorisations, licenses or concessions that facilitate the commission of the offence;

c) prohibition on contracting with the Public Administration except to obtain the performance of a public service;

d) exclusion from credit facilities, loans, grants or subsidies and the revocation, as appropriate, of those already granted;

e) prohibition from advertising goods or services.

As in the case of fines, the type and duration of the disqualification sanctions are determined by the criminal court which is familiar with the outcome of proceedings for offences committed by natural persons, taking account of the factors described in greater detail in Section 14 of the Decree. In any case, disqualification sanctions have a minimum duration of three months and a maximum duration of two years.

One of the most interesting aspects is that disqualification sanctions may be imposed on the Entity either as a result of the proceedings - and, therefore, after its culpability has been established - or on an interim basis i.e. when:

- sufficiently serious grounds exist justifying the conclusion that the Entity is administratively liable for one of the offences the subject of the Decree;

- sufficiently well-founded and specific factors emerge which justify the conclusion that a concrete danger exists that offences will be committed which are of the same nature as the offence the subject of the proceedings;

- the Entity has significantly benefited from the offence.

III. Forfeiture

Forfeiture of the proceeds or benefit arising from the offence is a mandatory penalty that accompanies a judgement of conviction (Section 19).

IV. Publication of the judgement

The publication of the judgement is a potential penalty and presupposes the application of a disqualification sanction (Section 18).

For completeness, finally, it should be noted that the judicial authorities may also, pursuant to the Decree, order: a) the preventive seizure of items whose confiscation is permitted (Section 53); b) the preventive attachment of the Entity's movable and immovable property if the guarantees provided to secure the payment of the fine or the costs of the proceedings or other sums due to the State are reasonably likely to be non-existent or disappear (Section 54).

Where the seizure or attachment - carried out for the purposes of forfeiture by equivalent value as envisaged by paragraph 2 of Section 19 - relates to companies, businesses or assets, including financial

instruments, shares/quotas or liquid assets also on deposit, the receiver can allow company bodies to use and manage these exclusively for the purposes of ensuring the continuity and development of the business, exercising supervisory powers and reporting to the judicial authorities. If the aforementioned purposes are infringed, the judicial authorities make the necessary orders and may appoint an administrator authorised to exercise the powers of a shareholder.

1.3. The adoption and implementation of an Organisation, Management and Control Model involving the Entity's exemption from administrative liability

In Sections 6 and 7 of the Decree, the Legislator has recognised specific forms of exemption of Entities from administrative liability.

Specifically, Section 6, paragraph I, requires that where the offence is attributable to Senior Managers positions, the Entity shall not be held responsible if it can prove the following:

a) it has adopted and effectively implemented - prior to the commission of the offence - a Management, Organisation and Control Model (hereinafter, "Model" for short) appropriate to preventing offences such as those which occurred;

b) it has appointed an autonomous body with independent powers to monitor the operation of and compliance with the Model, and to ensure that it is continually updated (hereinafter also "**Compliance Office**" or "**CO**");

c) the offence was committed by fraudulently evading the measures provided for in the Model;

d) there was no failure or lack of supervision by the Compliance Office.

The content of the Model is identified by Section 6 which provides - in paragraph II - that the Entity must:

I. identify the activities that are subject to the risk of commission of the offences cited in the Decree;

II. provide for specific protocols to plan the process of formation and implementation of the Entity's decisions relating to the offences required to be prevented;

III. identify methods for managing financial resources suitable to preventing the commission of such offences;

IV. impose obligations to report to the Compliance Office;

V. introduce a disciplinary system with penalties for failure to implement the measures indicated in the Model.

In the case of persons in subordinate positions, the adoption and effective implementation of the Model means that the Entity shall be held liable only where the offence has been facilitated by non-compliance with applicable management and supervisory obligations (combined reference to paragraphs I and II of Section 7).

Paragraphs III and IV below introduce two principles which, although belonging to the context of the aforementioned provision, appear relevant and indeed decisive in the context of the Entity's exemption from liability for both offences referred to in Section 5, letter a) and b). In particular, it is envisaged that:

- the Model must draw up appropriate measures both to ensure that the relevant activities are pursued in accordance with law, and also to ensure that risk situations may be promptly revealed or discovered, in light of the type of activity carried out by the organisation as well as its nature and size;
- the effective implementation of the Model is conditional on its periodic review and amendment in circumstances where significant infringements of legislative provisions have been discovered or significant regulatory or organisational changes have taken place; the existence of an adequate disciplinary system is also relevant (a precondition already envisaged, indeed, by letter e), *sub* Section 6, paragraph II).

Additionally, with specific reference to the Model's ability to prevent (unpremeditated) workplace health and safety offences, Section 30 of Consolidated Law no. 81/2008 lays down that *"an organisation and management model - whose existence can exempt legal persons, companies and associations (including those without legal personality referred to in Legislative Decree no. 231 of 8 June 2001) from administrative liability - must be adopted and effectively implemented, thus ensuring that a corporate system is in place to guarantee compliance with all legal obligations relating to:*

a) compliance with technical-structural standards of law relating to equipment, facilities, workplaces, chemical and physical and biological agents;

b) activities of risk assessment and preparation of the associated prevention and protection measures;

c) activities of an organisational nature, such as emergencies, first aid, management of contracts, periodic safety meetings, consultations with workers' safety representatives;

d) health surveillance activities;

e) information and training provision activities for workers;

f) supervisory activities relating to compliance with procedures and instructions which ensure that workers work in proper safety;

g) the acquisition of legally-required documentation and certifications;

h) regular checks that the procedures adopted have been applied and are effective.[9]

From a formal point of view, the adoption and effective implementation of a Model is not mandatory but rather optional for Entities, which may in fact decide not to actively comply with the Decree's provisions without - for this reason alone - incurring any sanction.

Ultimately, however, the adoption and effective implementation of a suitable Model is, for Entities, an essential precondition of being able to avail of the new legislative exemption from liability pursuant to the Decree.

Furthermore, crucially, the Model is not to be regarded as a static tool but, rather, a dynamic means to enable the Entity to eliminate - by its accurate and targeted implementation over time - any shortcomings which were not identified or identifiable when it was first drawn up.

1.4. Guidelines of trade associations

Based on the provisions of paragraph III of Section 6 of the Decree, Models may be adopted on the basis of codes of conduct, drawn up by trade associations representing Entities, and submitted to the Ministry of Justice which may, as necessary, formulate observations.

Confindustria (Italian Employers' Federation) was first Association to draw up a document to assist in the creation of organisation and control models. It issued its Guidelines in March 2002, which were partially modified and updated in May 2004 and then subsequently in March 2008 and, most recently, in March 2014 (hereinafter also the "**Guidelines**")[10].

Briefly, the Guidelines recommend the following activities:

[9] *Section 30, again: " The organisation and management model must provide suitable systems for recording the actual performance of activities. The organisational model should in any case establish - insofar as required by the nature and size of the organisation and the type of activity carried out - a division of functions which ensures the technical skills and powers necessary for the verification, assessment, management and monitoring of risk as well as a disciplinary system that can punish non-compliance with the measures indicated in the model. The organisational model must also provide a suitable system for monitoring the model's implementation and ensuring that it continues to satisfy over time the criteria of suitability of the measures adopted. The organisational model must be reviewed and, if necessary, changed where significant breaches of accident prevention and workplace health and safety rules are discovered, or when changes in the organisation and activities occur as a result of scientific and technical developments. When first applied, company organisation models drawn up on the basis of the UNI-INAIL Guidelines for a workplace health and safety management system of 28 September 2001 or on the British Standard OHSAS 18001: 2007 are presumed to be in compliance with the requirements referred to in this article for the corresponding sections. For the same purposes, further company organisation and management models may be indicated by the Commission referred to in Article 6".*

[10] All the versions of the Confindustria Guidelines were then deemed suitable by the Ministry of Justice (with reference to the Guidelines of 2002, cf. "Note of the Ministry of Justice" of 4 December 2003 and, in reference to the updated versions of 2004 and 2008, cf. "Note of the Ministry of Justice" of 28 June 2004 and the "Note of the Ministry of Justice" of 2 April 2008), and for the 2014 version cf. "Note of the Ministry of Justice" of 21 July, 2014.

- using specific operating procedures to map those areas of an enterprise which were subject to offence risk and those activities within which predicate offences could potentially be committed;
- identifying and providing specific procedures to regulate and plan the process of formation and implementation of company decisions in relation to the offences to be prevented, distinguishing between protocols of prevention based on whether or not the offences are premeditated or unpremeditated;
- identifying a Compliance Office with independent powers of initiative and control and with an adequate budget;
- identifying specific obligations of disclosure to the Compliance Office on the most important events within the company and, in particular, on the activities considered to be subject to risk;
- identifying specific obligations on the Compliance Office to disclose information to senior managers and to the audit bodies;
- adopting a Code of Conduct identifying the company values and acting as a guide for the conduct of the Model's recipients;
- adopting a disciplinary system that can sanction non-compliance with the principles set forth in the Model.

The Confindustria Guidelines, therefore, are an essential starting point for the proper creation of the Model.

2. THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL OF VALAGRO

2.1. The activities of VALAGRO

The corporate purpose is to exercise the following activities in Italy and abroad, directly or indirectly and through participation in other companies or entities, or collaboration in any form: the production and marketing of raw materials, products and equipment for agriculture, gardening, manufacturing industry, green turf, human and animal food, cosmetics, personal well-being and treatments.

The Company attaches importance to the ethical aspects of its business and, in order to further enhance its corporate framework, has decided to comply with the provisions of the Decree and thus implement a system capable of reducing the risk of irregularities or malpractice in the performance of its activities and, consequently, limiting the risk of commission of the offences pursuant to the Degree.

2.2. The activities preliminary to the adoption of the Company's Model: risk assessment and gap analysis

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2.3. The updating of the Company's Model with respect to the crimes of self-money laundering

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2.4. The updating of the Company's Model with respect to the legislative amendments to the corporate crimes and the new environmental crimes

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2.5. The updating of the Company's Model with respect to the legislative amendments to the crime of illegal labor exploitation

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2.6. The updating of the Company's Model with respect to the legislative amendments to the crime of corruption among private individuals and the reform of Anti-mafia Code

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2.7. The updating of the Company's Model in relation to the introduction of tax offences and the legislative decree implementing the PIF Directive

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2.8. The Model's structure

Once the aforementioned preparatory activities were concluded, the documents constituting the Model were planned and prepared.

Notably, the Company's Model consists of a General Section and a Special Section (collectively referred to as: Final Document) as well as further documents represent a number of control protocols, thus completing the picture.

The **General Section**, as well as describing the content of the Decree and the function of the Model, succinctly lists the following "Protocols" which comprise the Model, in deference to the requirements of the trade associations involved:

- the organisational system;
- the system of powers and delegations;
- the budget and management control system;
- the workplace health and safety control system;
- the integrated environmental and workplace health and safety policy;
- manual and IT procedures;
- the Code of Ethics;
- the Disciplinary System;
- communication and training;
- updating of the Model;
- third party due diligence.

The "Special Section" is divided into fifteen parts, each dedicated to a particular offence category, in particular:

1) Special Section A, relating to crimes against the Public Administration;
2) Special Section B, relating to corporate crimes;
3) Special Section C, relating to bribery among individuals;
4) Special Section D, relating to the offences of receiving, money-laundering and use of money, goods or benefits of illicit origin and self-money laundering;
5) Special Section E, relating to copyright offences;
6) Special Section F, relating to crimes against industry and commerce and relating to industrial property and smuggling crimes;
7) Special Section G, relating to environmental offences;
8) Special Section H, relating to workplace health and safety offences;
9) Special Section I, relating to the exploitation of workers with irregular stay permit;
10) Special Section L, relating to the crime of inducement to make false statements to the judicial authorities;
11) Special Section M, relating to criminal association offences;
12) Special Section N, relating to computer crimes;
13) Special Section O, relating to cross-border offences;
14) Special Section P, relating to crimes against the persons;
15) Special Section Q, relating to tax crimes.

The following have been highlighted within the Special Sections, also according to the abovementioned methodology:

i) the areas considered to be "subject to offence risk" and the "sensitive" activities;

ii) the corporate functions and/or services and/or departments operating within the areas "subject to offence risk" or in the context of the "sensitive" activities;
iii) the offences which could in theory be committed;
iv) the areas deemed to be "instrumental" (with reference to crimes against the Public Administration and bribery among individuals), and the persons/subjects operating within them;
v) the type of existing controls in the individual areas "subject to offence risk" and in the "instrumental" areas;
vi) the conducts to be observed to help reduce the risk of commission of offences;
vii) the Compliance Office's duties aimed at reducing the risk of commission of offences.

In particular, the following are indicated in Special Section H:

a) the risk factors existing in the context of the Company's business activities;
b) the organisational structure of VALAGRO related to health and safety on the workplace;
c) the principles and standards of reference for the Company;
d) the duties and tasks of each category of subject operating within the organisational structure of VALAGRO in the area of Workplace Health and Safety;
e) the role of the Compliance Office in the area of Workplace Health and Safety;
f) the informing principles of company procedures relating to Workplace Health and Safety.

This Final Document is also accompanied by the Code of Ethics, and the following paragraphs will reference the main aspects of the Code.

3. THE GOVERNANCE MODEL AND ORGANISATIONAL STRUCTURE OF VALAGRO S.P.A.

The Company's governance and internal organisation are structured in such a way as to ensure the implementation of its activities and the achievement of its objectives.

3.1. The governance model

VALAGRO is a joint stock company (S.p.A.). Given the particular characteristics of its organisational structure and of the activities carried out, the Company has preferred to rely on the traditional governance system. VALAGRO'S current governance system, therefore, is as follows:

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3.2. The organisational structure

3.2.1. Definition of the Company's organisational chart and responsibilities

VALAGRO has a concise "Organisational chart" describing its entire organisational structure, aimed at instantly clarifying the role and responsibilities of each person within the context of the Company's decision-making process.

The Organisational chart indicates the following:

- the areas into which the Company's activities are divided;
- the reporting and operational lines of the individual corporate bodies;
- the persons operating in the individual areas and the relevant organisational role.

This document - officially published on the Quarta management system - is carefully updated on an ongoing basis, based on actual changes in the organisational structure. The changes are also the subject of suitable notifications and communications within the organisation.

3.2.2. The Corporate Functions and the Core Team

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3.2.3. The intercompany service contracts

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3.2.4. The organisational structure relating to workplace health and safety, operational management and the safety monitoring system

As required by the Confindustria Guidelines and in compliance with the provisions of the Consolidated Act approved on 1 May, 2008, the Company has adopted a suitable corporate organisational structure in the area of workplace health and safety with a view to eliminating occupational risks for workers or (where this is not possible) reducing them to a minimum, and thus effectively managing them.

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The operational management and safety monitoring system are described in the company documents relevant to Workplace Health and Safety (Risk Assessment Document, interference risk assessment

Report - DUVRI, etc., the content of which is briefly described, *inter alia*, in Special Section H, relating to offences committed in violation of workplace health and safety rules.

3.2.5. The organisational structure in the environmental area

Valagro considers environmental protection and sustainable development to be a strategic objective and priority of its operations. For this reason, the ***Global Q-EHS & Compliance*** **Function** has as its purpose to protect not just the health and safety of personnel but also the environment, with a view to improving the quality of the ecosystem and the prevention of detrimental effects on the environment. The role of this Function is to ensure that company activities are carried out in accordance with rules and procedures applicable in the area of Q-EHS, which constitute the Q-EHS Management System.

4. SYSTEM OF POWERS AND DELEGATIONS

The Board of Directors grants and formally approves powers, signing powers and powers of attorneys. The Board of Directors may delegate, within the limits set forth by law, part of its powers to one or more members (chairman, directors and executive officers).
The company is represented by Chief Executive Officer. General powers of representation are granted, without prejudice to the limits set forth by the resolution making the appointment.

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5. INFORMATION TECHNOLOGY AND MANUAL PROCEDURES

Within the framework of its organizational system, VALAGRO has developed a manual and IT procedure system, whose scope is to regulate the conduct of business activities, in accordance with the principles set forth by the Confindustria Guidelines.

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6. THE BUDGET AND MANAGEMENT CONTROL

The management control system of the Company provides mechanisms to verify the management of resources that should not only guarantee the verifiability and traceability of costs, but also the efficiency and cost-efficiency of the business, according to the following objectives:

- define in a clear, systematic and recognisable manner all the resources available to the business functions and the areas in which the same may be used, by programming and defining the *budget*.
- identify any variations with respect to the *budget* figures, analyse the causes and report the results of such evaluations to appropriate management level in order to plan the most appropriate adjustments, through the relevant final accounting.

6.1. Programming phase and definition of the budget

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6.2. Final balance stage

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6.3. Workplace health and safety and environmental investments

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7. THE WORKPLACE HEALTH AND SAFETY CONTROL SYSTEM

7.1. Operational management of Workplace Health and Safety

Issues related to workplace health and safety are managed in order to systematically:

- identify and assess risks;
- identify appropriate prevention and protection measures for the risks ascertained, in order to eliminate such risks or, if this is not possible, keep the same to a minimum - and, thus, manage them - on the basis of the most up-to-date technical knowledge;
- keep the number of workers exposed to risks to a minimum;
- define appropriate personal and collective protection measures, on the understanding that the first must have priority over the second;
- ensure that workers undergo medical check-ups according to specific risks;
- plan prevention, focusing on a system that consistently integrates the technical and production conditions of the company and the impact of environmental factors and work organisation, subsequently implementing programmed interventions;
- ensure training, communications and the appropriate involvement of the recipients of the

Model, within the limits of their respective roles, functions and responsibilities, in matters related to Workplace Health and Safety;
- ensure the maintenance of environments, equipment, machinery and plants, above all the maintenance of security devices in accordance with manufacturer recommendations.

Again as regards Workplace Health and Safety, an information flow system ensure that information is circulated within company, in order to encourage the involvement and awareness of all recipients of the Model, within the limits of their respective roles, functions, and responsibilities, and to ensure prompt and adequate reporting of shortcomings or breach of the Model, and any interventions that may be required to update the same.

7.2. The Workplace Health and Safety Monitoring System

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8. THE INTEGRATED ENVIRONMENTAL, HEALTH AND SAFETY POLICY

Valagro places respect of the environment, workplace safety and the quality of life of the workers, the process and product at the core of all its activities.

Valagro's environmental policy is also supported by the awareness that the environment may provide a competitive advantage in an increasingly extended and demanding market in the terms of quality and conduct. Valagro believes that the protection of the environment and industrial development can and should follow the same direction, and is aware that the current important climate changes are one of the most urgent issues the international community as a whole faces.

Valagro places its love and respect of nature at the centre of all its activities, and consequently believes that it is a duty to be consciously and responsibly committed to reducing the environmental impact. The production policy of the Valagro Group indeed consistently encourages the creation of products with a low environmental impact oriented to the specific nutritional needs of plants. The products of the Group are studied and manufactured to optimize absorption by plants and limit dispersion in the environment, preferring the use of natural substances.
Valagro is committed to encouraging a strong awareness of occupational safety and environmental pollution problems in its employees and strives to continuously improve its products, even with universally recognised certification.

Actually, Valagro:

- is a member of the Fertilizer Quality Control Institute (*Istituto Controllo Qualità Fertilizzanti*, ICQF), which is part of Assofertilizzanti. Every year the institute monitors the quality of specific categories of fertilizers, in order to verify compliance of the

products with the main legal parameters, and has created a Quality Guarantee brand that may be used only by qualified members;

- is a member of the "Responsible Care" programme, confirming its commitment to develop its activities while constantly focusing on health, safety and environmental protection;
- is a member of the GlobalGAP programme whose aim is to ensure sustainable and safe farming;
- has obtained an award from INCA (National Confederal Healthcare Institute). This Institute was created to defend the rights of workers and citizens, to help reform social legislation and create a social security system, based on the principles of equality and freedom;
- donates to the FAI (Italian Heritage Fund). This is a non-profit foundation for the protection, promotion and enhancement of the artistic, historical and landscape cultural heritage.

The main objective of Valagro is therefore customer satisfaction and compliance with the laws in force, by continuously improving the quality of its products and services, environmental performance and the health and safety of workers.

Valagro Group:

PROMOTES and implements an efficient Environment, Quality and Safety Management System based on clearly defined procedures, known at all the levels of the organization, from a perspective of continuously improving company activities.

GUARANTEES that the companies it controls pursue objectives consistent with the strategic environmental objectives.

DEVELOPS the professional skills of the Employees at all levels through training programs and training on the methodologies of the Quality system and the Environment and Safety laws.

CONTINUOUSLY IMPROVES Environment, Quality and Safety policies, programmes, and behaviour by taking into account technical-logical progress, scientific knowledge, the needs of customers according to the principle of customer satisfaction, the expectations of society and participation in specific environmental programmes such as the Federchimica "Responsible Care" programme, constantly ensuring compliance with applicable laws.

CARRIES OUT systematic checks on plants adopting the most effective measures to ensure the quality of products and safeguarding the health and safety of operators.

PERIODICALLY ASSESSES the impact of its activities - both present and future - on the environment and occupational health and safety. Constantly keeping in mind the objectives and goals to ensure its implementation.

IDENTIFIES the indicators and guarantees monitoring and control of its actions in terms of environmental impact.

ENSURES that no activity carried out by the Company may create risks to the safety and health

of workers and communities, by implementing prevention methods.

UNDERTAKES not to pollute soil, subsoil and groundwater, raising the awareness of all its employees. Valagro constantly searches for practices that reduce emissions, waste and energy consumption in order to minimise the same.

OPENS the facility to the community, providing information and taking into account their communications and those of the competent authorities related to the environment.

IS COMMITTED to minimising the risk of accidents intended as a combination of the probability that the event may occur and the severity of its effects.

The Company has also adopted a certified integrated Quality Environment and Safety Management System certificate:

1. **ISO 14001:2015 Environmental Management since 1999;**
2. **Quality Management ISO 9001:2015 since 2001;**
3. **OHSAS 18001/ISO 45001:2018 Security Management since 2006;**
4. **Energy Management ISO 50001:2011 since 2015;**
5. **Regulation CE No. 1221/2009 (EMAS) since 2016;**
6. **Greenhouse gases - Carbon footprint ISO/TS 14064:2013 & ISO/TS 14067:2013.**

This management system allows the company to:

- improve the awareness of staff, at all levels, and thus prevent emergency situations;
- have a structure that is organised and designed to constantly follow the trends of quality, safety and environmental aspects (waste, emissions into the atmosphere, technological waste water, complaints, accidents, near-miss accidents etc.) and comply with deadliness set forth by law;
- have environmental and safety programmes whose scope is not only to respect the limits set forth by law, but that aim at continuous improvement, and thus in compliance with in-house limits that are much stricter than legal limits;
- periodically publish the Social-Environmental Report that presents:
  - the main environmental results (energy efficiency, development of renewable energy sources, water use, reduction of emissions, waste management, etc.);
  - the environmental report (systematic collection of data on the consumption of resources and emissions, etc.) and indicators (for example, analysis of environmental performance trends);
  - the most significant environmental events (for example: certification of the environmental management systems, plant adaptations, voluntary agreements, initiatives of different kinds for the protection of the environment and territory).

The objectives of Valagro for its Q-EHS system may therefore be summarised as follows:

- to satisfy the needs of customers by constantly improving services;
- to reduce the environmental impact;
- to contain energy consumption;

- to recover materials and energy;
- to develop the professional skills of Employees at every level through training programs;
- to carry out systematic checks on plants, adopting the most effective measures to ensure the quality of products while safeguarding the health and safety of the operators.
- to ensure that no activities carried out by the company may create risks to the health and safety of workers and communities, by implementing prevention methods.

9. THE COMPLIANCE OFFICE

The Decree exonerates the Company from liability if the management body, has not only adopted and implemented a suitable model, but has also entrusted task of *supervising the efficiency of the same and ensuring compliance with the model and updating the same,* as set forth by section 6, paragraph 1 of the Decree, to a Compliance Office.

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9.1. Term of office and reasons for termination

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9.2. The cases of ineligibility and withdrawal

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9.3. The resources of the Compliance Office

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9.4. Duties and powers

Given the functions of the Compliance Office mainly identified by the Decree, namely that of supervising the implementation of and compliance with the Model, and updating the same, the Compliance Office shall have the following duties:

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9.5. Rules of the Compliance Office

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9.6. Information to the Compliance Office

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In the course of the control activity, the Compliance office acts in such a way as to ensure that the subjects involved are not subject to retaliation, discrimination or, in any case, direct or indirect penalties, thus ensuring the confidentiality of the person making the report, except for the occurrence of any legal obligations.

The reports of violations of the Model and / or of illicit conduct, relevant pursuant to the Decree, of which the reporters have knowledge due to the functions performed, must be substantiated and based on precise and concordant facts. The making of reports that are found to be groundless, carried out with intent or gross negligence on the part of the reporting party, is sanctioned according to the provisions of the Disciplinary System (see point 12 below).

In order to facilitate reports to the Compliance office by persons who become aware of cases of breach, including potential breach, of the Model, the Company has introduced specific communication channels, and more specifically a special e-mail address odv@valagro.com. Reports may also be sent in writing, even anonymously, to: Compliance Office, c / o Valagro S.p.A., Via Cagliari 1, 66041 Atessa (Chieti).

Moreover the Company has implemented on the web site (www.valagro.com, Corporate section) a specific functionality through which is possible to send anonymous communication to the Compliance Office (Contact OdV).

Pursuant to section 6 para. 2 ter of the Decree the adoption of discriminatory measures against the whistleblowers can be reported to the National Labor Inspectorate, for the measures within its jurisdiction, as well as by the reporting agent, also by the trade union organization indicated by the same.

Furthermore, according to section 6, para. 2 quater, the retaliation or discriminatory dismissal of the whistleblower is null. The change of duties pursuant to section 2103 of the Italian Civil Code, as well as any other retaliation or discriminatory measure adopted against the reporting party, are also null and void. In these cases, it is the employer's responsibility, in case of disputes related to the imposition of disciplinary sanctions, or demotions, layoffs, transfers, or subjection of the reporting to another organizational measure having negative effects, direct or indirect, on working conditions, following the

presentation of the report, to demonstrate that these measures are based on reasons not related to the report itself.

The Company has also implemented a specific **procedure**, attached to the Model (**annex 1**) which is integral part of it, in **order to regulate the management of reports in compliance with the regulations**.

9.7. Information from the Compliance Office to the Board of Directors

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10. THE CODE OF ETHICS

The Code of Ethics is one of the fundamental protocols for the creation of a valid Model pursuant to the Decree, in order to prevent the predicate offences set forth by the latter.

VALAGRO strongly believes that for a compliance program to be successful it is essential that the principle of respecting the law stems from the conduct and the commitment of the board of directors and top managers since employees are inspired by them.

For this reason VALAGRO has drafted the Code of Ethics, which is an integral part of the Model adopted by the Company and indicates the general principles and rules of conduct to which the Company recognizes a positive ethical value.

The Code of Ethics is the point of reference to ensure the highest ethical standards in carrying out company activities by all those who work on behalf of and in the interests of the Company.

The Code of Ethics, that is intended as integral part of the Model, and which is referenced for a thorough analysis, is subdivided into IV sections:
I) Recipients;
II) Reference Ethical Principles;
III) Rules of Conduct
IV) Communication, training and implementation of the Code of Ethics. Monitoring and control.

The principles with which the Company must comply are indicated below:

- compliance with legislation;
- correctness;
- impartiality;
- honesty;
- integrity;
- transparency;

- efficiency;
- fair competition;
- protection of personal data;
- spirit of service;
- importance of human resources;
- relationships with the community and environmental protection;
- relationships with local authorities and public institutions;
- relationships with associations, trade unions and political parties;
- relationships with international operators;
- repudiation of all and any forms of terrorism;
- protection of individuals;
- protection of workplace health and safety;
- protection of transparency in commercial transactions;
- repudiation of criminal organizations;
- protection of industrial and intellectual property rights;
- cooperation with the authorities in case of investigations;
- proper use of information systems;
- relationships with individuals and repudiation of corruption;
- protection of the corporate capital and creditors;
- control and accounting transparency;
- relationships with shareholders and the market;
- quality of services and products.

11. THE VALAGRO DISCIPLINARY SYSTEM

11.1. Development and adoption of the Disciplinary System

Pursuant to sections 6 and 7 of the Decree, the Model is considered to be effectively implemented, for the purposes of excluding the Company's liability, if it includes a disciplinary system to punish non-compliance with the measures set forth therein.

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11.2. The structure of the Disciplinary System

The Disciplinary System together with the Model, of which it constitutes one of the main protocols, is delivered, even by e-mail or on electronic media, to persons in senior positions and employees.

11.2.1. The recipients of the Disciplinary System

Senior managers

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Employees

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Other persons who are required to comply with the Model (Third Party Recipients)

This Disciplinary System also applies penalties for breach of the Model by persons other than those indicated above.

More specifically, these are persons (hereinafter jointly referred to as 'Third Party Recipients') who do not hold a "senior" position as specified above and who are in any case required to comply with the Model because of their function with respect to the corporate and organisational structure of the Company, for example because they are operationally subject to the management or supervision of a Senior Manager or because they work, directly or indirectly, for VALAGRO.

This category may include:

- all those who have a non-employment relationship with VALAGRO (e.g., agents, brokers, distributors, freelancers, consultants, workers on agency staff leasing, employees under service contracts);
- collaborators in any capacity;
- representatives, agents and anyone acting in the name and/or on behalf of the Company;
- the parties to whom they are assigned, or who perform, specific functions and duties in the field of Workplace Health and Safety;
- contractors and partners.

11.2.2. Conduct subject to the application of the Disciplinary System

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11.2.3. The penalties

For each of the significant conducts, the Disciplinary System provides the penalties that may theoretically be applied to each category of persons who are required to comply with the Model.

In any case, for the application of sanctions must take into account the principles of proportionality and appropriateness to the offence, as well as the following circumstances:

a) the seriousness of the conduct or event that the latter determines;
b) the nature of the breach;
c) the circumstances in which the conduct developed;
d) the level of wilful misconduct or degree of guilt.

The following elements are taken into account in terms of increasing the penalty:

i) if more than one breach is committed within the same conduct, in which case the penalty applicable to the most serious breach will be increased;

ii) the participation of several persons in committing the breach;

iii) if the person who commits the crime is a repeat offender.

Penalties against Senior Managers

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Penalties against Employees

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Penalties against Third Party Recipients

In the cases of breach set forth by paragraph 12.2.2. by a Third Party Recipient, the following penalties could be applied:

- a formal warning to promptly comply with the Model, under penalty of applying the sanction indicated below or termination of the contractual relationship with the Company;
- application of a penalty, conventionally provided, until 10% of the agreed fee payable to the Third Party Recipient;
- immediate termination of the contractual relationship with the Company.

Contractual clauses and penalties provided by contract could be modify according to the kind of subjects qualified as Third Party Recipients (as the case it acts in name and on behalf of the Company or not).

In particular:

a) in the cases of breach set forth by points 1), 2), 6) and 7) of paragraph 12.2.2., the penalty will be a warning or the conventional penalty or termination, according to the seriousness of the breach;
b) in the cases of breach set forth by points 3) and 8) of paragraph 12.2.2., the penalty will be the conventional penalty or termination;

c) in the cases of breach set forth by points 4) and 9) of paragraph 12.2.2., the penalty will be termination.

With reference to the violation referred to in no. 5) of paragraph 12.2.2. that is, failure to comply with the reporting procedure provided for by the Model with particular reference to the violation of the reporting measures envisaged by the Model itself and the execution of malice or gross negligence of reports that prove to be groundless, the above sanctions will apply, depending on the severity of the conduct.

If the cases of breach set forth by paragraph 12.2.2. are committed by contractors or workers under tender contracts for works or services, the penalties will be applied, once the breach has been ascertained, against the contractor or sub-contractor.

In relations with Third Party Recipients, the Company includes specific clauses in the engagement letters and/or agreements providing the application of the above measures in the case of breach of the Model.

11.2.4. The application of penalties

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12. COMMUNICATION AND TRAINING RELEVANT TO THE MODEL AND PROTOCOLS

12.1. Communication and involvement as regards the Model and relevant Protocols

In order to ensure the correct and effective functioning of the Model, as also indicated in the US experience by the DOJ and SEC, the Company undertakes to disseminate the same, adopting the most appropriate initiatives to promote and raise awareness of the same, and differentiating contents according to the Recipients. In particular, ensuring the formal communication of the same to all persons related to the Company by delivering a full copy to the same, and using suitable dissemination tools and posting the same in places accessible to everyone.

In the case of Third Party Recipients who are required to comply with the Model, a summary of the same is available on request.

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12.2. Training activities related to the Model and relevant Protocols

In addition to activities related to informing Recipients, the Compliance Office is also responsible for the constant and period training of the same, namely to promote and monitor implementation, by the Company, of initiatives to promote appropriate knowledge and awareness of the Model and relevant Protocols, in order to increase a culture of ethics within the Company.

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13. UPDATING THE MODEL

The Compliance Office is responsible for monitoring the necessary and continuous updating and upgrading of the Model (including the Code of Ethics), and may submit suggestions in writing to the administrative body, or competent corporate functions, for any corrections and adjustments that may be necessary or appropriate.

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14. THIRD PARTY DUE DILIGENCE

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