

EPS Elvi Energy S.r.l.

**Organization, Management and
Control Model**

Pursuant to the provisions under art. 6 of the Leg. Decree no. 231 of 8th June 2001

Adopted by a resolution of the Board of Directors on 8th February 2017

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1 THE LEGISLATIVE DECREE NO. 231 OF 8TH JUNE 2001

1.1 Characteristics and nature of the Entities' liability

The Legislative Decree no. 231 of 8th June 2001 (hereinafter also the “**Leg. Decree no. 231/2001**” or the “**Decree**”) details the Regulations for the administrative liability of legal entities, companies and sundry associations, even though not a legal entity (hereinafter “**Entities**”). For the first time in the Italian legal order, it has introduced a form of administrative liability for the Entities, which is generated by the commission of an offence and that adds up to the liability of the natural persons who have physically committed the offence.

This is a new and more extended form of liability, which affects the Entity for the crimes committed – in its interest or advantage – by any individuals functionally connected to the same (top managers and individuals subject to their direction and control).

The Decree intended to update the internal regulations on the legal entities' liability to some international conventions that Italy has already agreed to and provided for the Entities to be deemed liable and thus sanctioned only as regards the commitment of some offences that are specifically listed in the same (the so-called predicate offences).

1.2 The Predicate Offences

The offences whose commission involves the Entities' administrative liability are identified specifically by the Decree. Even though the legislator may still change and integrate their list, the predicate offences currently provided for in the Decree (hereinafter the “**Predicate Offences**”) are as follows:

- a) Crimes committed in the relationships with the Public Administration (articles 24 and 25 of the Decree);
- b) Cyber-crimes and illegal treatment of data (art. 24-*bis* of the Decree);
- c) Organized crime (art. 24-*ter* of the Decree);
- d) Crimes connected to false currency, public credit cards, stamp values and recognition instruments or signs (art. 25-*bis* of the Decree);
- e) Crimes against industry and trade (art. 25 *bis*.1 of the Decree);
- f) Corporate crimes (art. 25-*ter* of the Decree);
- g) Crimes aimed at terrorism or eversion of the democratic order (art. 25-*quarter* of the Decree);
- h) Mutilation of female genitals (art. 25- *quater*.1 of the Decree);
- i) Crimes against the individual person (art. 25-*quinquies* of the Decree)¹;
- j) Market abuse (art. 25-*sexies* of the Decree);
- k) Transnational crimes (Law no. 146 of 16th March 2006);
- l) Manslaughter and serious or very serious injuries committed with a violation of the rules on the protection of health and safety in the workplace (art. 25-*septies* of the Decree);

¹ Including the crime of “*Illegal intermediation and work exploitation*” pursuant to art. 603 *bis* of the Italian Criminal Code

- m) Graft, laundering and use of laundered money, assets or profits obtained illegally and self-laundering (art. No. 25-*octies* of the Decree);
- n) Violation of copyrights (art. 25-*novies* of the Decree);
- o) Induction not to render any statements or to render false statements to the judicial authorities (art. 25-*decies* of the Decree);
- p) Environmental crimes (art. 25-*undicies* of the Decree);
- q) Exploitation of citizens from third party countries whose stay is irregular (art. 25-*duodecies* of the Decree).

Fully aware that the understanding of the single cases represents an essential requirement for the implementation of the model, **Annex A** to this model fully recall and describe the Predicate Offences included in the Decree and in the special laws integrating it, with the related sanctions.

1.3 Criteria for the attribution of liability to the Entity

If one Predicate Offence is committed, the Entity can be punished only in case specific conditions apply, which are defined as criteria for the attribution of the offence. Such criteria can be distinguished between “objective” and “subjective” criteria.

- a) The first objective criterion to apply for the Entity to be punishable is that the committed offence must be listed among those expressly described as Predicate Offences in the Decree.
- b) The second objective criterion is that the offence must be committed in the interest or to the benefit of the Entity. Thus, it must be committed within the scope of the Company’s specific activities and the latter must have benefitted from it, even though only potentially. At least one condition alternatively of the two needs to apply:
 - The “interest” applies when the offender acts with the intent to benefit the company, independently upon the case whether such goal was really attained or not;
 - The “benefit” applies when the Company gains – or might have gained – a positive economic advantage or otherwise from the offence.

Pursuant to the Court of Cassation (Court of Criminal Cassation, no. 10265 of 4th March 2014), the concepts of interest and benefit shall not be considered as a single concept. In fact, they are separated, since the distinction between what could be intended as a possible earning from the offence and a benefit effectively attained thanks to the offence is clear.

To this purpose, both the Court of Milan (Order of 20th December 2004) and the Supreme Court of Cassation (see the pronouncement by the Criminal Court of Cassation no. 10265 of 4th March 2014) expressed on the subject. In their opinion, the finalization of the criminal conduct aimed at attaining a given useful purpose is enough, without prejudice to the fact that such purpose was really attained.

The Entity’s liability does not only apply when the same gains an immediate asset benefit from the committed crime, but also when the fact is motivated by the Entity’s interest even though such result was not gained. The enhancement of the own position on the market or the concealment of a financial crisis, for instance, both involve the Entity’s interests without however generating any immediate and direct economic advantage for the same.

- c) The third objective criterion is that the Predicate Offence must be committed by one or more qualified individuals. This means “people who hold representation, administrative or management offices in the Entity or in one of its business units endowed with financial and functional autonomy” or whoever “exercises the Entity’s management and control even factually” (“top managers”), or, again, “people subject to a top manager’s direction and control” (“subordinates”).

The authors of the crime that may originate an administrative liability for the Entity, can thus be: (i) “top managers”, e.g. the legal representative, the director, the director general or the manager of a plant, and the people as well who exercise the management and control over the Entity even factually; and (ii) «subordinates», typically employees, however individuals outside the Entity too, who are assigned with a task under the top managers’ direction and control.

If more individuals participate in the crime (joint liability in the crime pursuant to art. 110 of the Italian Criminal Code), the “qualified” individual needs not perform the typical action as provided for in the criminal law. The same only needs to contribute consciously and casually to the commission of the crime.

The subjective criterion for the attribution of liability applies when the offence follows a characteristic corporate policy or depends on a faulty organization at least.

The provisions in the Decree exclude the Entity’s liability if – before the commission of the Predicate Offence – the same adopted and effectively implemented an “organization and management model” appropriate to prevent the commission of crimes within the scope of the one already committed.

The Entity’s liability under this point of view is limited to a “failed adoption or failed compliance with the due standards” related to the Entity’s organization and activity, a fault which can be attributed to the corporate policy or to structural and prescriptive deficits inside the company organization.

Substantially, for the crime not to be attributed to the same in a subjective manner, the Entity must prove to have done everything in its power to prevent the commission of one crime listed in the Decree in the exercise of its corporate activity (as regards the conditions for exemption from liability given in the Decree, please see sub-par. 1.5).

1.4 The sanctions applicable to the Entity

The sanctions provided for the Entity in the Decree to punish the commission or attempted commission of Predicate Offences, are of four types:

- a) Financial penalty

It is always applied when the judge believes that the Entity is liable. It is defined through a system based on “quotas” (in a number not lower than one hundred and not exceeding one thousand), each with value between minimum EUR258.23 and maximum EUR1,549.37. The financial penalty thus goes from minimum EUR25,823 to maximum EUR1,549,370 (except for corporate crimes whose financial penalties are doubled based on the provisions by the Law no. 262/2005, “Legge sul Risparmio”, art. 39, par. 5). The judge shall define the number of quotas considering how serious the facts have been, the Entity’s level of liability, and the possible activity performed by the same as well to eliminate or mitigate the consequences of the fact and to prevent the commission of additional crimes. The amount of each quota is defined based on the Entity’s economic and asset conditions, for the penalty to be effective.

The financial penalty is cut by one third to a half before the opening statements during the first instance proceedings if:

- The Entity has fully reimbursed the damage and eliminated the harmful or dangerous consequences of the crime, e.g. it has effectively worked to this purpose.
- An organization model has been adopted or implemented to prevent any other offences of the same kind.

In addition, the financial penalty can be halved too if:

- The offender committed the crime in the own prevalent interest or in the interest of third parties and the Entity did not gain any benefits or gained a minimum benefit only;
- The asset damage caused is particularly soft.

The fundamental principle driving the entire Entity liability question defines that the obligation to pay the financial penalty inflicted to the Entity applies only to the Entity, with its assets or common funds. However, the regulations exclude any direct asset liability for shareholders or associates, independently upon the collective Entity's legal nature.

b) Bans

The Entity is banned from the operating activity; its authorizations, licences or concessions functional to the commission of the crime are suspended or revoked; it may not negotiate with the Public Administration; it is excluded from any facilitations, funds, contributions, aids and those already granted are possibly revoked; and it may not advertise its goods or services.

Bans are inflicted, together with the financial penalties, if they are expressly prescribed for that kind of crime and if at least one of the two following conditions apply:

- The Entity has already committed a crime before (repeated instances of crime).
- The Entity has gained a relevant profit from the crime.

c) Forfeiture

The State confiscates the price or profit from the crime, even in equivalent form (thus confiscating money, assets or sundry valuable utilities corresponding to the price or profit of the crime).

d) Publication of the sentence

The sentence is published (in full or in extract and paid by the Entity) on one or more newspapers listed by the judge and posted at the Municipal Offices of the place where the Entity has its main office. The judge may order the publication of the sentence when a ban is inflicted upon the Entity.

In the end, the Public Prosecutor may ask for the implementation of bans as a precautionary measure as well, if serious evidence exists that the Entity may be liable or if specific elements prove that similar crimes could be committed again.

1.5 Exemption from liability: the organization, management and control model pursuant to the provisions under the Leg. Decree no. 231/2001

When introducing the administrative liability system described above, the Decree also included a specific form of exemption if the Entity proves the adoption of all the organizational measures required to prevent the commission of the crimes provided for in the Decree by the individuals working for the same.

Particularly, the Entity shall be exempted from liability if it proves the following:

- a) The management has adopted and effectively implemented some organization, management and control models before the crime was committed, appropriate to prevent any offences like that already committed;
- b) The task to monitor the working and compliance with the models and to care for their update was assigned to a committee inside the entity that is endowed with autonomous powers of initiative and control;
- c) Vigilance by the said committee is performed in an appropriate manner.

The listed conditions must all apply together for the Entity's liability to be excluded. The Company's exemption from fault thus depends on the adoption and effective implementation of a model to prevent crimes and by the establishment of a Supervisory Board that is assigned with the responsibility to monitor the compliance of the activities with the standards and procedures defined in the model.

Even though the model can act as a cause for no punishability whether the predicate offence was committed by a top manager or by a subordinate, the Decree is much stricter if a top manager commits the crime since in this case the inverted burden of proof applies. The Entity must then demonstrate that the top manager committed the offence and fraudulently disregarded the model. The Decree requires a stronger proof of non-involvement since the Entity must evidence a sort of "internal fraud" operated by the top managers.

If subordinates commit offences, the Entity may instead be liable only if it is proved that the offence was possibly committed only because of a non-compliance with the direction and control obligations borne by the same. In this case, this is a real organizational fault: the Company indirectly allowed the commission of the crime since it did not exert any control over those activities and individuals that were at risk of committing a Predicate Offence.

The law does not compulsorily provide for the adoption of a model pursuant to the Decree, even if, based on the criteria for the attribution of the offence to the Entity, the model is the only tool that – if effectively implemented – can possibly prevent the Entity's involvement in the commission of the offences provided for in the Decree. Thus, the adoption of an effective and efficient model is in the Company's interest.

Art. 6 of the Decree provides for the content of the model in paragraph two, which must have the following characteristics:

- a) Identify the Entity's activities whose scope may include room for the commission of the offences under the Decree;
- b) Provide for specific protocols to plan training and the implementation of the decisions made by the Entity as regards the crimes to be prevented;
- c) Identify the modalities to manage the financial resources appropriate to prevent the commission of such crimes;
- d) Provide for compulsory information to the Supervisory Board;
- e) Introduce internal regulations appropriate to sanction the failed compliance with the measures detailed in the model.

1.6 Crimes committed abroad

The liability provided for in the Decree also applies to crimes committed abroad by the Entity on condition that:

- a) The crime was committed by an individual who is functionally connected with the Entity, either a top manager or a subordinate, as shown above;
- b) The Entity has its main office in Italy;
- c) The general conditions for indictability apply as provided for in articles 7, 8, 9 and 10 of the Italian Criminal Code to prosecute in Italy a crime committed abroad (if the law provides that the faulty natural person is punished upon a request by the Ministry of Justice, the Entity will be prosecuted only in case the request is formulated against the same Entity as well);
- d) The State Authorities of the place where the crime was committed do not prosecute the Entity.

1.7 The guidelines by Confindustria

The Decree (art. 6, par. 3) provides that the Entities can adopt the organization, management and control models based on the codes of ethics drawn up by the trade associations and reported to the Ministry of Justice.

The first trade association to draw up a guideline document for the construction of such models was Confindustria that issued the own “Guidelines for the construction of organization, management and control models pursuant to the Leg. Decree no. 231/2001” in March 2002 (later amended and updated, first in May 2004, then in March 2008 and last in March 2014).

2 THE COMPANY EPS ELVI ENERGY S.R.L.

2.1 Activity and organizational structure of EPS

EPS Elvi Energy S.r.l. (hereinafter “**EPS**” or “**the Company**”) is a limited liability Company 100% owned by Electro Power Systems S.A. – an entity established under the French law – and subject to the direction and coordination of the latter.

EPS, together with the mother company Electro Power Systems S.A. and the subsidiaries Electro Power Systems Manufacturing S.r.l., MCM Energy Lab S.r.l., Electro Power Systems INC. and Electro Power Systems India Ltd, belongs to Electro Power Systems Group (hereinafter “**the Group**”).

EPS mainly operates in the research, design, creation, realization, development, production, marketing and service of products for the production of electric, thermal or cooling energy or parts thereof.

The corporate object includes the following activities:

- Research, design, creation, realization, development, production, marketing, free or paid concession for use of new technologies and applications in the energy and environmental fields, with special reference to hydrogen fuel cells, natural gas, propane (LPG) or sundry types of liquid and/or gaseous fuels;
- The design and management of technological research projects in the energy and environmental fields, both independently and in collaboration with public and private research centres, power companies, universities, foundations, local, national, international institutions and, in general, with all private and public parties interested in the development of new technologies and applications in the energy and environmental fields;
- The retail sale, wholesale, mail-order sale and web-sale of technologies for the production and storage of energy in general;

- The management of agreements with public or private entities for activities in the energy and environmental fields.

The corporate object likewise includes the following activities:

- Installation, maintenance, transformation, realization of the following civil, industrial and farming plants:
 - Plants for the production, transformation, storage, transportation, distribution, use of electric energy, plants for the protection against atmospheric discharges, and plants for the automation of doors, gates and barriers as well;
 - Radio and TV systems, antennas and electric plants in general;
 - Heating, air-conditioning, cooling and refrigeration systems of all kinds and/or type, including systems for the evacuation of combustion and condensation by-products and for room ventilation and aeration.

EPS has its registered office in Milan, Piazza del Tricolore no. 4 and operating offices in Via Anton Francesco Grazzini 14, Milan, Via Tavani 1, Delebio (province of Sondrio) and Via Paracca 12/D, Rivoli (province of Turin).

To better integrate the activities and exploit the originating synergies, to cut costs and redesign the business model, and to allocate the EPS Group's resources in a more effective way, the company stipulated the following company lease contracts:

- On 16th March 2016, the company signed a company lease contract with MCM Energy Lab S.r.l. (hereinafter "**MCM**"), with registered office in Milan, via Anton Francesco Grazzini 14. The company belongs to Electro Power Systems Group: it is 70% owned by Electro Power Systems S.A. and 30% owned by EPS, and it is subject to the direction and coordination of the former too.

- On 8th February 2017, the company signed a company lease contract with Electro Power System Manufacturing S.r.l. (hereinafter "**EPS Manufacturing**"), with registered office in Milan, Piazza del Tricolore 4, a company 100% owned by and subject to the direction and coordination of Electro Power Systems S.A. The contract was retroactively effective as of 1st January 2017.

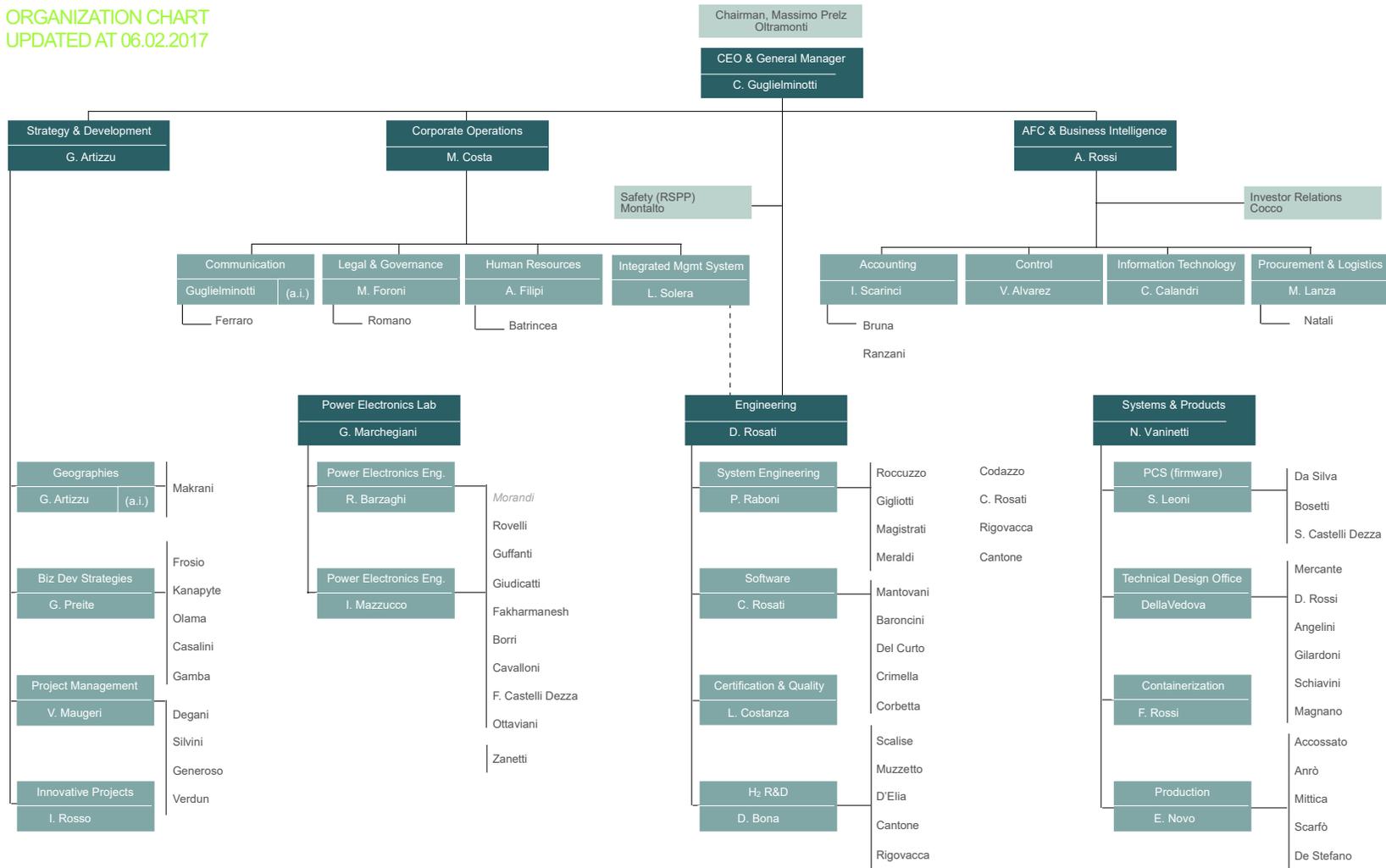
By virtue of such contracts, MCM and EPS Manufacturing were fully leased to EPS, and the ownership of all the existing/current relationships referred to MCM and EPS Manufacturing, including open orders and contracts with clients, was transferred to EPS without solution of continuity pursuant to the provisions in art 2558 of the Italian Civil Code.

Thus, this Model targets the organization of the activity performed by EPS also availing of the leased assets, of the transferred staff and, in general, of the leased legal relationships.

2.2 The current corporate organization

The Company is currently organized as follows:

ORGANIZATION CHART
 UPDATED AT 06.02.2017



2.3 EPS Corporate Governance System

The structure of the corporate and control bodies of EPS is as follows:

- a) The Sole Shareholder;
- b) The Board of Directors that is currently made up by nine directors, one of them selected as the Chairman and one endowed with the power to represent the Entity.

2.4 Powers and proxies adopted by the Company

The system to assign corporate powers and proxies is an integral part of the internal control system; in the Model view, it represents an effective system to prevent the offences referred to in the Decree.

The definition of the criteria to assign powers and proxies is attributed to the Board of Directors.

The power and proxy system must represent:

- a) A management tool to fulfil the acts with external or internal relevance required to pursue the corporate goals; it must be consistent with the management responsibilities assigned to each single individual;
- b) A factor to prevent the abuse of the assigned functional powers, through the definition of the financial limits of each act or series of acts;
- c) An incontrovertible element for the attribution of all corporate acts, with either external or internal relevance, to the natural persons who adopted them. The system usefulness depends thereon both in preventing any crimes from being committed and in identifying thereafter the parties who adopted any acts directly or indirectly connected to the commission of the offence.

The Company policy provides for only the parties endowed with formal, specific powers to take up commitments towards third parties in the name and on behalf of the same Company.

In such context, the Company is implementing a system of proxies, which is consistent with the organizational responsibilities assigned and implying effective representation needs with the forecast – when appropriate – of a precise indication of the quantitative thresholds for payment defined by internal measures inside the company.

The concerned corporate units, possibly with the support by the Supervisory Board, regularly check the proxy system in force, also by examining the documents that certify the activity concretely implemented by the parties who operate on behalf of the Company. The units also suggest the required changes if the management and/or qualification functions do not meet the requirements of the representation powers conferred upon them.

3 ADOPTION OF THE MODEL BY EPS

3.1 The goal of the Model

By adopting this organization, management and control model pursuant to the provisions under art. 6 of the Decree (hereinafter, the “**Model**”), the Company intends to fulfil correctly the provisions in the Decree to improve the own already existing internal control and Corporate Governance systems and to make them as much effective as possible.

The main goal of the Model is to create an organic and structured system of control principles and procedures to prevent – where possible and concretely feasible – the commission of the crimes provided for in the Decree. The Model represents a fundamental component in the Company's governance system and it shall implement the process to spread a management culture aimed at correctness, transparency and legality.

In addition, the Model aims at the following goals as well:

- a) To prohibit any behaviours that may integrate the crimes provided for under the Decree;
- b) To provide appropriate information on the activities involving the risk to commit crimes to whoever acts on behalf of the Company or is connected to the same by relevant relationships for the purposes of the Decree;
- c) To spread the awareness that the violation of the Decree, of the prescriptions in the Model and of the principles in the Group's Code of Ethics can originate the application of sanctions (both financial penalties and bans) onto to the Company in addition to those inflicted upon the single parties;
- d) To spread a management culture based on legality, since the Company condemns all behaviours that do not comply with the law or sundry internal provisions and particularly with the provisions in the own Model and Code of Ethics;
- e) To spread a control and risk management culture;
- f) To implement an effective and efficient organization of the activity, by highlighting the decision-making process, its transparency and documental traceability, raising the decision-makers' awareness on the decisions to make and the related implementation, performing both preventive and subsequent controls and correctly managing internal and external information as well;
- g) To implement all the required measures to minimize the risk to commit crimes, thus valorising the existing controls to prevent any illegal conducts under the measures in the Decree.

3.2 Method applied to arrange the Company's Model

The EPS Model, inspired by the Guidelines, was arranged considering the activity concretely performed by the Company, its structure and the nature and size of its organization as well.

It remains understood that the Model shall be updated as required, based on the future evolution of the regulations, the Company's organizational structure and the context where the same shall operate.

EPS provided for a preliminary analysis of the own context and, thereafter, an analysis of the areas of activity with potential risk profiles as regards the commission of the Predicate Offences detailed in the Decree. Specifically, the following was analysed: the Company's history, the corporate context, the sector of belonging, the organizational arrangement, the existing governance system, the proxy and power system, the main existing legal relationships with third parties, the operating reality, the formalized practices and procedures spread within the Company to control the most sensitive activities.

The analysis was performed through a number of interviews with the functions affected by such sensitive processes. Specifically, the following corporate and Group functions were involved in the analysis: Chief Executive Officer, Senior Vice President, Chief Operating Officer, Executive Director, Administration&Finance, Legal&Governance, Safety System (RSPP), Human&Resp. Planning, Communication, Accounting, Innovation, Technology, Business Intelligence, Procurement, ICT (Internal Control), System Production, Project Management, System Production&R&D, Engineering, Safety, Qualification&Certification, System Development, Research&Development, Sales&Marketing.

To arrange this document in compliance with the provisions in the Decree, the Guidelines and the indications by the law to now, the Company thus provided for the following:

- a) Interviews with the management to identify processes, sub-processes or activities where the Predicate Offences given in the Decree are likely to be committed;
- b) A risk self-assessment on the commission of crimes and the internal control system appropriate to prevent any illegal behaviours by drawing up the Risk&Gap Analysis document, shared on 28th October 2016;
- c) The identification of control stations – already existing or to be implemented in the operating procedures and corporate practices – required to prevent or mitigate the risk to commit the Predicate Offences;
- d) The analysis of the own power and proxy system and of the responsibility attribution system.

3.3 Model structure: general part and special part

This Model is made up by a “General Part” and by a “Special Part” arranged for the different types of crimes included in the Decree and deemed as abstractly referable to the Company after the outcome of the self-risk assessment activity.

In addition, the introduction of some crimes in this Model is reported as being merely prudential since they are crimes on which the Company intends to maintain a high level of attention even though there are no specific elements to infer the existence of such risks.

The Special part is made up by different sections related to the following categories of crimes grouped together as follows:

Section A: Crimes committed in the relationships with the Public Administration;

Section B: Cyber-crimes and illegal treatment of data;

Section C: Organized crimes, transnational crimes and induction not to render any statements or to render false statements to the Judicial Authorities;

Section D: Crimes against industry and trade, and violations of copyrights;

Section E: Corporate crimes;

Section F: Manslaughter and serious or very serious injuries committed in violation of the regulations on the protection of health and safety in the workplace;

Section G: Reception of stolen goods, recycling and use of money, assets or utilities from illegal origin, and self-recycling;

Section H: Environmental crimes;

Section I: Exploitation of citizens from third-party countries not in possession of a regular permit to stay.

3.4 The Addressees of the Model

The Model provisions are binding on:

- a) The directors and whoever actually performs management, administration, direction, control, disciplinary, consulting and proposal functions inside the Company or in one of its autonomous business units;
- b) The Company's employees, intending as such all the people who are connected to the Company by a subordinate work relationship, even if relocated abroad for the performance of their activity;
- c) All those parties who work with the Company by virtue of a para-subordinate work relationship and for the collaborators under the direction or supervision of the Company's corporate management;
- d) The distributors, commercial partners and agents who operate on behalf of the Company;
- e) Those who do not belong to the Company, however operate by proxy or on behalf of the same, such as lawyers, advisors, etc.;
- f) Those parties who act in the Company's interest since they are connected to the same by contractual legal relationships or by agreements of other nature, such as, for instance, partners or third parties for the realization or the acquisition of a project (hereinafter, jointly, the "**Addressees**").

All area managers/function holders shall refer to the Supervisory Board in case of doubts on the applicability or the modalities to apply the Model to a party or to a class of third parties.

3.5 Approval, changes and update of the Model

The EPS Board of Directors shall be in charge of providing for a special resolution to adopt the Model pursuant to the Decree, depending on the risk profile related to the activities performed by the Company.

In addition, the responsibility for the application of the Model shall be attributed to the Company as concerns its concretely implemented activity. To this purpose, the Supervisory Board shall primarily be in charge of exercising controls over the implementation of the same Model pursuant to the procedures described therein.

In the end, the Company shall be responsible, upon a request by the Supervisory Board as well, for the update of the Model as required in time, concerning both the regulatory evolution and the changed corporate conditions.

Particularly, the EPS Board of Directors shall – upon a request by the Supervisory Board – integrate and update this Model, through a special resolution, with the Predicate Offences provided for in the regulations in force from time to time. As regards the changes and updates in the Model, the Company shall avail of all the corporate functions and of external advisors where deemed appropriate.

4 THE SUPERVISORY BOARD

4.1 Identification of the Supervisory Board. Composition, appointment, causes for ineligibility and termination

Art. 6 of the Decree provides for the Entity to be exempted from the liability originating from the commission of predicate offences if the administrative body has, *inter alia*, "assigned the task to monitor

the Model functioning and compliance and to care for its update to a board within the Entity endowed with autonomous powers of initiative and control”.

The attribution of the said tasks to the Supervisory Board and, of course, the correct and effective performance of the same, are fundamental to exempt the Entity from any liabilities, whether the crime was committed by Top Managers or Subordinates.

To implement the provisions of the Decree, the Company established a Supervisory Board (hereinafter the “**Supervisory Board**”) made up by three effective members. The composition of the Supervisory Board guarantees the compliance with the following requirements:

a) Autonomy:

The Supervisory Board must have decision-making autonomy, which is considered a fundamental freedom to self-determination and action, with full technical discretionary power in the performance of the own functions.

b) Independence on the Company:

The Supervisory Board must not be conditioned by any subordinate connections with the top management and it must be a third-party body, in a hierarchically independent position, able to adopt autonomous measures and initiatives.

c) Professionalism:

The Supervisory Board must be professionally able and reliable, both as regards its single members and in total. It must avail of the technical cognitions and the professionalism required for the best performance of its functions. It is appropriate that at least one member of the Supervisory Board has legal skills.

d) Continuity of action:

The Supervisory Board must perform the functions attributed to the same in a continuous way, even though in a not exclusive way.

e) Honourability and absence of conflicts of interest:

The individual who is disqualified, barred or gone bankrupt, or who was however sentenced for one of the crimes provided for under the Decree or for one of the sentences that originate even temporary disqualification from public offices or the inability to exercise management functions, shall not be appointed as a member of the Supervisory Board. If appointed, the same shall be terminated from office.

The Company’s Board of Directors shall provide for a resolution to appoint and revoke the members in the Supervisory Board.

The Company’s Supervisory Board is a collegial body made up by three members chosen among the people endowed with specific corporate professionalism, competence and experience on corporate and inspection activities. Particularly, at least two members, among them the Chairman, must be external professionals boasting special skills in corporate issues, internal control procedures and corporate risks. Among them, at least one shall have legal skills. One member may be selected among the Company’s resources, if endowed with a high level of expertise on corporate procedures.

The members of the Supervisory Board remain in office for 3 (three) years and their office is automatically renewed for three more years unless otherwise resolved by the Board of Directors for one or some of its members within 60 (sixty) days before each termination date.

In case of waiver, occurred inability, death or decadence of a member in the Supervisory Board, the latter shall immediately inform the Board of Directors that will promptly provide for its replacement.

The members of the Supervisory Board may not be elected or may be terminated in the cases listed below:

- a) They were subject to prevention measures ordered by the judicial authorities pursuant to the provisions in the law no. 1423 of 27th December 1956 (law on prevention measures against individuals considered dangerous for public morality and safety) or in the law no. 575 of 31st May 1965 (anti-mafia provisions);
- b) They were investigated or sentenced, even though the sentence is not final yet, pursuant to the provisions in articles 444 and the following of the Italian Code of Criminal Procedure (plea-bargaining) or even if the sentence has been suspended conditionally. The above without prejudice to the effects of rehabilitation (i) for one or more offences among those peremptorily provided for by the Decree, and (ii) to jail for a period not shorter than two years for any wrongful offence.
- c) They were interdicted, disqualified, gone bankrupt or sentenced, even though the sentence is not final yet, to an even temporary interdiction from public offices or the inability to exercise management functions.

The occurrence of even only one of the mentioned conditions involves the impossibility to become a member of the Supervisory Board and, in case of election, the automatic termination from the office, without the Board of Directors needing to resolve for the revocation. However, the same Board of Directors shall provide for the terminated member to be duly replaced.

The following conditions shall legitimate the revocation for just cause:

- a) Loss of the eligibility requirements;
- b) Non-compliance with the obligations related to the assigned office;
- c) Failed good faith and diligence in the exercise of the own office;
- d) Failed collaboration with the other members in the Supervisory Board;
- e) Unjustified absence from more than two Supervisory Board meetings.

In case of just cause, the Board of Directors shall revoke the appointment of the Supervisory Board member who is not suitable for the office anymore and, after an appropriate motivation, provides for the same to be replaced immediately.

Each Supervisory Board member may withdraw from the office in any moment, with minimum one-month's early notice sent with motivations in writing to the Board of Directors.

In case of termination or withdrawal of one Supervisory Board member, the Board of Directors immediately provides for the replacement of the member who has become unsuitable, also upon an indication by the Supervisory Board Chairman.

4.2 Functions and Powers

The Supervisory Board of the Company is assigned with the task to supervise:

- a) The Addressees' compliance with the provisions in the Model;

- b) That the Model is really effectively and efficiently able to prevent the commission of Predicate Offences;
- c) The appropriateness of the Model, reporting any opportunities for the same to be updated if the Board detects any needs thereof related to any changed corporate conditions and/or the introduction of any changes in the reference regulations.

At operating level, the Supervisory Board shall be in charge of the following:

- a) Activating the required control procedures, considering that the primary responsibility on the activity control – also as regards those related to risky activity areas – shall however be assigned to the Company’s operating management and it represents an integral part of the corporate process, confirming the importance of the HR training process;
- b) Regularly completing targeted checks on specific operations or acts implemented within the risky activities as defined in the single Special Parts of the Model;
- c) Collecting, processing and maintaining the relevant information as regards the compliance with the Model, and updating the list of information that must be compulsorily sent to the Supervisory Board or kept available for the same (to this purpose, please see item 4.5 on Information Flows);
- d) Coordinating with the other corporate functions (also by holding special meetings) to enhance the monitoring on the activities in the risky areas. To this purpose, the Supervisory Board shall be constantly informed on the evolution of the activities in the said risky areas and shall have free access to all the relevant corporate documents. The Company’s management must also report any possible situations in the corporate activity to the Supervisory Board, which may expose the company to the risk of committing a crime;
- e) Promoting appropriate initiatives to spread the knowledge and understanding of the Model and to arrange the internal organizational documents required for the same Model to work;
- f) Examining any possible specific reports from the control bodies or from third parties, thus assessing their reliability and performing all the checks deemed necessary or appropriate;
- g) Performing internal investigations to ascertain the alleged violations of the provisions in this Model, which the Board has come to know;
- h) Informing the competent Company’s bodies of any possible violations of the Model based on the disciplinary system for the adoption of sanctions;
- i) Coordinating with the people in charge of other corporate functions for the different aspects related to the Model implementation;
- j) Maintaining a constant connection with the Company’s control bodies and with sundry consultants involved in the activities to implement the Model;
- k) Implementing an internal communication system aimed at allowing the reception of any relevant news pursuant to the provisions in the Leg. Decree no. 231/2001 to guarantee the protection and confidentiality of the reporting party (to this purpose, please see item 4.5 on Information Flows).

The activities implemented by the Supervisory Board may not be questioned by any corporate body or structure, it being understood that the Company’s Board of Directors shall monitor the appropriateness of its intervention since it is assigned with the final responsibility on the Model working and effectiveness and with the power to adopt and implement it.

The Supervisory Board must have free access to all the Company documents – without need to obtain any previous authorization – so as to collect the information and data required to perform the own tasks.

The members of the Supervisory Board are obliged to maintain confidential the news and information obtained during the exercise of the own functions and they must refrain from searching for and using the said information for any reasons differing from the fulfilment of their tasks.

Once appointed, the Supervisory Board provides for the drawing up of the document ruling its own activity (Supervisory Board Rules).

The Company's Supervisory Board was endowed with appropriate cost autonomy, through the allocation of an annual budget equal to EUR10,000 to be used for its own activities. The Board of Directors shall have to approve any possible extraordinary costs.

4.3 Regular controls

Consistently with the principles in the Decree and with the contents of the Model, the Supervisory Board shall draw up an annual program of its activities and regularly perform specific checks on the Model's real ability to prevent offences, particularly in the most sensitive activity areas, and on the resolution of any non-compliances detected before. In addition, the Supervisory Board shall have the possibility to perform unplanned interventions in specific areas if deemed necessary.

While performing the control activity, the Supervisory Board may avail of the support by advisors and third parties with appropriate professionalism and independence and by other functions inside the Company as from time to time required for the performance of the checks.

At the end of each check, the Supervisory Board shall draw up a report to summarize the outcome and improvements to implement if any critical issues were detected. Such reports are sent to the competent corporate bodies.

4.4 Reporting activity

Following the inspections performed and the filing of any possible reports or the occurrence of any critical issues, the Supervisory Board shall refer to the Board of Directors through different forms of reporting:

- a) The first – when required – to report any possibly detected violations and/or inappropriateness of the Model;
- b) The second – regularly every year – to show the activities performed during the reference period to the Board of Directors, with the indication of any possible violations detected throughout the year or the required recommendations to guarantee that the Model is effective and appropriate;
- c) The third – when required – to the Board of Directors in case of violations committed by one or more members of the Board of Directors.

In addition, the Supervisory Board makes available to the Board of Directors all the summary reports on the inspections performed and the reports received during the own activity, and it must inform the Directors immediately in case of any extraordinary situations.

In the end, the Supervisory Board may request the convocation of the Board of Directors' meeting for any urgent matters. The Board of Directors may in turn request the convocation of the Supervisory Board in any moment.

4.5 Information obligation and information flows to the Supervisory Board

The Supervisory Board must be informed as regards any events that may originate a liability for the Company pursuant to the Decree, through special reports made by the single directors, by the managers, the employees, the function holders and, more in general, by all the Addressees on violations or possible violations of the Model.

Particularly, the following events must be reported immediately:

- a) The news on the commission or on the reasonable belief of a crime being committed, as provided for under the Decree;
- b) The violations of the behavioural or procedural rules contained in this Model and in the Code of Ethics;
- c) The request for legal support submitted by managers or employees towards whom the magistrates shall proceed for any crimes provided for under the Decree;
- d) The measures and news from the judicial police bodies or from any other Authorities which may explain the performance of investigations against unknown parties too, for the crimes provided for in the Decree, if such investigations involve the Company, its employees, managers, members of the corporate bodies, of the internal committees or sundry Addressees;
- e) The news on the real implementation of the Model at all corporate levels, with evidence of any possible disciplinary measures applied and of the possible sanctions inflicted.

In addition to the information above, the Company – consistently with the provisions in the Model – adopted a resolution of the Board of Directors of 29th September 2017 to implement the “Information Flows to the Supervisory Board” procedure (I MSGI A 1 0). It was arranged with the support by the Supervisory Board based on the minimum flows described, for each category of crimes, in the special part of this Model.

The definition of the aspects related to the Supervisory Board’s action continuity, like the scheduling of the activities and the discipline of information flows from the corporate structures to the Supervisory Board, was assigned to the latter within the discipline of the own internal working.

Whoever wants to report a violation (or alleged violation) of the Model can submit it to the Supervisory Board, thus informing the own line manager, or submitting it directly to the Supervisory Board.

Reports can be sent to:

Organismo di Vigilanza (Supervisory Board)
c/o EPS ELVI ENERGY S.r.l.
Piazza del Tricolore 4
Milan

With the wording CONFIDENTIAL on the envelope.

Alternatively, they may be sent to the e-mail address of the Supervisory Board: odv@eps-mail.com.

The same Board of Directors may possibly detect any violations of the Model by the Chairman of the Board of Directors, the CEO or a director and the same must report them to the Supervisory Board.

The Company does not foster any anonymous reports and guarantees whoever makes any report in good faith against any form of retaliation, discrimination or criminalization. In addition, the Company

guarantees the utmost confidentiality about the reporter's identity, without prejudice to the legal obligations and the protection of the Company's rights or of the people who were accused by mistake and/or in bad faith.

The Supervisory Board shall maintain all information, indications and reports provided for in the Model, and make them accessible to all its members for 10 years.

5 THE DISCIPLINARY SYSTEM AND MEASURES IN CASE OF NON-COMPLIANCE WITH THE MODEL

5.1 General principles

EPS condemns all behaviours that do not comply with the law and the provisions in the Model and in the Code of Ethics, even if the same behaviour is implemented in the Company's interest or with the intention to gain a benefit for it.

The arrangement of an appropriate penalty system for the violation of the provisions in the Model and in the Code of Ethics is an essential condition to guarantee the effectiveness of the same Model and to make the Supervisory Board's control activity effective.

To this purpose, in fact, article 6, paragraph 2, letter e) of the Decree provides that the organizational and management models must "introduce a disciplinary system appropriate to sanction the non-compliance with the measures in the model".

In compliance with this provision, EPS, by a resolution of the Board of Directors on 14 December 2017 adopted a Disciplinary System that represents an integral part of this Model and one of its Protocols.

In compliance with the provision provided for under art. 7, paragraph 1, Law no. 300/1970 ("Statuto dei Lavoratori"), the Disciplinary System is published on the digital platform (internet) of the Company which all the Addressees can access. In any case, it is made recognizable to all the Addressees.

The application of disciplinary sanctions does not affect the establishment and the outcome of a possible criminal proceeding by the judicial authorities, in case the censurable behaviour is considered a relevant offence pursuant to the provisions of the Decree no. 231. In fact, the Company takes up the behavioural rules imposed by the Model in full autonomy and without prejudice to the type of crime that the Model violations may determine. Moreover, it does not affect the Company's right to act against the perpetrator to obtain the compensation for any damage originating for the Company because of the violation.

The ascertainment of the violations may be started upon a report by the Supervisory Board if it detects a possible violation of the Model during the own control and supervision activities.

The infliction of the sanctions against middle managers, employees and managers is assigned to the CEO, in full compliance with the conferred proxies.

In addition, the Supervisory Board may be asked to perform a consulting activity during the disciplinary proceeding to gain possible useful elements for the Model to be constantly updated. However, the ascertainment of any possible responsibilities originating from the violation of the Model and the attribution of the consequent sanction must be performed in compliance with the law in force, the protection of the individual privacy, the dignity and reputation of the involved parties.

In general, violations may be due to the following behaviours and classified as follows:

- a) Conducts that integrate the offences provided in the Leg. Decree no. 231/2001.

- b) Conducts that represent a criminal offence, however aimed univocally to violating the Model.
- c) Conducts that do not comply with the Protocols and the Procedures in the Model or in the Code of Ethics.
- d) Non-collaborative conducts towards the Supervisory Board. As a mere example, however not limited thereto: the refusal to provide the required information or documents; the non-compliance with the general and specific directives issued by the Supervisory Board to obtain the information deemed fundamental to perform the own tasks; the non-participation without justified reason in the inspections planned by the Supervisory Board or in the agreed interviews; the non-participation in the training meetings; or, more in general, the violation of the information obligations to the Supervisory Board;
- e) The violation of the confidentiality obligations towards whoever makes a report and the implementation of retaliatory or discriminatory acts towards the person/people who has/have made a report in compliance with the provisions in this Model.

5.2 Sanctions for employees

As regards the employees, the Company complies with the limitations under art. 7 of the Law no. 300/1970 (Workers' Statute) and the provisions contained in the Metalworkers' National Collective Agreement, concerning both the sanctions to be inflicted and the modalities to exercise the disciplinary power.

The employees' non-compliance with the provisions and the procedures provided for in the Model and with the principles defined in the Code of Ethics represents a violation of the obligations originating from the work relationship pursuant to art. 2104 of the Italian Civil Code and, thus, a disciplinary offence.

The following sanctions may be inflicted to the employees:

- a) An oral or written reprimand;
- b) A financial penalty not exceeding 3 hours of normal pay;
- c) Pay and service suspension for maximum 3 days;
- d) Dismissal.

If the mentioned employees hold the proxy to represent the Company, the automatic revocation of the same proxy shall follow the infliction of the strictest sanction.

In order to highlight the correlation criteria between the violations and the disciplinary measures, please note the following:

- a) An employee shall be inflicted an oral or written reprimand – depending on the level of seriousness – if he/she negligently violates the internal procedures provided for or recalled in this Model and/or the provisions in the Code of Ethics or if he/she adopts a conduct violating the provisions in the same Model and in the Code of Ethics while performing his/her activity in the risky areas, since such behaviours are a violation of the contract involving a prejudice for the Company's discipline and morality without any external relevance;
- b) An employee shall be inflicted a financial penalty not exceeding 3 hours of normal pay if he/she:
 - reiterates the violations for which the written reprimand is inflicted within the course of two years

- depending on the level of his/her hierarchical or technical responsibility, or in the presence of aggravating circumstances, damages the Model effectiveness by implementing behaviours such as, for instance, however not limited to:
 - i) The non-compliance with the information obligation to the Supervisory Board;
 - ii) The repeated non-compliance with the provisions in the Model procedures and prescriptions, if they relate to a procedure or a relationship in which the Public Administration is a party;
- c) An employee shall be inflicted the pay and service suspension for maximum three days if he/she:
 - Commits plural recidivism (at least three times) during two years, committing again the violations under letter a) here above, for which a financial penalty can be applied to an extent not exceeding 3 hours of normal pay;
 - Violates the internal procedures provided for in the Model or in the Code of Ethics and thus damages the Company or exposes it to an objectively dangerous situation for the integrity of its assets. For instance, the violation of the behaviours to be adopted in the management of donations or charities, or of the provisions related to the power of signature and the system of proxies assigned for acts and documents addressed to the Public Administration;
- d) An employee shall be dismissed:
 - with entitlement to previous notice, if he/she is a recidivist as regards the non-compliances that involve suspension under letter c) here above;
 - for just cause without notice, if he/she (i) fraudulently eludes the procedures and prescriptions in the Model and/or Code of Ethics through a behaviour that is unequivocally aimed at committing one of the offences in the Decree no. 231 or (ii) violates the internal control system by subtracting, destroying or altering the documents or preventing the competent parties' control of or access to the information and documents, including the Supervisory Board, thus preventing their transparency and verifiability.

The Company shall not adopt any disciplinary measures against any employees unless they comply with the procedures in the Metalworkers' National Collective Labour Agreement for the single cases.

The type and entity of sanctions mentioned above, inflicted to the employees, shall be applied pursuant to the principle of proportionality provided for under art. 2106 of the Italian Civil Code, since the following will have to be considered for each case:

- a) The intention and the level of reiterated behaviour, the level of negligence, imprudence or malpractice with reference to the possibility to foresee the event as well;
- b) The objective seriousness of the fact representing a disciplinary violation;
- c) The worker's general behaviour with special reference to the existence or not of previous disciplinary misconducts, within the limits allowed by the law;
- d) The worker's tasks;
- e) The functional position of the people involved in the facts representing the non-compliance;
- f) Any sundry special circumstances accompanying the disciplinary violation.

5.3 Sanctions for subordinate workers in office as managers

The managers' non-compliance with the Model provisions and procedures, including the violation of the information obligations to the Supervisory Board and of the principles in the Code of Ethics, shall originate the infliction of the sanctions detailed in the collective bargaining for sundry categories of employees, pursuant to articles 2106, 2118 and 2119 of the Italian Civil Code, and to art. 7 of the Law no. 300/1970.

In general, the following sanctions may be inflicted to the managers:

- a) Oral or written reprimand;
- b) Suspension from work;
- c) Early termination of the work relationship.

The identification of any possible violations, of inappropriate supervision and of failed immediate report to the Supervisory Board shall originate the precautionary suspension from work for the managers. This shall not affect the manager's entitlement to his/her pay, and his/her assignment to different tasks – again temporarily and for precautionary purposes for a period not exceeding three months – in compliance with art. 2103 of the Italian Civil Code.

In case of serious violations, the Company may terminate the work contract in advance and without notice, pursuant to and for the effects of art. 2119 of the Italian Civil Code.

5.4 Sanctions for collaborators under direction or control

The non-compliance by collaborators subject to the Company's direction or control with the Model provisions and procedures, including the violation of the information obligations to the Supervisory Board, and with the principles in the Code of Ethics shall originate the termination of the related contract in compliance with the regulations in the specific work relationship. This shall not affect the Company's power to request the compensation for the damage incurred because of the said behaviours, including the damage caused by the application of the sanctions provided for in the Decree.

5.5 Measures against the Directors

If one or more directors violate the Model and the Code of Ethics, the Supervisory Board shall immediately inform the Administrative Body. This, in turn, shall take or promote the most appropriate and suitable initiatives depending on the level of seriousness of the detected violation and pursuant to the powers given in the regulations in force and in the corporate By-laws. If, instead, the whole Administrative Body is allegedly violating the law, the Supervisory Board shall inform the sole shareholder directly and in writing.

Particularly, if one or more directors violate the provisions in the Model, the Board of Directors may directly provide for the infliction of a formal written reprimand, for the temporary suspension from office and for the – even partial – revocation of the powers and proxies assigned, based on the entity and seriousness of the committed violation.

5.6 Measures against agents and sundry parties connected with the Company through contractual and commercial relationships

Pursuant to the provisions in the specific contractual relationship, the violation of the provisions and principles defined in the Model and in the Code of Ethics by agents and sundry parties with contractual, commercial relationships or partnership agreements with the Company, shall entitle EPS to terminate the contract under art. 1456 of the Italian Civil Code. This shall not affect the Company's right to request the compensation for the damage incurred because of the said behaviours, including the damage caused by the application of the sanctions provided for under the Decree.

5.7 Measures against advisors

Pursuant to the provisions in the specific contractual relationship, the violation of the provisions and principles defined in the Model and in the Code of Ethics by professionals and advisors under a contractual relationship with the Company shall entitle EPS to terminate the related contract. This shall not affect the Company's right to request the compensation for the damage incurred as a direct consequence of the said behaviours, including the damage caused by the application of the sanctions provided for under the Decree.

6 DISSEMINATION OF THE MODEL AND TRAINING

6.1 Dissemination of the contents in the Model

Once approved and/or amended by the Board of Directors, the Model shall be published on the Group's website www.electropowersystems.com and sent by the corporate intranet to all the employees who must comply with the document in turn. The same is valid for all newly hired employees. The modalities to disseminate the Model to further stakeholders in need of complying with its contents (suppliers, external collaborators and third parties in general) shall be defined from time to time.

6.2 Staff training

EPS is aware of the importance that training and information aspects take up for the sake of prevention. Therefore, it has defined a communication and training program to guarantee the dissemination to all the employees of the main contents of the Decree, of the obligations originating from the same, the provisions in the Model and the principles in the Code of Ethics as well.

The information and training activities to the staff are organized in several different levels depending on the different level of staff involvement in the risky areas. In any case, the training activity aimed at disseminating the knowledge of the Decree and the Model provisions has differentiated contents and dissemination modalities depending on the Addressees' office, on the area risk level where they operate and on the fact that they are assigned any representation or management tasks for the Company or not.

The training activity involves all the staff and the resources that will become part of the corporate organization in the future. To this purpose, the related training activities shall be provided and concretely implemented both upon hiring, in case of any possible changes in the assigned tasks and following updates and/or amendments to the Model as well.

Such activities are managed in strict coordination with the Supervisory Board.

With reference to the dissemination of the Model within the Company, EPS shall commit to the following:

- a) To send a notice to all the employees whose object is the occurred adoption or update of this Model;
- b) To publish the Model and the Code of Ethics on the corporate intranet and/or on any other communication tool deemed appropriate;
- c) To organize training activities aimed at spreading the knowledge of the Decree and of the provisions in the Model, and to plan training sessions for the staff in case of updates and/or amendments to the Model, according to the most appropriate modalities (for instance, through front sessions or e-learning);
- d) To communicate the Code of Ethics and the content of the Model to sundry Addressees as regards the parts of interest for them.

The HR Manager shall keep the documents related to the information and training activity, and he/she shall make them available for the related consultation by the Supervisory Board and by anyone who may legitimately read it.

6.3 Information to external collaborators and commercial partners

The external collaborators shall be provided with special information on the policies and protocols adopted by the Company based on this Model. The contracts signed by EPS with third parties shall contain specific contractual clauses related to the compliance with the obligations and principles originating from the Model and the Code of Ethics.