

ORGANIZATIONAL MODEL

(Modello di organizzazione, gestione e controllo)

(*adopted pursuant to Legislative Decree 231/2001*)

ABSTRACT

PURPOSE OF THE ORGANIZATIONAL MODEL

Specialtrasfo S.p.a. (the “**Company**”), as part of its ongoing commitment to request its managers, employees, associates and commercial counterparts to comply with the industry’s best practices in the field of corporate compliance, adopted an organizational model (*Modello di Organizzazione, Gestione e Controllo*, hereinafter the “**MOG**”) for the following reasons:

1. ensure the Company’s compliance with national and international applicable laws, aiming at reducing the risk of occurrence of events that may trigger application of fines and penalties under such laws;
2. present the Company and its position in the relevant market, illustrate the existing compliance and risk-monitoring procedures and implement, to the extent necessary, measures to prevent the occurrence of crimes in the context of the Company’s operations;
3. analyze the so-called “risk areas” of the Company and assess what crimes may potentially be committed within these areas;
4. direct the behaviour of its management and their reports in order to reduce, to the greatest possible extent, the likelihood of any crimes being committed in the context of the Company’s operations;
5. constitute a supervisory body (*Organismo di Vigilanza*, hereinafter “**OdV**”) in charge of monitoring the application of the MOG and applying sanctions when the MOG is breached;
6. create a “whistleblowing” structure so that any stakeholder can anonymously notify the OdV in case of breaches of the MOG;
7. achieve its targets whilst complying with corporate and compliance best practices, in accordance with the Company’s Ethical Code whose key principles include respect in human relations and pursuing technical innovation in a sustainable and environmentally friendly manner.



STRUCTURE OF THE ORGANIZATIONAL MODEL

The MOG consists of two sections and two annexes:

1. Under its general part, the MOG describes the liability regime set out by Legislative Decree 231/2001, identifies the recipients of the MOG and promotes its diffusion. Additionally, this section presents the Company (history, activities and its market), describes the key risk areas pursuant to the applicable law and the potential risk areas with specific regard to the Company. Furthermore, this section sets out the structure of the ODV, appoints its members, describes the “whistleblowing” structure and presents the Company’s disciplinary system.
2. Under its special part, the MOG describes the risk areas as set out by Legislative Decree 231/2001 which are relevant for the Company, the specific mitigation measures adopted in respect of said risk areas, the procedures that the Company implemented or undertook to implement with respect to certain risk areas.
3. Annexes A) and B) complete the MOG and they pursue to different objectives. Annex A contains a specific analysis, including from an academic and case law perspective, of conducts that may constitute a crime (for example, what constitutes corruption, fraud, financial crimes, etc), and is aimed at providing empirical understanding of behaviours that may have criminal relevance for the Company. Annex B, which to a certain extent summarizes visually the special part of the MOG referred to in point 2 above, outlines in a chart the Company’s risk assessment, *i.e.* the mapping and analysis of risk areas with respect to the operations of the Company.

PRESENTATION OF SPECIALTRASFO

The Company is a joint stock company (*Società per Azioni*) with sole shareholder and has been incorporated on the 7th of July 2000.

The business of the Company was started in 1985 as a local family business and to a certain extent the spirit of the Company’s pioneers still lives to date through the Company’s values, which include a solid corporate governance based on long-standing relationships (the Company’s CEO, Mr. Francesco Pagano, is in charge since 2000), investments in human resources and a business oriented to the expansion of the range and quality of the products offered to the Company’s customers.

The “custom made” approach is at the cornerstone of the Company’s offering: the Company developed a longstanding experience in the creation of electrical transformers that can be delivered and installed virtually everywhere in the world, and does so by involving its customer in the development process, adapting and implementing the final product based on the customer’s requests. In fact, the entire product range of the Company is tailor made and the Company does not offer any “ready to sell” or stock held products.

Furthermore, the Company operates in a highly specialized field, where most customers and suppliers know each other for a very long time and cooperate with trust and transparency.

As a consequence of the above, the Company does not use any third party intermediaries, agents or consultants for the development of its business or for the solicitation of sales: the customers reach out to and discuss directly with the Company's offices both for the commercial and technical aspects of the sales. This approach facilitates the development of strong and transparent commercial relations and clear and traceable exchanges of correspondence.

In addition, the Company's current choice is to focus its business on private customers thus not aggressively seeking to develop relationships or business with public owned companies or public administrations.

Finally, the Company's customers are mainly multinational companies of consolidated national and international reputation. The Company's suppliers, on the other hand, are mainly producers of supplies and spare parts for electrical transformers and they are mainly located in Northern Italy.

RISK AREAS FOR SPECIALTRASFO

In light of the above (including the fact that the Company does not do business with public owned companies or public administrations) the risks arising from crimes against the public administration can be qualified as low and this risk is mostly limited to the few contacts that the Company entertains with public administrations in the context of inspections of public officials.

Similarly, since the company finances itself only with own means and banking lines, there are no risk related to the use of public funds.

With respect to corporate governance, the continuity of the Company's management over the past twenty and the centralized decision-making means that most of decisions are taken by the CEO Mr. Francesco Pagano. The various corporate functions (administration, sales, technical, production and human resources departments) are headed by few trusted employees which have been working for the Company for a very long time: turnover is indeed quite limited in the Company. Such continuity and centralized decision making ensures transparent governance and direct control over corporate functions which reduces the risk of corporate crimes.

From a tax and accounting perspective, the company's accounting is outsourced and managed by a primary accounting firm, which also handles tax and corporate consulting and holds the company's corporate books. In addition to the yearly financial statement as required by applicable law, the Company also produces monthly accounts which are submitted to the above-mentioned accounting firm which allows constant assessments and reconciliations over the Company's accounts.

In light of this enhanced accounting review performed by several individuals (the CEO, the supervisory board and the external consultants) as well as the fact that the revenues of the Company are generated by a limited number invoices of material

value issued with respect to specific tailor-made products, the risk of financial crimes can be qualified as low.

For what concerns health and safety on the workplace, it is worth noting that the Company's premises, which host the offices and most of the Company's production, located in Agrate Brianza (MB), has been recently built (2020), reflects current state of the art from an health and safety perspective and is located in a low environmental risk and not densely populated area. Additionally, when it comes to health and environmental safety, the Company is supported by external advisors which not only advice the Company but also carefully monitors and audits the application of relevant protocols.

The production cycle, in any event, does not pose substantial risks for the employees and the measures undertaken by the Company, which are constantly updated, are aimed at reducing both the likelihood and potential consequences of any incidents. Moreover, the Company's personnel is for the greater part highly trained and specialized and the production cycle does not generate substantial emissions and/or releases of dangerous material. All of this leads to qualify the risk of health and safety and environmental crimes as limited.

Finally, with respect to the risk of transactional crimes, it is worth noting that the Company entertains commercial relations mainly with foreign multinational companies. The expertise accumulated by the Company in this respect and the ongoing assistance of the external accounting advisors implies that the Company is at all times conscious, and therefore able to mitigate, any risks arising out of the formalities linked to import export and customs clearance of its products.