Fendi S.r.l.

Organisational, Management and Control Model Pursuant to Legislative Decree no. 231 of 8 June 2001

GENERAL PART

Approved by the Board of Directors of Fendi S.r.l.
on the 21st of January 2021

TABLE OF CONTENTS

1. ITALIAN LEGISLATIVE DECREE NO. 231/2001 3

1.1 The regime of administrative liability *3*

1.2 The adoption of the Organisational, Management and Control Model as a means to exempt Entities from administrative liability *13*

2. ADOPTION OF THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01 OF FENDI S.R.L. 16

2.1 Purposes of the Model of Fendi S.r.l. *16*

2.2 The process of compiling and updating the Model of Fendi S.r.l. *17*

2.3 Features of the Model of Fendi S.r.l. *18*

2.4 Structure of the Document *20*

2.5 Amendments and supplements to the Model *22*

3. SUPERVISORY BODY 23

3.1 Composition and requirements of the Supervisory Body *23*

3.2 Causes of ineligibility and of incompatibility and revocation of the mandate of Supervisory Board members *24*

3.3 The Supervisory Body's functions and powers *25*

3.4 Supervisory Body's reporting obligations to the Board of Directors *27*

3.5 Information flows to the Supervisory Body *28*

4. PERSONNEL TRAINING AND DISSEMINATION OF THE MODEL INSIDE AND OUTSIDE THE COMPANY 32

4.1 Information and training provision to personnel *32*

4.2 Information provision to external collaborators, suppliers and partners *33*

5. DISCIPLINARY SYSTEM AND MEASURES APPLICABLE IN THE EVENT OF NON-COMPLIANCE WITH THE MODEL PROVISIONS 34

5.1 General Principles *34*

5.2 Measures against Directors and Statutory Auditors *35*

5.3 Sanctions against employees *35*

5.4 Measures against collaborators, auditors, consultants, partners, counterparties and other external parties *36*

5.5 Procedure for applying sanctions *36*

6. UPDATING AND AMENDING THE MODEL 40

1. ITALIAN LEGISLATIVE DECREE NO. 231/2001

1.1 The regime of administrative liability

By way of implementation of the delegated power pursuant to Article 11 of Law no. 300 of 29 September 2000, the Legislative Decree no. 231 (hereinafter the "Decree") was enacted on 8 June 2001 and came into force on 4 July 2001, by which the national legislation was aligned with international agreements on the liability of legal persons, to which Italy had already been party.

The Decree, which lays down "*Provisions on the administrative liability of legal persons, companies and associations, including those without legal personality*", introduced into the Italian legal order a regime of administrative liability applicable to entities (i.e. companies, associations, consortia, etc., hereinafter "Entities") for a series of specified offences committed in the interest or for the benefit of the Entity:

- by natural persons holding representation, administration or management positions in the Entity or in a financially and functionally independent organisational unit thereof; and by natural persons who exercise, also *de facto*, the management and control of the Entity;
- by natural persons subject to the management or supervision of one of the persons indicated above.

The Entity's administrative liability supplements the criminal and civil liability of the natural person who actually committed the offence.

Among the various sanctions that can be imposed, disqualification sanctions are certainly the most onerous for the Entity, such as suspension or revocation of licenses and concessions, prohibition on formal dealings with the public administration, disqualification from business activities, exclusion from or revocation of funding and contributions, and prohibition of advertisement of goods and services. The above-mentioned liability also applies to offences committed abroad, provided that the country in which the offence was committed does not initiate proceedings in respect of those offences.

The first category of offences involving the Entity's administrative liability is that of **offences against the Public Administration**[1], which are detailed in Articles 24 and 25 of the Decree, namely:

- unlawful receipt of subsidies, loans or other disbursements from a Public Body (316-ter, Penal Code);
- fraud to the detriment of the State or other Public Body (Article 640.2.1, Penal Code);
- aggravated fraud to obtain public funds (Article 640-bis, Penal Code);
- computer fraud to the detriment of the State or other Public Body (Article 640-ter, Penal Code);
- corruption relating to the exercise of duties (Articles 318 and 321, Penal Code);
- corruption relating to an act contrary to official duties (Articles 319 and 321, Penal Code);
- corruption in judicial proceedings (Articles 319-ter and 321, Penal Code);
- unlawful inducement to give or promise a benefit (Article 319-quater, Penal Code);
- invitement to corruption (Article 322, Penal Code);
- corruption of a person delegated to perform a public service (Articles 320 and 321, Penal Code);

[1] As amended by Law 190/2012 and by the more recent Law no. 69 of 21 May 2015 (Law 69/2015) with reference to the new formulation of the offence of extortion (Article 317 of the Penal Code), and the exacerbation of penalties for the criminal offences of corruption (Articles 318-319).

- trading in influence (Article 346-bis, Penal Code[2]);
- fraud in public supplies (Article 356, Penal Code);
- abuse of authority (art. 323, Penal Code[3].);
- embezzlement (artt. 314 and 316, Penal Code);
- extortion (Article 317, Penal Code);
- embezzlement to the detriment of the State or other Public Body (Article 316-bis, Penal Code);
- fraudulent conversion, extortion, corruption and incitement to corrupt members of International Courts or European Union bodies or international parliamentary assemblies or international organisations and officials of the European Union and foreign States (Article 322-bis, Penal Code).

Article 25-bis of the Decree - introduced by Article 6 of Law no. 409 of 23 September 2001, then refers to the **offences of counterfeiting of currency, public credit notes and official stamps:**

- counterfeiting of currency, spending and bringing counterfeit currency into the State in association with others (Article 453, Penal Code);
- alteration of currency (Article 454, Penal Code);
- spending and bringing counterfeit currency into the State without association with others (Article 455, Penal Code);
- spending counterfeit currency received in good faith (Article 457, Penal Code);
- counterfeiting of official stamps, bringing into the State, acquiring, possessing or placing counterfeit official stamps in circulation (Article 459, Penal Code);
- counterfeiting of watermarked paper used to make public credit notes or official stamps (Article 460, Penal Code);
- fabrication or possession of watermarks or tools used to forge currency, official stamps or watermarked paper (Article 461, Penal Code);
- use of counterfeited or altered official stamps (Article 464, subsections 1 and 2, Penal Code).

A further important category of offences involving the Entity's administrative liability is that of **corporate offences**, regulated by Article 25-ter of the Decree, a provision introduced by Legislative Decree no. 61 of 11 April 2002, which identifies the following offence categories as amended by Law no. 262 of 28 December 2005 and Law 69/2015:

- false corporate reporting (Article 2621, Italian Civil Code);
- minor acts (Article 2621-bis, Italian Civil Code);
- false corporate reporting of listed companies (Article 2622, Italian Civil Code, in the new formulation provided for by Law 69/2015);

[2] Introduced by Law 3/2019
[3] Embezzlement crimes (art. 314, 1st paragraph, Penal Code), embezzlement by reason of third-party mistake (art. 316, Penal Code) and abuse of authority (art. 323, Penal Code), have an impact from a 231 law perspective "only when the facts represent an offense to financial interests of the European Union".

- false statement in a prospectus (Article 2623 of the Italian Civil Code, repealed by Article 34 of Law no. 262/2005, which nevertheless introduced Article 173-bis of Legislative Decree no. 58 of 24 February 1998)[4];
- false reports or communications from the audit firm (Article 2624, Italian Civil Code)[5];
- obstruction of control [6](Article 2625, Italian Civil Code);
- undue repayment of contributions (Article 2626, Italian Civil Code);
- unlawful distribution of profits and reserves (Article 2627, Italian Civil Code);
- unlawful dealing in the stocks or shares of the company or its parent company (Article 2628, Italian Civil Code);
- transactions to the detriment of creditors (Article 2629, Italian Civil Code);
- failure to disclose conflicts of interest (Article 2629-bis, Italian Civil Code);
- fictitious capital formation (Article 2632, Italian Civil Code);
- improper distribution of company assets by liquidators (Article 2633, Italian Civil Code);
- unlawful influence on the shareholders' meeting (Article 2636, Italian Civil Code);
- market rigging (Article 2637 of the Italian Civil Code, amended by Law no. 62 of 18 April 2005);
- obstruction of the duties of the Public Supervisory Authorities (Article 2638 of the Italian Civil Code, amended by Law 62/2005 and by Law 262/2005).

Article 25-ter was then amended by **Law no. 190 of 6 November 2012** (the "Anticorruption Law") which introduced into the category of predicate offences the offence of bribery among private individuals pursuant to Article 2635.3 of the Italian Civil Code. Furthermore, Legislative Decree no. 38 of 15 March 2017 (Implementation of the Council Framework Decision 2003/568/JHA of 22 July 2003, on combating bribery among private individuals) supplements the list of offence categories, by contemplating the offence of incitement to bribery among private individuals (Article 2635-bis of the Italian Civil Code).

The regulatory reform did not stop there and, by Law no. 7 of 14 January 2003, Article 25-quater was introduced, which further extended the scope of the Entity's administrative liability to the **offences for**

[4] Article 2623 of the Italian Civil Code (False statement in a prospectus) was repealed by Law 262/2005, which reproduced the same offence provision by introducing Article 173-bis of Legislative Decree no. 58 of 24 February 1998 (the Consolidated Law on Finance, hereinafter also the "TUF"). This new criminal law provision is not currently specified on the list of offences referenced by Legislative Decree 231/2001. One line of legal scholarship, however, considers that although Article 173-bis of the TUF is not referred to by Legislative Decree 231/2001, it is still a source of administrative liability for Entities as being in regulatory continuity with the previous Article 2623 of the Italian Civil Code. But Italian case law has ruled differently, although on the different offence referred to in Article 2624 of the Italian Civil Code (False reports or communications from the audit firm) [see note below], considering that this offence is no longer a source of liability pursuant to Legislative Decree 231/2001 and relying upon the principle of lawfulness of the Decree's provisions. In view of the lack of any specific pronouncement on Article 2623, similar to that made in connection with Article 2624, it was decided as a precautionary measure to take this offence into theoretical consideration in the Model.

[5] It should be noted that Legislative Decree no. 39 of 27 January 2010 (Implementation of Directive 2006/43/EC on external statutory audits of the annual and consolidated accounts, which amends the Directives 78/660/EEC and 83/349/EEC, and repeals Directive 84/253/EEC), which came into force on 7 April 2010, repealed Article 2624 of the Italian Civil Code (false reports or communications from audit firms) - but re-included the same offence category within the aforementioned Legislative Decree 39/2010 (Article 27), which however is not referred to by Legislative Decree 231/2001.
By judgement no. 34776/2011, the United Chambers of the Supreme Court of Cassation established that the offence of falsification in audits already provided for by Article 2624 of the Italian Civil Code can no longer be considered a source of liability of Entities, as the aforementioned Article was repealed by Legislative Decree 39/2010. The Court, in fact, highlighted how the legislative intervention that remoulded the field of auditing of accounts deliberately removed auditors' offences from the scope of Legislative Decree 231/2001, and that, therefore, in view of the principle of lawfulness that governs it, one can only assume that the offence of falsification in audits has been abolished.
After the judgment was published, therefore, the offence has no longer been taken into account as being relevant for risk assessment purposes.

[6] Note that Legislative Decree no. 39 of 27 January 2010 amended Article 2625 of the Italian Civil Code by removing the reference to auditing activities and to audit firms, therefore the obstruction of control only refers to obstructing or impeding control functions attributed by law to shareholders or other governing bodies

purposes of terrorism and subversion of the democratic order which are provided for by the Penal Code and by special laws.

Subsequently, Law no. 228 of 11 August 2003 introduced Article 25-quinquies, by which the Entity is liable for the commission of **offences against individuals:**

- enslavement (Article 600, Penal Code);
- trafficking in human beings (Article 601, Penal Code);
- purchase and sale of slaves (Article 602, Penal Code);
- child prostitution (Article 600-bis, first and second subsection, Penal Code);
- child pornography (Article 600-ter, Penal Code);
- tourist initiatives aimed at exploiting child prostitution (Article 600-quinquies, Penal Code);
- possession of pornographic material (Article 600-quater, Penal Code);
- solicitation of minors (Article 609-undecies, Penal Code), introduced by Legislative Decree no. 39/2014.

Furthermore, Article 603-bis of the Penal Code ("Unlawful intermediation and exploitation of labour"), as amended by Law no. 199/2016, was included in 2016 among the offence categories of relevance for the purposes of Article 25-quinquies.

Law no. 62/2005 (the "Community Law") and Law no. 262/2005, better known as the "Savings Protection Law", have increased the number of offence categories of relevance for the purposes of the Decree. In fact, Article 25-sexies was introduced in connection with the **offences of market abuse**:

- insider trading (Article 184 of Legislative Decree no. 58/1998);
- market manipulation (Article 185 of Legislative Decree no. 58/1998).

Law no. 7 of 9 January 2006 also introduced Article 25-quater.1 of the Decree which makes Entities administratively liable for the commission of the **offence of female genital mutilation** (Article 583-bis, Penal Code).

Subsequently, the Law no. 146 of 16 March 2006, which ratified the United Nations Convention and Protocols against Transnational Organised Crime, adopted by the General Assembly on 15 November 2000 and on 31 May 2001, made Entities liable for a number of **transactional offences**.

Offences are regarded as transnational in nature when an organised criminal group is involved in the commission of the offence and the sanction for this offence is no less than 4 years imprisonment, and when an element of internationality is involved i.e. when the offence is committed in more than one State, or is committed in one State but has substantial effects in another State, or is committed in only one State but a substantial part of its preparation, planning, direction or control takes place in another State, or is committed in one State by an organised criminal group which is involved in that State but is also engaged in criminal activities in more than one State.

The relevant offences in this context are the following:

- criminal association (Article 416, Penal Code);
- Mafia-type association to commit offences, including foreign associations (Article 416-bis, Penal Code);
- criminal association aimed at smuggling tobacco processed abroad (Article 291-quater of Presidential Decree no. 43 of 23 January 1973);

- association for the purpose of illicit trafficking in narcotics or psychotropic substances (Article 74 of Presidential Decree no. 309 of 9 October 1990);
- trafficking of migrants (Article 12.3, 3-bis, 3-ter and 5 of Legislative Decree no. 286 of 25 July 1998);
- obstruction of justice in the form of inducement not to make statements or to make false statements to the judicial authority and of aiding and abetting (Articles 377-bis and 378, Penal Code).

Italian legislation updated the Decree by means of Law no. 123 of 3 August 2007 and, later, by means of Legislative Decree no. 231 of 21 November 2007.

Article 25-septies of the Decree was introduced by Law no. 123/2007, and later replaced by Legislative Decree no. 81 of 9 April 2008, which establishes the Entity's liability for the criminal offences of **manslaughter and serious or very serious culpable injuries committed in violation of the rules on health and safety at work protection:**

- manslaughter (Article 589, Penal Code), with violation of accident prevention and workplace health and safety rules;
- culpable personal injury (Article 590.3, Penal Code), with violation of accident prevention and workplace health and safety rules.

Legislative Decree no. 231/2007 introduced Article 25-octies of the Decree, by which the Entity is liable for the commission of the offences of **receiving stolen goods** (Article 648, Penal Code), **money laundering** (Article 648-bis, Penal Code), **use of money, goods or assets of illegal origin** (Article 648-ter, Penal Code). Law 186/2004 recently introduced the criminal offence of **self-laundering** (Article 648-ter.1, Penal Code) into the category of relevant offences for the purposes of Legislative Decree 231/2001.

The Law no. 48 of 18 March 2008 introduced Article 24-bis of the Decree, which extends the administrative liability of Entities to certain so-called **computer crimes**:

- illegal access to a computer or telecommunications system (Article 615-ter, Penal Code);
- wiretapping, blocking or illegal interruption of computer or telecommunications system communications (Article 617-quater, Penal Code);
- installation of equipment designed to intercept, obstruct or interrupt computer or telecommunications system communications (Article 617-quinquies, Penal Code);
- damage to information, data and computer programs (Article 635-bis, Penal Code);
- damage to information, data and computer programs used by the State or another public body or public utility (Article 635-ter, Penal Code);
- damage to computer or telecommunications systems (Article 635-quater, Penal Code);
- damage to computer or telecommunication systems of public interest (Article 635-quinquies, Penal Code);
- unauthorised possession and distribution of access codes to computer or telecommunications systems (Article 615, Penal Code);
- distribution of equipment, devices or computer programs designed to damage or interrupt a computer or telecommunications system (Article 615-quinquies, Penal Code);
- electronic documents (Article 491-bis, Penal Code).

The aforementioned provision (*"If any of the acts of falsification provided for by this chapter relates to a public or private electronic document of probative value, the provisions of this chapter relating to public documents and private agreements, respectively, will be applicable"*) extends the provisions on falsification in a public document or private agreement to falsification of a document in an electronic format; the following are the offences referred to:

- material falsification by a public official in public documents (Article 476, Penal Code);
- material falsification by a public official in administrative certificates or authorisations (Article 477, Penal Code);
- material falsification by a public official in certified copies of public or private documents and in certificates attesting to the content of documents (Article 478, Penal Code);
- false statement by a public official in public documents (Article 479, Penal Code);
- false statement by a public official in administrative certificates or authorisations (Article 480, Penal Code);
- false statement in certificates committed by persons performing an essential public service (Article 481, Penal Code);
- material falsification by a private party (Article 482, Penal Code);
- false statement by a private party in a public document (Article 483, Penal Code);
- falsification in register entries and notifications (Article 484, Penal Code);
- falsification in a private agreement (Article 485, Penal Code);
- falsification in a signed blank sheet. Private deed (Art. 486, Penal Code);
- falsification in a signed blank sheet. Public document (Art. 487, Penal Code);
- other types of falsification in a signed blank sheet. Applicability of the provisions on material falsification (Article 488, Penal Code);
- use of a falsified document (Article 489, Penal Code);
- suppression, destruction and concealment of authentic deeds (Article 490, Penal Code);
- true copies that lawfully replace the missing originals (Article 492, Penal Code);
- falsification by public service officers (Article 493, Penal Code);
- computer fraud by a person providing electronic signature certification services (Article 640-quinquies, Penal Code).

Subsequently, the legislation again expanded the list of predicate offences.

The Law no. 94 of 15 July 2009, containing provisions on public safety, introduced Article 24-ter and, accordingly, the administrative liability of Entities for the commission of **organised crime offences**[7]:

- criminal association (Article 416, Penal Code);
- Mafia-type association to commit offences, including foreign associations (Article 416-bis, Penal Code);
- vote-trading between politicians and Mafia-type associations (Article 416-ter, Penal Code);
- kidnapping for ransom (Article 630, Penal Code);

[7] Organised crime offences were previously of relevance for the purposes of the Decree, only if they were transnational in nature.

- crimes committed by exploiting conditions of submission and the code of silence arising from the presence of unlawful mafia pressure; association aimed at the illegal trafficking of narcotic or psychotropic substances (Article 74, Presidential Decree no. 309 of 9 October 1990);
- association aimed at illegal trafficking of narcotic or psychotropic substances (Article 74, Presidential Decree 309/1990);
- criminal offences of illegal manufacture, introduction into the State, offer for sale, transfer, possession and carrying in a public place or place open to the public of weapons of war or similar weapons or parts thereof, of explosives, of illegal weapons and also of common firearms (Article 407.2 a) no. 5 of the Italian Code of Criminal Procedure).

The Law no. 99 of 23 July 2009, containing provisions on the development and internationalisation of companies and on energy, expanded the list of forgery offences provided for by Article 25-bis of the Decree, adding a number of offences that protect **industrial property**, namely:

- counterfeiting, alteration or use of trademarks or distinguishing marks or of patents, models and designs (Article 473, Penal Code);
- introducing into the State and selling products bearing counterfeit marks (Article 474, Penal Code).

The same legislative intervention introduced Article 25-bis 1, aimed at making Entities administratively liable for **offences against industry and commerce** as well as Article 25-novies aimed at making them administratively liable for **copyright offences.**

In relation to the former, the following offences are of relevance:

- Disrupting the freedom of industry or commerce (Article 513, Penal Code);
- Illegal competition using threats or violence (Article 513-bis, Penal Code);
- Fraud against national industries (Article 514, Penal Code);
- Fraudulent trading (Article 515, Penal Code);
- Sale of non-genuine foodstuffs as genuine (Article 516, Penal Code);
- Sale of industrial products with deceptive marks (Article 517, Penal Code);
- Manufacture and sale of goods made by usurping industrial property rights (Article 517-ter, Penal Code);
- Counterfeiting of geographical indications or denominations of origin of agricultural food products (Article 517-quater, Penal Code).

In relation to the protection of copyright, the following offences are of relevance which are provided for by Articles 171, subsection one, a-bis) and subsection three, 171-bis, 171-ter, 171-septies and 171-octies of Law no. 633 of 22 April 1941:

- making available to the public without authorisation, through a telecommunications network and using connections of any kind, a copyright-protected work or part thereof (Article 171.1 a-bis) of Law 633/1941);
- the offence referred to in the preceding subsection, committed in relation to a work that belongs to another person and is not intended for public disclosure, or where the authorship of the work is usurped or the work is distorted, mutilated or otherwise altered, where this adversely affects the author's reputation or good name (Article 171.3 of Law 633/1941);

- unauthorised duplication for profit of computer programs; import, distribution, sale, possession for commercial or business purposes or leasing of programs contained on media without the Italian Society of Authors and Publishers (SIAE) mark; provision of means to allow or facilitate the arbitrary removal or the functional evasion of devices that protect computer programs (Article 171-bis.1 of Law 633/1941);
- reproduction on media without the SIAE mark, transfer to another medium, distribution, communication, presentation or demonstration in public of the content of a database for purposes of profit; retrieval or reuse of the database in violation of the legally protected rights of database creators and users; distribution, sale or lease of databases (Article 171-bis.2 of Law 633/1941);
- unlawful duplication, reproduction, transmission or dissemination in public - by any procedure or method, whether in whole or in part - of intellectual property intended for television, film, sale or rental of discs, tapes or similar media or any other medium containing sound or video recordings of corresponding musical, cinematographic or audio-visual works or sequences of moving images (Article 171-ter.1 a) of Law 633/1941);
- unlawful reproduction, transmission or dissemination in public, by any procedure or method, of works or parts of literary, dramatic, scientific or educational, musical or dramatic-musical works, or multimedia works, also if included in collective or composite works or databases (Article 171-ter.1 b) of Law 633/1941);
- introduction into the State, possession for purposes of sale or distribution, the distribution, marketing, rental or the disposal of any kind, projection in public, broadcasting by television using any means, or broadcasting by radio of the illegal duplications or reproductions referred to in letters a) and b), without complicity in such duplication or reproduction (Article 171-ter.1 c) of Law 633/1941);
- possession for sale or distribution, marketing, sale, rental, disposal of any kind, projection in public, transmission by radio or television using any means, of video cassettes, music cassettes, any medium containing sound or video recordings of musical, cinematographic or audio-visual works or sequences of moving images or any other medium required by law to carry the SIAE mark, that do not have this mark or that have a forged or falsified mark (Article 171-ter.1 d) of Law 633/1941);
- re-broadcast or dissemination by any means of an encrypted service received using equipment or equipment parts designed to decrypt transmissions with authorised access only, without the agreement of the lawful distributor (Article 171-ter.1 e) of Law 633/1941);
- introduction into the State, possession for sale or distribution, distribution, sale, rental, disposal of any kind, commercial promotion, installation of special decoding devices or components that permit access to an encrypted service without paying the applicable fee (Article 171-ter.1 f) of Law 633/1941);
- manufacture, import, distribution, sale, rental, disposal of any kind, advertisement for sale or rental, or possession for commercial purposes of equipment, products or components or provision of services of a commercial nature or whose main purpose is to circumvent effective technological protections or which are designed, produced, adapted or realised in order to enable or facilitate circumventing such measures (Article 171-ter.1 f-bis) of Law 633/1941);
- unlawful removal or alteration of electronic information referred to in Article 102-quinquies, or distribution, import for purposes of distribution, broadcasting by radio or television, communication or provision to the public of copyright-protected works or other protected

material from which such electronic information has been removed or altered (Article 171-ter.1 h) of Law 633/1941);

- unauthorised reproduction, duplication, transmission or dissemination, sale or marketing, disposal of any kind, unauthorised importation of at least 50 copies or specimens of works protected by copyright and by related rights (Article 171-ter.2 a) of Law 633/1941);
- in order to make profits, making available in a telecommunication system, using connections of any kind, a copyright-protected work or part thereof in violation of the author's exclusive public communication rights (Article 171-ter.2 a-bis) of Law 633/1941);
- commission of the offences indicated in Article 171-ter, first subsection of Law 633/1941 by any person who, through entrepreneurial activities, carries out activities of reproduction, distribution, sale, marketing or importation of works protected by copyright and by associated rights (Article 171-ter.2 b) of Law 633/1941);
- promotion or organisation of the illegal activities referred to in Article 171-ter, first subsection of Law 633/1941 (Article 171-ter.2 c) of Law 633/1941);
- failure to notify the Italian Society of Authors and Publishers (SIAE) of the identification data of media not subject to the mark by producers or importers of such media, or misrepresentation as to fulfilment of marking obligations (Article 171-septies, Law 633/1941);
- fraudulent production, sale, import, promotion, installation, alteration, utilisation for public and private use of equipment or parts thereof for decoding audio-visual broadcasts with authorised access by air or by satellite, cable, in analogue or digital form (Article 171-octies, Law 633/1941).

Furthermore, Article 4 of Law No. 116 of 3 August 2009 introduced Article 25-decies, by which the Entity is deemed liable for the commission of the offence specified by Article 377-bis of the Penal Code, namely that of **inducement not to make statements, or to make false statements to the judicial authorities.**

Subsequently, Legislative Decree 121/2011 introduced into the Decree the Article 25-undecies, which extended the administrative liability of Entities to "**environmental offences**", namely to two contraventions introduced in 2011 into the Penal Code (Articles 727-bis, Penal Code, and 733-bis, Penal Code) and also to a series of offences already provided for by the Environmental Code (Legislative Decree 152/2006) and by other special environmental protection regulations (Law no. 150/1992, Law no. 549/1993, Legislative Decree no. 202/2007).

An additional offence type which triggers the Entity's administrative liability, consists of:

a) **offences provided for by the Environmental Code**, such as:

- killing, destruction, capture, removal, detention of specimens of protected wild animal or plant species, pursuant to Article 727-bis;
- destruction or damage to habitat in a protected site pursuant to Article 733-bis;
- international trade in endangered animal and plant species and
- sale and detention of live mammal and reptile specimens which may endanger public health and safety pursuant to Articles 1, subsections 1 and 2; Article 2, subsections 1 and 2; Article 3-bis, subsection 1, Article 6, subsection 4 of Law no. 150 of 7 February 1992;
- violations associated with the use of harmful substances pursuant to Article 3, subsection 6 of Law no. 549 of 28 December 1993;

- violations involving waste water discharges pursuant to Article 137;
- unauthorised management of waste pursuant to Article 256;
- violations involving the remediation of sites pursuant to Article 257, subsections 1 and 2 of Legislative Decree 152/2006;
- violation of obligations of notification and keeping of mandatory registers and forms, pursuant to Article 258;
- illegal traffic of waste pursuant to Article 259;
- violation of Waste Traceability Control System (SISTRI) obligations pursuant to Article 260-bis, subsections 6, 7 and 8;
- violations involving hazardous activities pursuant to Article 279, subsection 5 (surpassing emission limit values that determine when air quality limit values have been exceeded).

b) **offences provided for by Legislative Decree No. 549/1999** "Measures to protect the ozone layer and the environment", Article 3, subsection 6: violations regarding the cessation and reduction of the use of ozone depleting substances indicated in Table A of said Decree;

c) **offences provided for by law no. 150 of 7 February 1992** "*Regime of offences related to the application in Italy of the convention on international trade in endangered animal and plant species"*.

In the new Law 68/2015, legislators identified new material facts as a basis for the administrative liability of Entities, thereby supplementing the list of offences pursuant to Article 25-undecies of Legislative Decree 231/2001:

- environmental pollution (Article 452-bis, Penal Code);
- environmental disaster (Article 452-quater, Penal Code);
- culpable offences against the environment (Article 452-quinquies, Penal Code);
- trafficking and abandoning highly radioactive material (Article 452-sexies, Penal Code);
- aggravating circumstances (Article 452-octies, Penal Code);
- activities organised for the illegal trafficking of waste (Article 452-quaterdecies, Penal Code)[8].

The Legislative Decree 109/2012 was enacted in order to implement the EU Directive 2009/52/EC, and this Decree - among other things - inserted Article 25-duodecies which provided as follows: "**Employment of illegal aliens** - in relation to the commission of the criminal offence referred to in Article 22.12-bis of Legislative Decree no. 286 of 25 July 1998 (namely for the employer who employs foreign workers without a residence permit), the Entity is subject to the monetary fine of between 100 and 200 units, up to the limit of Euro 150,000". Article 25-duodecies was further substantiated by means of Law 161/2017 (the "Antimafia Code"), including the following additional punishable conduct:

- Article 12, subsections 3, 3-bis and 3-ter of Legislative Decree 286/1998, namely conduct committed by anyone who "promotes, manages, organises, finances, or transports foreigners into State territory or commits other acts intended to obtain their illegal entry into the territory of the State or of another State of which that person is not a citizen or is not entitled to permanent residence", including the associated aggravating circumstances. A monetary fine of between 400 and 1000 units is applicable for such conduct;

[8] Following the implementation of Legislative Decree 21/2018, the reference to Article 260 of the Environmental Code should be interpreted as referring to Article 452-quaterdecies of the Penal Code.

- Article 12, subsection 5 of Legislative Decree 286/1998, which sanctions the conduct of any person who, "in order to profit unjustly from a foreigner's illegal status or from the activities punishable under this Article, facilitates their stay in the State territory". A monetary fine of between 100 and 200 units is applicable for such conduct;

On 12 December 2017, the Law 167/2017 also came into force, containing "Provisions for the fulfilment of obligations arising from Italy's membership of the European Union" which, among other provisions, introduced the new Article 25-terdecies "**Racism and xenophobia**" into Legislative Decree 231/2001. More specifically, this Article supplements the catalogue of predicate offences involving the Entity's administrative liability, with the offences pursuant to Article 3, subsection 3-bis of Law 654/1975 (this reference should be understood to refer to Article 604-bis of the Penal Code - Propaganda and incitement to commit crimes for reasons of racial, ethnic and religious discrimination, introduced by Law 167/2017), namely propaganda, incitement to hatred or violence for racial, ethnic, national or religious reasons, whose commission involves a real risk of dissemination, which are based in whole or in part on denying, seriously minimising or defending the Shoah or the crimes of genocide, crimes against humanity and war crimes.

Further, on December 24, 2019, **Law dated December 19, 2019, n.157**, *"**Conversion in law, with amendments, of law decree of October 26, 2019, n.124, including urgent provisions in tax area due to compelling circumstances**"*, has been published in Italian Official Gazette also to implement indications of so called Directive PIF.

As a result, by new law provision, **art.25-*quinquiesdecies*,** of Legislative Decree n. 231/01, "**Tax Offences**" are considered as administrative offences. Under said offences, a fine is applied and, where expressly mentioned in the Decree, also discretionary disqualification penalties are applied with regards to specific crimes pursuant to Legislative Decree of March 10, 2000, n.74 (*"New provisions regarding offences on income tax and value-added taxes pursuant to provision of art.9 of Law dated June 25,1999,n.205"*):

- art. 2 D.Lgs. 74/2000 - Fraud statement by means of invoices or other similar documents for non-existent business operations;
- art. 3 D.Lgs. 74/2000 - Fraud statement by other deceptive practices;
- art. 8 D.Lgs. 74/2000 - Issue of invoices vìs-a-vìs non-existent operations;
- art. 10 D. Lgs 74/2000 – Concealment or destruction of accounting records;
- art. 11 co. 1 e 2 D.Lgs. 74/2000 - Fraudulent conversion to avoid tax payment.

Further, following the approval of the legislative decree implementing UE directive 2017/1371 dated July 14, 2020, the list of tax offences that implies also a Company's liability becomes wider [9] (pursuant to legislative decree of June 8,2001, n. 231) including also:

- art. 4 D.Lgs. 74/2000 – Unfaithful statement;
- art. 5 D.Lgs. 74/2000 – Failure to declare;
- art. 10-*quater* D.Lgs. 74/2000 – Unjustified compensation.

[9] Tax offences introduced by D.Lgs. 75/2020 (unfaithful statement art. 4, failure to declare art. 5 and unjustified compensation art. 10 quater of D.Lgs. 74/2000) have an impact with regards to 231 law only if "said offences have been carried out within cross-border fraudulent systems and with the purpose to avoid the value-added tax for a total amount higher than ten million euros".

Last, among the new clauses of the Legislative Decree implementing UE directive n. 2017/1371 related to the fight against fraud violating – from a criminal law perspective - financial interests of the Union the crime of smuggling is listed with the purpose (d.p.r. 23.01.1973, n. 43) to determine the administrative liability of the legal entities pursuant to Legislative Decree n. 231 of 2001 (the "Decree 231").

The Presidential Decree dated January 23, 1973 n. 43, well-known as the Customs Law (artt. 282 and following articles of D.P.R. 23 January 1973, n. 43) includes the regulation on customs exchanges and also the rules on smuggling crimes in addition to all general rules with regards to attempted relapse, habituality and professional criminal activities in smuggling.

The following are the smuggling crimes that are listed:

- Smuggling in the transfer of goods across territories borders and customs areas (Art. 282 DPR 43/1973);
- Smuggling in the lake cargo transport (Art. 283 DPR 43/1973);
- Smuggling in the maritime cargo transport (Art. 284 DPR 43/1973);
- Smuggling in the air cargo transport (Art. 285 DPR 43/1973);
- Smuggling in free customs areas (Art. 286 DPR 43/1973);
- Smuggling connected to improper use of goods imported with customs benefits (Art. 287 DPR 43/1973);
- Smuggling in customs warehouses (Art. 288 DPR 43/1973);
- Smuggling in cabotage and in circulation (Art. 289 DPR 43/1973);
- Smuggling in the export of compensating products (Art. 290 DPR 43/1973);
- Smuggling of temporary exported and imported goods (Art. 291 DPR 43/1973);
- Smuggling of imported tobacco products (Art. 291-bis DPR. 43/1973);
- Aggravating circumstances of smuggling of imported tobacco products (Art. 291-ter DPR 43/1973);
- Criminal association with the purpose of smuggling tobacco imported products;
- Other cases of smuggling (art. 292 of DPR 43/1973).

1.2 The adoption of the Organisational, Management and Control Model as a means to exempt Entities from administrative liability.

Having established the administrative liability of Entities, Article 6 of the Decree states that the Entity will not be liable if it can demonstrate that it adopted and effectively implemented - before the offence was committed, "*an organisational and management model appropriate to preventing offences of the type that occurred*".

The Article also provides for creation of *an internal control body within the Entity*, tasked with monitoring the operation, effective implementation and observance of the Model, and with updating the Model.

The organisational, management and control models (hereinafter also "Models") should satisfy the following requirements:

- to identify the activities which may give rise to the offences listed in the Decree;
- to establish specific protocols that can guide the process of formulating and implementing the Entity's decisions in relation to the offences to be prevented;
- to define procedures for managing financial resources to prevent such offences from being committed;
- to establish reporting obligations to the Body responsible for monitoring the Models' operation and compliance;
- to put in place an effective disciplinary system to punish non-compliance with the measures required by the Models.

Where the offence is committed by persons performing representative, administrative or managerial functions on behalf of the Entity or of a financially and functionally independent organisational unit thereof, or by persons who manage and control the Entity (de facto or otherwise), the Entity will not be liable if it can prove that:

- the governing body adopted and effectively implemented, prior to the commission of an offence, organisational and management models suitable for preventing offences of the type that occurred;
- an internal supervisory body with independent powers of initiative and control has been tasked with supervising the operation of and compliance with the Models, and updating them;
- the persons committing the offence did so by fraudulently circumventing the provisions of the Models;
- the Supervisory Body did not fail in its supervisory duties in relation to the Models, either by omission or lack of supervision.

If, however, the offence is committed by persons under the management or supervision of one of the aforementioned persons, the Entity will be liable if the commission of the offence was made possible by the failure to fulfil management and supervisory obligations. Such failure will be ruled out if the Entity, prior to the commission of the offence, adopted and effectively implemented organisational Models suitable to preventing offences of the kind committed, based, necessarily, on a priori assessment.

Lastly, Article 6 of the Decree provides that organisational and management Models may be adopted on the basis of codes of conduct prepared by representative trade associations and submitted to the Ministry of Justice.

2. ADOPTION OF THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01 OF FENDI S.R.L.

Fendi S.r.l., (hereinafter also the "Company") has as its corporate purpose the purchase, production and sale (including on-line) in Italy and abroad of industrial and artisan products such as (without limitation) leather goods and accessories, outer clothing in fabric, knitwear, leather, various materials, leather articles, clothing accessories, jewellery, gold objects, costume jewellery.

Fendi S.r.l. - in order to ensure that the conduct of all persons operating on behalf or in the interest of the Company complies in all circumstances with applicable legislative and regulatory provisions and with the principles of integrity and transparency when carrying out business activities - has adopted the Organisational, Management and Control Model, in line with the provisions of Legislative Decree 231/2001 and based on the Guidelines issued by *Confindustria*.

This action was taken in the belief that drawing up, adopting and implementing this Model - even apart from the Decree's requirements - is a valid means to raise the awareness of all persons operating in the name or on behalf of the Company as to the importance of conducting themselves correctly and properly when carrying out their duties, in order to minimise the risk of commission of the offences listed under the Decree.

The following are Recipients of this Model who are, as such, required to know and comply with said Model within the context of their specific duties and tasks:

- members of the Board of Directors, when pursuing the company's interests in all resolutions adopted;
- members of the Board of Statutory Auditors, in their activities of monitoring and assessing the formal propriety and substantial legitimacy of the Company's activities and the functioning of the internal control and risk management system;
- all employees and collaborators with whom contracts have been signed, on any basis whatsoever, including occasional and/or temporary contracts;
- all persons/entities engaged in commercial or non-commercial dealings of any kind with the Company.

2.1 Purposes of the Model of Fendi S.r.l.

The following are the purposes of the Model:

- to integrate and reinvigorate the Company's Corporate Governance system;
- to establish a structured and consistent system of prevention and control mechanisms whose purpose is to reduce the risk of commission of offences that are potentially associated with the Company's activities;
- to provide information and training to Recipients on the existence of the aforementioned system and on the need to ensure that their activities comply with that system on an ongoing basis;
- to emphasise that the Company does not tolerate and does not engage in unlawful conduct, and that the purpose supposedly pursued or the conviction that one is acting in the Company's interest or for the Company's benefit is no excuse, because such conduct still contravenes the ethical principles and values which inspire the Company's activities and which it intends to uphold in the context of its corporate mission, and is therefore contrary to the Company's interests;

- to inform all persons operating in the name, on behalf or in the interest of the Company that the commission of an offence in the mistaken belief that the Company is benefiting, will not only lead to criminal sanctions being applied against the perpetrator, but also to administrative sanctions against the Company, thereby exposing it to adverse effects and consequences in financial, commercial and operational terms and in terms of loss of image and reputation;
- to inform all persons operating in the name, on behalf or in the interest of the Company that the infringement of the Model's provisions will lead to the application of disciplinary and/or contractual sanctions, prior to and independently of the possible commission of offences.

2.2 The process of compiling and updating the Model of Fendi S.r.l.

The Company guarantees the functionality, updating and continuous implementation of the Model according to the methodology indicated by the *Confindustria* Guidelines and by best practices.

On 14 November 2005, the Company's Board of Directors approved the Organisational Model pursuant to the Decree, drawn up based upon the Confindustria Guidelines, and subsequently updated it by Board resolution of 31 May 2010.

On 27 April 2015, the Board of Directors approved and adopted an additional update to the Model in order to reflect intervening regulatory amendments and also changes in the Company's organisation. The Board of Directors also appointed a new Supervisory Body (hereinafter also "SB") pursuant to Legislative Decree 231/01, following the expiry of the previous Supervisory Body's term of office.

After the offence of self-laundering was introduced into the scope of the Decree, and after the Law 68/2015 introduced changes to the environmental offences and reformulated the offences of corruption and financial statement fraud pursuant to Law 69/2015, the Company again updated the Model, the new version of which was approved by the Board of Directors on 10 December 2015.

Furthermore, on **23 May 2017** the Board of Directors resolved to further update the Model after Article 603-bis of the Penal Code ("Unlawful intermediation and exploitation of labour") was inserted into the list of offences referred to in Article 25-quinquies.

In the first quarter of 2019, the model has been further updated due to the amendments and additions requested by the law. In particular: application of Legislative Decree 21/2018 including "Provisions for the application of the fundamental principle that an offence or a sanctions can be imposed only if established by the law "; application of Legislative Decree 107/2018 on market abuse; application of Anti-Bribery Bill including "Measures to fight crimes against the Public Administration and measures on transparency of political parties and political movements".

Further, the *Special Part "L", Tax Offences* has been added in the first quarter of 2020 in order to include, in the Model, among the crimes under Legislative Decree 231/01, also offences of art. 2, 3, 8, 10, 11 so called "Tax Offences", as per Legislative Decree 74/2000.

Last, during the second quarter of the year 2020, *Part Special "M", Smuggling Offences* has been added with the purpose of acknowledging in the Model, the crimes of artt. 282, 285, 287, 291 D.P.R. 43/1973, among crimes required by D.Lgs. 231/01.

Further, with the implementation by the Government of UE Directive 2017/1371, "with regards to the fight against fraud violating – from a criminal perspective - financial interests of the Union" the following tax offences have been added: Unfaithful statement (art. 4, D.Lgs. 74/2000); Failure to declare (art. 5, D.Lgs. 74/2000); Unjustified compensation (art. 10-quater, D.Lgs. 74/2000).

Among the new regulations introduced by D.Lgs. implementing UE directive n. 2017/1371, the following are also listed:

- the introduction in the list of offences that imply a liability pursuant to D. Lgs. 231/2001, the crime of fraud in public supplies (356 c.p.);
- a wider number of offences against the Public Administration also implying companies' liability, by adding the crime abuse of authority (art. 323 c.p.).

The Company, in particular, by availing of the Supervisory Body's galvanising and control functions, identifies and periodically evaluates those activities which are vulnerable to the commission of the criminal/administrative offences envisaged by the Decree (the "Risk Assessment"), by means of regulatory updates, analysis of the Company's business context and also by utilising the experience gained during previous company operations (the "historical analysis").

The results of all this activity are reported in a document containing the "company activity map" which indicates the at-risk areas and also the potential risks associated with those areas, indicating what offences could potentially be committed within the operational areas examined, and also the ways in which those offences could be committed, which are identified for purposes of illustration only.

The activity areas at risk include those activities that may be instrumental to and therefore indirectly linked to the commission of the offences, in addition to being directly linked to the commission of said offences. *Instrumental* activities, more specifically, are those in which the *de facto* conditions that facilitate the possible commission of offences may materialise, in the areas that are directly linked to the commission of the offences specified under the Decree.

In relation to all of the at-risk areas, and to the instrumental areas as well, the Company's indirect dealings are also assessed, i.e. those which it engages in or could potentially engage through third parties. It should be noted that the risk profiles associated with the Company's activities are assessed also by reference to cases in which corporate officers cooperate with persons/entities outside the Company, on an occasional and temporary basis (known as persons acting in concert) or in an organised way with the purpose of committing an undetermined series of offences (known as offences of association). Furthermore, the analysis also looked at the possibility that the offences considered could be committed abroad, or using transnational means.

The Company has available a set of organisational and procedural safeguards, also in relation to the types of offences not specifically examined in the Special Parts of the Model, whose purpose is to ensure that Company's activities are carried out correctly, and therefore to minimise the risk that these offences, too, could be committed. In this context, reference is made to the principles of the Company's Code of Ethics, and to the specific provisions of the internal regulatory system:

- analysis of the existing system of preventive controls inherent in processes/activities that are subject to offence risk (organisational system; authorisation system; management control system; documentation monitoring and control system; operating procedures), in order to assess their suitability to prevent offence risk (as-is analysis);
- identification of the areas of integration and/or improvement in the control system and definition of the actions to be taken (gap analysis);
- implementation of the principles of conduct and procedural rules of the Model on an ongoing basis, and verification of the functionality and adequacy of the control mechanisms in concrete cases, continuously monitoring effective compliance with the Model.

2.3 Features of the Model of Fendi S.r.l.

The Model consists of the following features:

- an internal regulatory system, aimed at the prevention of criminal offences, comprising (among other things):

- the Code of Ethics, which expresses the commitments and ethical responsibilities undertaken by all persons who operate on behalf or in the interest of the Company when carrying out company business;
- internal procedural rules (protocols) whose purpose is also to regulate the operating procedures that apply in the at-risk areas.

The internal procedural rules applicable in relation to the at-risk areas envisage:

- the segregation of functions, within each process, between the person who makes the decision, the person who authorises it, the person who implements it and the person entrusted with monitoring the process ("segregation of functions");
- the document traceability of each material step in the process described above;
- an adequate level of formalisation, dissemination and communication.

The Company defines the responsibilities, procedures and timeframes involved in the process of preparation, approval, updating and dissemination of internal procedural rules.

- a management control system and a control system for financial flows applicable in at-risk activities.

  In particular, the Company's management control system is divided into the various phases of preparation of the annual budget, analysis of the periodic balances and preparation of forecasts.

  The system guarantees:

  - the involvement of a plurality of persons consistent with the proper segregation of functions involved in preparing and transmitting information, in order to guarantee that disbursements are in all cases requested, made and monitored by functions that are independent or by persons who are as far as possible separate, and who are not assigned other additional responsibilities that could cause potential conflicts of interest. A double signature is also required for the deployment of available funds for amounts exceeding predetermined thresholds;
  - the preservation of assets, with the associated prohibition on engaging in at-risk financial transactions;
  - the ability to promptly report the existence and occurrence of critical situations by means of an adequate and time-responsive system of information and reporting flows.
- an organisational structure that is consistent with the Company's activities, that can ensure correct conduct, guaranteeing a clear and consistent assignment of responsibilities with a suitable segregation of functions, ensuring that the structure provided for by the organisational system is actually implemented and monitored, by means of:

  - a system of authorisation based on the following principles:
    - ✓ the definition of roles, responsibilities and controls in the process of granting and revoking powers of attorney;
    - ✓ the monitoring of existing powers of attorney and their updating;
    - ✓ the assignment and revocation of powers of attorney consistently with the positions held in the organisation;
    - ✓ the clear definition of the delegated person's powers and of the limits on the exercise of powers of attorney, consistently with the Company's objectives;

- ✓ the actual need to grant powers of attorney in order to conduct dealings with third parties and, in particular, with the Public Administration.

More specifically, the system provides for the grant and periodic review of:

- ✓ powers of permanent representation, which may be assigned by means of notarised powers of attorney that are registered, in order to facilitate the performance of activities associated with the permanent responsibilities provided for in the Company's organisation. Powers of attorney that grant permanent representation authority may only be conferred by the Board of Directors;
- ✓ powers pertaining to individual transactions, which are assigned using notarised powers of attorney or other forms of delegation, depending on their content, in conformity with the laws defining the forms of representation and depending on the various types of instrument or document to be drawn up and signed;

in order to ensure continuous updates and consistency between the company signatory authorisation and representation system, and the organisational and management responsibilities defined, when:

- ✓ the Company's macro-organisational structure is being reviewed (establishment/alteration of organisational units/functions, etc.);
- ✓ significant changes of responsibility and of key corporate positions occur;
- ✓ persons with delegated powers depart from the organisation, or when persons who require delegated powers enter the organisation;

- a **Supervisory Body,** that satisfies the requirements of independence, continuity of action and professionalism, has been tasked with monitoring the operation and observance of the Model and of proposing updates to the Model, after it has been granted powers, resources and access to information for this purpose which are necessary to facilitate its functions;

- a well-defined and comprehensive **training and information system** has been put in place, whose purpose is to consolidate all Recipients' knowledge of the principles and rules with which the Company must endeavour to ensure compliance in its day-to-day operations;

- a **disciplinary system** has been adopted**, as provided for by the applicable national collective labour agreements** (CCNL), addressed to the Recipients of the Model, which punishes any infringement of the Model.

2.4 Structure of the Document

The Model consists of a "General Part" and of "Special Parts".

The General Part explains the essential features of the Model, with particular reference to the following: the Supervisory Body, personnel training, the dissemination of the Model inside and outside the Company, the disciplinary system and the measures to be implemented in the event of non-compliance with its provisions.

The Special Parts are devoted to the various types of criminal/administrative offence contemplated by the Decree, which are considered to represent an offence risk for Fendi S.r.l.

In view of the specific operations of Fendi S.r.l., it was deemed appropriate to focus attention on what are considered to be the more significant risks of commission of the offences indicated in Articles 24 and 25 (offences against the Public Administration), 24-ter (organised crime offences, also having regard to international criminality within the meaning of Law 146/06), 25-ter (corporate offences, amended pursuant to Law 190/2012 which also introduced the criminal offence of bribery among private individuals), 25-septies (manslaughter or serious or very serious culpable injuries committed in violation of workplace health and safety rules), 25-octies (receiving stolen goods, money laundering and use of money, goods or assets of illicit origin, and also self-laundering), 25-decies (inducement not to make statements, or to make false statements to the judicial authorities), 25-undecies (environmental offences), Article 25-bis.1 (offences against industry and commerce) and 25 *quinquiesdecies* tax offences) of the aforementioned legislation. The general control principles described in the General Part and in the Code of Ethics are applicable to these groups of offences, as are the general principles of conduct and preventive control described in each Special Part.

In relation to the criminal offences referred to in Articles 24-bis (computer crimes), 25-bis (offences of counterfeiting of currency, public credit notes, official stamps and identification instruments or marks), 25-quater (criminal offences aimed at terrorism or subversion of the democratic order), 25-novies (offences of copyright infringement), 25-duodecies (employment of illegal aliens) and 25-quinquies (criminal offences against individuals), the risk assessment activities carried out have revealed that although there is an actual possibility that these offences could be committed, nevertheless the possibility is not significant in view of the activities carried out by the Company and also taking into account the checks conducted by the competent corporate functions in relation to these offence types. Therefore, the general control principles described in the General Part are applicable in relation to this type of offence, as are the general principles of conduct described in Special Part I and in the Code of Ethics.

For the remaining groups of offence provided for by the Decree, however, it was considered that although the commission of those offences is possible, it is nevertheless remote in view of the scope of the Company's activities, and therefore, they are subject to the general control principles described in the General Part and in the Code of Ethics.

Accordingly, the Model is structured into the following Special Parts:

- **SPECIAL PART "A"** ("Offences against the Public Administration and the Administration of Justice");
- **SPECIAL PART "B"** ("Offences in violation of accident prevention and workplace health and safety rules");
- **SPECIAL PART "C"** ("Environmental offences");
- **SPECIAL PART "D"** ("Offences of receiving stolen goods, money laundering and use of money, goods or assets of illegal origin, as well as self-laundering");
- **SPECIAL PART "E"** ("Corporate offences");
- **SPECIAL PART "F"** ("Bribery among private individuals");
- **SPECIAL PART "G"** ("Organised crime offences and transnational offences");

- **SPECIAL PART "H"** ("Offences against industry and commerce");
- **SPECIAL PART "I"** ("General principles of conduct applicable to the relevant additional groups of offences")
- **SPECIAL PART "L"** ("Tax Offences");
- **SPECIAL PART "M"** ("Smuggling Offences").

2.5 Amendments and supplements to the Model

The Company's Board of Directors is responsible for adopting and later amending and supplementing the Model in conformity with the provisions of Article 6.1 a) of the Decree.

The Company therefore:

- draws up and implements the Model by reference to its own at-risk activities;
- updates the Model from time to time, as required.

All those who operate on behalf or in the interest of the Company in activity areas which are subject to offence risk are responsible for implementing the Model in relation to the individual offence categories set forth in the Decree.

Reference should be made to the provisions of subsection 6, in any case, for the updating of the Organisational, Management and Control Model.

3. SUPERVISORY BODY

3.1 Composition and requirements of the Supervisory Body

The Supervisory Body of Fendi S.r.l. is established as a collective body consisting of three members: one external member acting as its Chairperson, and two internal members.

The Supervisory Body's external member is identified from among reliable professionals who have proven competence and experience in dealing with the areas and issues of relevance for the purposes of the Decree, and who have also acquired adequate and proven experience in applying the Decree itself.

The Supervisory Body has, moreover, adopted a special Regulation as a sign of its operational and organisational independence and whose purpose, in particular, is to regulate the functioning of its activities.

The Company's Supervisory Body, in compliance with the Decree and with the *Confindustria* Guidelines, satisfies the requirements of:

a) autonomy and independence;

b) professionalism;

c) continuity of action;

a) Autonomy and independence

The SB is independent from the Board of Directors, which it has remit to supervise and control.

To safeguard the SB's independence, it remains in office for a three-year period and its members may withdraw from the SB at any time by simply notifying the Chairperson of the Board of Directors of this decision; the Chairperson must remain in office until his/her successor is appointed. As an additional guarantee of the its independence, the Supervisory Body notifies the Board of Directors and the Board of Statutory Auditors of its activities, every six months. In any case, the Supervisory Body promptly reports any especially noteworthy or significant event.

The SB's activities are not subject to examination or censure by any company function, body or structure, without prejudice to the governing body's power and obligation to monitor the adequacy of the SB's intervention to ensure that the Model is updated and implemented as required.

If considered necessary in order to implement its functions, the SB may request the Company's Board of Directors to provide it with sufficient financial resources to carry out its operations. To this end, the Board of Directors will make a financial allocation to the SB, based on the latter's recommendations, for costs and expenses that will be incurred in the exercise of its functions, in relation to which the SB will provide adequate accounts on an annual basis.

b) Professionalism

The Supervisory Body's members have special technical and professional competence and expertise which are adequate to the functions assigned, and it may also avail of the technical support of personnel inside or outside the Company.

In order to ensure that the functions and duties assigned are implemented as effectively and efficiently as possible, the Supervisory Body avails of the support of Company structures to carry out its operations, if their occasional contribution can be of assistance in implementing the activities indicated.

For specific issues associated with workplace health and safety protection, the SB utilises all resources put in place to manage the related aspects (Prevention and Protection Service Manager - RSPP, etc.).

c) Continuity of action

The SB operates at the Company, exercising its control powers on an ongoing basis and meeting (also every two months) in order to effectively carry out its mandate.

In order to ensure that sensitive corporate processes are monitored in accordance with the Decree, the SB utilises not only the knowledge of the management offices and functions involved, but also the entire set of corporate procedures and information flows to the Supervisory Board, and it also holds hearings with the Managers of areas that are susceptible to the risk of commission of offences. When verifying the functioning of sensitive processes pursuant to the Decree, the SB may avail of the Internal Control Function.

3.2 Causes of ineligibility and of incompatibility and revocation of the mandate of Supervisory Board members

The following factors constitute grounds of ineligibility of SB members and justification for revoking their mandate for "just cause":

- absence or loss of the prerequisites of professionalism, autonomy, independence and continuity of action;

- relationship by marriage or kinship (up to the fourth grade of kinship) with directors, statutory auditors or managers of the Company;

- existence of direct or indirect financial and/or contractual relationships (remunerated or otherwise) with the Company and/or with its directors, and also in relation to matters which involve the Company. The work relationship between the Company on the one hand and the Internal Control Function Manager and the Chief Financial Officer Europe & Middle East (function manager) is not taken into account for this purpose, nor is the work relationship of the Supervisory Body as a whole taken into account for the purposes of the mandate granted;

- holding of equity interests in the Company's share capital, directly or indirectly, such as to exercise control in connection with the mandate granted;

- any other situation of actual or potential conflict of interest with the Company, different from those detailed in the above subsections;

- the judicial authorities have issued prevention measures against the SB member, namely disqualification, prohibition, declaration of bankruptcy, permanent or temporary disqualification from public offices or incapacity to hold management or executive roles;

- the existence of criminal proceedings pending, or a criminal conviction or a sentence applying punishment pursuant to Article 444 *et seq.* of the Code of Criminal Procedure, appealable or otherwise, in relation to offences provided for by the Decree or other offences of the same nature;

- the existence of a criminal conviction or a sentence applying punishment pursuant to Article 444 et seq. of the Code of Criminal Procedure, in criminal proceedings, or an administrative conviction, appealable or otherwise, issued against the Company in connection with the respective offences provided for by the Decree;

- a serious breach of the SB member's duties as defined in the Model, or serious grounds pointing to improper advantage, which prevent them from carrying out their duties diligently and

effectively or which undermine their independent judgment in the performance of the functions assigned;

- the violation of confidentiality obligations, as specified in the letter of appointment to SB members;

- the failure to attend at least 80% (eighty percent) of the SB's meetings.

The prohibition on competition indicated in Article 2390 of the Italian Civil Code is also applicable to each SB member.

In order to guarantee the SB's continuity of action and to ensure that the legitimate performance of its functions and role cannot be undermined by unjustified removal from office, the mandate granted to one or more SB members may be revoked only by a special Board of Directors resolution, in consultation with the other SB members, and only for "just cause", if and when any of the aforementioned conditions or circumstances should occur.

If all or a majority of the SB members are removed from office, the Board of Directors shall promptly appoint a new SB. Pending the appointment of the new SB, the tasks and duties assigned to it will be performed on a provisional basis by the Board of Statutory Auditors, in accordance with Article 6.4-bis of the Decree.

3.3 The Supervisory Body's functions and powers

The Company's SB is responsible for checking and overseeing the adequacy of the Model, effective compliance with the Model and for ensuring that it is updated as necessary.

More particularly, the SB has the following tasks and duties:

- to ensure that the Model is effectively tailored to the Company's corporate structure and can effectively prevent the offences referred to in the Decree, proposing any updates to the Model where deemed necessary, particularly in light of changes in the Company's organisational structure and operations and/or legislative or regulatory changes;

- to monitor the periodic validity of the Model and associated procedures, taking any action and steps required to ensure its effectiveness, also in consultation with the relevant company functions. This task includes formulating proposals to adapt the Model, to be submitted to the Board of Directors, and subsequently verifying the implementation and functionality of the solutions proposed;

- to assess - based on the approved Business Plan - whether the Model and the associated procedures remain solid and functional over time;

- to carry out checks and controls in Company structures that are deemed vulnerable to offence risk, in accordance with the approved Business Plan or also by means of unscheduled checks and surprise callouts, in order to ascertain whether the activity in question is being conducted in conformity with the Model adopted;

- to ascertain, by means of follow-up activities, that the proposed solutions have been implemented and actually work;

- to assess acts carried out by Company officers with signatory authority, also by a suitable scheduling of interventions;

- to periodically audit - with the support of the other competent functions - the existing system of delegated powers, recommending changes in cases where the management authority and/or job title in question fails to correspond with the representation powers granted to the internal manager or to the sub-managers;

- to define and supervise, in the context of implementing the Model, the information flow that facilitates the Supervisory Body to receive periodic updates, from company functions concerned, about activities that are deemed vulnerable to offence risk, and also to determine the communications methods by which it shall be notified of any infringements of the Model;

- to monitor the effective application of the Model and to identify any conduct anomalies which may be revealed following the analysis of information flows and from reports received;

- to implement an effective information flow to the competent corporate bodies, in compliance with the Model's provisions, which facilitates the SB in reporting to those bodies on the effectiveness of the Model and on compliance with the Model;

- to promptly notify the Board of Directors of any infringements of the Model's procedural or substantive provisions which could give rise to offences under the Decree;

- to promote an adequate process of personnel training for the competent corporate structures by putting in place suitable initiatives to disseminate awareness and understanding of the Model, with the support of the Human Resources Department;

- to ensure, by suitable monitoring, that the managers of areas vulnerable to offence risk are informed about the specific tasks and duties associated with supervision of the relevant area in order to prevent the commission of offences pursuant to the Decree;

- to periodically check, with the support of the other competent Company structures, the validity of clauses whose purpose is to ensure that Recipients comply with the Model's provisions;

- to notify the competent bodies of any infringements of the Model through the Disciplinary System, in order for sanctions to be imposed.

The SB is vested with the following powers to implement its compliance obligations as listed above:

- to access any relevant company document and/or information to enable it to implement its functions and powers under the Decree;

- to avail of outside consultants of proven professionalism and experience if this proves necessary in order to carry out its tasks and duties, ensuring compliance with the requisite provisions pertaining to the appointment of consultants;

- to verify that managers of the Company structures promptly provide the information and data requested of them;

- to attend direct hearings of Company employees and of the Board of Directors, as necessary;

- to request information from outside consultants, business partners and auditors in the context of activities performed on the Company's behalf.

The SB may decide to delegate one or more specific tasks to its members, in accordance with their respective competences, subject to reporting obligations to the SB. This is without prejudice to the SB's collective responsibility, also in relation to the functions which it has delegated to individual members.

3.4 Supervisory Body's reporting obligations to the Board of Directors

The Company's SB, within the context of the tasks assigned to it, reports to the Board of Directors so that the latter is facilitated in adopting the relevant resolutions and actions required in order to ensure that the Model can be effectively and continuously implemented and adapted on an ongoing basis.

More specifically, the SB reports to the Board of Directors every six months on:

- its global activities carried out during the period, particularly its verification of sensitive processes within the meaning of the Decree;
- any critical issues emerging in terms of conduct or events occurring within the Company or in terms of the Model's efficacy;
- an analysis of any reports received during the year and any actions taken by the SB and by other responsible parties;
- any proposals to revise and update the Model;
- the Business Plan for the following year.

Furthermore, the SB shall provide for *ad hoc* information flows, independently of the periodic information flow provision, if particular circumstances exist which make this desirable or necessary. Therefore, the SB shall promptly report to the Board of Directors:

- any infringement of the Model, deemed grounded, that employees have notified to the SB or which the latter has itself ascertained;
- any organisational or procedural deficiencies that entail a concrete risk that the offences pursuant to the Decree could be committed;
- any non-cooperation by the relevant corporate structures;
- any criminal proceedings brought against persons operating on the Company's behalf, or any proceedings brought against the Company involving offences pursuant to the Decree, which come to its attention in the course of implementing its functions;
- the outcome of assessments made by the SB after the Judicial Authority has commenced investigations involving offences pursuant to the Decree;
- any other information considered useful in facilitating the Board of Directors to adopt urgent decisions or resolutions.

The SB shall also promptly report to the Board of Directors any infringements of the Model committed by the Company's Managers.

The minutes of Supervisory Body meetings are drawn up by the Chairperson together with other members of the SB.

3.5 Information flows to the Supervisory Body

Article 6.2 d) of the Decree requires the Model to provide for reporting obligations to the Supervisory Body that has been appointed to oversee the operation of and compliance with the Model.

The obligation to ensure a properly structured information flow was devised as a way of ensuring that the Model's effectiveness could be properly supervised, and to facilitate any retrospective assessment of the causes enabling offences pursuant to the Decree to be committed in the past.

The effectiveness of the supervisory activities is based on a structured system of reporting and information provision from all of the Model's Recipients, in relation to any acts, conduct or events that come to their attention which could involve an infringement of the Model or are, more generally, of potential relevance for the purposes of the Decree.

As provided for by the *Confindustria* Guidelines and by best practice in the sector, information flows to the Supervisory Body involve the following categories of information:

- ad hoc information flows;
- continuous information provision.

3.5.1 AD HOC INFORMATION FLOWS

The ad hoc information flows to the SB, from corporate officers or from third parties, relate to the following existing or potential critical matters:

a) information of an occasional nature which the competent function should immediately report to the SB.

The reporting obligation relates to the following:

- orders and/or information from the judicial authorities or from any other authority, revealing that investigations/assessments are being carried out, involving the Company, for the criminal/administrative offences pursuant to the Decree, also against unknown persons;
- requests for legal assistance submitted by managers and/or employees, in the event that legal proceedings are instituted for offences pursuant to the Decree;
- information on the Model's actual implementation at all Company levels, highlighting any disciplinary procedures implemented and any penalties imposed, or any orders to dismiss such proceedings accompanied by reasons;
- reports which may reveal facts that are problematic in terms of compliance with the Decree's provisions;
- any anomaly encountered in the context of the Internal Control Function's verification activities;
- any situations indicating potential conflict of interest between any Recipient and the Company;
- any workplace accidents or quasi-accidents, or orders handed down by the judicial authorities or by other authorities in the workplace health and safety field.

b) information, however originating, suggesting that offences or infringements of the Model may have been committed:

- the commission of offences or acts carried out which facilitate the commission of offences;
- the commission of administrative offences;
- conduct inconsistent with the Model and associated protocols;
- changes or shortcomings in procedures;
- changes or deficiencies in the corporate structure;
- operations that are at risk of the commission of offences.

The SB may also request the external audit firm to provide information on its activities, which may be of use in implementing the Model, and it may provide for an exchange of information and periodic meetings with said external audit firm.

The SB assesses the reports received, anonymously or otherwise, and decides what initiatives are to be taken, if any, listening as relevant to the reporting party and/or to the person responsible for the alleged infringement and/or any other person that can assist it, justifying in writing any conclusions reached.

A "dedicated information channel" has been set up to facilitate the flow of reports and information to the SB (Organismodivigilanzafendisrl@it.fendi.com).

3.5.2 CONTINUOUS INFORMATION PROVISION

In addition to the information indicated in the above subsection, the SB must also be promptly sent relevant information concerning recurrent activities:

- declarations to the effect that no causes of incompatibility exist between the external audit firm and Fendi S.r.l.;
- information on any significant organisational and procedural changes that have taken place in relation to the Model;
- the division of powers and the system of delegated powers which the Company has adopted, and any changes to that system;
- documentation related to the application for and disbursement and administration of public loans or subventions;
- intragroup transactions that involve the purchase or sale of goods or services at values other than market values, specifically indicating the reasons;
- any financial transfers between the Company and other Fendi companies in Italy that are not justified by a special contract entered into at market conditions;
- any financial and commercial transactions conducted in countries subject to special tax rules;

- documentation related to information and training activities conducted in the course of implementing the Model, and related to the participation by personnel in those activities;

- any environmental inspection reports drawn up by Public Authorities and/or by Supervisory Authorities - e.g. Regional Environmental Protection Agency (ARPA), Local Health Authority (ASL) etc. - and any other document relevant to environmental issues;

- any document of use in evaluating the provision and maintenance over time of suitable safeguards for the prevention of unlawful conduct when using IT tools and systems and when processing data;

- procedures whose purpose is to safeguard workplace health and safety, any changes to the organisational structure and procedures in this area, as well as documents of relevance to the workplace health and safety management system such as, but not limited to, the Risk Assessment Documents, the Accident Register, the Emergency Plans, the minutes of periodic risk prevention and protection meetings, and the results of site inspections;

- data on any accidents occurring in the Company and also on "quasi-accidents" i.e. incidents which although not injurious to workers can be considered symptomatic of possible weaknesses or gaps in the health and safety system, adopting the necessary measures to ensure that the relevant protocols and procedures are suitably updated.

3.5.3 WHISTLEBLOWING

The Law no. 179 of 30 November 2017 (the "Whistleblowing" Law) has been enacted, containing "Provisions for the protection of persons who report offences or irregularities that have come to their attention in the context of a public or private employment relationship" ("Whistleblowing law"), which defined:

- aspects associated with safeguarding employees who make a whistleblower's report;

- the Entity's obligations not to discriminate against reporting parties and to safeguard their anonymity;

- the need for one or more communication channels to exist (including electronic channels) which permit reporting parties to submit their reports while simultaneously ensuring their anonymity;

- the prohibition of retaliation or discrimination against the reporting party, due to the whistleblower's report;

- the need for the disciplinary system to provide for sanctions against persons who infringe the protection of the reporting party, and also against persons who wilfully or negligently make reports that turn out to be unfounded.

The law emphasises, furthermore, that reports of unlawful conduct pursuant to the Decree 231/2001 or of violations of the Entity's Organisational and Management Model which come to the employee's/reporting party's attention by reason of his/her job functions must be properly substantiated and justified by facts that are specific and concordant.

As envisaged by best practices in this area and as provided for by Law no. 179 of 30 November 2017 containing "Provisions for the protection of persons who report offences or irregularities that have come to their attention in the context of a public or private employment relationship" ("Whistleblowing law"), Fendi's whistleblowing system makes provision for:

- the persons who are authorised to make a report (all FENDI S.r.l. employees, all the employees of companies that distribute the FENDI brand in accordance with Best Practices for the protection of the brand utilised, and also the recipients of the Code of Ethics and of the 231 Model);

- the acts or facts that can be reported, and also the criteria which reports should satisfy in order to be considered;

- the procedures by which alleged violations must be reported (email or hardcopy) and those who are authorised to receive the reports (Supervisory Body);

- the examination and (as relevant) investigation procedures that apply when a report is made;

- the guarantee of confidentiality and data protection of the reporting party and of the party who is the subject of the report itself;

- the prohibition of retaliation and discrimination against the reporting party.

To this regard, the Company has implemented the procedure of "Whistleblowing" that we fully refer to for details.

3.5.4 REPORTS TO THE SUPERVISORY BODY FROM THE MANAGERS OF AT-RISK AREAS

All of the Model's Recipients must inform the SB about any acts, conduct or events that come to their attention which could involve an infringement of the Model or are, more generally, of potential relevance for the purposes of the Decree.

More specifically, the Department and Function Managers become responsible internally for each individual at-risk operation engaged in by them or implemented, directly or through their own collaborators, within the organisational structure which they head up.

4. PERSONNEL TRAINING AND DISSEMINATION OF THE MODEL INSIDE AND OUTSIDE THE COMPANY

4.1 Information and training provision to personnel

In order to make the Model fully effective, the Company aims to ensure that its personnel are properly informed about the procedures and rules of conduct adopted in the context of implementing the reference principles contained in this document, with differentiated levels of detail corresponding to the various levels at which each employee is involved in the at-risk areas.

The Company is therefore keen to promote in-depth knowledge of the Model, of the internal regulatory system and of related updates amongst all employees, who are therefore obliged to be familiar with their content, to comply with their provisions and to contribute to implementing them.

Each employee is provided with adequate information enabling him/her to learn about the existence and content of the Model. Board of Directors members are required to sign a similar declaration of commitment to respect and to collaborate in applying the reference principles underlying the Model.

Each manager is required to actively collaborate in properly implementing the Model in concrete situations, depending on the particular relationship of trust and level of operational autonomy associated with his/her role.

The procedures, control systems and rules of conduct to be adopted when implementing the reference principles provided for by this document together with the Code of Ethics, are communicated to all personnel in correspondence with the activities actually carried out and with the job duties assigned.

The Company will also organise training initiatives to disseminate and promote understanding of the procedures and rules of conduct adopted when implementing the reference principles referred to in this document. The training content will, furthermore, be specially customised depending on the job title of Recipients, the level of risk associated with the areas where they operate, and on whether or not they represent the Company.

The Legal Department, with the support of the Human Resources Department, manages the provision of personal training on the content of the Decree and on the implementation of the Model, notifying this to the SB.

In this context, therefore, the information and training activities require:

- the Model and the Code of Ethics to be continuously updated on the Company's corporate intranet and website;

- the Code of Ethics to be available to the entire workforce and to be distributed to new recruits as soon as they are appointed, who must sign a declaration stating that they have received it and undertaking to carefully study and comply with its provisions;

- the notification of amendments to the Model or to the Code of Ethics which are necessitated by regulatory and/or organisational changes of relevance for the purposes of the Decree.

The training process is structured according to the following levels:

- Management personnel and staff with responsibility for representing the Entity: one-to-one meetings with first level managers, classroom workshops with managers;

- Other personnel: information provision for new recruits; refresher classroom course in collaboration with the SB.

Participation in the training sessions and classroom courses is mandatory; the Human Resources Department ensures that all personnel receive the training.

Participation at training sessions on the Decree's provisions is tracked by keeping special attendance logs signed by all attendees, which are emailed directly to the SB.

If the Model or the Code of Ethics is amended in significant ways, or important regulatory changes occur which are pertinent to the Company's activities, refresher training sessions will be held if the SB considers that, by reason of the complexity of the issues involved, it is not sufficient to simply notify recipients of the changes involved.

4.2 Information provision to external collaborators, suppliers and partners

The content of the Model must also be communicated to third parties who are contractually engaged with the Company or who represent the Company without being subordinate thereto (e.g. consultants, business partners and other independent collaborators).

The Company therefore encourages its business and financial partners, consultants, collaborators of various kinds, customers and suppliers to become aware of and comply with the Model and the Code of Ethics.

For these persons, the relevant information will be provided by an official communication that notifies them of the existence of the Model and of the Code of Ethics.

The Company writes special contractual clauses into contracts with its business and financial counterparts and consultants which authorise contract termination in the event of non-compliance with the ethical principles established by the Code of Ethics.

The Company also reserves the right to request from its business partners a self-certification that they have not received criminal convictions and/or that there are no proceedings pending against them in relation to the offences provided for by Legislative Decree 231/2001.

5. DISCIPLINARY SYSTEM AND MEASURES APPLICABLE IN THE EVENT OF NON-COMPLIANCE WITH THE MODEL PROVISIONS

5.1 General Principles

HR relies on the disciplinary and sanctions system provided for by applicable labour law rules and by national collective labour agreements in force.

The establishment of an adequate system to punish infringements of Model provisions is an essential precondition to ensuring the effective implementation of the Model.

Article 6.2 e) of the Decree states that organisational and management models should "*put in place an effective disciplinary system to punish non-compliance with the measures required by the model"*.

Conduct that infringes the Model is punishable by sanctions for the purposes of the disciplinary system and in compliance with the provisions of national collective labour agreements in force. As the Model also embraces the entire set of regulatory provisions and norms that forms an integral part thereof, the Model is "infringed" also if one or more procedures and the principles of the Code of Ethics have been violated.

Furthermore, this Model is also violated in the event of non-compliance with the whistleblowing provisions provided for by Law no. 179 of 30 November 2017, containing "Provisions for the protection of persons who report offences or irregularities that have come to their attention in the context of a public or private employment relationship".

Sanctions are therefore imposed against any person who infringes provisions which are designed to protect reporting parties, and also against persons who submit reports, negligently or with fraudulent intent, that turn out to be unfounded.

Disciplinary sanctions are imposed (or otherwise) regardless of the existence and/or outcome of any criminal proceedings, insofar as the Model's rules of conduct are adopted by the Company independently of the type of offence represented by infringements of the Model.

Infringements of the Model are detrimental to the relationship of trust with the Entity and, accordingly, they trigger disciplinary sanctions irrespective of whether or not criminal proceedings have been instituted in cases where the conduct in question constitutes a criminal offence.

As for the type of sanctions that may be applied, it should be noticed firstly that in the case of employment relationship, any punishment must comply with the procedures envisaged by Article 7 of the Workers' Statute and/or with special legislative or regulatory or contractual provisions, where applicable, characterised not only by the principle of the direct correlation of infringements, but also by the principle of the direct correlation of sanctions.

The identification and application of sanctions must take into account the principles of proportionality and adequacy with regard to the infringement alleged. The following circumstances are of relevance in this context:

- type of offence alleged;
- actual circumstances in which the offence is committed;
- manner in which the offence is committed;
- seriousness of the infringement, also taking into account the agent's subjective intent;
- possibility of multiple infringements inherent in the same conduct;

- possible complicity of more than one person in the offence;
- possible recidivism of the perpetrator.

Employees are informed about the system of sanctions and rules of conduct by means of notice-posting and publication in an open location accessible to all (company noticeboard and, potentially, the company intranet), in compliance with the provisions of Article 7 of the Workers' Statute.

The disciplinary system is monitored on an ongoing basis by the Human Resources Department, which reports on such activities to the SB.

5.2 Measures against Directors and Statutory Auditors

In the event of infringement of the provisions of the Model by one or more of the Company's Directors and/or Statutory Auditors, the SB notifies this to the Board of Directors and to the Board of Statutory Auditors which, consistently with their respective competences, will take one of the following measures depending on the seriousness of the infringement and in conformity with the powers provided for by law and/or by the Workers' Statute:

- declarations in meeting minutes;
- formal warning;
- removal from office/revocation of the delegated power;
- request to convene a Shareholders' Meeting to discuss, as a special agenda item, the adoption of suitable measures against the infringing parties, including the possibility of instituting legal proceedings to determine the Director's responsibility to the Company, and to recover compensation for the loss incurred.

5.3 Sanctions against employees

5.3.1 MANAGERS

In the event that managers infringe the provisions of the Model and/or Code of Ethics or act inconsistently with the Model's provisions while implementing their duties, they will be subject to appropriate sanctions in conformity with the provisions of labour law rules and of national collective labour agreements applicable to Company Managers.

More particularly, if the infringement of one or more of the Model's provisions is sufficiently detrimental to undermine the relationship of trust, and makes it impossible to continue the employment relationship on a temporary or permanent basis, the manager in question may undergo proceedings for dismissal, with or without notice, based on the gravity of the infringement in question.

5.3.2 BLUE-COLLAR WORKERS, WHITE-COLLAR WORKERS AND MIDDLE MANAGERS

Actions by employees in violation of the Model's individual rules of conduct are defined as "disciplinary offences".

The sanctions applicable are in conformity with the procedure provided for by Article 7 of the Workers' Statute and by national collective labour rules in force.

In relation to the foregoing, the Model makes reference to the disciplinary regime provided for in the national collective labour agreements applicable.

The relevant offence categories describe the conduct that is punishable, identifying the relevant sanctions by reference to their degree of gravity.

More specifically, and in conformity with applicable legislative provisions in the sector and with the provisions of national collective labour agreements applicable to Company employees:

- a worker will receive the sanctions provided for by applicable national collective labour agreements if he/she infringes the Model's internal procedures or engages in conduct inconsistent with the Model provisions, while working in the relevant at-risk areas, and such conduct will also constitute an infringement of the employee's duties if it is characterised by applicable national collective labour agreements as being detrimental to the Company's discipline and morale;

- Furthermore, if a worker, while working in the relevant at-risk areas, commits a significant violation of the Model provisions that is sufficiently detrimental to constitute an offence punishable under the Decree or to trigger the application of measures against the Company which are provided for by the Decree, making it impossible to continue the employment relationship on a temporary or permanent basis, the worker in question may be dismissed with or without notice, based on the gravity of the infringement in question.

5.4 Measures against collaborators, auditors, consultants, partners, counterparties and other external parties

Any conduct in breach of the acceptable conduct guidelines indicated in the Model and in the Code of Ethics which is enacted during the relevant contract term by collaborators, auditors, consultants, partners, counterparties and other external parties, shall result in unilateral withdrawal from the contract pursuant to the clauses provided for by the Company in each contract, and drawn up by the Legal Department.

Nothing in the foregoing shall undermine the Company's entitlement to seek compensation for loss arising from the infringement of the provisions and rules of conduct envisaged in the Model by the aforementioned third parties.

5.5 Procedure for applying sanctions

The sanctions procedure triggered when the Model and the Code of Ethics are infringed differs, depending on the category of Recipient and in relation to the separate phases of:

- formal notification of the infringement to the person concerned;

- assessment and subsequent imposition of the sanction.

The procedure always commences after the SB has notified to the corporate bodies periodically delegated for the purpose (and indicated below) that an infringement of the Model has occurred.

More specifically, whenever the SB receives a report or acquires information, during the course of its supervisory and audit activities, which indicates a risk or likelihood that the Model may be infringed, it is obliged to promptly carry out the checks and controls that are within its remit.

When these activities have concluded, the SB gives an assessment of the infringement based on evidence in its possession and informs the Board of Directors thereof.

5.5.1 DISCIPLINARY PROCEEDINGS AGAINST DIRECTORS AND STATUTORY AUDITORS

If the SB discovers that a Director who is not employed by the Company has infringed the Model, it shall send a report to the Managing Director, to be later forwarded to the Board of Directors and to the Board of Statutory Auditors, which:

- gives a description of the conduct complained of;
- states which of the Model provisions have been infringed;
- gives the personal details of the person responsible for the infringement;
- references any documents attesting to the infringement and/or other elements found;
- recommends an appropriate sanction to be imposed.

As soon as it has received the SB's report, the Board of Directors calls the person indicated by the SB before a Board meeting, to be held within a specific period of time from the date when the report was received.

The notice of call must:

- be in writing;
- specify the conduct alleged and the provisions of the Model that have been infringed;
- notify the person concerned of the date of the meeting, alerting him/her of the entitlement to make oral or written observations and/or submissions. The call notice must be signed by the Chairperson or by at least two Board members.

When the Board meeting is convened (which the SB members are also invited to attend), the party concerned is heard by the directors, submissions are taken from him/her, and additional checks and assessments are carried out as relevant.

Based on the information obtained, the Board of Directors imposes the sanction that it deems appropriate, and must justify any disagreement with the SB's proposal to this end.

The Board of Directors itself will notify in writing its resolution and/or that of the Shareholders' Meeting, as applicable, to the party concerned and also to the SB for its own assessment purposes.

The above procedure is also applicable in the event that the Model is infringed by a member of the Board of Statutory Auditors. In this case the SB will conduct the necessary inquiries.

In all instances in which the Model is infringed by a Director who is linked to the Company by an employment relationship, the following procedure applicable to Managers/Employees will be activated.

If this procedure results in the sanction of dismissal, the Board of Directors will promptly convene the Shareholders' Meeting to pass a resolution to remove the Director in question from office.

5.5.2. DISCIPLINARY PROCEEDINGS AGAINST EMPLOYEES

A) Managers

The procedure for ascertaining offences by Managers is implemented in compliance with applicable regulatory provisions and with the relevant national collective labour agreements in force.

More particularly, the SB sends the Managing Director a report which:

- gives a description of the conduct complained of;

- states which of the Model provisions have been infringed;
- gives the personal details of the person responsible for the infringement;
- references any documents attesting to the infringement and/or other elements found.

Once the SB's report has been received, the Managing Director calls the Manager concerned and, in the presence of a witness, formally protests the infringement of the Model provisions in writing, giving him/her a deadline to submit justifications in accordance with law and with the provisions of national collective labour agreements in force.

The Manager is entitled to submit his/her justifications also at that stage, and they will be suitably recorded in the presence of a witness. After this, the Managing Director will assess the position of the party concerned and also the issue of implementing the associated sanction procedures.

If the employee against whom the formal complaint procedure has been instituted occupies a senior management position and has been granted delegated powers by the Board of Directors, and if the investigations point to the commission of an offence under the Decree:

- the Board of Directors may decide to revoke the delegated powers granted, depending upon the nature of the assignment;
- the Board of Directors may determine the Manager's position and implement the relevant sanction procedures.

The decision to impose a sanction is notified in writing to the Manager within a specific period of time from the date when his/her justifications are received, in accordance with applicable legal provisions and with the provisions of national collective labour agreements in force. This deadline will take effect from the date when the justifications in question are actually made. This procedure envisages that the Board of Directors will be informed, in all of the above cases, about the results of internal checks and about the sanction applied.

The SB - which is notified of the decision to impose the relevant sanction - is responsible for checking that it is applied. Without prejudice to the manager's entitlement to bring an action before the courts, the latter may - within a specific period of time from the date when the written notice of dismissal is received - lodge an appeal with the Conciliation and Arbitration Board in conformity with the procedures provided for by the national collective labour agreement in force.

B) Blue-collar workers, White-collar workers and Middle managers

The procedure for imposing sanctions against Blue-collar workers, White-collar workers and Middle managers must comply with the provisions of Article 7 of the Workers' Statute and with the national collective labour agreements in force.

More particularly, the SB sends the Head of Human Resources a report which:

- gives the personal details of the person responsible for the infringement;
- gives a description of the conduct complained of;
- states which of the Model provisions have been infringed;
- references any documents and elements supporting the formal complaint.

The Company, through the Head of the Human Resources Department, will - as soon as the report is received - institute disciplinary proceedings against the employee in accordance with the procedures envisaged by Article 7 of the Workers' Statute and by the applicable collective labour agreement in force.

After counterclaims are submitted by the person concerned, the Head of the Human Resources Department implements official measures in relation to the application of the sanction, determining its nature and extent in accordance with the applicable collective labour agreements in force.

The sanctions must be applied in accordance with applicable legal provisions and with the provisions of applicable collective labour agreements in force. The official measure taken is also notified to the SB, which is also responsible for verifying that the sanction imposed is properly applied.

The employee may, immediately after receiving the official measure, lodge an appeal with the Conciliation and Arbitration Board, in which case the relevant sanction will be suspended until the Board's ruling is handed down; this procedure shall not compromise the employee's entitlement to institute legal proceedings in the courts.

This procedure envisages that the Board of Directors will be informed about the results of internal checks and about the sanction applied against the employee in question.

5.5.3. DISCIPLINARY PROCEEDINGS AGAINST THIRD-PARTY RECIPIENTS OF THE MODEL

In order to facilitate taking the measures provided for in the contractual clauses mentioned in subsection 5.4, the SB sends a report to the manager of the organisational structure responsible for managing the contract relationship (with copy to the Board of Directors), which:

- gives the personal details of the person responsible for the infringement;
- gives a description of the conduct complained of;
- states which of the Model provisions have been infringed;
- references any documents and elements supporting the formal complaint.

If the contract has been approved by the Board of Directors, the aforementioned report must also be copied for its attention.

The manager of the organisational structure responsible for managing the contract relationship, in agreement with the Legal Department and based upon any decisions taken by the Board of Directors in the meantime, sends the party concerned a written communication describing the conduct that is formally complained of, the provisions of the Model that have been infringed and also the specific contractual clauses which it is intended to rely upon.

6. UPDATING AND AMENDING THE MODEL

Pursuant to Article 6 of the Decree, the Board of Directors, in agreement with the SB, oversees the updating and amendment of the Model.

The Board of Directors entrusts the Human Resources Department and the Legal Department, within their respective remits, with the responsibility to supervise - in liaison with the Supervisory Body and with the other competent corporate structures - the updating of the Model and also the drafting and updating of its Special Parts. The following are examples of the categories of events which may be taken into account for purposes of updating or amending the Model, with a view to ensuring that the Model remains a valid and effective tool over time:

- legislative changes affecting the regime of liability of Entities for administrative offences arising from the commission of a criminal/administrative offence;
- lines of development in the prevailing case law and legal scholarship;
- identification of lacunae in and/or deficiencies and/or significant infringements of the Model provisions, after their ongoing effectiveness is ascertained and checked;
- significant changes in the Company organisational structure or in its activity sectors;
- considerations associated with the application of the Model, including the results of the updated "historical analysis".