

ZUCCHI S.p.A.

GENERAL PART

SYSTEMS AND CONTROL MODEL

adopted pursuant to

Law 231 of 8 June 2001

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CONTENTS

1. DEFINITIONS	5
2. LAW 231/2001	6
2.1 Administrative liability of legal persons for facts related to the commission of an offence.....	6
2.2 Prerequisites for the liability regime for bodies	6
2.3 Type of offence	7
2.4 The advantage or interest of the body	16
2.5 Perpetrators of the offence: individuals in senior executive positions and individuals subject to management by others.....	177
2.6 Offences committed abroad	188
2.7 Sanctions.....	188
2.8 Exclusion from liability	211
2.9 Guidelines of trade associations	222
3. GOVERNANCE OF THE COMPANY	233
3.1 The Company	233
3.2 The business model	24
3.3 The sales channels.....	266
3.4 Trademarks and licenses.....	288
3.5 The system of delegation and powers of attorney.....	28
3.6 Manual and IT procedures	29
4. METHODOLOGY FOLLOWED IN THE PREPARATION OF THE MODEL	299
4.1 The Company's project	29
4.2 The functions and objectives of the Model	29
4.3 Actions	Errore. Il segnalibro non è definito.1

4.4	Start of the project and analysis of the systems and control structure.....	32
4.5	Identification of the processes and areas in which offences may be committed	333
4.6	Interviews with Key Officers	344
4.7	Summary of results and assessment of gaps	34
4.8	Preparation of the documentation	34
5.	THE STRUCTURE OF THE MODEL	34
5.1	The elements of the Model	355
5.2	The organisational and authorisation system	36
5.3	The principles of control	377
5.4	The financial flow management system.....	38
5.5	General Principles and Protocols of Prevention.....	399
6.	COMPLIANCE COMMITTEE.....	Errore. Il segnalibro non è definito.6
6.1	Purpose and scope of application	466
6.2	Composition of the Compliance Committee	477
6.3	Tasks and activities of the Compliance Committee.....	488
6.4	Information flows and Whistleblowing	499
6.5	Regulations.....	51
7.	DISCIPLINARY SYSTEM.....	511
7.1	Introduction	511
7.2	Sanctions for Employees	522
7.3	Sanctions for executives	53
7.4	Sanctions for directors	54
7.5	Sanctions for auditors	544
7.6	Sanctions for independent contractors subject to supervision.....	54
7.7	Sanctions relating to breach of reporting laws	54

7.8	The sanctions procedure	555
8.	INFORMATION AND TRAINING OF STAFF	566
9.	UPDATE AND ADJUSTMENT OF THE MODEL.....	566

1. DEFINITIONS

Sensitive Activities: business activities or processes in which offences or administrative offences may be committed by the Recipients.

Collective Bargaining Agreement or CBA: the national collective bargaining agreement applied to employees in the Textile Clothing and Fashion Industry and, to personnel with executive positions, the Collective Bargaining Agreement for Executives of Industrial Companies.

Code of Ethics: the Code of Ethics adopted by Zucchi which is binding for all employees, independent contractors and all persons that operate in the name and on behalf of the Company. This Code of Ethics outlines the fundamental ethical values and the rules of business conduct that the Group's entire personnel must respect when performing its activities.

Law 231 or the Law: Law no. 231 of 8 June 2001 as published in the Official Journal of the Republic of Italy no. 140 of 19 June 2001, as amended.

Recipients : (a) directors; (b) members of the corporate bodies; (c) any other person in an executive position (meaning any person who holds positions of representation, management, administration, direction or control in the Company); (d) employees and independent contractors in any capacity (open-ended, full-time, part-time, temporary workers, interns of any grade and pursuant to any type of contractual relationship, even if they are seconded abroad) subject to the management or supervision of the so-called senior executives of the Company.

Employees: any person directly employed by the Company under a temporary or permanent employment contract.

Confindustria Guidelines: the guidelines for the drawing up of systems and control models pursuant to Law no. 231/2001 as laid down by Confindustria.

Model: the systems and control model pursuant to Law 231 adopted by Zucchi on 12 December 2007 for the prevention of Offences and Administrative Wrongdoing, as required by Articles 6 and 7 of the Law which is binding on all subsidiaries, unless the individual Management Bodies decide otherwise.

Compliance Committee: a body within the Company established pursuant to Article 6 of the Law by a resolution of the Board of Directors of the Company.

Procedures and Policies: the set of procedures and policies adopted by Zucchi with which all Recipients, in their various capacities, must comply and contain the guidelines and rules that must be respected by same when performing their professional duties. The Procedures and Policies are published on the company intranet, where they are accessible to all Recipients. Hard copies are also available in the office of the Head of Human Resources.

Disciplinary System: the set of penalties applicable to Recipients in case of breaches of the Model.

Zucchi or the **Company:** collectively Zucchi S.P.A. with registered office at Riscaldina in via Legnano R n. 24 and the companies controlled by it pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Finance Law as well as the companies included within the scope of consolidation.

Workers' Charter: the Law of 30 May 1970 no 300.

2. **LAW 231/2001**

2.1 **Administrative liability of legal persons for facts related to the commission of an offence**

The Law concerning the "*The regulation of the administrative liability of legal persons, companies and associations, including associations without legal personality, pursuant to Article 11 of the law of 29 September 2000, no. 300*" introduced into the Italian system the liability of bodies for facts related to the commission of an offence, alongside the criminal offence of the natural persons who represent them and who materially committed the offence.

According to this provision the bodies may be held liable and, consequently, sanctioned in relation to certain offences committed (or even merely attempted) in the interest or to the advantage of the body by members of the body's senior management and by those who are subject to their direction.

The administrative liability of the legal person is independent of the criminal liability of the natural person who committed the offence and is added to it.

This widening of liability essentially aims at involving in the punishment of certain offences the assets and the management of the entity which, until the entry into force of the Law 231, did not suffer direct consequences of offences committed in their interest or to their advantage by senior executives and subordinates.

The Law, therefore, innovates the Italian legal system as both financial and disqualification sanctions are imposed upon the bodies directly and independently in relation to offences committed by persons functionally linked to same.

2.2 **Prerequisites for the liability regime for bodies**

Pursuant to Article 5 of the Law, in order for administrative liability to be attached to the entity, the following three prerequisites must be met:

- (a) one of the offences indicated in Law has been committed;
- (b) the offence was committed in the interest or to the advantage of the body;

- (c) the perpetrator of the offence is a person in a senior executive position and/or a person subject to the direction or supervision of persons in senior executive positions.

2.3 **Type of offence**

The entity may be held liable only for the offences strictly defined by the Law (so-called predicate offences) if committed in its interest or to its advantage by the persons qualified by Article 5(1) of the Law.

The types of offences relevant to the administrative liability of the body may be included within the following categories:

(a) **Offences against the Public Administration (Articles 24 and 25 of the Law)**

- (i) "Embezzlement of public funds" (Article 316-*bis* Criminal Code);
- (ii) "Unlawful receipt of public funds" (Article 316-*ter* Criminal Code);
- (iii) "Fraud" (Article 640(2) and (1) Criminal Code);
- (iv) "Aggravated fraud in order to obtain public funds" (Article 640-*bis* Criminal Code);
- (v) "Computer fraud" (Article 640-*ter* Criminal Code);
- (vi) "Extortion" (Article 317 Criminal Code);
- (vii) "Bribery with regard to official acts" (Article 318 Criminal Code);
- (viii) "Bribery with regard to acts contrary to official duties" (Article 319 Criminal Code);
- (ix) "Bribery with regard to judicial acts" (Article 319-*ter* Criminal Code);
- (x) "Unlawful inducement to give or promise benefits" (Article 319-*quater* Criminal Code);
- (xi) "Bribery of a person charged with a public service" (Article 320 Criminal Code);
- (xii) "Punishment of the bribe-giver" (Article 321 Criminal Code);
- (xiii) "Offer of a bribe" (Article 322 Criminal Code);

(xiv) "Misappropriation of public funds, extortion, unlawful inducement to give or promise benefits, bribery and instigation to bribery of members of the bodies of the European Communities and of officials of the European Communities and foreign states" (Article 322-*bis* Criminal Code);

(xv) "Influence Peddling" (Article 346-*bis* Criminal Code).

(b) **Computer offences and unlawful data processing (Article 24-*bis* of the Law)**

(i) "Electronic documents" (Article 491-*bis* Criminal Code);

(ii) "Unlawful access to a computer or electronic system" (Article 615-*ter* Criminal Code);

(iii) "Unlawful possession and distribution of access codes to computer or electronic systems" (Article 615-*quater* Criminal Code);

(iv) "Distribution of equipment, devices or computer programmes aimed at damaging or interrupting a computer or electronic system" (Article 615-*quinquies* Criminal Code);

(v) "Unlawful interception, impediment to or interruption of computer or electronic communications" (Article 617-*quater* Criminal Code);

(vi) "Installation of equipment designed to intercept, prevent or interrupt computer or electronic communications" (Article 617-*quinquies* Criminal Code);

(vii) "Damage to computer information, data and programs" (Article 635-*bis* Criminal Code);

(viii) "Damage to information, data and computer programs used by the state or by another public body or in any case of public utility" (Article 635-*ter* Criminal Code);

(ix) "Damage to computer or telecommunications systems" (Article 635-*quater* Criminal Code);

(x) "Damage to computer or electronic systems of public utility" (Article 635-*quinquies* Criminal Code);

(xi) "Computer fraud of the person who provides electronic signature certification services" (Article 640-*quinquies* Criminal Code).

(b) **Offences of organised crime (Article 24-ter of the Law)**

- (i) "Criminal Conspiracy" (Article 416 Criminal Code);
- (ii) "Domestic or foreign mafia-type organisations" (Article 416-bis Criminal Code);
- (iii) "Vote rigging by the mafia and politicians" (Article 416-ter Criminal Code);
- (iv) "Kidnapping for the purpose of robbery or extortion" (Article 630 Criminal Code);
- (v) "Organisation for the purpose of the unlawful trafficking of narcotics or psychotropic substances" (Article 74 of Presidential Decree 309/90);
- (vi) All the offences if committed under the conditions set forth at Article 416-bis Criminal Code in order to facilitate the activities of the criminal conspiracies under same article (Law 203/91);
- (vii) "Illegal manufacture, smuggling into the country, sale, transfer, possession and carrying in a public place or a place open to the public of weapons of war or military grade weapons or parts thereof, explosives, hidden weapons and more common weapons" (Article 407(2)(a)(5) Code of Criminal Procedure).

(c) **Offences relating to the forging of currency, public debt securities, duty bearing paper and instruments or signs of recognition (Article 25-bis of the Law)**

- (i) "Forging currency, uttering and smuggling into the country, in concert with others, counterfeit currency" (Article 453 Criminal Code);
- (ii) "Adulteration of currency" (Article 454 Criminal Code);
- (iii) "Uttering and smuggling into the country, not in concert with others, forged currency" (Article 455 Criminal Code);
- (iv) "Uttering forged currency received in good faith" (Article 457 Criminal Code);
- (v) "Forging revenue stamps, smuggling into the country, purchasing, possessing or disseminating forged revenue stamps" (Article 459 Criminal Code);

- (vi) "Counterfeiting watermarked paper in use for the production of public debt securities or revenue stamps" (Article 460 Criminal Code);
 - (vii) "Production or possession of watermarks or instruments for the forging of coins, revenue stamps or watermarked paper" (Article 461 Criminal Code);
 - (viii) "Use of forged or altered revenue stamps" (Article 464(2) Criminal Code);
 - (ix) "Infringement, alteration or use of distinctive signs of intellectual or industrial products and infringement, alteration or use of trademarks or distinctive signs or patents, models and designs" (Article 473 Criminal Code);
 - (x) "Smuggling and trading in products with fake signs" (Article 474 Criminal Code).
- (d) **Offences against industry and commerce (Article 25-bis of the Law)**
- (i) "Obstruction of industry and commerce" (Article 513 Criminal Code);
 - (ii) "Unlawful competition with threats or violence" (Article 513-bis Criminal Code);
 - (iii) "Fraud against national industries" (Article 514 Criminal Code);
 - (iv) "Fraud in the conduct of commerce" (Article 515 Criminal Code);
 - (v) "Sale of unwholesome foodstuffs as wholesome" (Article 516 Criminal Code);
 - (vi) "Sale of industrial products with misleading signs" (Article 517 Criminal Code);
 - (vii) "Production and trading of goods by infringing intellectual property rights" (Article 517-ter of the Criminal Code);
 - (viii) "Forging geographical indications or denominations of origin of food products" (Article 517-quater Criminal Code).
- (e) **Corporate offences (Article 25-ter of the Law)**
- (i) "False corporate statements" (Article 2621 Civil Code);
 - (ii) "Minor offences" (Article 2621-bis Civil Code);

- (iii) "False statements by listed companies" (Article 2622 Civil Code);
 - (iv) "Audit Obstruction" (Article 2625(2) Civil Code);
 - (v) "Unlawful repayment of contributions" (Article 2626 Civil Code);
 - (vi) "Illegal distribution of profits and reserves" (Article 2627 Civil Code);
 - (vii) "Unlawful transactions on shares or equity participations of the parent company" (Article 2628 Civil Code);
 - (viii) "Transactions prejudicial to creditors" (Article 2629 Civil Code);
 - (ix) "Failure to disclose a conflict of interest" (Article 2629-*bis* Civil Code);
 - (x) "Fictitious capital formation" (Article 2632 Civil Code);
 - (xi) "Unlawful distribution of corporate assets by liquidators" (Article 2633 Civil Code);
 - (xii) "Private-to-private bribery" (Article 2635 Civil Code);
 - (xiii) "Incitement to private-to-private corruption" (Article 2635-*bis* Civil Code);
 - (xiv) "Unlawful influence on the Shareholders' Meeting" (Article 2636 Civil Code);
 - (xv) "Market rigging" (Article 2637 Civil Code);
 - (xvi) "Obstructing the work of public regulatory authorities" (Article 2638(1) and (2) Civil Code).
- (f) **Offences committed for purposes of terrorism or subversion of the democratic system (Article 25-*quater* of the Law)**
- (i) "Subversive organisations" (Article 270 Criminal Code);
 - (ii) "Domestic or international organisations whose purpose is terrorism or subversion of the democratic system" (Article 270-*bis* Criminal Code);
 - (iii) "Assistance to members of the organisation" (Article 270-*ter* Criminal Code);

- (iv) "Recruiting for purposes of domestic or international terrorism" (Article 270-*quater* Criminal Code);
- (v) "Training and activities for purposes of domestic or international terrorism" (Article 270-*quinquies* Criminal Code);
- (vi) "Financing of behaviour having terrorist purposes" (Law 153/2016, Article 270-*quinquies* Criminal Code);
- (vii) "Embezzlement of assets or moneys subject to seizure" (Article 270-*quinquies* Criminal Code);
- (viii) "Behaviour having terrorist purposes" (Article 270-*sexies* Criminal Code);
- (ix) "Attack for purposes of terrorism or subversion" (Article 280 Criminal Code);
- (x) "Act of terrorism with deadly or explosive devices" (Article 280-*bis* Criminal Code);
- (xi) "Acts of nuclear terrorism" (Article 280-*ter* Criminal Code)
- (xii) "Kidnapping for purposes of terrorism or subversion" (Article 289-*bis* Criminal Code)
- (xiii) "Instigation to commit any of the offences set out in the first and second heads" (Article 302 Criminal Code);
- (xiv) "Political conspiracy by agreement" (Article 304 Criminal Code);
- (xv) "Political conspiracy by association" (Article 305 Criminal Code);
- (xvi) "Armed gang: training and participation" (Article 306 Criminal Code);
- (xvii) "Assistance to participants in a conspiracy or armed gang" (Article 307 Criminal Code);
- (xviii) "Taking possession of, hijacking and destruction of an aircraft" (Law 342/1976, Article 1);
- (xix) "Damage to ground installations" (Law 342/1976, Article 2);
- (xx) "Sanctions" (Law 422/1989, Article 3);
- (xxi) "Spontaneous Action to Extenuate Consequences of Offence" (Law 625/1979, Article 5);

- (xxii) "Convention of New York of 9 December 1990" (Article 2)
- (g) **Offences against the individual such as forcing persons into slavery, slave trade, child prostitution, possession of pornographic material relating to the exploitation of minors and female genital mutilation (Article 25-*quater* and Article 25-*quinquies* of the Law)**
 - (i) "Practices relating to female genital mutilation" (Article 583-*bis* Criminal Code);
 - (ii) "Forcing persons into slavery" (Article 600 Criminal Code);
 - (iii) "Human Trafficking" (Article 601 Criminal Code);
 - (iv) "Purchase and sale of slaves" (Article 602 Criminal Code);
 - (v) "Child prostitution" (Article 600-*bis* Criminal Code);
 - (vi) "Child pornography" (Article 600-*ter* Criminal Code);
 - (vii) "Possession of pornographic material" (Article 600-*quater* Criminal Code);
 - (viii) "Virtual pornography" (Article 600-*quarter* Criminal Code);
 - (ix) "Tourism for the purpose of exploitation of underage prostitution" (Article 600-*quinquies* Criminal Code);
 - (x) "Unlawful provision and exploitation of labour" (Article 603-*bis* Criminal Code);
 - (xi) "Child Grooming" (Article 609-*undecies* Criminal Code).
- (h) **Offences and administrative wrongdoing relating to market abuse (Article 25-*sexies* of the Law)**
 - (i) "Insider Trading" (Article 184 Law 58/1998);
 - (ii) "Market manipulation" (Article 185 Law 58/1998);
 - (iii) "Liability of the body" (Article 187-*quinquies* Law 58/1998).
- (i) **Manslaughter and serious or very serious injury through negligence committed in breach of the rules on the protection of health and safety at work (Article 25-*septies* of the Law)**
 - (i) "Manslaughter" (Article 589 Criminal Code);

- (ii) "Serious or very serious injuries through negligence" (Article 590, paragraph 3, Criminal Code);
- (j) **Receiving, laundering and using money, goods or profits of unlawful origin (Article 25-octies of the Law)**
 - (i) "Receiving" (Article 648 Criminal Code);
 - (ii) "Laundering" (Article 648-bis Criminal Code);
 - (iii) "Use of money, goods or profits of unlawful origin" (Article 648-ter Criminal Code);
 - (iv) "Self-laundering" (648-ter Criminal Code).
- (k) **Offences relating to the infringement of copyright (Article 25-novies of the Law)**
 - (i) "Illegal distribution of protected intellectual property through a computer network" (Article 171, paragraph 1(a)-bis of the Law of 22 April 1941 no. 633);
 - (ii) "Infringement of the ownership of the work or through the deformation, cutting or other modification of the work" (Article 17(3), of the Law of 22 April 1941, no.633);
 - (iii) "Illegal activities relating to software and databases" (Article 171-bis of the Law of 22 April 1941, no.633);
 - (iv) "Illegal activities relating to audio-visual and literary works" (Article 171-ter of the Law of 22 April 1941, no. 633);
 - (v) "Omission of communications or false statements in communications to the SIAE" (Article 171-septies of the Law of 22 April 1941, no. 633);
 - (vi) "Fraudulent decoding of audio-visual broadcasts subject to conditional access" (Article 171-ter of the Law of 22 April 1941, no. 633).
- (l) **Obstruction of justice (Article 25-decies of the Law)**
 - (i) "Inducement not to make statements or to make false statements to the judicial authorities" (Article 377-bis Criminal Code)
- (m) **Environmental offences (Article 25-undecies of the Law)**
 - (i) "Killing, destruction, collection or possession of specimens of protected wild animal or plant species" (Article 727-bis Criminal Code);

- (ii) "Destruction or deterioration of habitat within a protected site" (Article 733-*bis* Criminal Code);
- (iii) "Wastewater or industrial wastewater" (Article 137 of the Law of 3 April 2006 no. 152);
- (iv) "Collection, transport, recovery, disposal, trading and intermediation of waste without the required authorisation, registration or disclosure" (Article 256 of Law 152 of 3 April 2006);
- (v) "Pollution of the soil, sub-soil, surface water or groundwater by exceeding the risk threshold" (Article 257 of the Law of 3 April 2006 no. 152);
- (vi) "Breach of obligations as regards reporting, keeping mandatory registers and forms" (Article 258 of the Law of 3 April 2006 no. 152);
- (vii) "Unlawful waste trafficking" (Article 259 of the Law of 3 April 2006, no. 152)
- (viii) "IT system for the tracing of waste" (Article 260-*bis*, Section 6, of Law no. 152/2006);
- (ix) "Development of a plant without the required authorisation or keeping a business in operation after the authorisation has expired or been suspended or revoked" (Article 279 of the Law of 3 April 2006 no.152);
- (x) "Import, export or re-export of specimens of animal and plant species in danger of extinction" (Articles 1, 2 and 3 *bis* of the Law of 7 February, 1992 no. 150);
- (xi) "Termination and reduction of the use of harmful substances " (Article 3 of the Law of 28 December 1993 no. 549);
- (xii) "Accidental pollution caused by ships" (Article 8 of the Law of 6 November 2007 no. 202);
- (xiii) "Intentional pollution caused by ships" (Article 9 of the Law of 6 November 2007 no. 202);
- (xiv) "Environmental pollution" (Article 452-*bis* Criminal Code)
- (xv) "Environmental disaster" (Article 452- *quater* Criminal Code)
- (xvi) "Offences of negligence against the environment" (Article 452-*quinquies* Criminal Code);
- (xvii) "Trafficking and dumping of highly radioactive material" (Article 452-*sexies* Criminal Code);

- (xviii) "Aggravating circumstances" (Article 452-*octies* Criminal Code);
 - (xix) "Activities organised for the purpose of illegal waste trafficking" (Article 452-*quaterdecies* Criminal Code).
- (n) **Offence of employment of third-country nationals who are in the country illegally (Article 25-*duodecies* of the Law)**
- (i) "Employment of third-country illegal aliens" (Article 22, paragraph (12) and 12-bis of Law 286/98);
 - (ii) "Smuggling illegal aliens into the territory of the state" (Article 12, paragraphs 3, 3-*bis* and 3-*ter* of Law 286/1998);
 - (iii) "Aiding and abetting the presence of illegal aliens in the territory of the state" (Article 12(5) of Law 286/1998):
- (o) **Offence of racism and xenophobia (Article 25-*terdecies* of the Law)**
- (i) "Propaganda and instigation to commit offences for purposes of racial, ethnic and religious discrimination" (Article 604-*bis* Criminal Code)
- (p) **Transnational offences (Articles 3 and 10, Law 146 of 16 March 2006)**
- (i) "Criminal Conspiracy" (Article 416 Criminal Code);
 - (ii) "Mafia-type organisation" (Article 416-*bis* Criminal Code);
 - (iii) "Organisation for the purpose of illegal trafficking of narcotics or psychotropic substances" (Article 74 of Presidential Law 309/90);
 - (iv) "Criminal conspiracy aimed at smuggling foreign produced tobacco" (Article 291-*quater* Presidential Law 43/73);
 - (v) "Inducement not to make statements or to make false statements to the judicial authority" (Article 377-*bis* Criminal Code);
 - (vi) "Personal aiding and abetting" (Article 378 Criminal Code);
 - (vii) "Smuggling illegal aliens into the country" (Article 12, paragraphs 3, 3-*bis* and 3-*ter* of Law 286/1998);
 - (viii) "Aiding and abetting the presence of illegal aliens in the territory of the state" (Article 12(5) of Law 286/1998).

The categories listed above may be amended or supplemented by the introduction of additional predicate offences by legislation.

2.4 **The advantage or interest of the body**

According to Article 5 of the Law, an essential requirement for the entity to be liable for the commission of an offence falling within the category of the criminal offences expressly set forth Articles 24 et seq. of the Law is that the conduct of the perpetrator agent is engaged in to the advantage or in the interest of the body.

The terms "*interest*" and "*advantage*" must be assessed separately, as the locution "*o*" unequivocally clarifies that the presence of only one of the two requirements allows the conduct to be attributed to the entity¹.

In particular:

- (a) the advantage consists of a concrete acquisition of an economic profit for the body;
- (b) the interest however only entails the finalisation of the unlawful behaviour for the purpose of this profit.

On the other hand, the entity's liability is excluded where the perpetrator has acted "*in the exclusive interest of him/herself or that of third parties*" (Article 5(2) of the Law).

2.5 **Perpetrators of the offence: individuals in senior executive positions and individuals subject to management by others**

As stated above, following the commission of one of the so-called predicate offences set out in the statute the Company is liable if these offences are committed in its interest or to its advantage by two different categories of persons:

- (a) by "*persons who perform functions of representation, administration or management of the entity or one of its organisational units with financial and functional independence and by persons who exercise, de jure or de facto, the management and control of the entity*" (so-called senior executives);
- (b) by persons subject to the management or supervision of one of the senior executives described above (so-called subordinates).

As regards, the first category, it is appropriate to point out that lawmakers preferred, rather than a mandatory list, a broader formula based on a functional criterion, which includes all the persons placed at the apex of the organisation who express its will in external relations and corporate policy decisions through power of management, control and supervision.

¹ In this regard, the Supreme Court has held that "*on the subject of the criminal liability of legal entities and companies, the statutory wording, with which the prerequisite is found in the commission of the offences in its interest or its advantage, does not contain a hendiadys because the terms have regard to juridically different concepts as it is possible to distinguish an ex ante interest, due to an undue enrichment, prefigured and maybe not realized, as a consequence of the offence, from an advantage objectively achieved through the commission of the offence, even if it was not envisaged ex ante so that the interest and the advantage are in real competition*" (Criminal Division II no. 3614 of 30 January 2006).

With respect to this last matter, the Law recalls Article 2639 of the Civil Code which provides for the extension of subjective qualifications only in the presence of a continuous and significant exercise of the standard powers of the function.

Also with regard to the second category, the lawmakers adopted a functional criterion, albeit making it operate in the opposite direction. Indeed, liability is not attached to those who exercise the supervisory and control functions indicated above but, rather, those who are subject to them.

2.6 **Offences committed abroad**

The Company may also be liable in Italy for offences committed abroad in order, amongst other things, to avoid easy evasions of the entire legal framework.

The prerequisites for the liability of the Company for offences committed abroad are as follows:

- (a) the offence must be committed abroad by a person functionally linked to the Company;
- (b) the Company must have its main office in Italy;
- (c) the Company may be liable only in the cases and under the conditions established by Italian law;
- (d) the state of the place where the offence was committed does not proceed independently in order to prosecute the offence.

2.7 **Sanctions**

Pursuant to Article 9 of the Law, the sanctions that may be imposed on the body for the administrative wrongdoing are divided into the following categories:

- (i) fine;
 - (ii) disqualification sanctions;
 - (iii) disgorgement;
 - (iv) publication of the judgment
- (a) Fine

The Law lays down the principles to be followed in relation to the measurement of the punishment, imposing a dual quantitative and qualitative limit through a system of units. For each offence a unit is established, which must necessarily respect a minimum and maximum amount within the range of 100 and 1,000 units and may have an amount ranging from Euro 258 to Euro 1,549.

The court is asked to calculate the fine in the specific case and must determine for each case of liability of the entity both the number of units to be applied and the amount of each individual unit and is able in practice to grade the sanction from a minimum threshold of € 25,800 to a maximum of € 1,549,000.

The reference criteria for determining the number of units to be imposed as a financial penalty (Article 11 of the Law) reflect the seriousness of the offence, the degree of liability of the entity and the measures taken to prevent the commission of further offences.

As regards, however, the amount to be attributed to each unit, the economic and financial position of the Company assumes particular significance: this measurement criterion, in accordance with the parallel provision of Article 133-*bis* of the Criminal Code, is aimed at adapting the sanction to the specific case and ensuring its maximum preventive effectiveness.

The sanction is reduced by half where:

- (i) the perpetrator committed the offence in his/her prevailing self-interest or that of third parties and the Company did not gain any benefit from it or gained a minimum benefit;
- (ii) the financial damage caused is particularly insignificant.

The penalty is reduced by one third to a half where:

- (i) the entity has provided full compensation for the damages and has removed the harmful or dangerous consequences of the offence or has in any case taken effective measures to that end;
- (ii) a Model suitable for preventing offences of the kind that occurred has been adopted and made operational;

If both the above conditions are met, the sanction is reduced by one half to two thirds.

(b) Disqualification measures

These sanctions laid down in Article 9(2) of the Law may consist of:

- (i) disqualification from carrying on the business activity;
- (ii) suspension or revocation of authorisations, licenses or concessions relating to the commission of the offence;
- (iii) ban on entering into contracts with the public administration;
- (iv) exclusion from benefits, loans, contributions or subsidies and possible revocation of those granted;
- (v) ban on advertising goods or services.

Article 13 of the Law sets out the two alternative conditions under which the court can grant these measures. In particular:

- (i) the entity has made a significant profit from the commission of the offence and the offence was committed by individuals in senior executive positions or by persons subject to the management of others where, in the latter case, the commission of the offence was determined or facilitated by serious organisational shortcomings;
- (ii) in case of repetition of the offence.

Without prejudice to the application of financial sanctions, the disqualification sanctions do not apply in the following circumstances:

- (i) the entity has provided full compensation for the damages and has removed the harmful or dangerous consequences of the offence or has taken effective measures to that end;
- (ii) the entity has removed the organisational deficiencies that led to the offence by adopting and implementing systems and control models suitable for preventing offences of the kind that occurred;
- (iii) the entity has made available the profit obtained for the purposes of disgorgement.

These sanctions may also be applied as a precautionary measure (Article 45 and et seq. of the Law), i.e. prior to the definitive finding of liability of the Company where the following conditions are met:

- (i) there are serious *indicia* that the Company is liable;
- (ii) there is well-founded and specific evidence that there is a concrete danger that the wrongdoing will be committed again.

Instead of a disqualification measure involving the termination of the business activity, the court may appoint a judicial commissioner pursuant to Article 15 of the Law for a period equal to the duration of the measure that would have been applied if the entity forming the subject matter proceedings performs a public service which termination may cause a serious prejudice to the community or in the event that the termination may have significant repercussions on employment.

(c) Publication of the judgment

This sanction can be handed down when a disqualification sanction is applied to the Company.

The judgment is published on one occasion only, in extract or in full, in one or more newspapers indicated by the court in the judgment or by being posted in the municipality where the body has its main office and is executed by the court officer. Costs will be borne by the body (Article 18 of the Law).

(d) Disgorgement

The conviction of the body is always accompanied by the disgorgement of the price or profit of the offence save for the portion that can be returned to the injured party. In any case, the rights acquired by third parties in good faith are protected. When it is not possible to carry out disgorgement, the disgorgement may relate to money, goods or other profits of an equivalent value to the price or profit of the offence (Article 19 of the Law).

2.8 **Exclusion from liability**

The Law provides for two different conditions whose satisfaction allows the Company not to incur administrative liability, depending on whether the offence is committed by a senior executive or a subordinate.

If the perpetrator of the offence is a senior executive, the body does not incur liability if it proves that:

- (a) before the commission of the offence it adopted and effectively implemented a Model suitable for preventing offences of the kind that occurred;
- (b) it assigned to an organ of the body vested with independent powers of initiative and control the task of supervising the operations of and compliance with the Model and its update (the Compliance Committee);
- (c) the persons who committed the offence fraudulently circumvented the Model;
- (d) there was no omission or insufficient supervision by the Compliance Committee.

If the perpetrator is a subordinate, the Company is only liable if the commission of the offence was made possible by non-compliance with management and supervisory duties; this possibility is in any case considered excluded if before the commission of the offence, the entity adopted and effectively implemented a Model suitable for preventing offences of the kind that occurred.

The Law outlines the content of the Model and provides at Article 6(2) that in relation to the granting of delegated powers and the risk of commission of the offences, it should:

- (a) identify the areas in which offences may be committed;
- (b) provide specific protocols aimed at planning the formation and implementation of the body's decisions in relation to the offences to be prevented;
- (c) identify methods for managing financial resources that are suitable for preventing the commission of offences;
- (d) set forth disclosure obligations in respect of the Compliance Committee;
- (e) introduce a disciplinary system suitable for sanctioning the failure to comply with the measures set forth in the Model;

- (f) provide for a whistleblowing system as defined in paragraph 6.4.

Article 7(4) of the Law therefore sets forth the requirements for the effective implementation of the Model:

- (a) periodic verification and possible amendment of same when significant breaches of the provisions are discovered, or when changes occur in the organisation and in the company's business activity;
- (b) a disciplinary system suitable for sanctioning the failure to comply with the measures set forth in the Model.

The Model therefore has a dual function: first of all, one of a preventive nature since the commission of the offences is more difficult after the introduction of the specific procedural and control precautions; secondly, one of a protective nature consisting in preventing the consequences of these behaviours from affecting the body in the event that the crimes occur anyway.

2.9 Guidelines of trade associations

On 7 March 2002 Confindustria approved the definitive text of its "Guidelines for the preparation of systems and control models pursuant to the Law", as updated in March 2014 and approved by the Ministry of Justice.

This Model has been prepared, *inter alia*, on the basis of the Guidelines. The scheme followed in the drawing up of the Guidelines outlines the risk assessment and risk management processes normally implemented in companies and consists of:

- (a) the identification of risks in relation to the offences that may be committed;
- (b) the design of a preventive control system, implemented through the construction of an appropriate organisational system and the proceduralisation of certain activities;
- (c) the adoption of a Code of Ethics and a system of disciplinary sanctions applicable in case of non-compliance with the measures set forth in the 231 Model for the purpose of maintaining its effectiveness;
- (d) the identification of the criteria for selecting a supervisory body within the Company with the required functions. This body must monitor the effectiveness, appropriateness, application and compliance with the Model pursuant to Law 231 (the Compliance Committee).

The components of a preventive control system include:

- (a) the Code of Ethics;
- (b) a formalised and clear internal organisational system (assigning responsibilities, employee incentive systems);
- (c) authorisation and signatory powers assigned in line with organisational and management responsibilities;

- (d) the regulation of the performance of the activities, providing for appropriate points of control (control procedures and documentation for each operation);
- (e) manual and electronic procedures;
- (f) management control systems;
- (g) methods of communication with personnel;
- (h) methods of training personnel.

The components of the control system must be informed by the principles of:

- (a) verifiability, documentability, consistency and appropriateness of each transaction;
- (b) application of the principle of separation of functions;
- (c) documentation of controls;
- (d) provision of an appropriate sanctions system for the breach of the protocols envisaged by the model pursuant to Law 231;
- (e) concrete identification of the requirements of autonomy and independence, professionalism and continuity of action of the Compliance Committee.

3. GOVERNANCE OF THE COMPANY

3.1 The Company

The Company has its origins in the work of Vincenzo Zucchi who in 1920 founded, together with a partner, his first company for the production of household linen. Following subsequent transformations this Company became the current joint-stock company formed on 20 November 1953.

Zucchi, which was set up to produce bedsheets, linen table cloths and mixed linen, began in the 1960s to expand its business and through, amongst other things, acquisitions and mergers, entered new markets and production sectors and secured sources for the supply of raw materials (yarns) and semi-finished products (fabrics).

At the same time, Zucchi followed a brand policy, which on the one hand entailed the enrichment of the collection through the introduction of coloured and printed items and, on the other, the upgrading of the fabrics through the installation of modern bleaching machinery, dyeing, printing and finishing.

In 1982 Zucchi was listed on the Milan Stock Exchange.

In 1985 the Zucchi-Bassetti group was formed which was soon joined by other companies producing textile yarns and unbleached fabrics.

Today Zucchi is a leading national and international player in the production, marketing and distribution of household linen.

The Company develops, manufactures and markets, with both its own and third-party licensed brands, home textiles. The Company is also engaged, albeit to a marginal extent, in the development and marketing of linen items for high-end hotels.

The Company, which owns the well-known Zucchi–Bassetti trademarks, has a strong presence in the supply chain, operating a wide network of national and international suppliers, and has a widespread distribution presence on most of the reference home textiles channels.

Zucchi also controls a network of single-brand and multi-brand linen stores for the home which are among some of the most extensive in Italy and Europe. The brands pursue a constant policy of innovation and Zucchi's products are marked by a high design content and positioning in the mid and mid- to-high end market segments.

The Company's corporate governance system is structured as follows:

- (a) *Shareholders' Meeting*: competent to resolve, in ordinary and extraordinary meetings, on the matters reserved to it by law.
- (b) *Board of Directors*: composed of eight members and vested with the widest powers for the ordinary and extraordinary management of the Company, excluding those reserved by law to the Shareholders' Meeting.
- (c) *Board of Statutory Auditors*: the company management is controlled by a Board of Statutory Auditors consisting of three standing members and three alternate members.
- (d) *Remuneration Committee*: composed of three independent and non-executive directors and is an advisory and proposal making body with the main task of submitting proposals to the Board of Directors for the remuneration of the Chief Executive Officer and of those who hold particular positions and, on the recommendation of the Chief Executive Officer, for the determination of the criteria for the remuneration of Company executives with strategic responsibilities.
- (e) *Control and Risk Committee*: composed of three independent and non-executive directors and responsible for supporting the assessments and decisions of the Board of Directors in relation to the internal control and risk management system
- (f) *Independent Auditors*: the Company's audit is carried out by an auditing firm.

3.2 **The business model**

The activities of the Company are regulated by a "commercial calendar" which is the fundamental instrument of governance and sets forth, for each collection, the phases

and timing of the process which, starting from initial marketing objectives, can be divided into:

(g) Creation and product development

Starting from the marketing input which provide the objectives for the development of the collection, all the activities required to reach a complete definition of the products and creation of the prototypes and material for the sales force.

At the end of this phase the collection is therefore ready to be presented to the market and to be produced in the quantities that will then be established according to the results of the sales campaign ("**Sales Campaign**").

(a) Sales campaign

The annual sales campaigns carried out through two networks of single-brand agents (Zucchi, Bassetti) and one multi-brand (licences) begin with a presentation of the collections in the showroom located in the Rescaldina headquarters and are conducted over a span of four weeks each.

(b) Production and quality control

For the Company, the supply chain is characterised by a significant outsourcing of the production cycle. The Company to a large extent entrusts the production of its products to third party producers located in Italy and in other European and non-European countries.

The supply chain is divided into three main macro-flows based on the qualitative needs of the products, cost targets and level of production and delivery lead-times.

(c) Communication and marketing

The home textiles sector, due amongst other things to the limited size and the high fragmentation of the brand offer, has historically been characterised by significantly lower communication investments than in the clothing textile sector.

(d) Logistics and distribution

- The logistics organisation belongs to a centralised distribution centre at the Rescaldina site. The products are sent daily from this centre both to the national territory and to branches and foreign customers.



3.3 The sales channels

The sales channels used by the Company are shown below.

(e) Retail

The retail channel is as a result of both its size and strategic importance one of Zucchi's main reference channels. The network of shops and stores described below consists of Zucchi and Bassetti's mono-brand stores which offer a selection of brands and licenses belonging to the Company.

(i) Direct stores ("DOSs")

Sales through the DOS channel takes place, as of 31 December 2017 through 66 stores of which 52 are in Italy and 14 abroad, located mainly in positions considered strategic, from an image and commercial point of view.

DOSs, in addition to being shops aimed at distributing products, also have an important communication value for the brand and its positioning. In fact, Zucchi dedicates the utmost care to the outfitting of its stores, using display criteria and materials that guarantee complete consistency with the image of the product and the style of the collection.

(ii) Affiliated stores ("franchising")

Sales through the franchising channel take place through mono-brand stores that are not managed directly but by business partnership franchises.

In particular, as of December 31, 2017, the franchising channel consists of 20 stores, all located in Italy.

The points of sale franchises are mono-brand stores managed by local entrepreneurs with significant knowledge and experience of the reference market.

The opening of franchise stores involves a minimum contract term of three years and, in return for grant of the non-exclusive right to use the Bassetti or Zucchi brand, an undertaking on the part of the franchisee to purchase, without the provision of guaranteed minimums, Bassetti or Zucchi brand products, follow commercial policies in line with the image of the brand itself, and use the proposed advertising and sales material. The location of the store as well as its characteristics and layout must be consistent with the brand image and comply with the Company's quality standards.

(iii) Direct sales outlets

The factory outlets channel is made up of 17 stores, of which 16 are managed directly and one is a franchise through which the products of previous seasons and/or slow-moving products are distributed.

Zucchi has a widespread presence with stands and shops-in-shops in many important foreign department stores.

In the stands the goods put on sale are not owned by the Company whereas in the shops-in-the-shop they remain the property of Zucchi. In both cases the Company does not incur any fixed cost for the sale but solely and exclusively variable costs. The management choice between the two types (stand and shop-in-shop) is dictated by the commercial policy implemented by the chain with which it decides to collaborate.

The sale of the products of the past seasons and/or slow-moving products occurs mainly through a network of outlets, present in the main outlet village stores, under the Bassetti/Zucchi sign in Italy and abroad which, alongside the factory outlets, are generally managed directly (DOSs) by Zucchi in order to better govern trade policies in the various territories and to avoid actions that could damage the image of the brands.

(f) Wholesale

(i) Retail

The retail channel consists mainly of independent multi-brand stores specialising in home textiles where Zucchi operates through 2 networks of mono-brand agents (Zucchi and Bassetti) and selects customers and sales points in line with the strategy and positioning of its own brands.

(ii) Wholesale

In this channel, Zucchi operates both directly and through multi-agent with a small and select number of customers. Particular attention is paid to avoiding overlaps and/or conflicts with other channels and, in particular, with retail.

(iii) Large Scale Distribution

Although the large-scale retail channel is significant in terms of volumes and constitutes one of the distribution assets on which the Company's commercial strategy is based, with specific but not exclusive reference to the Bassetti brand, the problems of marginality and positioning of the Zucchi brands require a very selective approach to the specific channel.

(iv) Promotional

The promotional channel covers both industrial and distribution customers who purchase Zucchi products on a recurring basis as part of

customer loyalty schemes. The characteristics of commercial transactions, typically structured on catalogues that the reference customers develop to support the loyalty schemes as well as the selection of customers and programmes that are consistent with the characteristics of the brands, avoid conflicts with traditional distribution and preserve the distinguishing characteristics of the brands themselves.

(v) Online sales

They consist of sales made through e-commerce sites managed by third parties in Italy and abroad.

(vi) E-Commerce

They consist of sales made through the e-commerce site managed by the Company in Italy.

3.4 **Trademarks and licenses**

The Company sells its own brand products² and those of third parties, in the latter case on the basis of licenses for production and distribution.

In particular, Zucchi has entered into license agreements for the production and distribution of household linen with the following companies:

- (a) Laura Ashley Limited for the production, distribution and marketing of the Laura Ashley brand;
- (b) Pantone LLC for the production, distribution and marketing of the Pantone brand;
- (c) The Walt Disney Company Italia S.r.l. for the development, production, distribution, promotion of trademarks consisting of representations of Marvel and Star Wars characters.

3.5 **The system of delegation and powers of attorney**

The level of autonomy, the power of representation and spending limits assigned to the various holders of proxies and powers of attorney within the Company are always identified and laid down in a manner consistent with the hierarchical level of the recipient of the proxy and the power of attorney within the limits of what is required for the performance of the tasks and duties to be delegated. According to the Company's delegation system, the representation of the Company is delegated to individual persons, with individual and/or joint signatory power for the performance of specific activities (for more information on the identification of these activities, please refer to the Company's Chamber of Commerce profile).

² The list of the main brands owned by the Company with an indication of the product group and the countries of registration is given in Zucchi's prospectus on the Company's website.

3.6 Manual and IT procedures

As part of its organisational system, the Company has adopted a system of manual and IT procedures that regulate the company's activities in compliance, amongst other things, with the principles set forth in the Guidelines.

In particular, the procedures already adopted and their subsequent additions or amendments, describe the rules of conduct that the internal resources must follow in the various processes and, to that end, provide check points that are necessary for the correct performance of company activities.

These operating methods ensure compliance with the following principles:

- (a) to encourage the involvement of several persons so as to achieve an appropriate separation of duties;
- (b) take measures to ensure that every operation, transaction and action is verified and documented and is consistent and appropriate;
- (c) document the phases of control carried out in relation to the individual operations and/or actions carried out.

Some of the business processes are fully computerised such as the approval of expenses reports through the use of the JDE software.

The procedures, in addition to being circulated to the departments concerned through specific notices and, where necessary or appropriate, training, are collected and placed at the disposal of all persons in the company by publication on the company intranet and/or distribution of the related documentation/manuals.

4. METHODOLOGY FOLLOWED IN THE PREPARATION OF THE MODEL

4.1 The Company's project

In order to guarantee ever greater conditions of fairness and transparency in the management of its activities, the Company has deemed it appropriate to update the Model which, together with the Guidelines, organisational procedures and other policies and provisions issued by the Company, constitutes the programme to ensure the effective prevention and detection of any breach of the law.

The updating of the Model was previously approved by the Board of Directors.

The advisors to whom the assignment was entrusted have constantly subjected the progress of the project to periodic verification by the senior management for the purpose of sharing the results of the analyses conducted and obtaining information and suggestions on any critical issues found.

4.2 The functions and objectives of the Model

The Model has as its purpose the proceduralisation of the activities that involve the risk of the commission of an offence (and, in particular, one of the predicate offences) in order to avoid its perpetration.

The Model therefore has the function of:

- (a) identifying the tasks performed by the individual functions which due to their particular nature may involve the risk of an offence pursuant to the Law;
- (b) analysing the potential risks with regard to the possible ways of perpetrating the offences with respect to the internal and external operational context in which the Company operates;
- (c) evaluating the existing preventive control system and updating it to ensure that the risk of commission of the offences is reduced to an "acceptable level", in other words is suitable to exclude the perpetration of one of the predicate offences referenced in the Law by the senior and subordinate employees of the Company;
- (d) laying down a system of rules that establishes the general lines of behaviour, as well as specific organisational procedures aimed at regulating the activities in the so-called sensitive areas;
- (e) defining a system of authorisation and signatory powers that ensures a timely and transparent representation of the process of taking and implementing decisions;
- (f) defining a system of controls capable of promptly reporting the existence and occurrence of general and/or particular critical situations;
- (g) defining a communication and training system for the personnel that facilitates knowledge of the Code of Ethics, authorisation powers, reporting lines, procedures, information flows and everything that contributes to making operations transparent;
- (h) setting up and assigning to a Compliance Committee specific responsibilities to verify the effectiveness, appropriateness and updating of the Model;
- (i) defining a system of sanctions for breach of the provisions of the Code of Ethics and procedures adopted by the Company and the individual companies, and the protocols set forth by the Model.

The adoption and implementation of the Model has as its objective not only to allow the Company to benefit from the exemption set forth by Article 6 of the Law but also, and as a matter of priority, to improve its internal control system, limiting significantly the risk of commission of the offences set forth by the Law.

The Model, together with the Code of Ethics, is a sensitisation tool aimed at all stakeholders of the Company and has the objective of bringing about full awareness in these persons of the seriousness of the commission of an offence and the relevant

criminal consequences not only for themselves but also for the Company, allowing them, where such situations arise, to act promptly and effectively.

4.3 Actions

The Company has initiated a project aimed at drawing up the Model and, to that end, has taken a series of preliminary measures, divided into phases, aimed at developing a risk prevention and management system.

In particular, the phases in the process that led to the identification of the risk areas and on the basis of which the Model was subsequently drawn up are set out below.

<i>Phases</i>	<i>Actions</i>		
<i>Preliminary actions taken</i>	<p><i>Launch of the project</i> Presentation of the action plan to the Chair of the Compliance Committee</p>		
<i>Phase 1</i>	<table border="0"> <tr> <td style="vertical-align: top;"> <p><i>Analysis of company processes</i> Actions</p> <ul style="list-style-type: none"> ■ Gathering and analysis of the internal documentation such as by way of example: <ul style="list-style-type: none"> ○ Policies and guidelines ○ Procedures and operational instructions ○ Assessment of risks ○ Registrations and reports ○ Statistics on accidents ○ Appointments and proxies ○ Interviews with management ■ Verification of the applicability of the model to various types of offence </td> <td style="vertical-align: top; padding-left: 20px;"> <p>Results</p> <ul style="list-style-type: none"> ■ Sensitive Activities for the types of offence under consideration and the relevant Key Officers (defined below at paragraph 4.4) ■ Operational and management methods and control mechanisms </td> </tr> </table>	<p><i>Analysis of company processes</i> Actions</p> <ul style="list-style-type: none"> ■ Gathering and analysis of the internal documentation such as by way of example: <ul style="list-style-type: none"> ○ Policies and guidelines ○ Procedures and operational instructions ○ Assessment of risks ○ Registrations and reports ○ Statistics on accidents ○ Appointments and proxies ○ Interviews with management ■ Verification of the applicability of the model to various types of offence 	<p>Results</p> <ul style="list-style-type: none"> ■ Sensitive Activities for the types of offence under consideration and the relevant Key Officers (defined below at paragraph 4.4) ■ Operational and management methods and control mechanisms
<p><i>Analysis of company processes</i> Actions</p> <ul style="list-style-type: none"> ■ Gathering and analysis of the internal documentation such as by way of example: <ul style="list-style-type: none"> ○ Policies and guidelines ○ Procedures and operational instructions ○ Assessment of risks ○ Registrations and reports ○ Statistics on accidents ○ Appointments and proxies ○ Interviews with management ■ Verification of the applicability of the model to various types of offence 	<p>Results</p> <ul style="list-style-type: none"> ■ Sensitive Activities for the types of offence under consideration and the relevant Key Officers (defined below at paragraph 4.4) ■ Operational and management methods and control mechanisms 		
<i>Phase 2</i>	<table border="0"> <tr> <td style="vertical-align: top;"> <p><i>Assessment of risks</i> Actions</p> <ul style="list-style-type: none"> ■ Historical analysis of events linked to the application of the Model </td> <td style="vertical-align: top; padding-left: 20px;"> <p>Results</p> <ul style="list-style-type: none"> ■ Control mechanisms implemented for each Sensitive Activity </td> </tr> </table>	<p><i>Assessment of risks</i> Actions</p> <ul style="list-style-type: none"> ■ Historical analysis of events linked to the application of the Model 	<p>Results</p> <ul style="list-style-type: none"> ■ Control mechanisms implemented for each Sensitive Activity
<p><i>Assessment of risks</i> Actions</p> <ul style="list-style-type: none"> ■ Historical analysis of events linked to the application of the Model 	<p>Results</p> <ul style="list-style-type: none"> ■ Control mechanisms implemented for each Sensitive Activity 		

<i>Phases</i>	<i>Actions</i>	
	<ul style="list-style-type: none"> ■ Formalisation of the risk mapping factsheet 	<ul style="list-style-type: none"> ■ Mapping and assessment of the Risks
<i>Phase 3</i>	<p><i>Gap analysis and action plan</i> Actions</p> <ul style="list-style-type: none"> ■ Identification of additional control mechanisms or control mechanisms supplementary to those already in existence in order to reduce the risks identified to an acceptable level ■ Identification of the legal and/or organisational tools necessary for the implementation of the control mechanisms (for example HSE procedures, review of the system of appointments and proxies) ■ Prioritisation and drawing up of the action plan 	<p>Results</p> <ul style="list-style-type: none"> ■ List of updates required ■ Action plan outlined in the presentation of 12 November 2018 which will be presented to the Board of Directors upon approval of the Model
<i>Phase 4</i>	<p><i>Drawing up the Model</i> Actions</p> <ul style="list-style-type: none"> ■ Drawing up the Model on the basis of the findings of the previous phases, market benchmarks and best practices. 	<p>Results</p> <ul style="list-style-type: none"> ■ Approval of the updated versions of the Model by the Board of Directors

4.4 Start of the project and analysis of the systems and control structure

After initial planning and presentation of the scope of the project to the Company an analysis was conducted of the structure of the Company and of the systems and control framework in order to verify the consistency of the main reference organisational elements.

This analysis included the examination of the following:

- (a) the organisational lines of the Company;
- (b) the description of the tasks, roles and responsibilities of all the main organisational units;

- (c) the level of segregation of existing tasks;
- (d) the procedures for assigning proxies and powers;
- (e) the methods of the formulation and dissemination of the existing procedures within the Company and the consequent evaluation of the missing procedures considered essential for the correct operation of the Model.

Subsequently, a number of preliminary interviews were carried out with the representatives of the relevant organisational units in order to identify the main Sensitive Activities, (hereinafter, "**Key Officers**") in order to identify in detail, the main so-called risk areas, support processes and persons directly involved.

4.5 **Identification of the processes and areas in which offences may be committed**

In view of the context of the Company and activities potentially at risk of the commission of an offence only the offences listed in the specific protocols referenced in the respective Special Parts, to which reference should be made for their specific identification, are considered relevant and, therefore, specifically examined by the Model.

In particular, these are:

- (a) Offences against the public administration;
- (b) Offences against the administration of justice;
- (c) Computer offences and unlawful data processing;
- (d) Offences relating to organised crime and transnational matters;
- (e) Offences relating to forgery of identification marks;
- (f) Offences against industry and commerce;
- (g) Offences relating to copyright infringement;
- (h) Corporate offences;
- (i) Offences against the individual;
- (j) Market abuse offences;
- (k) Offences of manslaughter and serious or very serious injuries through negligence in breach of the laws on workplace health and safety;
- (l) Offences of receiving stolen goods, money laundering, use of money, assets or profit of unlawful origin; self-laundering;
- (m) Environmental offences;
- (n) Offences relating to the employment of third-country nationals who are in the country illegally;

- (p) Offences of racism and xenophobia.

For the current type of business carried on by the Company, on the basis of a prognostic assessment of every single offence referenced in the Law, the risk of an offence relating to residual offences set forth by the legislation in relation to the activities performed is insignificant and virtually non-existent.

The areas identified as sensitive were, therefore, associated with the Key Officers with whom interviews were conducted for the purposes of an appropriate gathering of information.

4.6 Interviews with Key Officers

The objective of the interviews was to verify, for each Sensitive Activity identified in the previous phases, the existence of procedures/controls aimed at preventing the commission of offences.

The interviews also had the objective of highlighting any further Sensitive Activities in addition to those highlighted in the previous phases.

The methodology used to conduct the interviews included:

- (a) the preliminary analysis by the interviewers of the main internal procedures and regulations, where existing, relating to the areas under analysis;
- (b) the examination of the operating procedures, where existing, drawn up by the Company and their updating in cooperation with the persons in charge of the activities described in same;
- (c) the drafting of minutes for the most significant interviews intended to confirm the Sensitive Activities in respect of which interviewee assumes responsibility, as well as the validity and effectiveness of the control procedures, where they exist, which oversee these activities.

4.7 Summary of results and assessment of gaps

In this phase, a summary was made of the final results of the analysis in terms of Sensitive Activities, processes, controls and areas for improvement to allow coverage of critical situations that emerged (*gap analysis*).

These findings were brought to the attention of the senior management and examined by them before being inserted in the documentation outlining the Model.

4.8 Preparation of the documentation

In this last phase the documentation explaining the Company's Model was gradually drawn up for approval by the Board of Directors of the Company (subject to periodic review and updating as a result of changes to the structure or activities of the Company and any legislative changes in the field).

5. THE STRUCTURE OF THE MODEL

5.1 The elements of the Model

The Company prepared a Model which, on the basis of its experience and the information from the relevant judicial decisions, constitutes an appropriate defence against the possibility of the commission of offences in accordance with the governance system and the ethical values which always drive the Company.

The Model, prepared following the actions described above, consists of:

- (a) a **General Part**, whose function is to set forth the general principles that the Company takes as a point of reference for the management of its activities and which, therefore, are valid for the circumstances of the Company in the broadest sense and not only for the completion of the risky activities.

It summarises or attaches the following parts which form an integral part thereof:

- (i) Organisational chart of the Company (annex 1);
 - (ii) Code of Ethics (annex 2).
- (b) several **Special Parts**, which describe, with reference to the specific types of offences, the mapping of Sensitive Activities, the assessment/construction/adaptation of the preventive controls system, as well as the related specific protocols.

They have the function of:

- (i) identifying the predicate offences, where possible, by families of offence;
- (ii) listing the Sensitive Activities in accordance with the Law;
- (iii) identifying the control system with particular reference to:
 - (A) the principles of behaviour;
 - (B) the general control protocols;
 - (C) specific control protocols;
- (iv) identifying the information flows to the Compliance Committee.

These are divided into eleven parts:

- (i) Special Section I: Offences against the Public Administration (**PA**); Offences against the Administration of Justice (**AJ**);
- (ii) Special Section II: Computer offences and unlawful data processing (**IT**);
- (iii) Special Section III: Offences of organised crime (and transnational matters) (**CR**);

- (iv) Special Section IV: Offence of false identification marks (**FL**); Offences against industry and commerce (**IC**); Offences relating to copyright infringement (**CR**);
 - (v) Special Section V: Corporate Offences (**CORP**);
 - (vi) Special Section VI: Offences against the Individual (**I**); Offences of Racism and Xenophobia (**RX**);
 - (vii) Special Section VII: Market Abuse Offences (**MA**);
 - (viii) Special Section VIII: Offences of manslaughter and serious or very serious injuries through negligence in breach of the laws on workplace health and safety (**WHS**);
 - (ix) Special Section IX: Offences of receiving stolen goods, money laundering, use of money, assets or profit of unlawful origin; self-laundering (**RR**);
 - (x) Special Section X : Environmental offences (**ENV**) ;
 - (xi) Special Section XI: Offences relating to the employment of third-country nationals who are in the country illegally (**IMP**).
- (e) all the Procedures and Policies adopted by the Company which constitute a prerequisite and an integral part of this Model, insofar as they serve to provide protection against the risk of commission of offences and which have been the subject of specific information and training activities provided to the Recipients, each in relation to the function exercised.

The Model was therefore structured in order to make its drafting more effective and lean. Indeed, if the General Part contains the formulation of principles of law to be considered substantially invariable, the Special Sections on the other hand, given their particular content, are susceptible to periodic updates.

Furthermore, the dynamics of the Company and legislative changes, involving by way of example a possible extension of the types of offences included or in any case connected to the scope of the application of the Law, may make it necessary to supplement the Model.

In view of the above, the Compliance Committee has the task of adopting any type of measures so that the Company's Board of Directors may make the updates and additions deemed necessary.

5.2 The organisational and authorisation system

(A) Organisational system

The organisational system must be sufficiently formalised and clear, above all as regards the allocation of responsibility, reporting lines and description of tasks and specifically provide control principles.

The organisational structure of the Company is formalised and represented graphically in an organisational chart (annex 1) which clearly defines the reporting lines and the functional links between the different positions that make up the structure itself. In this way it is intended to ensure that the management is consistent with the strategic objectives set by the Company's senior executives.

(B) Authorisation system

Authorisation and signatory powers must be assigned consistently with organisational and managerial responsibilities, providing, where required, precise information on the thresholds for the approval of expenses, especially with regard to those activities considered to be at risk of commission of an offence.

The authorisation signatory powers with which the Company has vested itself are consistent with the assigned organisational and management responsibilities and provide information on thresholds for the approval of expenses.

5.3 **The principles of control**

By way of this Model the Company created a process for the implementation of the new system based on the principles set forth below.

The control principles that must underpin the management of all the Sensitive Activities that emerged and are contained in the so-called *risk mapping*, as well as in all internal processes, are as follows:

- (a) ensure integrity and ethics in the performance of activities through appropriate rules of conduct aimed at regulating each specific activity considered to be at risk of offence;
- (b) identify each function of the Company involved in the activities at risk of offence;
- (c) assign decision-making responsibilities in a manner commensurate with the degree of responsibility and authority conferred;
- (d) defining, assigning and correctly giving notice of the authorisation and signatory powers, providing, where required, precise information on thresholds for the approval of expenses so that no person is given unlimited discretionary powers;
- (e) ensure the principle of separation of tasks in the management of processes/ activities, assign to different persons the crucial phases of the process/activity and, in particular, those relating to:
 - (i) authorisation;
 - (ii) execution;

- (iii) control.
- (f) regulate the areas at risk through appropriate protocols and providing points of control (verifications, reconciliations etc.);
- (g) ensure the verifiability, documentation, consistency and appropriateness of each operation or transaction. To this end, it must be possible to trace the activities through appropriate documentary support on which checks may be conducted at any time. It is therefore advisable to identify easily for each operation:
 - (i) who authorised the transaction;
 - (ii) who materially carried it out;
 - (iii) who registered it;
 - (iv) who carried out a check on it.

The traceability of operations is ensured with a greater degree of certainty through the use of IT systems;

- (h) ensure that the checks conducted are documented; to this end, the procedures by which the checks are implemented must make it possible to retrace the checks so as to facilitate the assessment of the consistency of the methods adopted and the accuracy of the results that emerged.

These control principles have been taken as a point of reference in the preparation of internal procedures.

5.4 **The financial flow management system**

Article 6(2)(c) of the Law requires that the Models provide "*methods for managing financial resources suitable for preventing the commission of offences*". The provision finds its *ratio* in the discovery that many of the predicate offences can be carried out through the financial flows of the Company (e.g. the creation of off-balance sheet funds for corrupt acts).

The Guidelines recommend the adoption of mechanisms for the proceduralisation of decisions which, by documenting the various stages of the decision-making process and making them verifiable, prevent the improper management of these financial flows.

Also in accordance with the principles set forth in the Guidelines, the control system relating to administrative processes and, in particular, to the process of managing financial flows, is based on the separation of tasks in the key phases of the process. This separation must be appropriately formalised and it must be possible to trace successfully the actions and authorisation levels to be associated with the individual transactions.

In particular, the specific control elements are represented as follows:

- (a) existence of different persons operating in the different phases/activities of the process;
- (b) preparation and authorisation of the payment proposal to fulfil the duty duly formalised;
- (c) check on the execution of the payment;
- (d) final reconciliations;
- (e) existence of authorisation levels for the payment request that are divided up according to the nature of the transaction (ordinary/extraordinary) and the amount;
- (f) systematic reconciliation of internal accounts and relations with credit institutions with accounting results;
- (g) traceability of the documents and documents that have already given rise to a payment.

5.5 General Principles and Protocols of Prevention

(a) General principles of prevention

The protocol system for the prevention of offences has been implemented by applying to the individual Sensitive Activities the following general principles of prevention which underpin the General Prevention Protocols referenced in the following paragraph, as well as the Preventive Controls of the individual Special Parts:

- (i) **regulation:** existence of internal provisions and formalised protocols setting forth principles of behaviour and operating procedures for the performance of Sensitive Activities, as well as methods for filing relevant documentation;
- (ii) **traceability:** 1) each transaction relating to the Sensitive Activity must, where possible, be appropriately documented; 2) the process relating to decision-making, authorisation and performance of the Sensitive Activity must be verifiable *ex post*, including through specific documentary evidence;
- (iii) **separation of tasks:** application of the principle of separation of duties between those who authorise, perform and inspect. This separation is guaranteed by the involvement, within the same macro-process of the Company, of several parties in order to ensure the independence and objectivity of the processes;
- (iv) **powers of attorney and proxies:** the assigned authorisation and signatory powers must be: 1) consistent with the assigned organisational and management responsibilities, providing, where required, the thresholds for the approval of expenses to be indicated; 2)

clearly defined and known within the Company. The roles within the Company to which the power to commit the Company to certain expenses must be defined and their limits and nature must be specified. The act assigning functions must comply with the specific prerequisites that may be required by law (e.g. delegation regarding health and safety of workers);

- (v) **Code of Ethics:** the activities must be carried out in accordance with the principles set out in the Code of Ethics.

(B) General prevention protocols

In the context of the Sensitive Activities identified for each type of offence (see the subsequent Special Parts of the Model), the general prevention protocols provide that:

- (i) all operations, training and implementation of the Company's decisions comply with the principles and provisions of the law, the memorandum of association, the articles of association, the Code of Ethics and procedures, where already in existence;
- (ii) the internal provisions setting forth the principles of behaviour and operational methods for the performance of the Sensitive Activities as well as the methods for filing the relevant documents are defined and appropriately communicated.
- (iii) for all operations:
 - (A) the responsibilities of management, coordination and control within the Company as well as the reporting lines and the description of the relative responsibilities are formalised;
 - (B) the phases in the taking of the decisions and the related authorisation levels can always be documented and reconstructed;
 - (C) the Company adopts communication tools for the signatory powers granted that ensure knowledge thereof within the Company;
 - (D) the assignment and exercise of powers within a decision-making process is consistent with the positions of responsibility and the relevance and/or critical importance of the underlying economic transactions;
 - (E) access to Company data is in compliance with Law 196/2003, as amended, and EU Regulation 2016/679 regarding the protection of personal data;
 - (F) only authorised persons may access and conduct operations in relation to the Company's data;

- (G) confidentiality in the transmission of information is guaranteed;
 - (H) the documents concerning the taking of the decisions and their implementation are filed and kept by the competent function in such a way as not to allow any subsequent modification of them, except with appropriate evidence;
 - (I) access to documents already stored is only allowed for authorised persons on the basis of internal regulations.
- (c) General principles of standards of control relating to Sensitive Activities in the field of offences of negligence

The general control standards underpinning the tools and methodologies used to structure the specific control units may be summarised as follows:

- (i) **Organisational system sufficiently updated, formalised and clear:** the standard refers to the allocation of responsibilities, reporting lines and description of tasks, with specific provision for control principles such as, for example, the juxtaposition of functions. Within the organisational system, attention must be paid to employee reward systems: these are necessary to direct the activities of operational and managerial personnel towards the achievement of corporate objectives. However, if based on performance targets that are clearly unmotivated and unattainable, they could constitute a veiled incentive to commit some of the types of offences set forth by the Law.
- (ii) **Manual and IT procedures (information systems):** the standard refers to the use of procedures to regulate the performance of the activities by providing the appropriate points of control (mapping, in-depth information on particular persons such as agents, advisors and intermediaries). It is advisable to evaluate the separation of duties within each risk process over time, verifying that the company procedures and/or operating practices are periodically updated and constantly take into consideration the changes or innovations that occurred in the corporate processes and in the organisational system.
- (iii) **Authorisation and signatory powers:** the standard requires that these powers be assigned in line with organisational and management responsibilities. Certain functions can be delegated to a person other than the one who originally performed them. It is necessary to define in a clear and unambiguous manner the corporate profiles to which the management and responsibility of the activities at risk of offence are entrusted, having regard also to the profile of the enforceability of powers of attorney in respect of third parties. The delegation must constitute the instrument for a more effective fulfilment of the obligations imposed by the law on the complex organisation, not for an easy transfer of responsibility. To this end, detailed information on the thresholds for approval of expenses made by the delegate may prove useful. It is also important to provide for a coherent and integrated

system that includes all company proxies or powers of attorney (including those concerning accident prevention and environmental protection), periodically updated in light of both regulatory changes and any changes in the Company's organisational system. It would then be appropriate to ensure the documentability of the delegation system in order to make it possible to reconstruct it after the event.

- (iv) **Integrated control systems:** the standard requires that these systems must consider all operational risks, relating in particular to the potential commission of predicate offences so as to provide timely notification of the existence and occurrence of general critical and/or particular situations. It is necessary to define appropriate indicators for the individual types of risk detected and the risk assessment processes within the individual company functions.

(d) General principles of standards of control for Sensitive Activities in the field of offences of negligence relating to the protection of health and safety at work and the environment.

- (i) **Organisational structure:** with reference to the offences relating to the safety and health of workers, an organisational structure is required with tasks and responsibilities formally defined in accordance with the organisational and functional structure of the undertaking.

A division of functions must be provided that ensures appropriate technical skills and the powers necessary to assess, manage and control the risk to the health and safety of workers (Article 30(3) of Law 81/2008).

The degree of division of the functions will adapt to the nature and size of the Company and to the characteristics of the activity performed.

In order to guarantee the effective and appropriate exercise of these functions, it is possible to delegate functions in compliance with the limits and requirements set forth in Articles 16 and 17 of Law 81/2008.

Particular attention must also be paid to specific figures operating in this field (Health and Safety Officer), Personnel of the Prevention and Protection Service, Competent Doctor, where required and, where present, Workers' Representatives, first aid workers and emergency personnel in the event of fire).

This approach essentially means that:

- (A) the duties of the company management, executives, supervisors, workers, Health and Safety Officers, the Competent Doctor and all other persons in the company and provided for by Law 81/2008 relating to safety activities within their respective areas of competence and the related responsibilities;

- (B) in particular, the duties of the Health and Safety Officer and of any health and safety personnel, the Personnel of the Prevention and Protection Service, the emergency management staff and of the Competent Physician are documented.

In order to prevent environmental offences, the organisation of the company must instead provide for specific operating procedures to effectively carry out the management of environmental risks which can contribute to the commission of the offences referred to in Article 25-*undecies* of the Law.

Among the numerous initiatives and measures to be promoted, it would therefore be necessary to:

- (A) proceduralise and monitor the environmental risk assessment in relation to the law and the naturalistic-environmental context in which the company operates;
- (B) formalise appropriate organisational provisions in order to identify those responsible for compliance with environmental legislation and the operational managers for the management of environmental questions in light of the aforementioned risk assessment;
- (C) proceduralise and monitor planning and budgeting of environmental expenditure, qualification, assessment and monitoring of suppliers (e.g. laboratories tasked with characterising and classifying waste, taking samples, analysing and monitoring the environment, as well as transporters, disposal companies, intermediaries tasked with waste management);
- (D) ensure that the model is updated and made compliant with legislation on environmental offences which is complex and constantly evolving.

With particular reference to the issue of the delegation, it must be considered that, unlike the delegation of functions regulated by Law no. 81/2008, the "environmental" one is not codified. Therefore, it is necessary to refer to case authority, including that of the Supreme Court (see Supreme Court, Criminal Division III of 12 October 2009, no. 39729), which clarified the specific nature of the so-called environmental delegation compared to that of accident prevention, requiring that the content of the delegation be clear and unambiguous and refer expressly to the measures to achieve compliance with environmental legislation.

In this perspective, the most recent court decisions allow the validity of the "environmental delegation" where the following conditions are met: (i) specificity and unequivocal indication of the delegated powers; (ii) company size (in a complex organisation it is unthinkable not to take it

into consideration); (iii) technical capacity and suitability of the delegated person; (iv) autonomy (management and financial) and effective powers of the delegate; (v) express acceptance of the delegation.

Moreover, the principles set forth by case authority in relation to the delegation of functions also apply in this sector: in the case of structural shortcomings, the involvement of senior management will be inevitable, but at the same time it must be excluded that it is possible to affirm in theory the liability for non-fulfilment of the duty of control which must be verified in practice with reference to the company organisation, the type of delegation and the complaint escalated.

- (ii) **Communication and involvement:** the dissemination of information within the company is essential for encouraging the involvement of all interested parties and increasing appropriate awareness and commitment at all levels.

The involvement, as regards health and safety at work, should be achieved through:

- (A) the prior consultation of the Health and Safety Officer, where present, and of the Competent Doctor, where required, regarding the identification and assessment of risks and the definition of preventive measures;
- (B) periodic meetings that take into account not only the requirements laid down by current legislation but also the reports received from the workers and the operational needs or problems encountered.

With reference to environmental offences, the communication and involvement of the interested parties should be carried out by way of regular meetings of all the persons responsible for the verification of the proper management of environmental issues after which the results will be appropriately disseminated (e.g. performance, environmental accidents and environmental near misses) within the organisation and, therefore, also in respect of the workers.

- (iii) **Operational management:** the control system should be integrated and be consistent with the overall management of company processes.

The analysis of the business processes and their interrelations and the results of the risk assessment (whether related to health and safety at work or environmental risks) gives rise to the definition of the methods for the correct performance of the activities that have a significant impact on these issues.

The Company, having identified the areas in which action must be taken in respect of health and safety and environmental matters, should

conduct operational management in accordance with these rules. In this sense, particular attention should be paid to:

- (A) staff recruitment and qualification;
- (B) organisation of work (and workstations for the health and safety of workers);
- (C) acquisition of goods and services used by the Company and communication of appropriate information to suppliers and contractors;
- (D) ordinary and extraordinary maintenance;
- (IS) qualification and choice of suppliers and contractors;
- (F) management of emergencies;
- (G) procedures to deal with discrepancies in respect of the objectives set and the rules of the control system.

In addition to the indications given above, the model of prevention and management of the risks of environmental offences should identify, based on the results of the risk analysis, appropriate prevention, protection and mitigation measures for the risks identified. In the same way, for example, all the issues concerning the management of any company fleet (vehicles, boats, aircraft, etc.), plants containing ozone-depleting substances, as well as special or even hazardous waste treatment and disposal, are significant and must be regulated in specific company protocols aimed at directing the work of the personnel, in line with the specialised relevant laws (for example, compliance with time constraints as regards time, volumes and physical spaces for temporary storage of materials destined for disposal; checks to be implemented on access by third-party transport and disposal companies).

Further, waste management and disposal require special attention - both in the contractual phase by way of specific precautionary clauses and in the actual performance – relating to the suppliers to whom these activities are assigned.

Lastly, it should be noted that some areas of attention regarding environmental protection have obvious points of contact with similar risk areas, considered from another perspective, relevant to health and safety in the workplace (e.g. management of emergencies, maintenance, etc.). The safeguards put in place in this regard within the Company may therefore lead to synergies covering both areas requiring attention.

- (iv) **Monitoring system:** The management of health and safety at work should include a phase for the verification of the maintenance of the prevention and protection measures adopted and deemed suitable and effective. The technical, organisational and procedural prevention and

protection measures implemented by the Company should be subject to planned monitoring.

The monitoring plan should be developed through:

- (A) scheduling of checks (frequency);
- (B) assignment of tasks and executive responsibilities;
- (C) description of the methodologies to be followed;
- (D) how to report any non-compliant situations.

Therefore, the aforementioned measures should be systematically monitored and their methods and responsibilities should be established together with the definition of the methods and responsibilities of the operational management.

6. COMPLIANCE COMMITTEE

6.1 Purpose and scope of application

Article 6(b) of the Law requires the Body to set up a committee with independent powers of initiative and control (Compliance Committee), which oversees the operation and observance of the Model and updates it.

Each member of the Compliance Committee must possess the skills and qualifications to discharge the duties and perform the tasks assigned to the Compliance Committee by the Model and must meet the following conditions/requirements:

- (a) autonomy and independence;
- (b) appropriate experience in corporate governance;
- (c) integrity;
- (d) continuity or maintaining a continuous presence and participation in the activities for the entire duration of the mandate.

The members of the Compliance Committee are considered ineligible and unsuitable and, consequently, if already appointed their mandate must be revoked in the following cases:

- (A) Having been sentenced
 - (i) to imprisonment in relation to one of the offences or administrative wrongdoing referenced in the Law;
 - (ii) to imprisonment for a period of not less than one year for any offence committed with criminal intent;

- (iii) to imprisonment for one of the offences listed in Title XI of Book V of the Civil Code, as amended by Law 61/2002;
 - (iv) to disqualification, permanent or temporary, from public offices, or the temporary disqualification from the management positions in legal persons and companies;
- (B) definitive application of one of the preventive measures set forth at Article 10(3) of Law 575/1965, as replaced by Article 3 of the law of 19 March 1990, no. 55 as amended;
- (C) disqualification, incapacitation and bankruptcy.

Each member of the Compliance Committee may be removed from office by the Board of Directors in the following cases only:

- (A) serious misconduct in the performance of its activities or breaches of the Regulations, including the breach of confidentiality obligations regarding the news and information acquired under the mandate;
- (B) the occurrence of one of the causes of ineligibility, prior to the appointment as a member of the Compliance Committee;

Each member of the Compliance Committee forfeits his/her office should a personal precautionary measure be issued against him/her.

Each member of the Compliance Committee may be suspended from office should he/she be placed on the register of persons subject to investigation by investigating judges.

Each member of the Compliance Committee must notify in good time the Board of Directors of any circumstance that makes it necessary to replace one of the other members of the Compliance Committee.

If the majority of the members of the Compliance Committee do not remain in office, all members of the Compliance Committee forfeit their office.

The replacement of the individual member must take place as soon as possible by the Board of Directors and, in any case, within no longer than a month.

The Company establishes, prior to the appointment of the members, whether they meet the requirements set forth in the Model in addition to those provided for by the legal and regulatory framework.

6.2 **Composition of the Compliance Committee**

Zucchi's Compliance Committee is appointed by the Board of Directors and has three members.

Each member of the Compliance Committee must possess the skills and professional qualifications to perform the tasks and duties assigned to the Committee by the Company.

The members of the Compliance Committee remain in office for the period laid down by the Board of Directors.

Upon appointment of the members, the Board of Directors also appoints a Chair responsible for:

- (A) calling and conducting the meetings of the Compliance Committee;
- (B) coordinating relations and managing relations between the Compliance Committee and the Board of Directors.

The term of office of the Chair of the Compliance Committee starts on the date of the appointment and runs until the expiry of the corresponding mandate on the Compliance Committee.

The Compliance Committee selects from its own ranks itself or from among the employees or advisors of the Company a person tasked with drafting the minutes of the meetings of the Compliance Committee, preparing and processing the documentation submitted to the decisions of the Committee and to perform the tasks relating to the organisational aspects of the Compliance Committee.

6.3 Tasks and activities of the Compliance Committee

Amongst other things, the Compliance Committee:

- (a) promotes and supervises the dissemination and knowledge of the Model and the implementation of the training plan for the personnel through training plans for the Recipients (as defined in the Model);
- (b) reports to the Board of Directors any breaches of the Model and/or current legislation of which it becomes aware in the performance of the aforementioned tasks;
- (c) monitors the effectiveness, appropriateness and observance of the provisions of the Model by the Recipients. The Compliance Committee performs these activities:
 - (i) maintaining relationships and ensuring information flows to the Board of Directors, ensuring an appropriate connection with the external auditing firm as well as with the other control bodies of the company;
 - (ii) making expenditure forecasts for its work;
 - (iii) coordinating and promoting training initiatives for personnel and periodic communications to employees and (where necessary) to outsourcers and advisors in order to inform them about the provisions of the Model;
 - (iv) conducting inspections, including through the analysis of documents and/or requests for information from employees and non-employees;

- (v) periodically verifying the implementation and actual operation of the proposed remedies /actions;
- (vi) ensuring the confidentiality of the information which comes into its possession.

The Board of Directors periodically verifies the appropriateness of the Compliance Committee, both in terms of organisational structure and powers, and adopts the appropriate amendments and/or additions.

An annual budget is assigned to the Compliance Committee and endorsed by the Board of Directors.

6.4 **Information flows and Whistleblowing**

The Compliance Committee reports to the Board of Directors, with copy to the Board of Statutory Auditors, on the implementation of the Model, the emergence of any critical matters and gives notice of the outcome of the activities performed in the exercise of the tasks assigned periodically by way of an annual report.

The Compliance Committee must be informed by the persons required to comply with the Model of events that could give rise to the Company's liability under Law 231.

To this end, the Compliance Committee oversees the preparation of a procedure relating to information flows (periodical and occasional) which will be implemented by the Company.

With reference to communications relating to irregularities and offences, senior executives and subordinates pursuant to Article 5(a) and b) of the Law, may submit detailed reports to protect the integrity of the Company:

- (a) based on precise and consistent evidence of illegal conduct relevant to the Law and
- (b) breaches relating to the Model of which they became aware in the course of their duties.

The report may be submitted:

- (a) in writing to the traditional Mail Compliance Committee: **For the kind attention of Mr. Corio Mauro;**
- (b) by e-mail; in this regard the following email address can be used: *organismodivigilanza @ Zucchigroup.it*.

The Company discourages anonymous reports but it is possible to make anonymous reports in writing. In any case, the whistleblower will be protected pursuant to Article 6(2-bis), (2-ter) and 2-*quater* of the Law through:

- (a) the protection of the confidentiality of his/her identity in the management of the report;

- (b) the prohibition of retaliation or discrimination on grounds connected, directly or indirectly, to the report;
- (c) the burden of proof upon the employer to demonstrate that dismissal or demotion of the informant is based on reasons unrelated to the report.

The reporting management process is structured as follows:

- (a) **Phase 1 - Start of the Investigation:** the process of managing the report is initiated when the Compliance Committee becomes aware of the report through the aforementioned information channels.
- (b) **Phase 2 - Preliminary Assessment:** the Compliance Committee, upon receipt of the report, makes an initial assessment of its relevance pursuant to Article 6 (2-*bis*) of the Law following which it may decide to:
 - (i) close the matter if not relevant for 231 purposes; or
 - (ii) close the matter if not pertinent for 231 purposes and, if relevant for other issues concerning the Company's activity, inform the competent corporate functions; or
 - (iii) proceed with the analysis of the merits of the report if relevant for 231 purposes.
- (c) **Phase 3 - Investigation/Evaluation on the merits:** the Compliance Committee, having assessed the relevance of the report to Article 6(2-*bis*) of the Law, proceeds with the investigation and analysis on the merits of the report with the support of the competent corporate functions and/or with the assistance of external advisors, possibly using the annual budget.
- (d) **Phase 4 - Conclusion of the investigation:** upon completion of the Investigation/ Assessment of the merits of the report, the Compliance Committee may:
 - (i) in the event of a negative outcome, close the investigation;
 - (ii) in the event of a positive outcome:
 - (A) give notice of the outcome through a written report detailing the actions taken (possibly recommending disciplinary sanctions), to the Board of Directors and to the Board of Statutory Auditors;
 - (B) (possibly) inform the competent corporate functions for the formalities within their areas of responsibility.

The Whistleblower and the Person Reported, where possible, must be informed about the progress of the procedure. In particular, the following methods of notifying the Whistleblower (if not anonymous) are in place:

- (a) prior to the investigation as regards the receipt of the report;
- (b) following the investigation in relation to its conclusion without providing information on the decisions taken.

With regard to the Person Reported, however, the notification of the start and outcome of the investigation takes place only if it becomes necessary to adopt specific measures against him/her and in any case in compliance with the Workers' Statute and National Collective Labour agreement applicable.

6.5 Regulations

In order to regulate the performance of its activities, the Compliance Committee adopts its own regulations.

7. DISCIPLINARY SYSTEM

7.1 Introduction

Pursuant to Articles 6 and 7 of the Law, the body adopts and implements effectively - prior to the commission of the offence - "*a systems and control model suitable for preventing offences of the type that occurred.*" A fundamental prerequisite for ensuring the effectiveness of the implementation of the Model is the introduction of a disciplinary system to be applied in the event of breach of the rules of conduct set forth by the Model. The Disciplinary System must impose appropriate disciplinary action under the existing legislation and employment laws. The system of disciplinary measures applied in the event of breaches of the Model and the Code of Ethics operates in accordance with the principle of proportionality between the breach detected and the penalty imposed and in compliance with current legislative and contractual provisions.

In defining the disciplinary measure to be applied the following criteria must be considered:

- (a) seriousness of the breach;
- (b) type of offence committed;
- (c) circumstances in which the unlawful conduct took place;
- (d) functional position, content of the assignment and duties of the worker and the persons involved in the facts forming the subject matter of the disciplinary case;
- (e) possible repetition of the offence by the person.

Any obstacle to the legitimate performance of the tasks assigned to the Compliance Committee put in place by the Recipients will be sanctioned in accordance with the provisions of the Disciplinary System.

The activation by the Company of the mechanisms provided for by the Disciplinary System is independent from the bringing of any criminal proceedings and/or the outcome of inquiries or proceedings conducted by judicial authorities.

The Company unequivocally states that no unlawful conduct will be justified in any way whatsoever, even if it is carried out in the alleged "interest" or to the "advantage" of the Company itself.

It is the task of the Compliance Committee, in coordination with the Head of Human Resources, to verify on a continuous basis whether the Disciplinary System of this Model is fit for purpose.

Any unlawful conduct by employees will be subject to the disciplinary measures set forth in National Collective Labour Agreement and the contract of employment of each individual Employee.

Following notifications sent to the Compliance Committee of breaches of the rules contained in the Model or the Code of Ethics, the Compliance Committee directly investigates and verifies whether the breach described was actually committed and reports the breach detected to the Head of Human Resources in order to initiate disciplinary proceeding save where the report of the breach relates to the Head of Human Resources.

The Head of Human Resources, having heard the superior of the perpetrator of the breach, is required to determine and adopt the related disciplinary provision in compliance with applicable internal Procedures and Policies.

The Head of Human Resources will notify the Compliance Committee of the application of the disciplinary measure or any different outcome of the procedure.

The Head of Human Resources will issue to the employee the most appropriate disciplinary measure as listed below.

7.2 Sanctions for Employees

With regard to Employees, the Law provides that the system of disciplinary measures must comply with the limits on the sanctioning power imposed by the Workers' Statute and the collective agreement in the sector, both with regard to the disciplinary measures that may be imposed and with regard to the form of exercise of this power. Accordingly, the disciplinary measures that may be adopted against Employees are those set forth in the National Collective Labour Agreement (and any amendments and renewals of such contracts, always taking into account the seriousness of the behaviour, any possible repetition of the offence and the lack or degree of guilt).

In this context, in accordance with the provisions of Article 72 et seq. of the National Collective Labour Agreement referenced above, the applicable disciplinary measures, based on the seriousness of the breach, in addition to different, appropriate and lawful actions that the Company may take under the Procedures and Policies of the Company, are as follows:

(a) verbal warning;

(b) written warning;

An Employee who breaches the internal procedures set forth in the Model or engages, when carrying out activities in the areas at risk, in behaviour contrary to its provisions.

(c) fine up to a maximum of two hours;

An Employee who repeatedly breaches the internal procedures set forth by the Model or engages, when carrying out activities in the areas at risk, in behaviour contrary to its provisions, even if these shortcomings have not been individually ascertained and raised as issues.

(d) suspension from work for up to a maximum of three days;

An Employee who breaches the internal procedures set forth by the Model or engages, when carrying out activities in the areas at risk, in behaviour contrary to its provisions, causes damage to the Company or exposes it to an objective situation of danger to the integrity of the company's assets.

(e) dismissal with notice;

An Employee who engages, when carrying out activities in the areas at risk, in behaviour contrary to the provisions of the Model or is aimed at the perpetration of an offence sanctioned by the Law.

(F) dismissal without notice;

An Employee who engages, when carrying out activities in the areas at risk, in behaviour contrary to the provisions of the Model such as to determine the imposition upon the Company of measures set forth in the Decree as well as any other further measure necessary to mitigate the damage or prevent any further damage in relation to the employee's conduct.

These disciplinary measures may vary in accordance with amendments and/or additions to the applicable National Collective Labour Agreement.

7.3 **Sanctions for executives**

In addition to the provisions of the paragraph above, lack of supervision by the executives of the correct application by the workers hierarchically subordinate to them of the rules and provisions of the Model and the Code of Ethics, which leads to their breach, constitutes a disciplinary offence.

The Company will accordingly detect breaches and issue appropriate measures in accordance with the National Collective Labour Agreement for executives. In the event of particularly serious breaches of the principles set forth in the Model the measure could go as far as dismissal.

7.4 **Sanctions for directors**

In the event of non-compliance with the Model or the Code of Ethics by the directors of the Company who are also its employees, appropriate disciplinary measures will be applied, if and to the extent that the behaviour affects their position as executive.

The breaches of the Model and the Code of Ethics will give rise to the application of specific sanctions for the positions of directors, scalable from written reprimand to removal from office and action for liability under Article 2393 of the Italian Civil Code in consideration of the intentionality and seriousness of the conduct (which may be evaluated also in relation to the level of risk to which the company is exposed) and the particular circumstances in which the behaviour occurred.

The written warning is issued in the event of slight non-compliance with the principles and rules of conduct set forth in this Model.

The aforesaid provision will find specific application also in the cases of:

- (A) delays to the adoption of measures following reports;
- (B) delays to the drafting of the documentation required by the Model or the procedures.

Depending on the seriousness of the breach, the Shareholders' Meeting, called by the Board of Directors, will apply the protection measures deemed most appropriate, in compliance with current legislation. The Compliance Committee also informs the Internal Control Committee.

7.5 **Sanctions for auditors**

In case of breach of this Model by one or more auditors, the Compliance Committee informs the Board of Directors which will take appropriate action including, for example, the calling of the shareholders' meeting in order to take the most appropriate measures as required by law. The Compliance Committee also informs the Internal Control Committee.

7.6 **Sanctions for independent contractors subject to supervision**

Breaches of the Model by non-employees of the Company are sanctioned by the competent bodies based on the internal rules of the Company in accordance with the provisions of the independent contractor agreements and, in any case, with the application of contractual penalties and/or the automatic termination of the agreement (pursuant to Article 1456 of the Italian Civil Code), subject to compensation for damages.

7.7 **Sanctions relating to breach of reporting laws**

Failure to comply with reporting laws pursuant to Article 6 (2-*bis*) of the Law is sanctioned by the competent bodies in accordance with the internal rules of the

Company and the relevant National Collective Labour Agreement in the following cases:

- (a) breaches of measures to protect the whistleblower;
- (b) in respect of the whistleblower in the event of reports submitted with intent or gross negligence that are found to be groundless.

7.8 The sanctions procedure

The procedure begins with the reporting of an actual or alleged breach of the Model or procedures.

The phases of the procedure are:

- (a) Pre-evidence gathering phase verifying whether there has been a breach. This phase is carried out by the Compliance Committee within 30 days and also involves documentary checks. If the report turns out to be clearly unfounded, the Compliance Committee closes the matter and provides grounds for its decision, mentioning it in the periodic reports. In other cases, the Compliance Committee gives notice of the results of the enquires by way of a written report:
 - (i) to the Board of Directors for breaches by: (a) members of the corporate bodies (excluding members of the Board of Directors); (b) any other person in a senior position (meaning any person who has (*de jure* or *de facto*) functions of representation, management, administration, direction or control of the Company); (c) employees and independent contractors whatever their status (permanent, temporary, part-time, temporary, interns of any grade and in relation to any type of contractual relationship in Italy or abroad) subject to the management or the supervision of the senior executives of the Company;
 - (ii) to the Board of Statutory Auditors for breaches by members of the Board of Directors.
- (b) Evidence gathering phase to consider the merits of the breach based on the results of the work of the Compliance Committee. This phase is conducted within the maximum time period of 45 days or any longer time period reasonably necessary on the basis of the assessments of the Compliance Committee together with the Board of Directors or the Board of Statutory Auditors within their respective areas of responsibility.
- (c) Complaint phase and imposition of the sanction in accordance with local rules (Workers' Statute and National Collection Labour Agreement).

During the disciplinary procedure, the Compliance Committee, the Board of Directors and the Board Statutory Auditors may have recourse to the competent corporate functions. Should the breach prove unfounded, the Company will close the matter and provide grounds for the decision.

If the breach related to external supervised employees, in addition to the procedure set out in this paragraph, the Head of Human Resources will be involved in relation to any complaints in accordance with law and the application of penalty clauses.

8. **INFORMATION AND TRAINING OF STAFF**

In order to implement the Model effectively Zucchi's objective is to make known the rules of conduct set forth in the Model to all its Recipients.

The Head of Human Resources places the Model at everyone's disposal.

Any subsequent amendments and information concerning the Model will be notified to the Recipients through official information channels, including communications via e-mail and the company intranet.

The Head of the Human Resources in coordination with the Board of Directors will define and implement the training programme and lay down the content and frequency of the courses and document their participation in the courses.

The training courses aimed at disseminating knowledge of the legislation referenced in the Law will take into account, in terms of content and method of delivery, the position of the Recipients, the risk level of the area in which they operate and the allocation or otherwise of representative functions of the Company.

9. **UPDATE AND ADJUSTMENT OF THE MODEL**

Since the Model is a "*document issued by the management body*" (in compliance with the clarifications at Article 6(1)(a) of the Law), subsequent amendments and additions fall within the area of responsibility of the senior management of the Company, including at the suggestion of the Compliance Committee.

Updating the Model is to be considered necessary in the following cases:

- (a) modifications to the internal structure of the Company and/or the methods of carrying out its operations;
- (b) statutory changes or significant case law authority;
- (c) significant breaches of the provisions of the Model;
- (d) commission of the offences referenced in the Law by the Recipients;
- (e) identification of new Sensitive Activities or changes to those previously identified, including those possibly relating to the start-up of new businesses;
- (f) the detection of shortcomings and/or gaps in the Model's provisions following checks on its effectiveness.

The updates are the responsibility of the Board of Directors of the Company with the support of the Compliance Committee and any external advisors specialised in the matter.

Moreover, the Board of Directors of the Company has the right to make formal amendments or additions to the text of the Model (such as, for example, those necessary for the adaptation of the Model text to any change in the law).

Once the amendments have been approved, the Company's Board of Directors proceeds with the communication of the contents of the changes internally (and externally, where necessary).

The Model will, in any case, be subject to a process of periodic review to be ordered by the Company's Board of Directors.