



# ORGANIZATION, MANAGEMENT AND CONTROL MODEL

PURSUANT TO ITALIAN LEGISLATIVE DECREE 8TH JUNE 2001, NO. 231

ADOPTED BY  
LORO PIANA S.P.A.

VERSION	DATE	MODIFICATION
0	24th March 2017	Approval and Adoption of the Organisation, Management and Control Model by the Board of Directors
1	28th March 2019	<p>Update of the Model:</p> <ul style="list-style-type: none"> <li>• Law 199/2016 of October 29th, 2016 (“anticaporalato”) - “Provisions to counter the phenomena of undeclared employment, of exploitative labour in agriculture and the realignment of wages in the agricultural sector</li> <li>• Legislative Decree 38/2017 of March 15th, 2017 – Modification on the laws aiming at fighting private corruption</li> <li>• Legislative Decree of May 25th, 2017 – Removal of the anti-money laundering communication of the Supervisory Body</li> <li>• Law 103/2017 of June 23rd, 2017 – Modification of the statute of limitation for certain crimes against the Public Administration as included in the Legislative Decree 231/2001</li> <li>• Law 161/2017 of October 17th, 2017 (new antimafia Code) – Introduction of two new type of offences relating to abetting to illegal immigration in art. 25-quodecies of the Legislative Decree 231/2001 (“Employment of citizens of other countries having an irregular permit of stay”)</li> <li>• Law 167/2017 of November 11th, 2017 – Introduction of the new art. 25-terdecies of the Legislative Decree 231/2001 “Racism and xenofobia”</li> <li>• Law 179/2017 of November 30th, 2017 (“Whistleblowing”) - Provisions for the protection of whistle-blowers who report offences or irregularities which have come to their attention in the context of a public or private employment relationship</li> <li>• Legislative Decree 21/2018 of March 1st, 2018 – Repeal of art. 260 of the Legislative decree 152/2006 and replacement with the new art. 452-quaterdecies Criminal Code “Activities organized for the illegal trafficking of wastes”; repeal of art. 3 of the Law 654/1975 and replacement with the new art 604-bis Criminal Code “Propaganda and incitement to commit crimes on grounds of racial, ethnic and religious discrimination”</li> <li>• Law 3/2019 of January 9th, 2019 – Introduction of the art. 346-bis Criminal Code “Illicit traffic of influences” in section 25 of the Legislative Decree 231/2001</li> <li>• Adoption of the new Code of Ethics</li> </ul>
2	28th February 2022	<p>Update of the Model:</p> <ul style="list-style-type: none"> <li>• Law 157/2019 of November 19th, 2019 - Introduction of the new art. 25-quinquiesdecies of the Legislative Decree 231/2001 “Tax crimes”</li> <li>• Legislative Decree 75/2020 of July 7th, 2020 - Transposition of the so-called PIF Directive (EU Directive 2017/1371) resulting in the expansion of the cases pursuant to Article 25-quinquiesdecies and introduction of the new Article 25-sexiesdecies of the Legislative Decree 231/2001 “Smuggling”</li> </ul>

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Dear Colleagues,

Loro Piana's history has always been founded on values such as quality, authenticity, integrity, excellence. Moved by the firm conviction that an ethical and sustainable conduct represents the base for our success and growth, we believe that the task of each of us is to keep an exemplary behaviour, becoming ambassadors of these guiding principles and reflecting them in our everyday activities.

This is concretely represented by our Code of Ethics, which embodies our way of acting and thinking while guaranteeing coherence among the values and the daily activities which the company carries out.

Loro Piana embraces the principles and behaviour adopted by the LVMH Group which fully intertwine and reflect our distinguishing philosophy and DNA and has adopted the LVMH Code of Conduct making it its own Code of Ethics.

These principles guide the behaviour of each of us and of every person who works, collaborates or contacts Loro Piana.

I invite you to carefully read the Code of Conduct, considering it the vademecum of your daily activities, in the offices, in the stores and in the plants.

Thank you for your collaboration.



Damien Bertrand

\* Con riferimento a Loro Piana S.p.A. il presente Codice Etico costituisce altresì parte integrante del Modello di organizzazione, gestione e controllo ai sensi del D.Lgs. 231/2001, adottato in data 24 marzo 2017 (il "Modello").

\*\* Con riferimento a Loro Piana S.p.A., per garantire un'efficace attuazione del Modello è stato previsto un adeguato sistema disciplinare idoneo a sanzionare il mancato rispetto delle misure indicate nel Modello stesso.

\*\*\* Con riferimento a Loro Piana S.p.A. l'utilizzo del sistema di segnalazione interno ("whistleblowing") si aggiunge ai sistemi di comunicazione all'Organismo di Vigilanza ai sensi del D. Lgs. 213/01 già previsti dal Modello.

# LVMH - CODE OF CONDUCT

## FOREWORD

Successful companies stand the test of time.

LVMH knows this well. Our Maisons excel in nurturing the value of their brands, continually strengthening their appeal with bold innovation while respecting their unique and prestigious heritage. This is what inspires the success of the Group and guarantees our future.

The success of LVMH also depends on respect for the shared rules, practices and principles that guide the day-to-day conduct of our business activities everywhere in the world in terms of ethics, social responsibility and respect for the environment.

LVMH has articulated and encouraged respect for these shared rules, practices and principles. Since its founding, the LVMH Group has ensured that:

- these practices reflect the highest standards of integrity, responsibility and respect for stakeholders;
- employees enjoy a work environment in which they can express their talent and apply their skills and expertise;
- our Maisons define and adapt their production processes, habits and behaviour to pursue continuous improvement in addressing the mental issues we face;
- we contribute to the development of the regions and communities where we do business;
- we provide resources and competencies to support public interest initiatives and corporate philanthropy, and promote access to the arts and culture for a broad public.

We make these commitments to ourselves and to our stakeholders. They are reflected in the signature by LVMH and its Maisons of fundamental initiatives such as the United Nations Global Compact in 2003 – and by the adoption of internal codes of practice and charters that provide a benchmark for all our Maisons. These include an Environmental Charter introduced in 2001 and the Supplier Code of Conduct in 2008. We adopted the initial version of our Code of Conduct in 2009, formally setting out simple yet fundamental principles that inspire the Group in the conduct of its businesses and guide each of us in the exercise of our responsibilities.

This updated version of our Code of Conduct is both more explicit and more extensive for several reasons.

Because we must update our common framework to better address the diversity of continually evolving national contexts, métiers and cultures.

Because we must ensure compliance with all applicable treaties, laws and regulations, particularly in the areas of human rights and basic freedoms, health and safety, environment and ethics.

And because it is essential that these principles be applied thanks to concrete and effective means and an appropriate organizational structure.

This Code of Conduct has been signed by the members of the Executive Committee and by the CEOs of the LVMH Maisons. Each of the signatories thus makes a formal commitment to respect this Code and to guarantee its application and dissemination.

The Board of Directors' Ethics and Sustainable Development Committee monitors respect for the rules and values defined in this Code of Conduct. Each Maison and its members are expected to engage with this common framework and to apply its principles. This is a key factor in ensuring our continued excellence and a pillar that allows us to thrive over the long-term.

Our future collective success depends on the ethical commitment of every individual in the Group.

Bernard Arnault  
*Chairman and Chief Executive Officer of LVMH*

## INTRODUCTION

### PURPOSE

The LVMH Group (“LVMH” or the “Group”) comprises over 70 exceptional Maisons that create high quality products. LVMH is the only company active in all five major sectors of the luxury industry: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewellery and Selective Retailing. The Group’s growth and enduring success are underpinned by the values and principles that shape its culture and inspire and guide the actions of all employees.

LVMH’s ambitions are anchored by three fundamental values shared by all members of the Group:

- Be creative and innovative: creativity and innovation are part of our DNA. Over the years, they have ensured our Maisons’ success and established their legitimacy. This combination of creativity and innovation is the foundation of our Maisons and figures at the heart of the delicate balance required to continually renew our offering while resolutely looking to the future, always respecting our unique heritage;
- Deliver excellence: because LVMH embodies the world of craftsmanship in its most noble and most accomplished form, we pay meticulous attention to detail and to perfection. We never compromise on quality. From products to service, we cultivate our difference through this constant quest for excellence;
- Cultivate an entrepreneurial spirit: LVMH has an agile and decentralized organization that encourages efficiency and responsiveness. It stimulates individual initiative by entrusting each person with meaningful responsibilities. Our entrepreneurial spirit encourages both risk-taking and perseverance. It requires pragmatic thinking and an ability to motivate teams, leading them to achieve ambitious objectives.

### RESPONSIBLE PEOPLE AT THE HEART OF PERFORMANCE

LVMH employees are inspired by these values and embody them to guarantee the success of the Group and its Maisons. These values serve as a guide for our employees in changing contexts, as well as in complex environments, enabling them to challenge themselves to innovate and drive growth. These values are the pillars that ensure the performance and long-term success of the LVMH Group.

### AN ECOSYSTEM OF MAISONS

LVMH is above all an ecosystem of Maisons that share a common culture of excellence and dynamic creativity to satisfy the aspirations of their customers.

The organization of LVMH emphasizes the autonomy of its Maisons, recognizing the rich diversity of the business models they have developed. The Group respects their distinctive character and development paths and acts as the leader of a creative community where expertise and skills are carefully preserved, nurtured and shared. Decentralized operations guarantee the autonomy and agility of the Maisons, allowing LVMH to remain extremely close to customers, to rapidly make effective decisions, and to continually motivate our employees by encouraging them to show their entrepreneurial spirit.

### A SHARED ETHICAL FRAMEWORK

The principles set out in this Code of Conduct provide an ethical framework for all the actions of LVMH and its staff. LVMH expects exemplary behaviour by its employees, fully respecting the Group’s ethical commitments.

Respect for national and international laws, regulations and decisions and the application of best practices – particularly with respect to ethics, the environment and social responsibility – are essential prerequisites for the credibility of our policy. LVMH is committed to respecting both the letter and the spirit of these key texts and to translating its values and principles into responsible behaviour.

This Code of Conduct is inspired by the fundamental values detailed above, as well as the Universal Declaration of Human Rights, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on Women’s Empowerment.

The LVMH Code of Conduct provides the foundations for our policy. The application of this common base in specific areas is detailed in the Environmental Charter, the Supplier Code of Conduct as well as various internal guidelines and charters.

This Code of Conduct does not supersede the codes and charters applied by LVMH Maisons, but rather serves as a common core and source of inspiration. It brings together the fundamental principles that illustrate our shared commitment and guide the way we carry out our day-to-day professional activities. It states the principles that must inspire every member of the Group, as well as our partners and suppliers.

## ACTING RESPONSIBLY AND WITH SOCIAL AWARENESS

### RESPECTING AND SUPPORTING HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

LVMH ensures that the conduct of its businesses respects individual rights and encourages the continuous improvement of social and public health conditions, which are essential to the development and protection of individual rights.

LVMH is committed to remaining vigilant in identifying any potential direct or indirect negative impact of its activities on society in order to prevent, or if necessary, remedy any such negative impact.

LVMH respects and promotes the Universal Declaration of Human Rights and adheres to the principles of the United Nations Global Compact, as well as to the United Nations Guidelines on Women's Empowerment. Within its sphere of influence, LVMH supports the values, freedoms and fundamental rights promoted in these texts.

### CONTRIBUTING TO THE ECONOMIES OF HOST COUNTRIES

LVMH contributes to the economic and social development of the regions where it does business.

LVMH contributes to job creation in the regions where it is present – both directly through its own facilities and indirectly through its partners – and also to the tax revenue of local and national governments.

Through cooperation with the different sectors in which LVMH operates, the Group's presence encourages the development of local centres of excellence, as well as development of skills.

### BUILDING AND ENCOURAGING RESPONSIBLE RELATIONSHIPS WITH PARTNERS

LVMH is committed to maintaining and encouraging responsible and fair relationships with its partners.

LVMH supports its partners to establish and respect good corporate social and environmental practices and encourages their awareness of the importance of these issues. In particular, LVMH requires suppliers to comply with the ethical principles set out in the Supplier Code of Conduct. This Code specifies requirements to be respected by its suppliers, including any subcontractors they employ, in the management of their business regarding social issues (prohibition of forced labour and child labour, harassment and discrimination, measures related to wages, working hours, the free exercise of union rights, health and safety), environmental issues and operational issues (notably respect for laws, customs regulations, safety and subcontracting) and measures to fight corruption and illicit influence. This Supplier Code of Conduct also gives LVMH the right to conduct audits to ensure, as far as possible, supplier compliance with these principles.

LVMH maintains balanced commercial relations with its partners and places special emphasis on respect for contractual agreements and terms of payment.

### ACTIVE SOLIDARITY AND CORPORATE PHILANTHROPY

LVMH is committed to exemplary corporate social responsibility. This commitment is anchored in the fundamental principle of respect for people and individuals, and in making excellence a lever for social and professional inclusion, in solidarity with our host communities.

LVMH carries out numerous initiatives to support culture, artistic creativity, education and youth, as well as major humanitarian causes.

LVMH pursues an innovative corporate philanthropy policy designed to benefit the largest possible number of people.

The different aspects of this policy reflect and promote the cultural values that unify LVMH Maisons and underpin their success.

LVMH respects the cultures of the countries where it conducts business and is committed to promoting the best of local cultures and creativity. LVMH's social solidarity policy reflects its attachment to historic and artistic heritage.

LVMH education and youth initiatives emphasize broad access to the world's cultural heritage and encourage the development of tomorrow's talents.

The LVMH Group's solidarity also extends to humanitarian and social causes. LVMH provides ongoing support for medical research in France and around the world.

LVMH supports its partners to establish and respect good corporate social and environmental practices.

## PROVIDING A FULFILLING WORK ENVIRONMENT AND VALUING TALENTS

LVMH respects and promotes the principles of the United Nations Global Compact, in particular the fundamental rights at work:

- elimination of discrimination with respect to employment and occupation;
- elimination of all forms of forced and compulsory labour;
- effective abolition of child labour;
- freedom of association and the effective recognition of the right to collective bargaining.

LVMH encourages a diversity of profiles and backgrounds. This commitment is formally set out in the Group's Recruitment Code of Conduct and materialized by its signature of the French Corporate Diversity Charter ("Charte de la diversité en entreprise").

Diversity, a gender-balanced workforce and gender equality are embedded in the LVMH culture.

LVMH is formally committed to ensuring that all employees enjoy their rights irrespective of skin colour, sex, religion, political convictions, national or social origin, age, disability, trade union membership, sexual orientation, or gender identity. Particular attention is accorded to vulnerable persons' rights.

Diversity inspires creativity and is an essential value for LVMH. The diversity of the Group reflects a strong commitment to nurturing a culture of inclusion that respects the individuality of each employee or job candidate.

LVMH prohibits all forms of discrimination in recruitment, compensation, working time, breaks or paid vacation, maternity rights, job security, assignment of positions, appraisal, training, career development, job security and workplace health and safety. LVMH opposes all forms of physical, sexual, verbal or psychological violence and harassment.

Gender diversity is an integral part of the LVMH culture. The Group makes equal opportunity for women and men a cornerstone of its human resources policy within the framework of an inclusive culture, and places special emphasis on developing the careers of women. LVMH ensures equitable treatment of both women and men, including on work compensation and benefits.

LVMH takes initiatives to recruit, develop and retain talents that respect gender diversity. It has set up programs including mentoring and active support for talented women.

LVMH promotes the development of young talents through partnerships with schools and universities, local communities and associations.

LVMH encourages the employment and retention of older employees through initiatives such as training, flexible work hours and working conditions and prevention of physically difficult tasks. Senior employees are actively encouraged and valued through mentoring programs designed to preserve and transmit their skills.

LVMH is resolutely committed to the professional integration of people with disabilities and actively supports their training and recruitment through specific initiatives and dedicated partnerships.

### ENCOURAGING A WORK ENVIRONMENT THAT IS SAFE AND WHICH RESPECTS PRIVATE LIFE

LVMH takes measures to ensure the health and safety of its employees and ensures that all its activities comply with applicable workplace health and safety laws and regulations in all its host countries.

LVMH is committed to implementing best practices in the area of workplace safety. It works towards protecting employees in the framework of their professional activities from exposure to hazardous materials or situations and reporting potential hazards.

LVMH internal regulations detail workplace health and safety rules. They are communicated to employees.

LVMH takes measures to ensure a healthy balance between professional and private life for its employees.

LVMH respects the right of its employees to be involved in political activities and/or associations in a private capacity. Employees must ensure that these private activities do not involve or jeopardize the fulfilment of their responsibilities or damage the reputation of their employer.

LVMH is committed to respecting applicable regulations in its host countries when it gathers, processes or transfers the personal data of employees or job candidates.

Offering a stimulating and motivating work environment for employees

LVMH seeks to attract, recruit and develop the most talented people and offers a fulfilling work environment that encourages relationships between colleagues based on trust.

LVMH actively develops the skills of its employees through an extensive range of training programs and by promoting internal mobility, both geographic and functional. The Group is strongly committed to the transmission of skills and the cultural heritage represented by artisanal and creative professions.

LVMH encourages its employees to continually focus on quality in the execution of their work. Managers place priority on leading by example and ensuring an effective balance between initiative and limits dictated by the professional skills and responsibilities of the people who report to them.

Employees are expected to cooperate with colleagues and ensure impartiality and mutual respect in their interpersonal relations.

Employees may not make discriminatory, defamatory or harassing remarks when discussing their colleagues, managers or employer. In particular, this includes communication on social networks to be in compliance with the guidelines set out in the internal Social Media Charter.

### PROMOTING DIALOGUE WITH EMPLOYEE REPRESENTATIVES

LVMH respects employees' right to freely express views and opinions formulated within the framework of a constructive dialogue.

LVMH respects the right of employees to freely and voluntarily join organizations to promote and protect their professional interests.

LVMH encourages positive dialogue with employee representatives and cooperation with trade unions, as well as the respect and consideration for employee representatives in each country where the Group is present.



## COMMITMENT TO PROTECT THE ENVIRONMENT

Protecting the environment is both an imperative and a source of progress.

In all countries where it has a presence, LVMH strictly complies with applicable environmental laws, regulations and standards. LVMH strives to exceed legal and regulatory norms as an exemplary corporate citizen to address environmental issues that concern everyone. Through its Maisons, employees and partners, LVMH actively contributes to defining and implementing more virtuous practices in all of its business sectors, in particular through a precautionary approach.

These commitments were formalized in the Environmental Charter adopted in 2001 and applied by all LVMH Maisons:

- Aim for a high level of environmental performance;
- Foster a collective commitment;
- Control environmental risks;
- Design high-quality products by integrating environmental innovation and creativity;
- Pursue commitments beyond the company.

Protecting the environment is both an imperative and a source of progress.

## PRESERVING NATURAL RESOURCES AND INTEGRATING THE ENVIRONMENTAL DIMENSION INTO PRODUCTS

The long-term success of LVMH Maisons and their products depends directly on protecting and respecting natural resources.

Products created by LVMH Maisons are made from natural and often rare and exceptional materials. The design and manufacture of luxury products require not only innovation, creativity and excellence in execution, but also environmental performance.

The LVMH Group has since its founding perpetuated values rooted in the unique heritage of its Maisons, continually anticipating and adapting production processes and behaviour to better address the many environmental challenges we face.

## A COMMITMENT SUPPORTED BY CONCRETE, EFFECTIVE TOOLS

LVMH takes concrete initiatives to protect the environment, fight climate change and preserve natural resources. The Group seeks to actively drive continuous improvement of environmental conditions to benefit its customers, employees and the broader community, and deploys the suitable human and financial resources.

This commitment is embodied by the LIFE program – LVMH Initiatives For the Environment – which has been incorporated by all LVMH Maisons to structure their initiatives and focus them on nine shared priority areas and objectives:

- Integrate environmental performance of products throughout their life cycle since the design stage;
- Secure access to strategic raw materials by protecting biodiversity;
- Guarantee material and product traceability compliance;
- Promote environmental and social responsibility of suppliers and work with them to ensure best-in-class environmental standards across our supply chain;
- Protect critical know-how;
- Reduce greenhouse gases emissions of our activities and promote the use of renewable energy;
- Improve the environmental performance of our production sites and stores;
- Increase the lifetime and “reparability” of products;
- Establish procedures to address environmental issues raised by customers and stakeholders.

Environmental priorities and objectives are an integral part of the strategic plans at each Maison. The Maisons must prepare medium and long-term plans to ensure continuous improvement, accompanied by indicators to measure performance.

Beyond environmental factors linked directly to its business activities, LVMH also helps protect the environment by forging partnerships with business groups, public authorities and NGOs. Guided by the LIFE program, LVMH and its

Maisons work in a spirit of cooperation with stakeholders to make a positive contribution to best practices and address environmental issues throughout the entire value chain.

LVMH takes concrete actions to protect the environment and always strives to exceed legal and regulatory requirements.

## WINNING THE TRUST OF CUSTOMERS

### SUSTAINING PRODUCT QUALITY AND SAFETY

LVMH is committed to ensuring the health and safety of its customers by applying the precautionary principle in the design and production of its products.

LVMH continually strives to offer customers the highest possible product quality thanks to research and innovation, exacting standards in selecting materials, and in the use of expert skills in its different sectors.

The Group takes special care in the production and sourcing of these high-quality materials to seek to assure the sustainability of its resources, as well as respect for the principles promoted by LVMH in this Code of Conduct.

### RESPONSIBLE COMMUNICATION

LVMH provides its customers with clear and accurate information concerning production methods, as well as the impact and correct usage of its products. LVMH strives to refrain from making misleading statements or claims concerning its products and how they are produced.

LVMH recognizes the social impact of its products and their image and is therefore committed to the highest levels of vigilance regarding its marketing and advertising information, by promoting responsible practices.

### RESPECTING PRIVACY

Understanding customer needs and expectations is essential in order to provide them with the products they seek and deliver a personalized customer experience.

LVMH and its Maisons take measures to act with complete transparency in compliance with applicable regulations concerning protection of customers' personal information. In particular, LVMH Maisons provide their customers with clear information concerning the personal information they provide, and take measures to protect the confidentiality of this information.

LVMH and its Maisons do not sell customers' personal information and do not send commercial messages to customers without their prior consent.

LVMH takes measures to act with complete transparency with regards to the protection of personal information and to scrupulously ensure respect of its customers' privacy.

## WINNING THE CONFIDENCE OF SHAREHOLDERS

### DEFINING AND RESPECTING SHAREHOLDER RIGHTS

The rights of LVMH shareholders are protected by law and by the corporate governance principles that cover the operation of the Group.

The Board of Directors of LVMH has adopted a Charter that sets out, among other things, its composition,

duties, operating procedures and responsibilities.

The Board of Directors of LVMH has three committees whose composition, duties and operating procedures are set out in the company's internal rules:

- The Performance Audit Committee, whose main duties are to ensure that the Group's accounting procedures comply with applicable standards. It reviews the corporate and consolidated financial statements and ensures effective execution of internal control and risk management procedures within the Group;
- The Nominations and Compensation Committee issues proposals concerning the compensation for senior executives and issues opinions on candidates and compensation for key positions, in compliance with applicable legislation and governance principles;
- The Ethics and Sustainable Development Committee, whose main duties are to ensure compliance with the individual and collective values that constitute the cornerstone of the LVMH Group's operations, as detailed in this Code of Conduct and other codes and charters resulting from this Code.

## ENSURING THE QUALITY AND TRANSPARENCY OF FINANCIAL INFORMATION

LVMH accurately reflects its operations in its financial statements. In addition, the Group completes certain questionnaires from independent ratings agencies where there is no risk of conflict of interest.

LVMH is committed to ensuring the simultaneous, effective and complete dissemination of financial and extra-financial information that is relevant, accurate, precise and trusted, and to the publication of this information in a timely manner and in a format consistent with previous publications.

Only a limited number of designated persons within the Group are authorized to provide information to financial markets.

## PREVENTING INSIDER TRADING

“Insider information” is any specific information that is not publicly available that directly or indirectly concerns one or more issuers of financial instruments or one or more financial instruments and which, if it were made public, could significantly impact the price of the financial instruments concerned or any derivative financial instruments linked to them. Employees with access to such information are prohibited from directly or indirectly buying or selling the issuer's shares (or financial instruments linked to these securities) or to have such transactions executed by a third party until such information is made public.

LVMH provides information on its performance with complete independence and transparency

The Group implements procedures to assess whether information should be qualified as insider information or not, and to determine whether this information can be communicated or used, and whether it must be made public.

To mitigate the risk of unintentional dissemination of insider information, employees with access to such information are required to respect complete confidentiality and are prohibited in particular from mentioning this information in any communications channels that unauthorized persons might consult or in any place where they risk being overheard. If employees have any doubts as to whether information is considered “insider information”, they must contact their management or any other authorized person (Finance or Legal departments).

## PROTECTING THE GROUP'S RESOURCES

The Group takes every possible measure to protect its assets and resources, including its intellectual property rights. The Maisons deploy an anti-counterfeiting strategy based on prevention, cooperation and communication.

Each employee is responsible for protecting the heritage and resources of LVMH to avoid any loss, improper use, damage or waste. These resources include equipment, property, financial resources and any other Group asset.

Employees are expected to use the Group's resources responsibly and for professional, legal and appropriate purposes in order to achieve the objectives set within the framework of their duties, with the goal of contributing to the development of the Group's businesses.

Employees must be vigilant in protecting against waste or abusive use of resources, particularly in taking advantage of benefits accorded. Resources and assets are made available to employees on a temporary basis and remain the property of the Group.

The LVMH Group has established internal guidelines concerning the protection of resources which employees are also expected to follow.

Occasional personal use of communications resources (e-mail, internet, etc.) is acceptable as long as it does not interfere with an employee's duties, does not generate any additional costs for the company, complies with applicable legislation, and does not negatively impact the business interests of LVMH.

The use of information technology resources is in particular subject to compliance with the rules and principles set out in the internal LVMH Information Systems Security Charter.

LVMH requires that its employees demonstrate fair and equitable behaviour. Each of them is responsible for protecting the reputation of LVMH, its employees and its partners, and must refrain from any denigration of competitors. In particular, LVMH expects its employees to be extremely vigilant in the statements they publish on the Internet, particularly in making certain that their remarks reflect only their personal views, in compliance with the internal Social Media Charter. Employees are expected to show restraint, respect for others and to guarantee confidentiality and professional secrecy.

## ACTING WITH INTEGRITY AND COMMITMENT TO INTEGRITY IN THE CONDUCT OF BUSINESS

LVMH requires that its employees and partners act with exemplary integrity. Failure to comply with regulations can expose the Group – as well as employees themselves – to criminal sanctions. In addition to possible legal proceedings, employees who fail to respect these internal rules and guidelines are subject to disciplinary sanctions.

### FIGHTING AGAINST ALL FORMS OF CORRUPTION

The concept of "act of corruption" – the legal definition of which varies depending upon the applicable legal framework – generally includes any act through which a person ("the corrupted") solicits or accepts a gift, a promise or any type of benefit for themselves or for a third party in exchange for performing, failing to perform or delaying the performance of an action within the scope of their responsibilities, duties or mandates, to the benefit of a third party ("the corruptor").

Gifts, promises or any type of benefit may consist of direct benefits – payment of cash, provision of goods or services, discounts, free execution of work, etc. – or indirect benefits such as hiring a relative or friend, paying a debt for someone, etc.

Corruption may involve a person acting in a private capacity (private corruption) or in a public capacity (public corruption).

There is active corruption when the corruptor initiates the corrupt act. There is passive corruption when the corrupt act is performed at the initiative of the corrupted person.

As for the concept of influence peddling, it applies to a situation in which a person illicitly uses their real or supposed influence in order to obtain certifications, employment, contracts or any other favourable decision for a third party from a public authority or administrative office in exchange for a benefit.

Influence peddling is also qualified as "active" or "passive" depending upon who initiates the action.

LVMH applies a zero-tolerance policy concerning corruption and influence peddling and implements measures to prevent, identify and sanction any instances of corruption or influence peddling within the scope of its activities.

Internal guidelines communicated to employees precisely illustrate the types of behaviour that are strictly prohibited and which may be characterized as corruption or influence peddling.

For example, they include:

- paying or accepting bribes or hidden commissions,
- regardless of whether they are paid directly or indirectly;
- facilitating payments (payment of small sums to public officials in order to speed or guarantee the execution of an action as part of the normal conduct of business).

More broadly, any payment to a third party must be in exchange for a service and correspond to a legitimate price agreed with this third party.

## PREVENTING AND MANAGING CONFLICTS OF INTEREST

Conflicts of interest may arise when the personal interests of an employee or those of third parties (private individuals or companies) with which the employee has a close relationship conflict or could potentially conflict with the interests of LVMH and could compromise or give the appearance that this relationship might compromise the impartial and objective exercise of the employee's responsibilities.

LVMH Group employees who could potentially find themselves in situations such as this are required to report potential conflicts of interest as soon as they are identified.

In addition to immediately reporting potential conflicts of interest, employees whose positions and responsibilities render them particularly exposed to possible conflicts of interest are required to periodically report the absence of any conflicts of interest or report any potential conflicts of interest that have been identified.

The Group has established specific internal guidelines designed to avoid and manage conflicts of interest; employees are expected to act in accordance with these guidelines.

## ADOPTING A REASONABLE POLICY CONCERNING GIFTS AND INVITATIONS

LVMH has established internal guidelines concerning gifts and invitations with which all employees are expected to comply.

Moreover, practices to be respected in this area are governed by laws and normal practice that vary according to countries, professions and the status of the persons involved. The LVMH Group does not tolerate any violation of applicable laws and regulations and takes measures to ensure that all employees comply with these rules.

Protecting confidentiality

LVMH employees are committed to protecting the confidentiality and integrity of internal information that has not been made public.

This information may in particular concern financial data, information on strategy, employees or clientele, product collections and launches, potential acquisitions or commercial initiatives designed to bring the Group a competitive advantage.

As a general rule, discretion is essential in order to maintain trust within the Group and within the framework of relationships established with customers and partners. LVMH is committed to ensuring the protection of all confidential information entrusted to the Group by external sources and to using this information only for the purposes authorized, taking necessary precautions.

Employees agree to refrain from divulging, whether directly or indirectly, any internal or external confidential information in their possession to both persons outside the Group and to other LVMH employees whose

responsibilities do not require knowledge of this information.

## RESPECTING COMPETITORS

LVMH believes in maintaining an open and fair competitive environment that respects applicable laws and practices and does not violate competition rules.

LVMH's commitment to respecting competition has been formalized in the adoption of the internal Competition Law Compliance Charter, which has been prepared to foster a robust culture of compliance with competition law throughout the Group.

This Charter explains the main rules governing day-to-day commercial relationships with which employees are expected to be conversant, and provides pragmatic standards of conduct that employees are expected to respect. For example, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement through understandings, plans, arrangements or coordinated behaviour between competitors, in particular concerning prices, markets, market shares or customers.

## FIGHTING MONEY-LAUNDERING

Money-laundering involves the investment of funds derived from criminal activities in legitimate economic activities in order to conceal the illegal origin of these funds.

LVMH takes appropriate measures designed to avoid its activities being used as a vehicle for money-laundering, an illegal activity that might in particular involve the payments in cash or other bearer instruments.

LVMH has established internal guidelines and procedures to fight money-laundering, in particular by limiting or establishing rules for cash payments and requires that its employees and partners be especially vigilant in this regard.

## RESPECTING TRADE RESTRICTIONS AND INTERNATIONAL SANCTION PROGRAMS

LVMH attaches great importance to respect for international agreements, as well as laws and regulations concerning export controls, financial sanctions and international trade restrictions for countries where the Group and its Maisons do business, taking into account changes in these measures.

No transactions with direct or indirect links to states, entities, organizations or persons subject to international sanctions, regardless of their size, may be executed if they fail to respect existing sanctions programs, and without prior approval from the LVMH Finance and Legal departments.

## ACTING IN A LOYAL AND RESPONSIBLE MANNER IN PUBLIC LIFE

In a spirit of dialogue and cooperation with public authorities and decision leaders, LVMH contributes to public discussions in countries where this is authorized and relevant for its businesses.

The Group's involvement in public life is governed by respect for the laws and rules specific to the institutions and organizations concerned, as well as those set out in this Code of Conduct. LVMH places great importance on the accuracy of information provided to third parties and is registered as a lobbyist where required by its activities. Outside service providers under contract with the Group are required to respect these same principles. LVMH prohibits any payment to political parties or organizations or labour unions.

LVMH prohibits the awarding of any mandate or compensation, either permanent or temporary, to any member of a national or European parliament during their term of office.

# IMPLEMENTATION AND COMPLIANCE

## SCOPE OF APPLICATION

This Code of Conduct aims to ensure the integrity of LVMH's operations. This Code is shared with all LVMH

Group companies and consistently applied in all LVMH Maisons.  
All LVMH Group employees must respect the principles set out in this Code of Conduct.

## DISSEMINATION OF THE CODE OF CONDUCT

This Code of Conduct is available on the LVMH website and is also available and can be downloaded in several languages on the Group's intranet.

This Code of Conduct is given to all new employees.

The LVMH Group has also established resources to support good governance by its Maisons in the following areas:

- environment;
- relationships with suppliers;
- recruitment;
- information systems security;
- fighting corruption, in particular to address some specific geographical areas;
- compliance with competition law;
- advertising;
- other issues and areas covered by this Code of Conduct for which the Group has established internal guidelines.

Employees who fail to respect the principles set out in this Code of Conduct and in internal guidelines are liable to appropriate disciplinary measures proportionate to the seriousness of the infraction, in compliance with the Internal Regulations (or any equivalent document) of the company that employs them and to applicable laws and regulations.

The principles of this Code of Conduct may be detailed by each Maison to reflect its business sector or geographic location. In addition, local codes of conduct or charters may be applied when necessary to conform to local legislation and regulations.

## GOVERNANCE

To ensure effective dissemination and respect for the principles and values set out in this Code of Conduct, LVMH has established corporate governance aligned with the profile of the Group and its operational realities. This Code of Conduct aims to ensure the integrity of LVMH's operations. This Code is shared with all LVMH Group companies. It must be consistently applied in all LVMH Maisons.

This organization is based on:

- a Board of Directors' Ethics and Sustainable Development Committee whose duties are: to contribute to the definition of rules of conduct inspiring the Group's executives and employees in the areas of ethics, corporate social and environmental responsibility; to ensure the respect of these rules; to review the Group's strategy and reports in these areas;
- an Ethics and Compliance Director, reporting to the Group Managing Director, and an Ethics and Compliance Commission comprising representatives of different LVMH corporate departments (human resources, finance, operations, purchasing, audit and internal control, environment, legal and communications). This Commission is specifically responsible for promoting the principles set out in the Code of Conduct, for driving the development of best practices in these areas, ensuring compliance with the Code, analysing and ranking the seriousness of risks identified via a regularly reviewed mapping, contributing to compliance and due diligence audits of partners and managing the functioning and tracking of the alert procedures put in place within the LVMH Group. In this respect, an annual report on implementation of the principles of the Code of Conduct will be submitted to the Ethics and Sustainable Development Committee;
- a network of Ethics and Compliance correspondents appointed at each Maison to encourage experience sharing, sharing of best practices and consistent and uniform application of the principles and values promoted by the Code of Conduct.



The governance structure also includes:

- a network of Social Responsibility correspondents appointed within the Maisons, which meets several times each year to structure initiatives to be taken and allow the Maisons to adopt and adapt these initiatives to reflect their specific values, business environment and the expectations of their employees and customers;
- an Environment Committee comprising environment correspondents from the Maisons, which meets several times each year. This Committee provides a forum for exchanges of ideas and discussion of environmental performance opportunities and issues, as well as the LIFE program;
- a Supplier Sustainability Day, which each year brings together purchasing, branch managers and managers responsible for supplier relations from the Maisons. These meetings review priority issues, launch new initiatives and cascade best practices within the Group;
- a network of Internal Control correspondents headed by the Audit and Internal Control department, responsible for coordinating implementation of internal control and risk management procedures. Within the different Maisons, these correspondents are responsible both for ensuring compliance with the Group's internal control procedures and for carrying out internal controls of their businesses and functions.

## SUPPORT RESOURCES

- Mapping of risks – Risk mapping identifies and when possible ranks the seriousness of risks to which the Group and its Maisons are exposed against all types of behaviour that are non-compliant with this Code of Conduct, particularly external attempts at corruption and serious violations of human rights, fundamental freedoms, the health and safety of individuals and the environment. These risks are assessed in particular in relation to partners, geographies and business sectors. This mapping is regularly reviewed to take into account the changing environments in which the Maisons conduct their businesses. Based on the risks identified, procedures for evaluation of partners (suppliers, intermediaries, etc.) are included in this mapping. Each Maison must adapt its internal codes of conduct and procedures to reflect their specific risks in this mapping.
- Internal control and assessment – Control of compliance with the Code of Conduct is part of existing LVMH internal control procedures and is carried out in compliance with the procedure applied by the Group. Internal and external accounting control procedures implemented by LVMH are designed in particular to ensure that the accounts are not used to mask instances of corruption or influence peddling, and to assess due diligence measures taken to prevent and fight against all forms of corruption and influence peddling.
- Training – The LVMH Group deploys a range of effective training resources. The content of these programs and choice of staff who benefit from them are based on the risk mapping (in terms of job profile, geography and business). Training is regularly provided for Group managers and employees who are most exposed to risks of corruption, influence peddling and money-laundering. Social responsibility training focused on preventing discrimination is provided for recruiters, executives and managers, and continual monitoring of recruitment practices is carried out through discrimination test campaigns conducted by an independent firm.
- Audits and due diligence – The Group performs audits and due diligence of stakeholders to better identify, assess and anticipate risks and opportunities for improvement and to ensure in-depth knowledge of its partners. These procedures allow the Group to verify that the performance of its partners is aligned with its requirements and respects the best practices detailed in this Code of Conduct, ethics, social and environmental issues and respect for human rights. Through these controls, the Group can also help its partners implement and apply best practices to resolve minor non-conformities. These measures and compliance with them, are stipulated in agreements between the Group and its partners.
- Disciplinary sanctions – Failure by employees to respect the rules set out by the Code of Conduct, specific codes of conduct, charters, and internal policies, guidelines and Internal Regulations (or any equivalent document) of the Maisons that employ them may be considered as misconduct. In such cases, the Group



may take appropriate and necessary measures in order to terminate the misconduct identified, including appropriate disciplinary sanctions proportionate to the seriousness of the violation, according to the measures stipulated in the Internal Regulations (or any equivalent document) and applicable laws and regulations.

- Alert procedures – All employees who have questions about the appropriate behaviour to be adopted or the interpretation of the principles set out in this Code of Conduct, or those who become directly or indirectly aware of violations of this Code of Conduct, are invited to contact their manager, Ethics and Compliance correspondent, human resources manager, the Group's Ethics and Compliance Director or any other authorized persons.

The LVMH Group has established an internal alert procedure enabling reporting and processing of alerts raised by employees regarding violations or risks of violation of the measures set out in this Code of Conduct.

This alert procedure is available to all employees. In compliance with applicable regulations, this procedure guarantees confidentiality for the person raising the alert to the extent reasonably possible and unless otherwise required by law (in particular in France with the conditions stipulated by the French Data Protection Authority Cnil single authorization No. AU-004).

Retaliations are prohibited against people who use this procedure in good faith even when the suspicions at the origin of the alert prove groundless.



## DEFINITIONS

The following terms with capital initials shall have the meaning specified in the definition.

**Sensitive Activity/ies:** activities that could imply a risk of committing the Crimes;

**Code of Ethics/Code:** the document mentioned in paragraph 4;

**Board of Directors:** the members of Loro Piana Board of Directors;

**Decree:** Italian Legislative Decree no. 231 of 8th June 2001;

**Recipients:** the subjects defined in paragraph 2.3;

**Employees:** executives and other employees of Loro Piana, including workers who are seconded abroad;

**Entity/Entities:** all legal entities, companies and associations even without legal personality;

**Group/LVMH Group:** the LVMH multinational Group to which Loro Piana belongs;

**Guidelines:** “Guidelines for the construction of organization, management and control models pursuant to Italian Legislative Decree 8th June 2001, no. 231” issued by Confindustria;

**Loro Piana/Company:** Loro Piana S.p.A.;

**Model:** organization, management and control models pursuant to the Decree;

**Supervisory Board:** body within the Entity with independent powers of initiative and control in charge of monitoring the effectiveness and observance of the Model and updating it;

**Corporate Body/ies:** The Board of Directors and those who perform, including in a de facto capacity, management, administration or control functions in Loro Piana or one of its independent organizational units and the members of the Board of Auditors;

**Special Section(s):** the documents stated in paragraph 2.1;

**Crime(s):** the crimes set forth in the Decree and in the laws stated in the Decree (so-called predicate offenses);

**Company Officer(s):** the person stated in paragraph 2 of the Preamble to the Special Sections, as better specified in the Special Sections, if applicable;

**Notices:** the information to be reported as defined in paragraph 9.5;

**Disciplinary System:** the disciplinary system as defined in paragraph 6;

**Senior Manager(s):** executives serving a representative, administrative or managerial role in the Entity or one of its organizational units that is financially and functionally independent, as well as natural persons who perform, including in a de facto capacity, management and control functions within the Entity;

**Subordinate Person(s):** persons reporting to or supervised by one of the Senior Managers;

**Third-party Recipients:** the subjects defined in paragraph 2.3;

**Infringement(s):** the infringements defined in paragraph 9.5

Additional terms may be defined below.



## GENERAL SECTION

### 1 THE REGULATORY FRAMEWORK: ITALIAN LEGISLATIVE DECREE NO. 231/2001 AND ITS EVOLUTION

#### 1.1 Administrative liability for crimes pursuant to Legislative Decree 8th June 2001 no. 231

The Decree was issued in implementation of the Delegated Law no. 300 dated 29th September 2000, a law that aligned Italian legislation with international and European laws, by ratifying and implementing several international conventions that Italy had long adopted, such as the Brussels Convention on the protection of the European Communities' financial interests of 26th July 1995, the Brussels Convention on the fight against bribery involving officials of the European Communities or officials of Member States of the European Union, signed on 26th May 1997 and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of 17th December 1997<sup>1</sup>.

The Decree introduced into the Italian legal order an administrative liability regime applying to Entities. The following entities are expressly not included within the scope of the Decree: the State, all local Public Bodies, non-economic public bodies, as well as entities which play a constitutional role such as political parties and trade unions.

The entity's liability is additional to the accountability of the natural person who actually committed the crime. This liability is independent, therefore the Entity may also be held liable if the perpetrator has not been identified or cannot be charged.

#### 1.2 Crimes covered by the Decree and its subsequent amendments

The Entity's liability does not arise from any offenses but only when the Crimes are committed.

- (i) At the date of update of this Model, the Decree covers the following Crimes:
  - (a) **Crimes against Public Administration** (articles 24 and 25 of the Decree);
  - (b) **Computer crimes and illegal use of data** (art. 24-bis of the Decree, introduced by art. 7 of law 18th March 2008, no. 48, "Ratification and implementation of the Convention on Cybercrime of the Council of Europe, signed in Budapest on 23rd November 2001 and provisions updating Italian laws");
  - (c) **Crimes committed by organized crime** (art. 24-ter of the Decree, introduced by art. 2, paragraph 29, of Law 15th July 2009, no. 94, "Public safety provisions");
  - (d) **Counterfeiting of money, bonds, stamped papers and identification instruments or marks** (art. 25-bis of the Decree, introduced by art. 6 of Decree Law 350 of 25th September 2001, converted into law 23rd November 2001 no. 409, "Urgent provisions in view of the introduction of the Euro", and modified by law 99 of 23rd July 2009);
  - (e) **Crimes against industry and trade** (art. 25-bis.1 of the Decree, introduced by art. 15, paragraph 7, letter b), of Law 23rd July 2009, no. 99, "Provisions for the development and internationalization of companies and energy regulations");
  - (f) **Corporate crimes** (art. 25-ter of the Decree, introduced by art. 3, paragraph 2 of Legislative Decree 11th April 2002 no. 61, "Provisions regarding criminal and administrative offenses

<sup>1</sup> *The United Nations Convention and Protocols against Transnational Organized Crime, adopted by the General meeting on 15th November 2000 and 31st May 2001, was ratified by law no. 146/2006.*

concerning commercial companies - in accordance with Article 11 of Law No. 366/2001”, as amended by law 28th December 2005, no. 262, law 6th November 2012, no. 190, law 27th May 2015, no. 69 and, finally, Legislative Decree 15th March 2017, no. 38).

- (g) **Crimes with the purpose of terrorism or subversion of the democratic order** (art. 25-quater of the Decree, introduced by art. 3 of Law no. 7 of 14th January 2003, “Ratification and Implementation of the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 9th December 1999, and provisions updating Italian laws”);
- (h) **Female genital mutilation** (art. 25-quater.1 of the Decree, introduced by art. 8 of Law no. 7 of 9th January 2006, “Measures concerning the prevention and prohibition of FGM practices”);
- (i) **Crimes against individuals** (art. 25-quinquies of the Decree, introduced by art. 5 of Law no. 228 of 11th August 2003, “Measures against human trafficking”, as amended by law no. 38 of 6th February 2006, by legislative decree no. 39, dated 4th March 2014 and, finally, by Law no. 199, dated 29th October 2016);
- (j) **Market Abuse** (art. 25-sexies of the Decree, introduced by art. 9 of Law no. 62 of 18th April 2005, “Provisions for the fulfilment of the obligations resulting from being a member of the European Communities. Community law 2004”);
- (k) **Negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety** (art. 25-septies of the Decree, introduced by art. 9 of Law 3rd August 2007 no. 123, “Measures regarding the protection of workplace health and safety and delegation to the Government for the reorganization and reform of the relevant regulations” and amended by art. 300 of Legislative Decree 9th April 2008, no. 81 “Implementation of article 1 of Law 3rd August 2007, no. 123, on workplace health and safety”);
- (l) **Receipt of stolen goods, money laundering and use of illegally obtained money, goods or benefits, and self-laundering** (art. 25-octies of the Decree, introduced by art. 63, paragraph 3 of Legislative Decree 21st November 2007, no. 231, “Implementation of directive 2005/60/EC concerning Preventing money laundering by means of the financial system and terrorist financing, as well as directive 2006/70/EC laying down implementing measures”, as amended by law 15th December 2014, no. 186)<sup>2</sup>;
- (m) **Copyright infringement** (art. 25-novies of the Decree, introduced by art. 15, paragraph 7, letter c) of Law 23rd July 2009, no. 99, “Provisions for the development and internationalization of companies and energy regulations”);
- (n) **Incitement not to make statements or to make false statements to the judicial authorities** (art. 25-decies of the Decree, introduced by art. 4, paragraph 1, of Law 3rd August 2009, no. 116, “Ratification and implementation of the United Nations Convention against Bribery, adopted by the General Assembly of the United Nations on 31st October 2003 with resolution no. 58/4, signed by the Italian State on 9th December 2003, as well as adaptation rules and amendments to the criminal code and the code of criminal procedure”, as replaced by article 2 of Legislative Decree 7th July 2011, no. 121);
- (o) **Environmental crimes** (art. 25-undecies of the Decree, introduced by art. 2, paragraph 2, of Legislative Decree 7th July 2011, no. 121, “Implementation of Directive 2008/99/EC on the protection of the environment through criminal law, as well as directive 2009/123/EC amending directive 2005/35/EC on ship-source pollution and on the introduction of

<sup>2</sup> Art. 64 of Legislative Decree 21st November 2007, no. 231 repealed paragraphs 5 and 6 of art. 10 of Law 16th March 2006, no. 146, which had included money laundering (art. 648-bis Italian Criminal Code) and the use of illegally obtained money, goods or benefits (art. 648-ter Italian Criminal Code) into Transnational crimes.

penalties for infringements”, as amended by law 22nd May 2015, no. 68);

- (p) **Employment of illegally staying third-country nationals** (art. 25-duodecies of the Decree, introduced by art. 2, paragraph 1, of Legislative Decree 16th July 2012, no. 109, “Implementation of directive 2009/52/EC providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals”)<sup>3</sup>;
  - (q) **Racism and xenophobia** (art. 25-terdecies of the Legislative Decree 21st November 2007 no. 231 as amended by Law no. 167 November 20th 2017);
  - (r) **Transnational Crimes** (art. 10 of Law no. 146 of 16th March 2006, “Ratification and implementation of the United Nations Convention and Protocols against transnational organized crime, adopted by the General meeting on 15th November 2000 and 31st May 2001”, as amended by Legislative Decree 21st November 2007, no. 231).
  - (s) **Tax crimes** (art. 25-quinquiesdecies of the Decree, introduced by Law no. 157 of November 19th 2019, converted with amendments into Decree Law no. 124 of October 26th 2019, containing “Urgent provisions on tax matters and for unavoidable requirements” and subsequently expanded by Legislative Decree no. 75 of July 14th 2020, which definitively transposed Directive (EU) 2017/1371, known as the PIF Directive, on combating fraud affecting the financial interests of the European Union by means of criminal law).
  - (t) **Smuggling crimes** (art. 25-sexiesdecies of the Decree, introduced by Legislative Decree no. 75 of July 14th 2020, which definitively transposed Directive (EU) 2017/1371, the so-called PIF Directive, on the fight against fraud affecting the financial interests of the European Union by means of criminal law).
- (ii) Subsequent to the analyses performed (as described in paragraph 2.4 herein), the following Crimes are believed to be inapplicable to Loro Piana:
- (a) **Crimes with the purpose of terrorism or subversion of the democratic order** (art. 25-quater of the Decree, introduced by art. 3 of Law no. 7 of 14th January 2003, “Ratification and Implementation of the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 9th December 1999, and provisions updating Italian laws”);
  - (b) **Female genital mutilation** (art. 25-quater.1 of the Decree, introduced by art. 8 of Law no. 7 of 9th January 2006, “Measures concerning the prevention and prohibition of FGM practices”);
  - (c) **Market Abuse** (art. 25-sexies of the Decree, introduced by art. 9 of Law no. 62 of 18th April 2005, “Provisions for the fulfilment of the obligations resulting from being a member of the European Communities. Community law 2004”).
- (iii) In the light of Loro Piana’s operations, resulting from the analysis performed to prepare this Model and described in paragraph 2.4 below, the Crimes theoretically relevant for Loro Piana are illustrated below by specifying the relevant theoretically applicable types of crimes for each Crime category:
- (a) **Crimes against Public Administration** (articles 24 and 25 of the Decree), if committed to the detriment of the State or another public body:
    - Misappropriation of public funds (art. 316-bis Italian Criminal Code);

<sup>3</sup> Law dated 17th October 2017 no. 161, published in the Official Gazette no. 258 of 4th November 2017, containing “Amendments to the code of anti-mafia laws and preventive measures, as per Legislative Decree dated 6th September 2011 no. 159, the criminal code and the implementation, coordination and transitional provisions of the code of criminal procedure and other provisions. Delegation to the Government for the protection of work in seized and confiscated companies” (so-called “Anti-Mafia Code”), has inserted in art. 25-duodecies of Legislative Decree 231/2001 the following types of crimes: provisions against illegal immigration (art. 12, paragraph 3, 3-bis, 3-ter, 5, of Legislative Decree 286/1998 - Consolidated Law on Immigration).

- Undue receipt of public funds (art. 316-ter Italian Criminal Code);
  - Undue receipt on the part of a public official for performing their functions (art. 318 Italian Criminal Code; art. 321 Italian Criminal Code);
  - Bribery for an act contrary to official duties (art. 319 Italian Criminal Code; art. 321 Italian Criminal Code);
  - Bribery in legal proceedings (art. 319-ter Italian Criminal Code; art. 321 Italian Criminal Code);
  - Abetment to give or promise undue benefits (art. 319-quater Italian Criminal Code);
  - Bribery of a Public Service Officer (art. 320 Italian Criminal Code; art. 321 Italian Criminal Code);
  - Abetment of bribery (art. 322 Italian Criminal Code);
  - Aggravated fraud to the detriment of the State or another public body or to exempt someone from military service (art. 640, paragraph 2, no. 1, Italian Criminal Code);
  - Aggravated fraud for the receipt of public funds (art. 640-bis Italian Criminal Code);
  - Computer fraud (art. 640-ter Italian Criminal Code).
  - Trading in illicit influences (art. 346-ter Italian Criminal Code).
- (b) **Computer crimes and illegal use of data** (art. 24-bis of the Decree):
- Electronic documents (art. 491-bis Italian Criminal Code);
  - Unauthorized access to a computer or data transmission system (art. 615-ter Italian Criminal Code);
  - Illegal possession and distribution of codes to access computer or data transmission systems (art. 615-quater Italian Criminal Code);
  - Unlawful interception, prevention or interruption of computer or electronic communications (art. 617-quater Italian Criminal Code);
  - Installation of equipment designed to intercept, prevent or interrupt computer or electronic communications (art. 617-quinquies Italian Criminal Code);
  - Damage to computer information, data and programs (art. 635-bis Italian Criminal Code);
- (c) **Crimes committed by organized crime** (art. 24-ter of the Decree):
- Criminal syndicates (art. 416 Italian Criminal Code);
  - Mafia-type associations, including foreign associations (art. 416-bis Italian Criminal Code).
- (d) **Counterfeiting of money, bonds, stamped papers and identification instruments or marks** (art. 25-bis of the Decree):
- Spending and non-complicit introduction of counterfeit money into the national domain (art. 455 Italian Criminal Code).
- (e) **Crimes against industry and trade** (art. 25-bis.1 of the Decree):
- Fraud in trade (art. 515 Italian Criminal Code)
  - Sale of industrial products with misleading signs (art. 517 Italian Criminal Code).
  - Production and sale of goods manufactured by usurping industrial property rights (art. 517-ter Italian Criminal Code).
- (f) **Corporate crimes** (art. 25-ter of the Decree):
- False corporate communications (articles 2621 and 2621-bis Italian Civil Code);
  - Prevented control (art. 2625 2nd paragraph Italian Civil Code);
  - Unlawful transactions involving the company's shares or stakes or those of the parent company (art. 2628 Italian Civil Code);
  - Unlawful distribution of profits and reserves (art. 2627 Italian Civil Code);
  - Transactions to the detriment of creditors (art. 2629 Italian Civil Code);
  - Fictitious capital formation (art. 2632 Italian Civil Code);
  - Obstructing the activities of public supervisory authorities (art. 2638 Italian Civil Code);
  - Private-to-private bribery (art. 2635 Italian Civil Code).



- Instigation to private bribery (art. 2635 bis Italian Civil Code).
- (g) **Crimes against individuals** (art. 25-quinquies of the Decree):
- Imposition or maintenance of a condition of slavery or servitude (art. 600 Italian Criminal Code).
  - Illegal employment and labour exploitation (art. 603-bis Italian Criminal Code).
- (h) **Negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety** (art. 25-septies of the Decree):
- Negligent homicide (art. 589, paragraph 2, Italian Criminal Code);
  - Negligent bodily harm (art. 590, paragraph 3, Italian Criminal Code).
- (i) **Receipt of stolen goods, money laundering and use of illegally obtained money, goods or benefits, and self-laundering** (art. 25-octies of the Decree):
- Receipt of stolen goods (art. 648 Italian Criminal Code);
  - Money laundering (art. 648-bis Italian Criminal Code);
  - Use of illegally obtained money, goods or benefits (art. 648-ter Italian Criminal Code);
  - Self-laundering (art. 648-ter.1. Italian Criminal Code).
- (j) **Copyright infringement** (art. 25-novies of the Decree):
- infringement of copyright and other rights connected to the enforcement of copyright (articles 171 paragraph 1 letter a-bis, 171-bis and 171-ter of Law 22nd April 1941, no. 633).
- (k) **Incitement not to make statements or to make false statements to the judicial authorities** (art. 25-decies of the Decree):
- Incitement not to make statements or to make false statements to the judicial authorities (art. 377-bis Italian Criminal Code).
- (l) **Environmental crimes** (art. 25-undecies of the Decree):
- Destruction or deterioration of habitats within a protected site (art. 733-bis Italian Criminal Code);
  - infringement of environmental regulations (art. 137 Legislative Decree 3rd April 2006, no. 152) which makes reference to illegal waste dumping onto land (art. 103 of Legislative Decree 3rd April 2006, no. 152), underground, and into groundwater (art. 104 of Legislative Decree 3rd April 2006, no. 152), dumping into sewerage (art. 107 of Legislative Decree 3rd April 2006, no. 152) and dumping of hazardous waste (art. 108 of Legislative Decree 3rd April 2006, no. 152);
  - unauthorized waste management (art. 256 of Legislative Decree 3rd April 2006, no. 152) which makes reference to the crime types under the decree providing for a single authorization for new disposal and recycling facilities (art. 208), renewal of authorizations for the environmentally-certified companies (art. 209), authorizations in special cases (art. 210), authorization of research and experimentation facilities (art. 211), national register of environmental managers (art. 212), determination of the activities and characteristics of waste for admission to the simplified procedures (art. 214), self-disposal (art. 215), recovery operations (art. 216), prohibition on waste dumping (art. 192), prohibition on mixing hazardous waste (art. 187) and electrical and electronic waste, medical waste, end-of-life vehicles and products containing asbestos (art. 227);
  - infringement of site decontamination obligations (art. 257 of Legislative Decree 3rd April 2006, no. 152);
  - infringement of obligations regarding communication, mandatory registers and forms (art. 258 of Legislative Decree 3rd April 2006, no. 152);
  - waste trafficking (art. 259 of Legislative Decree 3rd April 2006, no. 152);
  - organized waste trafficking (art. 452-quaterdecies Italian Criminal Code);
  - computer system for waste traceability control (art. 260-bis of Legislative Decree 3rd April 2006, no. 152);

- sanctions (art. 279 of Legislative Decree 3rd April 2006, no. 152);
  - discontinuation and reduction of the use of substances that are harmful to the ozone layer (art. 3 law dated 28th December 1993, no. 549);
  - destruction or deterioration of habitats within a protected site (art. 733-bis Italian Criminal Code);
  - environmental pollution (art. 452-bis Italian Criminal Code);
  - environmental disaster (art. 452-quater Italian Criminal Code);
  - negligent crimes against the environment (art. 452-quinquies Italian Criminal Code);
  - aggravating circumstances (art. 452-octies Italian Criminal Code).
- (m) **Employment of illegally staying third-country nationals** (art. 25-duodecies):
- temporary and permanent employment of foreigners without a residence permit or whose residence permit has expired, without renewal applications, or has been revoked or cancelled (art. 22, paragraph 12-bis of Legislative Decree 25th July 1998, no. 286)<sup>4</sup>.
- (n) **Transnational crimes** (art. 10 of Law no. 146 of 16th March 2006):
- Criminal syndicates (art. 416 Italian Criminal Code);
  - Mafia-type associations, including foreign associations (art. 416-bis Italian Criminal Code);
  - Incitement not to make statements or to make false statements to the judicial authorities (art. 377-bis Italian Criminal Code);
  - Aiding an offender (art. 378 Italian Criminal Code).
- (o) **Racism and xenophobia** (art. 25-terdecies of the Decree):
- Racism and xenophobia (art. 5 c.2 of Law 167/2017).
- (p) **Tax crimes** (art. 25-quinquiesdecies of the Decree):
- fraudulent declaration through the use of invoices or other documents for non-existent transactions (art. 2 of Legislative Decree 74/2000);
  - fraudulent declaration through other devices (art. 3 of Legislative Decree 74/2000);
  - unfaithful declaration (art. 4 of Legislative Decree 74/2000);
  - omitted declaration (art. 5 of Legislative Decree 74/2000);
  - issuing of invoices or other documents for non-existent transactions (art. 8 of Legislative Decree 74/2000);
  - concealment or destruction of accounting documents (art. 10 of Legislative Decree 74/2000);
  - undue compensation (art. 10-quater of Legislative Decree 74/2000);
  - fraudulent subtraction to the payment of taxes (art. 11 of Legislative Decree 74/2000).
- (q) **Smuggling Crimes** (art. 25-sexiesdecies of the Decree):
- smuggling in the movement of goods across land borders and customs areas (art. 282 of Presidential Decree no. 43/1973);
  - smuggling in the movement of goods across border lakes (art. 283 of Presidential Decree no. 43/1973);
  - smuggling in the movement of goods by sea (art. 284 of Presidential Decree no. 43/1973);
  - smuggling in the movement of goods by air (art. 285 of Presidential Decree no. 43/1973);
  - smuggling for improper use of goods imported with preferential tariffs (art. 287 of Presidential Decree no. 43/1973);
  - smuggling in customs warehouses (art. 288 of Presidential Decree no. 43/1973);
  - smuggling in the export of goods eligible for duty drawback (art. 290 of Presidential Decree no. 43/1973);
  - smuggling in temporary import or export operations (art. 291 of Presidential Decree no. 43/1973);

<sup>4</sup> The other crimes introduced by Law dated 17th October 2017, no. 167, are not yet implemented in this Model, awaiting further investigation on applicability, also considering future positions adopted in case law and the academic literature.

- other cases of smuggling (art. 292 of Presidential Decree no. 43/1973);
- aggravating circumstances of smuggling (art. 295 of Presidential Decree no. 43/1973).

### 1.2.1 Benchmarks for attributing liability to the Entity

When a Crime is committed, the Entity may be held liable if certain conditions are met, and these conditions are the “benchmarks for attributing liability to the Entity”. The benchmarks for attributing liability to the Entity may be “objective” or “subjective”.

The first objective benchmark requires the Crime to have been committed by a person linked to the Entity by a qualified relationship.

The Entity, in fact, is held liable if the Crime is committed by:

- (i) Senior Managers<sup>5</sup>;
- (ii) Subordinate Persons<sup>6</sup>;

and if the other conditions set out below are met.

Another objective benchmark requires the Crime to have been committed in the interest or for the benefit of the Entity.

The interest of the Entity exists when the perpetrator of the Crime acts with the intention of benefitting the Entity, irrespective of whether the intent is actually achieved. The interest is therefore subjective, it pertains to the perpetrator’s volition and can be assessed when the behaviour occurs. The benefit exists when the Entity has gained, or could have gained, an advantage - economic or otherwise - from the Crime, and consists in the set of advantages - of any kind - derived from the Crime, and it can be assessed after the commission of the crime. The interest and the advantage of the Entity are two alternative benchmarks: the Entity is liable if at least one of the two exists. The law does not require the Entity’s obtained or hoped-for benefit to be necessarily of an economic nature: liability also exists on the supposition that the Crime intends to benefit, even indirectly, the Company, even in the absence of a tangible economic result.

The interest can also pertain to the group of companies: the parent company may be held liable for the Crime committed within the operations of the subsidiary if an interest of or benefit for the parent company can be identified.

However, the parent company is only liable when:

- The interest of or benefit for the parent company is immediate and direct, although not of an economic nature;
- The person who has abetted the commission of a Crime (and whose contribution is causally relevant and ascertained) is functionally related to the parent company.

As concerns negligent Crimes, such as homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety (pursuant to art. 25-septies of the Decree) and some Environmental crimes (pursuant to art. 25-undecies of the Decree), the interest of or the benefit for the Entity do not pertain to the event (e.g. the death of the worker), but to the conduct that has caused the event, as long as this conduct was consciously and voluntarily aimed at benefitting the Entity<sup>7</sup>.

<sup>5</sup> This category also includes the individuals appointed to perform management or direction activities within the Entity or its branch offices, such as general managers and plant operations managers.

<sup>6</sup> Subordinate Persons typically include employees as defined by articles 2094 and 2095, Italian Civil Code, but also persons not belonging to the Entity who are entrusted with a task to be performed under the direction and supervision of Senior Managers. Therefore, the Subordinate Persons also include freelancers, promoters, agents and consultants, who, on the basis of a mandate that binds them with the Entity, perform activities in its interest.

<sup>7</sup> Therefore, the conducts deriving from sheer incompetence, mere underestimation of risk or imperfect execution of accident prevention measures do not constitute grounds for the Entity’s liability.

Therefore, the interest and/or the benefit lie in a saving on safety costs or performance time or in an increase in productivity resulting from the failure to adopt the necessary accident and environment protection measures provided for by law.

The Entity is not liable if the Crime is committed independently or against its interest or in the exclusive interest of the perpetrator or third parties.

Articles 6 and 7 of the Decree set out the subjective benchmarks for attributing the Entity's liability, which vary depending on whether the Crime is committed by a Senior Manager or a Subordinate Person.

If a Crime is committed by a Senior Manager, art. 6 of the Decree provides for a specific form of exemption from liability for the Entity which proves that:

- the management had adopted and effectively implemented, prior to the commission of the Crime, an appropriate Model to prevent crimes of the kind that has occurred;
- the task of monitoring the Model's implementation, observance and updating was entrusted to the Supervisory Board;
- there was no omission or insufficient control by the Supervisory Board;
- the perpetrators committed the crime by fraudulently circumventing the Model<sup>8</sup>.

The conditions listed above must all be met to exclude the Entity's liability; the Entity is therefore exempted from liability if it can prove that it has adopted and effectively implemented a Model to prevent Crimes and set up a Supervisory Board.

If the Crime is committed by a Subordinate Person, art. 7 of the Decree specifies that the Entity may only be held liable if the Crime was made possible by non-performance of management and supervisory duties; such non-performance shall be excluded if the Entity, before the perpetration of the Crime, had adopted and effectively implemented an appropriate Model to prevent the Crimes.

With specific reference to workplace health and safety, article 30 of Legislative Decree 9th April 2008, no. 81, establishes that an appropriate organization and management model must be adopted and effectively implemented to have exemption effects as concerns administrative liability for the entities indicated in the Decree, thus ensuring that the company system complies with all the connected juridical obligations relating to:

- compliance with the technical and structural standards prescribed by law for equipment, plants, workplaces and all chemical, physical and biological substances;
- risk assessment activities and the introduction of the ensuing preventive and protective measures;
- organizational activities, such as emergencies, first aid, tender management, regular safety meetings, consultations with the workers' safety representatives;
- health monitoring activities;
- employee information and training;
- supervisory activities, in particular aimed at ensuring that the employees comply with safety procedures and instructions;
- the acquisition of compulsory documents and certifications required by law;
- regular inspections for verifying the application and effectiveness of the procedures implemented.

The Model must include appropriate registration systems detailing the actual performance of the activities listed above. The Model must in any case envisage a system of functions appropriate to the nature and size of the organization and the type of operation performed, ensuring the necessary technical competences and powers for risk verification, assessment, management and control, as well as a disciplinary system with the powers to sanction any failure to comply with the measures indicated in the Model. The Model must also envisage a suitable supervisory system responsible for verifying the implementation of the Model itself and ensuring that the measures adopted remain adequate over time.

<sup>8</sup> *The fraud mentioned in the Decree does not necessarily require artifices or deceits but assumes that the infringement of the Model is determined by a circumvention of the control tools provided therein which is capable of "forcing" the effectiveness of the Model.*

Finally, art. 30 above establishes that, upon first implementation, the Models drafted in compliance with:

- the UNI-INAIL guidelines for a health and safety management system at the workplace (SGSL) of 28th September 2001, or
  - the OHSAS 18001:2007 British Standard
- are presumed to comply with the requirements listed above for all relevant sections.

The presumption of compliance refers to the assessment of the preventive theoretical suitability of the legal model, and not to its effective implementation, which will be evaluated by the judge on the basis of the compliant and actual implementation of the Model<sup>9</sup>.

### 1.3 Crimes committed abroad

Pursuant to art. 4 of the Decree, the Entity may be held liable in Italy for Crimes committed abroad provided that:

- the Entity has its head office in Italy;
- the general conditions for prosecution laid down in articles 7, 8, 9 and 10 of the Italian criminal code for prosecuting in Italy a Crime committed abroad are met;
- the Crime is committed abroad by an individual who is functionally linked to the entity;
- the State of the place where the offense was committed does not initiate proceedings<sup>10</sup>.

### 1.4 Sanctions

If the Entity's liability is ascertained, the sanctions under articles 9 et seq. of the Decree apply, specifically:

- fines;
- interdictions;
- confiscation;
- publication of the judgment.

The competent criminal Judge, once the Entity's liability is ascertained, determines an *et quantum*. The Entity is also considered liable if the Crime is committed in the form of an attempt<sup>11</sup>; in this case, the fines and interdictions will be reduced (a decrease by one third to half, art. 26 of the Decree). Under Article 26 of the Decree, the Entity is not liable when it voluntarily prevents the completion of the action or the realization of the event.

#### (a) Fines

Fines always apply when the Entity's liability is ascertained (articles 10, 11 and 12 of the Decree). In particular, pursuant to art. 10 of the Decree, the fines are applied on a "quota basis": the quotas may not be less than 100 nor exceed 1000. Each quota has a minimum value of Euro 258.00 and a maximum value of Euro 1,549.00<sup>12</sup>. Reduced payment is not allowed.

The Judge calculates the number of quotas taking into consideration the gravity of the fact, the degree of responsibility of the Entity and the measures implemented to remedy or limit the consequences of the fact and to prevent the commission of further crimes. Furthermore, to make the sanction effective, the Judge sets the amount of the quota based on the economic and asset

<sup>9</sup> *The Entity's compliance with the certification systems does not constitute a presumption of compliance with the requirements of the Decree.*

<sup>10</sup> *Similarly, any Entity established abroad under the provisions of its own legislation and having its administration office or its main business purpose in Italy is subject to the Decree.*

<sup>11</sup> *The crime is attempted when, in the presence of acts aimed unequivocally at committing a crime, the action is not completed or the event does not occur (art. 56 Italian Criminal Code).*

<sup>12</sup> *However, for some crimes (including but not limited to, the crimes under articles 25-sexies and 25-duodecies) the fines are different from those provided for by art. 10 of the Decree.*

conditions of the Entity.

The fine is reduced: (i) by half<sup>13</sup>, when a) the perpetrator has committed the fact primarily in his/her own interest or in the interest of third parties and the Entity has not gained any benefits or has gained negligible benefits and b) the damage caused is minor; (ii) by one third to half, if the Entity, prior to the opening of the first instance hearing, has a) fully compensated the damage and eliminated the harmful or dangerous consequences of the Crime or, at least, has made every effort to do so, or b) a suitable Model for preventing Crimes of the kind that has occurred has been adopted and implemented; (iii) by half to two thirds, if both conditions a) and b) of point (ii) above are met.

#### **(b) Interdictions**

Interdictions only apply, in addition to the fines, to crimes for which they are specifically envisaged in the Decree when one of the following conditions is met:

- the Entity derives a considerable profit from the Crime and the Crime is committed by a Senior Manager or a Subordinate Person when, in this event, the perpetration of the Crime is made possible or facilitated by serious organizational inadequacies;
- the illicit conducts are repeated.

The interdictions that apply to the Entities pursuant to the Decree are:

- prohibition on conducting business activities: this sanction only applies when the other sanctions are not appropriate to the type of crime and entails the suspension or revocation of the authorizations, licenses and concessions that are essential for the activities concerned;
- suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;
- prohibition on contracting with the public administration, except for obtaining the benefits of a public service. The prohibition may be restricted to certain types of contract, or to certain sectors of the administration;
- denial or revocation of benefits, funding, contributions and grants;
- prohibition on advertising products and services.

If necessary, the interdiction measures may be applied concomitantly.

Interdictions apply to the Crimes under articles 24, 24-bis, 24-ter, 25, 25-bis, 25-bis.1, 25-*quater*, 25-*quater*.1, 25-*quinquies*, 25-*septies*, 25-*octies*, 25-*novies* and 25-*undecies*, 25-*quinquiesdecies* e 25-*sexiesdecies* of the Decree and the Transnational crimes pursuant to law no. 146/2006.

Interdictions do not apply when the Entity, prior to the opening of the first instance hearing:

- has fully compensated the damage and eliminated the harmful or dangerous consequences of the Crime or, at least, has made every effort to do so;
- has eliminated the organizational deficiencies that have determined the Crime through the adoption and implementation of suitable Models to prevent Crimes of the kind that has occurred;
- has made available the profit achieved for the purposes of confiscation.

The interdiction measures may be applied to the Entity when the guilt is ascertained but also as precautionary measures, in the following events:

- If there is strong evidence to believe that the Entity is responsible for an illicit conduct ensuing from a Crime;
- When there are reasonable grounds and specific elements that would seem to indicate the likelihood that illicit conducts of the same kind may be reiterated.

The type and duration of the interdiction sanctions are set by the Judge, taking into consideration the provisions of art. 14 of the Decree.

13 It cannot in any case exceed Euro 103,291.00.

The duration of the interdiction sanctions varies between three months and two years. The interdiction sanctions must be related to the specific business of the Entity and meet the principles of adequacy, subsidiarity and proportionality, especially when applied as precautionary measures.

(c) **Confiscation**

The confiscation of the price or the profit of the Crime is always decided by the Criminal judge upon conviction, except for the portion that can be returned to the plaintiff, without prejudice to the rights acquired by third parties in good faith<sup>14</sup>.

When the price or the profit of the Crime cannot be confiscated, sums of money, assets or other benefits having the same value as the price or the profit of the Crime may be confiscated.

(d) **Publication of the judgment**

The criminal judge may decide to publish the judgment when an interdiction sanction is applied to the Entity.

The judgment is published in accordance with art. 36, Italian Criminal Code, and publicly displayed in the Municipality where the Entity has its head office.

### 1.5 Changes occurred within the Entity

The Decree governs the impact of the changes occurred within the Entity, such as transformation, merger, demerger and transfer or sale of a company, on the administrative liability arising from a Crime.

The Decree has attempted to balance the need to avoid that the above operations facilitate evasion of liability and the need to avoid excessively penalizing effects which may discourage Entities not attempting to elude liability from reorganizing themselves.

Therefore, according to the general benchmark adopted, the fines are applied to the Entity in compliance with the principles of the Civil Code based on the liability of the Entity undergoing the change towards the debts of the original entity, whereas the interdiction sanctions remain connected with the business unit within which the Crime was committed.

In the event of:

- **transformation** of the Entity, liability for Crimes committed before the date on which the transformation took effect is unaffected;
- **merger**, the Entity resulting from the merger, including merger through acquisition, is liable for the Crimes for which the Entities taking part in the merger were liable;
- **partial demerger**, the demerged Entity remains liable for Crimes committed before the date on which the demerger took effect. The beneficiary Entities of the full or partial demerger are jointly and severally liable for the payment of the fines levied against the demerged Entity for Crimes committed before the date on which the demerger took effect up to the actual net value of the assets transferred to each Entity, except in case of an Entity to which the business unit within which the Crime was committed was transferred, also in part; interdiction penalties are applied to the Entity (or Entities) to which the business unit in which the offense was committed remained or was transferred, also in part;
- **transfer or sale** of the company within which the Crime was committed: the transferee is jointly

<sup>14</sup> For the purposes of confiscation, the date when the crime is committed shall be taken into consideration, and not the date when the profit is collected, so that the profit deriving from a crime that was not included in the list of predicate offenses under the Decree when the crime was committed (but that was included when the profit was collected) will not be confiscated.



and severally liable for the payment of the fine, without prejudice to the right to enforce prior payment by the transferor, within the value limits of the transferred company. The transferee's obligation is limited to the fines listed in the mandatory account books or due for administrative offenses of which the transferee was aware.

### 1.6 Model characteristics set out in the Decree

The Decree does not regulate in detail the nature and characteristics of the Model, but merely contains certain general principles. In relation to the granting of delegated powers and the risk of offenses being committed, the Models must:

- identify the corporate activities within which the Crimes may be committed;
- contain specific protocols for making and implementing the Entity's decisions in relation to the Crimes to be prevented;
- define procedures for managing financial resources which are aimed at preventing the commission of the Crimes;
- include disclosure obligations to the Supervisory Board;
- introduce a disciplinary system to impose appropriate penalties for noncompliance with the Model's provisions.

The Decree also states that:

- The Model must contain measures aimed at ensuring that the activities are performed in compliance with the law and identifying risk situations at an early stage, taking into consideration the peculiar nature and size of the organization and the type of operation performed;
- The effective implementation of the model requires a) periodic checks, with amendments to the model if significant infringements are discovered or if major changes occur in the company's organization or business, b) a disciplinary system for imposing appropriate penalties for noncompliance with the Model's provisions.

Formally, the adoption and effective implementation of a Model is not an obligation for the Entities but only an opportunity. Therefore, the Entity may not be sanctioned for not adopting a model in accordance with the Decree. However, the adoption and effective implementation of a suitable Model is an indispensable requirement for the Entity to benefit from the exemption provided for by the Decree if Crimes are committed by Senior Managers and/or Subordinate Persons.

The model is therefore a set of rules, principles, procedures and checks that govern the organization and management of the company with the purpose of preventing the commission of the Crimes.

The Model varies and takes into account the nature and size of the Entity and the type of operation it performs. Therefore, it is not a static tool, but a dynamic apparatus that enables the Entity to mitigate, through a proper and effective implementation of the Model itself over time, the risk of committing Crimes.

### 1.7 Guidelines issued by the trade associations

Pursuant to article 6 of the Decree, the Models may be based on codes of conduct drafted by the Trade associations that represent the Entities.

In March 2002, Confindustria issued the Guidelines for the construction of the Models (hereinafter referred to as the "Guidelines") which assist associations and companies in compiling a model which is suitable to prevent the commission of Crimes and which may exempt those associations and companies from the liability and sanctions under the Decree.

The Guidelines were updated and finally approved by the Ministry in June 2004<sup>15</sup> and later updated,

<sup>15</sup> Italian Ministerial Decree dated 26th July 2003 no. 201 defined the notification, examination and effectiveness of the codes.



most recently in June 2021.

Loro Piana is a member of Confindustria and the Model herein has been compiled taking into account the directions contained in the Guidelines.

## 2 COMPANY'S ORGANIZATION, MANAGEMENT AND CONTROL MODEL

### 2.1 Model structure

The Model consists of a General Section and the individual Special Sections, prepared for the different types of Crimes theoretically applicable to Loro Piana, as further specified in paragraph (iii) below.

The General Section, in addition to describing the contents and the rationale of the Decree, how the Model was built, how the Supervisory Board members are appointed and removed and the powers and duties of the Supervisory Board, also illustrates the following protocols (hereinafter, the "Protocols"):

- The organization system;
- The management control system;
- The Code of Ethics;
- The workplace health and safety control system (hereinafter also referred to as "HSS") and the environment management system;
- The Disciplinary System;
- The procedures;
- The powers of authorization and signature;
- The employees are provided with the Model and involved in its implementation and, in particular as concerns the protection of health and safety and the environment, they are informed and trained.

Each Special Section, which forms an integral and essential part of this Model, aims to: (i) document the analysis of potential risks, in view of Loro Piana's business; (ii) describe the different components of the preventive control system implemented by Loro Piana related to each Sensitive Activity. The special sections ("Special Sections") of the Model are listed below:

- Special Section "A" – Crimes against Public Administration;
- Special Section "B" – Computer crimes and illegal use of data;
- Special Section "C" – Corporate Crimes;
- Special Section "D" – Negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety;
- Special Section "E" – Receipt of stolen goods, money laundering and use of illegally-obtained money, self-laundering;
- Special Section "F" – Transnational crimes; Crimes committed by organized crime;
- Special Section "G" – Environmental crimes;
- Special Section "H" – Crimes against individuals;
- Special Section "I" – Employment of illegally staying third-country nationals;
- Special Section "L" – Copyright infringement;
- Special Section "M" – Crimes against industry and trade;
- Special Section "N" – Forgery;
- Special Section "O" – Incitement not to make statements or to make false statements to the judicial authorities
- Special Section "P" – Racism and xenophobia.
- Special Section "Q" - Tax Crimes;
- Special Section "R" - Smuggling Crimes.

Each Special Section:

- (i) describes the Crimes theoretically applicable and relevant to the Company and explains how such Crimes might be committed;
- (ii) identifies the Sensitive Activities for each category of Crime and the corporate functions involved;
- (iii) identifies the principles of conduct and describes the main prevention protocols defined and

implemented by the Company in relation to the Sensitive Activities to prevent the commission of the related Crimes.

## 2.2 Objectives pursued by Loro Piana upon implementing the Model

Loro Piana, upon conducting its business, applies ethical principles to its production methods, the internal management of the company and the relations with suppliers and customers, in accordance with the policies of the LVMH Group.

As a consequence, Loro Piana, which has always acted according to values of transparency, integrity and fairness, has decided to integrate and formalize into the Model its control structure, also to further improve its control and governance system with a view to completing the set of rules, principles, procedures and checks already implemented so as to meet and comply with industry needs and best practice. Loro Piana has therefore undertaken an in-depth examination of its business organization in the light of the provisions of the Decree, through a project aimed at adopting a Model and formalizing and converting existing internal practices into specific procedures or adopting new control procedures in certain areas defined subsequent to the analysis of the existing control systems. This process of formalization, monitoring and adaptation of the existing control systems is part of the compliance policies of the LVMH Group and also reflects the recent changes in the Decree.

Upon the completion of this updating and adaptation project, on 24th March 2017 Loro Piana's Board of Directors decided (i) the adoption of this Model – including the Code of Ethics that forms an integral part thereof – effective 1st April 2017, and (ii) the appointment of a Supervisory Board in charge of supervising the operation, effectiveness and observance of the Model, as well as updating it. By adopting this Model, Loro Piana provides all of those who operate within its corporate structure, that is all of the production units and businesses, and all of those who, in various capacities, are involved in its activities, with a tool aimed at ensuring that the behaviour of the Recipients are inspired by fairness, in line with the Model itself, and comply with Loro Piana's ethical and conduct principles contained in the Code of Ethics and the organizational and control procedures adopted by Loro Piana to prevent the risk of committing the Crimes identified in paragraph 1.2 above.

## 2.3 Model purpose and content - Recipients

The main objective of the Model is to set up a structured and organic system of organizational and control procedures and principles aimed at preventing the commission of the Crimes, as well as integrating the existing control and governance systems. Furthermore, it contributes to fostering a corporate culture marked by fairness, transparency and legality, the hallmarks of Loro Piana and the LVMH Group.

The Model also aims to raise awareness among all the Recipients so that they can identify and recognize the situations that might lead them to commit Crimes upon performing their tasks and functions.

By adopting this Model, the Company intends to promote and encourage and, where possible, further enhance:

- a business culture based on legality and control that condemns any conduct contrary to the law or internal regulations and, in particular, the provisions contained in this Model and its protocols;
- awareness among the Recipients, especially those involved in the Sensitive Activities, of the fact that they might commit, in the event of infringement of the provisions contained in the Model, a crime which may entail sanctions for the perpetrator and Loro Piana;
- an efficient and balanced company organization, especially as concerns decision making and transparency, preventive and final checks and the management of internal and external information;
- measures aimed at preventing situations that might lead to the commission of Crimes at an early stage;
- information provided to the Recipients on the activities that involve a risk of committing Crimes;
- information provided to the Third-party Recipients on the control system adopted by Loro Piana.

The recipients of this Model are:

- a) the Corporate Bodies;
- b) the Employees (all the persons mentioned in points a) and b) and hereinafter jointly referred to as the “Recipients”);
- c) the members of the Supervisory Board;
- d) the auditors appointed by Loro Piana;
- e) all of those who work with Loro Piana based on a semi-subordinate employment relationship or external workers who operate, directly or indirectly (permanently or temporarily), on behalf of Loro Piana (including, but not limited to: project workers, temporary workers, freelancers, attorneys, agents, consultants, suppliers, business partners, etc.), the individuals mentioned in points (d) and (e) and hereinafter jointly referred to as the “Third-party Recipients”).

The Model constitutes the internal rules of Loro Piana, which are binding on all Recipients at any business organization level. In particular, compliance with the provisions of the Model is an essential part of the contractual obligations of the Employees pursuant to the provisions of art. 2104 et seq. Italian Civil Code.

The Recipients are also required to:

- a) avoid conducts contrary to the provisions of the Model and applicable law;
- b) if they need clarification, ask their supervisors or the Supervisory Board how to apply the Model and/or relevant laws;
- c) report to the Supervisory Board any infringements, even potential infringements, of the Model as described in paragraph 9.5 below;
- d) cooperate with the Supervisory Board and the Company Officers, as indicated in the Preamble to the Special Sections of the Model, for the purposes stated in paragraphs 9.3 and 9.5 below, as well as in case of any investigations performed by Loro Piana, the Supervisory Board or public authorities regarding alleged infringements of the Model and/or the Code of Ethics.

#### **2.4 Model construction**

Prior to adopting the Model, Loro Piana, assisted by a leading consulting firm with proven experience in the sector, performed some preparatory activities (i.e. risk mapping and risk self-assessment), taking into consideration the Confindustria Guidelines, the indications provided by case law and academic literature, as well as national and international best practice (including the UNI-INAIL guidelines for a health and safety management system at the workplace and the OHSAS 18001:2007 British Standard; the ISO/IEC 27001:2005 standards; UNI EN ISO 14001:2015; Regulation (EC) No. 1221/2009 (EMAS); UNI EN ISO 19011:2003; the USA Foreign Corrupt Practices Act; the UK Bribery Act; Italian anti-bribery law no. 190 of 6.11.2012).

Risk self-assessment, which involved every corporate function, allowed the company to identify the specific Sensitive Activities.

At the same time, with the collaboration of the corporate functions involved, the existing internal control system for Crime prevention was analysed, and the necessary additional measures were identified (so-called gap analysis).

As far as self-laundering is concerned, due to the absence of available case law and persistent uncertainty in literature at the time of adopting the Model, Loro Piana extended risk assessment beyond the activities of money use, replacement or transfer stated in art. 648-ter 1, Italian Criminal Code, by analysing some offenses committed with criminal intent provided for by law (even if not included in the Decree and taking into account the historical risk of committing such crimes within Loro Piana) to identify those that may be theoretically applicable and relevant to the Company due to its business and whose commission might generate the funds illegally used, replaced or transferred, to identify other

sensitive activities and possibly further control protocols to prevent self-laundering<sup>16</sup>.

By analysing the outcomes of the activities described above, the Model was compiled and submitted to Loro Piana's Board of Directors for verification and approval, along with the Code of Ethics and the Disciplinary System.

## 2.5 Amendments and additions to the Model

Loro Piana's Board of Directors is responsible for integrating and/or amending the Model herein, in accordance with the Decree.

The Board of Directors, in particular, also taking into account the indications provided by the Supervisory Board, updates the Model in the event of:

- significant changes in the regulatory framework and Loro Piana's organization or business, also due to technological or scientific innovations;
- infringements or elusion of its provisions, especially those that have proved the inefficacy or inconsistency of the Model for the purposes of Crime prevention;
- and any other cases requiring amendments to the Model<sup>17</sup>.

The Supervisory Board shall promptly notify in writing the Board of Directors of any events and/or reasons that require changes or updates to the Model so that the Board of Directors can adopt the resolutions within its powers.

All of the Recipients, especially the heads and/or supervisors of the corporate functions and/or the Company Officers, must implement the principles and the provisions contained in the Model. The Supervisory Board must be constantly notified of the update and implementation of the operating procedures and the suggestions for their modification.

The corporate functions involved are in charge of changing the company procedures to better implement the Model, under the supervision of the function Head, the Company Human Resources function and the Internal Control function based on their respective areas. The Supervisory Board may express its views on the proposed amendments. If, according to the Supervisory Board, it is necessary to change the operating procedures, the latter shall notify the relevant business function.

## 3 LORO PIANA'S GOVERNANCE MODEL AND ORGANIZATIONAL SYSTEM

### 3.1 A brief history of Loro Piana

Loro Piana belongs to the multinational group LVMH, the market leader in the luxury and high-end goods sector, present in all of the main markets in Europe, Asia, Africa, America and Oceania.

The Loro Piana family began trading wool fabrics in the second half of the Nineteenth Century. The company then started its own manufacturing processes. In 1924, Pietro Loro Piana established the company Ing. Loro Piana & C. S.p.A. in Quarona, still home to the Group, focusing on innovation and quality. In the Forties, Franco Loro Piana, founder Pietro's nephew, took the helm of the company and started exporting precious fabrics abroad, operations continued by his sons Sergio and Pier Luigi Loro Piana when they succeeded their father in the Seventies; they focused on high-end products. Loro Piana became the eastern world's foremost cashmere manufacturer and the world leader in innovation and the pursuit of excellence in the textile industry.

<sup>16</sup> This analysis was performed to prevent self-laundering only. The analysis does not concern the prevention of crimes not included in the category of offenses predicate to the liability of Entities pursuant to the Decree.

<sup>17</sup> Paragraph 4 of art. 30, Legislative Decree 81/2008, states that "The re-evaluation and any changes to the organizational model must be introduced if significant violations of the regulations governing the prevention of accidents and hygiene at the workplace are discovered or as a result of changes in the company's organization and activity due to scientific and technological progress".

Loro Piana currently operates through three business divisions: the Textile Division, which produces top quality fabrics, yarns and textiles for interior design and home decor, the Retail&Wholesale Luxury Goods Division (or Finished Products Division), which offers high-end garments for men, women and children, leather goods, accessories and gifts, and the B. U. Interiors, which produces home accessories, carpets and rugs and furnishing elements as well as the execution of interior design projects.

The products of the Textile Division are sold to tailors and interior designers, whereas the products of the Luxury Goods Division are distributed through 150 single-brand stores and a select network of multi-brand stores worldwide as well as through e-commerce. In addition, the marketing of the products of the B.U. Interiors, together with the furnishing elements produced by the Textile Division, takes place through a network of single-brand showrooms, a number of Luxury Goods Division sales outlets and a network of sector professionals (interior designers and architects) as well as companies specializing in shipbuilding, construction and motor vehicle production.

### 3.2 Loro Piana's organizational system

Loro Piana's organizational structure is aimed at ensuring, on the one hand, the separation of duties, roles and responsibilities between the operational functions and the control functions and, on the other hand, utmost efficiency.

In particular, the company's organizational structure is based on a precise definition of the tasks and roles of each corporate function and the respective responsibilities.

Below is a brief description of the Functions most involved in the Model, divided into the three types of Functions: Luxury Goods Division, Textile Division, B.U. Interiors and Company. The Company functions are interdivisional and support all divisions. In particular:

#### Company Functions:

- **Finance:** it develops and implements financial and risk management strategies, examines the operating results and financial position and implements budget management and control processes. It also performs administrative, accounting, tax and legal activities and is in charge of centralized purchasing and internal control;
- **Company Human Resources:** it is in charge of any activities aimed at organizational design and development as well as Human Resources strategies and policies. Each division and the Company Functions have their own HR function that reports to the Company HR function;
- **Strategy and Business Development:** deals with the development and implementation of strategic projects and initiatives, with a particular focus on cross-functional projects. It is responsible for ensuring the consolidation of the activities supporting the Top Management, such as the Strategic Plan and Business Reviews with the Group. It also guarantees the promotion of a CSR strategy in the field of Sustainability and integrated planning between the Luxury Goods and Textile Divisions;
- **Company Marketing & Communication:** it is responsible for defining and implementing all the Marketing & Communication activities worldwide, thus ensuring a consistent image in line with the brand's DNA. It also manages the E-Commerce channel. Finally, it oversees CRM activities (Customer Relationship Management);
- **Company IT:** it is in charge of the interdivisional coordination of the major IT processes, such as infrastructure, technical services and shared applications. It is also responsible for development and technological innovation;

#### Luxury Goods Division Functions:

- **Product Development Luxury Goods:** it develops a product vision that embodies the Brand, defines the design, architecture and extent of the range and develops the product in terms of

quantity and quality for the Men's, Women's, Children's and Gifts collections. It is also in charge of providing customization services to the customers who request them;

- **Retail & Wholesale Luxury Goods:** it defines and implements a business development strategy aimed at expanding the various sales channels and customer loyalty, in accordance with the company's global strategy. It coordinates and supervises the processes related to the retailing of Loro Piana's finished products through the directly operated stores. It also manages the Wholesale and Franchise channels, by coordinating and overseeing the processes connected to the sale of finished products through multi-brand shops and partner stores;
- **Supply Chain Luxury Goods:** it defines and implements a strategy for managing the Supply Chain and production and ensuring planning and cost optimization. It manages the entire industrialization and manufacturing process, also through suppliers, of the finished product based on the directions developed by the Product Development Luxury Goods, including logistics and legal and administrative formalities;

#### **Textile Division Functions:**

- **Innovation:** it is responsible for short and long-term innovation processes and projects. It is in charge of product development and sales to the Luxury Goods Division and the Maisons of the LVMH Group;
- **Total Quality:** it is responsible for product and process quality control;
- **Collection Design & Development:** it defines and implements a product development strategy and is in charge of the design, architecture and extent of the fabric range;
- **Operations:** it defines and implements a strategy for managing the supply chain and production. It is in charge of the entire manufacturing process of yarns and fabrics, as well as logistics and legal and administrative formalities. The departments that are responsible for the processing of the raw material and for product creation in the various plants belong to Operations. The Supply Chain, on the other hand, embraces inventory management, product shipment - including legal and administrative formalities - and the sample department. It is also in charge of plant and facility maintenance and workers' health and safety;
- **Raw Materials Purchases:** it is responsible for purchasing textile raw materials (e.g.: wool, cashmere, vicuña) and import and logistics operations, in compliance with international conventions;
- **Health, Safety, Environment (HSE):** it is in charge of the development, definition and implementation of the HSE principles and procedures, in accordance with the relevant legislation in force and the corporate guidelines issued by the LVMH group.
- **Fabrics BU:** it defines and implements a strategy for selling fabrics. It includes the marketing department and a Customer Service office;
- **Yarns BU:** it develops and implements a strategy for defining the yarn collection and selling it;
- **B.U. Private Label:** it is responsible for the development of Loro Piana Textile Accessories range for third-party customers (LVMH Group brands and others);
- **B.U. Interiors Functions:** it is responsible for the development and implementation of a strategy for defining the collection of textiles, home accessories, carpets/rugs and furniture elements as well as the execution of interior design projects. An articulation of its functions is possible and will go hand in hand with business growth and development.

### 3.3 Loro Piana's governance model

Based on its organization and business, Loro Piana has adopted a management and control system which is currently structured as follows:

- **Shareholders' Meeting:**

The Ordinary and Extraordinary Shareholders' Meeting, both on first and second call, decides with the favourable vote of more than half of the share capital. For the approval of the financial statements and the appointment and removal from office the Meeting convened in second call resolves with the majorities required by law.

The Company is subject to direction and coordination, pursuant to article 2497, Italian Civil Code, of LVMH - Moët Hennessy Louis Vuitton S.E.;

- **Board of Directors:**

Loro Piana is managed by a Board of Directors made up of 5 (five) to 9 (nine) members. The Board of Directors is vested with the fullest powers of ordinary and extraordinary management, with the exception of those activities expressly reserved to the Shareholders' Meeting as provided by law or by the articles of association.

The Board of Directors may appoint proxies, general managers, directors, general or special attorneys and agents in general, for specific deeds or categories of deeds, establishing their powers, duties and remuneration, to the extent permitted by law and the articles of association.

The Chairperson of the Board of Directors has signature powers and acts as the active and passive legal, contractual and judicial representative in any country, at any level and before any judicial or administrative authority.

Each Managing Director may also represent the Company within the scope and limits of the powers attributed to him/her, unless otherwise specified upon granting the proxies.

If expressly specified in the proxy granted to the managing director, the managing director may appoint proxies and general and special attorneys, as well as general managers and agents, as provided for by law, and may grant to the aforementioned representatives the power to appoint attorneys to conduct specific business or specific categories of business, as outlined by the managing director upon granting the above-mentioned appointment power;

- **Board of Auditors:**

Loro Piana has appointed a board of auditors composed of three Standing Auditors and two Alternate Auditors, whose term of office is three years, until the meeting convened for the approval of the financial statements of the last year of their term of office and who may be re-elected. The appointment, term of office, professional requirements, functions and duties of the auditors are provided for by law. The members of the board of auditors attend, pursuant to law, the meetings of the Board of Directors, the Shareholders' meetings and the meetings of the Executive Committee, if any;

- **Auditing firm:**

Loro Piana, pursuant to article 2409-bis Italian Civil Code, has entrusted the independent audit to a registered auditing firm.

### 3.4 Loro Piana's management and control system

To support decision making – especially when decisions involve investments – and the definition of the Company's strategic plan, the Finance function within the Company has a Management Controlling & Reporting department which, assisted by its sub-departments, ensures management control by directing



and coordinating the budgeting process, analysing and evaluating Reporting data and measuring performance.

#### 4 CODE OF ETHICS

The LVMH Group, certain that unyielding commitment to strong ethical values is a key success factor, has adopted a Code of Conduct (“Code of Conduct”) which enshrines the principles and behaviour that inspire and guide the actions of the LVMH Group upon conducting its business.

In the context of the Decree, and as envisaged in the Confindustria guidelines, the Code of Ethics is one of the fundamental protocols for the construction of an organization, management and control model suitable to prevent the crimes set out in the Decree.

Loro Piana has adopted the Code of Conduct as its Code of Ethics (hereinafter referred to as the “Code of Ethics” or “Code”), which is an integral part of the Model and describes the ethical principles that Loro Piana intends to adopt and to which it attributes an ethical value. The workers employed by Loro Piana, its collaborators and anyone who is involved in its business must comply with these principles, that Loro Piana intends to observe upon performing its activities, in addition to laws and, more generally, to provisions in force in every country in which it operates.

The Recipients and the Third-party Recipients are required to observe and, if applicable, make sure that third parties observe the principles contained in the Code of Ethics.

Any infringements of the Code of Ethics entail sanctions to be applied by the Company in accordance with the Disciplinary System, which is an integral part of the Model, and possibly also in compliance with relevant regulations and other existing codes adopted by the Company.

The Recipients must promptly notify the Supervisory Board of any information pertaining to the failure to implement the Code and of any breaches, even potential breaches, of the Code, as specified in paragraph 9.5.1 below, it being understood that the failure to report a fact and/or a situation that could entail an infringement of the Code also constitutes an infringement and may be sanctioned.

The Code of Ethics complements Loro Piana’s Suppliers’ Code of Conduct (hereinafter Referred to as the “Suppliers’ Code of Conduct”) which is an independent document with respect to the Code of Ethics. The Suppliers’ Code of Conduct only applies to Loro Piana’s suppliers and its principles and rules of conduct do not replace those listed in the Code of Ethics, but are supplementary.

#### 5 WORKPLACE HEALTH AND SAFETY CONTROL SYSTEM AND ENVIRONMENT MANAGEMENT SYSTEM

The health and safety of workers and the creation and preservation of a healthy working environment are primary goals of Loro Piana. To systematically verify the achievement of these objectives, Loro Piana has established a specific control system based on the awareness – also through dedicated regular courses – of the risks present in the company, prevention and monitoring.

The control system, based on the requirements contained in BS OHSAS 18001:2007, envisages:

- an organizational structure with formally defined tasks and responsibilities in line with the organizational and functional scheme of the Company;
- a system of functions that ensures the necessary technical competences and powers for occupational health and safety risk verification, assessment, management and control;
- the introduction of an integrated system for organizing and managing health and safety at work;
- a continuous analysis of risk, hazardous processes and the workers to be protected;
- the adoption of the best technologies
- checks on and updates of the work methods;
- communication and training.

Pursuant to Legislative Decree 81/2008 and subsequent amendments and additions, the system must



envisage the following general occupational health and safety rules:

- assessment of all risks to health and safety;
- prevention planning understood as the protection of the working conditions and the environment;
- risk elimination or reduction;
- non-hazardous situations must be preferred;
- the number of workers exposed to the risk must be minimized;
- limited use of chemical, physical or biological agents;
- priority of collective prevention measures;
- appropriate use and verification of personal preventive measures;
- health check;
- information and training for workers, workers' representatives, executives and persons appointed, based on their respective roles in the safety system;
- involvement and consultation of workers;
- regular maintenance of equipment, environments and systems;
- safety and emergency measures.

The Company's procedures have been adopted in accordance with current regulations on health and safety at work.

Loro Piana promotes the preservation of the environment and contributes to local sustainable development and the identification of industrial solutions with low environmental impact, as envisaged in the Code of Ethics, based on the principles set out in international standard ISO 14001: 2015.

The Company, for this purpose and to ensure compliance with laws and regulations on the environment, with particular reference to Legislative Decree 9th April 2006, no. 152 adopts effective procedures aimed, inter alia, at:

- monitoring and creating procedures for processes and activities which may involve environmental issues and the connected risks;
- formalizing appropriate organization decisions to identify the persons responsible for verifying compliance with environmental legislation and the persons in charge of managing environmental issues in the light of the risk assessment;
- monitoring and creating procedures for environmental cost planning and reporting.

## 6 DISCIPLINARY SYSTEM

The Decree provides for the adoption of a disciplinary system (hereinafter referred to as the “**Disciplinary System**”) for sanctioning non-compliance with the Model. The preparation of a suitable Disciplinary System, in the case of Infringements, is an essential condition for ensuring the effectiveness and efficacy of the Model.

The Disciplinary System is compliant with existing laws, including collective bargaining, applied internally to Loro Piana, and does not replace but aims at preventing and complementing laws or regulations in force, and integrates any other company regulations.

The application of the sanctions set forth in the Model does not replace any additional penalties (such as, but not limited to, criminal, administrative, civil and tax sanctions) that may arise from the same crime. For all matters not expressly provided for by the Disciplinary System, laws and regulations apply and, in particular, the provisions of art. 7 of Law 20th May 1970, no. 300 (Statute of laborers) as well as the national bargaining agreements and applicable corporate regulations.

Sanctions may be applied regardless of the institution and outcome of any criminal proceedings, as Loro Piana has adopted the rules of conduct specified in the Model and in Code of Ethics irrespective of the type of offense that the Infringements may entail.

The Disciplinary System, which is an annex to the Model, is published on the company intranet and posted on the bulletin boards, in a place accessible to everyone, so that the Recipients can be fully aware of it. Third-party Recipients are notified of the sanctions of the Disciplinary System applicable to them.

## 7 PROCEDURES

As part of its organization system and in accordance with the principles of the Model, the Company has adopted a set of written procedures and operating instructions monitored by the Internal Control function, which ensures their consistency (the “Procedures”).

The Procedures are aimed at controlling the behaviour in every operational activity and enabling preventive and final checks for verifying the correctness of the operations and ensuring that behaviour is consistent within the Company, in compliance with the regulations that govern its operations.

The Procedures<sup>18</sup>, which implement crime prevention measures and principles, are an integral part of the Model and are compiled by the Company in compliance with the following standards:

- the measures must guarantee that each transaction is verifiable, documented, consistent and appropriate, transparent and pertinent to the company’s business;
- the activities must envisage checkpoints and clearly expressed objectives and measurements;
- several subjects must be involved to separate duties among those in charge of different stages of a process and to separate functions, in particular related to Sensitive Activities;
- the checks performed must be documented;
- the procedures must be constantly updated to reflect changes in corporate processes and the organization system.

The Procedures are constantly updated, and updates may be suggested by the Supervisory Board, to achieve the purposes of the Model, without amending the Model itself.

The Procedures are distributed by the Internal Control and Company Human Resources functions through specific communication activities and are made available to all of the Recipients by publication on the company intranet and in hard copy at the Company’s headquarters. Training is provided by the supervisor of the function concerned.

Every Employee must be aware of the Procedures and observe them upon fulfilling their duties.

## 8 AUTHORIZATION AND SIGNATURE POWERS

### 8.1 General principles

Loro Piana’s Board of Directors (and other entitled parties mentioned above, if applicable), is the body in charge of formally conferring signature powers, as better described above in paragraph 3.3., granted in accordance with organizational and managerial responsibilities. The degree of autonomy, the limits and the powers of representation are bestowed on the various holders of powers of attorney and proxies and are identified and established in line with the hierarchical level of the recipient of the proxy or power of attorney, with the principle of segregation and with the other internal provisions applied by the Company. Loro Piana has also set up an information flow towards the parties concerned, including the Supervisory Board and the Board of Auditors, to ensure the timely notification of powers and any changes concerning them and so as to control the exercise of the delegated powers.

The system of authorization and signature powers, which includes all granted powers of attorney and proxies (including those regarding safety and the environment) is monitored on a regular basis and updated, where necessary, if any changes occur in the corporate structure, by the Legal function, in agreement with the Company Human Resources function, the CFO and the Managing director, so as to ensure maximum consistency with Loro Piana’s organization.

### 8.2 Loro Piana’s proxy and power of attorney system

Loro Piana’s powers of attorney are formalized (so that they can be documented and retraced at a later stage), in accordance with applicable laws, by resolutions of the Board of Directors and/or written deeds

<sup>18</sup> As of the date of this update of Loro Piana S.p.A. Organization, Management and Control Model, some procedures may be in the process of being approved.

and – based on the subject and/or the matter – notarial deeds and communicated to the recipient and, where necessary and appropriate, entered in the relevant Register of Companies.

Without prejudice to the further requirements contained in the regulations concerning the subject of the proxies and powers of attorney, every proxy typically specifies:

- (a) The delegator and the source of their power of attorney or proxy;
- (b) The delegate, the function they are assigned and the required competences, if necessary;
- (c) The subject, consisting of the list of the types of activities and deeds for which the proxy/power of attorney is conferred. These activities and deeds are instrumental and/or related to the competencies and functions of the delegate;
- (d) The qualitative and/or quantitative limits within which the delegate is authorized to exercise the power conferred in relation to the type of operation and deeds for which the proxy/power of attorney is granted.

Where necessary and/or appropriate, express acceptance of the delegation is required (such as, but not limited to, as concerns workers' health and safety).

## 9 LORO PIANA'S SUPERVISORY BODY

As described in paragraph 1.2.1 above, the Entity may obtain the exemption from liability pursuant to art. 6 of the Decree if the management:

- had adopted and effectively implemented, prior to the commission of the Crime, an appropriate Model to prevent crimes of the kind that has occurred;
- had entrusted to the Supervisory Board the task of monitoring the implementation, compliance and updating of the Model.

As described in paragraph 2.2 above, upon adopting this Model, Loro Piana's Board of Directors resolved to appoint a Supervisory Board, in compliance with the provisions of the Decree. The appointment of the Supervisory Board, its duties and powers are communicated to the Company.

### 9.1 Requirements and composition of the Supervisory Board

Taking into consideration the size of Loro Piana, its organizational structure and the type of operations performed, Loro Piana's Supervisory Board is a body composed of 3 (three) members, namely:

- (i) an external professional, preferably experienced in auditing and internal control, or analysis and implementation of control systems or legal matters and with specific expertise in the field of administrative liability, acting as the Chairperson;
- (ii) a Company employee, not in charge of operational tasks, who must be preferably the head or another member of the Internal Control function or another person experienced in control, who, in addition to his/her specific professional skills, has a thorough knowledge of the company; and
- (iii) an external professional, preferably experienced in workplace health, safety, and environment, and with specific expertise in the field of administrative liability or having the characteristics set out in point (i) above.

As shown above, upon adopting this Model, the Company's Board of Directors appointed the Supervisory Board, in compliance with the provisions of the Decree.

In accordance with the Guidelines and best practices, Loro Piana's Supervisory Board was selected on the basis of the requirements described below. Loro Piana's Supervisory Board therefore has these characteristics. Since its members are external and internal professionals, these requirements are possessed by the Supervisory Board as a whole:

- **independence and autonomy:** the Supervisory Board is not vested with operational tasks that may imply economic or financial decisions and its autonomy of initiative and control is protected from interference and/or influences on the part of Loro Piana's members because it reports directly to the

Board of Directors. Furthermore, the Board of Directors has approved an adequate allocation of financial resources, which may be increased upon the proposal of the Supervisory Board itself, thus guaranteeing the autonomy of the Supervisory Board. The latter may use this grant as it sees fit to properly perform its duties;

- **professionalism:** the Supervisory Board as a whole possesses the necessary professional skills to perform its tasks. These skills result from the experience illustrated in the CVs and the roles covered by its members. In compliance with the Guidelines, the members of the Supervisory Board are chosen among qualified professionals having specific skills in the field of inspection and consulting of control system analysis (such as, but not limited to, statistical sampling, analysis techniques; risk assessment/management/reduction such as organizational procedures and cross-checking; flow charting of procedures and processes to identify weaknesses; analysis of procedures; survey techniques and processing and evaluation of questionnaires, methods for identifying frauds), business organization, finance, audit, and legal competencies, to ensure thorough knowledge of the Crime types set out in the Decree. The financial resources allocated to the Supervisory Board may be used by the Supervisory Board itself to hire external professionals to integrate their skills;
- **continuity of action:** to guarantee the effectiveness of the organizational Model and its constant monitoring and updating reflecting changes in the company's situation, the Supervisory Board is the structure in charge of supervising the Model. It relies on adequate resources and budgets and may use internal professionals and external consultants. The continuity of action is ensured by the constant monitoring and analysis of the prevention system as well as the adoption of an internal regulation that defines, among other things, the frequency of checks and identifies analysis benchmarks and procedures;
- **integrity:** the members of the Supervisory Board comply with subjective requirements that contribute to ensuring their autonomy and independence, such as integrity, absence of causes of incompatibility, absence of conflict of interest and family relationships with the Senior Managers, according to the terms and conditions set out in the Italian Civil Code and applicable to the Board of Directors and the Board of Auditors (it being understood that an employee can be a member of the Supervisory Board).

## 9.2 Appointment of the Supervisory Board – reasons for termination and term of office

Only the Board of Directors may appoint and remove from office the members of the Supervisory Board, with the majorities specified by the Articles of association.

Only the persons fulfilling the requirements described in paragraph 9.1 above can be appointed as members of the Supervisory Board.

Upon the appointment of the Supervisory Board, Loro Piana's Board of Directors appoints the Chairperson, determines the remuneration of the latter and the other members of the Supervisory Board and the financial resources to be allocated to the Supervisory Board for the performance of its duties. The term of office of the members of the Supervisory Board is three (3) years. The Supervisory Board's members may be re-elected and they cannot be appointed more than twice.

The grounds for ineligibility or revocation of the members of the Supervisory Board are set out below:

- (i) to be prohibited, incapacitated, bankrupt or to have been sentenced, including with a non-final judgment, to a punishment which entails barring, including temporary barring, from public offices or inability to hold managerial ranks;
- (ii) to have been accused or sentenced, including with a judgment that is not yet final or issued pursuant to art. 444 et seq. Italian Code of Criminal Procedure (plea bargaining), even if the sentence has been suspended, except in the event of rehabilitation:
  - for one or more Crimes;
  - to a prison term of not less than two years for any offense with criminal intent;

- (iii) to have been subjected to preventive measures ordered by the courts in accordance with law 1423 of 27th December 1956 (law on preventive measures towards high-risk persons for public order and public morality) or law 575 of 31st May 1965 (provisions against the mafia);
- (iv) the existence of relationships of kinship, marriage or affinity up to the fourth degree with members of Loro Piana's Board of Directors or Board of Auditors, and with the same members of parent and/or subsidiary or jointly controlled companies (if any) or with external auditors;
- (v) to have been a member of the Supervisory Board of companies sanctioned pursuant to art. 9 of the Decree;
- (vi) without prejudice to any employment relationships, the existence of an on-going consulting relationship or on-going provision of professional services, or other economic relationships between the members and Loro Piana or parent and/or subsidiary or jointly controlled companies, which may compromise the independence of the members;
- (vii) when the integrity requirements are no longer met.
- (viii) Should a reason for revocation occur during the term of office, the member involved shall immediately notify the other members of the Supervisory Board and the Board of Directors.
- (ix) The eligibility requirements and/or grounds for revocation are also extended to the individuals hired by the Supervisory Board upon performing its duties, so that the Supervisory Board, upon executing its tasks, may not hire individuals who may not be eligible or who may be removed for the reasons illustrated above.

In addition to the loss of eligibility requirements, a member may be removed from office for the following reasons:

- resignation, to be sent to the Board of Directors and the other members of the Supervisory Board, by written and justified notice, at least one month before the date on which the resignation takes effect;
- death or intervened incapacity or inability to perform the duties;
- the termination, for any reason whatsoever, of the office held by the internal member within Loro Piana.

The Chairperson of the Supervisory Board, or another member in the event of termination of the Chairperson, must promptly notify the Board of Directors of the occurrence of any of the above causes which entail the need to replace a member of the Supervisory Board and the Board of Directors must timely replace the member no longer in office.

In the event of resignation, intervened inability, death, termination or revocation of the Chairperson of the Supervisory Board, the most senior member succeeds the Chairperson until the date of the resolution by which the Board of Directors appoints the new Chairperson.

The revocation of a member of the Supervisory Board, or the entire Supervisory Board, is only allowed when there is just cause. The following are examples of just cause for the revocation of the Supervisory Board:

- involvement in a judicial investigation concerning one of the Crimes;
- ascertained failure to observe the Model;
- failure to fulfil the obligations arising from the office such as, but not limited to, failure to submit the reports of the Supervisory Board to the Board of Directors without justification;
- conviction, even if not final, of Loro Piana pursuant to the Decree or plea bargaining due to failure to supervise or inadequate supervision on the part of the Supervisory Board;
- failure to monitor the implementation of the training plan or the internal control plan;
- failure to comply with the principles of good faith and due diligence upon performing the tasks;
- unjustified non-attendance of more than two meetings, not necessarily consecutive, of the Supervisory

Board;

- disclosure of confidential information outside Loro Piana, without justification;
- failure to cooperate with the other members of the Supervisory Board or obstruction of the activity of the Supervisory Board.

The decision to remove a Supervisory Board member, or the entire Supervisory Board, by Loro Piana's Board of Directors must be expressly approved by the Board of Auditors and must contain an adequate explanation of the reasons for the revocation.

### 9.3 Tasks and powers of the Supervisory Board

Pursuant to art. 6 of the Decree, the Supervisory Board is in charge of monitoring the effectiveness and observance of the Model and updating it.

The activities implemented by the Supervisory Board cannot be decided by any other corporate body or structure, it being understood that the Board of Directors is responsible for supervising the appropriateness of the actions of the Supervisory Board as the Board of Directors is ultimately responsible for the operation and effectiveness of the Model.

Specifically, the Supervisory Board is in charge of:

**(a) Verifying and supervising the effectiveness of the Model, that is:**

- verifying the adequacy of the Model, namely its ability to prevent the occurrence of unlawful conduct and any commission of illegitimate behaviour;
- checking the effectiveness of the Model, namely the consistency between the actual behaviour and those formally envisaged in the Model;
- ensuring that the methods and procedures set out in the Model are applied; identifying any unsatisfactory conduct that may emerge upon analysing information flows and reports;
- monitoring the Company's operations, also regarding compliance with regulations on workplace health and safety, possibly by convening periodic meetings with the persons involved and by running regular checks and follow-ups;
- periodically verifying – with the support of the relevant functions – the system of appointments and proxies; suggesting amendments where necessary or appropriate;

**(b) examination of the Model adequacy, that is:**

- examining the actual – and not just formal – ability of the Model to prevent the prohibited conducts;

**(c) Model dynamic updating, that is:**

- updating the Model and, where appropriate, proposing amendments to the Board of Directors or the relevant corporate functions, to enhance its adequacy, effectiveness and actual implementation, also taking into consideration changes in the regulatory framework and/or the company's organizational structure and operations or how the activity is performed, changes in the strategy, organization or business, especially subsequent to scientific and technological progress and/or significant infringements of the provisions of the Model;

**(d) collaboration with Loro Piana as concerns information and training about the Model, that is:**

- monitoring the initiatives aimed at promoting the distribution of the Model to all of the Recipients and encouraging the adoption of these initiatives if they are not implemented or insufficient; the foregoing also applies to a subsequent update due to additions and/or amendments to the Model;
- monitoring the initiatives, including training courses and notices, aimed at promoting good knowledge of the Model among all the Recipients and encouraging the adoption of these initiatives if they are not implemented or insufficient;

- addressing timely, also by providing feedback, the requests for clarification and/or advice submitted by the corporate functions or employees or the management and control bodies, if connected and relevant to the Model;
- (e) **the management of the Information flows involving the Supervisory Board, that is:**
- ensuring that every involved subject fulfils exactly the reporting activities related to the compliance with the Model;
  - reviewing and evaluating all the information and/or reports received and related to the compliance with the Model;
  - informing the relevant bodies, specified below, on the actions implemented, the results achieved and the activities planned;
  - notifying the relevant bodies, so that appropriate measures can be taken, of any infringements of the Model and the perpetrators, making sure that a sanction adequate for the tangible case is applied;
  - in the event of inspections by governmental subjects, including Public Authorities, the investigation bodies must be provided with the necessary information.

As for the crimes set out in art. 25-septies of the Decree, without prejudice to the above and the responsibilities and duties of the persons in charge of applying and ensuring that accident prevention rules and workplace health and safety regulations are complied with, the Supervisory Board may conduct regular checks on the compliance with and effectiveness of the internal procedure and monitor the efficacy of the inspections aimed at preventing the commission of the Crimes.

The Supervisory Board performs its functions in coordination with other bodies or Loro Piana's existing control functions. In particular:

- it coordinates with the heads of the Internal Control and Company Human Resources functions for aspects relating to the training of the Recipients and communication;
- it coordinates with the heads of the corporate functions of the area to which the contract or the relationship refer, for the addition of contractual terms that govern the application of the Model and/or the Protocols to Third-party Recipients and the periodic verification of compliance with the relevant provisions;
- it coordinates with the corporate functions involved in the Sensitive Activities for all aspects relating to the Model's implementation operating procedures. In particular as concerns workplace health and safety issues, the Supervisory Board is assisted by all of the resources made available by Loro Piana (such as the Health and Safety Officer, the occupational health physician, etc.).

To fulfil its duties, the Supervisory Board:

- is vested with the fullest powers to inspect and access corporate documents;
- is provided with adequate financial and professional resources that are allocated every year by the Board of Directors and modified/integrated upon its request;
- may hire third-party consultants having the required skills.

Therefore, the Supervisory Board, to supervise the actual implementation of the Model adopted by Loro Piana:

- may perform any unannounced checks and inspections as it sees fit for the proper performance of its duties, including checks and inspections focused on certain operations or specific deeds in the context of a Sensitive Activity;
- in accordance with applicable law, may freely access all functions, archives and documents of Loro Piana, without prior consent or authorization, to get any information, data or document deemed necessary for performing the tasks set out in the Decree and concerning the Sensitive Activities (as better described in the Special Sections of the Model);
- may ask Loro Piana's Employees, Board of Directors, Board of Auditors and auditing firm to provide any information or any documents concerning the Sensitive Activities;
- may ask any Recipients to provide any information, data, news or documents concerning the Sensitive Activities;
- periodically receives and analyses information from the heads of the functions involved in the Sensitive Activities, described in the Special Sections of this Model, and/or from the Company



- Officers, and the relevant fact sheets, if any;
- is supported by every structure of the Company and by the Employees of Loro Piana;
- may hire third-party consultants for complex issues requiring specific skills and whenever it deems it necessary or appropriate;
- makes sure that the body or the function holding the disciplinary power applies the penalties stated in the Disciplinary System;
- regularly examines the Model and, if necessary, suggests to the Board of Directors the necessary changes or updates;
- submits on a regular basis, at least once every six months, a written report on its operations to the Board of Directors and the Board of Auditors, with the contents referred to herein;
- notifies the Chairperson of the Board of Directors of any urgent and significant events that have occurred during its operations;
- periodically monitors the identification and updating, in agreement with the heads of the corporate functions of the area to which the contract or the relationship refer, of the legal relations with the Third-party Recipients, and the distribution of the Code of Ethics to said subjects.

The Supervisory Board files the Reports received, the reports sent, the outcomes of the investigations and checks and any documentation pertaining to the activities performed by the Supervisory Board in an electronic and/or hard-copy archive where they are stored for 10 (ten) years (hereinafter referred to as the “Supervisory Board Archive”). It is in charge of updating this Supervisory Board Archive and defining, with its own rules, access policies and methods and the subjects entitled to access it.

Every corporate function is required to collaborate with the Supervisory Board so that the latter can effectively complete its tasks.

#### **9.4 Rules of the Supervisory Board**

The Supervisory Board, after being appointed, issues its own internal rules aimed at governing the tangible aspects and methods for implementing its tasks.

In particular, these internal rules govern:

- (a) the type of inspection and supervision activities to be performed, including meetings with the Board of Auditors, the persons in charge of internal control, workplace health and safety and the environment; the frequency of checks and the type of analyses;
- (b) the type of operations required to update the Model;
- (c) the operation related to the supervision and monitoring of information and training given to the Recipients of the Model;
- (d) the management of information flows involving the Supervisory Board;
- (e) the operation and internal organization of the Supervisory Board including, but not limited to, how the Supervisory Board meetings should be scheduled and convened and how resolutions should be agreed and minutes taken;
- (f) how the entitled persons should access the Supervisory Board Archive.

The Supervisory Board meets at least every 4 (four) months and whenever one of the members submits a written request to the Chairperson, or when the Chairperson deems it appropriate.

The Supervisory Board meetings are convened by the Chairperson by notice containing the agenda, sent at least 7 (seven) days prior to the date set for the meeting except in cases of emergency, when the notice is sent at least 2 (two) days before the date set for the meeting. The meetings are held at Loro Piana's headquarters or elsewhere in Italy.

The meetings are validly convened if the majority of the members in office are present, also through video or teleconference. Each member of the Supervisory Board is entitled to one vote. The resolutions of the Supervisory Board are passed by absolute majority of its members; in the event of a tie, the Chairperson may exercise a casting vote.



The minutes of every meeting shall be taken and signed by all the members in attendance. Each member of the Supervisory Board attending the meeting may request to record the reasons for his/her disagreement. A copy of the minutes is filed in the Supervisory Board Archive.

## 9.5 Information flows involving the Supervisory Board

### 9.5.1 Information flows towards the Supervisory Board

The Recipients shall promptly notify the Supervisory Board of any failure to implement and/or infringement of the Model or any information that may be useful to the Supervisory Board for performing its duties.

All Recipients, and especially the Company Officers and any other subjects mentioned in the Special Sections, are required to report such information to the Supervisory Board, based on their respective areas and competencies.

Such obligation on the part of Employees pertains to the broader duty of diligence and loyalty set forth in articles 2104 and 2105, Italian Civil Code, and therefore, if the obligation to inform is fulfilled correctly, no disciplinary measures are applicable. In the event of false, improper - both in content and in form - or calumnious Notices, the relevant corporate functions shall apply appropriate sanctions; however, unfounded information reported without slanderous intent cannot be sanctioned.

In particular, the Supervisory Board must be promptly notified of information (hereinafter referred to as the “Notices”):

- (a) that may be relevant to infringements, even potential, of the Model, understood as actions or omissions breaching the Model and its Protocols, including, in particular, the Code of Ethics (hereinafter referred to as the “**Infringements**”) or to the commission of Crimes, including, but not limited to:
  - anomalies or atypical situations considered in the context of the information available, such as facts which are irrelevant if considered individually but which could have a different connotation if repeated or if a broader context is factored in;
  - applications for legal assistance lodged by Employees prosecuted by the Judiciary for the Crimes;
- (b) concerning Loro Piana operations which may be relevant to the Supervisory Board for performing its duties, including but not limited to:
  - Health and Safety periodic reports;
  - reports prepared by the Company Officers as part of their tasks;
  - the resolutions of the Board of Directors that may modify the operation and structure of the Model, such as, but not limited to, changes in the organizational structure, business lines, incentive plans, etc.;
  - the communications and updates envisaged in the Special Sections;
  - amendments to the system of powers of authorization and signature;
  - the outcomes of the preventive and final checks run on contracts awarded to market players subsequent to national and European tenders or negotiated contracts;
  - the outcomes of the monitoring and inspections already performed on contracts awarded by public bodies or entities rendering public services;
  - the annual financial statements, accompanied by the notes;
  - the notifications, by the Board of Auditors, of the subjects in charge of audit or other control bodies, regarding critical issues or inadequate control, even if resolved, or concerning aspects relevant to the activities of the Supervisory Board.

The Supervisory Board, upon performing the investigations prompted by the Notices, shall ensure that the persons involved are not subject to retaliation, discrimination or disadvantages, and shall not disclose the identity of the person who has submitted the Notice, comply with regulations on the protection of personal data, except if any legal obligations dictate otherwise, and protect the rights of Loro Piana. Please

note that, in order to protect the person who has submitted the Notice, in accordance with the Italian legislation, the adoption of discriminatory measures against such person can be reported to Ispettorato Nazionale del Lavoro (National Labour Inspectorate), for the measures under its scope, by the person who has submitted the Notice and the trade union organization indicated by the latter. Furthermore, the retaliatory or discriminatory dismissal of the whistle-blower is null. Any change of duties pursuant to art. 2103 of the Italian Civil Code as well as any other retaliatory or discriminatory measure adopted against such person are also null<sup>19</sup>.

The members of the Supervisory Board may not disclose in any case outside of Loro Piana, except if required by law, the information acquired when fulfilling their duties.

Loro Piana, to facilitate the submission of the Notices, has opened an email box dedicated to the Supervisory Board and ensuring the confidentiality of communications, whose address is “organismodivigilanza@loropiana.com”. The Notices may also be sent by mail, even anonymously, to Loro Piana S.p.A. – For the attention of the Chairperson of the Supervisory Board – C.so Rolandi 10 – 13017 Quaronna (VC) – Italy. The notices may be submitted anonymously also using the Alert System set up by the LVMH Group and available at <https://bkms-system.net/LVMH>.

If the Notices relate to the activity of the Supervisory Board, they shall be sent to the Chairperson of the Board of Auditors and the Chairperson of the Board of Directors.

### 9.5.2 Notice processing

When the Supervisory Board receives a Notice, it conducts any necessary investigations, using the full powers it has been granted, for ascertaining the validity and truthfulness of any notices received. If an Infringement is reported to the Supervisory Board, the latter verifies the existence of clear, precise and consistent evidence or presumptions.

If the Supervisory Board believes that the Notice is unfounded, it will be filed and the filing justified.

In the event of false, improper - both in content and in form - or calumnious Notices, the Supervisory Board shall inform the relevant corporate functions which will take appropriate measures.

When an Infringement is ascertained, the Supervisory Board notifies Loro Piana so that the Company can decide the measures to be adopted based on the Disciplinary System.

The Supervisory Board is not entitled to apply any sanctions; consequently, it shall coordinate with the relevant corporate function and/or Corporate Body.

### 9.5.3 Notices of the Supervisory Board to the Corporate Bodies

The Supervisory Board updates the Corporate Bodies on the implementation of the Model and the findings of its inspections and checks.

In particular, the Supervisory Board:

- (a) coordinates on an on-going basis with the Board of Directors;
- (b) submits a written report, at least every six months, to the Board of Directors and the Board of Auditors on the operation performed;
- (c) immediately reports to the Board of Directors any serious Infringements committed by the Recipients. In particular, in the event of serious Infringement committed by a member of the Board of Directors, the Supervisory Board will inform the Board of Directors and the Board of Auditors. If the Infringement is committed by a member of the Board of Auditors, the Supervisory Board will notify the Board of Auditors and the Board of Directors. In both cases, the Supervisory Board will suggest the sanctions it deems appropriate for the Infringements which shall be applied by the relevant entitled bodies.

In general, the Supervisory Board reports:

<sup>19</sup> *It is the employer's responsibility, in the event of disputes connected to the application of disciplinary sanctions, or to the demotion, dismissal, transfer or imposition of another organizational measure having direct or indirect negative effects on the working conditions of the whistleblower, subsequent to the presentation of the notice, to demonstrate that such measures are based on reasons unrelated to the notice submitted by the latter.*

- the operation it has performed;
- any issues that have emerged in the course of the supervisory activity;
- ascertained behaviour not in line with the Model;
- any organizational or procedural inadequacies which may expose Loro Piana to the risk of committing Crimes;
- any corporate functions which provide little or no support upon verification and/or inspection;
- any corrections to be made to ensure the efficiency and effectiveness of the Model.

The half-yearly report written by the Supervisory Board will include, at least, the following information:

- (i) the number and date of the meetings of the Supervisory Board held in the period;
- (ii) a summary of the activities and controls performed during the period by the Supervisory Board;
- (iii) any issues arisen with respect to the operating procedures for implementing the provisions of the Model;
- (iv) any new activities which might involve the commission of a Crime;
- (v) a report on the Notices submitted by the Recipients as concerns alleged Infringements of the Model and the outcome of the verifications on these Notices;
- (vi) the disciplinary measures and any penalties applied by Loro Piana for the Infringements of the Model;
- (vii) an overall assessment of the operation and effectiveness of the Model with any proposals for additions, corrections, or amendments to its form and content;
- (viii) any changes in the regulatory framework that require an update of the Model;
- (ix) the statement of the expenses incurred in the previous period and, if necessary, an application for increasing the financial resources needed to perform its activities;
- (x) an approximate planning of the activities scheduled for the next period.
- (xi) In any case, the Supervisory Board will provide the Board of Directors with any information deemed useful so that the relevant bodies can take urgent decisions.
- (xii) The Supervisory Board may be called at any time by the Board of Directors or by the Board of Auditors and may in turn ask the Corporate Bodies to hold a hearing whenever deemed appropriate, to make statements about the Model or connected issues. A copy of the minutes of the meetings is filed in the Supervisory Board Archive.

## 10 MODEL DISSEMINATION; INFORMATION AND TRAINING TO THE RECIPIENTS

### 10.1 Model dissemination

Loro Piana promotes the broadest distribution, within and outside the Company, of the principles and provisions contained in the Model and the Protocols to inform the Recipients of the existence and content of tools aimed at preventing the Crimes under the Decree, i.e. the Model, the Code of Ethics, the specific procedures and the Disciplinary System. The Model – along with the Code of Ethics – is distributed by the head of the Company Human Resources function by means ensuring receipt. In particular, Loro Piana formally sends the Model to each member of the Corporate Bodies, who signs a declaration of receipt and acknowledgement by which the Model is adopted. Said statement is filed by Loro Piana and the Supervisory Board.

The Model is also formally communicated:

- to every Recipient, who receives a paper copy or, if possible, an electronic file;
- and published on the company intranet and posted in a place accessible to everyone and on the company's bulletin boards.

A copy of the declaration of receipt and acknowledgement by which the Recipient agrees to observe the rules contained in the Model is filed by Loro Piana.

As far as the Third-party Recipients are concerned, the head of the corporate function of the area to which the contract refers, supported by the Legal function, decides how to distribute the Code of Ethics.

In particular, Loro Piana includes specific clauses in the contracts entered into with Third-party Recipients

that require the latter to comply with the Decree and the Code of Ethics and that envisage the application of sanctions in the event of infringement.

## 10.2 Training on the Model

Loro Piana, in coordination with the Supervisory Board, implements training programs with the aim of ensuring that all Recipients are actually familiar with the Decree, the Model and the Code of Ethics, which is an integral part thereof.

To this end, the Supervisory Board verifies that the relevant corporate functions prepare information and training programs which are diversified based on the type of Recipients, their hierarchical level, qualifications, professionalism, duties performed and degree of involvement in the Sensitive Activities identified in the Special Sections of the Model and therefore on the basis of the level of exposure to the risk of committing a Crime.

Specific training may be given, also upon the proposal of the Supervisory Board, in particular situations, or if the Recipients need to enhance their understanding of general or specific topics (including but not limited to, if a Crime is committed or if infringements of the Model and/or the Code of Ethics are significant or repeated).

In general, the Supervisory Board:

- provides support in defining the content of the periodic communications to be sent to the Recipients, to raise awareness and ensure basic knowledge of the Decree;
- monitors the promotion of training courses on the Decree, particularly during specific situations (such as, but not limited to, organizational modifications, regulatory changes, significant or repeated infringements of the Model and/or the Code of Ethics);
- monitors the preparation and updating, in coordination with the function entrusted with updating the company website, of the company intranet section dedicated to the Decree and the Model;
- monitors the promotion of initiatives aimed at encouraging the knowledge and understanding of the Model;
- makes sure that the organizational documents containing instructions, clarifications and updates on the operation of the Model are prepared;
- verifies the adequacy of the content of the training programs and periodically makes sure that the Recipients actually attend the training courses.

In particular, as concerns communication and training given to the Company Officers involved in the Sensitive Activities, in addition to the training described above, Loro Piana will organize specific courses so that the Company Officers of the Sensitive Activities gain adequate knowledge of the Model and the necessary tools for ensuring the correct implementation of the procedures within the corporate function or the sensitive area for which they are responsible.

Training can be provided on-site or through online and distance courses.

The training of Employees and Corporate Bodies on the implementation of Model is managed by the Company Human Resources function, which periodically reports to the Supervisory Board.

The training activities are documented to verify the Recipients' attendance (list of presences and collection of signatures), the contents (training materials given out), the mode of attendance (e-learning, presence in the classroom, other), the learning level attained (specific tests), and any need to repeat the course (test failed).

The training is mandatory and repeated nonattendance, without just cause, is sanctioned by Loro Piana. Also behaviour contrary to the training requirements (including, without limitation, tests systematically failed) constitute an infringement of the training obligation.

## 11 MODEL IMPLEMENTATION CHECKS

The Model will be inspected and monitored to verify its effectiveness and efficacy. A supervision plan prepared by the Supervisory Board will promote these inspection and monitoring activities, which will be reported to the Corporate Bodies as specified above.

## 12 WHISTLEBLOWING

With Law dated 30th November 2017, no. 179 containing the “Provisions for the protection of persons reporting crimes or irregularities which have come to their knowledge in the context of a public or private employment relationship”, the Legislator, in an attempt to harmonize the provisions envisaged for the public sector with the aforementioned Law, introduced specific provisions for the recipients of Legislative Decree no. 231/2001 and inserted in art. 6 of Legislative Decree no. 231/2001 three new paragraphs, i.e. paragraph 2-bis, 2-ter and 2-quater.

Specifically, art. 6 contains:

- paragraph 2-bis, according to which the Organization, Management and Control Models must include:
  - one or more channels that allow employees (Supervisors and Subordinates) to submit, in order to protect the integrity of the entity, detailed notices of (i) illegal conducts, relevant pursuant to the Decree and based on precise and consistent factual elements, or (ii) violations of the entity’s organization and management model, of which they became aware due to the duties performed; these channels guarantee the confidentiality of the whistle-blower’s identity upon managing the notice;
  - at least one alternative reporting channel able to guarantee, with computerized methods, the confidentiality of the whistle-blower’s identity;
  - the prohibition on direct or indirect retaliatory or discriminatory acts against the whistle-blower for reasons connected, directly or indirectly, to the notice;
  - in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against those who violate the measures for the protection of the whistle-blower, as well as against those who submit with gross negligence or intent notices that prove to be groundless.
- paragraph 2-ter, according to which the adoption of discriminatory measures against whistle-blowers under paragraph 2-bis can be reported to the Labour Inspectorate, for the measures under its scope, by the person who has submitted the notice and by the trade union organization indicated by the latter;
- paragraph 2-quater, which governs the retaliatory or discriminatory dismissal of the whistle-blower, which is expressly qualified as “null”. Any change of duties pursuant to art. 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure adopted against the whistle-blower are also null.

Furthermore, in accordance with the aforementioned article, in the event of disputes connected to the application of disciplinary sanctions, or to the demotion, dismissal, transfer or imposition of another organizational measure having direct or indirect negative effects on the working conditions of the whistle-blower, it is the employer’s responsibility to demonstrate that such measures are based on reasons unrelated to the notice submitted by the latter (so-called “reversal of the burden of proof in favour of the whistle-blower”).

In order to guarantee the effectiveness of the whistleblowing system, the Company commits to informing promptly all employees and collaborators about the knowledge, understanding and dissemination of the objectives and spirit with which the notice must be submitted.

Specifically, the following must be reported:

- unlawful conducts that constitute one or more types of crimes from which liability for the entity may arise under the Decree;

- conducts that, even though they do not constitute any type of offense, infringe rules of conduct, procedures, protocols or provisions contained in the Model, the documents attached thereto or the Code of Conduct.

On the other hand, issues of a personal nature of the whistle-blower, claims or requests relating to the regulation of the employment relationship or relations with the supervisor or with colleagues must not be reported.

The notices must provide useful elements that allow the persons in charge to proceed with the due and appropriate checks and verifications (article 6, paragraph 2-bis, Legislative Decree no. 231/2001).

Anonymous notices, i.e. those without elements that allow the identification of their author, are also governed. Anonymous notices will not be taken into consideration as regards the protection granted to the whistle-blower by the law (article 6, paragraphs 2-ter and 2-quater, Legislative Decree no. 231/2001).

The aforementioned notices will be further investigated only if they are characterized by adequately detailed and specific content and if they concern particularly serious offenses or irregularities.

### 12.1 The whistleblowing procedure

In order to guarantee the effectiveness of the whistleblowing system, the Company has adopted the Group Internal Alert System Reporting Procedure implemented by LVMH worldwide, which enables employees and external and occasional collaborators of companies belonging to the LVMH Group to report serious violations or risks of violation of the LVMH Code of Conduct, internal guidelines, principles and policies, as well as applicable laws and regulations on the topics listed in LVMH Alert System, when such persons become aware of or reasonably suspect them (i.e. bribery and influence, money laundering, fraud, falsification of books and records, misappropriation, anti-competitive practices, data protection, discrimination, harassment, violence or threat at work, social norms and labour law, health and safety at work, environmental protection, ethical standards).

Employees and collaborators who intend to submit notices should preferentially use traditional communication channels (supervisors, Human Resources Department, “Ethics & Compliance” Department, Legal Department, Audit Department, etc.).

However, if an employee or collaborator deems it appropriate, the alternative to the use of traditional channels will be LVMH’s internal reporting system. This web interface – available at <https://bkms-system.net/LVMH> – makes it possible to report in a secure and absolutely confidential way any current or potential violations of laws, regulations or internal conduct principles. All notices sent through the system are transmitted directly to the Group’s “Ethics & Compliance” Director, who is in charge of processing them.

The information is collected in four main stages:

1. After accessing the interface via the link above, the employee or collaborator will be asked to read and accept the terms and conditions governing the use of the system, confidentiality and data protection. The employee or collaborator may decide whether to submit the notice anonymously or not.
2. The employee and/or collaborator will be asked to select one of the nine available categories for which he/she intends to submit the notice.
3. The employee or collaborator must then briefly describe the facts relating to his/her notice and provide additional details through a series of multiple-choice questions. Upon submitting the notice, a document can be attached. The employee or collaborator will then receive a reference code confirming receipt of the notice.
4. Once the notice has been submitted, the employee or collaborator can set up a “protected mailbox” in order to communicate in an absolutely confidential manner during the notice assessment stage. Through this mailbox, the employee or collaborator will receive information regarding the progress

of his/her notice and will be able to provide further details. If a mailbox is not set up, it will not be possible to communicate with the employee or the collaborator.

No form of retaliation against the employee or collaborator who adopts this reporting system will be tolerated, even if the doubts on which the notice is based prove to be incorrect. In any case, if the system is used improperly and in bad faith, sanctions may be imposed.

## **12.2 Disciplinary measures against the recipients of the notices**

For the purposes of the Whistleblowing provisions, please refer to the Disciplinary System identified by the Company in the Annex attached to this Model, which is considered an integral part, in its entirety, of this document. The Disciplinary System adopted by the Company envisages sanctions to be imposed on those who violate the measures for the protection of the whistle-blower (confidentiality of identity) as well as those who submit groundless notices with negligence or intent.





## SPECIAL SECTIONS - PREAMBLE

### 1 SENSITIVE ACTIVITIES

Subsequent to the preparatory activities for constructing the Model and in particular risk self-assessment stated in paragraph 2.4 of the General Section herein, the Company's Sensitive Activities have been identified.

The Special Sections below are classified based on the Crime type, namely:

- Special Section "A" – Crimes against Public Administration;
- Special Section "B" – Computer crimes and illegal use of data;
- Special Section "C" – Corporate Crimes;
- Special Section "D" – Negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety;
- Special Section "E" – Receipt of stolen goods, money laundering and use of illegally-obtained money, self-laundering;
- Special Section "F" – Transnational crimes; Crimes committed by organized crime;
- Special Section "G" – Environmental crimes;
- Special Section "H" – Crimes against individuals;
- Special Section "I" – Employment of illegally staying third-country nationals;
- Special Section "L" – Copyright infringement;
- Special Section "M" – Crimes against industry and trade;
- Special Section "N" – Forgery.
- Special Section "O" – Incitement not to make statements or to make false statements to the judicial authorities .
- Special Section "P" – Racism and xenophobia
- Special Section "Q" – Tax Crimes;
- Special Section "R" – Smuggling Crimes.

Each Special Section:

- (i) describes the Crimes theoretically applicable and relevant to the Company considering the possible ways in which such offenses might be committed;
- (ii) specifies the sanctions set out in the Decree against the Company for the specific crime;
- (iii) identifies the Sensitive Activities for each Crime category and the corporate functions involved;
- (iv) identifies the principles of conduct and describes the main prevention protocols defined and implemented by the Company for the Sensitive Activities to prevent the commission of the Crimes.

### 2 GENERAL PRINCIPLES OF CONDUCT AND GENERAL PREVENTION PROTOCOLS

The operations relating to the Sensitive Activities identified in the Special Sections below implement the following general principles of conduct and general prevention protocols applicable to all Sensitive Activities specified hereunder.

General principles of conduct:

- every Recipient of the Model, upon performing their activities and functions, must comply with the law, the provisions of the Model and the Code of Ethics and the Company's procedures also to prevent the commission of Crimes. In particular, the Recipients must observe and be aware of:
  - the provisions;
  - the documents concerning the Company's organizational and hierarchical/functional structure;
  - the organizational provisions issued by the Company to set up a consistent and homogeneous corporate policy;
  - the internal procedures of the Company (and, if applicable, the Group) regarding the Sensitive Activities;
- every Recipient must behave in a correct, transparent and collaborative way, especially as concerns

the operations connected to the Sensitive Activities.

General prevention protocols:

- the Company's hierarchical/functional and organizational structure is properly formalized;
- the powers and responsibilities within the organization are clearly defined and known;
- the powers of authorization and signature are properly formalized, consistent with the organizational and managerial responsibilities and are documented so as to be retraced at a later stage;
- the autonomy degrees and the limits, including expense limits, are consistent with the hierarchical level, the principle of segregation, and with the other internal rules of the Company;
- as concerns decision-making, the powers are granted and exercised in accordance with the responsibility level and the relevance and/or criticality of the underlying operations;
- the Company's decisions are made and implemented in compliance with the law, the Model, the Code of Ethics and the other organizational documents of the Company;
- each activity must be traceable and documented so that the characteristics of and reasons for the underlying operation may be checked at any time and so that the persons who have authorized, performed, recorded and verified the operation may be identified;
- except as otherwise stated in the relevant procedures, the documentation relating to the activities performed must be filed by the Company Officer(s) in such a way as to prevent editing, to ensure the complete traceability of the process at any time and facilitate any subsequent checks;
- only any entitled persons, the Board of Auditors, the auditing firm and the Supervisory Board may access the archived documents;
- the management and filing of data by the Company complies with the provisions of Legislative Decree 196/2003;
- cash flows are managed in accordance with the principles of transparency, traceability, monitoring, verifiability and pertinence;
- specific limits are set for the autonomous use of financial resources, including quantitative thresholds consistent with the respective managerial and organizational responsibilities;
- no payment is made in cash, except in the event of low value transactions;
- payments must always be made to the person who has provided the good and/or service;
- the transactions involving the use of financial resources shall always be justified, documented and recorded in accordance with the principles of fairness and transparency of accounts;
- there must be separation between those who make or implement decisions, those who record those decisions (including accounting entry) and those who oversee control as required by law and the procedures envisaged in the internal control system, especially related to the use of financial resources. Where this is not feasible, the immediate superior must be informed;
- any doubts as to how to behave or interpret the current laws and the internal procedures must be addressed to the immediate superior and/or the Supervisory Board;
- the main terms and conditions of the contracts with suppliers, consultants and third parties in general are defined in writing and Loro Piana prepares specific clauses requiring compliance with the provisions of the Decree and the Code of Ethics;
- It is forbidden to:
  - engage in any conducts that would constitute the Crimes;
  - engage in any conducts that, though not criminal in themselves, could potentially constitute the Crimes or favour their commission;
  - have business relations with subjects who are known to be or suspected of being involved in illegal activities implying the Crimes.

For every operation relating to the Sensitive Activities, as defined herein, the Company identifies and appoints one or more internal supervisors (the "Company Officers").

If the Company does not appoint the Company Officer(s) for one or more operations related to the Sensitive Activities, the Company Officer of that operation is the head of the corporate function responsible for managing that operation.

The Company Officer:

- ensures the proper execution of the operations pertaining to the Sensitive Activities;
- informs subordinates and co-workers about the risk of committing Crimes potentially associated

- with the operations for which he/she is responsible;
- may ask all corporate functions and/or the individuals involved in the operations connected with the Sensitive Activities for which he/she is responsible to provide any information and clarifications;
- periodically informs the Supervisory Board of significant events relating to the operations connected with the Sensitive Activities;
- promptly informs the Supervisory Board of any issues or conflicts of interest arisen related to the Sensitive Activities;
- consults the Supervisory Board in all cases of ineffectiveness, inadequacy, criticality or difficult implementation of the prevention protocols or the operating procedures to clarify the objectives and preventive measures envisaged in the Model and the relevant Special Section;
- contributes to updating the control system relating to the Sensitive Activities and informs the Supervisory Board of any changes and interventions deemed appropriate.

\* \* \*

The Sensitive Activities may be modified and/or complemented subsequent to updates of risk self-assessment performed by the Company – also upon the request of the Supervisory Board – following situations such as, without limitation, organizational changes, legislative updates, etc.. Such changes and/or additions, as they amend the Model, must be approved by the Company’s Board of Directors.

The Supervisory Board verifies that the company’s operating procedures fully implement the protocols, principles and requirements contained in the Special Sections.

The Supervisory Board regularly checks the operations connected to the Sensitive Activities, so as to ensure that they are correctly executed in accordance with the Model.

The Supervisory Board can issue and update written instructions on:

- homogeneous and consistent compilation of reports to be sent to the Supervisory Board;
- control and monitoring tools for the Sensitive Activities;
- any attitudes to adopt in relation to the Sensitive Activities.

The Supervisory Board communicates the results of its monitoring activities on operations connected to the Sensitive Activities to the Board of Directors and the Board of Auditors as prescribed by the Model, and reports to the Board of Directors any additions to the control systems adopted by the Company. If the Company’s legal and organizational provisions for preventing the Crimes mentioned in the Special Sections are breached, the sanctions under the Disciplinary System will be imposed on the perpetrator.



## SPECIAL SECTION “A” CRIMES AGAINST PUBLIC ADMINISTRATION

### 1 CRIMES PURSUANT TO ARTICLES 24 AND 25 OF THE DECREE

The first type of Crimes theoretically applicable and relevant to the Company consists of crimes against the public administration, considered in a broad sense and also including the Public Administration of foreign States, pursuant to articles 24 and 25 of the Decree (hereinafter referred to as “**Crimes against PA**”). Below is a brief description of the Crimes against PA theoretically applicable and relevant to the Company. Under article 26 of the Decree, the Company may also be held liable in the event of attempted crime.

#### 1.1 Misappropriation of public funds (art. 316-bis Italian Criminal Code)

This crime is committed when a person, not belonging to the Public Administration, having obtained aid, grants or funding intended to favour initiatives aimed at the realization of public works or public interest activities from the State or another public body or the European Communities<sup>20</sup>, does not appropriate them to the aforesaid purposes.

The necessary condition is that the funds are misappropriated, even partially, regardless of the realization of the planned operation. The purposes that the perpetrator might have intended to pursue are also irrelevant, because the relevant benchmark is the misappropriation of funds and the will to divert them from their primary goal.

This crime could be committed, for example, if the Company received public funds granted for certain purposes related to its business and a Senior Manager or a Subordinate Person allocated those amounts to activities other than those for which they were granted on behalf or for the benefit of the Company.

#### 1.2 Undue receipt of public funds (316-ter Italian Criminal Code)

Unless the fact constitutes the crime provided for by art. 640-bis, Italian Criminal Code (Aggravated fraud for the receipt of public funds), the crime is committed when the perpetrators, by using or submitting false or untruthful statements or documents, or by omitting mandatory information, unjustly obtain for themselves or for others, aid, funding, subsidized loans or other disbursements of the same type granted or allocated by the State, other public bodies or the European Communities. The crime is committed when undue funds are collected.

This offense has a subsidiary nature with respect to the more grievous crime of Fraud against the State (art. 640, 2nd paragraph, no. 1, Italian Criminal Code) where the profit achieved to the detriment of the defrauded public body consists of a generic profit of any nature, and with respect to the crime of Aggravated fraud (art. 640-bis, Italian Criminal Code) which implies misleading through artifices or deceptions.

From a subjective point of view, basic intent is an essential condition, i.e. the perpetrator must be aware of engaging in the conduct described in the regulation and intend to engage in that conduct.

This crime could be committed, for example, if a Senior Manager or a Subordinate Person used or submitted false statements or documents to unlawfully obtain aid, funding or other disbursements from the public bodies in the interest or for the benefit of the Company.

<sup>20</sup> *In relation to the case-histories stated below, the regulations refer to the European Community. However, the reference is now understood to mean the European Union.*

### 1.3 Fraud against the State or other Public Bodies (art. 640, 2nd paragraph, no. 1, Italian Criminal Code)

This crime, which constitutes an aggravated hypothesis of simple fraud, is committed when, by misleading through artifices or deceits, an unjust profit is obtained for oneself or third parties, to the detriment of the State or another public body, or someone is exempted from military service.

The profit does not necessarily consist in an increase in wealth; it could be non-economic and fulfil a moral interest.

The damage, however, must be economic, i.e. it must be detrimental to the assets of the damaged party. From a subjective point of view, basic intent is sufficient, i.e. the perpetrator must intend and be aware of the profit and the damage to the victim.

This crime could be committed, for example, if a Senior Manager, through artifices or deceits, misled the PA as concerns documents submitted to the latter, thus gaining an unfair profit, to the detriment of the State and in the interest and for the benefit of the Company.

### 1.4 Aggravated fraud for the receipt of public funds (art. 640-bis Italian Criminal Code)

This crime as well constitutes an aggravated hypothesis of simple fraud, and is characterized by the fact that the unlawful conduct specifically aims to unduly obtain public funds, that is funds are obtained through deception or fraud, artifices or deceits.

The crime qualifies as aggravated fraud, and not simple fraud, when its material object consists of public funds, i.e. aid, funding, subsidized loans or other disbursements of the same type, howsoever called, granted or allocated by the State, other public bodies or the European Communities.

This crime may be committed, for example, if a Senior Manager or a Subordinate Person, through artifices or deceits, used false documents to unduly obtain funding or aid or other disbursements from public bodies in the interest of the Company.

### 1.5 Computer fraud (art. 640-ter Italian Criminal Code)

This regulation sanctions any persons who, by altering in any way whatsoever the operation of an information technology or data transmission system or any related systems or by interfering without being entitled to do so in any way whatsoever on data, information or programs contained in an information technology or data transmission system or any related systems, secure for themselves or others an unjust advantage to the detriment of another party.

The crime is committed when the perpetrator manipulates the data of the IT system so as to alter its operation; actual alterations to software are not necessary.

The penalty is increased if the fact is committed:

- against the State or another public body or to exempt someone from military service;
- by abusing one's role as a system operator;
- by stealing or improperly using digital identity to the detriment of one or more individuals.

This crime could occur, for example, if a Senior Manager or a Subordinate Person altered the data contained in a governmental IT system to gain a benefit for the Company.

### 1.6 Bribery <sup>21</sup>

Please note that in crimes a) to d) the bribe-giver is also punishable pursuant to art. 321 Italian Criminal Code, described in point e) below.

<sup>21</sup> Hereinafter: *Public Administration ("PA"), Public Official ("PO") and Public Service Officer ("PSO")*.

(a) **Undue receipt on the part of a public official for performing their functions** (art. 318 Italian Criminal Code)

Art. 318, Italian Criminal Code, entitled “Undue receipt on the part of a public official for performing their functions” (so called indirect bribery), sanctions POs who receive, for themselves or third parties, money or other benefits or accept the promise of money or other benefits for performing an act in line with their duties and powers. The wilful misconduct consists in the awareness and intention of receiving and accepting the promise of undue money or other benefits.

This crime occurs when the PO accepts the promise of money or other benefits, otherwise the crime committed is abetment of bribery, set forth in art. 322, Italian Criminal Code.

Bribery differs from extortion, in that there is an agreement (so-called *pactum sceleris*) between the bribe-giver and the bribe-taker intended to attain a reciprocal benefit, and the PO and the private citizen are on an equal footing, whereas extortion in office occurs where the person holding the public office exploits his/her superior position vis-à-vis the private party who is in a state of inferiority.

For this reason, both the bribe-taker and the bribe-giver are punished according to the relevant laws, whereas for extortion in office only the PO (or PSO) is punished, due to the imbalanced relationship. This is a basic intent crime, and consists in the awareness that the payment or benefit for an act in line with official duties is unlawful/undue.

This crime may occur for example if a Senior Manager or Subordinate Person bribed a PO or a PSO by offering or promising money in exchange for activities connected with the function in the interest or for the benefit of the Company.

(b) **Bribery for an act contrary to official duties** (art. 319 Italian Criminal Code)

This crime (so-called direct bribery) occurs when POs receive, for themselves or third parties, money or other benefits or accept the promise of money or other benefits for performing, or having performed, an act contrary to their official duties, or for omitting or delaying (or having omitted or delayed) a function in line with their office.

A necessary condition is that the PO accepts the promise of money or other benefits, otherwise the crime committed is abetment of bribery.

This crime occurs for example when Senior Managers or Subordinate Persons bribe a PO or a PSO by offering or promising money for performing acts contrary to the official duties of the PO or PSO to obtain permits, licenses and authorizations in the interest or for the benefit of the Company.

(c) **Bribery in legal proceedings** (art. 319-ter Italian Criminal Code)

This crime is committed when the previous bribery acts are committed to favour or damage a party in a civil, criminal or administrative trial.

In accordance with the 2nd paragraph of art. 319-ter, Italian Criminal Code, the punishment may be increased if: (i) the fact results in unjust conviction to imprisonment not exceeding five years, (ii) the fact results in unjust conviction to imprisonment exceeding five years or life imprisonment.

The notion of PO includes magistrates but also other officials such as clerks of court, witnesses and any other public officials serving in a dispute.

For example, the crime could be committed if the Company was involved in judicial proceedings and, to obtain a favourable decision, or limit its negative effects, bribed a PO, such as a judge, or the court appointed expert or a witness.

**(d) Bribery of a Public Service Officer (art. 320 Italian Criminal Code)**

This regulation extends the criminal liability of the conducts described in articles 318 and 319, Italian Criminal Code, to the PSOs, with sanctions milder than those imposed on POs.

**(e) Punishment for the bribe-giver (art. 321 Italian Criminal Code)**

Punishment for bribery is extended to the bribe-giver.

For the purpose of applying art. 321, Italian Criminal Code, and the consequent criminal liability of the private bribe-giver, the identification of the public official and his/her actual involvement in the offense are irrelevant.

**1.7 Abetment of bribery (art. 322 Italian Criminal Code)**

In accordance with this regulation, the penalties imposed by the preceding provisions also apply to whoever gives or promises money or other benefits to a PO or PSO and the promise or the money and the benefits are not accepted and concern:

- the performance of the duties and powers of the PO or PSO; or
- the omission of or delay in an official act; or
- the performance of an act contrary to official duties.

For a crime to qualify as abetment of bribery, the PO/PSO must not accept the promise of money or other benefits, otherwise the crime committed is one of the offenses under articles 318 and 319, Italian Criminal Code.

Regarding the ways in which this offense can occur, please see the examples of bribery, bearing in mind that this crime requires that the offer or the promise are not accepted.

**1.8 Abetment to give or promise undue benefits (art. 319-quater Italian Criminal Code)**

Unless the fact constitutes a more serious crime, this offense is committed when a party, to obtain an advantage in proceedings before the PA, is unlawfully induced by a PO or a PSO to give or promise money or other benefits to the PO/PSO or a third party.

For example, the crime could be committed if a Company employee was unlawfully induced or persuaded by a PO who is in charge of instituting proceedings upon the request and in the interest of the Company to give or promise money to the PO or a third party, for example on the pretext of a delay in issuing the administrative act.

**1.9 Traffic of illicit influences (art. 346-bis of the Italian Criminal Code)**

The crime occurs when a person, exploiting or claiming existing or alleged relations with a public official or a public service officer or one of the other subjects stated in article 322-bis, unduly receives, for him/herself or third parties, money or other benefits, or accepts the promise of money or other benefits, in consideration of his/her own unlawful mediation with a public official or a public service officer or one of the other subjects stated in article 322-bis, or as remuneration of the latter in relation to the exercise of their functions or powers.

The crime punishes the unlawful mediation related to the performance of acts contrary to the official duties of a public official, or the omission or delay of an act of his/her office. This is the antecedent of bribery.

The perpetrator is the intermediary who exploits his/her relationship with a public official, or a public service officer, in order to obtain an act contrary to official duties so as to receive money or other benefits or the promise of money or other benefits, that is the “consideration” for his/her illicit mediation. The crime is aggravated if the “mediator” is a public official or a public service officer.



The law also punishes the other party, the private party, who has given or promised money or other benefits.

The crime can occur, by way of example, when a Company employee agrees with another private entity, for example a consultant, who acts as an illicit intermediary, in exchange for money or other benefits, to exploit his/her acquaintance of and/or relationship with a public official or a public service officer, in order to obtain/renew permits (such as opening, extension and/or renovation of a store, etc.), by performing an act contrary to official duties, or by omitting or delaying the performance of an act of his/her office.

## 2 THE NOTIONS OF PUBLIC ADMINISTRATION, PUBLIC OFFICIAL AND PUBLIC SERVICE OFFICER

The analysis of the Crimes against PA presumes a clear definition of the terms Public Administration (“PA”), Public Official (“PO”) and Public Service Officer (“PSO”).

PA is defined as the set of public bodies and entities (State, ministries, regions, provinces, municipalities, etc.) and, in some cases, private bodies and entities (bodies governed by public law, concession holders, contracting authorities, joint-stock companies in which both private and public bodies hold stakes, etc.) and any other entities in charge of public functions, in the interest of the community and therefore in the public interest.

Art. 1 of Legislative Decree no. 165/2001 (formerly Legislative Decree no. 29/1993), identifies the Public Administration in the Government and the functional, territorial and local public bodies, and any other entities in charge of pursuing public purposes.

According to art. 357 of the Italian Criminal Code, a PO, “public official”, is “*anyone who performs a legislative, judicial or administrative public function*”; the article further specifies that “*a function is public when it is governed by provisions of public law and implemented through instruments issued by the authorities and when it involves the definition and the expression of the will of the Public Administration, or its performance by means of authorization or certification powers.*”

The distinctive feature of the PO is the performance of a public function, i.e. an operation governed by provisions of public law and whose purpose is to define and express the will of the PA, or exercise authorization, decision-making or certification powers. Therefore, this notion includes:

- The individuals who contribute to defining the will of the Public body, or who represent it externally;
- Anyone who has authorization powers;
- Anyone who has certification powers.

According to art. 357, 1st paragraph, Italian Criminal Code, for the purposes of criminal law, three public functions are identified: the legislative, the judicial and the administrative function.

The legislative function consists in law-making and any ancillary and/or preparatory activities. Anyone who performs an operation aimed at exercising the public legislative function, at a national and European level, is considered a PO. The Public bodies that normally exercise this type of function are the Parliament, the Government (only regarding the legislative activities within its jurisdiction), the Regions and the Provinces (the latter only regarding their legislative activities); the Institutions of the European Union.

The judicial function consists in *ius dicere*, understood in a broad sense, that is the judge’s role to apply the laws to the tangible case. Anyone who performs an operation aimed at exercising the public judicial function, at a national and European level, but also those who are involved in the delivery of justice, ancillary and connected to the main operation, are considered POs. This function is performed by the judges (including prosecutors), clerks of court, secretaries, members of the Court of Justice and the Court of Auditors of the European Union, etc.

The administrative function consists in exercising the authorization, decision-making and certification powers of the PA. These powers, which are not connected to particular subjective qualifications and/or tasks of the acting subjects, may be summarized as follows:

- **decision-making power:** power related to the definition and expression of the will of the Public Administration;
- **authorization power:** power to achieve its purposes through actual commands, regarding which the private citizen is in a position of subjection;
- **certification power:** power to construe as certain a given situation submitted to the opinion of the public acting subject.

Art. 358 of the Italian Criminal Code defines the term “public service officer”: *“anyone in charge of providing a public service in any capacity”, where a public service is “an activity governed in the same manner as the public function, but which does not entail the powers typically assigned to the latter and does not consist of simple or merely material tasks”.*

Anyone who provides a ‘public service’ in any capacity is considered a PSO. Public services are: (a) production of goods and services of general interest and subject to the supervision of a public authority; (b) activities aimed at guaranteeing the rights of individuals to life, health, freedom, social security, education, freedom of communication, also through contracting and/or authorizations.

The actual existence of the requirements for qualifying as a PSO must be verified, on a case-by-case basis, regarding the tangible and actual possibility of attributing the operation concerned to the aforementioned definitions, as it is certainly conceivable that subjects belonging to the same category, but in charge of different functions or services, may have different qualifications precisely because the activities they tangibly perform are different. Furthermore, anyone who, without a regular and/or formal appointment but in any case lawfully, performs a public service in a de facto capacity, qualifies as a PSO.

### 3 SANCTIONS FOR CRIMES AGAINST PA SET OUT IN THE DECREE

The following table summarizes the sanctions applicable to Senior Managers and/or Subordinate Persons who commit Crimes against PA<sup>22</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 316-bis Italian Criminal Code (Misappropriation of public funds)	Anyone not belonging to PA	Action or Omission	Up to 500 quotas  From 200 to 600 quotas if the profit is significant, or the damage particularly severe	- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service; - Denial or revocation of benefits, funding, contributions and grants; - Prohibition on advertising products and services.
Art. 316-ter Italian Criminal Code (Undue receipt of public funds)	Anyone	Action or Omission	Up to 500 quotas  From 200 to 600 quotas if the profit is significant, or the damage particularly severe	- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service; - Denial or revocation of benefits, funding, contributions and grants; - Prohibition on advertising products and services.

<sup>22</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour. It takes into consideration the amendments introduced by paragraph 9, art. 1, Law dated 9th January 2019 no. 3, so-called “Anti-bribery law”.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 640 Italian Criminal Code paragraph 2 no. 1 (Fraud against the Government or other Public Bodies)	Anyone	Action	Up to 500 quotas  From 200 to 600 quotas if the profit is significant, or the damage particularly severe	<ul style="list-style-type: none"> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Art. 640-bis Italian Criminal Code (Aggravated fraud for the receipt of public funds)	Anyone	Action	Up to 500 quotas  From 200 to 600 quotas if the profit is significant, or the damage particularly severe	<ul style="list-style-type: none"> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Art. 640 ter Italian Criminal Code (Computer fraud)	Anyone	Action	Up to 500 quotas  From 200 to 600 quotas if the profit is significant, or the damage particularly severe	<ul style="list-style-type: none"> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Articles 318 and 321 Italian Criminal Code (Undue receipt on the part of a public official for performing their functions)	PO or PSO or Anyone	Action	Up to 200 quotas	None
Articles 322 paragraphs 1 and 3 and 320 and 322-bis Italian Criminal Code (Abetment of bribery)	PO or PSO or Anyone	Action	Up to 200 quotas	None
Articles 319 and 321 Italian Criminal Code (Bribery for an act contrary to official duties)	PO or PSO or Anyone	Action	From 200 to 600 quotas	For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
				<ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Articles 319-ter paragraph 1 and 321 Italian Criminal Code (Bribery in legal proceedings )	PO, Anyone	Action	From 200 to 600 quotas	<p>For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Art. 322 paragraphs 2 and 4 Italian Criminal Code (Abetment of bribery)	Anyone, PO or PSO	Action	From 200 to 600 quotas	<p>For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p>

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
				<ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Crimes committed by persons pursuant to art. 320 Italian Criminal Code	Public Service Officer	Action	From 200 to 600 quotas	None
Crimes committed by persons pursuant to art. 322-bis Italian Criminal Code	Persons specified in art. 322-bis Italian Criminal Code	Action	From 200 to 600 quotas	None
Art. 319 Italian Criminal Code  (Aggravated bribery for an act contrary to official duties pursuant to articles 319-bis and 321 Italian Criminal Code when the fact results in significant profit for the Entity).	PO or PSO or Anyone	Action	From 300 to 800 quotas if the profit is significant	<p>For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Articles 319-ter paragraph 2 and 321 Italian Criminal Code (Bribery in legal proceedings when the fact results in unjust conviction)	Anyone or PO	Action	From 300 to 800 quotas if the profit is significant	<p>For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years</p>

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
				<p>if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Crimes committed by persons pursuant to art. 320 Italian Criminal Code	PSO	Action	From 300 to 800 quotas if the profit is significant	None
Crimes committed by persons pursuant to art. 322-bis Italian Criminal Code	Persons specified in art. 322-bis Italian Criminal Code	Action	From 300 to 800 quotas if the profit is significant	None
Art. 319-quarter Italian Criminal Code (Abetment to give or promise undue benefits)	PO, PSO or Anyone	Action	From 300 to 800 quotas	<p>For a period of not less than four years and not more than seven years if the crimes are committed by Supervisors, and for a period of not less than two years and not more than four years if the crimes are committed by Subordinates, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>
Art. 346-bis Italian Criminal Code (Traffic of illicit influences)	Anyone	Action	Up to 200 quotas	None

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

Law no. 3 of 2019 introduced a mechanism that tends to reward the Entity's collaborative conducts, reducing the interdiction sanctions envisaged for extortion, direct bribery, bribery in legal proceedings, abetment to give or promise undue benefits and abetment of bribery, if before the first instance sentence the Entity has effectively strived to prevent further consequences, secure the evidence of the crimes and ensure the identification of the perpetrators, or seize the sums or other benefits transferred, and if it has removed the organizational deficiencies that led to the crime by adopting and implementing organizational models suitable for preventing crimes of the type that has occurred. The duration of the interdiction sanctions will be no less than three months and no more than two years<sup>23</sup>.

#### 4 CRIMES AGAINST PA - SENSITIVE ACTIVITIES

- a) **Assignment and management of consultancies** (purchase and assessment of successful performance) (Corporate functions involved: *Managing director*; **Company:** *Finance, Company Human Resources, Company IT, Company Marketing & Communication*; **Luxury Goods Division:** *Retail & Wholesale Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning*); **Textile Division:** *COO Textile Division; Human Resources; B.U. Interiors*);
- b) **Selection and management of suppliers and contractors and purchasing** (Corporate functions involved: **Company:** *Company Purchasing, Raw Material Purchases*; **Luxury Goods Division:** *Supply Chain, Store Planning, SC purchase, SC Operations*; **Textile Division:** *Operations; B.U. Interiors*);
- c) **Relations and activities with public officials and/or public service officers, even through third parties, on the occasion of inspections, audits and investigations** (Corporate functions involved: **Company:** *Finance, Company Human Resources*; **Luxury Goods Division:** *Store Planning, Supply Chain, HR Luxury Goods*; **Textile Division:** *Human Resources, Operations*);
- d) **Management of relations with customs (documents and inspections) even through third parties** (Corporate functions involved: **Company:** *Finance, Raw Material Purchases*; **Luxury Goods Division:** *Sales Administration*; **Textile Division:** *Operations*);
- e) **Relations with PA** (including the use of PA's IT and data transmission systems) for tax compliance, authorizations (for opening shops), clearances, permissions, trademark and patent filing, and measures required for conducting business, even through third parties (Corporate functions involved: *Managing director*; **Company:** *Finance, Company Human Resources*; **Luxury Goods Division:** *Retail & Wholesale Luxury Goods, Product Development & Supply Chain Luxury Goods; HR Luxury Goods, Store Planning*; **Textile Division:** *Operations, Human Resources*);
- f) **Litigation management and relationships with the judges, their technical experts and auxiliaries, including through third parties** (Corporate functions involved: **Company:** *Tax, Legal, Company Human Resources, Credit Management*; **Luxury Goods Division:** *HR Luxury Goods*; **Textile Division:** *Human Resources*);
- g) **Financial Resource Management** (Corporate functions involved: *Managing director*; **Company:** *Finance, Company Human Resources*);
- h) **Management of expense reports and representational expenses** (Corporate functions involved: **Company:** *Finance, Company Human Resources*; **Textile Division:** *Human Resources*; **Luxury Goods Division:** *HR Luxury Goods*);
- i) **Request, acquisition, use and reporting of funding, subsidies, benefits, tax relieves, grants and social security measures, including through third parties, from national and foreign Public**

<sup>23</sup> Pursuant to paragraph 5 bis of art. 25 of Legislative Decree 231/2001, introduced by paragraph 9 of art. 1 of Law dated 9th January 2019 no. 3.

**Administration bodies** (*Corporate functions involved: Company: Finance, Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);

- j) **Recruitment and selection of personnel, including through third parties** (*Corporate functions involved: Company: Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- k) **Management of employee benefits** (*Corporate functions involved: Company: Company Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- l) **Management and provision of sponsorships, events, gifts and donations** (*Corporate functions involved: Managing director; Company: Company Marketing & Communications (Public Relations, Marketing & Communication LGD, Trade Marketing Textile Division, Finance)*).
- m) **Tax management**, including calculation of tax liability, preparation and submission of tax returns, preparation of VAT settlements, and accounting for purchase and/or sale events (*Corporate functions involved: Company Finance, Tax*);
- n) **Tax management of promotional events and non-routine and unscheduled activities** (*Corporate functions involved: Company Finance, Tax*).

## 5 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The General principles of conduct and the general prevention protocols illustrated in the Preamble apply to Crimes against PA - Sensitive Activities.

### 5.1 Principles of conduct

The Company also establishes the following principles:

In general, it is strictly forbidden to:

- engage in or facilitate potential or actual conflict-of-interest transactions with the PA, as well as any operation that may interfere with the ability to make impartial decisions in the best interests of the Company and in full compliance with the law, the Code of Ethics and the company procedures adopted by the Company;
- give or promise money to POs or PSOs;
- distribute or promise gifts not envisaged in corporate procedures and the relevant contractual relationship;
- give presents to and/or accommodate PA officials or offer gifts and accommodation that may unduly influence (or be perceived as influencing) the actions or decisions of PA officials;
- grant or promise other benefits, of any kind, in favour of POs and PSOs or public bodies or other legal persons or entities related to the sphere of interest of the latter;
- provide suppliers and/or clients with services that the relationship established between the parties does not adequately justify;
- pay consultants and freelancers fees that the type of task to be performed does not adequately justify;
- submit declarations and/or documents and/or data and/or information that are untrue, false, incorrect or incomplete to the PA or EU or foreign public bodies, especially if aimed at obtaining public funding, grants or subsidized loans;
- allocate funds received from the PA or EU public bodies as grants, subsidies or funding to purposes other than those for which they were originally intended.

### 5.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 4 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Crimes against PA upon performing operations relating



to such Sensitive Activities.

a) **For the assignment and management of consultancies** (purchase and assessment of successful performance) (under paragraph 4 a)):

- process responsibilities are clearly identified and communicated;
- the consultants' qualification process is defined;
- a list of the counterparties is drawn up and regularly updated;
- the consultants are selected and evaluated based on ethics, professionalism, independence and expertise;
- the consulting agreements are concluded in writing and state the agreed fee or the benchmarks for determining the compensation and describe the services to be supplied;
- the agreements are signed by persons vested with the necessary duly formalized powers;
- before paying the consultant, the function which had requested the service certifies its completion in writing, to authorize the payment.

The Company has adopted a framework procedure related to the purchasing process and also applicable to consulting assignments, which governs:

- roles and responsibilities within the consultancy management and assignment process;
- the activities that make up the process;
- how to request the consultancy and the content of the application, which includes, among other things, the reason for the request, the requirements of the consultancy needed and the deadline for the provision of the service;
- the procedures for the approval of the request and the persons responsible for approval;
- the methods for determining the economic conditions/consideration for the service;
- the procedures for entering suppliers' details into the system;
- the form and content of the assignment;
- the persons responsible for verifying the progress of the service supplied;
- the procedures for authorizing and making payments;
- final checks for verifying that the services invoiced correspond to the services approved.

b) **For the Selection and management of suppliers and contractors and purchasing** (under paragraph 4 b)):

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined;
- a list of qualified counterparties is drawn up and regularly updated;
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- where possible, several potential suppliers/contractors are identified in the selection procedure; otherwise the applicant function must provide adequate and traceable justification;
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating purchases, which governs:

- roles and responsibilities within the procurement process;
- the activities that make up the process;
- how to request the purchase and the content of the application, which includes, among other

things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;

- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

**c) For relations and activities with public officials and/or public service officers, even through third parties, on the occasion of inspections, audits and investigations (under 4 c):**

- only the persons previously identified with appropriate and traceable means may maintain relations with POs and PSOs, and more generally with the PA;
- at least two company representatives must attend the audits, checks and inspections, where possible (the inspection report must specify if this is not feasible); they will also be required to accompany the inspectors to the corporate sites;
- the administrative documents of every inspection/control/verification stage are signed by the company representatives and filed;
- an inspection report is compiled indicating, inter alia, the inspectors' details, the reason for the inspection, its outcome, any reports compiled by the PA's official, any records and documents submitted and/or delivered and any other relevant information;
- a dedicated register of inspections is prepared, compiled and updated.

The Company has adopted a procedure for managing relations with the Public Administration which governs:

- the types of relationship with the Public Administration;
- the roles and responsibilities of the parties involved in relations with the Public Administration;
- how relations with the Public Administration should be maintained.

**d) For the management of relations with customs (documents and inspections) even through third parties (under paragraph 4 d):**

- only the persons previously identified with appropriate and traceable means may maintain relations with POs and PSOs, and more generally with the PA;
- any documents, requests and formal communications addressed to the PA are only managed and signed by previously identified persons authorized by the Company;
- the documents of each process stage are signed by the identified company representatives and filed, and in particular any records and/or documents submitted and/or delivered and any other relevant information are archived.

The Company has adopted a procedure for managing relations with the Public Administration which governs:

- the types of relationship with the Public Administration;
- the roles and responsibilities of the parties involved in relations with the Public Administration;
- how relations with the Public Administration should be maintained.

**e) For relations with PA (including the use of PA's IT and data transmission systems) for tax compliance, authorizations (for opening shops), clearances, permissions, trademark and patent filing, and measures required for conducting business, even through third parties (under paragraph 4 e):**

- only the persons previously identified with appropriate and traceable means may maintain

- relations with POs and PSOs, and more generally with the PA;
- any documents, requests and formal communications addressed to the PA are only managed and signed by previously identified persons authorized by the Company;
- the Company Officer identifies the most appropriate tools for ensuring that the relations maintained with the PA are always transparent, documented and verifiable;
- the Company Officer verifies that the documents, the statements and information submitted to the PA by the Company or the third party are complete and truthful.

The Company has adopted a procedure for managing relations with the Public Administration which governs:

- the types of relationship with the Public Administration;
- the roles and responsibilities of the parties involved in relations with the Public Administration;
- how relations with the Public Administration should be maintained.

**f) For litigation management and relationships with the judges, their technical experts and auxiliaries, including through third parties (under paragraph 4 f)):**

- a supervisor is always identified with appropriate and traceable means, consistent with the subject matter, and granted the necessary powers to represent the Company and/or to coordinate the action of any external professionals;
- the traceability of the requests for information received during the litigation and the individuals involved is guaranteed, as well as the internal evaluation and approval process of the documentation produced or delivered during the proceedings.

**g) For financial Resource Management (under paragraph 4 g)):**

- the autonomous use of financial resources is subject to limits, as quantitative thresholds are set consistent with the respective managerial and organizational responsibilities, and the use of home banking systems complies with those limits;
- there must be separation between those who commit the Company towards third parties and those who authorize or initiate the payment of amounts due based on the commitments taken;
- payments to third parties are made through banking channels by means that guarantee evidence that the beneficiary is actually the third party contracting with the Company;
- quantitative limits are established, depending on the nature of the service to be supplied, for the disbursement of cash advances, and standard benchmarks are set for requesting and authorizing the reimbursement of the expenses incurred by the Company's staff; the reimbursement must be justified and requested by filling in specific forms;
- receipts and payments and, more generally, any transactions, are always traceable and documentary evidence must always be provided;
- the reason for operations that involve the use or expenditure of economic or financial resources must be expressly stated and these operations must be documented and recorded in accordance with the principles of fairness and transparency of accounts.

**h) For the management of expense reports and representational expenses (approval and payment) (under paragraph 4 h)):**

- the reimbursement of the expenses incurred must be justified and requested by filling in specific forms;
- the person responsible for authorizing ex ante or ex post the expense reports of the applicants is identified based on hierarchical levels;
- the methods for managing expense reports are communicated to all employees and involve: compliance with expenditure ceilings, purposes of the expenses incurred, forms, required authorization levels and settlement of reimbursed amounts.

The Company has adopted a procedure relating to business trips which governs:

- roles and responsibilities within the business trip approval process;
- the procedures for activating the request for business trip approval and the contents of

- such request (such as destination, reason for the trip, dates, etc.);
- how to make reservations, if necessary;
- the types of expenses which may be reimbursed (travel classes, hotels, restaurants, taxis, other expenses);
- the use of the company's credit cards;
- when the expense reports should be submitted and their content; how the justifications should be documented;
- the function responsible for monitoring travel costs.

i) **For the request, acquisition, use and reporting of funding, subsidies, benefits, tax relieves, grants and social security measures (“Grants”), including through third parties, from national and foreign Public Administration bodies (under paragraph 4 i) ):**

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means,
- Grant applications are always approved in advance and then signed in accordance with the existing proxies and powers of attorney;
- the benchmarks and procedures for verifying the requirements for obtaining Grants are defined;
- the Company Officer verifies that the statements and documents submitted to obtain the Grants are complete and truthfully represent the Company's operating results, financial position and cash flows;
- the granted funds are allocated exclusively to the initiatives and for the purposes for which they had been requested;
- the use of such funds is always justified by the applicant, who must certify that such use is consistent with the purposes for which the resources had been requested and obtained.
- the documentation is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.

The Company has adopted a procedure for managing relations with the Public Administration which governs:

- the types of relationship with the Public Administration;
- the roles and responsibilities of the parties involved in relations with the Public Administration;
- how relations with the Public Administration should be maintained.

j) **For the recruitment and selection of personnel, including through third parties (under paragraph 4 j):**

- the authorization process for the recruitment of staff is clearly defined;
- the functions requesting the selection and recruitment of personnel formalize their application by filling in specific forms in accordance with the annual budget;
- the recruitment requests are justified and duly authorized by entitled persons;
- for each open position, except when it is objectively impossible due to the peculiarity of the profile, several applications are examined;
- applicants are interviewed to also assess their ethical and behavioural inclinations;
- the evaluations of the candidates are formalized in specific documents;
- debriefing interviews are conducted with outgoing staff;
- the personnel's skills and achievements are regularly verified, so as to decide promotions or incentives;
- the documentation relating to the selection and recruitment of staff is filed by the Human Resources Manager of the relevant Division, where possible in a specific archive, to allow the correct traceability of the entire process and facilitate any future checks.

The Company has adopted a procedure relating to recruitment which defines:

- roles and responsibilities within the recruitment process;

- the activities that make up the process;
- the conditions for the inclusion of new resources;
- the selection channels;
- the stages and methods of the approval process and the persons in charge;
- the form and content of the employment contract.

**k) For the management of employee benefits (under paragraph 4 k))**

- the employee benefits which may be granted are defined (such as cars, PCs, smartphones etc.), as well as the benchmarks and procedures for their allocation and usage and the approval process;
- an inventory of the benefits assigned to the beneficiaries is maintained and updated;
- the benchmarks and procedures for returning the benefits in the event of resignation or dismissal or termination of the employment relationship with the Company are also defined.

**l) For the management and provision of sponsorships, events, gifts and donations (under paragraph 4 l)):**

- the benchmarks for allocating sponsorships and donations are set;
- benchmarks are established for selecting and evaluating partners for sponsorships and events (such as ethics, professionalism, integrity, absence of convictions for the Crimes, independence and competence);
- for activities related to events and sponsorships, the selection and evaluation of suppliers is based on established ethical-subjective and economic and financial requirements;
- the maximum value of gifts is set;
- a report listing all gifts given is compiled, reviewed and approved each year;
- process traceability is ensured;
- the responsibilities for filing and storing the documentation produced are identified.

The Company has adopted a procedure for managing gifts, offerings and donations, which governs:

- roles and responsibilities in the process for managing gifts, offerings and donations;
- the activities that make up the process;
- how the initiatives are planned;
- how to grant gifts, whose value has to be modest, in line with normal business or courtesy practice, commensurate with the relations with the beneficiaries;
- the management of gifts received by employees;
- how to report and control them.

**m) For the management of taxation, including the calculation of tax liability, the preparation and sending of tax returns, the management of VAT payments, and the accounting of purchase and/or sale events and the tax management of promotional events and non-routine and unplanned activities (under paragraphs 4m) and 4n)):**

- only the persons previously identified with appropriate and traceable means may maintain relations with POs and PSOs, and more generally with the PA;
- any documents, requests and formal communications addressed to the PA are only managed and signed by previously identified persons authorized by the Company;
- the Company Officer identifies the most appropriate tools for ensuring that the relations maintained with the PA are always transparent, documented and verifiable;
- the Company Officer verifies that the documents, the statements and information submitted to the PA by the Company or the third party are complete and truthful.

\* \* \*



## SPECIAL SECTION “B” COMPUTER CRIMES AND ILLEGAL USE OF DATA

### 1 CRIMES PURSUANT TO ART. 24-BIS OF THE DECREE

Pursuant to art. 24-bis of the Decree, administrative liability applies to Entities which commit computer crimes and illegally use data (hereinafter referred to as “**Computer crimes and illegal use of data**”).

Below is a brief description of the Computer crimes and illegal use of data theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

The crimes concerned mostly relate to a computer or data transmission system:

- A computer system is defined as «the set of equipment intended to fulfil any function useful to humans, through the use, even partial, of information technologies that are characterized by the recording or storing, by means of electronic pulses, on adequate media, of data or elementary representations of a fact, through symbols (bits), in different combinations, and by automatic data processing, so as to generate information consisting of a more or less extensive set of data organized according to a logic that allows them to express a specific meaning for the user» (Court of Cassation, sixth criminal section, 4th October 1999 no. 3067);
- A data transmission system is defined as any form of telecommunication involving computer science for its management regardless of the fact that communication is wireless or takes place via cable or with other systems.

#### 1.1 Unauthorized access to a computer or data transmission system (art. 615-ter Italian Criminal Code)

This regulation punishes anyone who gains unlawful access to an IT or data transmission system protected by security measures or maintains the access against the explicit or tacit will of the persons entitled to exclude him/her.

The 2nd paragraph of the regulation envisages three aggravating circumstances:

- 1) if the fact is committed by a public official or a public service officer, with abuse of authority, or in violation of the duties inherent in the function or service, or by a person who is, even illegally, practicing the profession of private detective, or unlawfully acting in the quality of system operator;
- 2) if the perpetrator acts with violence against property or persons, or is clearly armed;
- 3) if the fact results in the destruction of or damage to the system or a total or partial interruption of its operation or the destruction of or damage to data, information or programs contained therein.

The third paragraph provides for further aggravation of the penalty if the facts above concern data transmission or computer systems of military interest or relating to law and order, collective security, national health, civil defence or, in any case, of public interest.

Unlawful access is committed when the security barriers of the computer and/or data transmission system are illegally overcome, whereas illegally staying in someone else’s computer domicile presupposes lawful access that subsequently becomes unlawful because the system controller expressly or tacitly withdraws the authorization, or because the limit within which the access was allowed is exceeded.

In both cases, the computer and/or data transmission system must be protected by security measures, consisting, according to the prevailing school of thought, of any kinds of barriers, even physical

barriers, aimed at preventing free access to the system by third parties (for example, passwords or access keys or surveillance of the premises where the system is located).

From a subjective point of view, basic intent is an essential condition, i.e. the perpetrator must be aware of engaging in the conduct described in the regulation and intend to engage in that conduct. This crime could occur for example if a Company employee unlawfully gained access to someone else's computer system protected by a password and duplicated data or obtained information contained on the server in the interest and for the benefit of the Company, for example during a commercial negotiation.

### **1.2 Illegal possession and distribution of codes to access computer or data transmission systems (art. 615-quater Italian Criminal Code)**

This crime is committed when someone, to obtain personal profit or profit for others or to cause damage to others, illegally obtains, reproduces, distributes, communicates or delivers codes, keywords or other methods for accessing a computer or data transmission system protected by security measures, or provides information or instructions for such purposes.

The crime is aggravated if the fact is committed:

- to the detriment of a system used by the State or by another public body or by a company responsible for public services or services of public necessity;
- by a public official or a public service officer, with abuse of authority, or in violation of the duties inherent in the function or service, or by a person unlawfully acting in the quality of system operator.

From a subjective point of view, specific intent is required, that is the intention of obtaining a profit for oneself or others or causing damage to others.

This crime may be committed for example if a Senior Manager or a Subordinate Person, after obtaining codes or passwords or chip cards (such as badges or smart cards), without authorization, communicated or delivered to third parties the codes to access the computer system to gain a benefit for the Company and cause damage to others.

### **1.3 Unlawful interception, prevention or interruption of computer or electronic communications (art. 617-quater Italian Criminal Code)**

This crime is committed when someone unlawfully intercepts communications relating to a computer or data transmission system or between several systems, or prevents or interrupts those communications (paragraph 1) or discloses to the public by any means of communication their content, in whole or in part (paragraph 2).

The illegal conducts described in the regulation consist in unlawfully intercepting, preventing or interrupting electronic communications or in disclosing their content, thus punishing any undue collection and disclosure of illicitly obtained contents.

The material conduct envisaged in paragraph 1 of the article concerned (unlawful interception) is independent of the conduct envisaged in paragraph 2 (disclosure), so that the crime of disclosure of intercepted communications may exist without committing the offense of unlawful interception.

The crime is aggravated if the fact is committed:

- to the detriment of a computer or data transmission system used by the State or by another public body or by a company responsible for public services or services of public necessity;
- by a public official or a public service officer, with abuse of authority, or in violation of the duties inherent in the function or service, or by a person illegally acting in the quality of system operator;
- by a person who is, even illegally, practicing the profession of private detective.

The basic intent required by the regulation concerned consists in the awareness and intention of intercepting by fraudulent means, preventing or interrupting a communication addressed to or sent from a computer system or occurring between several computer systems, or disclosing to the public by



any communication means the content of an intercepted communication in whole or in part.

This crime could occur for example if a Senior Manager (after illegally installing unauthorized software), to unlawfully gain information, records or documents, accessed someone else's computer system by fraudulent means so as to intercept emails between unsuspecting third parties and acquire information for the benefit of the Company.

#### **1.4 Installation of equipment designed to intercept, prevent or interrupt computer or electronic communications (art. 617-quinquies Italian Criminal Code)**

This offense is committed when equipment designed to intercept, prevent or interrupt computer or electronic communications relating to a computer or data transmission system or between several systems is illegally installed.

The illicit conduct consists in installing equipment designed to intercept, prevent or interrupt communications relating to a computer or data transmission system or between several systems. The term «intercept» means «to insert oneself in confidential communications, drawing undue knowledge thereof», by any means which may harm the privacy and freedom of said communications.

The basic intent required by the regulation concerned consists in the awareness and intention of illegally installing equipment (whose purpose is known) designed to intercept, prevent or interrupt computer and/or electronic communications.

The crime is aggravated if the fact is committed:

- to the detriment of a computer or data transmission system used by the State or by another public body or by a company responsible for public services or services of public necessity;
- by a public official or a public service officer, with abuse of authority, or in violation of the duties inherent in the function or service, or by a person illegally acting in the quality of system operator;
- by a person who is, even illegally, practicing the profession of private detective.

The crime occurs when the fact is not expressly permitted by law; therefore, installation by persons authorized by law (for example, the judicial authority) does not constitute a crime.

This offense may be committed for example if a Senior Manager or Subordinate Person, in the interest and for the benefit of the Company, illegally installed equipment capable of intercepting communications on a computer system or able to copy the user access codes of a computer system.

#### **1.5 Damage to computer information, data and programs (art. 635-bis Italian Criminal Code)**

The regulation punishes anyone who destroys, deteriorates, deletes, alters or suppresses someone else's data, information or computer programs.

The 2nd paragraph of the regulation concerned envisages an aggravation of punishment if the offense is committed with bodily harm or threats or by abusing one's role as a system operator.

The relevant conducts are the destruction, deterioration, alteration or suppression of someone else's information, data or computer programs, defined as: destruction: the permanent elimination of data or information, for example by demagnetizing the device that contains them;

- **deterioration:** a significant decrease in the usefulness of data or information;
- **deletion:** the final, permanent and irreversible elimination of data, information or programs, which may not be recovered;
- **alteration:** any structural modification of data or programs that prevents their correct operation;
- **suppression:** the physical elimination of any IT device on which data, information or programs are stored.

The offenses can be committed in any manner and form.

From a subjective point of view, basic intent is required, that is the perpetrator must be conscious of engaging in the conduct described above and aware that the material (data, information, programs or IT/electronic systems) belongs to someone else, and intend to do so.

This crime may exist for example if a Senior Manager or Subordinate Person altered or deleted someone else's data in the interest or for the benefit of the Company (such as proof of receivables due from a supplier).

#### 1.6 Electronic documents (art. 491-bis Italian Criminal Code)

This regulation provides that if any of the conducts under Chapter III of the Criminal Code relating to "Falsification of documents" involves a public electronic document that can be used as evidence, the provisions relating to public documents apply. "Electronic document" means the computer representation of legally relevant acts, facts or data.

These crimes require the "Electronic document" to be public and to have probative force.

Regarding hard-copy documents, "public document" means:

- a document drafted by a notary public or another public official authorized to certify its truthfulness (articles 2699 and 2700, Italian Civil Code) according to the due formalities, as well as
- any other document drafted by a public official or a public service officer (articles 357 and 358, Italian Criminal Code) upon performing their functions, aimed at proving that they have performed or witnessed a particular action or that some statements which may have legal effects have been made before them.

Falsification through computer systems can be committed by private citizens or public officials, even in concerted action with private citizens, or by mistake due to deceit (so-called falsification due to misleading); the punishments are more severe if the perpetrator is a public official (or public service provider).

Electronic or hard-copy public documents may be subject to:

- "**material falsification**", which is committed when the conduct excludes the authenticity of the document (i.e. because the latter has been counterfeited, that is compiled by a person other than the author, or altered, that is modified subsequent to its final creation);
- "**false statements**", which is committed when the document certifies untruthful facts.

Falsification through computer systems could for example be committed if a Senior Manager and/or Subordinate Person, in the interest or for the benefit of the Company, improperly used the digital signature to represent a false statement in a public document.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR COMPUTER CRIMES AND ILLEGAL USE OF DATA

The following table summarizes the sanctions imposed when Senior Managers and/or Subordinate Persons commit Computer crimes and illegally use data<sup>24</sup>.

<sup>24</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 615-ter Italian Criminal Code (1.1 Unauthorized access to a computer or data transmission system)	Anyone	Action	From 100 to 500 quotas	Art. 9, 2nd paragraph, lett. a), b) and e) of the Decree, namely:  - Prohibition on conducting business activities; - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on advertising products and services.
Art. 617-quater Italian Criminal Code (Unlawful interception, prevention or interruption of computer or electronic communications)	Anyone	Action	From 100 to 500 quotas	Art. 9, 2nd paragraph, lett. a), b) and e) of the Decree, namely:  - Prohibition on conducting business activities; - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on advertising products and services.
Art. 617-quinquies Italian Criminal Code (Installation of equipment designed to intercept, prevent or interrupt computer or electronic communications)	Anyone	Action	From 100 to 500 quotas	Art. 9, 2nd paragraph, lett. a), b) and e) of the Decree, namely:  - Prohibition on conducting business activities; - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on advertising products and services.
Art. 635-bis Italian Criminal Code (Damage to computer information, data and programs)	Anyone	Action	From 100 to 500 quotas	Art. 9, 2nd paragraph, lett. a), b) and e) of the Decree, namely:  - Prohibition on conducting business activities; - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on advertising products and services.
Art. 615-quater Italian Criminal Code (Illegal possession and distribution of codes to access computer or electronic systems)	Anyone	Action	Up to 300 quotas	Art. 9, 2nd paragraph, lett. b) and e) of the Decree, namely:  - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on advertising products and services.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 491-bis Italian Criminal Code (Electronic documents)	Anyone	Action	Up to 400 quotas	Art. 9, 2nd paragraph, lett. c), d) and e) of the Decree, namely:  - Prohibition on contracting with the PA, except for obtaining the benefits of a public service; - Denial or revocation of benefits, funding, contributions and grants; - Prohibition on advertising products and services.

### 3 SENSITIVE ACTIVITIES COMPUTER CRIMES AND ILLEGAL USE OF DATA:

- a) **Management of accesses, accounts and profiles** (*Corporate functions involved: Company: Company IT; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- a) **Management of software systems** (*Corporate functions involved: Company: Company IT, Legal; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- b) **Management of software licenses** (*Corporate functions involved: Company: Company IT; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- c) **Management of network and hardware** (*Corporate functions involved: Company: Company IT; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- d) **Use of the workstation** (*Corporate functions involved: Company: Company IT; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- e) **Management of documents with probative force** (*Corporate functions involved: Company: Company IT, Legal; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*).

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 24-bis.

#### 4.1 Principles of conduct

The Company also establishes the following principles:

- all Recipients of the Model must know and comply with the Company's IT and information security provisions;
- access to corporate information, data and computer systems is allowed only after identification and authentication by using specific login credentials;
- the accounts are consistent with the users' roles and tasks and are promptly modified/removed if necessary;
- the persons who may access the Company's data and information systems are known at all times;
- access is restricted to information that is necessary for, connected with and instrumental in the work to be done, according to the principles "need to know" and "least privilege";
- the processes for modifying IT applications are defined;
- procedures are defined for monitoring on a regular basis the validity of licenses for the software installed on the workstations;

- issues concerning the security of corporate information systems are readily detected;
- before reusing or disposing of devices, the information must be deleted by using secure erasure techniques;
- advanced technological tools are adopted to monitor internal and external network traffic;
- usage limits for corporate IT and electronic equipment (for example, Internet and emails) are determined and announced;
- the Company's information or data transmission systems may not be accessed by unentitled persons and the control systems aimed at protecting or restricting access to such systems may not be eluded;
- programs other than those authorized by the Company may not be installed and/or used;
- the authentication credentials for accessing the corporate network and/or other sites/corporate information systems (username and password) may not be disclosed to third parties;
- software and/or hardware tools that could be illegally used to evaluate and/or compromise the security of information or data transmission systems (e.g. systems for identifying credentials, decrypting encrypted files etc.) may not be acquired, owned, installed or used, unless such tools are previously authorized and necessary for monitoring the security of the corporate information systems.

#### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Computer crimes and illegal use of data upon performing operations relating to such Sensitive Activities.

**a) For the management of accesses, accounts and profiles (under paragraph 3(a)) the following are defined:**

- procedures for assigning and revoking accounts and access profiles;
- authorization and operational roles;
- the profile-role associative array for assigning authorizations to users;
- procedures for regularly monitoring accounts and access profiles;
- management of remote access;
- regular monitoring to ensure that the profiles assigned to users are consistent with operational requirements.

The Company has adopted a procedure relating to Logical Access Management which governs:

- roles and responsibilities within the logical access management process;
- the general principles applicable to the process;
- the activities that make up the process;
- the rules for assigning/modifying/revoking the account and/or the access profile in the event of changes in the role or the job description;
- periodic monitoring of active profiles;
- how to use guest accounts.

**b) For the management of software systems (under paragraph 3(b)) the following are defined:**

- how to check application and security upgrades;
- computer security incident management;
- responsibilities;
- incident escalation (reporting and involvement);
- how to report IT incidents to the persons in charge of managing them;
- how to track IT incidents and the activities for resolving them;
- the process for managing changes following IT incidents.

The Company has adopted a policy relating to cyber security incident management and a procedure relating to data breach management that govern:

- roles and responsibilities in the cyber security incident management process;
- how to identify and report events that could potentially compromise the confidentiality, integrity or availability of the company's computer system;
- the benchmarks for classifying incidents;
- the procedures for incident management and resolution;
- how to track incidents to identify efficient remedies and reduce the likelihood of a repeat incident.

Furthermore, the Company has adopted a Program change management operational procedure which governs:

- roles and responsibilities within the change management process;
- the activities that make up the process;
- the classification and analysis of change requests;
- the persons entitled to authorize the change;
- the procedures for implementing the change.

- c) **For the management of software licenses (under paragraph 3(c)) the following are defined:**
- the procedures for inventorying and verifying the software installed on the workstations;
  - the procedures for monitoring software license expiration dates;
  - how to apply for the use or installation of third-party software.
- d) **The Company has adopted:** i) a security & privacy by design policy that defines the security criteria and requirements related to the IT initiatives to be considered, in the design, knowledge transfer and operation stages, and the responsibilities in terms of implementation, approval, maintenance and audit; ii) a policy on the management of software systems as regards the methods for checking application and security updates.
- e) **For the management of network and hardware (under paragraph 3(d)) the following are defined:**
- the distribution and use of removable mass storage media (USB sticks, external hard drives, etc.);
  - the disposal and reuse of equipment and devices;
  - the procedures for verifying and monitoring internal and external network traffic;
  - the rules for remote connections to corporate information systems.
  - The Company has adopted a policy on the “use of information, devices and information technology” to cover the management of the network and hardware for the use of removable mass storage media.
- f) **For the use of the workstation (under paragraph 3(e)) the following is defined:**
- the process for verifying the expiration of application and domain passwords, and the procedure for requesting a replacement.
  - The Company has adopted a policy on the “use of information, devices and information technology” to cover the management of workstations.
- g) **For the management of documents with probative force (under paragraph 3(f)), benchmarks and procedures are defined to:**
- generate, distribute, revoke and file keys (smart cards);
  - use the Company's certified e-mail boxes;
  - store the documentation supporting the activities performed by using smart cards or certified email boxes;
  - prevent changes, destruction and unauthorized use of smart cards.

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## SPECIAL SECTION “C” CORPORATE CRIMES

### 1 CRIMES PURSUANT TO ART. 25-TER OF THE DECREE

Another type of Crimes theoretically applicable and relevant to the Company consists of corporate crimes governed by art. 25-ter of the Decree (hereinafter referred to as “Corporate Crimes”). Below is a brief description of the Corporate Crimes theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

#### 1.1 False corporate communications (articles 2621 and 2621 bis Italian Civil Code)

This crime provides for the punishment of directors, general managers, executives responsible for preparing corporate accounting documents, auditors and liquidators who, to obtain for themselves or others an unjust profit, knowingly expose untrue relevant material facts or omit relevant material facts whose disclosure is required by law, on the operating results, financial position and cash flows of the Company or the group to which it belongs, in the financial statements, reports or other company communications intended for shareholders or the public, provided by law, so as to tangibly mislead third parties.

The conduct qualifies as a corporate crime when:

- the false or omitted information concerns the operating results, financial position and cash flows of the Company or the group to which it belongs;
- the misrepresentation is realistically capable of misleading third parties<sup>25</sup>;

The Company is also liable when the information concerns assets held or managed by the Company on behalf of third parties.

From a subjective point of view, specific intent is required, i.e. the perpetrators must engage in the conduct to obtain an unjust profit for themselves or for others, and be aware of deceiving the shareholders or the public; the false, incomplete or omitted information must be significant and such as to affect the representation of the operating results, financial position and cash flows of the Company or the group to which it belongs, and be realistically capable of misleading third parties.

Law no. 69 of 2015 introduced into art. 2621 bis, Italian Civil Code, two special pro reo cases which provide for a mitigated sentence. In particular, the first paragraph envisages a commuted sentence for false communications if the fact proves to be minor due to the nature and size of the company and the execution or the effects of the conduct; the 2nd paragraph introduces an irrebuttable presumption of negligibility when the facts are committed in relation to companies not subject to the provisions on bankruptcy and composition with creditors.

The members of the Board of Directors, general managers, members of the Board of Auditors and liquidators, as well as executives responsible for preparing corporate accounting documents may be the perpetrators of this crime.

For example, the crimes could be committed when the Managing director is aware of:

- entering false relevant information concerning the operating results, financial position and cash flows of the Company into the financial statements or other accounting documents for the purpose of deceiving shareholders or the public;
- omitting relevant information concerning the operating results, financial position and cash flows

<sup>25</sup> The amendments introduced in virtue of Law 69/2005 have renewed the debate regarding the criminal relevance of evaluations. The Joint Sessions of the Supreme Court have recently (31 March 2016) expressed a favorable opinion regarding the punishment of untrue declarations.

- of the Company in the financial statements or other accounting documents for the purpose of deceiving shareholders or the public (i.e. by ignoring precise indications regarding reserve/provision requirements);
- in the interest or for the benefit of the Company.

### **1.2 Prevented control (art. 2625, 2nd paragraph, Italian Civil Code)**

This crime is committed when, by concealing documents or other deceptions, the control activities legally attributed to shareholders or other corporate bodies are obstructed or prevented. The offense takes on criminal relevance if the conduct has caused damage to the shareholders; the crime is prosecuted on complaint by the injured party.

Only the directors may be the perpetrators of this crime.

This offense occurs when the directors provide the Board of Auditors or the shareholders with incomplete documentation or when they engage in incorrect or non-transparent conducts in relation to any requests submitted by the Board of Auditors.

This crime presumes a specific criminal intent, as the directors must have acted to prevent or impede the control activities.

For example, the crime could be committed if the directors:

- concealed and/or submitted partial/incomplete/altered corporate documents (such as, for example, the company's books);
- adopted artifices to hinder the controls by the Board of Auditors.

### **1.3 Unlawful transactions involving the company's shares or stakes or those of the parent company (art. 2628, Italian Civil Code)**

The crime is committed when the directors unlawfully purchase or subscribe the company's shares or stakes or those of the parent company causing damage to the integrity of the share capital or non-distributable reserves.

Again, only the directors may be the perpetrators of this crime.

For example, the crime could be committed by unlawfully purchasing or subscribing shares of the company and/or its subsidiaries, causing damage to the integrity of the share capital or a non-distributable reserve.

### **1.4 Unlawful distribution of profits and reserves (art. 2627, Italian Civil Code)**

The law punishes the conduct of directors who distribute profits or advances on profits not actually made or which, under the law, should be appropriated to reserves, or who distribute reserves, including those not created through profits, which are legally non-distributable.

The law is aimed at safeguarding the share capital and the restricted reserves, and punishes the conduct of directors who distribute profits and/or reserves to the shareholders.

Again, only the directors may be the perpetrators of this crime.

According to the 2nd paragraph of the regulation, if the profits received are returned, or if the restricted reserves are replenished before the deadline for approving the financial statements, the crime is extinguished. However, in accordance with art. 8 of the Decree, the Entity's liability remains even if the reimbursement has extinguished the offense committed by the natural persons.

The crime could only happen surreptitiously by infringing the corporate regulations or the law, for example through a nominal share capital increase by transferring non-distributable reserves (pursuant to art. 2442, Italian Civil Code).

### 1.5 Transactions to the detriment of creditors (art. 2629, Italian Civil Code)

This regulation punishes the conduct of directors who, by infringing the provisions of law safeguarding the interests of creditors, reduce the share capital or perform mergers/demerger with other companies, to the detriment of creditors.

The crime is committed when the share capital is unlawfully reduced or when the company is merged or demerged by infringing the legal provisions protecting creditors.

However, for the crime to exist, the above transactions must be detrimental to the creditors. The crime is prosecuted on complaint by the injured party, and is extinguished if the creditors are compensated before judgment. However, in accordance with art. 8 of the Decree, the Entity's liability remains even if the compensation has extinguished the offense committed by the natural persons.

From a subjective point of view, basic intent is sufficient, that is the perpetrator must be aware of infringing the provisions of law safeguarding the interests of creditors.

For example, the crime could be hypothetically committed by Directors who reduce the share capital according to a procedure not illustrated in art. 2445, Italian Civil Code, or who knowingly perform a merger/demerger which puts the creditors of a solid company on an equal footing with those of a company in a poor financial situation.

### 1.6 Fictitious capital formation (art. 2632, Italian Civil Code)

The regulation punishes the conduct of directors and shareholders making capital contributions who, even only in part, fictitiously form or increase the share capital by assigning a number of stocks or shares for an overall value exceeding the amount of the share capital, by mutual underwriting of stocks or shares, by substantially overvaluing contributions made in kind or through receivables or by overvaluing the company's assets in the event of a company transformation.

The regulation concerns directors and shareholders and identifies three mandatory circumstances:

- formation of or increase in the share capital by assigning a number of stocks or shares for an overall value exceeding the amount of the share capital
- mutual underwriting of stocks or shares
- significant overestimation of contributions made in kind or through receivables, or of the company's assets in the event of a company transformation.

Basic intent is sufficient, that is the awareness and intention of fictitiously increasing the share capital.

Basically, the law tends to punish estimations exceeding reasonable limits, both regarding the nature of the assets evaluated and the application of evaluation benchmarks.

For example, the crime could be hypothetically committed if the intangible assets contributed (goodwill or license rights) in the event of a share capital increase are overestimated.

### 1.7 Obstructing the activities of public supervisory authorities (art. 2638, Italian Civil Code)

This regulation punishes the conduct of directors, general managers, executives responsible for preparing corporate accounting documents, auditors, liquidators of companies or entities and other persons subject by law to public supervisory authorities or with obligations towards them, who, in communications to the above-mentioned authorities required by law, to obstruct the performance of the supervisory activities, represent untruthful material facts, even if they are evaluations, on the operating results, financial position and cash flows of the entity subject to supervision, or, for the same purpose, conceal with other fraudulent means, in whole or in part, facts they should have disclosed concerning the operating results, financial position and cash flows of the entity subject to supervision, even if the information relates to assets held or managed by the company on behalf of third parties; or the conduct of directors, general managers, executives responsible for

preparing corporate accounting documents, auditors, liquidators of companies or entities and other persons subject by law to public supervisory authorities or with obligations towards them, who wilfully obstruct the duties of the supervisory authorities in any way, including by omitting the communications they are required to submit to them.

The regulation concerned protects the disciplinary and control functions that the law assigns to the public supervisory authorities.

The law envisages two offenses:

- The 1st paragraph illustrates the crime that could be briefly defined as “false communications to public supervisory authorities”;
- The 2nd paragraph deals with obstruction of supervisory activities.
- The perpetrators of these crimes may be directors, general managers, auditors and liquidators, as well as any persons subject by law to public supervisory authorities or with obligations towards them.

The offense consists in:

- representing, in the communications that the company is required, by law, to submit to the supervisory authority, untruthful material facts, even if they are evaluations, on its operating results, financial position and cash flows (1st paragraph, 1st section),
- concealing, with other fraudulent means, in whole or in part, facts concerning its operating results, financial position and cash flows, whose disclosure is required (1st paragraph, 2nd section),
- wilfully obstructing the supervisory functions which, as a result, are performed improperly (2nd paragraph).

From a subjective point of view, the conducts set out in the first paragraph are punishable as specific intent, consisting in the purpose of obstructing the supervisory activities, whereas for the conducts set out in the 2nd paragraph basic intent is sufficient.

For example, the crime could be committed if a Senior Manager, during a check by a public supervisory authority (e.g. Antitrust Authority) provided deliberately false information so as to mislead the investigation or inspection of the authority and, therefore, for this reason, hindered the supervisory function, thus determining, artificially, an insidious underestimation of risk or non-compliance.

### **1.8 Private-to-private corruption (art. 2635, 3rd paragraph, Italian Civil Code)**

The crime punishes the conduct of anyone who gives or promises money or other benefits to directors, general managers, executives responsible for preparing corporate accounting documents, auditors and liquidators, as well as those under the management or supervision of the aforementioned persons, so that the latter, for the bribe-giver or other persons, commit or omit acts infringing obligations inherent in their office or duties of loyalty, causing harm to the company.

The Decree only quotes the third paragraph of Article 2635, Italian Civil Code; therefore, private-to-private corruption only occurs when Senior Managers or Subordinate Persons, as the persons engaging in the conduct, give or promise money or other benefits in the interest or for the benefit of their Entity:

- (i) to directors, general managers, executives responsible for preparing corporate accounting documents, auditors and liquidators, belonging to another company; or
- (ii) those under the management or supervision of the persons mentioned in point (i) above.

Therefore, the entity is liable for the crime when the aforementioned persons act as bribe-givers, not as bribe-takers.

From a subjective point of view, basic intent is required.

For example, the crime could consist in unduly influencing an officer of a Certification Body to

unlawfully obtain a product certification, or could be committed if a Company executive gave and/or promised money or other benefits to a director (or other executive) of a company to enter into business agreements with that company under unfavourable terms for the latter.

### 1.9 Instigation to private bribery (art. 2635 bis of the Italian Civil Code)

The crime punishes the conduct of anyone who gives or promises undue money or other benefits to directors, general managers, executives responsible for preparing corporate accounting documents, auditors and liquidators, of companies or private entities, as well as to those who perform managerial functions in such companies or private entities, so that the latter commit or omit acts infringing obligations inherent in their office or duties of loyalty, and, if the offer or promise is not accepted, the punishment is that set out in the first paragraph of article 2635, reduced by one third.

The punishment stated in the first paragraph applies to directors, general managers, executives responsible for preparing corporate accounting documents, auditors and liquidators, of companies or private entities, as well as to those who perform managerial functions in such companies or private entities, who claim for themselves or for third parties, also through an intermediary, a promise or offer of money or other benefits, for the performance or omission of an act infringing obligations inherent in their office or duties of loyalty, if the claim is not accepted.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR CORPORATE CRIMES

Please find below a table summarizing the penalties to be applied subsequent to the commission of Corporate crimes<sup>26</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549) <sup>27</sup>	Interdiction Measure
Art. 2624 Italian Civil Code (False corporate communications)	Directors General managers Auditors Liquidators Executives responsible for preparing corporate accounting documents	Action - Omission	From 200 to 400 quotas	None
Art. 2621 bis Italian Civil Code (Minor facts)	Directors General managers Auditors Liquidators Executives responsible for preparing corporate accounting documents	Action - Omission	From 100 to 200 quotas	None

<sup>26</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

<sup>27</sup> Pursuant to art. 39 paragraph 5 of Law 262/2005, the fines under art. 25-ter are doubled. The following table specifies the doubled sanctions.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 2625, paragraph 2 Italian Civil Code (Prevented control)	Directors	Action-Omission	From 100 to 200 quotas	None
Art. 2628 Italian Civil Code (Unlawful transactions involving the company's shares or stakes or those of the parent company)	Directors	Action	From 200 to 360 quotas	None
Art. 2627 Italian Civil Code (Unlawful distribution of profits and reserves)	Directors	Action	From 200 to 260 quotas	None
Art. 2629 Italian Civil Code (Transactions to the detriment of creditors)	Directors	Action	From 300 to 660 quotas	None
A rt. 2632 Italian Civil Code (Fictitious capital formation)	Directors and shareholders making capital contributions	Action	From 300 to 360 quotas	None
Art. 2638 Italian Civil Code (Obstructing the activities of public supervisory authorities)	Directors, general managers, executives responsible for preparing corporate accounting documents, auditors liquidators, other persons subject by law to public supervisory authorities or with obligations towards them	Action – Omission	From 400 to 800 quotas	None
Art. 2635, paragraph 3 Italian Civil Code (Private-to-private corruption)	Anyone, Senior manager or Subordinate person	Action – Omission	From 400 to 600 quotas	All the interdiction sanctions set out in art. 9, paragraph 2 of the Decree, for a period of not less than three months and not exceeding two years.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 2635 bis of the Italian Civil Code (Instigation to private bribery)	Directors, general managers, executives responsible for preparing corporate accounting documents, auditors liquidators, other persons subject by law to public supervisory authorities or with obligations towards them	Action- omission	From 200 to 400 quotas	All the interdiction sanctions set out in art. 9, paragraph 2 of the Decree, for a period of not less than three months and not exceeding two years.

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES CORPORATE CRIMES

- a) **Assignment and management of consultancies (purchase and assessment of successful performance)** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources, Company IT, Company Marketing & Communication; Luxury Goods Division: Retail & Wholesale Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning*); **Textile Division: COO Textile Division; Human Resources; B.U. Interiors**);
- b) **Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations, B.U. Interiors*);
- c) **Litigation management and relationships with the judges, their technical experts and auxiliaries, including through third parties** (*Corporate functions involved: Company: Tax, Legal, Company Human Resources, Credit Management; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- d) **Financial Resource Management** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources*);
- e) **Management of expense reports and representational expenses (authorization and settlement)** (*Corporate functions involved: Company: Finance, Company Human Resources; Textile Division: Human Resources; Luxury Goods Division: HR Luxury Goods*);
- f) **Entry, recognition and representation of business activities in the accounting records, budget estimates and evaluations, financial statements, reports and other accounting documents** (*Corporate functions involved: Company: Finance, Accounting Italy*);
- g) **Relations with shareholders and corporate bodies** (*Corporate functions involved: Managing director; Company: Finance*);
- h) **Management of extraordinary transactions and operations on the share capital** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources*);

- i) **Tax Management, including calculation of tax liability, preparation and submission of tax returns, management of VAT payments, and accounting of purchase and/or sale events** (*Corporate functions involved: Company Finance, Tax*);
- j) **Tax Management of promotional events and non-routine and unplanned activities** (*Corporate functions involved: Company Finance, Tax*);
- k) **Selection and management of agents, business partners, distributors and franchisees and sales management** (*Corporate functions involved: Company: Finance, Legal, Credit Management; Luxury Goods Division: Retail & Wholesale Luxury Goods; Textile Division: B.U. Yarns; B.U. Interiors; B.U. Fabrics*);
- l) **Recruitment and selection of personnel, including through third parties** (*Corporate functions involved: Company: Company Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- m) **Management of employee benefits** (*Corporate functions involved: Company: Company Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- n) **Management and provision of sponsorships, events, gifts and donations** (*Corporate functions involved: Managing director; Company: Company Marketing & Communications (Public Relations, Marketing & Communication LGD, Trade Marketing Textile Division), Finance*).

#### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-ter.

##### 4.1 Principles of conduct

The Company also establishes the following principles:

- Upon performing all operations related to corporate management, the Company's Corporate Bodies (and the Employees to the extent necessary for the functions they fulfil) must know and observe:
  - the corporate governance principles adopted by the Company and the Group;
  - the management control system;
  - the rules governing the Group's internal administrative, accounting, financial and Notices system;
- the process for making and implementing decisions as concerns matters connected with the Corporate Crimes complies not only with the law, the Model, the Code of Ethics and other organizational documents of the Company, but also with the Company's deed of incorporation and articles of association;
- the system of proxies and powers of signature towards third parties is consistent with the responsibilities assigned.

##### 4.2 Prevention protocols

The Company defines the following relevant prevention protocols in relation to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Corporate Crimes upon performing operations relating to such Sensitive Activities.

- a) **For the assignment and management of consultancies** (purchase and assessment of successful performance) (under paragraph 3 a):
  - process responsibilities are clearly identified and communicated;
  - the consultants' qualification process is defined;



- a list of the counterparties is drawn up and regularly updated;
- the consulting agreements are concluded in writing and state the agreed fee or the benchmarks for determining the compensation and describe the services to be supplied;
- the agreements are signed by persons vested with the necessary duly formalized powers;
- before paying the consultant, the function which had requested the service certifies its completion in writing, to authorize the payment.

The Company has adopted a framework procedure related to the purchasing process and also applicable to consulting assignments, which governs:

- roles and responsibilities in the consultancy management and assignment process;
- the activities that make up the process;
- how to request the consultancy and the content of the application, which includes, among other things, the reason for the request, the requirements of the consultancy needed and the deadline for the provision of the service;
- the procedures for the approval of the request and the persons responsible for approval;
- the methods for determining the economic conditions/consideration for the service;
- the procedures for entering suppliers' details into the system;
- the form and content of the assignment;
- the persons responsible for verifying the progress of the service supplied;
- the procedures for authorizing and making payments;
- final checks for verifying that the services invoiced correspond to the services approved.

**b) For the selection and management of suppliers and contractors and purchasing (under paragraph 3 b)):**

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined;
- a list of qualified counterparties is drawn up and regularly updated;
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- where possible, several potential suppliers/contractors are identified in the selection procedure; otherwise the applicant function must provide adequate and traceable justification;
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating to purchases, which governs:

- roles and responsibilities within the procurement process;
- the activities that make up the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;

- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
  - how to negotiate and conclude contracts and create purchase orders;
  - the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.
- c) **For litigation management and relationships with the judges, their technical experts and auxiliaries, including through third parties** (under paragraph 3 c)):
- a supervisor is always identified with appropriate and traceable means, consistent with the subject matter, and granted the necessary powers to represent the Company and/or to coordinate the action of any external professionals;
  - the traceability of the requests for information received during the litigation and the individuals involved is guaranteed, as well as the internal evaluation and approval process of the documentation produced or delivered during the proceedings.
- d) **For financial Resource Management** (under paragraph 3 d)):
- the autonomous use of financial resources is subject to limits, as quantitative thresholds are set consistent with the respective managerial and organizational responsibilities, and the use of home banking systems complies with those limits;
  - there must be separation between those who commit the Company towards third parties and those who authorize or initiate the payment of amounts due based on the commitments taken;
  - payments to third parties are made through banking channels by means that guarantee evidence that the beneficiary is actually the third party contracting with the Company;
  - quantitative limits are established, depending on the nature of the service to be supplied, for the disbursement of cash advances, and standard benchmarks are set for requesting and authorizing the reimbursement of the expenses incurred by the Company's staff; the reimbursement must be justified and requested by filling in specific forms;
  - receipts and payments and, more generally, any transactions, are always traceable and documentary evidence must always be provided;
  - the reason for operations that involve the use or expenditure of economic or financial resources must be expressly stated and these operations must be documented and recorded in accordance with the principles of fairness and transparency of accounts.
- e) **For the management of expense reports and representational expenses (approval and payment)** (under paragraph 3 e)):
- the reimbursement of the expenses incurred must be justified and requested by filling in specific forms;
  - the person responsible for authorizing ex ante or ex post the expense reports of the applicants is identified based on hierarchical levels;
  - the methods for managing expense reports are communicated to all employees and involve: compliance with expenditure ceilings, purposes of the expenses incurred, forms, required authorization levels and settlement of reimbursed amounts;
  - representational expenses are authorized in line with the powers and responsibilities assigned.

The Company has adopted a procedure relating to business trips, which governs:

- roles and responsibilities within the business trip approval process;
- the procedures for activating the request for business trip approval and the contents of such request (such as destination, reason for the trip, dates, etc.);
- how to make reservations, if necessary;
- the types of expenses which may be reimbursed (travel classes, hotels, restaurants, taxis, other expenses);
- the use of the company's credit cards;
- when the expense reports should be submitted and their content; how the justifications should be documented;
- the function responsible for monitoring travel costs.

f) **For the entry, recognition and representation of business activities in the accounting records, budget estimates and evaluations, financial statements, reports and other accounting documents** (under paragraph 3 f)):

- the data and information that each function or organizational unit must provide as well as the accounting benchmarks for the processing of data and the timing of their transmission to the responsible functions, are identified through established operational procedures;
- the entry and recognition of business activities are performed with fairness and in accordance with the principles of truthfulness and completeness;
- the heads of the various corporate functions provide Accounting Italy with any information requested by the latter in a timely manner and certify its completeness and truthfulness, or indicate the subjects who can provide such certification;
- the checks performed are traceable and documented;
- any significant changes to the financial statement items or posting benchmarks are authorized according to the company's procedures and internal proxies;
- the drafts of the financial statements and other accounting documents are made available to the Management Body reasonably ahead of the date scheduled for approving the financial statements.

Within the existing operational procedure with reference to the preparation of financial statements and valuation items, they are clearly identified:

- roles and responsibilities in the preparation of the financial statements;
- the activities that make up the process;
- the consolidation area;
- the applicable accounting standards.

g) **For the relations with shareholders and corporate bodies** (under paragraph 3 g)):

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- transmissions of data and information, as well as any comments, communications or evaluations officially expressed by the shareholders and the Board of Auditors are documented and filed;
- all the documents relating to transactions on the agenda of the Meeting or concerning transactions on which the Board of Auditors must express an opinion, shall be reported and made available reasonably in advance;
- the shareholders and the members of the Board of Auditors may freely access the company accounts and any other information required for properly performing their duties and the control activity.

h) **For the management of extraordinary transactions and operations on the share capital** (under paragraph 3 h)):

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- the function that suggests the transaction, or which is responsible in accordance with the corporate roles, prepares the documents supporting the proposed transaction, as well as a preliminary informative report outlining the transaction's content, underlying interest and strategic aims;
- before recording the transaction in the books, Accounting Italy verifies the completeness, relevance and correctness of the transaction's supporting documentation.

i) **For the management of taxation, including the calculation of tax liability, the preparation and sending of tax returns, the management of VAT payments, and the accounting of purchase and/or sale events** (under paragraph 3(i)):

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- the Company makes available a dedicated storage system for audit reports, documents and

- any actually implemented measures for proper management of taxation;
  - law firms and/or external consultants that support the Company in the management of taxation and tax disputes are identified based on professionalism, independence and competence, and the selection is justified. The relationship with the external advisor is formalized in an agreement that includes specific clauses which require the observance of the Decree and the Code of Ethics;
  - audits must be performed at least annually – also by external professionals – to verify the effectiveness and efficiency of the system for detecting, measuring, managing and controlling the fiscal risk mentioned above, the outcome of which is formalized in a report submitted to the relevant management bodies for examination and feedback.
- j) **For the Tax Management of promotional events and non-routine and unplanned activities** (“Event(s)”) (under paragraph 3 j)):
- when Events are organized and analysed, the tax function is involved along with the other functions concerned so that it can be informed of the characteristics, timing, venue and the persons involved who will organize the Event;
  - the tax function may review the Event’s contracts, agreements and quotations at an early stage;
  - the tax function prepares documents supporting its conclusions (e.g. whether VAT applies or not under certain circumstances, application of withholding taxes, request for certificates and additional documentation, etc.);
  - the invoices received and issued by the Company for the purchase or sale of goods and the receipt or provision of services are checked to determine whether they correspond to contracts, purchase orders or order confirmations filed at the Company (the existence of the transaction and the amount stated in the invoice are verified).
- k) **For the selection and management of agents, business partners, distributors and franchisees** (“Business Partners”) **and sales management** (under paragraph 3 k)):
- process responsibilities are identified and communicated;
  - benchmarks are established for selecting and evaluating the counterparties (ethics, professionalism, independence and competence);
  - the Business Partners’ qualification process is defined, based on ethical-subjective and economic and financial requirements;
  - a list of qualified counterparties is drawn up and regularly updated;
  - the agreements with the Business Partners are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
  - the agreements with the Business Partners are signed by persons vested with the necessary duly formalized powers;
  - the benchmarks for granting incentives and commissions paid to sales people are defined in a clear and transparent manner;
  - the documentation is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.
- The Company has adopted a procedure relating to sales, which governs:
- roles and responsibilities within the sales management process;
  - the procedures for selecting the business third parties;
  - the activities that make up the process;
  - how to assess prospects;
  - checks on assessment outcomes;
  - how to manage business agreements/sales orders;
  - how to manage shipments;
  - how to record, invoice, collect and manage receivables.
- l) **For the recruitment and selection of personnel, including through third parties** (under paragraph 3 l)):
- the authorization process for the recruitment of staff is clearly defined;
  - the functions requesting the selection and recruitment of personnel formalize their application

- by filling in specific forms in accordance with the annual budget;
- the recruitment requests are justified and duly authorized by entitled persons;
- for each open position, except when it is objectively impossible due to the peculiarity of the profile, several applications are examined;
- applicants are interviewed to also assess their ethical and behavioural inclinations;
- the evaluations of the candidates are formalized in specific documents;
- the personnel's skills and achievements are regularly verified, so as to decide promotions or incentives;
- debriefing interviews are conducted with outgoing staff;
- the documentation relating to the selection and recruitment of staff is filed by the Human Resources Manager of the relevant Division, where possible in a specific archive, to allow the correct traceability of the entire process and facilitate any future checks.

The Company has adopted a procedure relating to recruiting, which defines:

- roles and responsibilities within the recruitment process;
- the activities that make up the process;
- the conditions for the inclusion of new resources;
- the selection channels;
- the stages and methods of the approval process and the persons in charge;
- the form and content of the employment contract.

**m) For the management of employee benefits (under paragraph 3 m)):**

- the employee benefits which may be granted are defined (such as cars, PCs, smartphones etc.), as well as the benchmarks and procedures for their allocation and usage and the approval process;
- the benchmarks and procedures for returning the benefits in the event of resignation or dismissal or termination of the employment relationship with the Company are also defined;
- an inventory of the benefits assigned to the beneficiaries is maintained and updated.

**n) For the management and provision of sponsorships, events, gifts and donations (under paragraph 3 n))**

- the benchmarks for allocating sponsorships and donations are set;
- benchmarks are established for selecting and evaluating partners for sponsorships and events (such as ethics, professionalism, integrity, absence of convictions for the Crimes, independence and competence);
- the suppliers' qualification process is defined for activities connected with events and sponsorships;
- for activities related to events and sponsorships, the selection and evaluation of Business Partners is based on established ethical-subjective and economic and financial requirements;
- the maximum value of gifts is set;
- a report listing all gifts given is compiled, reviewed and approved each year;
- process traceability is ensured;
- the responsibilities for filing and storing the documentation produced are identified;

The Company has adopted a procedure for managing gifts, offerings and donations, which governs:

- roles and responsibilities in the process for managing gifts, offerings and donations;
- the activities that make up the process;
- how the initiatives are planned;
- how to grant gifts, whose value has to be modest, in line with normal business or courtesy practice, commensurate with the relations with the beneficiaries;
- the management of gifts received by employees;
- how to report and control them.

\* \* \*



**SPECIAL SECTION “D”**  
**NEGLIGENT HOMICIDE AND SERIOUS OR GRIEVOUS BODILY HARM COMMITTED BY**  
**INFRINGING THE REGULATIONS GOVERNING WORKPLACE HEALTH AND SAFETY**

**1 CRIMES AGAINST INDIVIDUALS**

Among the Crimes theoretically applicable and relevant to the Company, art. 25-septies of the Decree provides for Negligent homicide and serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety (“**Crimes against individuals**”). Below is a brief description of the Crimes against individuals theoretically applicable and relevant to the Company.

**1.1 Negligent homicide (art. 589 Italian Criminal Code)**

1. *Anyone who causes by negligence the death of a person is punishable by imprisonment from six months to five years.*
2. *If the fact is committed in infringement of occupational accident prevention regulations, the punishment is imprisonment from two to seven years.*
3. *In the event of death of one or more persons, or injury of one or more persons, the punishment for the most serious infringement committed applies, increased up to three times, but it may not exceed fifteen years.*

For example, the Crime could be committed if the Senior Managers and/or Subordinate Persons, in the interest or for the benefit of the Company, engaged in one of the following conducts:

- failed to adopt preventive measures specifically provided for by accident prevention regulations and/or failed to comply with the general precepts aimed at avoiding damages to employees during production;
- failed to regularly verify the application and effectiveness of emergency procedures and/or failed to inform and train workers about the implementation of these procedures;
- entrusted works, supplies or services to firms which do not fulfil the technical and professional requirements necessary for performing the tasks assigned and/or which manage improperly the risks generated by interference;
- failed to prepare and deliver the operating procedures/work instructions for conducting activities considered critical from the point of view of health and safety at work;
- failed to subject the workers to periodic medical examinations and/or attributed tasks involving health risks to workers lacking the necessary requirements;
- failed to adequately train workers on both the preventive measures adopted by the Company and the behaviour required upon performing the tasks assigned to them;
- introduced equipment, machinery and systems which do not comply with regulatory requirements, or which are not compatible with the working environment;
- neglected maintenance of equipment, machinery and systems used by employees when fulfilling their duties;
- underestimated or understated workplace health and safety risks (for example, due to lack of communication, involvement of employees or their representatives);
- failed to prepare the documents supporting the prescribed activities and file them.

## 1.2 Negligent bodily harm (art. 590 Italian Criminal Code)

1. *Anyone who causes by negligence the injury of another person is punished by imprisonment up to three months or a fine up to Euro 309.*
2. *If the injury is serious, the punishment is imprisonment for one to six months or a fine from Euro 123 to Euro 619; if it is grievous, imprisonment from three months to two years or a fine from Euro 309 to Euro 1,239.*
3. *If the crimes stated in paragraph two above are committed as a result of violations of occupational accident prevention regulations, the penalty for serious injury is imprisonment from three months to one year or a fine from Euro 500 to Euro 2,000. If the injury is grievous, the penalty is imprisonment from one to three years.*
4. *In the event of injury of one or more persons, the punishment for the most serious infringement committed applies, increased up to three times, but it may not exceed five years.*
5. *The crime is punished on complaint by the injured party, except in cases provided for by the first and second paragraphs, limited to acts committed by infringing occupational accident prevention regulations relating to workplace health or that have caused an occupational disease.*
6. *For examples of conducts in which the Senior Managers and/or Subordinate Persons could engage in the interest or for the benefit of the Company and which could lead to the commission of Negligent bodily harm, please see Negligent homicide.*

Crimes against individuals (articles 589, paragraph 2, and 590, paragraph 3, Italian Criminal Code) require that the injurious conduct in which the perpetrator has engaged results from the infringement of occupational accident prevention and health and safety regulations.

In particular, the Crimes against individuals are aggravated hypothesis of negligent homicide and negligent bodily harm. Such aggravating circumstance, which consists in infringing occupational accident prevention regulations, exists not only in the event of breach of specific occupational accident prevention regulations, but also when the dispute relates to the failure to adopt measures for a more effective protection of the workers' physical integrity and, more generally, the violation of all rules that, directly or indirectly, aim to ensure occupational safety in relation to the environment in which work is performed<sup>28 29</sup>.

The infringement of the rules mentioned above must have been the determining cause of death or serious or grievous injuries of the victim.

As concerns negligent bodily harm, "harm" means the organic and functional alterations in the body or in the mind of a person resulting from an action or an omission by the perpetrator.

The Entity is only liable for this Crime against individuals in the event of serious or grievous injuries:

- (i) the injury is "serious" if the action or omission results in:
  - a disease that endangers the life of the victim; or
  - an illness or inability to perform ordinary tasks for more than forty days;
  - a permanent impairment of a sense or organ;
- (ii) the injury is "grievous" if the fact causes:

<sup>28</sup> In particular those contained in Legislative Decree 81/08.

<sup>29</sup> Art. 2087, Italian Civil Code, regarding "Protection of working conditions" states, in fact, that "the employer is required to adopt, in conducting the business activity, measures which, according to the work characteristics, experience and technique, are necessary to protect the physical integrity and moral personality of the employees". The employer shall commit to eliminating, in conducting the business activity, any dangerous situations that may result in a harmful event for the health of workers.



- a disease that is certainly or probably incurable;
- the loss of a sense;
- the loss of a limb, or a mutilation which makes the limb useless; or
- the loss of use of an organ or the ability to procreate, or a permanent and serious difficulty of speech;
- facial deformity or permanent disfigurement.

Negligent homicide and negligent bodily harm are committed not only when an accident occurs, but also if the worker contracts an occupational disease.

If the disease is fatal, art. 589 Italian Criminal Code applies; if the occupational illness does not lead to death, art. 590 Italian Criminal Code applies.

An “occupational disease” is a condition contracted during and because of the worker’s tasks. In particular, according to case law, an occupational disease is the state of aggression to the worker’s organism - etiologically connected to the work performed - which results in a permanent alteration in the body which determines, in turn, reduced fitness to work.

The harmful event for the worker can be the consequence of an action (the perpetrator engages in a conduct by which the integrity of another individual is harmed) or an omission (the perpetrator does not prevent the harmful event that he/she is required to prevent by law); the perpetrator is punished when the event harmful to the worker is etiologically related to the conduct of the employer, that is when the event is connected by a causal relationship (causation) with the action or omission.

Please note that compliance with the minimum safety standards laid down by sector-specific legislation does not fulfil alone the duty of care required, and that it is necessary to ensure the adoption of safety standards so as to minimize (and, if possible, eliminate) any risk of injury and disease, even based on the best scientific and technological knowledge, according to the peculiarities of the work.

The conduct of the injured worker resulting in the event does not exclude the liability pursuant to the Decree when the event is due to the lack of inadequacy of precautions that, if adopted, would have eliminated the risk related to such conduct. The liability is only excluded when the behaviour of the employee is exceptional, abnormal and unreasonable with respect to the working procedure, the organizational directives received and prudential practice.

From a subjective point of view, the crimes of negligent homicide and bodily harm do not require the perpetrator to have been aware of causing a harmful event or have intended to do so, as a negligent conduct is sufficient.

This subjective element may be “basic”, for failure to comply with duty of care, prudence or caution, or “specific”, which consists in manifest violation of rules specifically governed by laws, regulations or orders of the competent authority – in this case, the infringement of occupational accident prevention and workplace health and safety rules.

Finally, Crimes against individuals do not exclude fines which may be imposed because of failure to respect regulations on accident prevention or the protection of health and safety at work.

Accident prevention rules do not only protect the workers, but anyone who legitimately accesses the premises where work is done.

The perpetrators of these crimes could be those who, because of their role, perform sensitive activities as concerns health and safety; such as:

- workers who, through their actions and/or omissions may affect their own and other people’s health and safety;
- executives and persons appointed for coordinating and supervising the activities, training and information, among other things;

- the employer, as the person primarily responsible for prevention and protection;
- the architect/designer, who is responsible for compliance with occupational health and safety prevention principles, right from his/her design and technical choices;
- the manufacturer, installer and maintenance operator who, within their respective duties, must ensure compliance with the applicable technical standards;
- the client, who is responsible, pursuant to the law, for the management and control of subcontracted work.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR CRIMES AGAINST INDIVIDUALS

Please find below a table summarizing the penalties to be applied subsequent to the commission of Crimes against individuals<sup>30</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 589 Italian Criminal Code (Negligent homicide committed by infringing the regulations governing workplace health and safety)	Anyone	Action - Omission	From 250 to 500 quotas	For a period of at least three months and up to one year, the interdiction measures set forth in art. 9, paragraph 2, of the Decree
Art. 589 Italian Criminal Code (Negligent homicide committed by infringing art. 55 of Legislative Decree 81/2008)	Employer	Omission	1000 quotas	For a period of at least three months and up to one year, the interdiction measures set forth in art. 9, paragraph 2, of the Decree
Art. 590, par. 3 Italian Criminal Code (Serious or grievous bodily harm committed by infringing the regulations governing workplace health and safety)	Anyone	Action- Omission	Up to 250 quotas	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2, of the Decree

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

## 3 SENSITIVE ACTIVITIES CRIMES AGAINST INDIVIDUALS

To preliminarily define the sensitive activities, pursuant to Legislative Decree 231/2001, it is necessary to consider the activities within which accidents may occur and those within which a crime may be committed by the members of the organization by negligent breach of the existing rules and preventive measures protecting health, hygiene and safety in the workplace. To this end, the

<sup>30</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Company deems strategic to draw inspiration from two major control and management tools:

- risk assessment required by current legislation on health and safety;
- the BS OHSAS 18001:2007 standard.

By assessing risks, the conditions where it is reasonably possible that harmful events will occur have been identified.

As emphasized in the General Section of the Model, the effective adoption of a Workplace Health and Safety Management System organized in accordance with the BS OHSAS 18001:2007 standard is recognized by the legislator, in the applicable sections, as a tool able to ensure proper management of health and safety at work; therefore, pursuant to art. 30, Legislative Decree 81/2008, an organizational model prepared according to this standard would presumably be adequate for the purposes of exemption provided for by Legislative Decree 231/2001<sup>31</sup>.

The Company has therefore drawn inspiration from the BS OHSAS 18001:2007 Standard with the aim of controlling its activities, making sure that they comply with health and safety laws and local, national and European rules and regulations, and organizing the entire structure.

To identify the activities which could theoretically lead to the risk of committing Crimes against individuals (the “**Sensitive Activities**”), the principles of conduct and the main prevention protocols to be implemented by the Company so as to prevent the commission of Crimes against individuals, the meaning and scope of accident prevention and workplace health and safety rules as well as the elements constituting the liability of the recipients of such rules have been analysed.

The legal framework for the protection of health, safety and hygiene at work is principally grounded in Legislative Decree 9th April 2008 no. 81 “Implementation of article 1 of Law 3rd August 2007, no. 123, on workplace health and safety” (hereinafter referred to as “**Unified Safety Law**”).

The Unified Safety Law identifies the recipients of accident prevention requirements: the employer (articles 17 and 18); executives (art. 18); persons appointed for safety (art. 19); workers (art. 20); architects/designers, manufacturers, suppliers, installers (articles 22, 23 and 24); the occupational health physician (art. 25), and some additional specific roles for work or service contracts (art. 26).

The first recipient of all safety obligations and criminal liability resulting from infringement thereof is primarily the employer (or, as in the case of Loro Piana, which has a complex structure, the individual employers) as the subject who has entered into an employment relationship with the employee or, in any case, as the subject who is responsible for the company or the production unit, and having decision-making and spending powers.

Due to its complex organization, Loro Piana uses delegation of tasks, a legal instrument which allows, by virtue of a free, conscious and bilaterally accepted choice, a substantial and formal separation between role and tasks, transferring the latter, and all the powers, obligations and responsibilities, from the principal to the delegate.

Delegation of tasks is an instrument that may take on criminal relevance, as it may exempt the principal from liability and transfer it to the delegate, when the delegate is previously granted the powers of implementing the obligations contained in criminal laws and this transfer of powers is certain and recognizable.

The Unified Safety Law expressly illustrates and regulates, for the first time, delegation of tasks (articles 16 and 17) which, in accordance with articles 16 and 17, is permitted under the following limitations and conditions:

- it shall be in writing and bear a certain date;
- the delegate shall possess all the professional and experience qualifications required by the

<sup>31</sup> Also pursuant to the Introductory Guide to Organizational Models required by Legislative Decree no. 231/01, for Health and Safety crimes issued by Confindustria in 2014.

- specific nature of the delegated tasks;
- it shall confer on the delegate all organization, management and control powers required by the specific nature of the delegated tasks;
- it shall vest the delegate with autonomy regarding the expenditure required to perform the delegated tasks;
- it shall be accepted by the delegate in writing.
- The delegation shall be adequately and timely disclosed.
- In any case, the employer may not delegate the following tasks (art. 17):
- the assessment of all risks and the preparation of the risk assessment report set forth in art. 28 of the Unified Safety Law, including the preventive and protective measures plan (“Risk Assessment Document” - DVR);
- the appointment of the supervisor of the risk prevention and protection service.

Delegation may therefore take on criminal relevance when it is valid, and validity is evidenced by the delegate’s decision-making independence and his/her expenditure autonomy, understood as the absence of spending limits that could undermine the effectiveness of his/her action.

In the light of the foregoing, based on the analysis performed related to the applicable regulatory system and the recipients and subsequent to the preparatory activities for the construction of the Model under paragraph 2.4 of the General Section of the Model, the specific Sensitive Activities that might theoretically imply the risk of committing Crimes against individuals as well as the respective corporate functions involved have been identified within the Company’s organizational and corporate structure.

Subsequently, based on risk assessment performed by the Company in accordance with the provisions of the Unified Safety Law and the current legislation regarding occupational accident prevention, safety and health and in the light of the controls existing at the Company the principles of conduct and the main prevention protocols implemented by the Company to prevent the commission of such crimes have been identified.

The HSE Function takes on the role of coordination, consultancy and managerial support as concerns the implementation and integration of health and safety processes, with the aim of contributing to the overall efficiency of the organization.

### **Activity classification**

The activities identified related to the crimes stated in art. 25-septies, Legislative Decree 231/2001 are divided as follows:

- activities bearing risk of injury and occupational disease, covered by the Risk Assessment Document pursuant to art. 28, Legislative Decree 81/2008, issued by the employer, and understood as activities where accidents and occupational diseases may potentially occur;
- activities at risk of crime, defined as activities that can potentially give rise to the crimes set forth in art. 25-septies of the Decree, as their omission or ineffective implementation could result in liability for negligence, and which are fundamental to adopt and effectively implement a system able to fulfil all legal obligations required by law on health and safety at work. The Company has set up a control and risk self-assessment plan, so as to identify the activities at risk of crime and assess whether they deviate from the management system.

### **Activities at risk of injury and occupational disease**

By carefully investigating structural and organizational aspects, the risks to the safety and health of workers are identified.

The outcomes of these investigations, which allow the identification of risks that may give rise to accidents and occupational diseases, are contained in the specific risk assessment documents which also provide the protective measures to eliminate or reduce them. The activities which may entail

accidents or occupational diseases are therefore inferred from the specific risk assessment documents, to which reference should be made.

The risk assessment documents are constantly updated based on any new prevention needs. On the basis of the findings of the risk assessment performed and in the light of the checks envisaged therein, the Company has identified the principles of conduct and the prevention protocols (paragraphs 3.1.2 et seq. of this Section) which must be implemented to prevent, as far as reasonably possible and in accordance with scientific and technological progress, the omission or insufficient effectiveness of the existing measures for protecting workplace health and safety, which could give rise to the crimes described above.

#### **Activities at risk of crime**

The activities that may potentially generate the crimes pursuant to art. 25-septies of the Decree, as their omission or ineffective implementation could result in the Company's liability for negligence ("Activities at risk of crime") are set out below. They have been identified in accordance with the provisions of art. 30, Legislative Decree 81/2008, and considering the requirements of the BS OHSAS 18001:2007 Standard, a source of inspiration for the Model:

- 1) identification of the applicable regulations, which must be adopted to respect the technical-structural standards;
- 2) definition of resources, roles and responsibilities aimed at ensuring that the employees comply with safety procedures and instructions;
- 3) risk assessment activities and the introduction of the ensuing preventive and protective measures;
- 4) identification and management of collective and/or personal protection measures to reduce or eliminate risks;
- 5) management of emergencies, fire prevention and first aid activities;
- 6) tender management;
- 7) operating procedures and instructions for controlling particular risks;
- 8) health monitoring activities;
- 9) expertise, information, training and awareness of employees;
- 10) controls on purchases; acquisition of compulsory documents and certifications required by law;
- 11) maintenance activities to comply with applicable technical and health and safety standards;
- 12) communication, participation and consultation activities; management of periodic safety meetings; consultations with the workers' safety representatives;
- 13) management of documentation and registration systems to ensure traceability of activities.

The list of Sensitive Activities is regularly updated based on any new prevention needs, as envisaged in the Preamble.

## **4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS**

### **4.1 General principles of conduct**

The Risk Assessment Document contains specific measures for preventing accidents and occupational diseases; for these aspects, please refer to that document.

This Model is also adopted and implemented to ensure fulfilment of all the relevant legal requirements regarding the preventive measures for the Activities at risk of crime identified above, thus preventing behaviour that could entail the liability of the Company in relation to health and safety at work.

For the purposes of the adoption and implementation of this Model, the principles and protocols specified below apply.

Unless otherwise stated, in relation to the Sensitive Activities 25-septies, the general principles of conduct illustrated in the Preamble apply.

All of the Recipients of the Model, upon performing their activities and functions, must comply with the provisions contained in the Model and in the Code of Ethics, the Unified Safety Law, the applicable regulations in force on accident prevention and workplace health and safety and the corporate procedures adopted by the Company and inspired by the principles and standards set out in BS OHSAS 18001:2007, relating to the Sensitive Activities to prevent the commission of Crimes against individuals. The workers' behaviour is crucial; as a result, their cooperation is necessary for fulfilling the legal provisions.

In the context of all the operations that concern the Sensitive Activities identified in paragraph 3.1 above, the prevention protocols implement the following principles:

- the health and safety system adopted by the Company applies not only to Employees but all the subjects that, according to the Law, are the recipients of workplace safety regulations (“**HSS Recipients**”);
- the HSS Recipients must, each in accordance with their skills, collaborate in the creation of a healthy work environment that meets legal requirements and contribute to fulfilling the obligations for the protection of health and safety in the workplace;
- the obligations of the HSS Recipients are consistent with their relationship with the Company and/or the function they perform and with the laws;
- all workers must pay attention to their own health and safety and those of other people present in the workplace, who may be affected by their actions or omissions, in accordance with their training and the instructions and tools provided by the Company. In particular, the employees must:
  - observe the regulations and instructions given to them by their superiors to ensure collective and personal protection;
  - undergo the medical checks planned by the physician based on the risk factors to which they are exposed;
  - use machinery, apparatuses, tools, dangerous substances and preparations, vehicles and other work equipment, as well as safety devices - including protective devices provided by the Company - in accordance with current regulations and handle them with care. In particular, the workers must use, in compliance with the corporate rules specific to each function, any safety measures and protective equipment set forth in accident prevention laws based on the type of operations performed by the Company;
  - participate in training and learning activities and take the tests organized by the Company;
  - immediately report to their superiors any inadequacies of machinery, apparatuses, tools, vehicles, safety devices and personal protective equipment, as well as any hazardous conditions of which they are aware, acting directly, in the event of emergency, within their skills and capabilities, to eliminate or reduce such inadequacies or dangers, informing the Workers' Safety Representative;
  - not remove or modify safety, warning or control equipment;
  - not perform, in infringement of regulations in force, operations or procedures that are not within the scope of their functions or that may compromise their own safety or the safety of other workers;
- the persons appointed for safety in accordance with current legislation on workplace health must have adequate and real competencies in this area;
- proxies must be in writing and determine in a clear, specific and unambiguous way the functions assigned; where necessary they must be accepted;
- where required, the necessary notices are submitted to the competent authorities;
- risk assessment must be constant, reviewed and updated; revisions must be done regularly and whenever significant changes occur in work and/or workplaces organization;
- risks must be eliminated thanks to the knowledge gained based on technical progress and, where this is not possible, they must be minimized;
- risks must be reduced at the source;
- preventive and protective measures against risks must be adequate, updated and effectively implemented;
- emergency measures should be adopted so as to be able to face first aid, fires, evacuation of workers and serious and immediate dangers;

- warning and safety signs should be used;
- collective and personal protection measures must be taken;
- collective protection measures prevail over personal protection measures;
- regular maintenance of environments, equipment, machines and installations must be performed, particularly regarding safety equipment in accordance with the manufacturers' instructions;
- prevention must be programmed so that the Company's production techniques and organizational conditions and the influence of the factors of the working environment are integrated into a consistent prevention structure;
- situations entailing dangers must be replaced with risk-free or less dangerous situations;
- the use of chemical, physical or biological agents must be limited in the workplace;
- the number of workers who are, or may be, exposed to the risk, should be minimized;
- workers must be removed from exposure to risk due to personal health reasons.

#### 4.2 Prevention protocols

The Company defines prevention protocols relevant to the operations it performs regarding the Sensitive Activities stated in paragraph 3.1. above to prevent the risk of committing Crimes against individuals upon conducting operations related to these activities. In particular, the documents on workplace health and safety (including the Risk Assessment Documents, the procedures and plans for managing emergencies) are the prerequisites and form an integral part of the prevention protocols.

In addition to the legal obligations, or in any case dictated by experience and good technical practice, and, unless otherwise stated or indicated, the general prevention protocols illustrated in the Preamble, the Company has also defined the following prevention protocols that apply to the entire organization.

**For the identification of the applicable regulations, which must be adopted to respect the technical-structural standards (under paragraph 3 a):**

- compliance with applicable rules (laws, standards and technical regulations, etc.) must be ensured through the adoption of specific records to control:
  - the identification of the laws and regulations applicable to the Company's activities and products;
  - regulatory updates;
  - systematic monitoring of compliance with applicable regulations;
- the persons responsible for identifying and assessing applicable current legislation are appointed and the available legal sources are identified.
- the appointments of the functions designated in the field of workplace health and safety are regularly checked, in order to update them timely pursuant to the legislative provisions in force.

The Company has adopted a procedure relating to the management of compliance obligations, which governs the operating procedures and responsibilities in the management of legal provisions, in particular related to the access to and identification, applicability, filing, update and dissemination of the mandatory legal provisions and other requirements subscribed voluntarily by the Company regarding, among other things, the safety of the activities it performs and those over which it can exert influence.

**For the definition of resources, roles and responsibilities aimed at ensuring that the employees comply with safety procedures and instructions (under paragraph 3 b):**

- suitable technical and professional requirements, which may also be envisaged in specific regulatory provisions, are defined for any positions identified for the management of workplace health and safety issues; the appointed person must suit these requirements prior to the assignment of the office; they can also be achieved through specific training and must be maintained over time;
- specific responsibilities are assigned also through a system of delegation, and the characteristics



and limits of the office and, if applicable, the spending power, are defined in writing in an exhaustive manner and have a certain date;

- tools that identify the persons in charge of managing HSS matters are defined, in compliance with the requirements of applicable law and on the basis of adequate and real skills;
- the related managerial responsibilities are formalized unequivocally, including through specific appointments and the correct transfer of powers necessary for occupying the role, including spending powers;
- the management, coordination and control responsibilities within the Company are formalized;
- the persons prescribed by the regulations on workplace health and safety are properly appointed (including, in the case of construction sites, the subjects mentioned in Title IV of Legislative Decree 81/2008), and they are granted adequate powers necessary for the performance of the role assigned to them;
- the assignment and exercise of decision-making powers are consistent with the positions of responsibility and the relevance and/or critical nature of the underlying risk situations;
- there must be separation between those who make or implement decisions and those who are in charge of control as required by law and the procedures envisaged in the internal control system;
- the persons acting as employers pursuant to Legislative Decree 81/08 have been formally designated by the Company and granted powers of attorney and proxies regarding personnel management and protection of workers' health, to properly manage Health and Safety in the workplace; the organization chart for safety is posted on the company intranet and regularly updated; it indicates the tasks, powers and responsibilities of all the persons in charge of preventing accidents/occupational diseases;
- this definition is based on the two business divisions, i.e. Luxury Goods Division and Textile Division, taking into account, for each area, the role played by the subjects and the operational and managerial powers existing even prior to the appointment as an employer.
- The Company has adopted a manual relating to "Integrated management system", which defines how to identify roles and responsibilities to establish, implement and supervise the HSS, among other things.

**For the risk assessment activities and the introduction of the ensuing preventive and protective measures** (under paragraph 3 c)), the employer may not delegate the preparation of the Risk Assessment Document and the plan of preventive and protective measures, as mentioned above, and must apply previously defined benchmarks in compliance with art. 28, Legislative Decree 81/2008; furthermore:

- the employer is responsible for identifying and detecting risks, aided by other subjects such as the Health and Safety Officer and the occupational health physician after consultation with the workers' safety representative;
- all the data and information needed for risk assessment and the ensuing identification of protective measures (e.g. technical documentation, instrumental measurements, results of internal surveys, etc.) must be clear, complete and represent truthfully the status of the Company;
- data and information are collected and processed in a timely manner, under the supervision of the employer, also through subjects, appointed by the latter, having technical and, where appropriate, instrumental skills, which are certified, if required;
- upon request, together with data and information, any documents and sources from which information is extracted must also be transmitted;
- the Company identifies and assesses all risks to the health and safety of workers that are significant and under the scope of the Company; the benchmarks for the identification envisage, among others, the following aspects:
  - routine and non-routine activities;
  - activities of all persons entitled to access the workplace (including external subjects);
  - human behaviour;
  - dangers coming from outside;
  - dangers related to operations or created in the surrounding environment;
  - infrastructure, equipment and materials in the workplace;
  - changes to processes and/or the management system, including temporary modifications, and



- their impact on operations, processes and activities;
- any applicable legal obligations relating to risk assessment and implementation of necessary control measures;
- design of work environments, machinery and equipment;
- operating and work procedures;
- to comply with the Unified Safety Law, a Risk Assessment Document is available for each local unit, identifying the operational risks and the possible damage that may occur within the various activities; the Risk Assessment Document is prepared by the Company;
- the Company identifies adequate preventive and protective measures for risk control and sets up an improvement program through, inter alia:
  - the identification of potential sources of danger present at all work stages;
  - the identification of exposed individuals;
  - the identification of the damage actually occurred in the past, based on the examination of the statistics of accidents and occupational diseases;
  - risk assessment, considering the adequacy and reliability of the protection measures, followed by the identification of measures for the elimination or reduction of risks, with scheduled prevention and protection actions.

The Company has adopted a procedure relating to risk assessment and adoption of preventive and protective measures, which governs a) preparatory activities prior to risk assessment; workplace mapping; task identification; hazard identification (divided into safety hazards, health hazards and dangers related to work organization) b) identification and assessment of all significant risks to the health and safety of workers; c) preparation and updating of the Risk Assessment Document under the Unified Safety Law and d) determination of the appropriate preventive and protective measures for risk control and preparation of the improvement program.

**For the identification and management of collective and/or personal protection measures (PPE) to reduce or eliminate risks (under paragraph 3 d)):**

- personal and collective protection measures are identified so as to mitigate risks, based on the risk assessment performed upon preparing both the Risk Assessment Document and the Operational safety plans; the risk assessment process governs:
  - the identification of the activities involving the use of collective and/or personal protection equipment and related devices;
  - the definition of the benchmarks for selecting the PPE in accordance with HSS requirements (e.g. certification and CE marking, compatibility in case of multiple risks that require the simultaneous use of multiple PPE), the characteristics, supply, assignment and control of PPE and how to request it;
  - in accordance with current regulations regarding HSS, the 4 of operational, ergonomic and worker protection needs;
  - possibly, the definition of a schedule so that safety requirements are maintained over time.

The Company has adopted a procedure relating to the management of personal protective equipment, which governs the management of personal protective equipment used by the workers upon performing their duties (“PPE”), namely, the process steps, such as identification of PPE; purchase of PPE; assignment and use of PPE; information, courses and training in the use of PPE; control of PPE.

**For the management of emergencies, fire prevention and first aid activities (under paragraph 3 e)):**

- emergencies are managed through specific plans which envisage:
  - identification of situations that can cause a potential emergency;
  - how to face emergency situations and prevent or mitigate their negative impact on health and safety;
  - update of emergency plans and scheduling of verification activities;
  - procedures and responsibilities for managing emergency tests, with particular regard to the type of emergency (e.g. fire, evacuation, etc.).

- planning and execution of emergency tests to verify the efficiency of emergency management plans, aimed at ensuring that the staff has perfectly assimilated the correct behaviour, and adoption of appropriate tools for recording the outcomes of these tests and the verification and maintenance activities of the measures implemented;
- these plans define the escape routes and how the staff should report and manage emergencies;
- the persons in charge of emergencies are identified among the employees; they are in sufficient number and previously trained in accordance with legal requirements;
- appropriate systems for firefighting are available and kept in conditions of efficiency; their type and quantity are chosen on the basis of the specific assessment of fire hazard, or the indications given by the competent authority; first aid kits are also present and kept in conditions of efficiency;
- the productive activities are organized adequately within the operating premises to allow the proper execution of emergency procedures.

The Company has adopted a procedure relating to facing and preparing for emergencies, which defines operational procedures, such as how to identify emergencies (classified into external emergencies, having natural, technological or malicious causes, and internal emergencies, arising from accidental, technical or malicious causes) and response planning; establishment and organization of the emergency service; information, training and simulations - and the persons in charge of facing and preparing for emergencies.

**For tender management** (under paragraph 3 f)), contracted activities and provision of services are governed by art. 26 and Title IV of Legislative Decree 81/2008; furthermore:

- the entity which performs the works is verified for compliance with the technical and professional requirements; its registration at the Chamber of Commerce may be ascertained; the contractor shall demonstrate compliance with insurance and social security obligations towards its staff, including through the presentation of the Social Security Compliance Certificate;
- the contractor, if required by law, at the end of the works, must issue a declaration of compliance with best practice;
- with particular reference to suppliers and external installers and maintenance operators of machinery, apparatuses and any safety devices and work equipment to be built or installed in the premises under the legal responsibility of the Company's employer, specific controls shall be implemented, which envisage:
  - identification of applicable regulations (art. 26 of Title IV of the Unified Safety Law);
  - procedures for verifying suppliers, including for attesting that the latter and their employees observe safety procedures;
  - definition in a written contract of the scope of intervention and its impact;
  - communication to the aforementioned subjects of detailed information regarding the specific risks in the environment in which they will work and the precautionary and emergency measures adopted in relation to the Company's operations;
  - definition of accesses and activities performed on site by third parties, with specific assessment of interference risks associated with their presence and preparation of coordination documentation (e.g. Single document on the assessment of risk from interference – DUVRI –, Coordination and safety plan – PSC) signed by all the external parties involved and promptly updated in the event of changes in the intervention conditions;
  - that the client and the contractor, or in general the entity performing the work or service, cooperate in implementing the preventive and protective measures against occupational risks affecting the contracted activity, the work or the service. If the contractor's staff operates under the direction or supervision of the Company's employees, or by using tools provided by the Company, these stages of operations must be deemed sensitive, as well as the verification of the safety and suitability of the premises if work is done at the client's headquarters;
  - contractual clauses governing any breaches by third-party workers at the company's sites in relation to safety issues, that must be reported and sanctioned;
  - systems for detecting the presence of third-party workers at the company's site and check of hours actually worked and compliance with corporate safety standards, as complemented if necessary in the contract;

- formalization and traceability of control by the managers and the employer on the observance of the measures listed above.

The Company has adopted a procedure relating to tender management and external companies management, which governs the process stages and in particular the management of contracted activities or the provision of services to protect the health and safety of all personnel involved, when the works are performed by contractors or freelancers within the company, in accordance with art. 26 of Legislative Decree 81/08.

The Company has adopted a procedure relating to the managing construction sites (Title IV) and external companies management, which governs, by defining roles and responsibilities, the activities in which Loro Piana acts as the client in contracts for construction or civil engineering works, and precisely the stages of the process, such as: work description; identification of the Project Manager; design; assignment of work with the intervention of several firms; assignment of work with the intervention of a single firm; work realization; supervisory activities.

**For operating procedures and instructions for the control of particular risks (under paragraph 3 g):**

- the design specifications are defined in accordance with ergonomic, comfort and occupational well-being principles; the workplaces are regularly maintained to eliminate promptly any defects that may affect the safety and health of workers; proper hygienic conditions are also ensured;
- any areas involving specific risks bear appropriate warnings and, where appropriate, are only accessible by properly trained and protected persons.
- Because of the complexity of the process, in particular related to the activities performed at the construction sites, specific work instructions or operating procedures, together with user guides of machinery and equipment and safety sheets of substances are made available to the worker and mentioned in the Operational safety plans, prepared for specific interventions.

**For health monitoring activities (under paragraph 3 h):**

- the procedures for verifying the requirements are defined both in terms of technical aspects (please see the next Sensitive Activity: expertise, information, training and awareness of workers), and health aspects, if encountered upon risk assessment, which must be performed before assigning any tasks to the worker.
- the procedures through which the Company's occupational health physician, on the basis of the information provided by the employer and the knowledge of the workplace and the work process, determines whether the employee is partially or fully fit for work or unfit for the task, are defined; based on the type of processing requested and the outcome of the preliminary medical examination, the occupational health physician defines a health surveillance protocol for the worker.
- The Company has adopted a procedure relating to health surveillance, which governs the responsibilities and operating procedures within the management of health surveillance.

**For the expertise, information, training and awareness of employees (under paragraph 3 i):**

- all staff is provided with information and training about the correct methods for completing their tasks, and whenever required by law;
- training activities are documented and may be of different types (e.g. front lecturing, written communications, etc.) based on the Company's choices and legal requirements;
- the choice of the training provider is subject to verification of any specific regulatory provisions, where required;
- the procedures for documenting all information and training activities are defined; the documentation concerning staff training is recorded and is also used for the purpose of giving new assignments;
- training is performed to:
  - ensure, also through appropriate planning, that any person under the control of the

- organization is competent based on appropriate education, training or experience;
- identify training needs associated with the activities and provide training or consider other actions to meet these needs;
- evaluate the effectiveness of training or any other actions implemented, and keep the respective records;
- ensure that employees become aware of the actual or potential impact of their work, the correct behaviour to adopt, their roles and responsibilities.

The Company has adopted a procedure relating to staff training, which governs roles, responsibilities and operating procedures adopted by Loro Piana for managing personnel training, ensuring that all positions have adequate skills and professionalism to perform their duties, in line with the Company's objectives and in compliance with applicable environmental and workplace health and safety regulations.

**For controls on purchases, acquisition of compulsory documents and certifications required by law (under paragraph 3 j)):**

- the methods for evaluating health and safety requirements are defined, taking into account the feedback of workers through their representatives prior to purchasing equipment, machinery and installations;
- equipment, machinery and installations must be compliant with the provisions of current legislation (e.g. CE marking, declaration of conformity issued by the installer, etc.);
- where appropriate, by virtue of applicable legal provisions, commissioning of equipment, machinery and installations will be subject to initial inspection or approval procedures;
- the worker in charge is provided with adequate training before using new equipment, machinery or installations;
- purchasing is performed with the aim of:
  - defining the benchmarks and procedures for selecting, evaluating and qualifying suppliers, by paying attention to any critical issues as concerns HSS;
  - defining the procedures and responsibilities within the verification;
  - determining how to verify whether the goods and machinery to be purchased are compliant with the applicable regulations (e.g. CE marking) and the benchmarks and procedures for assessing acceptability requirements;
  - outlining, if applicable, the procedures for conducting acceptance checks, initial inspections and approvals necessary for commissioning.

**When services are purchased, including intellectual services (e.g. purchase of design services to be rendered to the Company or customers):**

- the assignment is subject to prior verification of the suppliers' expertise also on the basis of past experiences and any mandatory requirements (e.g. registration in professional registers);
- the suppliers' performance is checked in accordance with the internal procedures (compare design control procedures and supervision of designers);
- when there is a possibility that the activities performed by these subjects might have an impact on exposure of employees to health and safety risks, the Company promptly initiates, among other things, the control measures defined for the purposes of risk assessment.

The Company has adopted a procedure relating to procurement management and management of product and chemical substances, that govern roles and responsibilities and the organizational procedures for managing purchases of goods and services, including in the HSS area, consisting in the definition and planning of goods and/or services requirements; negotiation for the purchase of goods and/or services; purchase; vendor rating.

**For maintenance activities to comply with applicable technical and health and safety standards (under paragraph 3 k)):**

- planned maintenance protocols are defined, whose schedules and procedures are also established by the

- manufacturers, for all equipment, machinery and installations that may have significant impacts on health and safety. Rules for recording all maintenance work on safety equipment are defined;
- any specialist interventions are performed by persons in possession of the legal requirements who must produce the necessary documentation;
- for equipment and installations that must be regularly verified pursuant to law by specific external entities (e.g. ARPA, ASL, Notified Bodies, Inspection Bodies, etc.), procedures are defined for maintenance management, in particular by formalizing appropriate contractual agreements; if the entity in charge does not provide the service within the deadlines set by law:
  - if other entities are qualified/authorized to perform audits, they will be entrusted with the task;
  - if no alternative entities are available, self-diagnosis will be performed through technical structures existing on the market (e.g. maintenance firms, engineering companies, etc.);
- a dedicated IT tool allows maintenance scheduling;
- the following are identified and defined: the procedures for reporting anomalies, the most suitable means for communicating these procedures and the functions responsible for initiating the maintenance process (unplanned maintenance).

The Company has adopted a procedure relating to the maintenance and health technical standards, which governs roles and responsibilities, principles, benchmarks and methods for planning, designing and organizing maintenance activities on the elements that, following the assessment of the significance of the aspects and their environmental impacts as well as the evaluation of risks to health and safety at work, require maintenance.

**For communication, participation and consultation activities; management of periodic safety meetings; consultations with the workers' safety representatives (under paragraph 3 l):**

- staff participation and consultation as concerns HSS is guaranteed by appropriate methods aimed at, among other things, involving the employees in the development and review of HSS practices and the changes that affect HSS;
- staff participation and consultation are defined; in particular:
  - internal communication between the various levels and functions of the organization;
  - communication with suppliers and other visitors at the workplace;
  - receiving and replying to communications from the external parties involved;
  - participation of workers, also through their representatives, by:
    - involving them in hazard identification, risk assessment and definition of protection measures;
    - involving them in accident investigation;
    - consulting them when changes that may be relevant to health and safety occur.

The Company has adopted a procedure relating to the managing communication concerning safety, which governs, among other things, methods, content and responsibilities for ensuring the proper management of internal and external communication processes as concerns HSS, such as notices to contractors and visitors who access the workplace; communications in case of emergency; communication to the Supervisory Board; participation and consultation.

**For the management of documentation and registration systems to ensure traceability of activities (under paragraph 3 m)), which is an essential requirement for maintaining the organization, management and control model:**

- the responsibilities and procedures for preparing and approving HSS documents are properly defined, also to ensure dissemination to and implementation by all the parties involved;
- the documentation is consistent with the degree of organizational complexity, the company's size and workers' expertise;
- the Company uses dedicated IT tools for archiving the documents.

The Company has adopted a procedure relating to the documentation management, which governs, among other things, the document management process needed to pursue effective planning, implementation, control and continuous improvement of the HSS system, such as the operating

procedures, instructions, forms, registrations.

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The employer, executives, persons appointed for safety, and – in general – the heads of the various areas shall make sure that the workers comply with the corporate safety rules.

Additional checks

To comply with the provisions of article 18, paragraph 3-bis of Legislative Decree 81/2008, regarding the supervisory duties of the employer and executives aimed at verifying that persons appointed for safety, workers, designers, manufacturers, suppliers, installers and the occupational health physician observe workplace safety obligations, the following specific protocols apply.

#### **Supervisory duties on persons appointed for safety (art. 19, Legislative Decree 81/2008)**

As concerns the supervision of persons appointed for safety, the Company implements specific protocols according to which the employer or a delegate:

- plans and runs random checks on the actual training received by persons accessing areas that expose them to a serious and specific risk;
- plans and runs random checks on the anomalies reported by the persons appointed for safety, or anomalies related to behaviour of the latter;
- checks the anomalies reported by the persons appointed for safety regarding vehicles, work tools, personal protective equipment and other dangerous situations, and verifies the actions taken by the safety manager and any follow-up subsequent to the actions taken;
- ascertains that the persons appointed for safety have actually received the internally prepared training.

#### **Supervisory duties on employees (art. 20, Legislative Decree 81/2008)**

As concerns the supervision of workers, the Company implements specific protocols according to which the employer or a delegate:

- plans and runs random checks on the actual training received by persons accessing areas that expose them to a serious and specific risk;
- plans and runs random checks on the anomalies reported by the persons appointed for safety;
- ascertains that the employees have actually received the internally prepared training;
- makes sure that the workers actually undergo the medical examinations provided for by law or prescribed by the occupational health physician.
- As concerns the supervision of external workers, the Company implements the protocols envisaged for supervisory duties on designers and for the control of manufacturing and installation.
- Supervisory duties on designers, manufacturers, suppliers, installers and maintenance operators (articles 22, 23 and 24, Legislative Decree 81/2008)

**Regarding designers, manufacturers, suppliers, installers and maintenance operators of machinery, installations and any safety and work equipment**, the Company has adopted specific protocols according to which:

- the scope of intervention and its impacts are clearly defined in a written contract;
- accesses and activities performed on site by third parties are defined, with specific assessment of interference risks associated with their presence and preparation of the Single document on the assessment of risk from interference, signed by all the external parties involved and promptly updated in the event of changes in the intervention conditions;
- upon delivery, machines, installations and any safety equipment are checked for the presence of CE marking, use and maintenance manuals, certificates of conformity and, if required, approval requirements, as well as to ensure that the product specifications correspond to the requirements;
- contractual clauses are added for governing any breaches by third-party workers at the company's sites in relation to safety issues, that must be reported and sanctioned;
- the supplier verification procedures also ensure that the suppliers and their employees comply



- with safety procedures;
- systems are introduced for detecting the presence of third-party workers at the company's site and check the hours actually worked and compliance with corporate safety standards, as complemented if necessary in the contract;
- control by the managers and the employer on the observance of the measures listed above is formalized and traceable.
- Supervisory duties on the occupational health physician (art. 25, Legislative Decree 81/2008)
- Regarding the supervision of the occupational health physician, the Company implements specific protocols according to which the employer or a delegate:
  - checks that the occupational health physician is in possession of the qualifications and requirements prescribed by law for the performance of that function;
  - verifies that the occupational health physician regularly attends the workplace safety coordination meetings with the Health and Safety Officer, the workers' safety representatives and the employer, including those relating to risk assessment and issues affecting the corporate social responsibility;
  - ensures that the occupational health physician implements correctly and constantly the health protocols and the corporate procedures regarding medical surveillance.

#### **Additional specific checks**

Additional specific checks are envisaged to make sure that the Company's organizational system, established pursuant to the regulations governing safety in the workplace and accident prevention, is continuously monitored and as effective as possible.

- To check the effective implementation of the provisions of Legislative Decree 81/2008 and the special regulations relating to accident prevention and workplace health and safety:
- the subjects qualified as employer, Health and Safety Officer and occupational health physician must periodically update the Supervisory Board of the Company on the issues related to safety in the workplace;
- the Health and Safety Officer and the occupational health physician must communicate without delay any deficiencies, anomalies and breaches they have identified;
- the Health and Safety Officer must attend the regular meetings with the Supervisory Board of the Company to illustrate the most significant changes to the Risk Assessment Document and the procedures of the safety management system;
- the staff, the workers' safety representatives, the occupational health physician, the Health and Safety Officer and the employer can report to the Supervisory Board any news and information on any deficiencies in the protection of health and safety in the workplace;
- the employer makes sure that all the subjects required by industry regulations are appointed, equipped with adequate, clear and sufficiently specific proxies, have the necessary skills and qualities and powers, including spending power, suitable to their office and that they actually exercise the functions and powers granted;
- the Supervisory Board, upon performing its functions, may request the assistance of the Safety Officers appointed by the Company, as well as competent external consultants.

#### **Audits for regularly reviewing the application and effectiveness of the procedures**

For the purposes of the above-mentioned control activities, specific audits are performed, also performed and/or supported by the Supervisory Board, with the assistance of the relevant corporate subjects or external consultants.

Audit operations are performed by ensuring that:

- internal audits are performed at planned intervals to determine whether the management system is properly implemented and maintained in all its parts and effective for the achievement of the organization's objectives;
- non-compliances are promptly evaluated and appropriately managed;
- information on the outcomes of the audits is submitted to the Management Body and the employer.

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SPECIAL SECTION “E”  
RECEIPT OF STOLEN GOODS, MONEY LAUNDERING AND USE OF ILLEGALLY OBTAINED  
MONEY, SELF-LAUNDERING

1 CRIMES PURSUANT TO ART. 25-OCTIES OF THE DECREE

Pursuant to art. 25-*octies* of the Decree, entities are liable for the crimes of receipt of stolen goods, money laundering and use of illegally obtained money, goods or benefits as well as self-laundering set forth in articles 648, 648-*bis*, 648-*ter* and 648-*ter*.1, Italian Criminal Code (hereinafter referred to as “**Receipt of stolen goods and money laundering**”).

Below is a brief description of the Crimes of Receipt of stolen goods and money laundering theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

**1.1 Receipt of stolen goods (art. 648 Italian Criminal Code)**

The law punishes whoever, excluding cases of complicity in the predicate offense, with the aim of obtaining a profit for oneself or others, purchases, receives or conceals money or goods deriving from any crime, or otherwise acts as an intermediary in acquiring, receiving or concealing money or goods. The person engaging in Receipt of stolen goods can be anyone, except the perpetrator and the co-participant of the predicate offense (e. g. theft or robbery).

Receipt of stolen goods occurs because a crime in which the receiver had not been involved had been previously committed, and exists also when the perpetrator of the predicate offense cannot be charged or punished or in the absence of a condition of prosecutability referred to that offense.

The conduct consists in receiving or concealing money or goods deriving from any crime or in acting as an intermediary in acquiring, receiving or concealing money or goods. The rule is intended to prevent persons other than the perpetrator from causing further detriment to the assets of another person, that is, the assets derived from the previous crime, to gain a personal profit.

The subjective element required is the awareness and intention of engaging in the conduct described in the regulation, and awareness of the criminal origin of money or goods, which, nevertheless, are bought, received or concealed with the aim of obtaining a profit for oneself or others.

By way of example, the crime could be committed if a Senior Manager and/or Subordinate Person purchased goods at a price significantly lower than usual market price, thus accepting the risk that said goods derive from criminal activities (theft, counterfeiting) to obtain an advantage for the Company consisting in reduced purchase costs.

**1.2 Money laundering (art. 648-bis Italian Criminal Code)**

The law punishes whoever, excluding cases of complicity in the predicate offense, replaces or transfers money, goods or other benefits originating from an offense with criminal intent, or performs other transactions involving them, in such a way as to hinder the identification of their felonious origin.

The purpose of the regulation is to prevent persons other than those who have committed or helped to commit the crime from gaining an advantage from the same offense, helping the perpetrators of that crime to collect the profit or hindering through money/asset laundering the activities of the criminal investigation department aimed at identifying the perpetrators.

Article 648-bis of the Italian Criminal Code punishes any laundering activities, whatever the crime from which the money or assets derive, as long as it has a criminal intent.

The person engaging in money laundering can be anyone, except the perpetrator and the co-participant of the predicate offense, which must have a criminal intent.

The typical conducts of this crime are replacement (of money, goods or other benefits of criminal origin), transfer or any operations (except those mentioned above) aimed at hindering the identification of the illegal origin of money, goods and/or benefits.

“Replacement” consists in eliminating any connections with the crime. It may be a banking, financial or commercial operation (i.e. investment of money in government bonds, stocks, jewellery or other luxury goods). “Transfer” consists in shifting the illegal assets from one subject to another (i.e. change in the ownership of a property or securities).

The subjective element required is basic intent, understood as both the awareness and intention of engaging in the “laundering” of money, goods or other benefits, and the awareness of their criminal origin.

Money laundering, as receipt of stolen goods, also exists when the perpetrator of the predicate offense cannot be charged or punished or in the absence of a condition of prosecutability referred to that offense.

By way of example, the crime could be committed if a Senior Manager and/or Subordinate Person – who has not committed nor participated in the predicate offenses – sold goods or services at an increased price to persons who have money deriving from crime, and credited back part of the sums received to the current accounts of the same customers as a payment for an inexistent consultancy, thus obtaining a benefit for the Company by retaining part of the money collected in the transaction.

The offense could also be committed if a Senior Manager and/or Subordinate Person agreed to export money or assets or convert them into another currency and/or buy property with money from illegal activities, by failing to state the source of such assets.

### **1.3 Use of illegally obtained money, goods or benefits (art. 648-ter Italian Criminal Code)**

The law punishes whoever, outside the cases stated in articles 648 and 648-bis, Italian Criminal Code, uses money, goods or other proceeds originating from an offense in economic or financial activities (e. g. theft, robbery, extortion, tax crimes, etc.).

Unlike money laundering, the predicate offense of the crime set out in 648-ter, Italian Criminal Code, may be non-malicious.

It is a residual crime, as it does not apply to facts already indictable such as receipt of stolen goods and money laundering.

The case set forth in art. 648-ter of the Italian Criminal Code occurs when illegally obtained proceeds are used in economic or financial transactions.

The person engaging in the crime may be, as for the previous offenses, anyone except the perpetrator and the co-participant of the predicate offense.

The term “use” includes any form of use of illicit proceeds, irrespective of any collected profits. The use of illegally obtained money, goods or other proceeds is primarily aimed at profit.

The subjective element required is basic intent, which consists in the awareness and intention of using illegal assets for obtaining an economically useful purpose, and in being aware that they originate from a crime.

This crime also occurs when the perpetrator of the predicate offense cannot be charged or punished or in the absence of a condition of prosecutability referred to that offense.

By way of example, the crime could be committed if a Senior Manager and/or Subordinate Person used money, goods or other proceeds deriving from a crime committed by another Group company in economic or financial transactions.

#### 1.4 Self-laundering (art. 648-ter.1 Italian Criminal Code)

The law punishes whoever, having committed or participated in an offense with criminal intent, uses, replaces or transfers money, goods or other benefits originating from that offense in economic, financial, business or speculative activities in such a way as to hinder the identification of their felonious origin.

The new regulation punishes the laundering of profits deriving from an offense with criminal intent committed by the perpetrator or the co-participant of the predicate offense, who could not be punished pursuant to articles 648, 648-bis and 648-ter, Italian Criminal Code.

The person engaging in self-laundering may be anyone who has committed the predicate offense with criminal intent, as the perpetrator or the co-participant.

The material objects of the crime are money, goods and other benefits originating from the commission of the predicate offense, which are used, replaced or transferred.

“Use” is understood as the investment or, more generally, the use, in the activities described in the regulation; “replacement” consists in the activities aimed at eliminating any connections with the predicate offense having criminal intent; “transfer” is defined as the shift of the illegally originated assets from one subject to another. Through these “deceitful” behaviour, the assets are used in economic, financial, business or speculative activities, to hinder the identification of their illicit origin.

The subjective element required is basic intent, understood as the awareness and intention of engaging in the deceitful conduct and being aware that this conduct may tangibly impede the identification of the criminal origin of the money or goods being “laundered”.

In this case as well, the crime also occurs when the perpetrator of the predicate offense cannot be charged or punished or in the absence of a condition of prosecutability referred to that offense. By way of example, the crime could be committed if a Senior Manager and/or Subordinate Person, in the interest and for the benefit of the Company, having committed or participated in a tax fraud, used those assets for purchasing a property to be sold immediately to third parties to “launder” the assets, so as to tangibly obstruct the identification of their felonious origin and gain a profit to be used for the benefit of the Company, for example for purchasing machinery.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR RECEIPT OF STOLEN GOODS AND MONEY LAUNDERING

The following table summarizes the sanctions applicable subsequent to the commission of Receipt of stolen goods and Money laundering<sup>32</sup>.

<sup>32</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 648 Italian Criminal Code (Receipt of stolen goods)	Anyone	Action		<p>For a period not exceeding two years, all the interdiction measures set out in art. 9, 2nd paragraph, of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants</li> <li>- Prohibition on advertising products and services.</li> </ul>
Art. 648-bis Italian Criminal Code (Money laundering)	Anyone	Action	From 200 to 800 quotas From 400 to 1000 quotas if the predicate offenses are punished by imprisonment for a maximum of more than 5 years	
Art. 648-ter Italian Criminal Code (Use of illegally obtained money, goods or other proceeds)	Anyone	Action		
Art. 648-ter.1. Italian Criminal Code (Self-laundering)	Perpetrator of the predicate offense	Action		

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES RECEIPT OF STOLEN GOODS, MONEY LAUNDERING AND USE OF ILLEGALLY OBTAINED MONEY, GOODS OR OTHER PROCEEDS, SELF-LAUNDERING

#### 3.1 Introduction

As far as self-laundering is concerned, due to the absence of available case law and persistent uncertainty in literature at the time of adopting the Model, Loro Piana has extended risk assessment beyond the activities of money use, replacement or transfer stated in art. 648-ter.1, Italian Criminal Code, by analysing some offenses committed with criminal intent provided for by law (even if not included in the Decree and taking into account the historical risk of committing such crimes within Loro Piana) to identify those that may be theoretically applicable and relevant to the Company due to its business and whose commission might generate the funds illegally used, replaced or transferred, to identify other sensitive activities and possibly further control protocols to prevent self-laundering<sup>33</sup>.

#### 3.2 Sensitive Activities

- d) **Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations*);

<sup>33</sup> This analysis was performed to prevent self-laundering only. The analysis does not concern the prevention of crimes not included in the category of offenses predicate to the liability of Entities pursuant to the Decree.

- e) **Financial Resource Management** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources*);
- f) **Intercompany transaction management** (*Corporate functions involved: Company: Finance*);
- g) **Tax Management, including calculation of tax liability, preparation and submission of tax returns, management of VAT payments, and accounting of purchase and/or sale events** (*Corporate functions involved: Company Finance, Tax*);
- h) **Tax Management of promotional events and non-routine and unplanned activities** (*Corporate functions involved: Company, Company Marketing & Communication; Finance, Tax*);
- i) **Selection and management of agents, business partners, distributors and franchisees and sales management** (*Corporate functions involved: Company: Finance, Legal, Credit Management; Luxury Goods Division: Retail & Wholesale Luxury Goods; Textile Division: B.U. Yarns; B.U. Interiors; B.U. Fabrics*);
- j) **Cash management at stores** (*Corporate functions involved: Luxury Goods Division: Country Manager Italy; Area Manager Outlet Europe*).

#### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and the general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-octies.

##### 4.1 Principles of conduct

The Company also establishes the following principles:

- cash flows are managed exclusively via bank channels based in the EU or non-offshore/blacklisted countries;
- the Company's inbound and outbound cash flows are constantly monitored and always traceable.

##### 4.2 Prevention protocols

The Company defines the following prevention protocols which are relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing the crimes of Receipt of stolen goods and Money laundering upon performing operations relating to such Sensitive Activities.

- a) **For the selection and management of suppliers and contractors and purchasing** (under paragraph 3.2 a)):
  - the responsibilities related to the purchasing process are identified and communicated;
  - the qualification process of suppliers/contractors is defined;
  - a list of qualified counterparties is drawn up and regularly updated;
  - the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
  - where possible, several potential suppliers/contractors are identified in the selection procedure; otherwise the applicant function must provide adequate and traceable justification;
  - the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmark for determining the compensation and the content of the services to be supplied;
  - the contracts/orders are signed by persons vested with the necessary duly formalized powers;
  - before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;

- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating to purchasing, which governs:

- roles and responsibilities within the procurement process;
- the activities that make up the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

**b) For financial resource management (under paragraph 3.2 b)):**

- the autonomous use of financial resources is subject to limits, as quantitative thresholds are set consistent with the respective managerial and organizational responsibilities, and the use of home banking systems complies with those limits;
- payments to third parties are made through banking channels by means that guarantee evidence that the beneficiary is actually the third party contracting with the Company;
- quantitative limits are established, depending on the nature of the service to be supplied, for the disbursement of cash advances, and standard benchmarks are set for requesting and authorizing the reimbursement of the expenses incurred by the Company's staff; the reimbursement must be justified and requested by filling in specific forms;
- receipts and payments and, more generally, any transactions, are always traceable and documentary evidence must always be provided;
- the reason for operations that involve the use or expenditure of economic or financial resources must be expressly stated and these operations must be documented and recorded in accordance with the principles of fairness and transparency of accounts.

**c) For intercompany transaction management (under paragraph 3.2 c)):**

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- intercompany transactions are always formalized and the intercompany agreement describes the activities performed for the counterparty;
- the Company manages intra-group relations and transactions according to transfer pricing rules.

**d) For the management of taxation, including the calculation of tax liability, the preparation and sending of tax returns, the management of VAT payments, and the accounting of purchase and/or sale events (Corporate functions involved: Company Finance, Tax);**

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- appropriate documentation is prepared to support the results of the analyses performed by external consultants by emphasizing the errors found and the corrections to be made;
- final checks are performed and regular verifications are scheduled for the correct implementation of the new guidelines submitted to the functions involved (accounting, IT, etc.).

- e) **For the tax management of promotional events and non-routine and unplanned activities** (“Event(s)”) (under paragraph 3.2 e)):
- when Events are organized and analysed, the tax function is involved along with the other functions concerned so that it can be informed of the characteristics, timing, venue and the persons involved who will organize the Event;
  - the tax function may review the Event’s contracts, agreements and quotations at an early stage;
  - the tax function prepares documents supporting its conclusions (e.g. whether VAT applies or not under certain circumstances, application of withholding taxes, request for certificates and additional documentation, etc.);
  - final check for the correct application of the tax function’s instructions.
- f) **For the selection and management of agents, business partners, distributors and franchisees** (“**Business Partners**”) and **sales management** (under paragraph 3.2 f)):
- process responsibilities are identified and communicated;
  - benchmarks are established for selecting and evaluating the counterparties (ethics, professionalism, independence and competence);
  - the Business Partner qualification process is defined and the reasons for exclusion are identified;
  - a list of qualified counterparties is drawn up and regularly updated and classified based on ethical reliability and qualification;
  - Business Partners’ selection and assessment are based on ethical-subjective (integrity, professionalism, reputation, absence of convictions, local presence) and economic and financial requirements. The counterparty is then inspected to verify its compliance and ethical reliability;
  - the agreements with the Business Partners are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
  - the agreements with the Business Partners are signed by persons vested with the necessary duly formalized powers;
  - the benchmarks for granting incentives and commissions paid to sales people are defined in a clear and transparent manner; any communications by the Business Partners relating to product quality and specifications are authorized by the relevant positions.
  - the documentation is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.

The Company has adopted a procedure relating to sales, which governs:

- roles and responsibilities within the sales management process;
- the procedures for selecting the business third parties;
- the activities that make up the process;
- how to assess prospects;
- checks (including sample checks) for verifying that new clients and Business Partners are assessed in compliance with the defined procedure;
- how to manage business agreements/sales orders;
- how to manage shipments;
- how to record, invoice, collect and manage receivables.

- g) **For cash management at stores** (under paragraph 3.2 g)):
- In line with current legislation, limits are expressly set for cash transactions with: i) Italian - EU/EEA – non-EU/EEA customers with residence in Italy; (ii) non-EU/EEA customers with residence outside Italy;
  - the time limit for payments in cash is expressly defined.

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**SPECIAL SECTION “F”**  
**TRANSNATIONAL CRIMES; CRIMES COMMITTED BY ORGANIZED CRIME**

**1 TYPES OF TRANSNATIONAL CRIMES (PURSUANT TO ART. 10 LAW NO. 146 OF 16TH MARCH 2006) AND CRIMES COMMITTED BY ORGANIZED CRIME (PURSUANT TO ART. 24-TER OF THE DECREE)**

Law no. 146 of 16th March 2006 included within the scope of the Decree a series of offenses characterized by the transnational nature of the criminal conduct (hereinafter referred to as “**Transnational Crimes**”).

The Transnational Crimes theoretically relevant to Loro Piana are the following:

- Criminal syndicates (art. 416 Italian Criminal Code);
- Mafia-type associations, including foreign associations (art. 416-bis Italian Criminal Code);
- Aiding an offender (art. 378 Italian Criminal Code).

An offense is considered to be transnational when it involves an organized criminal group, it is punished by a term of imprisonment of not less than four years and is characterized by the following distinctive features:

- (a) it is committed in more than one Country;
- (b) or is committed in one Country, but a significant part of its preparation, planning, management or control takes place in another Country;
- (c) or is committed in one Country, but involves an organized criminal group which pursues criminal activities in more than one Country;
- (d) or is committed in one Country, but has significant impact in another Country.

The Transnational Crime is aggravated if an organized criminal group which pursues criminal activities in more than one Country has participated in its commission.

At a later stage, most of the crimes set forth in law no. 146/2006 became relevant for the purposes of the Decree even if they are not transnational. In particular, art. 24-ter of the Decree introduced into the Decree the following crimes: Criminal syndicates, Mafia-type associations, including foreign associations, Electoral exchanges between politicians and the mafia, Kidnapping for robbery or ransom, Conspiracy for illegal trafficking of narcotics and psychotropic substances, Illegal production, introduction into Italy, sale, transfer, possession and carrying of war or warlike weapons or parts thereof, explosives, clandestine weapons, as well as various common firearms, (hereinafter referred to as “**Crimes committed by organized crime**”).

Below is a brief description of the Transnational Crimes and Crimes committed by organized crime theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

**1.1 Criminal syndicates (art. 416 Italian Criminal Code)**

The crime consists in the conduct of three or more persons forming a partnership with the purpose of committing several crimes. The offense of Criminal syndicates requires an organizational structure, even minimal, based on an agreement which is generally permanent and aimed at realizing an indefinite criminal program.

The crime is committed when the syndicate is established, regardless of the commission of the so-called “goal-crimes” envisaged in the illicit program (any such crimes being punished separately). From an objective standpoint, the legislator has distinguished the conduct of the promoter, creator, organizer or head of the syndicate from the conduct of the mere affiliate, providing for a more severe sanction for the former.

From a subjective point of view, specific intent is required, understood as the will to join an association with the purpose of contributing to the realization of the criminal plan in a stable and permanent manner.

The crime is aggravated if there are ten or more affiliates or if the syndicate aims to commit certain specific crimes.

By way of example, the offense of Criminal Syndicate could be committed if a Senior Manager, in the interest or for benefit of the Company, selected and associated with two or more agents, Business Partners, distributors and franchisees belonging to a criminal organization for the purpose of committing a crime. If the offense was committed in a transnational context, it would qualify as a transnational crime.

### **1.2 Mafia-type associations, including foreign associations (art. 416-bis Italian Criminal Code)**

Art. 416-bis, Italian Criminal Code, punishes Mafia-type associations and prosecutes conducts whose criminal disvalue derives from the method and the instrumental apparatus of the conduct itself. The considerations set out in art. 416, Italian Criminal Code, for Criminal syndicates also apply to Mafia-type associations; however, the latter differ from generic criminal syndicates in that their participants exploit the intimidating power of their association and the resulting condition of submission and silence, which are elements that the affiliates exploit to achieve the purposes of the organization.

Art. 416-bis, Italian Criminal Code, outlines three types of crimes, namely the promotion, organization-management and participation in the association.

Another distinctive element is the purpose, because Mafia-type associations, unlike generic criminal syndicates, are not only aimed at committing crimes, but also at directly or indirectly acquiring control over economic activities, concessions, authorizations, public contracts and services, or obtaining unlawful profits or advantages for oneself or for others, or preventing or limiting the freedom of vote, or obtaining votes for oneself or for others on the occasion of an election. For the crime to occur, the presence of even just one of the purposes listed above is sufficient.

The offense of Mafia-type association is punishable regardless of whether or not the association has achieved its goals. As for the subjective element, specific intent is required, consisting in the awareness and intention of joining the organization, being aware of the purposes of the association and its acts of intimidation.

The punishment is increased if the association is armed or when the economic activities over which the affiliates intend to take or maintain control are funded in whole or in part with the price, product or proceeds of the crimes.

This provision also applies to 'ndrangheta and other criminal organizations, howsoever named, including foreign criminal syndicates, which, possessing the above-mentioned intimidating power, pursue aims equivalent to those of mafia-type associations.

By way of example, the offense of Mafia-type association could be committed if a Senior Manager or a Subordinate Person, in the interest or for the benefit of the Company, joined a mafia-type association with two or more people to assume the management or control of economic activities. If the crime is committed in a transnational context, the offense qualifies as a transnational crime.

### **1.3 Aiding an offender (art. 378 Italian Criminal Code)**

The law punishes whoever helps the perpetrator of a crime punishable by life imprisonment or a prison sentence – after the deed, and without having aided and abetted its commission – to avoid investigation by the authorities, including those performed by bodies of the International Criminal Court, discovery or arrest.

The perpetrator is someone who engages in a conduct aimed at helping someone else elude investigations or escape the Authorities.

It is an instantaneous crime of endangerment, which occurs when a fugitive is aided. From a subjective point of view, basic intent is sufficient, consisting in the awareness and intention of aiding an offender to elude investigations or escape the Authorities, thus helping a fugitive flee from investigations or custody.

By way of example, the offense could occur if a Senior Manager or Subordinate Person helped the perpetrator of a crime, without having aided or abetted the crime, to avoid investigation by the authorities, to obtain a benefit for the Company.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR TRANSNATIONAL CRIMES AND CRIMES COMMITTED BY ORGANIZED CRIME.

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of offenses of Transnational Crimes and Criminal syndicate<sup>34</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 416 Italian Criminal Code (Transnational criminal syndicate pursuant to art. 10 of Law no. 146/2006)	Anyone	Action	From 400 to 1000 quotas	For a period of at least one year, all the interdiction measures set forth in art. 9, paragraph 2, of the Decree:  - Prohibition on conducting business activities; - Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct; - Prohibition on contracting with the public administration, except for obtaining the benefits of a public service; - Denial or revocation of benefits, funding, contributions and grants - Prohibition on advertising products and services.
Art. 416 Italian Criminal Code (National criminal syndicate except sixth paragraph)	Anyone	Action	From 300 to 800 quotas	- If the Entity or one of its organizational units is durably used for the sole and predominant purpose of allowing or facilitating the commission of the offenses listed above, final prohibition on conducting business activities applies pursuant to art. 16, paragraph 3 of the Decree.
Art. 416, paragraph 6 Italian Criminal Code (National criminal syndicate aimed at committing one of the offenses set out in articles 600, 601 and 602, Italian Criminal Code, and art. 12, paragraph 3-bis of Legislative Decree no. 286/1998)	Anyone	Action	From 400 to 1000 quotas	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2, of the Decree

<sup>34</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 416-bis Italian Criminal Code (Mafia-type associations, including foreign associations)	Anyone	Action	From 400 to 1000 quotas	As above
Aiding an offender (art. 378 Italian Criminal Code)	Anyone	Action	Up to 500 quotas	

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES TRANSNATIONAL CRIMES AND CRIMES COMMITTED BY ORGANIZED CRIME.

#### 3.1 Introduction

Transnational Crimes and Crimes committed by organized crime are predominantly characterized by conspiracy or strongly linked to conspiracy, that is an agreement between two or more persons to commit an indefinite number and type of crimes.

Offenses of conspiracy, consisting in an agreement aimed at committing a crime (so-called goal-crime), could theoretically extend the category of predicate crimes to an indefinite number of crime types, so that any operation performed by the Company could theoretically entail the commission of a crime through a Criminal Syndicate – and the consequent liability pursuant to the Decree. However, the Court of Cassation<sup>35</sup> has excluded from the purposes of the Decree some types of crime not included in the list of predicate crimes as goal-crimes of the offense of conspiracy because otherwise, art. 416 of the Italian Criminal Code *«would become, in infringement of the principle of legal certainty of the penalty system envisaged in Legislative Decree no. 231/2001, an “open” provision, whose “elastic” content could potentially include any crime in the category of predicate crimes, thus entailing an unjustified extension of the entity’s potential liability»*.

However, the Company has identified the Sensitive Activities within which Transnational Crimes and Crimes committed by organized crime could be potentially committed; the principles that first and foremost apply to those Sensitive Activities are the compliance and corporate governance principles existing within the Company.

#### 3.2 Sensitive activities

##### a) Sensitive Activities Crimes committed by organized crime:

- A. Assignment and management of consultancies (purchase and assessment of successful performance)** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources, Company IT, Company Marketing & Communication; Luxury Goods Division: Retail & Wholesales Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning*); **Textile Division: COO Textile Division;**

<sup>35</sup> Court of Cassation, sixth criminal section, judgment no. 3635 of 24th January 2014.

*Human Resources; B.U. Interiors);*

- A. **Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations; B.U. Interiors);*
- A. **Financial Resource Management** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources);*
- A. **Selection and management of agents, business partners, distributors and franchisees and sales management** (*Corporate functions involved: Company: Finance, Legal, Credit Management; Luxury Goods Division: Retail & Wholesale Luxury Goods; Textile Division: B.U. Yarns; B.U. Interiors; B.U. Fabrics; B.U. Interiors);*
- A. **Recruitment and selection of personnel, including through third parties** (*Corporate functions involved: Company: Company Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources).*

b) **Sensitive Activities Transnational Crimes:**

- A. **Assignment and management of consultancies** (*purchase and assessment of successful performance*) (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources, Company IT, Company Marketing & Communication; Luxury Goods Division: Retail & Wholesales Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning; Textile Division: COO Textile Division; Human Resources, B.U. Interiors);*
- A. **Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations; B.U. Interiors).*

#### 4 GENERAL PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities – Transnational Crimes and Crimes committed by organized crime.

##### 4.1 General principles of conduct

The Company also establishes the following principles:

- consultants must only be hired if actually needed; the know-how available within the LVMH Group must be privileged and fostered;
- all activities aimed at hiring and managing human resources are inspired by honesty, integrity, fairness and good faith;
- the Company's inbound and outbound cash flows are constantly monitored and always traceable.

##### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Transnational Crimes and Crimes committed by organized crime upon performing operations relating to such Sensitive Activities.

- a) **As concerns the Crimes committed by organized crime:**
  - For the assignment and management of consultancies (purchase and assessment of successful

performance) (under paragraph 3.2 a) A.):

- process responsibilities are clearly identified and communicated;
- the consultants' qualification process is defined;
- the consultants are selected and evaluated based on ethics, professionalism, independence and expertise;
- the consulting agreements are concluded in writing and state the agreed fee or the benchmarks for determining the compensation and describe the services to be supplied;
- the agreements are signed by persons vested with the necessary duly formalized powers;
- before paying the consultant, the function which had requested the service certifies its completion in writing, to authorize the payment.

The Company has adopted a framework procedure related to the purchasing process and also applicable to consulting assignments, which governs:

- roles and responsibilities in the consultancy management and assignment process;
- the activities that make up the process;
- how to request the consultancy and the content of the application, which includes, among other things, the reason for the request, the requirements of the consultancy needed and the deadline for the provision of the service;
- the procedures for the approval of the request and the persons responsible for approval;
- the methods for determining the economic conditions/consideration for the service;
- the procedures for entering suppliers' details into the system;
- the form and content of the assignment;
- the persons responsible for verifying the progress of the service supplied;
- the procedures for authorizing and making payments;
- final checks for verifying that the services invoiced correspond to the services approved.

**For the selection and management of suppliers and contractors and purchasing** (under paragraph 3.2 a) B.):

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined;
- a list of qualified counterparties is drawn up and regularly updated;
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- where possible, several potential suppliers/contractors are identified in the selection procedure; otherwise the applicant function must provide adequate and traceable justification;
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating to purchasing, which governs:

- roles and responsibilities within the procurement process;
- the activities that make up the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;

- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

**For financial resource management (under paragraph 3.2 a) C):**

- the autonomous use of financial resources is subject to limits, as quantitative thresholds are set consistent with the respective managerial and organizational responsibilities, and the use of home banking systems complies with those limits;
- payments to third parties are made through banking channels by means that guarantee evidence that the beneficiary is actually the third party contracting with the Company;
- quantitative limits are established, depending on the nature of the service to be supplied, for the disbursement of cash advances, and standard benchmarks are set for requesting and authorizing the reimbursement of the expenses incurred by the Company's staff; the reimbursement must be justified and requested by filling in specific forms;
- receipts and payments and, more generally, any transactions, are always traceable and documentary evidence must always be provided;
- the reason for operations that involve the use or expenditure of economic or financial resources must be expressly stated and these operations must be documented and recorded in accordance with the principles of fairness and transparency of accounts.

**For the selection and management of agents, business partners, distributors and franchisees (“Business Partners”) and sales management (under paragraph 3.2 a) D.):**

- process responsibilities are identified and communicated;
- benchmarks are established for selecting and evaluating the counterparties (ethics, professionalism, independence and competence);
- the Business Partner qualification process is defined and the reasons for exclusion are identified;
- a list of qualified counterparties is drawn up and regularly updated and classified based on ethical reliability and qualification;
- new agents/collaborators and clients are assessed according to a formally defined procedure which evaluates economic and commercial but also ethical and compliance aspects;
- the agreements with the Business Partners are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the agreements with the Business Partners are signed by persons vested with the necessary duly formalized powers;
- the benchmarks for granting incentives and commissions are defined in a clear and transparent manner;
- any communications by the Business Partners relating to product quality and specifications are authorized by the relevant positions;
- the documentation is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.

The Company has adopted a procedure relating to sales, which governs:

- roles and responsibilities within the sales management process;
- the procedures for selecting the business third parties;
- the activities that make up the process;



- how to assess prospects;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to manage business agreements/sales orders;
- how to manage shipments;
- how to record, invoice, collect and manage receivables.

**For the Recruitment and selection of personnel, including through third parties** (under paragraph 3.2 a) E.):

- the authorization process for the recruitment of staff is clearly defined;
- the functions requesting the selection and recruitment of personnel formalize their application by filling in specific forms in accordance with the annual budget;
- the recruitment requests are justified and duly authorized by entitled persons; for each open position, except when it is objectively impossible due to the peculiarity of the profile, several applications are examined;
- applicants are interviewed to also assess their ethical and behavioural inclinations;
- the evaluations of the candidates are formalized in specific documents;
- the personnel's skills and achievements are regularly verified, so as to decide promotions or incentives;
- debriefing interviews are conducted with outgoing staff;
- the documentation relating to the selection and recruitment of staff is filed by the Human Resources Manager of the relevant Division, where possible in a specific archive, to allow the correct traceability of the entire process and facilitate any future checks.

The Company has adopted a procedure relating to recruiting which defines:

- roles and responsibilities within the recruitment process;
- the activities that make up the process;
- the conditions for the inclusion of new resources;
- the selection channels;
- stages and methods of the approval process and the persons in charge;
- the form and content of the employment contract.

**b) As concerns Transnational Crimes:**

**For the assignment and management of consultancies (purchase and assessment of successful performance)** (under paragraph 3.2 b) A):

- process responsibilities are clearly identified and communicated;
- the consultants' qualification process is defined and the reasons for exclusion are identified;
- the consultants are selected and evaluated based on ethics, professionalism, independence and expertise;
- the consulting agreements are concluded in writing and state the agreed fee or the benchmarks for determining the compensation and describe the services to be supplied;
- the agreements are signed by persons vested with the necessary duly formalized powers;
- before paying the consultant, the function which had requested the service certifies its completion in writing, to authorize the payment.

The Company has adopted a framework procedure related to the purchasing process and also applicable to consulting assignments, which governs:

- roles and responsibilities in the consultancy management and assignment process;
- the activities that make up the process;
- how to request the consultancy and the content of the application, which includes, among other things, the reason for the request, the requirements of the consultancy needed and the deadline for the provision of the service;
- the procedures for the approval of the request and the persons responsible for approval;
- the methods for determining the economic conditions/consideration for the service;
- the procedures for entering suppliers' details into the system;



- the form and content of the assignment;
- the persons responsible for verifying the progress of the service supplied;
- the procedures for authorizing and making payments;
- final checks for verifying that the services invoiced correspond to the services approved.

**For the selection and management of suppliers and contractors and purchasing** (under paragraph 3.2 b) B)

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined and the reasons for exclusion are identified;
- a list of qualified counterparties is drawn up and regularly updated and classified based on ethical reliability and qualification. The counterparty is then inspected to verify its compliance and ethical reliability.
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- at least three potential suppliers/contractors are identified in the selection stage, otherwise the applicant function must provide adequate and traceable justification;
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating to purchasing, which governs:

- roles and responsibilities within the procurement process;
- the activities that make up the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

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## SPECIAL SECTION “G” ENVIRONMENTAL CRIMES

### 1 TYPES OF CRIMES PURSUANT TO ART. 25-UNDECIES OF THE DECREE

Among the Crimes that are theoretically applicable and relevant to the Company there are some environmental offenses governed by art. 25-undecies of the Decree (“**Environmental crimes**”). Below is a brief description of the Environmental crimes that are theoretically applicable and relevant to the Company.

#### 1.1 Crimes against water protection pursuant to Italian Legislative Decree of 3rd April 2006, no. 152 (“**Environment Code**”)

All the crimes described in article 1.1 herein are misdemeanours, and they are punished irrespective of whether there is intent or not. The crime is prosecutable even when there is no environmental damage.

The analysis of the Environmental Crimes stated in this article 1.1 presupposes a clear definition of the terms “discharge” and “industrial waste water”. According to art. 74, paragraph 1, lett. ff, “discharge” means “any introduction of waste water conveyed solely through a stable collection system that connects without interruptions the waste production cycle with the waste receiver (surface water, soil, subsoil and sewerage) irrespective of whether the wastewater is polluting, and even if it is previously purified”. If the connection between the source and the waste receiver is missing or interrupted, the wastewater concerned must be classified as liquid waste and disposed of accordingly. The same art. 74, paragraph 1, lett. h, defines “industrial wastewater” as “any type of wastewater discharged from buildings or facilities where commercial or production activities take place, other than domestic wastewater and surface runoff”.

**Unauthorized discharge of industrial wastewater (art. 137 paragraph 2, Environment Code)**  
This regulation punishes anyone who opens or creates new discharges of industrial wastewater containing the dangerous substances included in the families and groups of substances listed in Tables 5 and 3/A of Annex V, Section III of the Environment Code (for example: chromium, cadmium, mercury, hexachlorobenzene, chloroform, lead, copper, zinc, pesticides, etc.) without authorization. In addition, whoever continues to maintain such industrial wastewater discharges after the suspension or revocation of the permit shall be punished.

By way of example, the Crime could be committed if the Company did not apply for a wastewater discharge permit or did not request a renewal thereof.

**Discharge of industrial wastewater in infringement of provisions (art. 137 paragraph 3, Environment Code)**

This regulation punishes the discharge of industrial wastewater containing the dangerous substances included in the families and groups of substances listed in Tables 5 and 3/A of Annex V, Section III of the Environment Code, in infringement of the provisions of the permit or other requirements of the competent authority set forth in article 107 paragraph 1 (discharges into sewerage) and 108 paragraph 4 (discharges of hazardous substances).

By way of example, the Crime could be committed if the Company discharged industrial wastewater containing dangerous substances in infringement of the provisions of the permit.

**Exceedance of limit values for industrial wastewater discharges (art. 137 paragraph 5, Environment Code)**

This regulation punishes the discharge of wastewater which, as concerns the dangerous substances included in Table 5 of Annex V, Section III of the Environment Code (for example: chromium,

lead, copper, zinc, nickel, pesticides, etc.), exceeds the limit values set in Table 3 or, in the event of soil discharge, in Table 4 of Annex V, or the more stringent limits established by the Autonomous Regions or Provinces or the competent authority pursuant to art. 107 paragraph 1. According to the second section of art. 137, paragraph 5, industrial wastewater discharges exceeding the limit values set for the substances contained in Table 3/A of Annex V are also punished by a more severe sanction.

By way of example, the Crimes described above may occur if the Company discharged industrial wastewater by exceeding the discharge limits set out in the tables according to current legislation.

#### **Failure to comply with the prohibitions provided for by articles 103 and 104 of the Environment Code (article 137, paragraph 11, Environment Code)**

The regulation punishes anyone who does not observe the prohibition on discharge stated in articles 103 and 104 of the Environment Code.

Art. 103 forbids wastewater discharges into the soil or surface layers of the subsoil, subject to some exceptions. Art. 104 prohibits direct discharges into groundwater and the subsoil with some derogations for water used for geothermal purposes, mining or quarrying percolation water and water pumped during certain civil engineering works, such as heat exchangers.

By way of example, the Crime could be committed if the Company discharged, breaching the prohibition on discharge, into the soil, subsoil or groundwater.

#### **1.2 Crimes pursuant to the Environment Code regarding waste and decontamination**

Unauthorized waste management (art. 256 paragraph 1 letters a) and b), Environment Code)

The regulation punishes anyone who performs the activities of waste collection, transport, recovery, disposal, trade and intermediation without the required authorization, registration or notification pursuant to articles 208 (single authorization for new disposal and recycling facilities), 209 (renewal of authorizations for the environmentally-certified companies), 211 (authorization of research and experimentation facilities), 212 (national register of environmental managers), 214 (determination of the activities and characteristics of waste for admission to the simplified procedures), 215 (self-disposal) and 216 (recovery operations).

Sanctions are differentiated according to whether the waste is non-hazardous (lett. a) or hazardous (lett. b).

In accordance with art. 256, paragraph 4 of the Environment Code, the penalties for the abovementioned case are reduced in the event of non-compliance with the requirements contained or referenced in the authorizations and if the requirements and conditions specified for registration or notification are not met.

By way of example, the Company may be held liable for the Crime concerned, in complicity with a subject in charge of waste management, when the latter manages the waste produced by the Company without the necessary authorization.

#### **Construction or operation of an unauthorized landfill (article 256 paragraph 3, Environment Code)**

The regulation punishes whoever creates or manages an unauthorized waste dump.

Sanctions are differentiated according to whether the landfill is used for disposing of non-hazardous (first paragraph) or hazardous (second paragraph) waste. In accordance with art. 256, paragraph 4 of the Environment Code, the penalties for the abovementioned case are reduced in the event of non-compliance with the requirements contained or referenced in the authorizations and if the requirements and conditions specified for registration or notification are not met.

By way of example, the Crime could be committed if an area at a corporate production site was used for dumping waste, in violation of temporary storage limits and in the absence of the necessary authorization.

#### **Unauthorized waste mixing (art. 256 paragraph 5, Environment Code)**

The regulation punishes anyone who, in infringement of the ban set forth in art. 187, Environment Code, mixes hazardous waste having different harmful characteristics or hazardous waste with non-hazardous waste.

Mixing consists in combining waste in such a way as to make it difficult or impossible to separate waste. Mixing also includes dilution of hazardous substances.

The prohibition concerned is not absolute and exemption is possible when there is a prior authorization under articles 208, 109 and 211, subject to the conditions set out in art. 187 paragraph 2 of the Environment Code.

By way of example, the Crime could be committed if missing or improper waste labelling accidentally caused the mixing of different types of hazardous waste or hazardous and non-hazardous waste.

#### **Failure to decontaminate (art. 257 paragraphs 1 and 2, Environment Code)**

Art. 257 punishes anyone who pollutes the soil, subsoil, surface water or groundwater in excess of the concentration risk level if such person does not decontaminate the site in conformity with the project approved by the competent authority as prescribed by articles 242 et seq. If the responsible person does not notify a potentially contaminating event, this omission also constitutes a crime pursuant to art. 242 paragraph 1.

The sanctions are substantially more severe if the contamination is caused by dangerous substances (article 257, 2nd paragraph).

By way of example, the Crime could be committed if, as a result of an accidental spillage of contaminants, the Company did not initiate any decontamination procedures pursuant to art. 242 of the Environment Code or if these procedures were not completed.

#### **Preparation and use of an analysis certificate containing false information (Article 258, paragraph 4, second sentence)**

This regulation envisages two criminal cases that consist, respectively, in providing false statements on the nature, composition and physical-chemical characteristics of the waste upon the preparation of a waste analysis certificate, and in using a false certificate during transport.

Only the persons authorized to issue analysis certificates may engage in the conduct consisting in the preparation of a certificate containing false statements, whereas the carrier is solely responsible for using a false certificate.

By way of example, the Company may be held liable in complicity with the person entitled to issue certificates if it participates in the criminal offense of the latter by providing false data upon the preparation of the waste analysis certificate.

#### **Waste trafficking (art. 259 paragraph 1, Environment Code)**

The trafficking offense described in the regulation refers to two separate conducts. Firstly, cross-border shipment of waste constituting illicit traffic is sanctioned pursuant to art. 26 of Regulation 1993/259/EEC (now replaced by Regulation 1013/2006/EC). Secondly, cross-border shipment of waste listed in Annex II to Regulation 1993/259/EEC in breach of art. 1 paragraph 3 of the same Regulation (now article 2, point 35, of Regulation 1013/2006/EC) is sanctioned.

By way of example, the Crime could be committed if the Company's waste was shipped without the necessary notification and authorization under Regulation 1013/2006/EC.

#### **Organized waste trafficking (art. 452-quaterdecies Italian Criminal Code)**

This offense is committed by those who, for illicit gain, by means of numerous operations and by equipping vehicles and based on continued organized activities, sell, receive, transport, export, import or otherwise wrongfully manage significant quantities of waste.

From a subjective point of view the crime under art. 452-quaterdecies Italian Criminal Code<sup>36</sup> requires, in addition to the awareness and intention of engaging in the conducts described above, the will to achieve an unfair profit.

By way of example, the Crime could be committed if the Company illegally managed waste in a continued and organized manner.

#### **Violation of the provisions of SISTRI (art. 260 bis, paragraphs 6, 7, second and third sentence, and 8, Environment Code)**

The regulation punishes anyone who, upon the preparation of a waste analysis certificate (see par. 1.2.5. above), used within the waste traceability control system, provides false statements on the nature, composition and physical-chemical characteristics of the waste and anyone who includes a false certificate in the data to be provided for the purposes of waste traceability.

The Entity is also liable if the carrier transports hazardous waste without a printed copy of the SISTRI – Area Movimentazione form (paragraph 7, first sentence) and/or uses upon transportation a waste analysis certificate containing false statements on the nature, composition and physical-chemical characteristics of the waste (paragraph 7, second sentence).

Finally, the carrier is punished if the waste is accompanied by a fraudulent printed copy of the SISTRI – Area Movimentazione (Waste Traceability Control System – Handling Area) form (paragraph 8, first sentence). The sanction is aggravated in the case of transport of hazardous waste (paragraph 8, second sentence).

By way of example, and without limitation, the Crimes described above may be committed if the Company entered a false analysis certificate into the SISTRI traceability system. In addition, the Company may be held liable in complicity with the carrier if the waste was not accompanied by the SISTRI – Area Movimentazione form (or was accompanied by a fraudulent copy thereof) or by an analysis certificate containing false statements.

### **1.3 Crimes against air and ozone protection**

#### **1.3.1 Exceedance of air quality limit values (art. 279 paragraph 5, Environment Code)**

Under the regulation concerned, anyone who operates a plant exceeding the legal emission thresholds established by the authorization, Annexes I, II, III and V to the Fifth Section of the Environment Code, the Province's plans or programs and provisions issued by the competent authority, resulting in exceedance of the air quality limit values under current legislation, shall be punished.

The crime exists when two emission limits are exceeded: a) the emission thresholds prescribed in the authorization or other binding acts, and b) the air quality limit values provided for by current legislation.

By way of example, the Crime could occur when the atmospheric emissions of a corporate site exceed the emission thresholds for a parameter (e.g. nitrogen dioxide) thus determining at the same time, for the same parameter, an exceedance of the air quality limit value provided by Legislative Decree no. 155/2010.

#### **1.3.2 Infringement of ozone protection provisions (art. 3 paragraph 6 of Law 549/1993)**

This offense constitutes a misdemeanour (and as such, it is punished irrespective of whether there

<sup>36</sup> Article inserted pursuant to Articles 3, paragraph 1, and 7 of Legislative Decree 1st March 2018 no. 21.

is intent or not) and anyone who does not observe the prohibitions on use and the measures aimed at reducing the use of the ozone-depleting substances indicated in Tables A and B of Law 549/1993 shall be punished. Such substances include chlorofluorocarbons (CFCs), fully halogenated hydrocarbons containing bromine (halons), trichloroethane and carbon tetrachloride.

By way of example, the Crime could be committed if, during the maintenance of air conditioning systems, the Company used or was in possession of ozone-depleting substances in breach of art. 3 of Law 549/1993.

#### **1.4 Crimes pursuant to the Criminal Code**

##### **1.4.1 Destruction or deterioration of habitats within a protected site (art. 733 bis Italian Criminal Code)**

The first type of conduct typified in the regulation is the destruction of a habitat, i.e. its irreversible elimination. The second consists in a deterioration that compromises the preservation of the habitat, which occurs when the habitat loses its original function.

According to art. 1 paragraph 3 of Legislative Decree no. 121/2011 “habitat within a protected site” means any habitat of species for which an environment is classified as a special protection area in accordance with article 4 par. 1 or 2, Directive 79/409/EEC, or any natural habitat or habitat of species for which a site is designated as a special area of conservation in accordance with article 4 par. 4 of Directive 92/43/EEC. A habitat of species is an environment, in a zone classified by the State as a “special protection area” (SPA), defined by the specific abiotic and biotic factors in which the species to be protected lives at any stages of its biological cycle. Natural habitats are terrestrial or aquatic areas distinguished by geographic, abiotic and biotic features, whether entirely natural or semi-natural, and are located in a site designated as a Special Area of Conservation (SAC). From a subjective point of view, negligence is sufficient.

By way of example, the Crime concerned could be committed if production activities or building works in a corporate site caused the destruction or deterioration of a habitat within a protected site.

##### **1.4.2 Environmental pollution (art. 452 bis Italian Criminal Code)<sup>37</sup>**

The regulation punishes anyone who illegally causes a significant and measurable endangerment or deterioration of water or air, or extensive or considerable portions of the soil or subsoil of an ecosystem, biodiversity, including agricultural biodiversity, and flora or fauna.

Pollution can be caused either through an action or omission, for example when a person who is required to comply with protection obligations in accordance with environmental regulations does not prevent an event.

According to early jurisprudential interpretations, “endangerment” is a condition of risk or hazard that could be defined as a “functional imbalance” because it affects the normal natural processes related to the peculiarity of the environmental compartment or the ecosystem, while “deterioration” consists in “structural imbalance”, characterized by a decay in the status or quality of the environmental compartment or the ecosystem.

The endangerment or deterioration must be significant, i.e. there must be clear evidence of pollution in terms of size and extent of damage, and must be measurable, that is, they must be objectively quantifiable, excluding minor events.

From a subjective point of view, basic intent is sufficient, understood as a conscious and voluntary

<sup>37</sup> With Law 22nd May 2015 no. 68 the fight against environmental crimes was enhanced thanks to the introduction of Title VI bis – “Environmental crimes” into the Criminal Code. Title VI bis governs the new types of crimes described below.

realization of the criminal conduct.

The second paragraph provides for increased penalty when pollution is produced in a protected natural environment or an area subject to landscape, environmental, historical, artistic, architectural or archaeological restrictions, or when it damages protected animal or plant species.

#### 1.4.3 Environmental disaster (art. 452-quater Italian Criminal Code)

The regulation punishes anyone – except as provided for by art. 434 Italian Criminal Code – who causes an environmental disaster.

A major environmental disaster consists of:

- 1) an irreversible alteration of the equilibrium of an ecosystem;
- 2) an alteration of the equilibrium of an ecosystem whose elimination is particularly costly and achievable only by exceptional measures;
- 3) an offense to public safety due to the relevance of the event in terms of extent of the endangerment or its detrimental effects or in terms of the number of persons injured or exposed to danger.

For the crime to exist, pollution must occur, pursuant to the regulation. In the absence of the characteristics envisaged in the regulation, the attempted offense may be prosecuted.

From a subjective point of view, basic intent is sufficient, understood as a conscious and voluntary realization of the criminal conduct, irrespective of the aims pursued by the perpetrator.

As with environmental pollution, paragraph 2 provides for an increased penalty when the disaster is produced in a protected natural area or an area subject to landscape, environmental, historical, artistic, architectural or archaeological restrictions, or when it damages protected animal or plant species.

#### 1.4.4 Negligent crimes against the environment (art. 452-quinquies Italian Criminal Code)

This regulation extends the punishment of environmental pollution and environmental disaster to events due to negligence, and the conviction is reduced from one third to two thirds.

If the facts under the preceding paragraph result in danger of environmental pollution or environmental disaster, the sentence is further decreased by one third.

#### 1.4.5 Aggravating circumstances (art. 452-octies Italian Criminal Code)

The regulation has improved the protection of the environment by enhancing the fight against the criminal organizations aimed at committing Environmental crimes by increasing the punishments envisaged for the following offenses:

- Criminal syndicates established exclusively or partly to commit any of the crimes stated in Title VI bis;
- a Mafia-type association aimed at committing any of the offenses envisaged in this Title IV bis or at acquiring control over economic activities, concessions, authorizations, public contracts and services related to the environment.

Finally, the penalties stated in the first and second paragraphs are increased from one-third to half if public officials or public service officers who perform functions or render services related to the environment belong to the association.

## 2 SANCTIONS PURSUANT TO THE DECREE FOR ENVIRONMENTAL CRIMES

Please find below a table summarizing the penalties to be applied subsequent to the commission of Environmental crimes<sup>38</sup>.

<sup>38</sup> The table is for example purposes only, and does not claim to be exhaustive, in particular concerning the perpetrator and the identification of the behaviour



ENVIRONMENT CODE				
Water Protection				
Crimes	Perpetrator	Behaviour	Fine	Interdiction measures
art. 137 paragraph 2	Anyone	Action	from 200 to 300 quotas	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2
art. 137 paragraph 3	Anyone	Action	from 150 to 250 quotas	None
art. 137 paragraph 5, first sentence	Anyone	Action	from 150 to 250 quotas	None
art. 137 paragraph 5, second sentence	Anyone	Action	from 200 to 300 quotas	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2
art. 137 paragraph 11	Anyone	Action	from 200 to 300 quotas	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2
Waste management and decontaminations				
art. 256, paragraph 1, lett. a and b	Anyone	Action	Up to 250 quotas (paragraph 1, lett. a); from 150 to 250 quotas (paragraph 1, lett. b)  (these sanctions are halved in the event of non-compliance with the requirements contained or referenced in the authorizations and if the requirements and conditions specified for registration or notification are not met pursuant to art. 256, par. 4)	None
art. 256, paragraph 3, first sentence	Anyone	Action	from 150 to 250 quotas  (these sanctions are halved in the event of non-compliance with the requirements contained or referenced in the authorizations and if the requirements and conditions specified for registration or notification are not met pursuant to art. 256, par. 4)	None
art. 256 paragraph 3, second sentence	Anyone	Action	from 200 to 300 quotas  (these sanctions are halved in the event of non-compliance with the requirements contained or referenced in the authorizations and if the requirements and conditions specified for registration or notification are not met pursuant to art. 256, par. 4)	For a period not exceeding six months, the interdiction measures set forth in art. 9, paragraph 2

Waste management and decontaminations				
art. 256 paragraph 5	Anyone	Action	from 150 to 250 quotas	None
art. 258 paragraph 4, second sentence	Person entitled to issue certificates and carrier	Action	from 150 to 250 quotas	None
art. 259, paragraph 1	Anyone	Action	from 150 to 250 quotas	None
art. 260 bis	Person required to register in SISTRI	Omission	from 150 to 250 quotas (offenses under paragraphs 6, 7, second and third sentence, 8, first sentence) from 200 to 300 quotas (offense under paragraph 8, second sentence)	None
art. 257	Person responsible for pollution or person whose behaviour has contributed to aggravating the contamination	Omission	up to 250 quotas (offense under paragraph 1) from 150 to 250 quotas (contamination caused by dangerous substances under paragraph 2)	None
Air protection				
art. 279, paragraph 5	Anyone	Action	up to 250 quotas	None
LAW 549/1993				
art. 3 paragraph 6	Anyone	Action	from 150 to 250 quotas	None
CRIMINAL CODE				
Destruction or deterioration of habitats within a protected site (art. 733 bis)	Anyone	Action	from 150 to 250 quotas	None
Environmental pollution (art. 452 bis Italian Criminal Code)	Anyone	Action - Omission	from 250 to 600 quotas	Interdiction measures pursuant to art. 9 for a period not exceeding one year
Environmental disaster (art. 452 quater Criminal Code)	Anyone	Action - Omission	from 400 to 800 quotas	Interdiction measures pursuant to art. 9
Negligent crimes against the environment (art. 452 quinquies Italian Criminal Code)	Anyone	Action - Omission	from 200 to 500 quotas	None
Aggravating circumstances (art. 452 octies)	Anyone	Action	from 300 to 1000 quotas	None

CRIMINAL CODE

Activities organized for the unlawful trafficking of waste (art. 452- <i>quaterdecies</i> of the Italian Criminal Code)	Anyone	Action	From 300 to 500 quotas (offence under paragraph 1)	Interdiction sanctions pursuant to art. 9, 2nd paragraph for a period not exceeding six months*
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\* If the Entity or one of its organizational units is durably used for the sole and predominant purpose of allowing or facilitating the commission of the offenses, set forth in art. 452-*quaterdecies* Italian Criminal Code, among others, final prohibition on conducting business activities applies pursuant to art. 16, paragraph 3 of the Decree

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES ENVIRONMENTAL CRIMES

The HSE Function takes on the role of coordination, consultancy and managerial support as concerns the implementation and integration of processes related to the environment, with the aim of contributing to the overall efficiency of the organization.

- (a) **Management of Environmental Compliance** (related to: (i) maintenance and implementation of the Environmental Management System, including the definition, maintenance and implementation of the system as a whole and the procedural system in particular; (ii) management of authorization aspects, monitoring of requirements and management of relations with authorities; (iii) identification and evaluation of environmental aspects and management measures, (iv) periodic monitoring of environmental performance, auditing and identification of corrective measures and environmental programs; (v) environmental technical activities to support other corporate functions (e.g. purchasing, production functions, etc.); (vi) management and monitoring of areas subject to soil and subsoil contamination and being decontaminated).
- (b) **Procurement management** (related to the selection, qualification and evaluation of service providers having a potential impact on the environment (e.g. construction, maintenance and renovation of offices and stores, system maintenance firms, analysis laboratories, etc.), and in particular: (i) analysis and evaluation of the technical and authorization requirements of the suppliers, (ii) contractual terms, (iii) suppliers' performance evaluation, (iv) supplier audit);
- (c) **Utility management** (related to: (i) coordination of design, construction and/or modification of properties, coordination of maintenance activities, management of authorization procedures also through third parties; (ii) management and monitoring of decontamination of asbestos products, underground tanks for storing diesel and mineral oils, soils subject to spillage, land owned by Loro Piana, as well as notification of decontamination activities, if any);
- (d) **Management of production activities** (related to management and monitoring of production activities with potential impact on the environment and assessment of materials entering the production cycle and their impact, definition of production processes, management and mitigation of spillage, emergency prevention and management; handling of waste produced, including through third parties; waste separation to prevent mixing);
- (e) **Wastewater management** (related to: (i) management of the wastewater treatment plant, including its operational management, plant performance monitoring, management of periodic analyses and automatic pollution detection systems; (ii) management and monitoring of hazardous and non-hazardous waste resulting from purification activities, including waste collection, also through third parties; (iii) management and monitoring of temporary waste storage and control of proper waste separation to prevent mixing);

- (f) **Waste management** (related to: (i) management of hazardous and non-hazardous waste, including waste collection, transport, recovery and disposal, also through third parties; (ii) management and monitoring of temporary waste storage; (iii) control of proper waste separation to prevent mixing; (iv) waste classification based on the analysis certificate; (v) monitoring of waste transferred to third-party carriers; (vi) administrative management of waste which includes verifying and filling out the FIR (Waste Identification Form), receipt and filing of the fourth copy of the form; (vii) management and monitoring of waste management activities, to avoid any contamination of the soil and subsoil);
- (g) **Maintenance management** (related to: (i) management of corporate plant and equipment maintenance, also aimed at mitigating environmental impact (atmospheric emissions, water purification, etc.) also supported or performed by third parties; (ii) temporary storage management and monitoring and control of proper waste separation to prevent mixing of waste resulting from maintenance activities; (iii) management, monitoring and coordination of third-party maintenance firms and their potential impacts on the environment (emissions, water discharges, spills, etc.).

#### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities Crimes 25-undecies.

##### 4.1 Principles of conduct

The Company establishes the following principles:

- All the Recipients must:
  - refrain from promoting, participating or collaborating in or otherwise giving rise to conducts that, individually or collectively, directly or indirectly constitute the Environmental Crimes;
  - be attentive and scrupulous regarding any aspects that may concern the protection of the “legal asset environment”;
  - comply with international, European, national and regional legislative and regulatory provisions;
  - observe all the internal procedures to safeguard the “legal asset environment”;
  - submit correctly in a timely manner and good faith all the notices provided for by law and regulations to the competent environmental authorities, without hindering the control functions that these authorities may exercise;
  - prepare and file the documentation proving compliance with environmental requirements so that the behaviour and activities of the Company can be verified;
  - in the event of an emergency, including potential risk to the “legal asset environment”, immediately initiate the necessary measures adopted by the Company, informing the subjects in charge;
- The Company:
  - informs and updates all Recipients to raise awareness of environmental issues and promote real and actual knowledge of the requirements of the Special Section G herein, the existing protocols and environmental legislation;
  - provides adequate preparation to the personnel involved in each Sensitive Activity through periodic training and refresher courses, particularly where this is necessary as a result of amendments to or introduction of new relevant rules of conduct, procedures and technologies;
  - maintains fair, transparent and collaborative relations with the Public Administration, in particular with the relevant environmental authorities;
  - ensures a clear identification of the subjects involved in the environmental activities, in particular those who are responsible for verifying and requesting renewals of environmental permits and those in charge of monitoring compliance with the requirements set out in environmental laws or authorizations and internal procedures.

## 4.2 Prevention protocols

The Company commits to minimizing the impact of its processes and products on the environment by adopting a pollution prevention policy, actively developing environmental management programs, reducing the waste produced and providing training and information to the staff on environmental issues.

The Company, aware of the importance of the environment as an asset and environmental issues, also for their effects on human health, has adopted an environmental management system based on the UNI EN ISO 14001:2015 standard, in addition to the provisions of the Decree.

The following general principles apply to the management of significant environmental aspects and they must be respected upon performing all the Sensitive Activities listed below, together with the specific prevention protocols defined for each activity:

### Policy

The Company adopts a formalized system of environmental management procedures which also sets out the general objectives pursued. These procedures:

- contain the commitment to ensure compliance with applicable environmental laws;
- are properly communicated to the employees and the parties involved;
- are periodically updated.

### Roles and responsibilities

The Company adopts, regarding the persons in charge of activities having potential impacts on the environment, a system for formally assigning responsibilities through formally accepted powers of attorney and proxies, as well as:

- an organizational chart that includes the corporate functions whose activities have potential environmental impacts;
- specific minimum requirements – to be checked at regular intervals – for each function, consistent with organizational needs and legal provisions (e.g. past experience, specific qualifications, skills and education, etc.).

### Control of legislation

The Company adopts a formalized system that defines:

- roles and responsibilities regarding information related to relevant regulatory aspects and applicable environmental requirements;
- benchmarks and procedures for regulatory updating and communication thereof to the relevant corporate areas;
- benchmarks and methods for verifying the evolution of best practice and environmental technical standards.

### Documentation management

The Company adopts a procedure which governs the control of environmental management documentation. This procedure defines:

- roles and responsibilities in the management of documentation (e.g. manuals, procedures, operating instructions), consistent with corporate policy;
- how to record, manage, file and store the documentation produced (e.g. document filing and registration, to ensure proper traceability and verifiability).

### Competence, training and awareness

The Company adopts a procedure that standardizes the informative, training and course organization process, including in the field of environment, by defining in particular:

- roles and responsibilities regarding training on environmental aspects and the related procedures, that all Company employees must mandatorily attend;
- benchmarks for refreshing and/or integrating training, based on any role transfers or changes, introduction of new equipment or technology likely to have significant environmental impacts, etc.;
- training content and methods, depending on the roles and tasks assigned within the organizational structure, in particular regarding the Functions involved in environmental issues;
- training schedule (e.g. definition of a training plan).

### **Identification of environmental aspects and operational control**

The Company has defined the benchmarks and persons responsible for controlling the sensitive activities regarding environmental impact and the organizational benchmarks for:

- identifying the relevant environmental aspects;
- defining and evaluating the significance of the negative environmental impacts that determine potential risks of committing environmental crimes;
- identifying control measures for the negative environmental aspects based on the level of acceptability of the risk of committing environmental crimes.

The Company adopts a specific procedure aimed at encouraging the control of the Sensitive Activities related to environmental impact, defining in particular the benchmarks and the persons in charge of control.

### **Management of environmental emergencies**

The Company adopts a specific procedure for managing emergencies that might have a potential impact on the environment, which:

- identifies the scenarios of possible environmental emergencies;
- defines roles, responsibilities and measures for controlling emergency situations;
- identifies the appropriate measures for avoiding risks to public health or the risk of habitat deterioration;
- defines when and how emergency tests should take place;
- clarifies how to keep historical records about the tests and simulations performed and the emergency situations that have occurred, to assess the adequacy of the response plans prepared and the traceability of the corrective actions implemented.

### **Audit**

As concerns the audit of the efficiency and effectiveness of the environmental management system, roles, responsibilities and operating procedures are defined, as well as how to:

- identify and apply measures for correcting and verifying their effective implementation;
- communicate the results to the Management Body.

In accordance with the foregoing, the Company defines the following protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Environmental crimes upon performing operations related to such Sensitive Activities.

- (a) **For the management of the Environmental Compliance System** (under paragraph 3(a)), considering the impact that this operation may have on the habitat, the management of water, air, soil and subsoil pollution, waste management and ozone protection:
- if necessary, any protected areas in the zone where the Company operates are identified by consulting official databases (Region, Province, Geoportale Nazionale, etc.);
  - the possible environmental impacts associated with the construction of a new plant and/or the extension or dismantling of existing plants are correctly assessed;
  - the management of water discharges is regimented, especially regarding authorization

- requests and renewals;
- the mandatory authorizations for activities that may cause emissions into the atmosphere are obtained, maintained and renewed, where applicable;
- specific procedures are adopted to regulate the activities, roles and responsibilities of operations related to waste management;
- the necessary procedures for checking and/or obtaining the necessary authorizations for waste management operations are initiated;
- appropriate procedures for waste identification, characterization, classification and registration are defined;
- the areas to be used for temporary waste storage and monitoring procedures are identified, in accordance with the quantitative and/or temporal limits provided for by current legislation;
- appropriate procedures are adopted to define the activities, roles and responsibilities in the prevention of soil pollution;
- roles and responsibilities are established so as to ensure that any environmental emergencies that have polluted the soil, subsoil and surface water or groundwater are reported;
- appropriate procedures are adopted to govern the activities, roles and responsibilities relating to the inventory, use, disposal and mandatory authorizations of equipment containing ozone-depleting substances;
- on the basis of all the environmental impacts described, the traceability and availability of the relevant documentation are ensured (e.g. analytical checks).

As concerns the Sensitive Activity herein, the Company has adopted the procedures relating to: context analysis and environmental analysis, management of compliance requirements, audit management, control, monitoring and measurement, improvement objectives and review by the Management, non-compliance management and corrective actions, Annex A.

- (b) **For procurement management** (under paragraph 3(b)), given the impact that this operation might have on the management of water, air, soil and subsoil pollution and waste management:
- where applicable, the agreements envisage clauses requiring compliance with applicable environmental regulations and, where appropriate, with the procedures defined by the Company and the provisions of the Decree and the Code of Ethics;
  - the suppliers are audited;
  - roles, responsibilities and procedures for selecting suppliers and subcontractors are defined;
  - the Company defines supplier qualification benchmarks by which it verifies the suppliers' environmental requirements (such as environmental legal requirements, compliance with international standards) and ensures that those requirements and the provisions contained in the authorizations are fulfilled over the entire duration of the assignment.
  - the suppliers' technical and professional requirements are verified upon selection (e.g. whether the subjects in charge of waste management are registered as environmental managers, whether the analysis laboratories are certified by Sincert, etc.);
  - supplier performance is assessed.

Related to the Sensitive Activity herein, the Company has adopted procedures relating to purchasing and management of products and chemical substances asset out in Annex A.

- (c) **For utility management** (under paragraph 3(c)), given the impact that this operation may have on the habitat, the management of water, air, soil and subsoil pollution and waste management:
- the environmental impact resulting from structural or organizational changes affecting the operational headquarters is assessed;
  - the hazard level of the raw materials used is assessed, characterized and notified to the corporate functions in charge of compliance with environmental regulations;
  - the procedures for managing and communicating to the competent authorities any exceedance of regulatory limits are defined;
  - environmental procedures, in particular for waste management, discharges, protection of soil and subsoil from pollutants, atmospheric emissions and, finally, correct management

- of installations containing ozone-depleting gases, must be observed upon maintenance operations;
- machinery, systems and equipment must comply with environmental requirements;
- substances that are hazardous or have environmental impacts are handled and managed exclusively by skilled staff;
- regular and planned maintenance is performed on temporary waste storage facilities so as to limit the exposure of waste to the elements;
- extraordinary maintenance is also performed to minimize any environmental accidents;
- the chemical/physical properties of the effluents are monitored constantly;
- regular and planned maintenance is performed on the outlets and filters of flue-gas stacks;
- the traceability and availability of the documentation relating to maintenance operations are ensured (e.g. analytical checks, maintenance records);
- emergency maintenance is defined to minimize pollution in the event of an environmental crisis;
- the assets containing ozone-depleting substances are listed and a plan is defined for maintenance checks and/or asset dismantling and disposal according to current legislation.
- procedures are laid down to govern the activities, roles and responsibilities relating to the inventory, use, disposal and mandatory authorizations of equipment containing ozone-depleting substances;
- any environmental emergencies that may cause soil, subsoil and surface water or groundwater pollution are reported;

Related to the Sensitive Activity herein, the Company has adopted the procedures relating to air emission management, energy consumption and maintaining operations management as set out in Annex A.

- (d) **For the management of production activities** (under paragraph 3(d)), given the impact that this operation may have on the habitat, the management of water, air, soil and subsoil pollution, waste management and ozone protection:
- formal tools are envisaged for the identification and management of environmental aspects/ impacts arising from production activities;
  - upon designing, installing new plants or altering existing plants, adequate coordination is ensured with the function in charge of Environmental and Safety protection, to assess the possible environmental impacts and any necessary authorization changes;
  - if new types of materials, products or substances enter the production cycle, their potential environmental impacts are assessed and the functions involved are notified;
  - the hazard level of the raw materials used is assessed, characterized and notified to the corporate functions in charge of compliance with environmental regulations;
  - the plant managers and the heads of departments must know all potential environmental risks and impacts arising from the management of the production activities;
  - the procedures for managing and reporting to the competent authorities any exceedance of air emission limits and water concentrations are defined;
  - environmental emergencies that have polluted the soil, subsoil and surface water or groundwater are reported;
  - the environmental impact resulting from structural or organizational changes affecting the production plants is assessed; adequate emergency management procedures are envisaged;
  - the waste produced is segregated and separated according to the regulations in force;
  - the persons responsible for monitoring the operational management of the waste produced within the plants are identified.

Related to the Sensitive Activity herein, the Company has adopted the procedures relating to the products' management and of chemical/hazardous substances, air emission management and energy consumption as set out in Annex A.

- (e) **For wastewater management** (under paragraph 3(e)), considering the impact that this operation may have on the habitat, on water, soil and subsoil pollution management and waste



management:

- discharge and sampling points are identified and updated, also considering structural or organizational changes concerning the production plants;
- the discharge sampling and analysis program is defined in line with the provisions of the authorizations and the regulations in force;
- appropriate procedures ensure the correct qualification of discharge/waste;
- documentation related to sampling/audit of discharges is traceable and available at any time;
- emergencies are managed according to suitable procedures;
- discharges are monitored and controlled to avoid soil, subsoil and surface water or groundwater pollution;
- the officer in charge of environmental compliance is notified if maximum concentrations of pollutants are exceeded or if any spillages occur.

Related to the Sensitive Activity herein, the Company has adopted a procedure relating to the management of water discharges set out in Annex A.

- (f) **For waste management** (under paragraph 3(f)), given the impact of this operation on the management of waste, soil and subsoil:
- roles, responsibilities, procedures and controls within waste disposal activities are formalized;
  - systematic checks on the waste management cycle are formalized;
  - the persons responsible for filling in and checking waste documents are provided with specific training;
  - the Company does not manage (non-)hazardous waste without the necessary authorization, registration or notification, or otherwise in violation of the requirements stated in the aforementioned qualifying licenses;
  - the waste produced is properly characterized, classified and identified;
  - the waste produced is checked for consistency with its EWC code (European Waste Catalogue), even if the service is rendered by third parties;
  - the areas dedicated to temporary waste storage are identified and set up in accordance with current legislation;
  - temporary waste storage is defined on the basis of the type and quantity of waste produced;
  - temporary storage areas are kept clean and orderly so as to avoid waste mixing;
  - waste is differentiated to prevent any illicit mixing;
  - a label bearing a description and the identification code is attached to the container so as to clearly identify waste;
  - the persons responsible for waste management (carriers, recycling and/or disposal plants, intermediaries) are identified and the Company verifies their requirements (conditions and competencies required by law for performing the assignment, compliance with sector regulations etc.), and ensures that those requirements and the provisions contained in the authorizations are fulfilled over the entire duration of the assignment;
  - the Company verifies that the formalities related to waste transport are fulfilled right from delivery to the carrier up to final delivery to the disposal facility (management of the forms and loading/unloading registers, SISTRI);
  - the Company verifies that the documentation relating to disposal (e.g. records, forms, packing lists, etc.) is properly managed, as well as that the quantities shipped for disposal are consistent with those shown in the documents;
  - the correct management of FIRs (Waste Identification Forms) is verified, also by using databases and EWC code reports (prepared by the person responsible for SISTRI), to properly fill in the annual MUD (Single Model of Environmental Declaration);
  - the availability and proper filing of waste management documentation are verified.

Related to the Sensitive Activity herein, the Company has adopted a procedure relating to waste management set out in Annex A.

- (g) **For maintenance management** (under paragraph 3(g)), considering the impact that this operation has on the habitat, the management of water, air, soil and subsoil pollution, waste

management, and ozone protection:

- maintenance activities are formalized and regulated;
- a centralized system monitors and supervises the maintenance of the various facilities of the Company;
- roles and responsibilities in plant and machinery maintenance management are clearly identified for each production plant, both for the activities performed by internal staff and third parties;
- during maintenance, compliance is ensured with environmental procedures, in particular those relating to waste management, discharges, soil and subsoil protection from pollution, air emissions; finally, the Company makes sure that the installations containing ozone-depleting gases are properly managed;
- machinery, plants and equipment are checked for compliance with environmental requirements;
- the Company verifies that hazardous substances or substances having environmental impacts are handled and managed exclusively by skilled staff;
- regular and planned maintenance is performed on temporary waste storage facilities so as to limit the exposure of waste to the elements;
- extraordinary maintenance is also performed to minimize any environmental accidents;
- regular and planned maintenance is performed on the outlets and filters of flue-gas stacks;
- the traceability and availability of the documentation relating to maintenance operations are ensured (e.g. analytical checks, maintenance records);
- emergency maintenance is defined to minimize pollution in the event of an environmental crisis;
- the assets containing ozone-depleting substances are listed and a plan is defined for maintenance checks and/or asset dismantling and disposal according to current legislation;
- the responsibilities and procedures for managing waste generated by third parties performing maintenance activities at the Company's facilities are clearly defined;
- all the plants located in protected areas are mapped to prevent, during extraordinary maintenance, any pollution of water, soil, subsoil and habitat.

Related to the Sensitive Activity herein, the Company has adopted the procedures relating to maintenance operations and context analysis and environmental analysis and Operating Procedure for the management of environmental aspects set out in Annex A.

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**SPECIAL SECTION “G”**  
**ENVIRONMENTAL CRIMES - Annex “A”**

Procedures adopted by the Company within the environment management system (current titles):

- a) **Operating Procedure context analysis and environmental analysis:** it defines how to identify environmental aspects and impacts associated with operations, products/projects/services of Loro Piana to evaluate their significance under normal, abnormal and emergency conditions, and precisely:
  - process stages, such as identification of environmental aspects; assessment and classification of environmental aspects that may have significant impact(s); definition of measures for the prevention, minimization or elimination of environmental impacts; preparation of the environmental analysis document; archiving;
  - for each stage, its activities, manager, operational manager, and operating procedures.
  
- b) **Operating Procedure for procurement management:** it determines the organizational procedures for managing the procurement of goods and services, also related to the Environment, namely:
  - process stages, such as definition and planning of goods and/or services requirements; negotiation for the purchase of goods and/or services; purchasing; vendor rating;
  - for each stage, its activities, manager, operational manager, and operating procedures.
  
- c) **Operating Procedure for air emission management and energy consumption:** it defines the proper management of air emissions produced by the plants, including civil heating systems, and the activities of Loro Piana, and specifically:
  - process stages, such as identification of existing emissions; application for air emission authorizations; renewal and modification of emission authorizations; monitoring and supervision plans for atmospheric emissions; compliance with authorization requirements; prevention and resolution of emergency situations;
  - for each stage, its activities, manager, operational manager, and operating procedures.
  
- d) **Operating Procedure for maintenance operations:** it defines the principles, benchmarks and methods for planning, designing and organizing maintenance activities on the components that, following the assessment of the importance of the aspects and their environmental impacts as well as the evaluation of risks to health and safety at work, require maintenance, namely:
  - process stages, such as identification of infrastructures, buildings, installations, machines and equipment that require maintenance; entrustment of maintenance work to internal and external staff; planning and scheduling of maintenance activities; management of unscheduled maintenance activities; execution of maintenance work; maintenance verification activities;
  - for each stage, its activities, manager, operational manager, and operating procedures.
  
- e) **Operating Procedure for the management of products and chemical substances:** it governs the organizational and operational procedures for handling hazardous and/or non-hazardous substances and/or mixes, used or generated during the activities, processes and services performed at Loro Piana’s facilities; and precisely:
  - process stages, such as identification of substances and/or mixes necessary for performing activities, processes and services; purchase of substances and/or mixes; verification of compliance with REACH and Proposition 65; evaluation of quantities of substances and/or mixes necessary for performing the activities and processes; risk assessment; acquisition of safety information and technical data sheets; use instructions; how to manage transport, handling, loading and unloading; emergency management; training and information of workers in charge of handling the substances;
  - for each stage, its activities, manager, operational manager, and operating procedures.
  
- f) **Operating Procedure for the management of discharges:** it governs the organizational and management procedures for controlling water discharges, so as to ensure compliance with current legislation and any corporate improvement plans, namely:
  - process stages, such as, such as inventory and localization of the types of discharges; design of a new discharge point; monitoring and surveillance plans for chemical, physical and biological properties;

- maintenance of water networks, equipment and purification systems; prevention and resolution of emergency situations;
  - for each stage, its activities, manager, operational manager, and operating procedures.
- g) **Operating Procedure for waste management:** it defines the operating procedures and responsibilities by which Loro Piana manages the waste produced during its activities and services, to ensure compliance with current regulations and pursue the continuous improvement of its environmental performance through suitable business plans, namely:
- process stages, such as Classification of waste produced; how to assign EWC codes; identification of modes and characteristics of temporary waste storage; compilation of the loading and unloading register; preparation of the Waste Identification Form (FIR); preparation of the Single Model of Environmental Declaration (MUD); monitoring of persons authorized to collect, transport, recycle and dispose of waste;
  - for each stage, its activities, manager, operational manager, and operating procedures.
- h) **Operating procedure for the management of compliance obligations for legal provisions:** it establishes operating procedures and responsibilities in the management of Loro Piana's legal provisions, in particular roles, responsibilities and operational procedures for access to, applicability, identification, filing, updating and dissemination of the binding legal provisions and other requirements voluntarily adopted by Loro Piana regarding quality, environment and safety of the operations performed and those on which the Company may exercise its influence, namely:
- process stages, such as identification of applicable laws and regulations; dissemination and use of legal requirements; assessment of compliance with legal provisions; application of new laws and regulations; filing;
  - for each stage, its activities, manager, operational manager, and operating procedures.
- i) **Operating Procedure for audit management:** it defines the roles, responsibilities and operational methods adopted by Loro Piana for planning and conducting internal audits of the HSE System, namely:
- process stages, such as definition of the audit objectives; definition of the audit program; implementation, measurement and modification of the audit program; review and improvement of the audit program;
  - for each stage, its activities, manager, operational manager, and operating procedures.
- j) **Operating Procedure for performance measurement and monitoring and Procedure Improvement objectives and review by the direction:** it governs the operating methods and responsibilities that Loro Piana must adopt to measure and monitor performance, namely:
- process stages, such as identification of environmental and occupational safety objectives; identification of environmental and occupational safety targets; definition of one or more programs for achieving these objectives and targets; identification of performance indicators; monitoring and revision of the objective and target program;
  - for each stage, its activities, manager, operational manager, and operating procedures.
- k) **Operating Procedure for non-compliances and corrective actions:** it defines the operational procedures for identifying and correcting non-compliance with environmental and occupational health and safety regulations; determining their causes; identifying and implementing Corrective and Preventive Actions to eliminate, mitigate or prevent the causes; recording and communicating the results of the actions undertaken; reviewing the effectiveness of the actions implemented, namely:
- process stages, such as identification of non-compliance; non-compliance management; analysis of the causes of non-compliance; definition of corrective/preventive action; implementation of corrective/preventive action; effectiveness check of corrective/preventive action; filing of non-compliances;
  - for each stage, its activities, manager, operational manager, and operating procedures.

\* \* \*



## SPECIAL SECTION “H”

## SPECIAL SECTION “H” CRIMES AGAINST INDIVIDUALS

### 1 CRIMES PURSUANT TO ARTICLE 25-QUINQUIES OF THE DECREE

Art. 25-quinquies of the Decree envisages the administrative liability of Entities for the commission of offenses stated in Section I, Chapter III, Title XII, Book II of the Criminal Code (hereinafter referred to as “**Crimes against individuals**”).

Please find below a brief description of the Crime against individuals theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may also be held liable in the event of attempted crime.

#### 1.1 Imposition or maintenance of a condition of slavery or servitude (art. 600 Italian Criminal Code)

This regulation punishes anyone who exercises powers over another person corresponding to the rights of property, or anyone who reduces to or maintains in a continued state of subjection another human being, compelling the individual to work or provide sexual services or beg or nevertheless perform illicit services entailing his/her exploitation or removal of organs.

Imposition or maintenance of a condition of subjection occurs when the conduct is implemented by means of violence, threats, deceit, abuse of authority or by exploiting vulnerability, physical or psychological inferiority or a situation of need, or by promising or providing sums of money or other benefits to third parties exercising the control over the other person.

The relevant conducts are therefore as follows:

- Exercising powers over another person corresponding to the rights of property;
- Reducing another person to a continued state of subjection, compelling him/her to work or provide sexual services or beg or nevertheless perform illicit services entailing his/her exploitation or removal of organs;
- Maintaining a person in the state of subjection described above.

The subjective element required is the awareness of reducing the victim to an object implying property rights for the owner and the conscious will to exploit his/her person, which is considered as an asset from which services or profits can be obtained and which can be hired, transferred or sold.

This crime occurs for example when the Company, to save money, avails itself of a service firm that, by means of violence or threat, reduces other persons to a state of continued subjection, forcing them to work.

#### 1.2 Illicit intermediation and exploitation of labour (art. 603-bis of the Criminal Code)

The regulation punishes, with imprisonment from one to six years and a fine from Euro 500 to 1,000 for each recruited worker, anyone who:

- 1) recruits workers in order to assign them to third parties to work under abusive conditions, exploiting the workers’ underprivileged status;
- 2) uses, hires or recruits workers, also through the intermediation stated in number 1), subjecting the workers to exploitative conditions and taking advantage of their underprivileged status.

For the purposes of this article, the fulfilment of one or more of the following conditions constitutes an indication of exploitation:

- 1) the repeated payment of salaries in a manner that is clearly inconsistent with the national or local collective agreements signed by the main trade union organizations at national level, or in any case disproportionate to the quantity and quality of the work performed;
- 2) the repeated violation of the legislation concerning working hours, rest periods, weekly rest,

- mandatory leave, holidays;
- 3) the existence of violations of the rules on health and safety in the workplace;
- 4) degrading working conditions, surveillance methods or accommodation.

The crime represses the phenomenon of the so-called “caporalato”, aimed at exploiting Italian or foreign workers whose work is assigned to third parties, taking advantage of their underprivileged status. The subjective element required is basic intent, i.e. the awareness and intention of engaging in the conducts indicated in the regulation.

By way of example, the crime could occur when someone engages in intermediation behaviour, so-called “caporalato”, in the interest or to the advantage of the Company, through the use, employment and recruitment of workers in exploitative conditions by third parties or organizations, and therefore without ensuring salaries in accordance with national agreements, compliance with the regulations on working hours, rest periods and holidays, and the enforcement of health and safety standards in the workplace, as well as degrading working conditions, surveillance methods and accommodation.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR CRIMES AGAINST INDIVIDUALS

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of Crimes against individuals<sup>39</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 22, paragraph 12-bis, of Legislative Decree 25th July 1998, no. 286	Anyone	Action	From 400 to 1000 quotas	<p>For a period of at least one year, all the interdiction measures set forth in art. 9, paragraph 2 of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> <li>- If the Entity or one of its organizational units is durably used for the sole and predominant purpose of allowing or facilitating the commission of the offenses listed above, final prohibition on conducting business operations applies pursuant to art. 16, paragraph 3 of the Decree</li> </ul>

<sup>39</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.



Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 603-bis of the Italian Criminal Code (crimes of illegal employment and labour exploitation)	Anyone	Action	From 400 to 1000 quotas	For a period of not less than one year, all the interdiction sanctions set out in art. 9, 2nd paragraph of the Decree

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES CRIMES AGAINST INDIVIDUALS

**Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved* **Company:** *Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations*).

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-quinquies.

#### 4.1 Principles of conduct

The Company also establishes the following principles:

In general, it is absolutely forbidden to:

- promote, originate, collaborate or engage in behaviour constituting Crimes against individuals;
- entrust suppliers/contractors with assignments if they are suspected of engaging in conducts related to Crimes against individuals.

#### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Crimes against individuals upon performing operations relating to such Sensitive Activities.

For the selection and management of suppliers and contractors and purchasing (under paragraph 3):

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined through the compilation by the latter of the Sustainability Questionnaire on the "Bravo Solution" platform in order to understand if:
  - the suppliers/contractors respect the human rights defined in the "Universal Declaration of Human Rights and International Labour Law" with regard to principles and rights in the workplace;
  - the suppliers/contractors' employees have a regular employment contract;
  - the suppliers/contractors encourage initiatives aimed at sustainability in their company;
  - the suppliers/contractors have adopted a Code of Conduct;
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- where possible, several potential suppliers/contractors are identified in the selection procedure;

- otherwise the applicant function must provide adequate and traceable justification;
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.
- The Company complies – and makes sure that its suppliers comply – with the labour regulations in force, with special focus on child labour and health and safety through social audits performed by the Supply Chain and Company Purchasing functions. The following aspects are specifically inspected:
  - mistreatment and abuse;
  - working hours;
  - remuneration and benefits.

The Company has adopted a procedure relating to purchasing, which governs:

- roles and responsibilities within the procurement process;
- the operations which represent the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

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**SPECIAL SECTION “I”**  
**EMPLOYMENT OF ILLEGALLY STAYING THIRD-COUNTRY NATIONALS**

**1 CRIME PURSUANT TO ART. 25-DUODECIES OF THE DECREE**

Article 25-duodecies of the Decree provides for the administrative liability of Entities for the offense stated in Article 22, paragraph 12-bis (“**Employment of illegally staying third-country nationals**”) of Legislative Decree 25th July 1998, no. 286 (“**Unified Immigration Law**”), to combat illicit work or “shadow economy” and raise awareness among entities regarding any related misconducts.

The offense of Employment of illegally staying third-country nationals punishes employers who hire foreign workers who are not in possession of the residence permit as set out in the aforementioned Article, or whose permit has expired without renewal applications, or has been revoked or cancelled, if the workers are:

- more than three;
- minors under working age;
- subject to other to particularly exploitative working conditions stated in the third paragraph of Article 603-bis of the Italian Criminal Code, i.e. exposed to situations of grave danger, considering the characteristics of the services to be performed and working conditions.

The perpetrator of this crime, according to the regulation, is the employer. However, both the employer and the person who – on behalf of or delegated by or otherwise reporting to the employer –has directly and personally recruited the illicit worker may be prosecuted.

From a subjective point of view intent is required, that is the employer must be aware of hiring undeclared and/or illegal workers.

Pursuant to art. 26 of the Decree, the Company may also be held liable in the event of attempted crime. By way of example, without limitation, the offense could be committed if the Company employed foreign workers without a residence permit, or whose permit has expired without renewal applications within the terms of Law, or has been revoked or cancelled, provided that the additional conditions under paragraph 12-bis of art. 22 above are met.

**2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR THE EMPLOYMENT OF ILLEGALLY STAYING THIRD-COUNTRY NATIONALS**

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of the Crime of Employment of illegally staying third-country nationals<sup>40</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 22, paragraph 12-bis, of Legislative Decree 25th July 1998, no. 286	Employer	Action	100 to 200 quotas up to Euro 150,000	None

<sup>40</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

- a) **Sensitive Activities Employment of illegally staying third-country nationals Recruitment and selection of personnel, including through third parties.** (*Corporate functions involved: Company, Company Human Resources; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- b) **Selection and management of suppliers and contractors and purchasing.** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC purchase, SC Operations; Textile Division: Operations; B.U. Interiors*).

### 3 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-duodecies.

#### 3.1 Principles of conduct

The Company also establishes the following principles:

- all operations aimed at hiring and managing human resources are inspired by honesty, integrity, fairness and good faith in compliance with the law and the internal provisions of the Company, in particular the conditions, including procedural requirements, set out in immigration law;
- it is forbidden to maintain business relations with subjects who are known to be or suspected of being involved in illicit operations regarding the crimes envisaged by immigration law;
- upon recruiting, it is ascertained whether the employee's stay is legal.

#### 3.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities pursuant to 25-duodecies. These protocols are also contained in the corporate procedures adopted by the Company to prevent the Employment of illegally staying third-country nationals upon performing operations relating to such Sensitive Activities.

- a) **For staff selection, recruitment and management, including through third parties (under paragraph 3(a)):**
  - the authorization process for the recruitment of staff is clearly defined;
  - the functions requesting the selection and recruitment of personnel formalize their application by filling in specific forms in accordance with the annual budget;
  - the recruitment requests are justified and duly authorized by entitled persons;
  - for each open position, except when it is objectively impossible due to the peculiarity of the profile, several applications are examined;
  - applicants are interviewed to also assess their ethical and behavioural inclinations;
  - the evaluations of the candidates are formalized in specific documents;
  - upon recruitment, the Human Resources function of the relevant Division collects the proofs of the regular residence permit;
  - the documentation relating to the selection and recruitment of staff is filed by the Human Resources Manager of the relevant Division, where possible in a specific archive, to allow the correct traceability of the entire process and facilitate any future checks;
  - The Company has adopted a procedure relating to recruiting which defines:
    - roles and responsibilities within the recruitment process;
    - the operations that represent the process;
    - the conditions for the inclusion of new resources;
    - the selection channels;

- the stages and methods of the approval process and the persons in charge;
- the form and content of the employment contract.

**b) For the selection and management of suppliers and contractors and purchasing (under paragraph 3(b)):**

- the responsibilities related to the purchasing process are identified and communicated;
- the qualification process of suppliers/contractors is defined;
- a list of qualified counterparties is drawn up and regularly updated;
- the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
- where possible, several potential suppliers/contractors are identified in the selection procedure; otherwise the applicant function must provide adequate and traceable justification;
- the counterparty's compliance with the legal requirements is verified through the acquisition of the documentation provided by law (e.g. Social Security Compliance Certificate - DURC);
- the contracts/orders with suppliers/contractors are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the contracts/orders are signed by persons vested with the necessary duly formalized powers;
- before paying the supplier/contractor, the function which had requested the service certifies its completion in writing, to authorize the payment;
- where possible and appropriate, the Company may verify the staff employed by the counterparty;
- the following are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices.

The Company has adopted a procedure relating to purchasing, , which governs:

- roles and responsibilities within the procurement process;
- the operations that represent the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

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## SPECIAL SECTION “L” COPYRIGHT INFRINGEMENT

### 1 CRIMES PURSUANT TO ART. 25-*NOVIES* OF THE DECREE

Art. 25-*novies* of the Decree provides for the administrative liability of entities for the commission of certain crimes set out in law 22nd April 1941, no. 633 (“**Protection of copyright and other rights related to its exercise**” – “**Law on Copyright**”) regarding violation of copyright (hereinafter referred to as “**Copyright infringement crimes**”).

Below is a brief description of the Copyright infringement crimes theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

#### 1.1 Art. 171 paragraph 1, lett. a-bis) and paragraph 3 of the Law on Copyright

In brief, art. 171 of the Law on Copyright is intended to protect copyright against illegal reproductions and performances of protected works; the provisions of the first paragraph are mainly aimed at the protection of the author’s economic rights, whereas the third paragraph also considers the conducts damaging the author’s personal rights (moral copyright).

The crimes set out in art. 171 of the Law on Copyright are all punishable when basic intent is present; therefore, it is not necessary that the perpetrator specifically intends to obtain unjust profit. The crime under art. 171, paragraph 1, lett. a-bis) occurs when a person, without having the right, for any purpose and in any form, makes available to the public, by entering into a system of data transmission networks through connections of any kind, a protected original work or a portion thereof.

By way of example, the crime could be committed if copyrighted content was published on or uploaded to the Company’s website.

Paragraph 3 of art. 171 punishes, on the other hand, some cases of breach of the author’s personal rights, which are considered aggravating circumstances with respect to the cases under paragraph 1. The injuries to the author’s moral rights are therefore not punishable autonomously, but only if they play a part in the infringement of economic rights pursuant to art. 171, paragraph 1.

More precisely, the punishment is aggravated if the conducts above:

- regard a “work belonging to others that is not intended for publication”; or
- involve “false claims on authorship of the work” that is a work is appropriated from the author by indicating false authorship (plagiarism); or
- involve “deforming, mutilating or otherwise altering the work concerned”, by modifying or eliminating a portion of the original work, so that the change/removal annuls the practical purpose of the work as a whole;
- provided that “the honour and reputation of the author are offended”.

By way of example and without limitation, the offense may arise if a Senior Manager and/or a Subordinate Person, in the interest and for the benefit of the Company, published on the Company’s website copyrighted images without having acquired the use license.

#### 1.2 Art. 171-bis of the Law on Copyright

The regulation punishes anyone who unlawfully duplicates computer programs for profit or, for the same purpose, distributes, sells, stores for commercial or business purposes or hires out software programs contained in unauthorized media that are not marked by the Italian Royalties Collection Society (SIAE). The same penalties shall apply if the deed concerns any means intended exclusively to enable or facilitate the arbitrary removal or functional avoidance of devices applied as a protection to

software programs. The sentence is increased if the deed is particularly serious.

Pursuant to the 2nd paragraph of art. 171-bis, the crime also occurs whenever anyone duplicates, transfers to another medium, distributes, discloses, presents or demonstrates in public for profit media without the SIAE mark or the content of a database in infringement of the provisions set forth in articles 64-quinquies and 64-sexies, or extracts or re-uses the database in violation of the provisions set out in articles 102-bis and 102-ter, or distributes, sells or hires out a database. The sentence is increased if the deed is particularly serious.

The article concerned consists of two paragraphs: the first protects software in general, the second protects databases, understood as “collections of work, data or other independent elements that are systematically or methodically arranged and individually accessible through electronic means or with any other means”, excluding their contents and the rights connected to them.

From a subjective point of view, all the cases set forth in art. 171-bis are characterized by specific intent, consisting in the purpose of obtaining profit.

By way of example, the criminal offense concerned may occur if a Senior Manager and/or a Subordinate Person, in the interest of the Company, used for business purposes non-original software to save the cost of the user license connected to original software.

### **1.3 Art. 171-ter of the Law on Copyright**

This crime occurs, as per the first paragraph, when one of the following actions is committed for profit:

- a) unauthorized duplication, reproduction, transmission or public dissemination by any means of all or part of intellectual properties developed for television or movie theatre use; sale or rental of records, tapes or similar media or other media containing sounds or images from musical works, films or similar audio-visual works or sequences of moving pictures;
- b) unauthorized reproduction, transmission or public dissemination by any means of all or part of literary, dramatic, scientific, educational, musical, theatrical-musical or multimedia works, even if included in collective or composite works or databases;
- c) import into Italy, possession with intent to sell or distribute, distribution, offer for sale, rental or transfer on whatever basis, projection in public, television broadcasting by any means and radio broadcasting of the unauthorized duplications or reproductions stated in letters a) and b) even without participating in their duplication or reproduction;
- d) possession with intent to sell or distribute, distribution, offer for sale, rental or transfer on whatever basis, public projection and television or radio broadcasting by any means of video cassettes, music cassettes, any other medium containing sounds or images from musical works, films or similar audio-visual works or sequences of moving images, or of any other media that are required to bear the SIAE mark and which, instead, do not have such mark or bear a counterfeit or altered mark;
- e) retransmission or dissemination by any means of an encrypted service received through devices or portions of devices designed to decode data broadcast with conditional access, without the approval of the lawful distributor;
- f) import into Italy, possession with intent to sell or distribute, distribution, sale, rental, transfer on whatever basis, promotion of the sale and installation of special decoding devices or components to access an encrypted service without paying the required fee;

f.bis) manufacture, import, distribution, sale, rental, transfer on whatever basis, promotion of the

sale or rental or possession for commercial purposes of equipment, products or components or provision of services the commercial use or primary purpose of which is to bypass technological protective measures, pursuant to art 102-quater, or which have been designed, produced, adapted or built to allow or facilitate the avoidance of the abovementioned measures. The technological measures also include those applied, or that remain following the removal of the same measures subsequent to the voluntary initiative of the rightsholders or agreements between the latter and the beneficiaries of exceptions or the implementation of measures taken by the Courts or administrative authority;

- g) unauthorized removal or alteration of electronic information stated in article 102-quinquies, or distribution, import with intent to distribute, radio or television broadcasting, dissemination or publication of works or other protected materials from which the abovementioned electronic information has been removed or altered.

The crime occurs, as per the 2nd paragraph of art. 171-ter, in the event of:

- a) reproduction, duplication, transmission or unauthorized broadcasting, sale or commerce, transfer on whatever basis or unauthorized import of more than 50 copies of works protected by copyright and related rights;
- a. bis) in infringement of art. 16, publication for profit on a system of data transmission networks, through connections of any kind, of a copyrighted intellectual work, or portion thereof;
- b) actions stated in paragraph 1 performed as a business operation consisting in reproducing, distributing, selling, marketing or importing works protected by copyright and related rights;
- c) promoting or organizing the unlawful operations stated in paragraph 1.

Art. 171-ter of the Law on Copyright only applies if the perpetrator engages in the conducts not for personal use and with the specific intent to obtain a profit, that is an economically significant advantage or an increase in assets, which cannot possibly qualify as mere savings; this is different from mere profit, which also includes a mere moral advantage.

By way of example, the crime may occur if a Senior Manager and/or a Subordinate Person, in the interest and for the benefit of the Company, illegally reproduced, in any manner, works protected by copyright or related rights (including databases and software).

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR COPYRIGHT INFRINGEMENT

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of Copyright infringement crimes<sup>41</sup>.

<sup>41</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 171, paragraph 1, lett. a-bis) and paragraph 3 of Law no. 633/1941 Art. 171-bis of Law no. 633/1941 Art. 171-ter of Law no. 633/1941	Anyone	Action	Up to 500 quotas	For a period not exceeding one year, all the interdiction measures set out in art. 9, par. 2 of the Decree:  <ul style="list-style-type: none"> <li>- Prohibition on conducting business operations;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.<sup>42</sup></li> </ul>

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES COPYRIGHT INFRINGEMENT CRIMES

- a) **Management of marketing, advertising and communication** (*Corporate functions involved: Company: Company Communications (Public Relations, Marketing & Communication LGD, Trade Marketing Textile Division, Digital Development & E-commerce Luxury Goods; B.U. Interiors);*
- a) **Management of software licenses** (*Corporate functions involved: Company: Company IT; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology).*

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-novies.

#### 4.1 Principles of conduct

The Company also establishes the following principles:  
it is strictly forbidden to:

- connect personal computers, peripherals, other equipment to Loro Piana's IT systems and data transmission networks, or install software without prior authorization;

<sup>42</sup> The last section of the second paragraph of art. 25-novies of Legislative Decree no. 231/2001 specifies "without prejudice to art. 174-quinquies of Law no. 633 of 1941".

- install software products, including databases, in breach of contractual licensing agreements and, in general, all laws and regulations governing and protecting copyright;
- modify the software and/or hardware configuration of fixed or mobile workstations, in particular as concerns Internet connection protocols;
- disseminate or make available to the public through the Internet or other transmission means, electronic or otherwise, works protected by copyright;
- regarding any intellectual works used for promotional purposes, publish, reproduce, or disseminate them, including through the Internet, in breach of their copyright;
- market in Italy, or license on whatever basis for profit, media containing computer programs and/or copyrighted works without the SIAE mark.

#### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Copyright infringement crimes upon performing operations relating to such Sensitive Activities.

- a) **For the management of marketing, advertising and communication** (under paragraph 3 a):
- copyrighted works purchased by the Company for its communication and/or marketing activities are catalogued in a special database;
  - license expiry monitoring tools are adopted;
  - the use of copyrighted works is prohibited after the expiration of the user license;
  - all the Company's communication activities are previously authorized.
  - The Company has defined guidelines on intellectual property which govern:
    - definition of industrial and intellectual property rights held by or available to Loro Piana or its direct and indirect subsidiaries;
    - how Loro Piana's intellectual property rights should be protected and managed and how Loro Piana should prevent using the rights of third parties, and the corporate subjects involved;
    - how situations that pose or may pose a risk to intellectual property rights should be reported.
- b) **For the management of software licenses** (under paragraph 3(b)), the following are defined:
- how to catalogue and verify the software installed on the workstations;
  - how to monitor software license expiration dates;
  - how to apply for the use or installation of third-party software.

\* \* \*



## SPECIAL SECTION “M” CRIMES AGAINST INDUSTRY AND TRADE

### 1 CRIMES PURSUANT TO ARTICLE 25-BIS1 OF THE DECREE

Article 25-bis1 provides for the administrative liability of entities as concerns the commission of some crimes against industry and trade set forth in the Criminal Code (hereinafter referred to as “Crimes against industry and trade”).

Below is a brief description of the Crimes against industry and trade theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may be held liable even in the event of attempted Crime.

#### 1.1 Sale of industrial products with misleading signs (art. 517 Italian Criminal Code)

This regulation punishes – if the conduct does not constitute an offense pursuant to another legal provision – whoever puts up for sale or otherwise circulates works of the human intellect or industrial products with names, trademarks or national or foreign distinctive signs, with the aim of misleading the buyer as to the origin, provenance or quality of the work or product.

“Trademark” is the sign used by the firm to distinguish its product, “name” is the denomination that characterizes a product within the same class.

For the crime to be prosecutable, the consumer does not have to be actually deceived or injured because the relevant aspect is the deceptive attitude of the counterfeit product.

From a subjective point of view, basic intent is sufficient, understood as the awareness and intention of selling or otherwise circulating misleading intellectual works or industrial products.

By way of example, the crime could be committed if a Senior Manager and/or Subordinate Person, in the interest and for the benefit of the Company, circulated a product under a name owned by another company.

#### 1.2 Fraud in trade (art. 515 Italian Criminal Code)

This regulation punishes – if the fact does not constitute a more serious crime – anyone who, upon conducting business or operating a shop open to the public, delivers to the purchaser a movable item instead of another, or a movable item whose origin, provenance, quality or quantity is different from that stated or agreed.

If precious objects are involved, the sentence is increased.

The conduct consists in delivering to the buyer a movable item that is different from the agreed one; therefore, the crime exists even when the individual consumer has not been actually deceived or injured.

From a subjective point of view, basic intent is sufficient, that is the awareness and intention of delivering an item other than the one agreed.

By way of example, the crime could be committed if the Company provided untruthful information about the product on the label (e.g. regarding its composition, quality, origin or provenance) to gain an advantage.

### 1.3 Production and sale of goods manufactured by usurping industrial property rights (art. 517-ter Italian Criminal Code)

This regulation punishes anyone in a position to be informed of the existence of industrial ownership rights, who manufactures or uses for industrial purposes objects or goods made by usurping an industrial property right or violating the same, or who, for profit, introduces into Italy or possesses with intent to sell or puts up for sale with a direct offer to consumers or circulates the goods referred to above.

By way of example, the crime could occur if the Company manufactured products by unduly exploiting industrial property rights of third parties.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR CRIMES AGAINST INDUSTRY AND TRADE

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of the Crimes against industry and trade<sup>43</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 515 Italian Criminal Code (Fraud in trade)	Anyone	Action	Up to 500 quotas	None
Art. 517 Italian Criminal Code (Sale of industrial products with misleading signs)	Anyone	Action	Up to 500 quotas	None
Art. 517-ter Italian Criminal Code (Production and sale of goods manufactured by usurping industrial property right)	Anyone	Action	Up to 500 quotas	None

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

<sup>43</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.



### 3 SENSITIVE ACTIVITIES CRIMES AGAINST INDUSTRY AND TRADE

- a) **Selection and management of suppliers and contractors and purchasing** (*Corporate functions involved: Managing director; Company: Finance, Company Human Resources, Company IT, Company Communication; Luxury Goods Division: Retail & Wholesales Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning; Textile Division: COO Textile Division; Operations; Human Resources; B.U. Interiors*);
- b) **Selection and management of agents, business partners, distributors and franchisees and sales management** (*Corporate functions involved: Company: Finance, Legal, Credit Management; Luxury Goods Division: Retail & Wholesale Luxury Goods; Textile Division: B.U. Yarns; B.U. Interiors; B.U. Fabrics; B.U. Interiors*);
- c) **Operations management (such as label management, quality control, etc.)** (*Corporate functions involved: Company: Company Communications; Luxury Goods Division: Product Development & Supply Chain; Textile Division: Operations; B.U. Interiors; B.U. Fabrics, B.U. Yarns; B.U. Interiors*);
- d) **Management of research and development, including through third parties** (*Corporate functions involved: Luxury Goods Division: Product Development & Supply Chain; Textile Division: Operations, Innovation & Quality; B.U. Interiors*);
- e) **Management of marketing, advertising and communication** (*Corporate functions involved: Company: Company Communications (Public Relations, Marketing & Communication LGD, Trade Marketing Textile Division: B.U. Interiors)*).

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-bis1.

#### 4.1 Principles of conduct

The Company also establishes the following principles:

- all activities aimed at managing relationships with Italian and foreign suppliers/customers / partners are performed with honesty, integrity, fairness and in good faith in compliance with the laws and internal rules of the Company, in particular the provisions on the infringement of industrial property and trademarks;
- it is forbidden to violate the industrial property rights of third parties and the rights of the Company shall be protected;
- it is forbidden to interfere with the industrial or trade activities of third parties, by hindering or distressing those activities;
- if third parties with whom the Company interacts claim the ownership of industrial property rights, actions shall be immediately taken;
- as soon as the Company comes into contact with third parties, all necessary measures shall be taken to prevent the Company from acquiring from and, above all, selling to third parties goods which do not meet the characteristics that have been specified or agreed upon,

counterfeit products or products marked by misleading signs or marks violating patent rights of third parties, or non-genuine goods or items bearing untruthful geographical indications or designations of origin.

#### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Crimes against industry and trade upon performing operations relating to such Sensitive Activities.

- a) **For the selection and management of suppliers and contractors and purchasing** (under paragraph 3 a)):
- the responsibilities related to the purchasing process are identified and communicated;
  - the qualification process of suppliers/contractors is defined;
  - the selection and evaluation of suppliers/contractors is based on ethical-subjective and economic and financial requirements;
  - for the suppliers that must be entered for the first time subsequent to the qualification process, a specific structured procedure is envisaged, aimed at verifying the quality and technical characteristics of the goods to enter into the production process, to ascertain that they correspond to the stated quality and technical characteristics;
  - analytical control plans are defined to determine whether the products purchased are consistent with the characteristics declared by the supplier; the documentation relating to the checks performed is filed.

The Company has adopted a procedure relating to purchasing, which governs:

- roles and responsibilities within the procurement process;
- the operations that represent the process;
- how to request the purchase and the content of the application, which includes, among other things, the reason for the request, the requirements of the good/service needed (such as, for example, functional characteristics, quantity required etc.) and the deadline for the delivery of the good/service;
- cases in which the purchase request does not apply;
- how the good/service is procured – i.e. call for tenders or direct award and when each applies;
- how to request quotations for the purchases through tenders;
- how to assess the suppliers;
- checks (including sample checks) for verifying that the new suppliers are assessed in compliance with the defined procedure;
- how to negotiate and conclude contracts and create purchase orders;
- the methods for ascertaining that the service has been rendered and the supplies delivered; the procedures for authorizing and making payments; invoice accounting.

- b) **For the selection and management of agents, business partners, distributors and franchisees (“Business Partners”) and sales management** (under paragraph 3 b)):
- process responsibilities are identified and communicated;
  - benchmarks are established for selecting and evaluating the counterparties (ethics, professionalism, independence and competence);

- the Business Partners' qualification process is defined;
- the agreements with the Business Partners are concluded in writing and specify the agreed consideration or the benchmarks for determining the compensation and the content of the services to be supplied;
- the agreements with the Business Partners are signed by persons vested with the necessary duly formalized powers;
- the products to be sold are checked for consistency with the characteristics stated in the relevant technical/informational material or any material delivered to the customer or disseminated to the public;
- the company's staff in charge of delivery makes sure that the products ready for shipment correspond to the sales order in terms of characteristics and quantity of the items;
- any communications to the customers relating to product quality and specifications are authorized by the relevant positions based on corporate procedures;
- the documentation is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.

The Company has adopted a procedure relating to sales, which governs:

- roles and responsibilities within the sales management process;
- the procedures for selecting the business third parties;
- the operations that represent the process;
- how to assess prospects;
- checks on assessment outcomes;
- how to manage business agreements/sales orders;
- how to manage shipments;
- how to record, invoice, collect and manage receivables.

**c) For operations management (e.g. label management, quality control, etc.) (under paragraph 3 c)):**

- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
- the production process is based on previously defined technical specifications which clearly establish the type and quality of goods (raw materials and semi-finished products) to be used in relation to the technical and qualitative characteristics of the finished product;
- manufacturing, production and processing are constantly monitored to ensure that only raw materials and semi-finished products whose quality and technical characteristics are in accordance with the product specifications enter the process;
- products whose technical and qualitative characteristics are not compliant with those defined are identified and subject to specific control activities so that they do not pass to the next sale stage;
- checks are run and documented to ensure that the information stated corresponds to the composition of the product in terms of qualitative and quantitative characteristics and origin or provenance;
- checks are run and documented so as to ensure that the description and the technical and commercial information of the sold product correspond to the statements it bears or the information material or any material (including packaging) delivered to the customers or to the public or used to advertise the product.

- the documentation supporting the checks conducted is kept, by the Head of the Function involved, in a special archive, in such a way as to prevent any subsequent modifications except with specific evidence, in order to allow the correct traceability of the entire process and facilitate any subsequent checks.
- d) **For the management of research and development, including through third parties** (under paragraph 3 d)):
- the roles and responsibilities of the functions involved are clearly identified, with appropriate and traceable means;
  - for research and development of new products, the Company has defined a structured process divided into specific relevant stages (special documentation is prepared for each of them), information flows to higher hierarchical bodies and their authorization for the transition to the next stage;
  - new products originated from research and development, before entering the production cycle, are subject to specific control activities aimed at verifying that they comply with the pre-defined requirements in terms of quality and technical characteristics;
  - the actual novelty of new products being developed is investigated, as well as the use of third-party production techniques, patents or other industrial property rights;
  - when elements suggesting potential infringements of third-party industrial property are identified, accurate analyses are performed, also by third-party specialists, and documented.
- e) **For the management of marketing, advertising and communication** (under paragraph 3 e)):
- checks are run and documented so as to ensure that the description and the technical and commercial information of the sold product correspond to the statements it bears or the information material or any material (including packaging) delivered to the customers or to the public or used to advertise the product;
  - tools are adopted to monitor the use of works protected by copyright;
  - the use of copyrighted works is prohibited after the expiration of the license;
  - all communications activities related to the Company are previously authorized.
- The Company has defined guidelines on intellectual property which govern:
    - definition of industrial and intellectual property rights held by or available to Loro Piana or its direct and indirect subsidiaries;
    - how Loro Piana's intellectual property rights should be protected and managed and how Loro Piana should prevent using the rights of third parties, and the corporate subjects involved;
    - how situations that pose or may pose a risk to intellectual property rights should be reported.

\* \* \*





## SPECIAL SECTION “N” FORGERY

### 1 CRIMES PURSUANT TO ART. 25-BIS OF THE DECREE.

Article 25-*bis* of the Decree provides for the administrative liability of entities for some crimes set out in the Criminal Code regarding counterfeiting of money, bonds, stamped papers and identification instruments or marks (hereinafter referred to as “**Forgery Crimes**”).

Below is a brief description of the Forgery Crime theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may also be held liable in the event of attempted crime.

#### 1.1 Spending and non-complicit introduction of counterfeit money into the national domain (art. 455 Italian Criminal Code)

This regulation punishes anyone who introduces into Italy, purchases or possesses counterfeit or altered banknotes and coins, with the purpose of circulating them, or spends them or otherwise circulates them.

For spending and circulation basic intent is sufficient, whereas purchase and possession require specific intent, that is the will to circulate counterfeit or altered money.

Penalties are increased if the offense results in a decrease in the price of the currency or when credit in domestic or foreign markets is compromised.

By way of example, without limitation, the crime could be committed if the Company circulated counterfeit money received by customers through cash payments made at the stores.

### 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR FORGERY

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of Forgery Crimes<sup>44</sup>.

<sup>44</sup> *The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.*

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 455 Italian Criminal Code (Spending and non-complicit introduction of counterfeit money into the national domain)	Anyone	Action	From 300 to 800 quotas regarding article 453, and up to 500 quotas related to article 454, reduced from one third to half	<p>For a period not exceeding one year, all the interdiction measures set out in art. 9, par. 2 of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business operations;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants;</li> <li>- Prohibition on advertising products and services.</li> </ul>

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 SENSITIVE ACTIVITIES FORGERY CRIMES

**Cash management at stores** (*Corporate functions involved: Luxury Goods Division: Country Manager Italy; Area Manager Outlet Europe*).

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

The general principles of conduct and general prevention protocols illustrated in the Preamble apply to the Sensitive Activities 25-bis.

#### 4.1 Principles of conduct

The Company also establishes the following principles:

- banknotes and coins that are legal tender in Italy and abroad are managed in accordance with the law and the internal provisions of the Company with honesty, integrity, fairness and in good faith;
- the staff of Loro Piana's stores authorized to manage cash must comply with money control procedures. If the money is believed or ascertained to be fake, it must be immediately withdrawn from circulation;
- when counterfeit money is found, this must be reported and the notices are filed so as to check when and where the event occurred, identify the person who has reported it and how the counterfeit money has been handled;
- it is expressly forbidden to spend or otherwise circulate counterfeit money or in any case engage in conducts constituting the crime of spending and non-complicit introduction of counterfeit money into the national domain.



## 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Forgery Crimes upon performing operations relating to such Sensitive Activities.

**For Cash management at stores** (under paragraph 3):

- it is expressly forbidden to keep in circulation or facilitate the circulation of coins and/or banknotes suspected of being non-authentic;
- in the case of proven or suspected counterfeit coins and/or banknotes, these must be immediately withdrawn from circulation, in accordance with the procedures provided by law and the Model;
- in the case of proven or suspected counterfeit coins and/or banknotes, the formalities provided by law shall be completed and the relevant documentation shall be filed.

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**SPECIAL SECTION “O”**  
**INCITEMENT NOT TO MAKE STATEMENTS OR TO MAKE FALSE STATEMENTS TO THE**  
**JUDICIAL AUTHORITIES**

**1 CRIMES PURSUANT TO ART. 25-DECIES OF THE DECREE**

Art. 25- decies of the Decree provides for the administrative liability of entities for incitement not to make statements or to make false statements to the judicial authorities pursuant to art. 377-*bis* Italian Criminal Code (hereinafter referred to as “**Incitement Crime**”).

Below is a brief description of the Incitement Crime theoretically applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company may also be held liable in the event of attempted crime.

**1.1 Incitement not to make statements or to make false statements to the judicial authorities (art. 377-bis Italian Criminal Code)**

The law punishes whoever, with violence or threats or by offering or promising money or other benefits, induces a person who is called before the judicial authorities to make statements usable in criminal proceedings, not to make statements or to make mendacious statements, when the person has the right to silence.

Pending legal proceedings are a prerequisite for this crime.

Judicial authorities are defined as any entities belonging to the justice system, including judges and the bodies of the Prosecutor’s Office.

The perpetration of this offense requires specific conditions, as violence, threats or the promise of money or other benefits are necessary, and anyone can be the perpetrator.

The party affected by the conduct is the person who, summoned before the judicial authorities to make statements usable in criminal proceedings, has the right to remain silent in accordance with legal procedures.

For the commission of the crime, the conduct of the perpetrator, however potentially constituting the offense, is not sufficient: the occurrence of the event is required (that is, the behaviour of the person summoned to make statements).

From a subjective point of view, basic intent is sufficient, that is the awareness of inciting the person who has the right to silence as permitted by the legislation not to make statements or to make false statements.

By way of example, the crime concerned could be committed if a Senior Manager and/or a Subordinate Person, with violence or threats, or by offering or promising money or other benefits, persuaded a defendant in criminal proceedings (or in related proceedings, or a related crime) to invoke the right to remain silent or make untruthful statements in the interest or for the benefit of the Company.

If the crime was committed in a transnational context, it would qualify as a transnational crime.

## 2 SANCTIONS TO BE APPLIED AGAINST THE COMPANY PURSUANT TO THE DECREE FOR THE INCITEMENT CRIME.

The following table summarizes the sanctions applicable subsequent to the commission by Senior Managers and/or Subordinate Persons of Incitement Crimes<sup>45</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 377-bis Italian Criminal Code (Incitement not to make statements or to make false statements to the judicial authorities)	Anyone	Action	Up to 500 quotas	None

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

## 3 SENSITIVE ACTIVITIES - INCITEMENT OF CRIMES

The case set out in art. 377-bis, Italian Criminal Code, cannot be connected to specific business activities performed by the Company, nor neatly categorized in a specific control system, as it could be committed at every corporate level and in a virtually infinite number of manners.

Therefore, the principles contained in the Code of Ethics are believed to be the most appropriate tools for preventing the commission of said offense.

All the recipients of the Model, as a consequence, to avoid conducts that could constitute this crime, shall adopt practices and behaviour that are compliant with the Code of Ethics.

However, the general principles of conduct and general prevention protocols illustrated in the Preamble apply to Incitement Crimes and any behaviour aimed at persuading a defendant in criminal proceedings, with violence or threats or by offering or promising money or other benefits, not to make statements or to make mendacious statements in the interest or for the benefit of the Company are expressly forbidden.

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<sup>45</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.





## SPECIAL SECTION “P” RACISM AND XENOPHOBIA

### 1 CRIMES SET OUT IN ART. 25 *TERDECIES* OF THE DECREE

Article 25 terdecies of the Decree envisages the administrative liability of the entities for the crimes of “**Racism and xenophobia**” in relation to the commission of the crimes pursuant to art. 3, paragraph 3-bis of law dated 13th October 1975 no. 654 (reference is made to art. 604-bis of the Italian Civil Code according to art. 7 of Legislative Decree dated 1st March 2018 no. 21).

Below is a brief description of the Crime of Racism and Xenophobia abstractly applicable and relevant to the Company.

Pursuant to art. 26 of the Decree, the Company could be considered liable even if the crimes are only attempted.

#### 1.1 Racism and Xenophobia (art. 5, par. 2, Law 167/2017)

The regulation envisages punishment with imprisonment from two to six years, if the propaganda or instigation and incitement, committed in a way that results in a real danger of dissemination, is based in whole or in part on the denial (on the serious minimization or on the apology) of the Shoah or of genocides, crimes against humanity and war crimes, as defined by articles 6, 7 and 8 of the statute of the International Criminal Court, ratified pursuant to law dated 12th July 1999, no. 232.

### 2 SANCTIONS SET OUT IN THE DECREE AGAINST THE COMPANY FOR THE OFFENSE OF RACISM AND XENOPHOBIA

Below is the summary table of the sanctions applicable as a result of the commission by Supervisors and/or Subordinates of the Crimes of Racism and Xenophobia<sup>46</sup>.

<sup>46</sup> *The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator and the identification of the behaviour.*

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 377-bis Italian Criminal Code (Incitement not to make statements or to make false statements to the judicial authorities)	Anyone	Action	Up to 500 quotas	<p>For a period of not less than one year, all the interdiction sanctions envisaged by art. 9, 2nd paragraph of the Decree:</p> <ul style="list-style-type: none"> <li>- Prohibition on conducting business activities;</li> <li>- Suspension or revocation of authorizations, licenses and concessions that have been instrumental in committing the illicit conduct;</li> <li>- Prohibition on contracting with the public administration, except for obtaining the benefits of a public service;</li> <li>- Denial or revocation of benefits, funding, contributions and grants</li> <li>- Prohibition on advertising products and services.</li> </ul>

Regarding the methods for calculating the fines, please see paragraph 1.4 of the General Section of the Company's Model.

### 3 RACISM AND XENOPHOBIA SENSITIVE ACTIVITIES

The crimes in question are not ascribable to specific businesses conducted.

However, in order to prevent potential unlawful behaviour, the Company has highlighted in the Code of Ethics, as a general principle of conduct, its commitment to fair treatment, prohibiting all forms of harassment and discrimination, including those based on race, colour, religion, sex, age, national origins, citizenship or marital status, favouring a continuous enhancement of technical and professional skills.

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## SPECIAL SECTION “Q” TAX CRIMES

### 1 CRIMES PURSUANT TO ARTICLE 25-QUINQUIESDECIES OF THE DECREE

The types of crimes abstractly applicable and relevant to the Company include tax crimes governed by Article 25-*quinquiesdecies* of the Decree (hereinafter referred to as “Tax Crimes”).

Below is a brief description of the Corporate Crimes abstractly applicable and relevant to the Company.

#### 1.1 Fraudulent declaration through the use of invoices or other documents for non-existent operations (Article 2(1) and (2a) of Legislative Decree 74/2000)

The crime is constituted by the conduct of a person who, using invoices or other documents for non-existent transactions (recorded in compulsory accounting records, or held for evidence), indicates fictitious passive elements in one of the declarations relating to income tax or value added tax.

It is a taxpayer’s own crime, and is consummated with the filing of the tax return (instant crime of mere conduct). The crime concerns both invoices for objectively non-existent transactions (the work or service indicated on the invoice is wholly or partially absent) and subjectively non-existent invoices (the work or service is actually performed but by a person other than the one indicated on the invoice). The crime occurs when fictitious passive elements deriving from false invoices are indicated in any declaration (i.e. INTRASTAT lists).

Paragraph 2a of Article 2 provides for an attenuating circumstance that occurs when the amount of the indicated passive items is less than EUR 100,000.

From a subjective point of view, the crime is punishable by specific intent, consisting of the purpose of evading income or value added tax.

By way of example, and by no means exhaustively, the crime in question could take the form of the so-called “carousel fraud”. In particular, the company uses non-existent invoices to reduce the tax (VAT) due in the annual (or intra- annual) return, obtaining a tax saving.

#### 1.2 Fraudulent declaration through other devices (Article 3 of Legislative Decree 74/2000)

The offense is constituted by the conduct of a person who, by objectively or subjectively carrying out simulated transactions or by making use of false documents or other fraudulent means capable of hindering the assessment and misleading the tax authorities, indicates in one of the declarations relating to income tax or value added tax assets for an amount lower than the actual amount or fictitious passive elements or fictitious credits and deductions.

The punishability of the conduct is conditional on the following evasion thresholds being met in combination:

- a. the tax evaded exceeds, with reference to any one tax, EUR 30,000,
- b. the total amount of the assets removed from taxation, including by means of the indication of fictitious passive elements, is higher than five per cent of the total amount of the assets indicated in the declaration, or in any case higher than EUR 1,500,000, or if the total amount of the

fictitious credits and deductions from tax is higher than five per cent of the amount of the tax itself, or in any case higher than EUR 30,000.

The crime is punishable with specific intent, i.e. with the consciousness and intention to indicate fictitious active or passive elements, credits or deductions in a declaration in order to evade income or value added tax.

The crime is committed when submitting the declaration for income or value added tax.

By way of example, but not limited to, the crime may occur when the Company uses false documents, or employs other fraudulent devices, capable of hindering the assessment and misleading the Tax Authorities, in order to fraudulently obtain a tax saving, such as the receipt of payments for services rendered to a third party, but only partially accounted for, and the remainder diverted to another destination without any trace of this in the accounting records.

### **1.3 Unfaithful declaration (Article 4 of Legislative Decree 74/2000)**

Crime consisting in the conduct of a person who, in order to evade income or value added tax, indicates in one of the annual declarations relating to such tax assets for an amount lower than the actual amount or non-existent passive elements. The crime falls within the scope of application of Legislative Decree No. 231/2001, on the basis of the provisions of Legislative Decree No. 75/2020, only when the crime is committed in the context of cross-border fraudulent schemes and the declaration infidelity relates to VAT (the corresponding crime provided for income tax is therefore excluded) for a total amount of not less than ten million euro.

The crime is an instantaneous crime that is completed when the declaration is submitted.

By way of example, but not limited to, the crime may occur if the company falsifies the VAT declaration by exceeding the threshold limit imposed by the rule, in order to obtain a saving.

### **1.4 Omitted declaration (Article 5 of Legislative Decree 74/2000)**

Crime constituted by the conduct of a person who, in order to evade income or value added tax, does not submit, being obliged to do so, one of the declarations relating to such taxes, when the tax evaded is higher, with reference to any of the individual taxes, than EUR fifty thousand. The crime falls within the scope of application of Legislative Decree No. 231/2001, on the basis of the provisions of Legislative Decree No. 75/2020, only when the crime is committed in the context of cross-border fraudulent schemes and the omission relates to VAT (the equivalent crime provided for in respect of income tax is therefore excluded) for a total amount of not less than ten million euro.

A declaration submitted within 90 days of the expiry of the time limit shall not be considered to be omitted.

### **1.5 Issuing of invoices or other documents for non-existent transactions (Article 8(1) and (2a) of Legislative Decree 74/2000)**

Crime consisting of the conduct of anyone who, in order to enable third parties to evade income or value added tax, issues or release invoices or other documents for non-existent transactions.

The legislator has reserved for those who issue or release invoices or other documents for non-existent transactions the same penalty treatment as for those who use 'false invoices' (Article 2 of Decree 74/2000).

The crime is instantaneous as it is consummated with the issuance of the ‘false invoice’ or the issuance of other documents.

Mirroring Article 2 of Legislative Decree 74/2000 is the mitigating circumstance, in paragraph 2 bis, which applies when the amount indicated in the invoices or documents relating to non-existent transactions is less than EUR 100,000 for the tax period in question.

The issuing or releasing of several invoices or documents for non-existent transactions during the same tax period shall, in principle, be regarded as a single offence.

According to case law, from a subjective point of view, it is not necessary that the purpose of favouring the tax evasion of third parties through the use of issued invoices be exclusive, as the crime is also committed when the conduct is committed to achieve a concurrent personal gain<sup>47</sup>.

#### **1.6 Concealment or destruction of accounting documents (Article 10 Legislative Decree 74/2000)**

This offense is constituted by the conduct of anyone who, in order to evade taxes on income or value added, or to allow third parties to evade, conceals or destroys all or part of the accounting records or documents whose retention is mandatory, so as not to allow the reconstruction of income or turnover. From a psychological point of view, the crime takes the form of specific intent to evade income tax or value added tax.

By way of example, but not limited to, the crime is committed if the Company materially destroys compulsory accounting records, making it impossible to reconstruct the volume of business, in order to evade taxes and obtain fraudulent savings for the Company.

#### **1.7 Undue compensation (Article 10-quater of Legislative Decree 74/2000)**

This offense is constituted by the conduct of a person who fails to pay the sums due, using as offsetting, pursuant to art. 17 of Legislative Decree 9th July 1997 no. 241, undue credits for an annual amount exceeding fifty thousand euro. The crime falls within the scope of application of Legislative Decree No. 231/2001, on the basis of the provisions of Legislative Decree No. 75/2020, only if committed as part of cross-border fraudulent schemes and for the purpose of evading VAT for a total amount of no less than ten million euro.

The offence can be committed by anyone.

This is the case where the Entity, with the support of false documentation, proposes a compensation based on a non-existent or not due credit, exceeding the limits indicated by the legislator (not less than ten million euro), and obtaining a fraudulent advantage for the Company.

The conduct is commissive, and takes the form of supporting the non-payment of the tax by drawing up an ideologically false document (F24). The fraud consists precisely in the offsetting.

<sup>47</sup> Court of Cassation, Criminal Section III 24.5.2019 no. 39316, Tosi

## 1.8 Fraudulent subtraction to the payment of taxes (Article 11(1) and (2) of Legislative Decree 74/2000)

This offence is constituted by the conduct of those who, in order to evade the payment of income or value added taxes or of interest or administrative sanctions relating to such taxes for a total amount exceeding EUR fifty thousand, feigningly alienate or carry out other fraudulent acts on their own or other persons' property such as to render ineffective in whole or in part the compulsory collection procedure. Or again, in order to obtain for themselves or for others a partial payment of taxes and related accessories, they indicate in the documentation submitted for the purposes of the tax transaction procedure assets for an amount lower than the actual amount or fictitious passive elements for a total amount exceeding EUR 50,000.

The offence may be committed by anyone.

It is a crime of concrete danger, in that it requires that the simulated act of alienation or the other fraudulent acts performed on one's own or another person's property be capable of preventing the total or partial satisfaction of the tax credit due to the Treasury. In essence, the legal object that the rule protects is the guarantee constituted by the assets of the person liable to the Treasury.

The crime is committed instantaneously, at the time the assets are disposed of, or at the time the documentation is submitted during the tax settlement procedure.

The conduct, from a subjective point of view, requires the specific intent to render ineffective, for oneself or others, all or part of the compulsory collection procedure, or to obtain a payment lower than the amount due.

By way of example, but not limited to, the crime may occur when a director disperses the assets of the Company in order to evade the payment of taxes, obtaining a pecuniary advantage, which can also be identified in the saving of expenses for the Company obtained through the simulated sale or fraudulent act.

## 2 SANCTIONS SET OUT IN THE DECREE AGAINST THE COMPANY FOR TAX CRIMES

Below is a summary table of the penalties applicable as a consequence of the commission by Senior and/or Subordinate Persons of the Tax Offences<sup>48</sup>.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549) <sup>49</sup>	Interdiction Measure
Art. 2 of Legislative Decree 74/2000 (Fraudulent declaration through the use of invoices or other documents for non-existent transactions)	Anyone	Action	Up to 500 quotas (hypothesis referred to in paragraph 1) Up to 400 quotas (hypothesis referred to in paragraph 2 bis)	

<sup>48</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator

<sup>49</sup> If, following the commission of the offence, the entity has obtained a significant profit, the pecuniary sanction is increased by a third.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 3 of Legislative Decree 74/2000 (Fraudulent declaration through other devices)	Anyone	Action	Up to 500 quotas	Interdiction measure under Article 9(2)(c), (d) and (e):  <ul style="list-style-type: none"> <li>- prohibition of contracting with the public administration, except for the provision of a public service;</li> <li>- exclusion from facilitations, financing, contributions or subsidies and possible revocation of those already granted;</li> <li>- a ban on advertising goods or services.</li> </ul>
Art. 4 of Legislative Decree 74/2000 (Unfaithful declaration)	Anyone	Action	Up to 300 quotas	
Art. 5 of Legislative Decree 74/2000 (Omitted declaration)	Anyone	Omission	Up to 400 quotas	
Art. 8 of Legislative Decree 74/2000 (Issuing of invoices or other documents for non-existent transactions)	Anyone	Action	Up to 500 quotas (hypothesis under paragraph 1) Up to 400 quotas (hypothesis referred to in paragraph 2 bis)	
Art. 10 of Legislative Decree 74/2000 (Concealment or destruction of accounting documents)	Anyone	Action	Up to 400 quotas	
Art. 10-quater of Legislative Decree 74/2000 (Undue compensation)	Anyone	Action	Up to 400 quotas	
Art. 11 of Legislative Decree 74/2000 (Fraudulent subtraction to the payment of taxes)	Anyone	Action	Up to 400 quotas	

With regard to the methods for calculating fines, please refer to paragraph 1.4 of the General Section of the Company Model

### 3 SENSITIVE ACTIVITIES TAX CRIMES

- a) **Assignment and management of consultancies (purchase and assessment of successful performance)** (*Corporate functions involved: CEO; Company: Finance, Company Human Resources, Company IT, Company Marketing & Communication; Luxury Goods Division: Retail & Wholesale Luxury Goods, Product Development & Supply Chain Luxury Goods, HR Luxury Goods, Store Planning*); **Textile Division: COO Textile Division; Human Resources; B.U. Interiors);**
- b) **Selection and management of suppliers and contractors and purchasing** (*Corporate Functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC Purchase, SC Operations; Textile Division: Operations; B.U. Interiors*);
- c) **Litigation management and relationships with judges, their technical experts and their auxiliaries, also through third parties, including out-of-court litigation** (*Corporate Functions involved: Company: Tax, Legal, Company Human Resources, Credit Management; Luxury Goods Division: HR Luxury Goods; Textile Division: Human Resources*);
- d) **Financial Resource Management** (*Corporate functions involved: Managing Director; Company: Finance, Company Human Resources*);
- e) **Management of expense reports and representational expenses (authorization and settlement)** (*Corporate Functions involved: Company: Finance, Company Human Resources; Textile Division: Human Resources; Luxury Goods Division: HR Luxury Goods*);
- f) **Entry, recognition and representation of business activities in the accounting records, budget estimates and evaluations, financial statements, reports and other accounting documents** (*Corporate Functions involved: Company: Finance, Accounting Italy*);
- g) **Management of extraordinary transactions and operations on the share capital** (*Corporate functions involved: Chief Executive Officer; Company: Finance, Company Human Resources*);
- h) **Tax management, including calculation of tax liability, preparation and submission of tax returns, management of VAT payments and accounting of purchase and/or sales** (*Corporate functions involved: Finance, Tax*);
- i) **Selection and management of agents, business partners, distributors and franchisees and sales management** (*Corporate functions involved: Company: Finance, Legal, Credit Management; Luxury Goods Division: Retail & Wholesale Luxury Goods; Textile Division: B.U. Yarns; B.U. Fabrics; B.U. Interiors*);
- j) **Management and provision of sponsorships, events, gifts and donations** (*Corporate functions involved: Managing Director; Company: Company Marketing & Communications (Public Relations, Marketing & Communication LGD, Trade Marketing Textile Division, Finance; B.U. Interiors*);
- k) **Managing access, accounts and profiles** (*Corporate functions involved: Company: IT Company; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);



- l) **Management of documentation with evidentiary value** (*Corporate functions involved: Company IT, Legal; Luxury Goods Division: IT Luxury Goods Division; Textile Division: Information Technology*);
- m) **Management of intercompany transactions** (*Corporate functions involved: Company: Finance*).
- n) **Asset management, capitalization and divestment activities** (*Corporate functions involved: Company: Finance, Accounting Italy*);
- o) **Management of marketing, advertising and communication activities** (*Corporate functions involved: Company; Company Marketing & Communication; Textile Division; Luxury Goods Division; B.U. Interiors*);
- p) **Operations management, including warehouse management** (*Corporate functions involved: Company: Company Communications; Luxury Goods Division: Product Development & Supply Chain; Textile Division: Operations, B.U. Fabrics, B.U. Yarns; B.U. Interiors*);
- q) **Procurement management** (*Corporate functions involved: Company: Company Purchasing, Raw Material Purchases; Luxury Goods Division: Supply Chain, Store Planning, SC Purchase, SC Operations; Textile Division: Operations; B.U. Interiors*).

#### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

In relation to Sensitive Activities Tax Crimes, the General Principles of Conduct and General Prevention Protocols referred to in the Preamble apply.

##### 4.1 Principles of Conduct

In general, it is strictly forbidden to:

- make use of invoices or other documents for non-existent transactions and registering them in the compulsory accounting records, indicating these fictitious passive elements in one of the declarations relating to income tax or value added tax;
- carry out objectively or subjectively simulated transactions or make use of false documents or other fraudulent means capable of hindering the assessment and misleading the tax authorities, by indicating in one of the declarations relating to income tax or value added tax assets in an amount lower than the actual amount or fictitious passive elements or fictitious credits and deductions;
- issue or release invoices or other documents for non-existent transactions in order to allow third parties to evade income tax or value added tax;
- disclose in one of the annual income tax or value added tax declarations assets for an amount lower than the actual amount or non-existent passive elements;
- omit the submission of one of the declarations concerning income tax or value added tax assets where there is a specific regulatory obligation to do so;
- use undue or non-existent credits as compensation;
- conceal or destroy all or part of accounting records or documents required to be kept, so that income or turnover cannot be reconstructed;
- feigningly dispose of or perform other fraudulent acts on one's own or another's property capable

- of rendering ineffective in whole or in part the compulsory collection procedure;
- indicate in the documentation submitted for the tax settlement procedure assets for an amount lower than the actual amount or fictitious passive elements.

#### 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Tax Crimes upon performing operations relating to such Sensitive Activities.

- a) **For the assignment and management of consultancies (purchase and assessment of successful performance)** (referred to in paragraph 3a):
- responsibilities for the process are clearly identified and communicated;
  - the qualification process for consultants is defined;
  - a list of counterparties is prepared and periodically updated;
  - consultants are selected and evaluated on the basis of requirements of ethics, professionalism, independence and competence;
  - in the case of direct assignment to an individual counterparty, the choice is duly justified and submitted to the competent manager for approval;
  - consultancy contracts are concluded in writing and indicate the agreed remuneration or the criteria for determining it and the content of the service;
  - contracts are signed by persons with the necessary duly formalized powers;
  - prior to the payment of the consultant, a written certification of performance by the requesting function is made in order to authorize the payment itself;
  - an internal procedure is defined for managing the master data of Suppliers (name/company name, VAT number, invoicing address, goods shipping address, IBAN details, payment method) and for the proper accounting management of relations with them;
  - there are formalized and duly authorized methods for changing the bank details for payment/collection with respect to those initially agreed upon in the contract with the counterparty or with respect to those used in previous contractual relationships;
  - a check is made on the completeness and accuracy of the data on the invoice against the content of the contract/order and the data included in the supplier portal, as well as against the services received and the amounts paid;
  - criteria for recording invoices and the checks to be carried out before accounting are defined;
  - the archiving of contractual and commercial documentation relating to the consultancy contract is foreseen.

The Company has adopted a framework procedure relating to the purchasing process and also applicable to consulting assignments, which governs:

- roles and responsibilities in the process of managing and assigning consulting assignments;
- the activities that constitute the process;
- the modalities for activating the request for assignment and the contents of the request itself, which also include, the reason for the request, the requirements for the advice requested, the timing for the provision of the service;
- the modalities for the approval of the request and the persons responsible for approval;
- the modalities for determining the economic conditions/compensation for the service;

- the modalities for system entry in the supplier registry;
- the form and content of the assignment;
- the persons in charge of verifying the progress of the performance;
- the modalities of authorization and execution of payment;
- subsequent checks on the congruity between invoiced and authorized services.

**b) For the selection and management of suppliers and contractors and purchasing (referred to in paragraph 3b):**

- responsibilities for the purchasing process are identified and communicated;
- the supplier/ contractor qualification process is defined;
- a list of eligible counterparties is prepared and periodically updated;
- the selection and evaluation of suppliers/contractors is carried out on the basis of pre-established requirements of both an ethical-subjective and an economic-financial nature;
- several potential suppliers/ subcontractors are identified during the selection phase, where possible; otherwise, the requesting function must provide adequate and traceable justification;
- contracts/orders with suppliers/ contractors are concluded in writing and indicate the agreed consideration or the criteria for determining it and the content of the service;
- contracts/orders are signed by persons with the necessary duly formalized powers;
- contracts must contain specific clauses indicating clear responsibilities for non-compliance with the principles of the Supplier Code of Conduct and, where applicable, Model 231, as well as, where deemed appropriate, the obligation to comply with requests for information or the production of documents by the Company's Supervisory Board;
- prior to payment of the supplier/contractor, written certification of performance by the requesting function is made in order to authorize payment;
- an internal procedure is defined for managing the master data of Suppliers (name/company name, VAT number, invoicing address, goods shipping address, IBAN details, payment method) and for the proper accounting management of relations with them;
- documentation supporting the master file management process is archived and, in particular, customer files are printed, stamped and signed before being archived;
- there are formalized and duly authorized procedures for changing the bank details for payment/collection with respect to those initially agreed upon in the contract with the counterparty or with respect to those used in previous contractual relationships;
- a check is carried out on the completeness and accuracy of the data in the invoice against the content of the contract/order and the data included in the supplier portal, as well as against the goods/services and works received/performed and the amounts paid;
- criteria are defined for recording invoices, debit notes or credit notes received from suppliers and the checks to be carried out before accounting;
- are always documented and traceable:
  - the purchase request;
  - the order;
  - the operational management of the agreement;
  - the receipt of the service;
  - the accounting and payment of invoices;
- performance evaluation activities of key suppliers are carried out periodically (by internal and/or external parties);
- any manual payments (which are a residual case) are tracked through a special information system.

The Company has adopted a framework procedure, relating to the management of purchases, which governs:

- roles and responsibilities in the procurement process;
- the activities that constitute the process;
- the modalities for activating the purchase request and the contents of the request itself, which include, among other things, the reason for the request, the requirements of the good/service requested (such as, for example, functional characteristics, quantities required, etc.), the timing for delivery of the good/service;
- hypotheses in which the purchase request phase does not apply;
- the manner in which the good/service is procured - i.e., by tender or by direct award and the cases in which one or the other is done;
- the modalities for requesting a quotation for tender purchases;
- supplier evaluation methods;
- checks (also on a sample basis) on compliance in relation to the defined procedure of the evaluation of new suppliers;
- the modalities for the negotiation and conclusion of contracts and the creation of purchase orders;
- the manner of ascertaining the performance of the service or supply, of authorizing and executing payment, and of accounting for the relevant invoices.

**c) For the litigation management and relationships with judges, their technical experts and their auxiliaries, also through third parties, including out-of-court litigation (referred to in paragraph 3c):**

- a person in charge is always identified, by suitable and traceable means, consistently with the subject matter, with the necessary powers to represent the Company and/or to coordinate the action of any external professionals;
- traceability of requests for information received in the course of litigation and of the persons involved, as well as of the internal evaluation and authorization process of the documents produced or in any case handed over in the course of the proceedings, is ensured;
- in the case of settlement agreements:
  - there is no subjective identity between the person who negotiates and the person who finally approves the agreement by signing it;
  - the involvement of the tax office for the settlement of the amount due is envisaged.
- the documentation is kept, by the Head of the Function involved, in a special file, in such a way as to prevent subsequent modification, in order to allow proper traceability of the entire process and to facilitate any subsequent checks.

**d) For the Financial Resource Management (referred to in paragraph 3d):**

- the Company has defined signature powers in relation to the movement of financial resources;
- the use of financial resources requires the joint signature by identified corporate entities with appropriate powers;
- non-telematic payments (albeit rare) are executed on the basis of defined powers of attorney and proxies and subject to signed communication with the relevant bank;
- there is no subjective identity between the person who commits the Company vis-à-vis third parties and the person who authorizes or arranges the payment of sums due on the basis of the commitments entered into;
- payments to third parties are made through banking circuits by means that guarantee

evidence that the beneficiary of the payment is actually the third party contracting with the Company;

- quantitative limits on the disbursement of cash advances and standard procedures for requesting and authorizing the reimbursement of expenses incurred by the Company's personnel are established, depending on the nature of the service rendered, which must be requested by filling in specific forms and be accompanied by appropriate supporting documents;
- receipts and payments, and more generally money flows, are always traceable and can be documented;
- a reconciliation activity is carried out periodically for accounting purposes;
- transactions involving the use or employment of economic or financial resources must have an express reason and must be documented and recorded in accordance with the principles of fairness and accounting transparency;
- in relation to purchases, there is a control system in regard to the recipient of the payment, before the payment order is forwarded (i.e. correspondence between IBAN indicated on the invoice and IBAN indicated on the draft payment order).
- The Company has also adopted a procedure governing the management of payments.

e) **For the management of expense reports and representational expenses** (authorization and settlement) (referred to in paragraph 3e):

- reimbursement of expenses incurred is requested by filling in specific forms and must be accompanied by appropriate supporting documents;
- the person responsible for authorizing ex ante or ex post the expense claims to applicants is identified according to hierarchical levels;
- expense claims are managed in a manner communicated to all staff, in terms of compliance with expenditure ceilings, the purposes of the expenses incurred, the forms, the authorization levels required and the settlement of reimbursement amounts;
- the offer to third parties of services or other entertainment expenses shall be authorized in advance by e-mail by the hierarchical superior;
- in the case of entertainment expenses, the names of the guests, if any, are included in the receipt on the expense report;
- entertainment expenses involving guests are authorized in advance and limited to exceptional cases;
- expense reimbursements are managed in accordance with the applicable legislation, including tax legislation;
- the documentation is stored in a special archive in such a way as to allow proper traceability of the entire process and to facilitate any subsequent checks.

The Company has adopted a framework procedure, relating to the management of expense reports, which governs:

- roles and responsibilities in the business travel approval process;
- the modalities for activating the request for approval of business travel and the contents of the request (such as destination, reasons for travel, dates, etc.);
- how to make reservations, where necessary;
- the types of reimbursable expenses (travel classes, hotels, restaurants, taxis, other expenses);
- the use of company credit cards;
- content and timing of expense claims, the way in which receipts are documented;
- the function responsible for monitoring travel expenses.

- f) **For the entry, recognition and representation of business activities in the accounting records, budget estimates and evaluations, financial statements, reports and other accounting documents** (referred to in paragraph 3f):
- the data and information to be provided by each function or organizational unit, as well as the accounting criteria for the processing of data and the timing of their transmission to the responsible functions, are identified through established operational practices;
  - all recognition and recording of business activities are carried out fairly and in accordance with the principles of truthfulness and completeness;
  - the heads of the various corporate functions provide Accounting Italy with the information;
  - their requests in a timely manner and attesting to their completeness and truthfulness, or indicating the persons who can provide such attestation;
  - the controls carried out are tracked and documented;
  - any significant changes to balance sheet items or their accounting policies are appropriately authorized in accordance with company procedures and internal delegations;
  - in the case of a request to open or amend a general ledger account, the completeness and accuracy of the information given in the request is checked; the presence of authorization by the authorized person; the consistency of the information given with the need identified;
  - the request by any person for unjustified variations in the criteria of recognition, recording and accounting representation or for quantitative variations in the data with respect to those already accounted for on the basis of the Company's operating procedures shall be immediately notified to the Supervisory Board;
  - drafts of the financial statements and other accounting documents are made available to the Administrative Body reasonably in advance of the date scheduled for approval of the financial statements;
  - the collection, transmission and aggregation of accounting information for the purpose of preparing corporate communications take place exclusively through methods that guarantee the traceability of the individual steps in the data formation process, also ex post, and the identification of the persons entering the data into the system;
  - access profiles to the accounting system are identified by the Information Systems Directorate, which ensures the separation of functions and consistency of authorization levels;
  - all books and records are maintained and kept in accordance with statutory and tax regulations;

Within the existing operational practice with regard to the preparation of financial statements and valuation items, the following are clearly identified:

- roles and responsibilities in the financial reporting process;
- the activities that constitute the process;
- the scope of consolidation;
- the applicable accounting standards.

- g) **For the management of extraordinary transactions and operations on the share capital** (referred to in paragraph 3g):
- the roles and responsibilities of the functions involved are clearly identified, by appropriate and traceable means, also with the provision of a specific approval process;
  - the function proposing the transaction, or the competent function on the basis of corporate roles, prepares appropriate documentation in support of the proposed transaction, as well as a preliminary information report illustrating the content, underlying interest and strategic

- purpose of the transaction;
- for the purposes of recording the transaction in the accounts, Accounting Italy first checks the completeness, relevance and correctness of the documentation supporting the transaction;
- appropriate checks are carried out to verify the identity, location, and legal nature of the transferor or acquiring party;
- the involvement of the tax function is envisaged at a preliminary stage in order to assess the tax implications of the transaction, and a Due Diligence activity is carried out with the support of any specialized advisors.

With regard to the handling of advisory assignments in the context of extraordinary and capital transactions, reference is made to point (a) of this paragraph.

- h) For the tax management, including calculation of tax liability, preparation and submission of tax returns, management of VAT payments and accounting of purchase and/or sales (referred to in paragraph 3h):**
- the roles and responsibilities of the functions involved are clearly identified by appropriate and traceable means;
  - the Company shall set up a special filing system for audit reports, reports, as well as any measures actually implemented for the proper management of taxation;
  - the law firms and/or external consultants supporting the Company in the management of tax aspects and tax litigation are identified according to requirements of professionalism, independence and competence and, with reference to them, reasons are given for the choice;
  - the relationship with the external consultant is formalized in a contract that includes special clauses requiring compliance with the Decree and the Code of Ethics;
  - the Company provides for audits to be carried out at least once a year - also through professionals external to the Company - on the effectiveness and efficiency of the system for the detection, measurement, management and control of tax risk referred to above, the results of which are formalized in a report to the competent management bodies for examination and consequent assessments;
  - all acts, requests and formal communications concerning tax matters that have as their addressees the Public Administration (e.g. Revenue Agency, Financial Authorities) in general are managed and signed only by the persons previously identified by the Company, authorized and endowed with appropriate powers;
  - the Company monitors tax regulations and changes in legal requirements that may have an impact on tax management;
  - the Company ensures that situations of uncertainty in the application of tax rules are managed by requesting prior opinions on doubtful situations;
  - the Company adjusts and updates its tax obligations on the basis of new regulations issued periodically by the tax legislature;
  - the Company adopts a correct, truthful and transparent accounting of invoices receivable and payable;
  - quarterly in-depth checks are carried out with external consultants, spot-checking the correctness of VAT codes and making adjustments where necessary;
  - any changes in terms of tax determination since the previous period are investigated and verified;
  - checks are carried out on the correct recognition of fixed asset data for tax purposes by means of an audit;

- the tax determination process provides, where it is managed by tax representatives external to the Company, for the prior definition of the timing of the transmission of the documents underlying the calculation;
  - the Company has a tax compliance calendar that is duly checked and updated every six months;
  - appropriate information flows are activated between the tax contact person and the consultant in relation to the preparation of tax returns, flows of which the Company is always kept informed;
  - the Company performs timely verification of the data necessary for the preparation of tax returns and the settlement of the related taxes;
  - the tax declarations are signed, following the audits carried out, by the legal representative of the company or by a person with the appropriate power of attorney;
  - tax declarations are audited by the External Auditors;
  - the Company verifies the timely and correct payment of taxes with respect to the legal deadlines and to the declarations submitted, taking into account both the payments on account already made and the advances due for the current financial year;
  - the Company ensures that accurate records of the tax calculation process are kept and maintained in order to allow for the reconstruction of the transactions carried out afterwards;
  - checks are carried out after the end of the financial year and prior to tax accounting, in order to confirm that: (i) complete, correct and timely information has been given about the events concerning the Company; (ii) the accounting entries of the transactions concerning the Company have been made in compliance with the principles of inherent, accrual and documentation; (iii) no other information and data are known that may be relevant to the correct and complete representation of the Company's economic and financial situation;
  - there is an obligation to ensure the proper compilation, control and safekeeping of compulsory accounting and tax books;
  - the Internal Responsible for the implementation of the operation provides for the preparation of an "annual file" that includes the documentation supporting the elaborations and calculations carried out, the original of the declaration and the receipt for its submission to the Revenue Agency, the documentation concerning the calculation of the tax advances.
- i) **For the selection and management of agents, business partners, distributors and franchisees ("Business Partners") and sales management** (referred to in paragraph 3i):
- responsibilities for the process are identified and communicated;
  - criteria for the selection and evaluation of counterparties (ethics, professionalism, independence and competence) are established;
  - in the course of the selection process, there is a person responsible for collecting the necessary supporting documentation and data, including those required for economic and financial soundness and reputational reliability checks;
  - the counterparty's VAT number and further data required to compile the master data (e.g. customer name, address: street, locality, country, region; tax code/VAT number, VIES registration) is checked in advance;
  - a list of eligible counterparties by ethical and qualification status is prepared and periodically updated;
  - contracts with Business Partners are concluded in writing and indicate the agreed consideration or the criteria for determining it and the content of the performance;
  - contracts with Business Partners are signed by persons with the necessary duly formalized



- powers;
- commercial agreements include standard terms of sale and clauses providing for a declaration by the counterparty to refrain from engaging in conduct that may generate a type of offence covered by Legislative Decree 231;
  - commercial agreements are subject to validation by the Legal Department;
  - franchise contracts are managed by the Legal department according to a standard template that is defined and periodically reviewed. The template is also shared with the Tax department;
  - where franchisees operate outside the national territory, the template is reviewed through foreign legal support;
  - the criteria for allocating incentives and/or commissions are defined in a clear and transparent manner;
  - customer orders are formalized in writing and uploaded into the system, all supporting documentary evidence is tracked;
  - the Company's product delivery personnel guarantees in advance that what is ready for shipment corresponds to the sales order in terms of item characteristics and quantity;
  - the documentation is kept, by the Head of the Function involved, in a special file, in such a way as to prevent any subsequent modification except with appropriate evidence, in order to allow proper traceability of the entire process and to facilitate any subsequent checks;
  - an internal procedure is defined for managing the agents' master data (reason/company name, VAT number, invoicing address, goods shipping address, IBAN details, payment method) and for the proper accounting management of relations with them;
  - there are formalized and duly authorized procedures for changing the bank payment details from those initially agreed upon in the contract with the counterparty or from those used in previous contractual relationships;
  - a check is made on the completeness and accuracy of the data on the invoice with respect to the content of the order/contract, as well as with respect to the services received/performed and the amounts paid;
  - criteria for recording invoices and the checks to be carried out before accounting are defined.

The Company has adopted a procedure, relating to sales management, which governs:

- roles and responsibilities in the sales management process;
- how commercial third parties are selected;
- the activities that constitute the process;
- how to assess potential customers;
- checks on the findings of the assessment;
- how to manage commercial agreements/sales orders;
- the way shipments are handled;
- the methods of accounting, invoicing, collection and credit management.

The company has also adopted a procedure, relating to the management of customer master records, which defines specific controls and formal rules for the creation of master records, depending on the type of customer (Italian customer, EU customer, non-EU customer) and any peculiarities of the same (e.g. habitual exporter customer).

j) **For the management and provision of sponsorships, events, gifts and donations** (referred to in paragraph 3j):

- criteria for the allocation of sponsorships and donations are laid down;
- the request for the provision of free gifts is made by filling in a special form and includes

information on the beneficiary, the reason for the request, the products given away and the cost centre of the applicant;

- the gift request form is subject to approval by the competent manager;
- maximum value thresholds and the characteristics of free gifts are predetermined;
- the request for donations is made by filling in the appropriate form by the responsible person;
- thresholds for donations are set and the type of beneficiaries (i.e. exclusively non-profit organizations) are defined;
- an annual report of all gifts, donations and sponsorships made is prepared, reviewed and approved;
- traceability of the process is guaranteed;
- responsibilities for the archiving and preservation of the documentation produced are identified;
- operations are carried out in compliance with the applicable legislation, including tax legislation;
- operations are not only aimed at lawful and ethical activities, but also authorized, justified and documented.
- With regard to the management of sponsorships, please refer to points a) and b) of this paragraph.

The Company has adopted a framework procedure, relating to the management of gifts, donations and gratuities, which governs:

- roles and responsibilities in the gift, donation and donation management process;
- the activities that constitute the process;
- the way in which initiatives are planned;
- the granting of gifts, which must be of modest value, not exceeding normal business practice and courtesy, and commensurate with the existing relationship with the recipients;
- the management of gifts received by employees;
- reporting and control arrangements.

k) For the managing access, accounts and profiles (referred to in paragraph 3k) are defined:

- how to assign and revoke accounts and access profiles;
- the criteria and methods for creating passwords for access to the network, applications, corporate information assets and critical or sensitive systems (e.g. minimum password length, complexity rules, expiry date);
- authorization and operational roles;
- the role-profile association matrix for assigning authorizations to users;
- how accounts and access profiles are periodically verified;
- remote access management;
- the process of periodically monitoring the consistency of profiles assigned to users with operational needs;
- criteria for the periodic verification of access by users, in whatever mode, to data, systems and the network;
- technical ways to ensure that applications keep track of data changes made by users;
- the means and manner of archiving the documentation concerning each individual activity, in order to ensure complete traceability.

The Company has adopted a procedure on Logical Access Management, which governs:

- roles and responsibilities in the logical access management process;
  - the general principles applicable to the process;
  - the activities that constitute the process;
  - how to assign/change/ revoke the account and/or access profile in the event of a change in role or job description;
  - periodic monitoring of active profiles;
  - how to use guest accounts.
- l) **For the management of documentation with evidentiary value** (referred to in paragraph 3l), the criteria and modalities are defined for:
- the generation, distribution, revocation and storage of keys (smart cards);
  - the use of company certified e-mail boxes;
  - the archiving of documentation supporting the activities carried out with the use of the smart cards or the PEC; controls to protect the smart cards from possible modification, destruction and unauthorized use;
  - the archiving of documents relevant for tax purposes and in support of declaratory tax forms (i.e. invoices, VAT registers, journal and statutory accounting entries).
- m) **For the management of intercompany transactions** (referred to in paragraph 3m):
- the roles and responsibilities of the functions involved are clearly identified by appropriate and traceable means;
  - intercompany transactions are always formalized and the intercompany contract describes the activities performed on behalf of the counterparty;
  - when formalizing intercompany contracts, the involvement of the Legal Department and the Tax Department is envisaged;
  - payments related to intercompany transactions require the joint signature by identified corporate entities with appropriate powers;
  - a reconciliation activity is carried out periodically for accounting purposes;
  - the Company manages intercompany relations and transactions according to transfer pricing regulations.
- n) **For the asset management, capitalization and divestment activities** (referred to in paragraph 3n):
- responsibilities for the process of managing, capitalizing and disposing of assets are identified and communicated;
  - the Company adopts an asset book in which all assets at its disposal, including those held by third parties, are recorded and the minimum set of necessary data and supporting documentary evidence is indicated;
  - the Company has defined the approval process for authorizing the inclusion, modification or deletion of an asset in the asset register;
  - a process is defined for monitoring the tax effects (upward and downward changes for tax returns) associated with misalignments between the statutory and tax values of assets;
  - the sale or disposal of assets involves a properly formalized approval process;
  - in the case of disposal of assets destined for destruction/recycling, checks are envisaged to verify that the request for authorization contains a minimum set of information on the reasons for disposal, the methods of disposal, the subjects (disposers) to be involved and the date of disposal, and that appropriate information is provided to the GdF and territorial AEs, where required.

- appropriate rules are defined to ensure the archiving of the documentation produced in connection with these activities.
- With regard to the management of the purchasing process for depreciable assets, please refer to point (b) of this paragraph.

The Company has also adopted a special procedure that defines:

- the flow for investment management;
- specific rules for the disposal of fixed assets and equipment.

**o) For the management of marketing, advertising and communication activities** (as referred to in paragraph 3o), please refer to the provisions of subparagraphs (a) and (b) of this paragraph.

**p) For operations management (e.g. label management, quality control, etc.), including warehouse management** (referred to in paragraph 3p):

- the roles and responsibilities of the functions involved are clearly identified by appropriate and traceable means;
- the production process takes place on the basis of previously defined technical specifications in which the type and quality of goods (raw materials and semi-finished products) to be used in relation to the technical and qualitative characteristics of the finished product are clearly established;
- the manufacturing, production and processing process is constantly monitored to ensure that only goods (raw materials and semi-finished products) are released that in terms of quality and technical characteristics comply with the product specifications;
- products that do not conform in terms of technical and qualitative characteristics with respect to the predefined ones are identified and specific control activities are foreseen on them in order to prevent them from being destined for the next stage of sale;
- the company is equipped with a warehouse handling system that allows for the traceability of goods and integrated location management, and which guarantees the possibility of monitoring the shipping status of outgoing goods in real time, as well as verifying the status of any goods held by third parties;
- tolerance thresholds are predefined in order to monitor any goods entries that are not supported or justified by an order, for quantities other than those ordered or in excess of the thresholds;
- a Quality Control System is in place, by means of material analysis in the laboratory after the arrival of the goods in the warehouse;
- the criteria for valuing inventories according to their product category are defined;
- inventory write-downs are made through the provision for obsolescence and the use of the provision is determined according to the product category;
- the inventory is carried out in such a way as to make it possible to ascertain the quantities actually existing on a certain date in order to allow a complete and correct evaluation of stocks and to obtain useful information for stock management;
- there is a planning phase consisting of the preparation of a calendar with specific dates for the execution of the physical inventory. The calendar is validated by the AFC Department and the Area Manager involved.

The company has also adopted a special procedure that defines how the inventory should be planned and carried out.

- q) **For procurement management** (referred to in paragraph 3q):
- in cases where it is deemed necessary to carry out a tender for the award of a supply, suppliers are invited to submit proposals via a dedicated platform;
  - the parameters that will be the subject of the evaluation of the offer are defined in advance of the opening of the tender;
  - at the end of the tender, agreements are formalized and the necessary documentation is filed;
  - the methods for verifying the possession of suitable technical-professional requisites of the subject executing the works are established, also through the verification of the registration with the Chamber of Commerce; the subject executing the works will have to demonstrate the respect of insurance and social security obligations with respect to its own personnel;
  - before proceeding to the payment of the supplier's invoice, in addition to requesting verification of performance by the responsible party, checks are made on the validity of the DURC/DURE.

For the management of contracts, reference is also made to point (b) of this paragraph.

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## SPECIAL SECTION “R” SMUGGLING CRIMES

### 1 CRIMES PURSUANT TO ART. 25-*SEXIESDECIES* OF THE DECREE

Article 25-*sexiesdecies* of the Decree provides for the administrative liability of entities for the “Smuggling Crimes” in connection with the commission of the crimes set forth in Presidential Decree 23rd January 1973, no. 43.

Below is a brief description of the smuggling crimes abstractly applicable and relevant to the Company.

Pursuant to Article 26 of the Decree, the Company could be held liable even if the offenses are integrated in the form of attempt.

#### 1.1 Smuggling in the movement of goods across land borders and customs spaces (art. 282 of Presidential Decree no. 43/1973)

This regulation punishes anyone who:

- a. introduces foreign goods across the land border in violation of the requirements, prohibitions and limitations established pursuant to Article 16 of Presidential Decree no. 43/1973;
- b. unloads or stores foreign goods in the intermediate space between the border and the nearest customs;
- c. is caught with foreign goods hidden on their person or in luggage or parcels or furnishings or among goods of other type or in any means of transport, in order to avoid customs inspection;
- d. removes goods from the customs areas without having paid the duties due or without having guaranteed their payment, except as pursuant to Article 90 of Presidential Decree No. 43/1973;
- e. takes out of the customs territory, under the conditions provided for by the previous paragraphs, national or nationalized goods subject to border duties;
- f. holds foreign goods, when the circumstances provided for by the second paragraph of Article 25 for the crime of smuggling occur.

A general premise. Legislative Decree 14th July 2020 no. 75, in implementation of EU Directive 2017/1371 having as its object the fight against fraud affecting the financial interests of the European Union through criminal law, expanded the “catalogue” of predicate offenses relevant to the administrative liability of entities by also introducing offenses having as their object the non-payment of border duties provided for in Presidential Decree 23rd January 1973, no. 43 of “Consolidated Customs Law” (CCL). Pursuant to Article 34 TULD, border duties are import and export duties, levies and other import or export impositions envisaged by EU regulations and their implementing rules, and in addition, with regard to import goods, monopoly duties, border surtaxes and any other consumption tax or surtax in favour of the State<sup>50</sup>.

The Legislature by Legislative Decree No. 8/2016 had amended the customs regulations, transforming all offenses punishable only by a fine into unlawful administrative. Legislative Decree No. 75/2020 intervened on Legislative Decree No. 8/2016<sup>51</sup> by excluding smuggling offenses from

<sup>50</sup> Border duties belong to the broader category of customs duties i.e., all those duties that Customs is obliged to collect by virtue of a law, in connection with customs operations (Art. 34, Paragraph 1 CCL).

<sup>51</sup> Art. 4 of Legislative Decree No. 75/2020 “Amendments to Legislative Decree 15th January 15, 2016 no. 8”

decriminalization when the amount of border duties due exceeds the threshold of 10,000 euros. The offenses relevant under the new Article 25 *sexiesdecies* of the Decree are those contained in Title VII Presidential Decree No. 43/1973 on “**Customs Violations**”.

The above crime can be committed by anyone.

From the subjective point of view, generic intent is required for the configuration of the case, in that the author’s consciousness and will of the unlawfulness of the conduct is sufficient, except for the hypothesis provided for in lett. c for which the existence of specific intent is required.

From an objective point of view, the case is integrated in the cases expressly indicated.

For the purpose of the existence of the objective element of the crime, the place where the Judicial Police finds the concealed goods is irrelevant, thus even outside the customs zones or customs surveillance zones, but still brought into the customs territory through the land border. It is necessary for the Judicial Authority to prove that the concealment of the goods took place before the customs inspection was carried out, in order to evade it.

## **1.2 Smuggling in the movement of goods across border lakes (art. 283 of Presidential Decree no. 43/1973)**

The Captain shall be punished when:

- a. introduces through Lake Maggiore or Lake Lugano into the Porlezza basins, foreign goods without presenting them to one of the national customs nearest the border, except for the exception provided for by the third paragraph of Article 102 of Presidential Decree No. 43/1973;
- b. without the permission of the Customs, transporting foreign goods by ships in the stretches of Lake Lugano where there are no customs, skirts the national shores opposite to the foreign shores or drops anchor or lies or otherwise puts in communication with the customs territory of the State, so that it is easy to disembark or embark the goods themselves, except in cases of force majeure.

The same punishment shall be imposed on anyone who hides foreign goods in the ship for in order to evade customs inspection.

This is a crime precisely with regard to the hypotheses mentioned in letters a and b, as they provide that the same is integrated only if it is committed by the person who holds a particular qualification, that of captain. In such cases, the subjective element required for the configuration of the case is general intent.

The hypothesis in the second paragraph, on the other hand, is a common crime in that it can be committed by anyone who hides foreign goods on the ship in order to evade customs inspection.

Subjectively, the specific intent to evade customs inspection is required. Therefore, the actual evasion of the goods from the payment of border duties is not required for the offense to occur, as it is a crime of mere danger.

The offense is consummated when the captain engages in any of the conducts listed in the rule, provided it has the effect of making it easy to disembark or embark the goods.



### 1.3 Smuggling in the movement of goods by sea (art. 284 of Presidential Decree no. 43/1973)

The Captain shall be punished when:

- a. without the permission of the Customs, while transporting foreign goods by ships, skirts the seashore, drops anchor, or lies nearby the seashore, except in cases of force majeure;
- b. transporting foreign goods, lands in places where there are no customs, or disembarks or tranships such goods in violation of the provisions, prohibitions and limitations established pursuant to Article 16 of Presidential Decree No. 43/1973, except in cases of force majeure;
- c. transports foreign goods without a manifest by a ship of net tonnage not exceeding two hundred tons, in cases where the manifest is prescribed;
- d. that at the time of the ship's departure it does not have on board the foreign goods or domestic goods in export with refund of duties that should be found there according to the manifest and other customs documents;
- e. transports foreign goods from one customs to another, by a ship with a net tonnage not exceeding fifty tons, without the relevant security bill;
- f. has embarked foreign goods leaving the customs territory on a vessel of a tonnage not exceeding fifty tons, except as pursuant to Article 254 of Presidential Decree No. 43/1973 for the embarkation of ship's stores.

Similarly, anyone who hides foreign goods in the ship in order to avoid customs inspection shall be punished.

This is a crime precisely with regard to the sanctioned conduct indicated in Paragraph 1, in that it provides for a qualified person, i.e., the ship's captain, as the perpetrator. In such cases, the subjective element required for the configuration of the case is general intent.

The rule, which is homologous to the previous one referring to the handling of goods by lake, describes with specificity the behaviour punished in relation to the handling of goods by sea.

The Legislature intended to punish conduct that has the effect of making it easy to disembark or embark goods from the shore.

The hypothesis in the second paragraph, on the other hand, is a common offense in that it can be committed by anyone. Subjectively, specific intent is required, punishing anyone who conceals foreign goods on the ship in order to evade customs inspection.

### 1.4 Smuggling in the movement of goods by air (art. 285 of Presidential Decree no. 43/1973)

The aircraft commander shall be punished when:

- a. transports foreign goods into the territory of the State without carrying the manifest, when the manifest is prescribed;
- b. at the time of departure of the aircraft does not have on board the foreign goods, which should be found there according to the manifest and other customs documents;
- c. removes goods from the aircraft landing places without the completion of the prescribed customs operations;
- d. upon landing outside a customs airport, fails to report, within the shortest possible time, the landing to the Authorities indicated in Article 114 of Presidential Decree No. 43/1973. In such cases, the aircraft is considered contrabanded into the customs territory, in addition to the cargo.

Similarly, whoever from an aircraft in flight throws foreign goods into the customs territory, or hides them in the aircraft in order to evade customs inspection, shall be punished.

This is a crime precisely with regard to the sanctioned conduct indicated in Paragraph 1, as it provides for a qualified person, i.e. the aircraft commander, as the perpetrator. In such cases, the subjective element required for the configuration of the crime is general intent.

The offense occurs whenever the aircraft commander transports foreign goods into the territory of the state without having a cargo manifest, in cases where the law requires it.

In contrast, the case under the second paragraph is a common offense in that it can be committed by anyone. Subjectively, specific intent is required, punishing anyone who throws foreign goods inside the customs territory from an aircraft in flight, or hides them on the aircraft in order to evade customs inspection.

#### **1.5 Smuggling for improper use of goods imported with preferential tariffs (art. 287 of Presidential Decree no. 43/1973)**

This regulation punishes anyone who gives, in whole or in part, to foreign goods imported under duty-free and reduced duty a destination or use other than that for which the duty-free or reduced duty was granted, except as provided for by Article 140 of Presidential Decree No. 43/1973. This is a common crime in that it can be committed by anyone.

From a subjective standpoint, general intent is sufficient, that is, the consciousness and intent to engage in the illegal conduct.

The case concerns goods that, although subject to a certain imposition of duties, enjoy special facilities, i.e., duty reduction, because, with the authorization of the customs, they are imported to be used for the particular purposes (the so-called special uses provided for by the Legislature).

If the importer wilfully fails to use the goods in question for the particular purposes declared when applying for authorization, he commits the criminal offense.

#### **1.6 Smuggling in customs warehouses (art. 288 of Presidential Decree no. 43/1973)**

This regulation punishes the concessionaire of a privately owned bonded warehouse who holds there foreign goods for which there has not been the required entry declaration or which are not taken over in the storage records.

This is a proper offense in that the perpetrator can only be the licensee of a privately owned bonded warehouse. The subjective element required for the configuration of the crime is general intent, even when the purpose concretely pursued by the perpetrator is not related to the evasion of border duties.

The conduct is twofold: - the dealer holds in the privately owned customs warehouse foreign goods for which there has been no entry declaration; - the dealer holds goods that are not taken in charge in the specific storage records, and therefore not taken in charge in his own accounting records.

### **1.7 Smuggling in the export of goods eligible for duty drawback (art. 290 of Presidential Decree no. 43/1973)**

This regulation punishes anyone who uses fraudulent means in order to obtain undue restitution of duties established for the import of raw materials used in the manufacture of domestic goods that are exported.

It is a common crime in that it can be committed by anyone.

The subjective element of the offense is specific intent, for the purpose of obtaining undue restitution of duties paid for the importation of raw materials, although the actual restitution of such sums is not required for the completion of the offense.

The unlawful conduct consists of the export of domestic goods and the demand for refund of border fees paid at the time of importation of raw materials used in the manufacture of the exported goods. Since the use of fraudulent means is required, the filing of a false customs declaration falsely certifying the payment of the price of customs duties is sufficient for the crime to occur.

The offence can be established in the form of an attempt, as it is not necessary that the disbursement of refunds has materially taken place.

### **1.8 Smuggling in temporary import or export (art. 291 of Presidential Decree no. 43/1973)**

This regulation punishes anyone who in temporary import or export transactions or in re-export and re-import transactions, in order to evade payment of duties that would be due, subjects the goods to artificial manipulation or uses other fraudulent means.

This is a common crime in that it can be committed by anyone.

It is a commissive crime, for which, from a subjective standpoint, specific intent is required, in that it is necessary to subject the goods to artificial manipulations or use other fraudulent means aimed at evading the payment of border duties.

Thus, conduct characterized by artificiality and fraudulence is required for the configuration of the case. This could occur when the manipulation or conduct engaged in by the perpetrator is not economically or legally justifiable, but aimed solely at evading border duties.

### **1.9 Other cases of smuggling (art. 292 of Presidential Decree no. 43/1973)**

This regulation punishes anyone who, outside the cases provided for in the previous articles, subtracts goods from the payment of border duties due. This is a common crime in that it can be committed by anyone.

The hypothesis is residual, in that the rule punishes those conducts, other than the above cases, which during customs controls subtract goods from the system of payment of border duties due.

For the purpose of the existence of the subjective element, since it is a crime, it is relevant to ascertain whether the customs declaration is “unfaithful” because it was filled out with “negligence” or “ignorance,” or with intent. If the conduct is negligent, the case could have merely administrative and not criminal relevance.

Conduct carried out through false declarations made to the customs officer could have criminal relevance.

#### 1.10 Aggravating circumstances of smuggling (art. 295 of Presidential Decree no. 43/1973)

This regulation punishes anyone who, in order to commit smuggling, uses means of transportation belonging to a person unrelated to the crime. Additional aggravating circumstances occur when:

- a. in committing the offense, or immediately thereafter in the surveillance area, the perpetrator is caught armed;
  - b. in committing the crime, or immediately afterwards in the surveillance zone, three or more persons guilty of smuggling are caught together and in such a condition as to obstruct the police bodies;
  - c. the act is connected with another crime against public faith or public administration;
  - d. the perpetrator is an associate to commit smuggling crimes and the crime committed is among those for which the association was established;
- d.bis. the amount of border fees due exceeds one hundred thousand euros.

For the same crimes, imprisonment of up to three years shall be added to the fine when the amount of border fees due is more than fifty thousand euros and not more than one hundred thousand euros. The provision is an aggravating circumstance of the smuggling crimes described above, but in reality it constitutes an independent case of crime.

The behaviour that constitute the aggravating circumstance are expressly described. A few brief clarifications: with reference to lett. a. when the perpetrator is caught “armed,” the aggravating circumstance is integrated with the possession of any “weapon” deemed as such by law (e.g., war, gun, improper); with reference to lett. b. relating to the number of three or more persons caught together, it is to be understood that they are brought together in a non-random manner for the purpose of concurring in the crime; with reference to lett. c. the aggravating circumstance relates to an act connected with another crime against the public faith or against the P.A., and is integrated when the perpetrator, for example, submits a false customs declaration, or if the declaration is accompanied by materially or ideologically false documents; with reference to lett. d. this is an aggravating circumstance that is “triggered” when one of the customs offenses constitutes the so-called “goal-crime”, committed within the framework of a criminal association; with reference to letters d-s, this is a hypothesis introduced by Legislative Decree No. 75/2020<sup>52</sup>, commensurate with the indicated pecuniary threshold, exceeding 100,000 euros.

Paragraph 3 was also amended by Legislative Decree No. 75/2020, which provides for a more attenuated hypothesis when the border fees due are more than 50,000 euros and not more than 100,000 euros.

## 2 THE SANCTIONS IMPOSED BY THE DECREE AGAINST THE COMPANY FOR THE CRIMES OF SMUGGLING

Below is the summary table of the penalties applicable as a result of the commission by Senior Managers and/or Subordinates Persons of the Smuggling Crimes<sup>53</sup>.

<sup>52</sup> Art. 3 of Legislative Decree 14th July 2020 no.75

<sup>53</sup> The table is as way of example only, and does not claim to be exhaustive, in particular regarding the perpetrator.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549) <sup>54</sup>	Interdiction Measure
Art. 282 of Presidential Decree no. 43/1973 (Smuggling in the movement of goods across land borders and customs spaces)	Anyone	Action	Up to 200 quotas	<p>Interdiction measure referred to in Article 9, paragraph 2 (c), (d) and (e):</p> <ul style="list-style-type: none"> <li>- prohibition to contract with the Public Administration, except to obtain the provision of a public service;</li> <li>- the exclusion from grants, loans, contributions or subsidies and the possible revocation of those already granted;</li> <li>- the prohibition to promote goods and services.</li> </ul>
Art. 283 of Presidential Decree no. 43/1973 (Smuggling in the movement of goods across border lakes)	Ship Captain	Action - Omission	Up to 200 quotas	
Art. 284 of Presidential Decree no. 43/1973 (Smuggling in the movement of goods by sea)	Ship Captain	Action - Omission	Up to 200 quotas	
Art. 285 of Presidential Decree no. 43/1973 (Smuggling in the movement of goods by air)	Aircraft Commander	Action - Omission	Up to 200 quotas	
Art. 287 of Presidential Decree no. 43/1973 (Smuggling for improper use of goods imported with preferential tariffs)	Anyone	Action	Up to 200 quotas	
Art. 288 of Presidential Decree no. 43/1973 (Smuggling in customs warehouses)	Concessionaire of a bonded warehouse	Action - Omission	Up to 200 quotas	
Art. 290 of Presidential Decree no. 43/1973 (Smuggling in the export of goods eligible for duty drawback)	Anyone	Action	Up to 200 quotas	
Art. 291 of Presidential Decree no. 43/1973 (Smuggling in temporary import or export operations)	Anyone	Action	Up to 200 quotas	

<sup>54</sup> When the border fees due exceed one hundred thousand euros, a fine of up to four hundred shares shall be imposed on the entity.

Crime	Perpetrator	Behaviour	Fine (Quota value from € 258 to € 1.549)	Interdiction Measure
Art. 292 of Presidential Decree no. 43/1973 (Other cases of smuggling)	Anyone	Action	Up to 200 quotas	Interdiction measure referred to in Article 9, paragraph 2 (c), (d) and (e): <ul style="list-style-type: none"> <li>- prohibition to contract with the Public Administration, except to obtain the provision of a public service;</li> <li>- the exclusion from grants, loans, contributions or subsidies and the possible revocation of those already granted;</li> <li>- the prohibition to promote goods and services.</li> </ul>
Art. 295 of Presidential Decree no. 43/1973 (Aggravating circumstances of smuggling)	Anyone	Omission	Up to 200 quotas	

With regard to the method of calculating the financial sanctions, please refer to paragraph 1.4 of the General Part of the Company's Model.

### 3 SENSITIVE ACTIVITIES SMUGGLING CRIMES

- a) **Import of raw materials (including through the use of bonded warehouses and inward processing procedure)** (*Corporate functions involved: Company: Finance, Raw Material Purchases; Luxury Goods Division: Sales Administration; Textile Division: Operations; B.U. Interiors*);
- a) **Duty-free reintroduction with duty exemption of goods** (*Corporate functions involved: Company: Finance, Raw Material Purchases; Luxury Goods Division: Sales Administration; Textile Division: Operations; B.U. Interiors*).

### 4 PRINCIPLES OF CONDUCT AND PREVENTION PROTOCOLS

In relation to the Sensitive Activities Smuggling Crimes, the General Principles of Conduct and General Prevention Protocols referred to in the Preamble apply.

#### 4.1 Principles of conduct

In general, it is strictly forbidden to:

- submit to domestic and foreign public bodies untrue statements or lacking due information, and in any case performing any act that could mislead the public body;
- pay or promise money or other benefits to a third party or a person related to him or her, in order to ensure undue advantages of any kind to the Company, due to the intermediary work exercised by him or her with members of the Public Administration;
- give in to undue recommendations or pressure from public officials or public service officers;
- engage in deceptive or fraudulent conduct toward members of the Public Administration such as to lead them into errors of judgment;
- obtain, import, store or hold goods in violation of customs regulations.

## 4.2 Prevention protocols

The Company defines the following prevention protocols relevant to the Sensitive Activities identified in paragraph 3 above. These protocols are also contained in the corporate procedures adopted by the Company to prevent the risk of committing Smuggling Crimes upon performing operations relating to such Sensitive Activities.

- a) **For the import of raw materials** (including through the use of bonded warehouses and inward processing procedure) (referred to in paragraph 3a):
- the company conducts checks on customs documentation prior to the actual submission of documents to customs as part of import customs clearance procedures;
  - the parties delegated to maintain relations with and represent the Company vis-à-vis the Tax Administration and the Customs Agency, including during inspections and assessments by the latter, are formally identified through a system of proxies and powers of attorney;
  - where parties from outside the organization are engaged to maintain relations with and represent the Company vis-à-vis the Customs Agency, including during inspections and audits by the latter, such parties are formally identified and their proxies and mandates are contractually formalized;
  - regarding activities carried out with the support of external third parties, the relevant contracts include explicit clauses of acceptance of the Code of Ethics and commitment to compliance with the Model;
  - constant monitoring is carried out, also through external consultants, on the evolution of the reference regulations and the timelines to be respected for communications/claims/fulfilments towards the Customs Agency;
  - documentation relating to customs operations carried out by the Company is systematically filed;
  - customs training activities are planned at the company level.
- b) **For duty-free reintroduction with duty exemption of goods** (referred to in paragraph 3b):
- the parties delegated to maintain relations with and represent the Company vis-à-vis the Tax Administration and the Customs Agency, including during inspections and assessments by the latter, are formally identified through a system of proxies and powers of attorney;
  - where parties from outside the organization are engaged to maintain relations with and represent the Company vis-à-vis the Customs Agency, including during inspections and audits by the latter, such parties are formally identified and their proxies and mandates are contractually formalized;
  - regarding activities carried out with the support of external third parties, the relevant contracts include explicit clauses of acceptance of the Code of Ethics and commitment to compliance with the Model;
  - constant monitoring is carried out, also through external consultants, on the evolution of the reference regulations and the timelines to be respected for communications/claims/fulfilments towards the Customs Agency;
  - documentation relating to customs operations carried out by the Company is systematically filed;
  - customs training activities are planned at the company level.

The Company has also adopted a special procedure that allows for the unique identification of individual reintroduced goods and defines the manner in which import declarations submitted for reintroduction are compiled.

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## DISCIPLINARY SYSTEM

ANNEXED TO  
ORGANIZATION, MANAGEMENT AND CONTROL MODEL  
PURSUANT TO LEGISLATIVE DECREE 8<sup>TH</sup> JUNE 2001, NO. 231

ADOPTED BY  
LORO PIANA S.P.A.



## 1 FUNCTION OF THE DISCIPLINARY SYSTEM

Pursuant to art. 6 of the Decree, the organization, management and control model must include a disciplinary system for penalizing non-compliance with the provisions of the model itself.

The primary function of the disciplinary system is prevention rather than the mere application of the sanctions set forth in the Decree and, since it helps to prevent the commission of the Crimes, it contributes to the effective implementation of the Model.

In accordance with the foregoing, a fundamental and integral part of the Model is the present disciplinary system (hereinafter referred to as the “Disciplinary System”) which constitutes one of the Protocols. The Disciplinary System is compliant with current rules and, in particular, the provisions of the applicable collective bargaining agreements.

The Disciplinary System is for internal use and complements applicable laws and regulations.

The Disciplinary System is published on the company intranet and posted on the bulletin boards, in a place accessible to everyone, so that the Recipients and Third-party Recipients (as defined below) can be fully aware of it. It is a training tool as it is an integral part of the Model.

For all matters not expressly provided for by the Disciplinary System, laws and regulations apply and, in particular, the provisions of art. 7 of Law 20th May 1970, no. 300 (Statute of laborers) as well as the national bargaining agreements and applicable corporate regulations.

The application of the sanctions set out in the Disciplinary System does not replace any further criminal, administrative, civil, etc. penalties that may apply to individual cases.

The Disciplinary System is constantly monitored by the Company Human Resources function. It is based on the principles of independence, autonomy, typicality, immediacy and proportionality of the disciplinary judgment.

Sanctions may be applied regardless of the institution and outcome of any criminal proceedings, as the Company has adopted the rules of conduct specified in the Model and in Code of Ethics irrespective of the type of offense that the Infringements (as defined below) may entail.

The terms with capital initials contained in the Disciplinary System shall have the meaning specified in the Model, unless otherwise stated.

## 2 RECIPIENTS

In accordance with the Decree, the Entity is considered liable if, provided that the conditions set out in paragraph 1.2.1 of the General Section of the Model are met, the Crime is committed by:

- (i) executives serving a representative, administrative or management role in the Entity or one of its organizational units that is financially and functionally independent, as well as natural persons who perform, including in a de facto capacity, management and control functions within the Entity (the so-called “top management”, hereinafter referred to as “**Senior Managers**”)<sup>55</sup> ;

<sup>55</sup> This category also includes the individuals appointed to perform management or direction activities within the Entity or its branch offices, such as general managers and plant operations managers.

- (ii) persons reporting to or supervised by one of the Senior Managers (persons subject to the control of another, hereinafter referred to as “**Subordinate Persons**”)<sup>56</sup>.

The recipients of the Disciplinary System – who respectively belong to the categories of the Senior Managers and Subordinate Persons based on the definitions above – are:

- (a) the members of Loro Piana’s Board of Directors (hereinafter referred to as “Board of Directors”), and those serving an administrative, management, direction or control role, including in a de facto capacity, in Loro Piana or one of its independent organizational units;
- (b) the members of the Board of Auditors (the persons mentioned in points (a) and (b) are hereinafter jointly referred to as the “**Corporate Bodies**”);
- (c) executives;
- (d) other employees of Loro Piana, including workers who are seconded abroad (the persons mentioned in points (c) and (d) are hereinafter referred to as, jointly, the “**Employees**” and all the subjects mentioned above are hereinafter jointly referred to as the “**Recipients**”); as well as
- (e) all of those who work with Loro Piana based on a semi-subordinate employment relationship or external workers who operate, directly or indirectly (permanently or temporarily), on behalf of Loro Piana (including, but not limited to: project workers, temporary workers, freelancers, attorneys, agents, consultants, suppliers, business partners, etc.) and the independent auditors, hereinafter jointly referred to as the “**Third-party Recipients**”).

### 3 RELEVANT CONDUCTS

For the purpose of this Disciplinary System, any actions or omissions committed in violation of the Model and its Protocols including, in particular, the Code of Ethics, may be sanctioned, as well as, in any case, any conducts that may impose on the Company the measures provided for by the Decree (hereinafter referred to as the “**Infringements**”).

Given the obligation of the Recipients to cooperate with the Supervisory Board, in accordance with the Model, the actions or omissions committed in violation of the provisions of the General Section of the Model, paragraph 2.3, on the obligations of the Recipients, and paragraph 9.5.1, regarding the obligation to inform the Supervisory Board, also constitute Infringements of the Model and, therefore, may be sanctioned.

The Disciplinary System herein complies with the principle of legality, ensuring that the Recipients are familiar with the Infringements and the respective penalties, the adversarial principle, ensuring the involvement of the person concerned, as well as the principles of immediacy, proportionality and adequacy of the sanction with respect to the Infringement, by factoring in, upon imposing penalties, all the subjective and/or objective elements of the Infringements.

Please find below the possible Infringements, broken down by homogeneous categories based on their gravity:

- (a) failure to observe the Model or unjustified hindrance to access to information and documents by the Supervisory Board, not constituting one of the cases set out in b), c) and d) below;

<sup>56</sup> *Subordinate Persons typically include employees as defined by articles 2094 and 2095, Italian Civil Code, but also persons not belonging to the Entity who are entrusted with a task to be performed under the direction and supervision of Senior Managers. Therefore, the Subordinate Persons also include freelancers, promoters, agents and consultants, who, on the basis of a mandate that binds them with the Entity, perform activities in its interest.*

- (b) failure to comply with the Model consisting in the breach of a general principle of conduct or a prevention protocol illustrated in the Special Sections and/or the principles set out in the Code of Ethics and/or hindrance to or elusion of the controls of the Supervisory Board, not constituting one of the cases set out in (c) and (d) below;
- (c) failure to observe the Model only implying the objective element of one of the Crimes without the existence of its subjective element;
- (d) failure to respect the Model implying the objective and subjective elements of one of the Crimes.

#### 4 CORPORATE BODIES

All members of the Corporate Bodies may be subject to the penalties set out in the Disciplinary System for the Infringements. The Senior Managers, because of their hierarchical position, are subject to sanctions as per the Disciplinary System also if they fail to control or control without due care the Subordinate Persons when this negligence has allowed or facilitated the Infringements.

#### 5 EMPLOYEES

All Company Employees may be subject to the penalties set out in the Disciplinary System for the Infringements, pursuant to art. 2106, Italian Civil Code.

Executives, and in any case all Senior Managers, because of their hierarchical position, are subject to sanctions as per the Disciplinary System also if they fail to control or control without due care the Subordinate Persons when this negligence has allowed or facilitated the Infringements.

Employees shall observe the provisions of the Model, which are an integral part of their contractual obligations, pursuant to art. 2104 et seq., Italian Civil Code.

#### 6 THIRD-PARTY RECIPIENTS

Third-party Recipients shall observe the provisions of the Decree and the Code of Ethics which are an integral part of their contractual obligations as set out in the agreements they have entered into.

#### 7 SANCTIONS

The following factors are considered upon assessing the severity of the infringements:

- the type of infringement<sup>57</sup>;
- the circumstances;
- how it was committed;
- the subjective element<sup>58</sup>;
- the behaviour prior and subsequent to the infringement;
- whether the person engaging in the conduct is a Senior Manager or a Subordinate Person;

<sup>57</sup> For example, if the infringement is committed by action or omission.

<sup>58</sup> More specifically, the subjective element may consist in intent, that is the awareness and intention of engaging in the conduct violating the requirements of the Model, or in negligence, such as remissness, imprudence or incompetence of the perpetrator. The intensity of the intent or negligence shall also be evaluated.

- the function, role and responsibilities of the perpetrator within the organization;
- any consequences resulting from the Infringement, with particular reference to the trust relationship with the Company.

In determining the actual penalty to be applied, the following are also considered:

- the gravity of the Infringement;
- whether more Infringements are committed within the same conduct;
- whether the Infringement has involved several accomplices;
- whether the perpetrator is a recidivist.

## 8 SANCTIONS AGAINST THE MEMBERS OF THE CORPORATE BODIES

If a member of the Corporate Bodies commits an Infringement, the following penalties shall apply:

- written admonition to comply with the Model's provisions;
- injunction to stop engaging in the conduct which is contrary to the provisions of the Model;
- removal from office for a just cause.
- In particular, but not limited to:
  - for the Infringements stated in letter a) of art. 3 of the Disciplinary System herein, a written admonition or an injunction to stop engaging in the Infringement shall apply;
  - for the Infringements stated in letters b) and c) of art. 3 of the Disciplinary System herein, an injunction to stop engaging in the Infringement or removal from office shall apply;
  - for the Infringements stated in letter d) of art. 3 of the Disciplinary System herein, removal from office shall apply.

The above sanctions shall be imposed in compliance with the principle of proportionality, by applying the benchmarks stated in art. 7 of this Disciplinary System.

If the Infringement is committed by a director who is also an Employee of the Company, the penalties envisaged for Employees apply; if the penalty imposed is dismissal, with or without notice, the Shareholders' Meeting is responsible for removing the Employee from the office of director/ General Manager.

## 9 SANCTIONS AGAINST EMPLOYEES

Pursuant to collective bargaining agreements in force, Employees may be subject to:

- verbal warning;
- written admonition;
- a fine not exceeding two hours of hourly pay calculated on base pay;
- suspension from service and remuneration, up to 3 days;
- dismissal for fault.

Similar penalties apply to Executives under collective bargaining (article 27 of the collective bargaining agreement for executives of industrial companies). Therefore, if an Infringement is committed by an Executive, one or more of the aforementioned sanctions apply.

In particular, but not limited to:

- for the Infringements stated in letter a) of art. 3 of the Disciplinary System, a verbal warning or written admonition shall apply. The verbal warning shall apply whenever the conduct is not of

- such gravity as to determine the application of a different sanction;
- for the Infringements stated in letter b) of art. 3 of the Disciplinary System, a written admonition or a fine shall apply. The fine shall also apply in all cases of repeated conducts punishable by written admonition;
  - for the Infringements stated in letter c) of art. 3 of the Disciplinary System herein, suspension from service and remuneration, or dismissal for fault with notice shall apply. Suspension of service and remuneration, up to 3 days, shall also apply in the event of conducts punishable by the previous sanctions when, due to the circumstances or recidivism, they are of greater gravity or in the event of severe negligence which has compromised the safety of the facility where the perpetrator operates;
  - for the Infringements stated in point d) of art. 3, dismissal for fault without notice shall apply whenever the infringement is of such seriousness (either because the act was intentional, or because of its criminal or monetary consequences, or for its repeated occurrence or its peculiar nature) that it impairs the trust on which an employment relationship is based and prevents continuation of employment, even temporarily.
  - If the disciplinary procedure against an Employee concerns an Infringement stated in letters c) and d) of art. 3 of this Disciplinary System, the Company may decide, alternatively:
    - to impose a non-disciplinary precautionary suspension on the Employee, effective immediately, up to 3 days. The Company shall notify the Employee in writing of the facts relevant to the precautionary suspension and examine any contrary conclusions;
    - as a provisional and precautionary measure, for a period not exceeding 3 months, to assign different tasks to the Employee, in accordance with art. 2103, Italian Civil Code.

The above-mentioned sanctions shall be imposed in compliance with the principle of proportionality, with the application of the benchmarks stated in art. 7 of this Disciplinary System.

## 10 SANCTIONS AGAINST THIRD-PARTY RECIPIENTS

As concerns the relations with Third-party Recipients, the Company includes into the letters of appointment and/or agreements specific clauses requiring compliance with the Decree and the Code of Ethics and which envisage, in the event of a breach, the application of sanctions including termination of the contract.

Third-party Recipients are liable for the infringements committed by their employees and/or collaborators.

In any case, sanctions apply to Third-party Recipients if the latter inadequately control their employees and collaborators.

The penalties shall be imposed in compliance with the principle of proportionality, with the application of the benchmarks stated in art. 7 above.

## 11 PROCEDURE FOR IMPOSING SANCTIONS ON THE MEMBERS OF THE CORPORATE BODIES

If the Supervisory Board suspects an Infringement by a member of the Corporate Bodies (who is not an Employee of the Company), the Supervisory Board may, by virtue of the powers conferred on it, request information and documentation, conduct interviews and, in general, undertake all the operations necessary to ascertain the alleged infringement; after such activities, it shall without delay submit a report to the Board of Directors and Board of Auditors, specifying:

- the alleged conduct and the relevant evidence, as well as the provisions of the Model which have been breached;
- the person responsible for the Infringement;
- probative documents, if any;
- the suggested sanction.

The Board of Directors, after receiving the notice of the Supervisory Board, promptly summons the person concerned and notifies him/her of the information received from the Supervisory Board. Subsequently, taking into account any observations of the person concerned, it determines and justifies the applicable penalty and communicates it in writing to the person concerned, the Supervisory Board and, if different from the Board of Directors, to the body responsible for imposing the sanction.

The relevant body then applies the sanction, notifying the Supervisory Board.

The Shareholders' Meeting is responsible for removing the person concerned from office, if this sanction applies.

If a member of the Board of Auditors is removed from office, art. 2400, 2nd paragraph, Italian Civil Code, also applies.

If a director who is also an Employee of the Company commits an Infringement, the penalty will be imposed in accordance with the provisions of art. 12 below, without prejudice to the liability action against directors stated in the Italian Civil Code.

## 12 PROCEDURE FOR IMPOSING SANCTIONS ON EMPLOYEES

If the Supervisory Board suspects an Infringement by an Employee it may, by virtue of the powers conferred on it, request information and documentation, conduct interviews and, in general, undertake all the operations necessary to ascertain the alleged infringement; after these operations, which must be performed without delay in compliance with the principle of timeliness, it shall immediately send the Board of Directors and the Board of Auditors a report containing information about:

- the alleged conduct and the relevant evidence, as well as the provision of the Model which has been breached;
- the person responsible for the Infringement;
- probative documents, if any;
- the suggested sanction.

For the purpose of challenging and imposing the disciplinary measures, the provisions of the applicable collective bargaining agreement and art. 7 of Law no. 300/1970 (Statute of laborers) shall

apply as well as any corporate regulations or disciplinary codes, it being understood that:

- a person vested with appropriate powers within the relevant corporate function is in charge of imposing the disciplinary measure on Employees who are not Executives;
- the Board of Directors or another subject with appropriate powers is responsible for imposing the disciplinary measure on Executives;
- the employer is in charge of imposing penalties for offenses relating to occupational prevention and safety pursuant to art. 2, paragraph 1, letter b) of Legislative Decree 81/2008;
- the disciplinary measure must be justified and communicated in writing to the party concerned within 10 days of the defence raised by the person concerned or upon expiry of the deadline for the defence.

The Supervisory Board shall be notified of the sanction.

### 13 PROCEDURE FOR IMPOSING SANCTIONS ON THIRD-PARTY RECIPIENTS

If the Supervisory Board suspects a violation of the Decree or the Code of Ethics by a Third-party Recipient, it shall undertake all the operations necessary to ascertain the alleged infringement; after these operations, it shall immediately send the Board of Directors, the Board of Auditors and the Head of the corporate function to which the contract refers (hereinafter referred to as “**Delegated Officer**”) a report containing information about:

- the alleged conduct and the relevant evidence;
- the person responsible for the Infringement;
- probative documents, if any;
- the suggested sanction.

After the communication of the Supervisory Board, the Delegated Officer promptly submits to the Board of Directors and the Board of Auditors a report on the observations of the Supervisory Board and notifies in writing the Third-party Recipient of the alleged conduct and the applicable contractual penalty.

Should the Board of Directors, subsequent to its investigations, decide to impose the penalty, it notifies the Delegated Officer, who in turn informs the Third-party Recipient in writing and applies the penalty, informing the Supervisory Board.

If the sanction consists in the termination of the agreement signed with the independent auditor, the Shareholders’ meeting shall also cancel the appointment.

In the event some significant infringements of the provisions contained in the Model and/or Code of Ethics are ascertained, the Board of Directors shall verify the effectiveness of such provisions to decide whether to amend them, also on the initiative and/or request of the Supervisory Board, within its powers and prerogatives.

### 14 DISCIPLINARY MEASURES AGAINST THE RECIPIENTS OF THE NOTICES

The Company, in the event of violation of the regulatory provisions on whistleblowing, in order to protect the whistle-blower and his/her identity from any acts of retaliation or discrimination, may impose the following penalties on the recipient of the notice:

- In case of breach of this Model or violation of the confidentiality of the whistle-blower's identity by one or more members of the Supervisory Board, the other Board members shall immediately inform the Board of Directors: this Board, after disputing the violation and granting the appropriate defence tools, will take appropriate measures including, without limitation, the revocation of the appointment of the Supervisory Board members who have committed the violation and the consequent appointment of new members to replace them or the revocation of the appointment of the entire Board and the subsequent appointment of a new Supervisory Board.
- In the event of breach of this Model or violation of the confidentiality of the whistle-blower's identity by the Group's "Ethics & Compliance" Director, the Supervisory Board shall notify the Board of Directors and the Board of Auditors so that the Board of Directors may take the most appropriate measures required by law.
- The adoption of discriminatory measures against the whistle-blowers can be reported to the National Labour Inspectorate, for the measures within its scope, by the person who has submitted the notice and by the trade union organization indicated by the latter.
- The retaliatory or discriminatory dismissal of the whistle-blower is null. Any change of duties pursuant to art. 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure adopted against the whistle-blower are also null. In the event of disputes connected to the application of disciplinary sanctions, or to the demotion, dismissal, transfer or imposition of another organizational measure having direct or indirect negative effects on the working conditions of the whistle-blower, subsequent to the presentation of the notice, it is the employer's responsibility to demonstrate that such measures are based on reasons unrelated to the notice submitted by the latter.





