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**GIGLIO GROUP S.p.A.**

**ORGANISATION AND MANAGEMENT MODEL  
AS PER LEGISLATIVE DECREE  
NO. 231 OF 08 JUNE 2001.  
  
GENERAL SECTION**

*Approved by the Board of Directors in its entirety on 19 May 2017*

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## CHAPTER 1 REGULATORY FRAMEWORK DESCRIPTION

### 1.1 The system of vicarious corporate liability

Legislative Decree No. 231 of June 8, 2001, “Rules for the vicarious liability of legal persons, companies and associations, even where devoid of legal personality, pursuant to Art. 11 of Law No. 300 of September 29, 2000” (hereinafter the “Decree” or the “**Legislative Decree no. 231/2001**”), which entered into force on July 4 of that same year, introduced into the Italian legal system vicarious liability for entities (legal persons, companies and associations, even where devoid of legal personality), alongside the criminal liability of the natural persons representing them materially responsible for committing the offence.

Under this system, an entity may be held liable – and thus subject to penalties – for certain offences committed or attempted in the interest or for the benefit of the entity in question by its directors or employees.

#### 1.1.1 Fundamental principles of the Decree and relevant legislation

The Decree is intended to bring Italian domestic legislation governing the liability of legal persons into line with the international conventions of which Italy has been a signatory for some time, including:

- the *Convention on the protection of the European Communities' financial interests* signed in Brussels on July 26, 1995;
- the *Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union* of May 26, 1997, also signed in Brussels; and
- the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* of December 17, 1997.

The Decree introduced into the Italian legal order a system of vicarious liability (essentially criminal liability) for entities (defined as companies, associations, consortia, etc. – hereinafter “Entities”) for certain offences committed in their interest or to their advantage by:

- natural persons in positions of representation, direction or management of such Entities or an organisational unit thereof with financial and functional autonomy;
- natural persons who exercise management and control of such Entities, including on a de facto basis;
- natural persons subject to management or supervision by one of the persons set out above.

This liability is concurrent with the (criminal) liability of the natural person who materially committed the offence.

### 1.1.2 Penalties

The penalties established<sup>1</sup> for Entities for the commission or attempted commission of the aforementioned offences are:

- fines (of up to € 1.5 million);
- disqualification, for example from engaging in an activity, suspension or revocation or licences or concessions, debarment from contracting with the Public Administration, exclusion from or revocation of loans and grants, and debarment from advertising goods and services;
- confiscation (and preventive seizure as a precautionary measure) of the profit that the Entity has derived from the offence<sup>2</sup>;
- publication of the judgement (where a penalty of disqualification is imposed<sup>3</sup>)

### 1.1.3 Offences

The offences relevant to the Decree, as amended, fall into the following categories:

- offences against the Public Administration<sup>4</sup>;
- cybercrimes and illegal data processing<sup>5</sup>;
- organised crime offences<sup>6</sup>;
- offences against the Public<sup>7</sup> concerning counterfeiting of coinage, legal tender, duty stamps and means or tokens of identification;
- offences against industry and trade<sup>8</sup>;
- corporate offences<sup>9</sup>;
- offences related to terrorism or subversive activity<sup>10</sup>;
- female genital mutilation<sup>11</sup>;
- offences against individual personality, such as the exploitation of child prostitution, child pornography, including by means of the Internet, luring of minors, human trafficking and enslavement and slave-keeping<sup>12</sup>;
- market abuses<sup>13</sup>;
- culpable homicide and serious injury in violation of safety regulations and hygiene and workplace safety protection regulations<sup>14</sup>;
- receipt, laundering and use of money, assets and other proceeds of illegal provenance, self-laundering<sup>15</sup>;
- offences relating to copyright infringement<sup>16</sup>;

<sup>1</sup> Art. 9 and thereafter, Chapter I, Section II "General sanctions" of the Decree.

<sup>2</sup> Art. 6, paragraph 5.

<sup>3</sup> Art. 18, Section II (cited).

<sup>4</sup> Art. 24 and 25, Chapter I, Section III, "Criminal administrative responsibility" of the Decree.

<sup>5</sup> Art. 24-bis, Section III (cited).

<sup>6</sup> Art. 24-ter, Section III (cited).

<sup>7</sup> Art. 25-bis, Section III (cited).

<sup>8</sup> Art. 25-bis1, Section III (cited).

<sup>9</sup> Art. 25-ter, Section III (cited).

<sup>10</sup> Art. 25-quater, Section III (cited).

<sup>11</sup> Art. 25-quater1, Section III (cited).

<sup>12</sup> Art. 25-quinquies, Section III (cited).

<sup>13</sup> Art. 25-sexies, Section III (cited).

<sup>14</sup> Art. 25-septies, Section III (cited).

<sup>15</sup> Art. 25-octies, Section III (cited).

- inducement to not provide accounts or to provide false accounts to the authorities<sup>17</sup>;
- environmental offences<sup>18</sup>;
- offence of employment of unauthorised aliens in Italy, where giving rise criminal liability<sup>19</sup>;
- offences of granting illegal access and aiding and abetting illegal permanence<sup>20</sup>;
- racism and xenophobia<sup>21</sup>;
- transnational offences<sup>22</sup>;
- fraud offences in sporting competitions and abusive exercise of gambling activities<sup>23</sup>;
- tax offences<sup>24</sup>;
- trafficking offences<sup>25</sup>.

### 1.1.3.1 Public Administration, public official and public service provider

#### Public Administration

For the purposes of the Decree, “Public Administration” is understood to refer to all parties, whether private or public, that perform a “public function” or provide a “public service”.

#### Public function and public official

“Public function” refers to activities governed by public law relating to the following functions:

- legislative functions (State, Regions, Special Provinces, etc.);
- administrative functions (members of state and local administrations, law enforcement agencies, members of supranational administrations, such as the EU, members of the antitrust authority and other authorities, chambers of commerce and Building Commissions, public works inspectors, Italian Ship Register inspectors, etc.);
- judicial functions (judges, sheriffs, auxiliary officers appointed by the courts such as bankruptcy trustees or liquidators, etc.).

Public officials perform their functions by exercising authoritative or certification powers. It bears recalling that:

- authoritative power is the power that allows the Public Administration to achieve its aims by issuing outright commands, in respect of which individuals are in a subordinate position. This is the process of exercising what is known as “imperative” power, which includes the powers to coerce (arrest, search, etc.) and to accuse a person of breaking the law (i.e., charging a person with a minor violation, etc.) and powers of hierarchical authority within public offices;

<sup>16</sup> Art. 25-novies, Section III (cited).

<sup>17</sup> Art. 25-decies, Section III (cited).

<sup>18</sup> Art. 25-undecies, Section III (cited).

<sup>19</sup> Art. 25-duodecies, Section III (cited).

<sup>20</sup> Art. 25-duodecies, Section III (cited).

<sup>21</sup> Art. 25-terdecies, Section III (cited).

<sup>22</sup> Law No. 146 of 16 March 2006.

<sup>23</sup> Art. 25-quaterdecies, Section III (cited).

<sup>24</sup> Art. 25-quinquiesdecies, Section III (cited).

<sup>25</sup> Art. 25-sexiesdecies, Section III (cited).

- certification power is the power for a certifying authority to certify a fact with the force of proof absent a complaint of forgery.

Art. 357 of the Italian Penal Code defines a “public official” as a person who “performs a public function of a legislative, judicial or administrative nature”.

#### **Public service and public service provider**

A “public service” is:

- the provision of goods and services of general interest, subject to supervision by a Public Authority; and
- activities aimed at protecting personal rights to life, health, freedom, welfare and social security, education, freedom of communication, etc., under concession and/or by agreement (for example, hospitals, local health boards, the INPS, the INAIL, members of municipal councils, banks, post offices, customs offices, railways, motorways, municipal energy companies, airlines, etc.).

Public service is defined as an activity governed in the same manner as a public sector department, although featuring the absence of powers typical of this latter (authoritative or certification powers) and excluding the carrying out of simple duties regarding the order and provision of merely material works.

Art. 358 of the Italian Penal Code defines a “public service provider” as a person who “provides a public service in any capacity”.

### **1.1.3.2 Offences against the Public Administration**

The Decree provides an exhaustive list of offences against the Public Administration that give rise to vicarious criminal liability. These offences are:

- **embezzlement from the State or another public or Community entity**<sup>26</sup>: failure to allocate grants, subsidies or similar monies according to their intended uses;
- **illegal receipt of grants, financing or other monies** from the State, another public entity or an EU entity<sup>27</sup> through the use of false documents, declarations attesting to untruthful circumstances or omission of essential information;
- **fraud in public supplies**<sup>28</sup>: the alteration of the execution or the breach of supply agreements made with the State or any other public entity, or with a company engaged in public services or in services of public utility;
- **aggravated fraud to obtain public monies**<sup>29</sup>: the receipt of grants, financing or other monies from the State, another public entity or a Community entity through contrivances or deceit not involving the use of false documents, false declarations or omission of essential information;
- **fraud against the State or another public entity**<sup>30</sup>: the use of contrivances or deceit to procure an unjust profit to the detriment of the State or another public entity;

<sup>26</sup> Art. 316-bis of the Italian Penal Code.

<sup>27</sup> Art. 316-ter of the Italian Penal Code.

<sup>28</sup> Art. 356 of the Italian Penal Code.

<sup>29</sup> Art. 640-bis of the Italian Penal Code.

<sup>30</sup> Art. 640, paragraph 2, no. 1, of the Italian Penal Code.

- **computer fraud against the State or another public entity<sup>31</sup>**: alteration of the operation of a computer or telecommunications system or unauthorised modification of data, information or programmes stored on a computer system, to procure an unjust profit to the detriment of the State or another public entity;
- **extortion by a public official<sup>32</sup>**: abuse of the position or powers of a public official or public service provider to force a person unduly to give or promise money or other consideration to him or to a third party;
- **public corruption in official duties<sup>33</sup>**: when a public official or public service provider unduly receives money or other consideration, or accepts the promise thereof, to perform his functions or exercise his powers;
- **corruption to act against official duty<sup>34</sup>**: when a public official or public service provider, to refrain from or delay an official act, for having refrained from or delayed such an act, or to perform or for having performed an act contrary to his official duties, receives, for himself or for a third party, money or other consideration, or accepts the promise of such;
- **corruption in judicial acts<sup>35</sup>**: in both cases of corruption defined above, the receipt (or acceptance), for oneself or for others, money or other consideration to favour or damage a party in a civil, administrative or criminal proceeding;
- **solicitation of bribery<sup>36</sup>**: when a public official or public service provider who, in abuse of his position or powers, induces a person unduly to give or promise him or a third-party money or other consideration; criminal liability also extends to the person who gives or promises the money or other consideration;
- **attempted bribery<sup>37</sup>**: in both cases of corruption defined above, when the public official does not agree to receive, or the private party refuses to give, the money or other consideration.
- **embezzlement<sup>38</sup>**: when money or other movable goods are misappropriated or embezzled for personal gain or that of others by a public official in its possession due to his/her office, when this is an offence against the financial interests of the European Union;
- **embezzlement through profit of others' mistake<sup>39</sup>**: when a public official or public service provider who, while carrying out his functions or service, profiting from other's mistake, receives or unduly retains, for him/herself or for a third party, money or other utilities, offending the financial interests of the European Union;
- **graft, extortion by a public official, illegal instigation of the payment or promise of consideration, corruption and attempted bribery of members of the international criminal court, bodies of the European Communities and officials of the European**

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<sup>31</sup> Art. 640-ter of the Italian Penal Code.

<sup>32</sup> Art. 317 of the Italian Penal Code.

<sup>33</sup> Art. 318 of the Italian Penal Code.

<sup>34</sup> Art. 319 of the Italian Penal Code.

<sup>35</sup> Art. 319-ter of the Italian Penal Code.

<sup>36</sup> Art. 319-quater of the Italian Penal Code.

<sup>37</sup> Art. 322 of the Italian Penal Code.

<sup>38</sup> Art. 314 of the Italian Penal Code.

<sup>39</sup> Art. 316 of the Italian Penal Code.

**Communities and foreign countries<sup>40</sup>**: the offences punished under the above statutes committed in respect of foreign officials.

- **trafficking of illicit substances<sup>41</sup>**: when, aside from the cases of accomplices in the offences pursuant to Art. 318, 319, 319-ter and in the corruption offences set forth in Art. 322-bis, an individual, exploiting or boasting existing or alleged relationships with a public official or public service provider or any other individual described in Art. 322-bis, coerces someone to give or promise, for his/her own benefit or that of others, money or other utilities as price for the illicit mediation towards a public official or public service provider or any other individual described in Art. 322-bis, or as remuneration in relation to the exercise of his/her functions or powers;
- **fraud against the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development<sup>42</sup>**: the use of tricks and deceit for obtaining aids, prizes, indemnities, refunds, subsidies or other similar contributions, fully or in part, from the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development;
- **abuse of office<sup>43</sup>**: when a public official or public service provider, in the performance of his/her office or service, in violation of legal provisions or regulations, or by omitting to refrain from his/her office when in presence of own interests or interests of a next of kin, or in the other prescribed cases, procures to him/herself or to others an unjust monetary advantage, offending the financial interests of the European Union.

### 1.1.3.3 Manslaughter, bodily harm and grievous bodily harm committed in violation of workplace accident prevention, health and hygiene legislation

Law No. 123 of August 3, 2007, published in Official Journal edition no. 185 of August 10, 2007 and entered into force on August 25, 2007, introduced Art. 25-septies to Legislative Decree No. 231/01, subsequently amended by the Consolidated Safety Act. As a result, vicarious criminal liability was also extended to:

- culpable homicide (Article 589 Criminal Code) and
- bodily harm and grievous bodily harm (Art. 590 of the Italian Penal Code);

where manslaughter is committed in violation of Art. 55, paragraph 2, of the Consolidated Safety Act, or where the offences in question are committed in violation of accident prevention and workplace health and hygiene legislation. The statutes in question are set out in the Consolidated Safety Act.

The statutes in question are set out in the Consolidated Safety Act.

Furthermore, it should be noted that all violations of the employer's obligation to ensure safety in the workplace (Art. 2087 of the Italian Civil Code), that result in serious bodily injury, give rise to ex officio proceedings against the company.

<sup>40</sup> Art. 322-bis of the Italian Penal Code.

<sup>41</sup> Art. 346-bis of the Italian Penal Code.

<sup>42</sup> Art. 2, Law no. 898 of 23 December 1986.

<sup>43</sup> Art. 323 of the Italian Penal Code.

Case law has established that all violations of workplace safety laws constitute aggravating factors for manslaughter, bodily harm and grievous bodily harm and thus trigger the application of Art. 25-septies of Legislative Decree No. 231/2001.

Bodily harm or grievous bodily harm is defined (Art. 583 of the Italian Penal Code) as bodily harm that causes:

- an illness that puts the victim's life at risk, or an illness or inability to attend to ordinary occupations for a period of more than forty days;
- permanent weakening of a sense or organ; an illness that is certainly or probably incurable; the loss of a sense; the loss of a limb, a mutilation that renders a limb unusable, the loss of the use of an organ or the ability to procreate or a permanent or severe speech impediment; permanent deformation or disfigurement of the face.

It bears emphasising that in such cases the offence is punished on the basis of mere culpability, in contrast to other predicate offences, which require deliberate, wilful action.

#### **1.1.3.4 Receipt, laundering and use of money, assets and other proceeds of illegal provenance, self-laundering**

Legislative Decree of November 16, 2007, implementing Directive 2005/60/EC of October 26, 2005 and Directive 2006/70/EC of August 1, 2006, expands the scope of application of Legislative Decree No. 231/01 to include the offences punished under Articles 648 (receipt of stolen property), 648-bis (money-laundering) and ter (use of money, property or assets of criminal origin).

It bears noting that while Articles 648-bis and 648-ter were already predicate offences giving rise to vicarious criminal liability within the framework of transnational offences (Law No. 146/2006), the offence of receipt of stolen property (Art. 648 of the Italian Penal Code) was included among the predicate offences for the first time.

These offences have some common features as well as some points of difference.

The aim of the law is, where a crime has been committed (the “predicate offence”), to prevent persons other than the perpetrators (“except in cases of complicity”) from taking an interest in the property originating from the offence. This group of three offences therefore consists of acts taken after an offence is committed that involve harm to the legal good of property (since the statutes seek to prevent all economic gain achieved using assets of criminal origin) and the legal good of the administration of justice (since, in any event, the assets of criminal origin, through the criminal conduct concerned, risk being dissipated, impeding the authorities in investigating and combating the predicate offences).

The differences between Articles 648, 648-bis and 648-ter essentially have to do with the conduct (material element) and the subjective element (generic or specific intent).

The material element is as follows:

- Receipt of stolen property: the statute punishes acquiring, receiving, concealing or acting as intermediary in acquiring, receiving or concealing money or property of criminal origin.

- Money-laundering: the statute punishes substituting, transferring or engaging in other transactions so as to prevent the identification of the criminal provenance of the money, property or assets of criminal origin.
- Use of money, property or assets of criminal origin: the statute punishes the use of money, property or assets of criminal origin in economic or financial activities.

The subjective element is as follows:

- Receipt of stolen property: the statute punishes acts taken with the aim of procuring profit for oneself or others (specific intent).
- Money-laundering: this offence is punished on the basis of generic intent.
- Use of money, property or assets of criminal origin: the offence is punished on the basis of generic intent.

Money-laundering is certainly the most relevant of these three offences to corporate criminal law, and therefore the most important risk to be considered: in Italy, money-laundering was criminalised by Decree-Law No. 59 of March 21, 1978, converted by Law No. 191 of May 18, 1978, which introduced Art. 648-bis of the Italian Penal Code, then headed “substitution of money or valuables originating from aggravated robbery, aggravated extortion or kidnapping for extortion”.

Accordingly, it referred to receipt of stolen property where the funds originated from one of the above offences.

The 1990 reform (Art. 23 of Law No. 55 of March 19, 1990) eliminated the profit motive (the subjective element) and the criminal conduct was narrowed to impeding the identification of the criminal origin of the assets, the salient characteristic of the current statute.

Art. 648-ter of the Italian Penal Code was added to punish subsequent behaviour, irrespective of any money-laundering, i.e. the use of funds originating from the above offences in economic and financial activities. This offence punished – as it still does today – an activity occurring after both the commission of the predicate offence and the “laundering” of the money or other property of criminal origin.

The subsequent reform by Law No. 328/1993, ratifying the Strasbourg Convention of November 8, 1990, maintained the structure of the 1990 law, but removed the exhaustive list of the predicate offences in favour of a generic reference to the criminal origin of the funds.

This statute, which is constantly evolving, limits the use and transfer of cash, imposes obligations on financial intermediaries to identify their customers, keep records and report suspect transactions, and provides for operating rules aimed at preventing criminal activities (the “know-your customer rule” and quantitative analysis of transactions) that also inform the content of the compliance model.

The Legislative Decree no. 93 of 14 August 2013, setting out: “Urgent provisions on security and the repression of violence generally, and on civil protection and the appointment of commissioners for provinces” expanded the scope of application of Legislative Decree No.

231/01 to include the offence of the unauthorised use of or tampering with credit or payment cards, or any other similar documents that can be used to withdraw cash or purchase goods or services (Art. 55, paragraph 9, of Legislative Decree No. 231/2007).

### Self-laundering

Art. 3 of Law No. 186 of 15 December 2014, “*Provisions on the reporting and repatriation of assets held abroad and enhanced measures for combating tax evasion. Provisions on self-laundering*” introduced into the Italian legal order, inter alia, the offence of self-laundering, as punished under the new Art. 648-ter1 of the Italian Penal Code. In detail, the new Article punishes “*any person who, having committed, alone or together with others, an offence with criminal intent, uses, substitutes, or transfers, in economic, financial, entrepreneurial or speculative activities, money, assets or other property originating from the commission of the offence, thereby effectively impeding the identification of the criminal origin thereof*”. Paragraph 5 of Art. 3 of the above statute expressly includes self-laundering among the predicate offences of Legislative Decree No. 231/01, set out in Art. 25-*octies*.

Self-laundering is an offence that harms several types of legal good, combining financial damages for the victim of the predicate offence<sup>44</sup> with harm to the administration of justice and the greater public economy. Those who engage in self-laundering through investments and purchases of various kinds impede or increase the difficulty of making the victim whole, in addition to tampering with credit and price levels and, in the final analysis, the overall system of economic relationships.

Self-laundering is a distinct offence, since the perpetrator must be the same person who participated in the commission of the offence with criminal intent that gave rise to the monies to be reinvested.

In terms of the material element, the behaviour characteristic of the offence is subject to three different methods of execution: the substitution, transfer and use in economic or financial activities of the money, property or other assets originating from the commission of the offence with criminal intent.

The punishable conduct is limited to behaviours that, while not necessarily inherently deceptive (i.e. constituting the contrivances and deceit characteristic of fraud), give rise to objective difficulty in identifying the criminal origin of the assets.

In particular, the concept of the substitution of the money, property or other assets of criminal origin includes all activities aimed at “laundering” the product of the criminal act by severing all possible ties to the offence (substitution may therefore be implemented in countless ways, for example by exchanging cash for other bank notes, or depositing money to a bank and then withdrawing it).

On the other hand, a transfer is a specific type of substitution, involving all behaviours that entail moving valuables of criminal origin from one person to another or from one place to

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<sup>44</sup> In this specific case, this expression refers to an offence committed with criminal intent that constitutes the basis for a charge of self-laundering and not the list of offences set out in Legislative Decree No. 231/2001.

another, so as to cause the authorities to lose track of their ownership, provenance and actual use.

The transfer or substitution of the proceeds of a crime must involve entrepreneurial, financial, economic or speculative activities, as provided for in paragraph 4 of Art. 648-ter.1 of the Italian Penal Code. In any event, the offence is not punishable if the money, property or other assets of criminal origin are intended for personal use or enjoyment.

The objective requirement of the offence is not satisfied if the money, property or other assets of criminal origin are intended for personal use or enjoyment.

At the level of the subjective requirement, generic intent is required for the offence to be punishable, meaning that the perpetrator must knowingly and deliberately engage in substitution, transfer or other operations involving the money, property or other assets, and must be aware that the behaviour in question could impede identification of their criminal origin.

The main types of predicate offences for the offence of self-laundering include: - Tax offences;

- Tax offences;
- Offences against property (such as usury, extortion, theft, embezzlement and robbery);
- Offences against the Public Administration;
- Offences against the administration of justice;
- Organised crime offences;

Consequently, the predicate offence for the offence in question need not fall within the scope of application of Legislative Decree No. 231/2001.

### **1.1.3.5 Corporate offences**

With regard to corporate law reform, Legislative Decree No. 61 of 11 April 2002<sup>45</sup>, in force since 16 April 2002, introduced the new Article 25-ter of the Decree, extending the administrative responsibility regime to Entities of so-called “corporate offences”.

Corporate offences are personal offences and, as such, may be **committed directly**:

- by the Board of Directors;
- by Directors,
- by General Managers,
- by Statutory Auditors,
- by Liquidators,

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<sup>45</sup> Art. 3 of the Italian Penal Code.

it is also possible for the offices responsible for managing administrative and accounting activities, financial activities or activities relating to the implementation of the information and accounting system to be complicit in the commission of such offences.

The corporate offences considered are as follows:

- **false company communications and minor infractions** (Articles 2621, 2621-bis and 2621-ter of the Italian Civil Code): knowingly misstating material facts in financial statements, reports or other legally required company documents addressed to shareholders or the public, or omitting from such documents material facts that must be disclosed by law, concerning the financial performance or financial position of the company or the group of which the company is a member, in a manner that may effectively prove misleading to others. In this regard, attention should be drawn to Law No. 69 of May 27, 2015, published in Italy's Official Journal no. 124 of May 30, 2015, which significantly amended the provisions governing penalties for false company communications set out in the Italian Civil Code. In detail, the main amendments pertained to (i) the ability to prosecute the offence ex officio; (ii) the psychological element, represented by specific malice, with the aim of “obtaining an unjust profit for oneself or others” and no longer characterised by any element of intent to deceive; (iii) a partial revision of the typical conduct; and (iv) the elimination of the quantitative thresholds in order for the conduct to give rise to criminal liability;
- **false company communications by listed companies** (Art. 2622 of the Italian Civil Code): knowingly misstating material facts in legally required financial statements, reports or other company documents addressed to shareholders or the public of companies that have issued financial instruments admitted to trading on a regulated market in Italy or another European Union Member State or omitting from such documents material facts that must be disclosed by law concerning the financial performance or financial position of the company or the group of which the company is a member, in a manner that may effectively prove misleading to others.
- **undue return of contributions** (Art. 2626 of the Italian Civil Code): returning contributions to shareholders or releasing shareholders from the obligation to make such contributions;
- **illegal distribution of profits and reserves** (Art. 2627 of the Italian Civil Code): distributing profits or reserves that by law cannot be distributed;
- **illegal transactions in shares or quotas, including those of a parent company** (Art. 2628 of the Italian Civil Code): purchasing or subscribing for shares, including of a parent company, to the detriment of share capital;
- **transactions to the detriment of creditors** (Art. 2629 of the Italian Civil Code): reducing share capital or undertaking mergers or de-mergers in a way that causes damage to creditors;
- **failure to disclose a conflict of interest** (Art. 2629-bis of the Italian Civil Code): breaching obligations to disclose a conflict of interest to the detriment of the company or third parties;
- **fraudulent formation of capital** (Art. 2632 of the Italian Civil Code): fraudulently forming share capital, reciprocally subscribing for shares or overvaluing contributions or assets in the event of a transformation;

- **undue distribution of company assets by liquidators** (Art. 2633 of the Italian Civil Code): distributing company assets before the payment of company creditors or the provision of sums necessary to satisfy such creditors;
- **obstruction of control** (Art. 2625, par. 2, of the Italian Civil Code): concealing documents to impede the performance of the control activities of shareholders or other company bodies;
- **bribery between private parties** (Art. 2635, par. 3, of the Italian Civil Code) and **instigation to bribery between private parties** (Art. 2635-bis of the Italian Civil Code): offering, including in response to a request, or promising money or other consideration not due (as briber) to directors, general managers, financial reporting officers, statutory auditors and liquidators, or to persons performing executive functions other than the above, to act or to refrain from acting, in violation of the obligations associated with their office or obligations to loyalty (as the bribee); liability pursuant to Legislative Decree No. 231/2001 attaches to the briber and is applied also when the offer or promise of money or other consideration not due is not accepted;
- **illegal influence on a shareholders' meeting** (Art. 2636 of the Italian Civil Code): engaging in simulated or fraudulent acts aimed at forming illegal majorities in a shareholders' meeting;
- **market manipulation** (Art. 2637 of the Italian Civil Code): spreading false information or undertaking sham transactions that may result in the alteration of the price of unlisted financial instruments;
- **obstruction of the functions of public supervisory authorities** (Art. 2638, paragraphs 1 and 2, of the Italian Civil Code): misstating material facts, even where subject to evaluation, concerning the financial performance or financial position of an entity subject to supervision in order to obstruct supervisory functions or concealing – for that same purpose – by other fraudulent means facts that ought to be disclosed.

#### 1.1.3.6 Market abuse

Corporate offences, broadly construed, include market abuse, as governed by Law No. 62 of 18 April 2005:

- **abuse of inside information** (Art. 184 of Legislative Decree No. 58/1998), which punishes the exploitation by a person in an “inside” position (as a member of a management, direction or control body of an issuer or holder of an equity interest in an issuer) of such inside information in transactions on the financial markets;
- **market manipulation** (Art. 185 of Legislative Decree No. 58/1998), which punishes the circulation of untruthful information or the use of contrivances capable of significantly altering the price of financial instruments.

#### 1.1.3.7 Counterfeiting of coinage, legal tender, duty stamps and means or tokens of identification

Law No. 409 of 23 November 2001, “Urgent provisions in view of the introduction of the Euro” added Art. 25-bis to the Decree. This latter Article punishes the offence of “counterfeiting of coinage, legal tender and duty stamps” and other offences relevant to vicarious corporate criminal liability:

- **the forgery of currency, the spending and introduction into the State, without permission, of forged currency** (Article 453 Criminal Code);

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- **alteration of currency** (Article 454 Italian Penal Code);
- **counterfeiting of watermarked paper in use for the production of legal tender or duty stamps** (Article 460 Italian Penal Code);
- **production or holding of watermarks or other instruments for the counterfeiting of currency, duty stamps or watermarked paper** (Article 461 Italian Penal Code);
- **spending and introduction into the State, without permission, of forged currency** (Article 455 Italian Penal Code);
- **spending of counterfeit currency received in good faith** (Article 457 Italian Penal Code);
- **use of counterfeit or altered duty stamps, received in good faith** (Article 464, paragraph 2, Italian Penal Code);
- **forgery of duty stamps, introduction into the State, acquisition, holding or placing into circulation of forged duty stamps** (Article 459 Italian Penal Code);
- **use of counterfeit or altered duty stamps** (Article 464, paragraph 1, Italian Penal Code);

#### 1.1.3.8 Offences related to terrorism or subversive activity

Law No. 7 of 14 January 2003 ratified the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 9 December 1999.

In contrast to the other cases of vicarious corporate liability, an exhaustive list of the relevant offences is not provided: instead, all offences committed for the purposes of terrorism or subversion activity give rise to vicarious corporate liability.

#### 1.1.3.9 Offences against individual personality and against the person

Various relevant offences:

- **enslavement or the keeping of slaves or servants** (Art. 600 of the Italian Penal Code): enslaving or keeping a person in a state of constant subjection that takes the form of exploitative labour;
- **human-trafficking** (Art. 601 of the Italian Penal Code): trafficking in slaves or persons in conditions analogous to slavery;
- **purchase and sale of slaves** (Art. 602 of the Italian Penal Code): any act that entails the transfer of slaves or persons in conditions analogous to slavery;
- **child prostitution** (Art. 600-bis, paragraphs 1 and 2, of the Italian Penal Code): inducing, facilitating or exploiting child prostitution, or the performance of sex acts with minors in exchange for money or other economic consideration;
- **child pornography** (Art. 600-ter, paragraphs 1, 2, 3 and 4 of the Italian Penal Code): exploitation of minors for the purposes of the production of pornographic exhibitions or materials; trafficking in pornographic materials produced through exploitation; distributing, disseminating, or advertising pornographic materials produced through the exploitation of minors, or of news or information intended to lure or exploit minors;
- **tourist initiatives for the exploitation of child prostitution** (Art. 600-quinquies of the Italian Penal Code): organising or marketing travel for the purposes of consuming child prostitution;
- **possession of child pornography** (Art. 600-quater of the Italian Penal Code): obtaining or merely having access to pornographic materials created through the exploitation of minors;

- **virtual pornography** (Art. 600-quater.1. of the Italian Penal Code): when, in cases of child pornography or possession of child pornography, the pornographic materials consist of virtual images;
- **female genital mutilation** (Art. 583-bis of the Italian Penal Code) in the absence of therapeutic needs;
- **luring of minors** (Art. 609-undecies of the Italian Penal Code);
- **unlawful intermediation and exploitation of labour** (Art. 603-bis of the Italian Penal Code).

#### 1.1.3.10 Transnational offences

Transnational offences, introduced by Law No. 146 of 16 March 2006, ratifying and implementing the United Nations Convention and Protocols against Organised Crime, are the following offences committed by criminal organisations operating in multiple countries:

- **criminal conspiracy**: a conspiracy of at least three persons to commit an indeterminate series of offences;
- **mafia-style criminal conspiracy**: a criminal conspiracy that relies on the power to intimidate of the bond between the conspirators, as well as the resulting state of subjection and code of silence;
- **criminal conspiracy to traffic in foreign tobacco products**: a criminal conspiracy aimed at committing the offences of importing, selling, transporting, purchasing or possessing foreign processed tobacco products in Italy;
- **criminal conspiracy to traffic in illegal narcotics**: a criminal conspiracy aimed at trafficking in illegal narcotics;
- **trafficking in migrants and illegal immigration**: facilitating the entry and continuing presence of illegal immigrants in Italy;
- **money-laundering**: substituting or transferring money, property or other assets of criminal origin, or undertaking transactions aimed at preventing the identification of their criminal origin;
- **use of money, property or assets of unlawful origin**;
- **inducement to withhold testimony**: inducing a person called upon to give testimony before a legal authority to perjure himself or withhold such testimony through threats, violence or the offer of money;
- **aiding and abetting**: offering aid to a person who has committed an offence with the aim of avoiding investigation or evading capture by law enforcement authorities.

#### 1.1.3.11 Cybercrimes and illegal data processing

Legislative Decree No. 48 of 4 April 2008, ratifying and implementing the Budapest Convention on Cybercrime of the Council of Europe, adds the following offences to the scope of application of Legislative Decree No. 231/01:

- **forgery of a computerised document** (Article 491-bis Italian Penal Code);
- **abusive access to an IT or computerised system** (Article 615-ter Italian Penal Code);
- **holding or abusive circulation of IT or computer system access codes** (Article 615-quater Italian Penal Code);
- **the circulation of equipment, devices or IT programmes to damage or interrupt an IT or computerised system** (Article 615-quinquies Italian Penal Code);

- **illegal interception, impediment or interruption of IT or computerised communications** (Article 617-quater Italian Penal Code);
- **installation of equipment to intercept, impede or interrupt IT or computerised communications** (Article 617-quinquies Italian Penal Code);
- **damage to information, data and IT programmes** (Article 635-bis Italian Penal Code);
- **damaging of information, data and IT programmes utilised by the State or other public entities or however of public utility** (Article 635-ter Italian Penal Code);
- **damaging of IT or computerised systems** (Article 635-quater Italian Penal Code);
- **damaging of IT or computerised systems of public utility** (Article 635-quinquies Italian Penal Code);
- **IT fraud of electronic signature certifying bodies** (Article 640-quinquies Italian Penal Code).

The Legislative Decree no. 93 of 14 August 2013, setting out: “Urgent provisions on security and the repression of violence generally, and on civil protection and the appointment of commissioners for provinces” expanded the scope of application of Legislative Decree No. 231/01 to include the offence of IT fraud, committed with the substitution of digital identity damaging one or more parties (Article 640-ter, third paragraph Italian Penal Code).

#### 1.1.3.12 Organised crime offences

Law No. 94 of 15 July 2009, “Provisions on public safety”, which entered into force on 8 August 2009, adds Art. 24-ter, “**Organised crime offences**” to the text of Legislative Decree No. 231/2001. This latter Article expands the vicarious liability of Entities to include the following offences:

- criminal association (Article 416 Italian Penal Code);
- mafia-type association (Article 416-bis Italian Penal Code);
- political mafia electrical exchange (Article 416 ter Italian Penal Code);
- kidnapping for robbery or extortion (Article 630 of the Italian Penal Code);
- offences committed availing of the conditions within the afore-mentioned Article 416-bis or in order to assist the activities of association as per the article;
- association for the purpose of the illegal traffic of narcotic or psychotropic substances (Article 74 of Presidential Decree No. 309 of October 9, 1990);
- offences of illegal manufacturing, introduction into the state, placement on sale, disposal, holding and bringing into public spaces, or those open to the public, of weapons of war or war-like weapons or parts of such, of explosives, of illegal arms, in addition to common firearms excluding those within Article 2, paragraph 3, of Law No. 110 of 18 April 1975.

#### 1.1.3.13 Offences relating to industry and commerce; Offences relating to copyright infringement

Law No. 99 of 23 July 2009, “Provisions for the development and internationalisation of enterprises and provisions on energy”, which entered into force on 15 August 2009, adds the following offences to the text of Legislative Decree No. 231/01: **Offences relating to industry and commerce; Offences relating to copyright infringement:**

- counterfeiting, tampering with or using distinctive marks or signs, patents, models or designs (Art. 473 of the Italian Penal Code);

- introduction into the State and commercialisation of forged symbols (Article 474 of the Italian Penal Code);
- disruption of the freedom of industry or trade (Article 513 of the Italian Penal Code);
- unlawful competition through threat or violence (Article 513 bis of the Italian Penal Code);
- fraud against national industries (Article 514 of the Italian Penal Code);
- fraud in commerce (Art. 515 of the Italian Penal Code);
- sale of non-genuine food substances as genuine (Article 516 of the Italian Penal Code);
- sale of industrial products with misleading signs (Article 517 of the Italian Penal Code);
- production and sale of goods through usurping property rights (Article 517-ter of the Italian Penal Code);
- counterfeiting of geographical indications or denominations of origin of agro-food products (Article 517-quater of the Italian Penal Code);
- copyright infringement offences (Articles 171, paragraph one, letter a-bis, and paragraph three, 171-bis, 171-ter, 171-septies and 171-octies of Law No. 633 of 22 April 1941).

#### 1.1.3.14 Inducement to not provide accounts or to provide false accounts to the authorities

Law No. 116 of 3 August 2009, “Ratification and implementation of the United Nations Convention against Corruption, adopted by the UN General Assembly on October 31, 2003 by resolution no. 58/4, signed by Italy on December 9, 2003, and domestic transposition and amendments to the Italian Penal Code and Code of Penal Procedure” adds to the list of offences included in the scope of application of Legislative Decree No. 231/01 **inducement to not provide accounts or to provide false accounts to the authorities** (Article 377 bis of the Italian Penal Code);

#### 1.1.3.15 Environmental Offences

Legislative Decree No. 121 of 7 July 2011, which enacts the “implementation of Directive 2008/99/EU on the protection of the environment, as well as Directive 2009/123/EU which modifies Directive 2005/35/EU relating to pollution caused by ships and the introduction of sanctions for violations”, introduced, within Legislative Decree 231/01, the “**Environmental offences**”, among which:

- killing, destruction, capture, sampling and holding of samples of protected wild animal or vegetable species (Article 727-bis Criminal Code);
- destruction or deterioration of habitats within a protected site (Article 733-bis Criminal Code);
- trafficking in exemplars of the species set out in Annex A, Appendix I, and Annex C, Part, 1, to Regulation (EC) No 338/97 (Art. 1 of Law No. 150 of 7 February 1992);
- trafficking in exemplars of the species set out in Annex A, Appendix I, and Annex C, Part, 2, to Regulation (EC) No 338/97 (Art. 2 of Law No. 150 of 7 February 1992);
- ban on possession of exemplars posing a risk to public health and safety (Art. 6 of Law No. 150 of February 7, 1992);
- discharge of waste water (Art. 137, paragraphs 2, 3, 5, 11 and 13 of Legislative Decree No. 152 of 3 April 2006);
- discharge into the soil (Art. 103 of Legislative Decree No. 152 of 3 April 2006);
- discharge into the subsoil and groundwater (Art. 104 of Legislative Decree No. 152 of 3 April 2006);

- discharge into sewer networks (Art. 107 of Legislative Decree No. 152 of 3 April 2006);
- discharge of hazardous substances (Art. 108 of Legislative Decree No. 152 of 3 April 2006);
- unauthorised waste management activity (Art. 256, paragraphs 1, 3, 5 and 6 and Articles 208, 209, 210, 211, 212, 214, 215 and 216 of Legislative Decree No. 152 of 3 April 2006);
- abandonment of waste (Art. 192 of Legislative Decree No. 152 of 3 April 2006);
- blending of hazardous waste (Art. 187 of Legislative Decree No. 152 of 3 April 2006);
- electric and electronic waste, health waste, inoperative vehicles and products containing asbestos (Art. 227 of Legislative Decree No. 152 of 3 April 2006);
- site reclamation (Art. 257, paragraphs 1 and 2, of Legislative Decree No. 152 of 3 April 2006);
- breach of obligations to disclosure, the keeping of mandatory registers and forms (Art. 258, par. 4, second period, of Legislative Decree No. 152 of 3 April 2006);
- untruthful statements by a private individual in a public document (Art. 483 of the Italian Penal Code);
- illegal waste trafficking (Art. 259, par. 1, of Legislative Decree No. 152 of 3 April 2006);
- organised illegal waste trafficking (Art. 452-quaterdecies of the Italian Penal Code);
- electronic waste tracking system (Art. 260-bis of Legislative Decree No. 152 of 3 April 2006);
- breach of emission limits (Art. 279, par. 5, of Legislative Decree No. 152/06).
- counterfeiting or tampering by a public official involving certificates or administrative authorisations (Art. 477 of the Italian Penal Code);
- document counterfeiting or tampering by a private individual (Art. 482 of the Italian Penal Code);
- discontinuation and reduction of the use of ozone-depleting substances (Art. 3 of Law No. 549 of December 28, 1993);
- malicious pollution caused by ships (Art. 8 of Legislative Decree No. 202 of 6 November 2007);
- negligent pollution caused by ships (Art. 9 of Legislative Decree No. 202 of 6 November 2007).

Law No. 68 of 22 May 2015 concerning **offences against the environment**, entered into force on 29 May 2015, implementing Legislative Decree 231/01 with the following further environmental offences:

- Environmental pollution (Article 452-bis Italian Penal Code);
- Environmental disaster (Article 452-quater Italian Penal Code);
- Unintentional offences against the environment (Article 452-quinquies of the Italian Penal Code);
- Aggravated criminal conspiracy (Art. 452-octies of the Italian Penal Code);
- Traffic and abandonment of highly radioactive material (Article 452-sexies of the Italian Penal Code).

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#### 1.1.3.16 Employment of unauthorised aliens in Italy

Legislative Decree No. 109/2012: “Implementation of Directive 2009/52/EC, which introduces minimum standards for penalties and measures against employers who employ unauthorised aliens in Italy” cites, in Art. 25-duodecies of Legislative Decree No. 231/01, the offence punished under Art. 22, par. 12-bis, of Legislative Decree No. 286/1998 (**employment of unauthorised third-country nationals in Italy**).

#### 1.1.3.17 Offences of granting illegal access and aiding and abetting illegal permanence

Art. 30, par. 4 of Law no. 161 of 17 October 2017 “Amendments to the code of anti-mafia laws and intervention measures, as in the Legislative Decree no. 159 of 6 September 2011, the Italian Penal Code and the implementing, coordination and transitional rules of the Code of Criminal Procedure and other provisions. Delegation to the Government for the protection of work in seized and confiscated companies” inserted among the offences set forth in Legislative Decree 231/2001, **the offences of granting illegal access**, referred to in Art. 12, par. 3, 3-bis, 3-ter of the Legislative Decree no. 286 of 25 July 1998, and of **aiding and abetting illegal permanence**, referred to in Art. 12, par. 5 of the Legislative Decree no. 286 of 25 July 1998 on illegal immigration.

#### 1.1.3.18 Racism and xenophobia

Art. 5 of Chapter II of Law no. 167 of 20 November 2017 “Provisions for the fulfilment of the obligations arising from Italy’s participation in the European Union – European Law 2017 (EU Law 2017)” inserted in the context of the application of Legislative Decree 231/01, the Art. 25-terdecies related to offences of **racism and xenophobia**.

#### 1.1.3.19 Fraud offences in sporting competitions and abusive exercise of gambling activities;

Law no. 39 of 3 May 2019, that ratified and implemented the Council of Europe Convention on the manipulation of sporting competitions, which entered into force on 17 Ma 2019, inserted in Legislative Decree no. 231/2001, Art. 25-quaterdecies, "**Fraud offences in sporting competitions, abusive exercise of games and gambling activities through banned equipment**".

#### 1.1.3.20 Trafficking offences

Art. 5, par. 1, letter d) of Legislative Decree no. 75 of 14 July 2020 has transposed Directive 2017/1371/EU concerning the fight against frauds damaging the financial interests of the European Union by way of the penal code, and has inserted in the scope of application of Legislative Decree no. 231/2001, Art. 25-sexiesdecies, concerning the **trafficking offences** set forth in Presidential Decree no. 43 of 23 January 1973.

#### 1.1.3.21 Tax offences

Law no. 157 of 19 December 2019, which converted and amended Legislative Decree no. 124 of 26 October 2019 "Urgent provisions for fiscal matters and non-deferrable requirements", introduced in the text of the Decree, at Art. 25-quinquiesdecies, the following offences:

- **fraudulent declaration by way of invoiced or other documents for non-existing transactions** (Art. 2 of Legislative Decree 74/2000): the conduct of who, in order to avoid taxes on income or on the added value, by making use of invoices or other documents for non-existing transactions, includes in one of the relevant declarations for said taxes fake

taxable elements, constitutes a criminal offence. The deed shall be considered done by making use of invoices or other documents for non-existing transactions, when said invoices or documents are filed in the compulsory accounting records, or when they are held against the financial administration as proof of evidence.

- **fraudulent declaration by way of other artifices** (Art. 3 of Legislative Decree 74/2000): the conduct of who, in order to avoid taxes on income or on the added value, by completing objectively or subjectively simulated transactions, or by making use of fake documents or other fraudulent means useful for hindering the assessment and misleading the financial administration, reports in one of the relevant declarations an income for a lower taxable amount than the actual one, or fake liabilities, credits and withholdings, is subject to criminal sanctions, when, jointly: a) the tax thus evaded is greater, with regard to each single invoice, than € 30,000.00; b) the overall amount of income subtracted to taxation, also through the indication of fake liabilities, is more than 5% of the overall amount of income declared or, in any case, is greater than € 1,500,000.00, or in the event that the overall amount of fake credits and withholdings aimed at reducing taxation is greater than 5% of the same tax, or any way greater than € 30,000.00 The deed shall be considered done by making use of fake documents, when said documents are filed in the compulsory accounting records, or when they are held against the financial administration as proof of evidence.
- **false declaration in the event of serious cross-border VAT frauds** (Art. 4 of Legislative Decree 74/2000): the conduct of who, in order to avoid the VAT for a total amount no smaller than € 10 million, within the context of fraudulent cross-border systems, by carrying out objectively or subjectively simulated transactions or by making use of false documents or other fraudulent means useful for hindering the assessment and to mislead the financial administration, reports a smaller income in the VAT declaration if compared to the actual one, or fake liabilities, credits and withholdings, is subject to criminal sanctions.
- **non-declaration in the event of serious cross-border VAT frauds** (Art. 5 of Legislative Decree no. 74/2000): the conduct of who, within the context of fraudulent cross-border system, in order to avoid the VAT for a total amount no smaller than € 10 million, omits to file the annual VAT declaration, is subject to criminal sanctions.
- **issue of invoices or other documents for non-existing transactions** (Art. 8 of Legislative Decree 74/2000): the conduct of who, while issuing or releasing invoices or other documents for non-existing transactions, is allowing third parties to avoid taxation on their income or added value, is subject to criminal sanctions.
- **concealment or destruction of accounting documents** (Art. 10 of Legislative Decree 74/2000): the conduct of who, while concealing or destroying, completely or in part, the accounting documents or those documents that must be preserved, aims at hindering the reconstruction of his/her incomes or turnovers or those of third parties so as to avoid taxation on his/her income or added value, or on that of third parties, is subject to criminal sanctions.
- **unlawful compensation in the event of serious cross-border VAT frauds** (Art. 10-quater of Legislative Decree 74/2000): the conduct of who, within the context of fraudulent cross-border systems, does not pay the sums due using, by way of

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compensation, non-existing or non-vested receivables, in order to avoid the VAT for a total amount of no less than € 10 million, is subject to criminal sanctions.

- **fraudulent avoidance of taxation on income** (Art. 11 of Legislative Decree 74/2000): the following conducts are subject to criminal sanctions: (i) to simultaneously alienate or commit fraudulent acts on own assets or on those of others so as to render ineffective, completely or in part, the forcible collection procedure, in order to avoid paying taxes on income or added value, but also on interests or administrative sanctions related to the same income for a total amount of more than € 50,000.00; (ii) to report in the documents required for the fiscal transaction a smaller income than the actual one, or fake liabilities for a total amount of more than € 50,000.00, in order to obtain a partial taxation on assets for him/herself or for others.

#### 1.1.4 Offences committed abroad

Liability under the above Decree is also incurred when offences are committed abroad, in the circumstances set out in Articles 7, 8, 9 and 10 of the Italian Penal Code, provided that the government of the jurisdiction in which the offence is committed does not pursue prosecution.

### 1.2 Adoption of the “Organisation and Management Model” by the company as a mandatory means to prevent the commission of the offences included in the Decree, insofar as possible

Article 6 of the Decree introduces a particular form of exemption from liability where an Entity is able to demonstrate that:

- a) it has adopted and efficiently implemented through its management boards, before the offence was committed, organisational and management models that are suitable to prevent offences of the nature of those that occurred;
- b) it has charged an internal body endowed with autonomous powers of initiative and control with supervising the functioning of and compliance with the models and updating the said models;
- c) the persons committing the offences have acted through fraudulently circumventing the above organisation and management models;
- d) there was not a lack of or insufficient surveillance by the body at letter b) above.

The Decree establishes, in addition, that - in relation to the extent of the powers delegated and to the risk of the committal of offences - the organisation models as per letter a) should respond to the following needs:

1. identify the areas at risk of commission of the offences included in the Decree;
2. establish specific protocols in order to plan for the formation and implementation of the decisions of the Entity in relation to the offences to be prevented;
3. devise methods of identifying and managing the company financial resources suited to preventing the commission of the offences;
4. establish disclosure obligations upon the supervisory board on the functioning and observance of the model;

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5. introduce an internal disciplinary system which penalises non-compliance with the measures indicated in the model.

The Decree establishes that the organisation and management models may be adopted, ensuring the above requirements, on the basis of conduct codes (also called Guidelines) prepared by the trade associations, communicated to the Ministry for Justice which, together with the competent Ministries, formulate within 30 days observations on the suitability of the Models to prevent the offences.

### 1.3 The Confindustria guidelines

On 23 July 2014 Confindustria updated its “Guidelines for Preparing Organisation, Management and Control Models pursuant to Legislative Decree No. 231/2001” of 7 March 2002, the fundamental points of which may be summarised as follows:

- identifying areas at risk with the aim of verifying in which areas or sectors of the company the offences identified in the Decree may be committed;
- preparing a control system capable of preventing the risks of the commission of the foregoing offences through the adoption of specific protocols.

The main components of the control system designed by Confindustria are the:

- ethics code;
- organisational system;
- manual and IT procedures;
- authority and signatory powers;
- control and management systems;
- communication and personnel training.

The components of the control system are based on the following principles:

- verifiability, documentation, consistency and appropriateness of each operation;
- application of the principle of the separation of functions (no one may manage an entire process independently);
- documentation of the controls;
- implementation of an adequate system of penalties for breaches of the procedures established by the model;
- identification of the requirements for the supervisory committee, which may be summarised as follows:
  - autonomy and independence;
  - professionalism;
  - continuity of action;
- reporting obligations of the Supervisory Committee.

Confindustria has also issued Circular No. 18237 of 12 January 2005, supplementing the Guidelines with regard to the identification of the Supervisory Committee.

It should be emphasised that failure to conform to specific points of the Confindustria Guidelines does not itself undermine the validity of the Model. Since each Model must be

based on the actual circumstances of the company to which it refers, it is entirely appropriate for it to diverge from the Guidelines (which are general in nature) in order to safeguard the needs protected by the Decree more effectively.

## CHAPTER 2

### DESCRIPTION OF THE BUSINESS – ELEMENTS OF THE GOVERNANCE MODEL

#### 2.1 Company Operations

Business activities In accordance with its By-Laws, GIGLIO GROUP S.p.A. (hereinafter “GIGLIO GROUP” or the “Company”) may engage in the following activities:

A) the commerce as well as the provision of commercial services related to clothing and accessory products, housewares and products for personal use, products related to spare time, design, leisure, hobby, cosmetics as well as food products in the widest sense. The aforementioned commercial services include the creation, commercialisation, location, sale and representation with or without deposits, also on behalf of third parties, of advertising and promotional spaces of any kind, in the context of websites, as well as the import and export of these products.

The commercial activities laid out in this paragraph include the following:

1. the commerce via internet, also on behalf of third parties, also called "e-commerce" and the provision of services related to it, such as: editorial activities, transport activities, storage and logistics, customer service activities, promotion and advertisement of the products sold or of the clients managed, translation activities, marketing and digital marketing activities, photography and photo-shooting activities, activities related to the management and positioning on social channels, creativity, graphics and design activities as well as any other service that might be useful for the operation of an e-commerce website;
2. the creation, promotion and management of e-commerce websites, also on behalf of third parties, websites and advertisement services via internet or other media;
3. the creation, promotion and management of mini websites and/or accounts, also on behalf of third parties, on marketplace platforms in the widest sense, for online sales services;
4. the design, creation, commercialisation, distribution, purchase and sale of products, systems and hardware/software services functional or related to the e-commerce activity, including the design, creation, configuration and commercialisation of websites, network services, electrical network systems and telecommunication products and services, as well as the management and maintenance of the same, the provision of graphic and 3D-graphic services and design, with or without the aid of information technology;
5. the creation of electronic publishing services and products connected or related to e-commerce activities.

B) Furthermore, the Company can also carry out the following activities:

1. publishing activities in general (with the exception of all those activities reserved for others under the provisions of Law), the creation and/or print of publications also on behalf of thirds, including audiovisual and TV editions;
2. the import, export and retail/wholesale commerce of wearing apparel, accessories, furniture and design products, travel items of any material, carpets, watches and jewellery, photography, cinematography and optical items, food and beverage products, also alcoholic beverages and spirits;
3. the organisation of warehouse services, on its own account and on account of third parties;

4. the support activities for distribution, promotion and sale of the aforementioned products, also on behalf of third parties;
5. the independent or third-party activity of production, setting and organisation of shows of any kind, as well as all necessary activities for the purpose of producing, setting and organising shows of any kind;
6. the independent or third-party activity of production, post-production, supply and acquisition of radio, TV and cinematographic programmes, as well as all necessary activities for the purpose of producing, post-producing, supplying and acquiring radio, TV and cinematographic programmes;
7. the Company can carry out all the necessary activities for the purpose of executing the activities laid out in paragraphs 5 and 6, by way of example and not limited to: edit and deposit artistic products, sign publishing, record and cinematographic co-editing and co-production agreements, print and sell audiovisual products.
8. install, operate and manage, on its own account and/or on account of third parties, in Italy and abroad, radio and television receiving and broadcasting stations used to send, receive and broadcast, using any means, sound and/or images, in accordance with applicable legislation;
9. create, import, export, produce and market in Italy and abroad, directly or indirectly, audiophonic, TV, audiovisual, cinematographic or similar media productions;
10. newspaper publishing is excluded;
11. the provision of services in the field of telecommunications and technologies relating to the transmission of data and information;
12. the marketing, in all forms and ways, in Italy and abroad, of telecommunications networks and services and/or systems, satellite-based;
13. the design, construction, installation, management, maintenance and development of telecommunications networks and/or systems, as well as terrestrial, fixed, mobile and satellite stations, and/or cable and/or over-the-air telecommunications, teleinformatics and/or electronics services, as well as internal and external information technology and/or telematic networks, including connection and interconnection in a network and/or with other devices or means of access or communication with Italian and international operators in information technology, advertising, television and/or radio and/or telecommunications;
14. the direct operation of terrestrial, fixed and mobile and satellite stations and cable and over the-air telecommunications services;
15. the conduct of radio, television and telecommunications activity, in Italy and abroad, directly and/or indirectly, on own account and/or on account of third parties, using all methods and media and/or vehicles and/or means of broadcasting or transmission of images and/or sounds, whether currently known or to be discovered, including, without limitation, terrestrial, cable and satellite broadcasting systems, whether analogue or digital, the Internet and all virtual circuits;
16. the creation, management, marketing and distribution, in Italy and abroad, directly and/or indirectly, on own account and/or on account of third parties, of software products and programmes, World Wide Web pages and virtual interactive cyber-sites (Internet sites), inclusive of texts, images, sounds and information;
17. the performance of technical engineering activities and the development and marketing of software for applications in the telecommunications, multimedia and aerospace sectors;
18. the conduct of all initiatives and activities aimed at securing the issuance and/or renewal by the competent authorities of permits, authorisations and/or concessions useful and/or merely necessary to achieving the Company's object of operating as content supplier, service

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provider, manager and/or network operator; the design, creation, production, assembly, importation, exportation, purchase, distribution, licensing, leasing (non-finance),

19. marketing in all forms and manners, of electronic products, hardware systems and devices relating to sectors of information technology, telematics, fixed and mobile telephony, telecommunications, data processing programmes (software) and all secondary and derivative products, as well as the management, support, maintenance, installation, completion and repair thereof and all activities involving the study and creation of integrated information technology and telematic systems, for companies and individuals, in Italy and abroad;

20. the execution of agency and concession agreements for the provision and supply of telecommunications services, including by satellite, as well as representation for the marketing of telecommunications equipment, in Italy and abroad;

C) The Company can carry out research, consultancy and assistance activities in economic, organisational and management matters within the telecommunication and/or media and/or e-commerce sectors, as well as providing business management services, management or professional training and the arrangement of organisational structures and information systems within enterprises, entities and businesses in Italy and abroad.

D) The Company may also undertake all commercial, industrial, moveable and immoveable property transactions deemed necessary or useful to achieving the company object, as well as make or receive interest-bearing or interest-free loans, enter into and promote cash-pooling agreements. Such activities may not be conducted in respect of the public, but only in respect of companies or legal entities that qualify as parent companies, associates, subsidiaries, sister companies, related parties or other members of the same corporate group.

E) In furtherance of its company object, the Company may also undertake financing transactions and provide sureties, endorsements and all other forms of guarantee generally, including both secured and non-secured guarantees, for the benefit of third parties.

F) Finally, the Company may acquire shareholdings in other enterprises, companies or entities, within the limits set forth in Art. 2361 of the Civil Code.

G) The activities reserved for others under the provisions of Legislative Decree 385/1993 and of Legislative Decree 58/98 are still expressly excluded.

In detail, following the transfer of the whole Media Area business to a listed Spanish company, the Company mainly engages in the following:

- Distribution Activities:

Activities mainly attributable to the B2B commerce of products belonging to the Fashion and Healthcare sectors in the following Countries: Europe, Eastern Countries, Switzerland, China, North America, South Korea and Russia. These activities are partially carried out through the subsidiary Giglio USA.

It is noted that, as of now, the distribution activities of the Healthcare sector are limited to the trade of PPEs (i.e., medical masks, gloves) in order to face the current state of emergency connected to the COVID-19 pandemic.

- E-Commerce Activities:

Activities mainly attributable to the supply of commercial, administrative and legal services to the subsidiaries of the Company that operate in the e-commerce sector and in the supply of e-commerce services in the Fashion, Design, Large-scale Distribution and, marginally, Food sectors.

The Company is engaged in the aforementioned activities from its offices in Milan and Rome, using also local units and representation offices in Rho and Genoa.

The Company is listed in the MTA market of the Italian Stock Exchange, on the STAR segment, and is the parent company of the group with the same name, with controlling equity interests in IBOX SA, Giglio USA, Giglio Shanghai and e-Commerce Outsourcing S.r.l., where it provides administrative services.

## 2.2 Overview of company structure

### 2.2.1 Organisational structure

The Company's standard organisational structure is functional in nature, as shown in the appended organisation chart (Appendix 1), and is divided into general first-tier managers (the Chairman and Chief Executive Officer), transversal support functions, operations functions and business-oriented functions.

The following is a brief description of each area's roles and functions, regarding the first line.

#### Board of Directors

The Company's strategic guidelines are set by the Board of Directors, which approves the annual budgets and business plans and verifies their implementation.

#### Chairman

The Chairman is the legal representative of the Company and defines, within the Board, the strategic and development directives of the Company.

#### Chief Executive Officer

The Chief Executive Officer represents the highest level of responsibility within the Company. In fact, he has been tasked by the Board of Directors with representing the Company and granted specific powers to manage the Company's operations and organisation. In detail, he coordinates business-oriented and commercial activities.

#### Manager in charge (Executive Officer for Financial Reporting) pursuant to Art. 154-bis of Legislative Decree no. 58/1998

The Manager in charge shall cover the tasks set forth in Art. 154-bis of Legislative Decree no. 58/1998.

More specifically, the Manager in charge shall:

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- draw up a written declaration certifying that the data in the supporting documents, accounting records and other documents are consistent with the Company's action, together with (i) filings ascribable to interim accounting disclosures, attributable to quarterly, half-yearly and annual reports; (ii) communications, meaning the price-sensitive communications set forth in Art. 114 of the Consolidated Finance Act, ascribable to interim accounting disclosures;
- draw up adequate administrative and accounting procedure for the creation of the Annual Financial Statement, the Consolidated Annual Financial Statement and any other financial communication;
- attest with appropriate reports to the financial statements, half-year reports and consolidated financial statements:
  - a) the adequacy and actual application of the aforementioned procedures during the period covered by the documents;
  - b) that the documents were drawn up pursuant to applicable international accounting principles recognised by the European Community in accordance with EC Regulation no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
  - c) that supporting documents, accounting records and other documents are consistent with the Company's action;
  - d) document suitability to provide a truthful and correct representation of the financial position and economic situation of the issuer and of the group of companies included in the consolidation;
  - e) for the financial statement and the consolidated financial statement, that the report on operations represents a reliable analysis of operations and operating results, as well as of the situation of the issuer and of the group of companies included in the consolidation, together with the description of main risks and uncertainties to which they are exposed;
  - f) for the interim consolidated report, that the interim management report represents a reliable analysis of information pursuant to Art- 154-ter, par. 4.

#### HR

This function is responsible for managing human resources and remuneration policies.

#### General Affairs

This function is responsible for the management of general services (rentals, administration, documentation, IT, etc.)

#### Chief Financial Officer

The Finance Area, which falls within the purview of the Chief Financial Officer (CFO) is responsible for:

- (i) ensuring that the Company's financial performance and financial position are properly represented, discharging the related accounting and supervisory obligations;
- (ii) ensuring the management of the planning and budgeting process, the analysis of management indicators and the monitoring of financial performance, financial position and commercial results;
- (iii) supervising the process of management control and preparation of the periodic reports mandated by law;
- (iv) optimising financial resources and sources of financing and managing the Company's liquidity and contractual relationships.

#### Legal & Corporate Affairs

The Legal & Corporate Affairs function is responsible for:

- (i) overseeing activities relating to company boards and providing their members with assistance in carrying out their duties;
- (ii) overseeing formalities and activities relating to shareholders' meetings;
- (iii) submitting reports and discharging legal obligations in respect of company boards;
- (iv) assisting shareholders by providing them with access to the company documentation subject to mandatory filing in accordance with applicable laws and regulations;
- (v) checking that internal rules and procedures comply with applicable legislation.

#### Internal Audit

Through a specialised company, the Internal Audit function – which is fully outsourced:

- (i) conducts audits to assess the efficacy and efficiency of operating processes, compliance with internal rules, laws and regulations, the reliability of the operating structure and delegation of authority mechanisms, with free and independent access to functions, data and documents, based on the use of appropriate tools and methods;
- (ii) ensures that senior management is promptly and systematically informed of the status of the control system and the findings of the activities performed;
- (iii) maintains an organic flow of information to and from the Board of Statutory Auditors with regard to the planning of the auditing process and the findings of the audits performed;
- (iv) conducts investigations and enquiries to reconstruct facts or events deemed particularly relevant, with the aim, inter alia, of ascertain employee responsibility.

#### Investor Relations

The Investor Relations department:

- (i) provides advice and legal counsel to all company departments;

- (ii) manages communications with market counterparts, with a particular focus on investors and financial analysts, with the aim of uniformly disseminating information and news regarding the company's activities, results, strategies and growth prospects;
- (iii) coordinates and monitors media relations services outsourcer.

#### Public Relations Manager

The PR Manager manages the relationship between the Company and the mass-media, the press, clients and the institutions.

#### Executive Advisor Business

The Executive Advisor Business supports the Board of Directors and, in particular, the CEO in the process of defining and implementing the operational strategies, the market choices and the growth opportunities.

#### Digital & Strategy

The Digital & Strategy department is responsible for defining the priorities of the technological infrastructure of the Company in order to ensure the continuity of the business activity on all multimedia platforms.

#### COO

The COO is responsible for managing the operational processes of the business, such as logistics.

#### COMMITTEES

##### Appointments and Remuneration Committee

The Appointments and Remuneration Committee, which plays an advisory and propositional role, is charged with formulating proposals regarding the remuneration of directors and senior executives and monitoring executive directors' replacement process.

##### Internal Control, Risk and Related-Parties Committee

The Internal Control, Risk and Related-Parties Committee undertakes all the activities attributed by the Self-Governance Code to the Control and Risks Committee and in particular, the following duties:

- (i) assist and support the Board of Directors in the following matters: define the internal control system's guidelines; vest an executive director (as a rule, one of the managing directors) with the powers to supervise the function of the internal control system; assess, at least once a year, the adequacy, efficacy and effectiveness of the internal control system; describe, in the corporate governance report, the essential elements of the internal control system;

(ii) assess, together with the manager in charge of the drafting of the company's accounting documents and the auditors, the correct application of the accounting principles and their homogeneity for the purpose of drafting the consolidated financial statement; upon request from the executive director in charge, to express its opinion with regard to the specific matters related to identifying main company risks as well as planning, creating and managing the internal control system; assess the work plan drafted by the individuals responsible for the internal control, as well as the periodic reports drafted by them; assess the proposals formulated by the audit firm for obtaining the appointment of the task, as well as the work plan prepared for the audit and the results exposed in the report and in any eventual letter of suggestions; monitor the effectiveness of the financial audit process; carry out any further task assigned by the Board of Directors; report to the Board, at least once a year, on the occasion of the approval of the financial statement and of the half-year report, on the activities carried out as well as on the adequacy of the internal control system. The Committee shall provide consultation and make proposals to the Board of Directors on the matters set forth in the Corporate Governance Code and in the Borsa Regulation, such as: define the internal control systems' guidelines and assess its adequacy and effective operation; assess the work plan drafted by the individuals responsible for the internal control, as well as the periodic reports drafted by them; assess, with the manager in charge of the drafting of the company's accounting documents and the auditors, the correct application of the accounting principles and their homogeneity for the purpose of drafting the consolidated financial statement; assess the proposals formulated by the audit firm for obtaining the appointment of the task, as well as the work plan prepared for the audit and the results exposed in the report and in any eventual letter of suggestions.

(iii) verify the compliance with the procedure for transactions with related parties.

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### CHAPTER 3

## ORGANIZATION, MANAGEMENT AND CONTROL MODEL AND METHODOLOGY FOR ITS PREPARATION

### 3.1 Method

The adoption of an Organisation, Management and Control Model pursuant to the Decree (hereinafter the “Model”), alongside a Code of Ethics (Appendix 2), in addition to exempting the Company from liability for the commission of certain types of offences, is an act of corporate responsibility by the GIGLIO GROUP, yielding benefits for all stakeholders: the shareholder, users, employees, creditors and all other persons whose interests are tied to the Company's fate.

By improving the Group's already high standards of behaviour, the act of introducing an additional system for the control of entrepreneurial activity, as well as instituting and circulating ethical standards, increases the trust and excellent reputation that the GIGLIO GROUP enjoys in respect of third parties (increasingly valuable assets for the company), while also performing a legal function. These structures contribute to informing the behaviour and decisions of those who each day are called upon to act on behalf or for the benefit of the Company in accordance with the above ethical principles and standards of conduct.

In the light of the above, GIGLIO GROUP has decided to undertake a series of activities aimed at updating the Model (hereinafter the “Project”), in order to take into account the new business of the Company, as well as the additional offences that have been inserted over the years in the Legislative Decree no. 231/2001.

The chosen method of executing the Project, from the standpoint of organisation, definition of modus operandi, the step-based structure and assignment of responsibilities to the various company functions, was designed to ensure that the results are authoritative and of high quality.

The Project is divided into five phases, as summarised in the following table.

<b>Phases</b>	<b>Activities</b>
Phase 1	<p><b><i>Launch of the Project and identification of processes and activities within the framework of which the offences cited in Legislative Decree No. 231/2001 may be committed</i></b></p> <p><i>Collection and analysis of documentation and preliminary identification of processes/activities within the framework of which the offences cited in Legislative Decree No. 231/2001 (“sensitive” processes/activities) may in the abstract be committed.</i></p>
Phase 2	<p><b><i>Identification of key officers</i></b></p> <p><i>Identification of key officers, i.e. people within the Company who, on the basis of their duties and responsibilities, have in-depth knowledge of sensitive areas/activities and of the currently existing control mechanisms, for the purposes of determining areas of intervention and a detailed interview plan.</i></p>
Phase 3	<p><b><i>Analysis of sensitive processes and activities</i></b></p> <p><i>Identification and analysis of sensitive processes and activities and existing control mechanisms, with a particular focus on preventive controls and other compliance elements/activities.</i></p>
Phase 4	<p><b><i>Identification of control protocols</i></b></p> <p><i>Identification of organisational requirements characteristic of an appropriate organisation, management and control model pursuant to Legislative Decree No. 231/2001 and control protocols with the aim of preventing criminal acts, taking account of the procedures already in place within the GIGLIO GROUP.</i></p>
Phase 5	<p><b><i>Definition of the organisation, management and control model</i></b></p> <p><i>Definition of the organisation, management and control model pursuant to Legislative Decree No. 231/2001, divided into all of its components and operating rules.</i></p>

### 3.2 Purpose and structure of the Model: General Section and Special Sections for the various offences

The Model is intended as a structured, organic system of procedures and control activities aimed at preventing, insofar as possible, behaviour that could constitute the offences set out in the Decree.

The purpose of identifying sensitive activities and thus creating the resulting procedures is, on the one hand, to ensure that all those who act on behalf of the GIGLIO GROUP are fully aware of the possibility of committing a punishable offence (the Company stridently opposes the commission of such offences as always in conflict with its interests, even where apparently conveying an immediate economic benefit), while, on the other, to permit the GIGLIO GROUP, through constant monitoring of its activity, to take timely action to prevent and combat the commission of such offences.

The Model is divided into this General Section, which contains a part that describes the Company's activity and defines the structure required for the implementation of the Model, such as the functioning of the Supervisory Committee and penalty system, and the Special

Sections, which identify the Company's activities potentially at risk of the commission of the offences set out in the Decree and specify the appropriate control protocols.

In particular, the division of the Model into Special Sections makes it possible to update the Model promptly by adding any appropriate new sections if lawmakers should include additional predicate offences.

Each of the general areas considered contains a description of the sensitive activities, followed by the control activities to be carried out for preventive purposes.

These provisions are binding on the persons covered by the Model, as defined hereunder, and may be divided into affirmative obligations (compliance with procedures and reports to supervisory bodies) and negative obligations (compliance with restrictions), of which an express account is given.

Discharging these obligations has specific legal force. Indeed, where such obligations are breached, the GIGLIO GROUP will respond by applying the disciplinary and penalty system set out in Chapter 7.

The Special Sections should also be viewed in connection with the standards of conduct set out in the company procedures and Code of Ethics, which inform the behaviour of covered persons in the various operating areas, with the aim of preventing behaviour that is improper or inconsistent with the GIGLIO GROUP's directives.

The special sections, presented in order of decreasing risk, are as follows:

- Special Section A – Offences in relations with the Public Administration;
- Special Section B - Corporate offences;
- Special Section C – Market Abuse offences;
- Special Section D – Offences of money-laundering, the use of money, property or assets of criminal origin and self-laundering;
- Special Section E – Negligent violations of workplace health and safety legislation;
- Special Section F – Environmental offences;
- Special Section G – Cybercrimes and illegal data processing;
- Special Section H – Copyright offences;
- Special Section I – Incitement to withhold testimony or to commit perjury;
- Special Section J – Offences against industry and commerce and counterfeiting;
- Special Section K – Tax offences;

It should be noted that no sensitive activities have been identified in respect of the other “predicate offences” for vicarious criminal liability listed in the Decree – such as currency counterfeiting, offences against individual personality (slavery and child pornography), offences relating to terrorism or subversion of the democratic order, cross-border offences, association offences, organised crime offences, offences against industry and commerce, and employment of illegal immigrants, where it constitutes a criminal offence, the offences of granting illegal access and aiding and abetting illegal permanence, the offences of racism and xenophobia – despite the consideration given to such offences during the preliminary analysis phase, subsequent analyses, the remarks and interviews of key officers, inasmuch as the risk

of the actual commission of these offences is believed to be negligible. Accordingly, no specific, dedicated rules and/or procedures have been established, without prejudice, in any event, to the reference in the principles laid down in the Code of Ethics to conduct in accordance with the law.

If it becomes necessary to issue additional special sections regarding new offences relevant to the company's business that in future are included within the scope of application of the Decree, the GIGLIO GROUP's Board of Directors will have the power to amend this Model by specific resolution.

### **3.3 Covered Persons of the Model**

The Model, its General Section and Special Sections cover the GIGLIO GROUP's directors, executives and employees (hereinafter "Company Persons") engaging in sensitive activities, as well as external personnel and partners (all of whom are referred to hereinafter as "Covered Persons").

In particular, the purpose of the Special Sections is to ensure that all Covered Persons, as identified above, adopt rules of conduct consistent with the provisions of each Special Section, with the aim of preventing the commission of the offences set out in the Decree.

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## CHAPTER 4 SUPERVISORY COMMITTEE IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 231/2001

### 4.1 Identification of the Supervisory Committee

Pursuant to Legislative Decree No. 231/2001 – Art. 6(1)(a) and (b) – an entity may be released from liability for the commission of offences by qualified parties pursuant to Art. 5 of Legislative Decree No. 231/2001 if its executive body has, inter alia:

- adopted and effectively implemented organisation, management and control models suited to preventing the offences considered;
- has appointed the supervision role on the functioning and observation of the models, as well as maintaining this updated, to a public entity organisation equipped with autonomous and control powers.

This body, instituted internally by the GIGLIO GROUP, is tasked with constantly supervising the widespread, effective implementation of the Model and compliance with the Model by the Covered Persons, and with proposing updates to it with the aim of improving the efficiency of the prevention of offences and infractions.

Accordingly, the assignment of the above tasks to a body with autonomous powers of initiative and control, and the proper, effective performance of such tasks, constitute essential requirements for exemption from liability pursuant to Legislative Decree No. 231/2001.

The Confindustria Guidelines suggest that it be a body meeting the following requirements:

- **autonomy and independence;**  
assessed in respect to the body as a whole and not its individual members, on the basis of:
  - absence of actual or potential conflicts of interest with the GIGLIO GROUP;
  - has autonomous powers of initiative and control;
  - lack of operating duties within the GIGLIO GROUP;
  - direct line of reporting to the Board of Directors;
- **professionalism** understood as:
  - possession of adequate specialised skills;
  - access to specialised tools and techniques to conduct its activity, possibly with consultancy from external advisors.
- **continuity of action** understood as:
  - length of term, irrespective of the terms of the other company bodies;
  - frequency of controls.

In order to satisfy the above requirements, the Supervisory Committee is collegial.

#### 4.2 Institution, appointment and replacement of the Supervisory Committee

The GIGLIO GROUP's Supervisory Committee (hereinafter also the “SC”) is instituted by resolution of the Board of Directors and remains in office for the period established upon its appointment.

The Supervisory Committee ends its term of office on the date established when it is appointed, while continuing to discharge its duties in the interim until a new committee is appointed.

Appointment as a member of the Supervisory Committee is contingent on satisfying the personal requirements of honourability, integrity and respectability and on the absence of grounds for incompatibility, such as kinship relations with members of other company bodies and senior management and potential conflicts of interest with the role and duties to be performed.

In particular, when appointed, all persons designated to serve as members of the Supervisory Committee must declare that they are not in any situations of incompatibility, including, but not limited to:

- actual or potential conflicts of interest with the Company such as to jeopardise the independence required by the Supervisory Committee's role and duties;
- direct or indirect ownership of equity interests sufficient to permit the exercise of a significant influence over the Company;
- administrative duties – during the three years prior to their appointment as members of the Supervisory Committee – at companies placed in bankruptcy, compulsory administrative liquidation or other insolvency proceedings;
- a judgement of conviction, including a judgement that has not become *res judicata*, or a judgement pursuant to a plea bargain arrangement, in Italy or abroad, for the offences cited in the Decree or offences of the same nature;
- conviction, also at first level, for one of the offences covered by the Decree, even temporarily, from public offices, or temporary prohibition from the directorship of legal persons or enterprises.

The above rules also apply in the event of the appointment of a member of the Supervisory Committee in replacement of another member of the body.

In discharging its duties, the Supervisory Committee may, under its direct supervision and responsibility, benefit from the collaboration of all the Company's departments and offices, as well as of external consultants, enjoying access to their expertise and profession skills (made possible by the allocation of adequate financial resources to the Supervisory Committee – see section 4.3 of the Model). This will enable the Supervisory Committee to ensure a high level of professionalism and the necessary continuity of action.

In order to ensure the necessary stability of the function performed by the Supervisory Committee, the methods whereby the powers associated with appointment to this body may be revoked are set out below.

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Such powers may only be revoked and assigned to other parties as a result of the end of the natural term of office or for cause, including in respect of the organisational restructuring of the Company, by virtue of a specific resolution passed by the Board of Directors in consultation with the Board of Statutory Auditors.

In this regard, “cause” for revocation of the powers associated with appointment to the Supervisory Committee includes, without limitation:

- gross negligence in discharging the duties of office, such as failure to prepare half-yearly reports or annual report on its activity required of the Committee; failure to prepare a supervisory plan;
- a complete lack of or insufficient supervision by the Supervisory Committee, in accordance with Art. 6(1)(d) of Legislative Decree No. 231/2001, established by a judgement of conviction, including a judgement that has not become *res judicata*, rendered against GIGLIO GROUP pursuant to Legislative Decree No. 231/2001, or by a judgement pursuant to a plea bargain arrangement;
- in cases of internal members, the assignment of operating functions and responsibilities within the company organisation incompatible with the requirements of “autonomy and independence” and “continuity of action” applicable to the Supervisory Committee. In any event, any order of an organisational nature regarding it (e.g., termination of employment, reassignment to other duties, dismissal, disciplinary measures or appointment of a new manager) must be acknowledged by the Board of Directors;
- in the case of an external member, gross, established grounds for incompatibility inconsistent with independence and autonomy;
- failure to continue to meet one or more of the eligibility requirements.

All decisions regarding individual members or the entire Supervisory Committee regarding revocation or replacement fall within the sole purview of the Board of Directors.

#### **4.3 Economic resources allocated to the Supervisory Committee**

Each year, the Board of Directors sets a budget for the SC on the basis of its needs.

The allocation of the budget allows the SC to operate autonomously, with the appropriate means of effectively carrying out the duties assigned to it by this Model, in accordance with the Decree.

#### **4.4 Duties and powers of the Supervisory Committee**

The Supervisory Committee discharges its duties and exercises its powers in accordance with the rules and policies drafted by the Supervisory Committee itself.

These rules and policies ensure the continuity of the Supervisory Committee's action with regard to both supervisory and reporting activity, establishing, for example, the minimum number of meetings of the Supervisory Committee and the number of inspections within the framework of sensitive areas.

The Supervisory Committee is tasked with supervising:

1. compliance with the provisions of the Model with regard to the various types of offences envisaged in the Decree and subsequent laws extending its scope of application;
2. the efficacy of the Model in respect of the company structure and the actual ability to prevent the commission of the offences;
3. the appropriateness of updating the Model, where there is found to be a need to adjust it in response to changed company and/or legal conditions.

The Committee has autonomous powers of initiative, intervention and control, extending to all the GIGLIO GROUP's areas and departments – powers that must be exercised in order to perform the duties set out in the Model and implementing rules effectively and promptly.

In particular, the Supervisory Committee is assigned the following tasks and powers in discharging its duties:

- supervising the Model's ability to prevent the commission of the offences cited in Legislative Decree No. 231/2001 and with regard to the ability to bring to light any illegal behaviour;
- conducting periodic, ongoing inspections and controls, according to the predetermined frequency and methods indicated in the supervisory plan, in addition to surprise audits, in consideration of the various areas of intervention or types of activity and their critical points in respect of verifying the efficiency and efficacy of the Model;
- freely accessing all departments and units of GIGLIO GROUP – without the need for any prior consent – to request and obtain the information, documentation and data deemed necessary to carrying out the tasks provided for in Legislative Decree No. 231/2001, from all employees and executives. In the event of a reasoned denial of access to records, where the Supervisory Committee does not concur with the rationale given, it drafts a report for the Board of Directors;
- requesting relevant information or access to documents, including in electronic form, relating to activities at risk, Directors, control bodies, the independent auditors, contractors, consultants and all persons required to comply with the Model generally. An obligation for such persons to comply with requests from the Supervisory Committee must be included in their individual contracts;
- seeing to, developing and promoting the constant updating of the Model, formulating proposals, where necessary, to the executive body for any updates and adjustments to be implemented by means of amendments and/or additions that should prove necessary as a consequence of: i) significant infractions of the Model; ii) significant changes to the GIGLIO GROUP's internal structure and/or how it conducts its business; and iii) amendments to the law;
- verifying compliance with the procedures set out in the Model and identifying any discrepancies in behaviour that should arise from the analysis of information streams and reports that the heads of the various departments are required to prepare and act in accordance with the Model's provisions;
- ensuring periodic updates to the system for identifying sensitive areas and mapping and classifying sensitive activities;

- maintaining relations with the independent auditors and with the other consultants and contractors involved in effective implementation of the Model;
- tending to relations with and ensuring the appropriate streams of information for the Board of Directors and Board of Statutory Auditors;
- promoting efforts to communicate and provide training regarding the contents of Legislative Decree No. 231/2001 and the Model, the impacts of the law on the company's business and rules of conduct, while also establishing controls on frequency. In this respect, planning must be differentiated, with a particular focus on those operating in the various sensitive areas;
- verifying the preparation of an effective internal communication system to permit the transmission of relevant information for the purposes of Legislative Decree No. 231/2001, while protecting and ensuring the confidentiality of the person submitting the report;
- ensuring awareness of the behaviour to be reported and how reports are to be submitted;
- providing clarification regarding the meaning and application of the Model's provisions;
- drafting and submitting for the executive body's approval a budget of the expenditures required for the proper performance of the assigned tasks in a fully independent manner. This budget must ensure full, proper performance of its activity and must be approved by the Board of Directors. The Committee may independently commit resources in excess of its spending authority, if the use of such resources is necessary in response to exceptional, urgent situations. In such cases, the Committee must inform the Board of Directors at its next meeting;
- promptly reporting identified violations of the Model that may give rise to liability for the GIGLIO GROUP to the executive body, so that the appropriate measures can be taken;
- promoting the commencement of any disciplinary proceedings and proposing any penalties pursuant to Chapter 7 of this Model;
- verifying and assessing the appropriateness of the disciplinary system pursuant to Legislative Decree No. 231/2001.

In going about its activity, the Committee may avail itself of the various departments of the GIGLIO GROUP, according to their respective areas of expertise, as well as of any external resources.

#### **4.5 Duties of the SC: Reporting to company bodies**

The Supervisory Committee reports on the implementation of the Model, any critical aspects brought to light and the need for amendments. There are various lines of reporting by the Supervisory Committee:

- on an ongoing basis, it reports to the Board of Directors, in the person of the Chairman and/or CEO;
- it periodically reports to the Board of Directors and Board of Statutory Auditors.

Meetings with the bodies of the GIGLIO GROUP to which the Supervisory Committee reports must be documented by specific minutes. The Supervisory Committee is responsible for keeping the related documentation.

The Supervisory Committee prepares:

- i) an annual report summarising its activity during the year and a plan of activity for the following year, to be submitted to the Board of Directors and the Board of Statutory Auditors;
- ii) notices regarding the occurrence of extraordinary situations (for example, significant infractions of the principles set out in the Model, changes to the law governing vicarious criminal liability, significant changes to the organisational structure of the GIGLIO GROUP, etc.) and, in the event of urgent reports, notices to be submitted to the Chief Executive Officer and Chairman of the Board of Directors.

The periodic reports drafted by the Committee are also intended to allow the Board of Directors to conduct the necessary assessments to make any updates to the Model and must contain, at minimum:

- any problems that have come to light with regard to the methods of implementation of the procedures set out in the Model or adopted in implementation or in light of the Model;
- an account of the reports regarding the Model received from internal and external sources;
- the disciplinary procedures and any penalties applied by the GIGLIO GROUP, with regard to activities at risk only;
- an overall assessment of the Model's functioning, with any instructions for additions, corrections or amendments.

The Board of Directors and the Board of Statutory Auditors may call meetings of the SC at any time.

## CHAPTER 5

### FLOWS OF INFORMATION TO THE SUPERVISORY COMMITTEE

#### 5.1 Obligations to report to the Supervisory Committee

The obligations to report to the Supervisory Committee refer to:

- information, data, news, documents allowing the SC to carry out its control activity in an informed manner;
- reports regarding events that might generate responsibility for the Company, pursuant to the Legislative Decree.

All the Addressees of this Model are subject to these obligations.

#### 5.2 Flows of information

The Supervisory Committee, through the definition of a procedure, can establish the types of information that individuals responsible in the management of sensitive activities shall report together with the procedure and deadlines for such report to the SC.

Company departments involved in sensitive activities must send the Supervisory Committee information regarding:

- the periodic findings of the control activity performed in implementation of the Model, including by request (reports summarising activity performed, etc.);
- any anomalies or atypical aspects of the available information.

Information may concern, without limitation:

- transactions within the framework of sensitive activities (for example, periodic reports on agreements with public entities, information regarding newly engaged personnel or the use of financial resources for the purchase of goods or services or other investment activities, etc.);
- provisions and/or information from legal authorities, or any other authority, requiring the carrying out of investigations, also with regards to unknown persons, for offences as per Leg. Decree No. 231/2001 and which may involve GIGLIO GROUP;
- requests for legal assistance by employees in the event of legal proceedings against employees and in respect of the offences set out in Legislative Decree No. 231/2001, except where expressly prohibited by the judicial authority;
- reports prepared by managers of other company departments within their control activities and from which facts, documents, events or omissions with critical implications concerning the observation of the Model's rules may emerge;
- information concerning sanction procedures and any measures issued (such as provisions against employees) or archiving provisions of these procedures with the relative motivations;
- all other information that, despite not being included in the above list, is relevant to the proper, complete supervision and updating of the Model.

In any event, the SC drafts and circulates a detailed plan of the reporting streams intended for it.

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The flows of information shall be sent to the SC via the dedicated e-mail.

### 5.3 Reports – Whistleblowing

The obligation to report on any behaviour contrary to the provisions of this Model fall into the greater duty of diligence and the loyalty obligation of the workman. As far as external consultants and collaborators are concerned, the immediate disclosure obligation in the event that an employee/representative of GIGLIO GROUP, directly or indirectly, requests of them behaviours that might determine a violation of the Model is contemplated in the contract.

Therefore, all company's employees, both top managers and subordinates, as well as the external subjects addressed by this document, are obliged to communicate directly to the Supervisory Body and report the committing of offences, illicit behaviours contemplated by the Decree and founded on precise and consistent factual elements, any violation to the Model, as well as any deviation from the principles set forth in the Model and in the Code of Ethics, they became aware of during the performance of their office, via channels of communication most appropriate to ensure, with electronic methods, the confidentiality of the reporter's identity pursuant to Art. 6, par. 2-bis, letter b) of the Decree.

#### Reports contents

For the aforementioned purposes, the reporter shall provide all elements in his/her possession, useful to check, after due verifications, the reported facts. More specifically, the report must include all the following essential elements:

Subject: the reported facts shall be clearly described, specifying (if known) the time and place in which the facts were committed/omitted.

Reported: the report shall specify the personal details of the reported or any other element (e.g. function/company role) that shall allow for a quick identification of the alleged author of the illicit behaviour.

Furthermore, the reporter shall communicate the following elements: (i) his/her personal details, if he/she shall waive his/her right to confidentiality; (ii) the personal details of any other individual who may report on the facts narrated; (iii) any document that may confirm the validity of the facts.

Reports, also when anonymous, shall always have a content compliant with the Decree. Anonymity cannot in any way represent a tool to give vent to disagreements or contrasts between employees. Its is likewise forbidden:

- to use insulting expression;
- to submit defamatory and libellous reports;
- to submit reports concerning private life aspects, without any direct or indirect connection to the company activity. Such reports shall be deemed even more serious if referring to religious, sexual, political and philosophical habits and orientations.

In extreme summary, every reports must have as sole scope the protection of the integrity of the Company or the prevention and/or repression of illicit behaviours as set forth in the Model.

#### Channels of communication

The following channels of communication with the SC, pursuant to the legislation regarding whistleblowing, ensure the confidentiality and protection of the reporter from any retaliation. Moreover, the SC shall monitor that career developments of any reporter shall not be the object of discriminatory treatments, penalising on a disciplinary level and based on the gravity of the facts, and always in light of the criteria set forth in Chapter 7 of this Model, the reporters who, with intent or gross negligence, shall report unfounded facts.

Reports can be made in writing through the following confidential channels of information and via the following procedures:

*Confidential domestic mail:* by using the appropriate mailboxes. On the letter, the words “Strictly Confidential. Employee Information” must be spelled out in order to ensure the maximum confidentiality.

*Electronic mailbox:* [odv@giglio.org](mailto:odv@giglio.org). For this purpose, the Company guarantees that said email shall be accessed only by the Supervisory Committee; furthermore, no one, not even system administrator, shall access, verify or disseminate the contents of the aforementioned e-mail. The violation of such prohibition shall give raise to the penalties described in the following Chapter 7.

#### Reports treatment

The Supervisory Committee shall adopt suitable measures in order to ensure the confidentiality of the identity of the reporter. All behaviours aimed at slowing down the activities of the SC shall be suitably penalised. The Company ensures that reports in good faith shall be protected against any type of retaliation, penalization or discrimination and, in any case the identity of the reporter shall be kept confidential, without prejudice to law obligations and the protection of the Company’s rights or unfounded reports submitted in bad faith and erroneously.

For the aforementioned purposes, the Supervisory Committee shall gather and store all reports received in a specific archive (electronic and/or paper) to be accessed only by the members of the SC. The SC shall assess with discretion and under its own responsibility all reports received and the cases in which it is necessary to take action. All resolutions regarding the outcomes of the assessment must be accompanied by written reasons.

## **5.4 System of delegation of power and authority**

The SC must be informed of the system of delegation of power of authority adopted by the Company and promptly notified of all subsequent changes to the system.

In particular, the SC may ask the Legal Department for a copy of current company powers of attorney.

**5.5 Collection and archival of information**

All information, submissions, reports and briefs provided for in the Model are kept by the Supervisory Committee in a specific archive (in electronic or paper format) for a period of at least 10 years, without prejudice to what set forth in paragraph 5.3 regarding whistleblowing.

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## CHAPTER 6 TRAINING AND COMMUNICATION PLAN

### 6.1 Foreword

In order to implement the Model effectively, the GIGLIO GROUP seeks to ensure proper dissemination of its content and principles, both internally and externally to the organisation.

In particular, the GIGLIO GROUP aims to circulate the content and principles of the Model not only to its employees, but also to other persons who, despite not formally qualifying as employees, act on an ongoing basis in pursuit of the GIGLIO GROUP's objectives.

In this regard, the GIGLIO GROUP intends:

- to inform all those operating in its name and behalf in sensitive activities that violation of the provisions reported herein may constitute an offence punishable by sanctions;
- to inform all those who act in its name, on its account or otherwise in its interest, in any capacity, that violation of the provisions of the Model will result in specific penalties or termination of the contractual relationship;
- to reiterate that the GIGLIO GROUP does not tolerate illegal behaviour of any kind, regardless of its intended aims, since such behaviour (even where the GIGLIO GROUP is apparently placed to benefit from it) is in any event in contrast with the ethical principles to which the GIGLIO GROUP intends to adhere.

Communication and training initiatives must be tailored to the intended beneficiaries and must, in any event, be inspired by the principles of completeness, clarity, accessibility and continuity, in order to ensure that the various beneficiaries are fully aware of the company rules with which they are required to comply and the ethical norms that must inspire their behaviour.

Such beneficiaries are required to comply thoroughly with all provisions of the Model, including in fulfilment of their duties to loyalty, integrity and diligence arising from their legal relationships with the GIGLIO GROUP.

Communication and training are supervised by the Supervisory Committee, which is also tasked with promoting and designing initiatives aimed at spreading knowledge and understanding of the Model and at training and raising awareness among personnel regarding compliance with the principles of the Model, as well with promoting and planning communication and training initiatives regarding the contents of Legislative Decree No. 231/2001 and on the impact of the law on the company's business and rules of conduct.

### 6.2 Employees – executives/personnel with executive duties and non-executive personnel

All employees, whether executive personnel/personnel with executive duties (up to the first level of the technical administrative area of the National Collective Labour Agreement) or

non-executives, and all long-term external personnel (hereinafter “long-term external personnel”) of the GIGLIO GROUP are required: i) to inform themselves of the principles and content of the Model; and ii) to contribute actively, according to their roles and responsibilities, to the effective implementation of the Model, reporting any deficiencies identified in it.

In order to ensure effective, rational communication and training activity, the GIGLIO GROUP promotes knowledge of the contents and principles of the Model and its implementation procedures, at differing levels of depth depending on the position and role in question.

Employees, new hires and long-term external personnel are given copies of the Model or are allowed to consult it directly in a dedicated area of the company network. They are also asked to sign a declaration that they are aware of and will comply with the principles of the Model described herein.

In any event, such documentation must be made available to employees and long-term external personnel without access to the company network by alternative means (for example by enclosing it with their pay slips or posting it on company notice boards).

Communication and training regarding the principles and content of the Model are the responsibility of the heads of the pertinent departments, which, as indicated and planned by the Supervisory Committee, identify how such services are to be received (for example, internal meetings, classroom training sessions, etc.).

At the end of the training event, participants must complete a questionnaire, thereby certifying that they have completed the course.

Training initiatives may also be conducted remotely via IT systems (e.g., video-conferencing and e-learning).

Appropriate communications and/or training systems will be adopted to update the persons in question in this paragraph of any amendments applied to the Model and all relevant changes of procedures, rules or organisation.

### **6.3 Members of company boards and persons with the power to represent the GIGLIO GROUP**

Members of company boards and persons with the power to represent the GIGLIO GROUP are given access to a copy of the Model when they accept their appointments and are made to sign a declaration of compliance with the principles of the Model.

Appropriate communications and training systems will be adopted to update them of all amendments applied to the Model and all relevant changes of procedures, rules or organisation.

Training initiatives may also be conducted remotely via IT systems (e.g., video-conferencing and e-learning).

#### **6.4 Information for external personnel and partners**

Third parties external to the GIGLIO GROUP (such as consultants and partners) receive a specific letter notifying them of the adoption of the Model and the consequences of failure to comply with the Model and inviting them to view a copy made available on the website.

Where possible, specific clauses governing such consequences are included in the respective contracts.

## CHAPTER 7 DISCIPLINARY SYSTEM

### 7.1 General Principles

Art. 6(2)(e) and Art. 7(4)(b) of Legislative Decree No. 231/2001 provide that a system punishing failure to comply with the measures indicated in an organisation, management and control model must be adopted as essential to the effective implementation of such a model.

Accordingly, the implementation of an adequate disciplinary and penalty system is an essential requirement for an effective organisation, management and control model pursuant to Legislative Decree No. 231/2001.

The penalties provided for will apply to all violations of the provisions of the Model, regardless of the conduct and outcome of any criminal trial brought by the judicial authorities, where the censurable behaviour constitutes a criminal offence relevant to Legislative Decree No. 231/2001.

The application of disciplinary penalties, without regard to the initiation and outcome of any criminal trial brought by the judicial authorities, must be applied to all violations of the Model's provisions in accordance with the following principles:

- **complementarity:** the disciplinary system provided for in the Model is complementary, and not alternative, to the disciplinary system provided for in the National Collective Labour Agreement applied by the GIGLIO GROUP;
- **publicity:** The GIGLIO GROUP ensures that its Model and penalty system are as widely known and accessible as possible by providing copies to all covered persons, as well as by posting them on notice boards, as indicated above in paragraph 6.2, “Employees – executives/personnel with executive duties and non-executive personnel”;
- **due process:** The GIGLIO GROUP ensures due process by publishing the Model and penalty system and giving advance written notice of all charges in specific, immediate and final form;
- **graduality:** decisions regarding the type of penalty to be levied must take account of the severity of the infraction, all objective and subjective circumstances of the disputed conduct and the degree of harm to the company good protected. In other words:
  - a. the subjective element, or rather of the intention of the conduct or the level of negligence, imprudence or incompetence;
  - b. the overall conduct, with particular regard to the existence or otherwise of previous disciplinary measures;
  - c. the level of responsibility and autonomy of the covered person who has committed the disciplinary infraction;
  - d. the involvement of others
  - e. the severity of the effects of the disciplinary infraction, i.e. the level of risk to which the GIGLIO GROUP may reasonably be exposed as a result of the alleged violation;
  - f. other particular circumstances which accompany the violation.

- **promptness:** the disciplinary proceedings and any penalty imposed must occur within a reasonable, certain time from when the proceedings are initiated.

Disciplinary penalties are applied irrespective of the actual commission of an offence, and hence of the commencement and outcome of criminal proceedings, if any.

The rules of conduct set out in the Model are adopted by the company on an entirely voluntary basis, in pursuit of the fullest possible compliance with applicable laws.

## 7.2 Covered persons

All employees, directors and external personnel of the GIGLIO GROUP, as well as all parties to contractual relationships with company, as limited to such relationships, are subject to the penalty and disciplinary system set out in this Model.

The procedure for levying the penalties laid down in this chapter takes account of the particular considerations associated with the legal status of the person subject to the proceedings.

In any event, the Supervisory Committee must be involved in the procedure for levying disciplinary penalties.

The Supervisory Committee ensures that specific procedures are adopted for informing all persons identified above, as soon as they enter into a relationship with the company, of the existence and contents of this penalty system.

## 7.3 Penalties against white collars and middle managers

Any conduct of employees of the company in violation of the individual conduct rules established by this Model may be sanctioned.

Employees are subject to the Supervisory Committee's control initiatives and obstruction of the Supervisory Committee's activity constitutes a disciplinary infraction.

The penalties that may be levied against workers and middle managers are among those set out in the company disciplinary system and/or the penalty system provided for in the National Collective Labour Agreement for employees of tertiary, distribution and service companies, in accordance with the procedures laid down in Article 7 of the Workers' Statute and any applicable special legislation.

The Company's disciplinary system therefore consists of the provisions of the Italian Civil Code and the clauses of the above National Collective Labour Agreement. In particular, the disciplinary system describes the conduct sanctioned according to the level of significance which the particular facts dictate and the actual sanctions established for the committal of such conduct according to their gravity.

In relation to that stated above, the Model refers to the categories of conduct covered by the existing sanctions framework and the common rules under the “CCNL”, in order to tie in any violations to the Model within the scope of the issues covered by these provisions.

Without prejudice to the Company's obligations under the Workers' Statute, the following behaviours are in violation of the Model and are subject to the appropriate penalties:

1. **Verbal or written censure** shall be issued to Employees in violation of the Model's internal procedures (e.g. non-observation of the procedures, failure to communicate to the Supervisory Board the required information, failure to carry out controls, etc.) or who adopt, in the execution of sensitive activities, conduct not conforming to the requirements of the Model. Such behaviours constitute non-compliance with the Company's instructions.
2. A “**written reprimand**” is issued to a worker who is guilty of a repeat infraction of the Model's procedures or who engages in conduct inconsistent with the Model while carrying out activities in sensitive areas. Such behaviours constitute repeated non-compliance with the Company's instructions.
3. A “**fine**” of up to 4 hours of normal pay is levied against a worker who exposes company property to a situation of objective danger by breaching the Model's internal procedures or engaging in conduct inconsistent with the Model while carrying out activities in sensitive areas. Such behaviours, in violation of the Company's instructions, jeopardise the integrity of the Company's property and/or constitute conduct contrary to the Company's interests.
4. “**Suspension**” from service, without pay, for a period of no more than 10 days is applied to a worker who breaches the Model's internal procedures or engages in conduct inconsistent with the Model while carrying out activities in sensitive areas, thereby harming the Company by behaving in a manner contrary to its interests, and to a worker who is guilty of more than three repeated infractions of the types described in points 1, 2 and 3 in a single calendar year. Such behaviours, in violation of the Company's instructions, damage the Company's property and/or constitute conduct contrary to the Company's interests.
5. “**Dismissal with notice**” applies to a worker who while carrying out activities in sensitive areas engages in conduct in violation of the Model resulting in the actual application of an offence sanctioned by the Decree. Such behaviours constitute gross breach of the Company's instructions and/or gross breach of the worker's obligation to cooperate towards the Company's prosperity.
6. “**Dismissal without notice**” applies to a worker who while carrying out activities in sensitive areas engages in conduct in violation of the Model resulting in the actual application to the Company of measures under the Decree, and to a worker who is guilty of more than three repeated infractions of the type described in point 4 in a single calendar year. Such behaviours completely undermine the Company's trust in the worker, causing the organisation severe moral and/or material harm.

The type and extent of each of the sanctions stated above, will be applied, on the basis of:

- the intention of the conduct or the level of negligence, imprudence or incompetence, also with regards to the foreseeability of the event;

- the overall conduct of the worker, with particular regard to the existence or otherwise of previous disciplinary measures, as legally permitted;
- the duties of the worker;
- the functional position of the persons involved in the events constituting non-fulfilment;
- other particular circumstances which accompany the sanctioned violation.

The foregoing is without prejudice to the Company's right to seek compensation for damages caused by an employee's breach of the Model. Any compensation for damages sought will be proportional to:

- the level of responsibility and autonomy of the employee who has committed the disciplinary infraction;
- whether the employee has a record of previous disciplinary infractions;
- the degree to which the employee's conduct was intentional.
- the degree of severity, which is understood to refer to the level of risk to which the Company may reasonably believe itself to be exposed, under the Decree, as a result of the censured conduct.

The CEO's office is responsible for the effective application of the disciplinary measures described above for non-executive employees. The CEO's office levies penalties on the basis of reports from the SC, while also considering the non-binding opinion of the hierarchical superior of the person who engaged in the censured conduct.

In any event, the Supervisory Committee must be informed promptly of all measures relating to disciplinary proceedings against a worker for violations of this Model, as soon as the disciplinary charges are brought.

However, the Supervisory Committee, in conjunction with the Legal Office, is responsible for assessing whether the disciplinary system meets the requirements set by the Decree. The Supervisory Committee is involved as necessary in the procedure for levying penalties for violations of the Model; no disciplinary penalties may be imposed for violations of the Model unless the Supervisory Committee has first been informed of the nature of the charges and the type of penalty that is to be levied.

The SC must also be informed of all decisions to dismiss disciplinary proceedings governed by this chapter.

Workers must be immediately and thoroughly informed of any new provisions adopted through an internal bulletin setting out the rationale for and nature of such new provisions.

#### **7.4 Measures against executives**

The GIGLIO GROUP's executives, in their professional activity, are required to comply personally, and ensure their subordinates comply with the Model.

In the case of violation by company executives of the GIGLIO GROUP of the internal procedures of the Model and the adoption, in the carrying out of Sensitive Activities, of

conduct not in line with the provisions of the Model, the most appropriate measures in line with that established by applicable regulations and the CCNL governing executives are applied.

Finally, it bears emphasising that executives' compliance with the principles and rules laid down in the Model will be considered when conducting professional evaluations and may have an impact on career or pay performance.

Unlawful conduct by executives in breach of the Model liable to penalties includes, but is not limited to, the following:

- failing to supervise one's hierarchical subordinates to ensure compliance with the Model in the performance of activities in areas at risk of offences and activities instrumental to operating processes at risk of offences;
- failing to report non-compliance with and/or anomalies in discharging the obligations imposed by the Model, despite being aware thereof, thereby rendering the Model ineffective, with the resulting potential risk for the GIGLIO GROUP of the penalties set out in Legislative Decree No. 231/2001;
- failing to report to the Supervisory Committee on critical issues relating to the performance of activities in areas at risk of offences identified in monitoring by the responsible authorities;
- personally committing one or more severe breaches of the Model, constituting a criminal offence contemplated in the Model, thereby exposing the GIGLIO GROUP to penalties pursuant to Legislative Decree No. 231/2001.

In the event of a breach of the provisions and rules of conduct set out in the Model by an executive, the GIGLIO GROUP, inspired by the principles of severity, repeated commission, direct non-compliance and lack of supervision, takes the action against the executive deemed most appropriate in accordance with the applicable contractual and legal provisions.

If the breach of the Model creates a lack of trust between the GIGLIO GROUP and the Executive, the penalty levied by the Board of Directors is dismissal.

All acts relating to the penalty proceedings must be reported to the Supervisory Committee for the assessment and monitoring within its purview.

## **7.5 Measures against members of the Board of Directors**

All acts relating to pending penalty proceedings against members of the Board of Directors must be reported to the Supervisory Committee for the assessment and monitoring within its purview.

If the Supervisory Committee is informed of a breach of the provisions or rules of conduct of the Model by a member of the Board of Directors, it must promptly inform the Board of Statutory Auditors and entire Board of Directors of the event. Those informed by the Supervisory Committee, after assessing whether the report is founded and conducting the necessary inquiries, may take the appropriate action, in accordance with the Articles of Association, including, where applicable, calling the shareholders' meeting to take the most appropriate measures in accordance with the law. Such measures may include formal notice to

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perform, temporary suspension and, for the most serious infractions, dismissal/removal from any office held at the Company, without prejudice to all attempts to seek compensation for damages.

Acts in violation of the duties of Directors include, without limitation:

- commission or attempted commission, in the course of official duties, of an offence to which Legislative Decree No. 231/01 applies;
- failure to comply with the Model;
- failure to supervise the GIGLIO GROUP's workers or partners with regard to compliance with the Model and the rules set out therein;
- tolerance for irregularities committed by the GIGLIO GROUP's workers or partners.

#### **7.6 Measures against members of the Board of Statutory Auditors**

All acts relating to pending penalty proceedings against members of the Board of Statutory Auditors must be reported to the Supervisory Committee for the assessment and monitoring within its purview.

If the Board of Directors is informed of violations of this Model by one or more members of the Board of Statutory Auditors, it will immediately inform the entire Board of Statutory Auditors and determine the action deemed most appropriate under the law, while also informing the Supervisory Committee.

If the Supervisory Committee is informed of a breach of the provisions or rules of conduct of the Model by one or more members of the Board of Statutory Auditors, it must promptly inform the Board of Statutory Auditors and the entire Board of Directors of the event. Those informed by the Supervisory Committee, after assessing whether the report is founded and conducting the necessary inquiries, may take the appropriate action, in accordance with the By-laws and the Law, including, where applicable, calling the shareholders' meeting to take the most appropriate measures in accordance with the law, informing at the same time the SC of the penalties imposed.

#### **7.7 Measures against consultants and other external personnel**

Behaviour by consultants or other external personnel (whether parties to long-term or occasional arrangements), however designated, or by other parties to contractual relationships with the GIGLIO GROUP in conflict with Legislative Decree No. 231/2001 or the Code of Ethics, will be punished in accordance with the specific contractual clauses to be included in the respective contracts.

Such clauses require the third party to adopt and effectively implement company procedures and/or to engage in conduct suited to preventing the commission and attempted commission of offences giving rise to the application of the penalties set out in Legislative Decree No. 231/2001. Partial or total breach of this obligation is punished by the right of the GIGLIO GROUP to suspend performance of and/or withdraw unilaterally from the contract, even in mid-contract, with the possible application of penalties, or to terminate the contract, without prejudice, in any event, to the GIGLIO GROUP's right to compensation for any damages suffered. The penalties in question are determined and approved by the GIGLIO GROUP's Board of Directors and reported to the Supervisory Committee.

## 7.8 Measures for the application of the Whistleblowing procedure

Pursuant to Art. 2-bis, par. 1, letter d) of the Decree, penalties laid out in the previous paragraphs, respecting the principles set out hereby, shall apply against those individuals violating the protection measures of the reporter, as well as against those individuals reporting unfounded facts with intent or gross negligence.

More specifically, committing retaliatory acts against the author of the report in good faith shall constitute a gross disciplinary violation that shall be penalised in accordance with the procedures laid out in the previous paragraphs. The adoption of discriminatory measures against the subject reporting to the Body can be reported to the National Labour Inspectorate, for the adoption of necessary measures, by the reporter and by the trade union appointed by the same. The retaliatory or discriminatory dismissal of the reporter is invalid. The change of tasks, as laid out in Art. 2103 of the Civil Code, is also invalid, as well as any other retaliatory or discriminatory action adopted against the reporter.

It is the legal duty of the employer, in case of disputes connected to the infliction of disciplinary penalties or to demotions, dismissals, transfers or any other organisational measure causing negative effects, directly or indirectly, on the work conditions of the reporter, subsequent to the presentation of the report, to prove that said measures are based on reasons that do not concern the report.

It is also prohibited to make use of any other channel of communication for the report. The protection of the reporter's confidentiality is undermined in the event of reports that are demonstrably unfounded and deliberately aimed at damaging the reported or the Company. Also in this case, said behaviour shall constitute a gross disciplinary violation and shall be penalised in accordance with the aforementioned procedures.

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## CHAPTER 8 ADOPTION OF THE MODEL – CRITERIA FOR UPDATING AND ADJUSTING THE MODEL

### 8.1 Audits and controls regarding the Model

Each year, the Supervisory Committee must prepare a general supervisory plan outlining its activities, including: a calendar of activities to be carried out during the year, the timing of controls, analysis criteria and procedures and the possibility of conducting unscheduled audits and controls.

In conducting its activity, the Supervisory Committee may avail itself of the support of both departments and offices internal to the GIGLIO GROUP with specific expertise in the areas of the company subject to control in each case, with regard to the performance of the technical operations required for the performance of the control function, as well as of external consultants. In any event, consultants must always report the findings of their activity to the Supervisory Committee.

The Supervisory Committee enjoys the broadest powers to discharge its duties in the conduct of audits and inspections.

### 8.2 Updates and adjustments

The Board of Directors resolves on updates and adjustments to the Model to incorporate any amendments and/or additions that may be required as a result of:

- i) significant infractions of the Model;
- ii) changes in the GIGLIO GROUP's internal structure and/or in how it conducts its business;
- iii) changes in the law;
- iv) the finding of controls;
- v) investigation of serious acts liable to criminal prosecution, including acts committed prior to the approval of the Model.

Once approved, the amendments and instructions for their immediate application are communicated to the Supervisory Committee, which in turn proceeds, without delay, to render such changes operational and ensures that content is properly circulated internally and externally to the GIGLIO GROUP.

The Supervisory Committee will also draft a specific report informing the Board of Directors of the outcome of its activity in accordance with the resolution ordering the update and/or adjustment of the Model.

In any event, the Supervisory Committee retains precise duties and powers relating to supervising, developing and promoting constant updates of the Model. To this end, it prepares remarks and proposals relating to the organisation and control system for the responsible company offices or, in particularly significant cases, the Board of Directors.

In particular, in order to ensure that changes in the Model are applied promptly and effectively, without a lack of coordination with operating process, the Model and the circulation of the Model, the Chairman of the Board of Directors is tasked with periodically making changes to the Model relating to aspects of a descriptive nature. It should be noted that the expression “aspects of a descriptive nature” refers to elements and information that do not affect the substantive content of the special sections of the Model and/or that derive from resolutions by bodies of the GIGLIO GROUP (such as amendments of the Articles of Association, etc.) or by specifically authorised company departments (such as the redesign of the organisation chart, etc.).

At the next available session of the Board of Directors, the Chairman presents a specific report on the changes applied in implementation of the delegated authority and preliminarily approved by the Supervisory Committee so that they may be ratified by resolution by the Board of Directors.

In any event, the Board of Directors remains solely responsible for approving updates and/or adjustments to the Model due to the following factors:

- amendment of legislation governing vicarious criminal liability;
- identification of new sensitive activities, or changes to previously identified sensitive activities, including those relating to the launch of new business activities;
- observations expressed by the Ministry of Justice on the Guidelines pursuant to Article 6 of Legislative Decree No. 231/2001 and Articles 5 et seq. of Ministerial Decree No. 201 of 26 June 2003;
- commission of the offences cited in Legislative Decree No. 231/2001 by the Covered Persons subject to the Model and, more generally, of significant infractions of the Model;
- identification of deficiencies or gaps in the Model's provisions on the basis of audits of the Model's efficacy.

In any event, the Model will be periodically audited, at least once every three years, by resolution of the Board of Directors.

**Annex 1 – Organisation chart**

The current version of the company organisation chart is appended.

**Annex 2 – Code of Ethics**

The current version of the Code of Ethics is appended.