

OTB

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

*pursuant to art. 6, paragraph 3, of Legislative Decree no. 231 of 8 June
2001, "Administrative liability of legal persons, companies and
associations, also without legal status, as per article 11 of Law no. 300 of
29 September 2000"*

Company: OTB S.p.A.
Issue date: 30 April 2014
Version: 1.0

Content

Definitions.....	3
Structure of the document	7
General part	8
1. Legislative Decree no. 231 of 8 June 2001	9
1.1. Characteristics and nature of corporate liability	9
1.2. Types of offences identified in the Decree and in subsequent amendments	9
1.3. Criteria for attributing the entity's liability	11
1.4. Recommendations of the Decree concerning the characteristics of the organizational, management and control model	13
1.5. Offences committed abroad	13
1.6. Penalties	14
1.7. Events that modify the entity	15
2. Purpose of the model	16
3. Model and Code of Ethics	17
4. Changes to and updates of the model	17
5. The corporate governance system of the OTB Group	18
5.1. The corporate and organizational structure of the OTB Group	19
5.2. OTB S.p.A.	21
6. Adoption of the model by OTB S.p.A.	21
7. Model of OTB S.p.A. and of the companies belonging to the OTB Group based in Italy and/or abroad	22
8. Offences relevant to OTB S.p.A.	23
9. Recipients of the model and of the Code of Ethics.....	24
10. Supervisory Board	25
10.1. Function	25
10.2. Composition and appointment of the members of the Supervisory Board	25
10.3. Eligibility requirements.....	28
10.4. Revocation, replacement, forfeiture or withdrawal.....	29
10.5. Conduct of activities and powers	30
10.6. Information flows to and from the organization	31
11. Performance of intragroup services	33
11.1. Services rendered by OTB S.p.A. to OTB Group companies.....	33
11.2. Services rendered by OTB Group companies to OTB S.p.A.....	33
12. System of penalties	34
12.1. General principles	34
12.2. Relevant types of behaviour and evaluation criteria	35
12.3. Sanctions and disciplinary measures.....	36
13. Communication and training	39

Definitions

- ***Sensitive activities***: activities of the Company that entail a real or potential risk of offences under the Decree being committed;
- ***Instrumental activities***: activities/processes of the Company that are potentially instrumental to offences under the Decree being committed;
- ***Business World***: this is represented by all of the companies that share the "Diesel" brand, on the one hand, and all of the companies that belong to the "designer sector", on the other.
- ***Parent Company***: this is OTB S.p.A., which acts as an operating company that provides Group companies with strategic guidance, coordination and control; it also decides on the system of corporate governance to be adopted by its direct or indirect subsidiaries. It also provides centralised services (IT, finance, etc.) and is a centre of expertise for Group companies on the matters handled by the Professional Families.
- ***Consultants***: persons who use their professional skills to perform intellectual work for or on behalf of the Company;
- ***Employees***: persons who have a permanent or temporary employment contract with the Company;
- ***Legislative Decree no. 231/2001 or Decree***: Legislative Decree no. 231 of 8 June 2001 and subsequent amendments and additions;
- ***Public body***: an entity is considered a public body, even if it has a private sector structure, in accordance with EU legislation adopted in Italy, if the following three requirements are met:
 - legal personality;
 - the entity was set up to satisfy the specific needs of general interest not of an industrial or commercial nature (for example: the collection and disposal of municipal solid waste, the supply of electricity, gas, district heating services, etc.);
 - alternatively, its activities are financed for the most part by the Government, public territorial entities or other bodies governed by public law, or management is under the control of the latter, or the Government, public territorial entities or other public bodies appoint more than half the members of the administrative, management or supervisory board.
- ***Professional family***: this consists of a series of specialist roles which, while operating in different places and at different organisational levels (Parent Company, Business World Headquarters, individual legal entity, etc.), have the following in common:
 - their mission;
 - specialist know-how and work/operating processes (their "trade");

OTB

Organizational, Management and Control Model

- the professional values and behaviour of the OTB Group.
- ***Subsidiary or Distribution subsidiary:*** this may be a legal entity or permanent establishment abroad, directly or indirectly controlled by a Business World Headquarters and set up to implement the commercial, retail and marketing guidelines decided by each Business World.
- ***Business function:*** it carries out the activities typical of the business sector to which it belongs and can operate only at the level of Business World Headquarters, distribution subsidiaries, business unit, manufacturing and sourcing.

In order to ensure an adequate development and to maintain the specificity of the individual businesses that make up the OTB Group, these functions, each according to their own specific competencies:

- to ensure fulfilment of the OTB Group's strategic, business and operating objectives;
 - to develop operational models (such as distribution, manufacturing, logistics, etc.) that are specific for the business segments to which they belong;
 - define market, sales and sourcing strategies and related guidelines, communicating them to the distribution branches.
- ***Group or OTB Group:*** it consists of a series of legal entities including the Parent Company (OTB S.p.A.) and the companies that it controls directly or indirectly (Business World Headquarters, subsidiaries, sourcing, manufacturing, business units, finance companies, NGOs, etc.).
 - **Public service employee:** a person who "provides any kind of public service," meaning an activity regulated in the same manner as a public function, but without the usual powers (art. 358 of the Criminal Code);
 - ***Confindustria Guidelines:*** guidance document of Confindustria (approved on 7 March 2002 and updated on 21 July 2014) for the creation of organizational, management and control models as per the Decree;
 - ***Model:*** the Organizational, Management and Control model pursuant to Legislative Decree no. 231/2001;
 - ***Corporate bodies:*** the Company's Board of Directors and Board of Statutory Auditors;
 - ***Supervisory Board or SB:*** this is the body envisaged in art. 6 of the Decree and responsible for supervising the functioning of the model and compliance with it;
 - ***PA or Public Administration:*** this includes all government departments, including institutes and schools of all levels, educational institutions, businesses and government departments with autonomous legal status, regions, provinces, municipalities, mountain communities and their consortia and associations, academic institutions, autonomous council housing institutions, chambers of commerce, industry, trade and agriculture and their associations, all non-economic national, regional

OTB

Organizational, Management and Control Model

and local public entities, administrations, companies and institutions of the National Health Service. By way of example and without limitation, it includes:

- Government administrations: Government, Parliament, Ministries, Judiciary, Consulates and Embassies, Prefecture, Police Headquarters, etc.;
 - Government administrations: Government, Parliament, Ministries, Judiciary, Consulates and Embassies, Prefecture, Police Headquarters, etc.;
 - Public Territorial Entities: regions, provinces, municipalities;
 - Local Health Authorities (ASL);
 - Institute for Work Safety and Prevention (ISPESL);
 - Regional Agencies for Environmental Protection (ARPA);
 - Provincial Labour Departments (DPL);
 - Labour Inspectorate;
 - Social Security (INPS, INAIL);
 - Customs Agency;
 - Tax Authorities;
 - Italian Society of Authors and Publishers (SIAE);
 - Police (State Police, Carabinieri, including the Health Protection Unit (NAS), Fire Department, Fiscal Police, etc.);
 - Independent Supervisory Authorities: Guarantor for the protection of personal data (Privacy Watchdog), Competition and Market Protection Authority (Antitrust), Authority for the Supervision of Public Works, etc.;
- **Partners:** these are the Company's contractual partners, whether individuals or legal entities, with whom the Company has any form of contractually regulated collaboration;
 - **Public official:** a person who "exercises a legislative, judicial or administrative public function" (art. 357 of the Criminal Code);
 - **Regions:** these include certain distribution subsidiaries belonging to the "Diesel" Business World that have similar characteristics according to the geographical area in which they operate (e.g. Southern Europe, Central Europe, Northern Europe).
 - **Company or OTB:** OTB S.p.A.;
 - **OTB Group company :** a company directly or indirectly controlled by OTB S.p.A. pursuant to art. 2359, paragraph 1 and 2, of the Civil Code;

OTB

Organizational, Management and Control Model

- ***Top management:*** people who are representatives, directors or management of the Company or its units with financial and functional autonomy, as well as persons who exercise, also *de facto*, management or control of the Company;
- ***Subordinated subjects:*** persons under the direction or supervision of one of the persons referred to above;
- ***Top management of the Company:*** Board of Directors, Chairman of the Board of Directors and Managing Directors of the Company.

Structure of the document

This document, split into a General and a Special Part, includes a discussion of the regulations contained in Legislative Decree no. 231/2001, and provides guidelines that describe the process of adoption of the model by OTB S.p.A., the offences that are relevant to the Company, the recipients of the model, the Supervisory Board of the Company, the penalty system to prevent violations, the reporting requirements of the model and staff training.

The second part indicates the sensitive activities for the Company pursuant to the Decree, i.e. those at risk of crime, the general principles of behaviour, elements of prevention in defence of these activities and the control measures essential for the prevention or mitigation of the offences, to be transposed into the operational procedures and corporate practices, so as to make them suitable to prevent the commission of crimes.

In addition to what is expressly stated below, the following are also an integral part of this document:

- the list of sensitive activities identified during the risk and control self-assessment, available on file at the Company, and reported in the individual sections of the Special Part of this document;
- the Code of Ethics that defines the Company's principles and rules of conduct;
- all regulations, internal provisions, deeds and operating procedures which go to implement this document. These deeds and documents are available in the manner prescribed for their distribution within the Company.

General part

1. Legislative Decree no. 231 of 8 June 2001

1.1. Characteristics and nature of corporate liability

In transposing EU legislation on the fight against corruption, Legislative Decree no. 231 of 8 June 2001 introduces and regulates the administrative liability arising from a crime committed by collective entities, which up until 2001 could only be called upon, jointly, to pay fines, penalties and administrative sanctions imposed on their own legal representatives, directors or employees.

This new form of corporate liability is mixed in nature and its peculiarity lies in the fact that it combines aspects of criminal law with those of administrative law. The entity is punished by means of an administrative penalty as liable for an administrative offence, but the system of penalties is based on the criminal law system: the body that has authority to take legal action against the offender is the public prosecutor, while it is a criminal judge that imposes the penalty.

The administrative liability of the entity is separate and independent from that of the individual who commits the crime, and it continues to exist even if the offender has not been identified, or the crime has lapsed for a reason other than an amnesty. In any case, the liability of the entity is always in addition to and never substituted for that of the individual perpetrator of the crime.

The scope of application of the Decree is very broad and covers all entities with legal status, companies, associations without legal status, economic public entities, private sector providers of a public service under concession. The legislation is not applicable to the State i.e. Government entities, public territorial entities, non-profit public entities and entities that perform constitutional functions (for example, political parties and trade unions).

1.2. Types of offences identified in the Decree and in subsequent amendments

The entity may only be held liable for the offences - so-called "predicate offences" - specified in the Decree or, in any case, by a law that came into effect before the offence was committed.

Predicate offences include very different types of crimes, some typical of business, others of criminal organizations. The list of crimes has been extended in various occasions since the original Decree was issued. The following extensions have taken place: Decree Law no. 350 of 25 September 2001, which introduced art. 25 *bis* "Forgery of legal tender, public credit instruments and revenue stamps", later extended and changed to "Crimes of forgery of legal tender, public credit instruments, revenue stamps and identification instruments or marks" by Law no. 99 of 23 July 2009; Legislative Decree no. 61 of 11 April 2002, which introduced art. 25 *ter* "Corporate offences", then extended and amended by Law no. 190 of 6 November 2012, which introduced the crime of "corruption between private individuals" (art. 2635 Civil Code); Law no. 7 of 14 January 2003, which introduced art. 25 *quater* "Crimes of terrorism or subversion of the democratic order"; Law no. 228 of 11 August 2003, which introduced art. 25 *quinquies* "Crimes against the individual"; Law no. 62 of 18 April 2005, which introduced art. 25 *sexies* "Market abuse"; Law no. 7 of 9 January 2006, which introduced art. 25

OTB

Organizational, Management and Control Model

quater.1 "Mutilation of female genitals"; Law no. 146 of 16 March 2006, which provides for the liability of legal entities for transnational crimes; Law no. 123 of 3 August 2007, which introduced art. 25 *septies* "Manslaughter and injury or grievous bodily harm, committed in violation of safety regulations and the protection of hygiene and health at work", later changed to "Manslaughter and injury or grievous bodily harm, committed in violation of safety and health at work regulations" by Legislative Decree no. 81 of 9 April 2008; Legislative Decree no. 231 of 21 November 2007, which introduced art. 25 *octies* "Receiving, recycling ("laundering") and using money, goods or assets of illicit origin"; Law no. 48 of 18 March 2008, which introduced art. 24 *bis* "Computer crime and unlawful data processing"; Law no. 94 of 15 July 2009, which introduced art. 24 *ter* "Organized crime"; Law no. 99 of 23 July 2009 - already mentioned - which introduced art. 25 *bis.1* "Crimes against industry and commerce" and art. 25 *novies* "Violation of copyright"; Law no. 116 of 3 August 2009, which introduced art. 25 *decies* "Inducing a person not to make statements or to make false statements to judicial authorities"; Legislative Decree no. 121 of 7 July 2011, which introduced art. 25 *undecies* "Environmental offences"; Legislative Decree no. 109 of 16 July 2012, which introduced art. 25 *duodecies* "Employment of third-country nationals staying in Italy illegally"; Law no. 190 of 6 November 2012 - already mentioned - which amended art. 25, changing the crime of corruption for the exercise of the function (art. 318 of the Criminal Code) and the crimes of embezzlement, bribery, improper inducement to give or promise benefits, corruption and incitement to corruption of members of European Community bodies and officials of the European Communities and of foreign countries (art. 322 *bis* of the Criminal Code) and introducing the crime of improper inducement to give or promise benefits (art. 319-*quater* of the Criminal Code); Legislative Decree no. 39 of 4 March 2014, which amended art. 25 *quinquies* introducing the crime of solicitation of minors (art. 609 *undecies* of the Criminal Code).

At the date of approval of this document, predicate offences belong to the categories indicated below:

- offences committed against the public administration (arts. 24 and 25);
- computer crime and unlawful data processing (art. 24 *bis*);
- organized crime (art. 24 *ter*);
- forgery of legal tender, public credit instruments, revenue stamps and identification instruments or marks (art.25 *bis*);
- crimes against industry and commerce (art. 25 *bis.1*);
- corporate offences (art. 25 *ter*);
- crimes of terrorism or subversion of the democratic order (art. 25 *quater*);
- mutilation of female genitals (art. 25 *quater.1*);
- crimes against the individual (art. 25 *quinquies*);
- market abuse (art. 25 *sexies*);

OTB

Organizational, Management and Control Model

- manslaughter and injury or grievous bodily harm, committed in violation of safety and health at work regulations (art. 25 *septies*);
- receiving, recycling ("laundering") and using money, goods or assets of illicit origin (art. 25 *octies*);
- violation of copyright (art. 25 *novies*);
- inducing a person not to make statements or to make false statements to judicial authorities (art. 25 *decies*);
- environmental offences (art. 25 *undecies*);
- employment of third-country nationals staying in Italy illegally (art. 25 *duodecies*);
- transnational crimes (art. 10, Law 146/2006).

The applicability and relevance of each offence for the Company will be discussed in greater detail below, in paragraph 8 of this General Part.

1.3. Criteria for attributing the entity's liability

In addition to committing one of these predicate offences, other regulatory requirements must be satisfied before the entity can be sanctioned under Legislative Decree no. 231/2001. These additional criteria of corporate liability can be divided into "objective" and "subjective".

The first objective criterion is the fact that the offence was committed by a person connected to the entity by a qualified relationship. The following distinction has to be made between:

- those in "senior positions", i.e. those who holds positions of representation, administration or management of the entity, such as, for example, the legal representative, the director, the manager of an autonomous business function, as well as those who run the entity, even if only *de facto*. These are the people who actually have an independent power to make decisions in the name and on behalf of the company. This category also includes all those who are delegated by the directors to run or manage the company or its branches;
- "subordinates", i.e. all those who are under the management and supervision of those in senior positions. Employees and all those who have a task to be performed under the direction and control of those in senior positions, even if they are not part of the staff, specifically belong to this category. Such external persons include co-workers, promoters, agents and consultants, who perform activities in the company's name under a mandate from it. Mandates or contractual relationships with persons who do not belong to the company's staff are also relevant, if these persons act in the name, on behalf or for the benefit of the company.

A further objective criterion is the fact that the offence must be committed in the entity's interest or to its advantage; it is sufficient that at least one of these two conditions exists, as they are alternatives:

OTB

Organizational, Management and Control Model

- an "interest" exists if the perpetrator acted with the intention of promoting the company, regardless of whether this goal was actually achieved;
- the "advantage" exists when the entity has achieved - or could have achieved - a positive result, economic or otherwise, from the crime.

The liability of the entity exists not only when it has drawn an immediate financial advantage from the offence, but also in the event that the fact was motivated by the company's interest, even if outcome was different. Improving its market position or hiding a financial crisis are cases involving the interests of the company, but without bringing about an immediate economic benefit. It is also important to point out that, if the offence is committed by qualified individuals of a company belonging to a group, the concept of interest can be extended to the detriment of the parent company. The Court of Milan (sentence dated 20 December 2004) has ruled that the distinguishing feature of group interest is that it does not represent the exclusive interest of one of the members of the group, but one that is common to all of its members. This is why they say that the offence committed by the subsidiary could also be charged against the parent company, providing the person who committed the crime - individually or with others - works for it.

As for the subjective criteria of allocation of the offence to the entity, they relate to the tools that it has adopted to prevent any of the offences under the Decree being committed while carrying on business. In fact, the Decree only provides for exclusion of the entity from liability if it can prove that:

- management adopted and effectively implemented, before the commission of the crime, an organizational, management and control model designed to prevent offences of the same kind as those that have been committed;
- the task of overseeing the functioning and observance of the models and their updating has been entrusted to a body with independent powers of initiative and control;
- there has been no omission or insufficient supervision by this body.

The above conditions must jointly contribute to the exclusion of liability on the part of the entity.

Even though the model acts as grounds for impunity, whether the predicate offence was committed by a person in a senior position, or if it was committed by a subordinate, the mechanism envisaged under the Decree regarding the burden of proof is much more severe for the entity in the event that the offence was committed by a person in a senior position. In the latter case, the entity has to demonstrate that the persons committed the crime by fraudulently evading the model; the Decree requires stronger evidence of extraneousness as the entity also has to provide evidence of a kind of internal fraud by senior management.

In the event of offences committed by subordinates, the entity may instead be held liable only if it is established that the offence was made possible by non-compliance with management or supervisory obligations, which would in any case be excluded if, before the commission of the offence, the entity has set up an organizational, management and control model designed to prevent offences of the type committed. In

this case, it is an organizational fault: the entity has indirectly agreed to the commission of the offence, by not overseeing the activities and the persons at risk of commission of a predicate offence.

1.4. Recommendations of the Decree concerning the characteristics of the organizational, management and control model

The Decree only covers some general principles concerning the organizational, management and control model, without providing any specific characteristics. The model only acts as grounds for impunity if:

- it is effective, or if it is reasonably capable of preventing the offence or offences committed;
- it is effectively implemented, i.e. if its contents are applied in the business procedures and in the system of internal control.

As regards the effectiveness of the model, the Decree provides that it has to have the following minimum content:

- it has to identify the activities of the company within which offences could be committed;
- it has to include specific protocols aimed at programming the formation and enforcement of the company's decisions as regards the crimes to be prevented;
- it has to identify how sufficient financial resources are allocated to prevent the commission of crimes;
- it has to introduce a disciplinary system to punish non-compliance with the measures indicated in the model;
- it has to include reporting requirements to the Supervisory Board;
- in relation to the nature and size of the organization, as well as the type of business, it has to envisage measures to ensure that business is conducted in compliance with the law and to ensure that risk situations are discovered and eliminated quickly.

The Decree lays down that the model has to be periodically reviewed and updated, both if it turns out that there have been significant infringements of the rules, and if significant changes take place in the entity's organization or activities.

1.5. Offences committed abroad

Under art. 4 of the Decree, the entity may be held liable in Italy for predicate offences committed abroad.

However, the Decree subordinates this possibility to the following conditions, in addition to those already mentioned:

- there are general conditions of admissibility laid down in arts. 7, 8, 9 and 10 of the Criminal Code to prosecute someone in Italy for an offence committed abroad;
- the company has its head office in the territory of the Italian State;

- the State where the offence was committed does not take legal action against the entity.

1.6. Penalties

The system of penalties provided for under Legislative Decree no. 231/2001 is split into four types of sanctions that can be inflicted on the entity if it is convicted within the terms of the Decree:

- Fine

A fine is always applied if the court deems the entity responsible. It is calculated using a system based on quotas that are determined by the judge in terms of number and amount: the number of quotas to be applied between a minimum and a maximum that vary according to the facts, depends on the severity of the crime, the degree of liability of the entity, the effort taken to eliminate or mitigate the consequences of the crime or to prevent the commission of other offences; the amount of the individual quota has to be established between a minimum of € 258.00 and a maximum of € 1,549.00, based on the economic and financial conditions of the entity.

Only the entity has to pay for the fine out of its own capital or endowment fund. So, whatever the legal nature of the collective entity, the Decree excludes that the members or associates have to pay directly out of their own assets;

- Interdictive sanctions

Interdictive sanctions are only applied, in addition to fines, if expressly envisaged for the offence for which the entity is convicted and only if at least one of the following conditions applies:

- the entity made a significant profit from the offence and the offence was committed by someone in a senior position, or by a subordinate if commission of the offence was made possible by serious organizational shortcomings;
- in the event of repetition of the offences.

The interdictive sanctions provided for under the Decree are:

- a ban on the entity's activities;
- suspension or revocation of any authorizations, licences or concessions involved in the offence;
- a ban on any sort of contract with the Public Administration, except to obtain a public service;
- exclusion from benefits, loans, grants or subsidies and revocation of those already granted;
- a ban on advertising goods or services.

While interdictive sanctions may be applicable permanently under exceptional circumstances, they are usually temporary, with a duration ranging from three months to two years, and relate to the specific activities of the entity responsible for the offence. They can also be applied as a precautionary measure,

OTB

Organizational, Management and Control Model

before the verdict, at the request of the Public Prosecutor, where there is real evidence of the entity's responsibility and specific elements that suggest that there is a real danger that other offences of the same kind may be committed;

- **Confiscation**

On conviction, the amount that the entity gained from the offence (or assets of equivalent value) is always confiscated. The gain made from the offence has been defined by the United Sections of the Supreme Court (see Cass. Pen., U.S., 27 March 2008, no. 26654) as the economic advantage of direct and immediate causal derivation from the offence, and concretely determined net of the effective benefit received by the damaged party under any contractual relationship with the entity; the United Sections have also specified that this definition should exclude any corporate parameter. i.e. the gain cannot be identified with the net profit made by the entity (except in the case of the entity being put into receivership, as provided for by law). For the Court of Naples (sent. 26 July 2007), the concept of gain may also include the savings brought about by non-payment of certain costs that should have been incurred;

- **Publication of the conviction**

Publication of the conviction may be ordered if the entity is sentenced to an interdictive sanction; this involves publication of the sentence once, in extract or in full, in one or more newspapers indicated by the judge in the sentence and also displayed in the municipality where the entity has its head office, all at the entity's expense.

Although applied in a criminal trial, all of the penalties are of an administrative nature. The system of penalties envisaged in the Decree is very strict, especially as interdictive sanctions can limit normal business activities considerably, excluding the entity from various types of work.

Administrative sanctions against the entity fall into prescription after five years from the date of commission of the offence.

The final conviction of the entity is registered in the national archive of administrative penalties for offences.

[1.7. Events that modify the entity](#)

The Decree lays down the rules on the entity's liability in the event of transformation, merger, spin-off and transfer of the business.

In the case of transformation of the entity, it remains liable for offences committed before the date on which the transformation took effect. The new entity will therefore be the recipient of the penalties applicable to the original entity, for acts committed before the transformation.

In the case of a merger, the entity resulting from the merger, also by absorption, is liable for offences for which the entities taking part in the merger were responsible. If the merger took place before the final sentence

OTB

Organizational, Management and Control Model

determining the liability of the entity, the court has to take into account the economic conditions of the original entity and not those of the merged entity.

In the case of a spin-off (or demerger), the spun-off entity remains liable for offences committed before the date on which the spin-off took effect and the beneficiaries of the spin-off are jointly responsible for the payment of the fines inflicted on the spun-off entity within the limit of the value of net assets transferred to each entity, except in the case of an entity to which the business unit in which the offence was committed has been transferred; interdictive sanctions are applied to the entity (or entities) in which remain or which absorbed the business unit in which the offence was committed. If the spin-off took place before the final sentence determining the liability of the entity, the court has to take into account the economic conditions of the original entity and not those of the entity resulting from the spin-off.

In the case of a sale or contribution of the company in which the offence was committed, without prejudice to the possibility of prior enforcement against the transferor, the transferee is jointly liable with the transferor to pay the fine within the limits of the value of the business transferred and to the extent of the fines recorded in the mandatory accounting records or due for irregularities that the transferee was aware of.

2. Purpose of the model

By adopting this document, the Company intends to comply with the rules as soon as possible, wanting to be in line with the fundamental principles of the Decree, as well as improve the existing system of internal controls and corporate governance and make it as efficient as possible.

The main objective of the model is to create a structured and comprehensive system of control principles and procedures designed to prevent the commission of offences under the Decree, where this is possible and genuinely feasible. The model will be integrated with the Company's system of governance and will help implement the process of spreading a corporate culture based on fairness, transparency and legality.

The model also has the following purposes:

- to provide adequate information to employees and those delegated to act on behalf of the Company, or those who are linked to the Company by relevant relationships for the purposes of the Decree, about the activities that involve the risk of committing offences;
- to promote a corporate culture that is based on legality, since the Company condemns any behaviour that does not comply with the law or internal regulations, particularly the provisions contained in its organizational model;
- to spread a control culture;
- to implement an effective and efficient organization of the business, focusing in particular on the decision-making process and its transparency, on making sure that prior and subsequent controls are in place and on handling information both internally and externally;
- to implement all the measures needed to eliminate as quickly as possible any situations where there is

OTB

Organizational, Management and Control Model

a risk that offences could be committed.

3. Model and Code of Ethics

The Company has adopted and endorsed the Code of Ethics of the OTB Group (hereinafter also the "Group Code of Ethics" or even just "Code of Ethics") by resolution of the Board of Directors approved on 29/07/2014.

The Group Code of Ethics differs from this document in nature, function and content. It is general in nature and is free from procedural implementation. The ultimate purpose of the Group Code of Ethics is to lay down the rules of conduct and ethical-social values that must permeate the Company's activities, in parallel with the pursuit of its aims and its objectives and in line with the content of this document. In particular, the Group Code of Ethics explains the rules of conduct to be adopted vis-à-vis various parties, such as shareholders, staff, customers, suppliers, lenders, the public administration and the community in general, as well as the principles of behaviour to be followed with regard to the following aspects:

- integrity and consistency;
- legality and honesty;
- protection and respect for the individual, also with reference to the protection of health and safety at work;
- respect for human rights, including compliance with International Labours Standard;
- protection of the environment.

The model assumes observance of the Group Code of Ethics, together forming a *corpus* of internal rules for the dissemination of a culture based on ethics and corporate transparency.

The Group Code of Ethics, which is understood here as being referred to in its entirety, is the essential foundation of the model and the provisions contained in the model are integrated with what is provided in it.

4. Changes to and updates of the model

The Company's Board of Directors has exclusive competence for adoption and modification of the model.

This document must always be promptly amended or supplemented by resolution of the Board of Directors, also on the proposal of the Supervisory Board, when:

- there have been violations or circumvention of the provisions contained in it, which have demonstrated that it is not sufficiently effective or consistent to prevent the offences mentioned in the articles listed in the previous section;
- changes have occurred in sensitive areas in view of regulatory developments (e.g. introduction of new predicate offences in the Decree) or changes in the Company's organization or business (e.g. new areas of operations);

OTB

Organizational, Management and Control Model

- new operational procedures and/or protocols have been adopted or changes have taken place that have a significant impact on the internal control system;
- other governance tools recommended by the Decree (such as codes of conduct, protocols, changes to the disciplinary system) have been adopted.

In the case where changes of a "non-substantial" nature are required, such as explanations or clarifications of the text, which have no impact on the structure of preventive controls, or those due to the reorganization and subsequent reassignment of activities at risk to new functions or those that are purely formal in nature, the Company's CEO in charge of corporate governance matters can make the changes on his own, after hearing the opinion of the Supervisory Board.

Any other corporate function, on the other hand, must not make any changes to the model on its own initiative, as responsibility for this has to remain with the Board of Directors and, if necessary, the CEO in charge of corporate governance matters, within the limits mentioned above.

In any case, circumstances that require changes or updates of the model must be reported to the Board of Directors in writing by the Supervisory Board.

The changes to corporate procedures needed to implement the model are made by the functions involved. The Supervisory Board is kept constantly informed of the update and implementation of new operating procedures and has the right to express its opinion on the proposed changes.

5. The corporate governance system of the OTB Group

The term "corporate governance" describes the general approach that management takes when directing and controlling the entire organization, through a combination of information management and hierarchical management of the control structure.

Implementation of an effective system of corporate governance is therefore the instrument through which OTB intends to direct and control the legal entities that make up the Group.

In this context, the OTB Group has adopted the system of corporate governance¹ described in the "Group Regulations", which is geared to compliance with current regulations, maximization of shareholder value and control of enterprise risk in order to ensure effective and efficient management.

This organizational model is therefore part of a more general system of corporate governance adopted by the OTB Group; it makes reference to the same general principles, as well as to its constituent components and to the tools of the internal control and risk management system that make it up; they can be considered:

¹ Please refer to the Internal Regulations (adopted in July 2014 by the Board of Directors of OTB S.p.A.) for further information about the system of corporate governance adopted by the OTB Group (e.g. the corporate and organizational structure of the Group, the administrative bodies of the various legal entities, the control bodies and functions, corporate and Group functions, internal procedures, information flows and reporting system).

OTB

Organizational, Management and Control Model

- institutional (Code of Ethics and Corporate Social Responsibility; Board of Directors and Committees; Internal Audit & Risk Management; organisational structure and role system), as they relate to the duties and relationships between corporate, administrative and control bodies;
- operational (powers of attorney; processes, policies, guidelines and operating procedures; corporate management; compliance management), as they concern the ways in which the different operating and compliance processes are managed in practice.

5.1. The corporate and organizational structure of the OTB Group

The corporate structure of the OTB Group is divided into the three levels, as shown below:

1. the first level consists of the Parent Company, OTB S.p.A., which is the Group's operating company;
2. the second level consists of the Headquarters of the Business Worlds;
3. the third level is made up of the Distribution Subsidiaries, which for certain Business Worlds group together various markets (Regions). The third level also comprises the business units and legal entities that provide sourcing, manufacturing and production coordination services (such as shoes & bags), as well as managing leftovers.

The organisational structure of the OTB Group is split into "functions" or "corporate functions", each being a series of human and material resources that are coordinated and organised amongst themselves for the pursuit of specific business purposes.

The corporate functions are arranged hierarchically and are placed at different levels of the OTB Group's corporate structure depending on:

- the extent and nature of their responsibilities, powers and activities;
- their organisational and internal complexity.

The corporate functions of the OTB Group, which have similar characteristics with reference to duties and responsibilities, may be grouped together to form Professional Families and Business Functions.

Professional Families are corporate functions that have in common:

- their mission;
- specialist know-how and work/operating processes (their "trade");
- the professional values and behaviour of the OTB Group.

Corporate functions operating in different places and at different organisational levels (Parent Company, Headquarters of the Worlds of Business, Distribution Subsidiaries, single legal entities, etc.) can belong to the same Professional Family.

OTB

Organizational, Management and Control Model

The OTB Group is split into the following Professional Families:

- *Finance;*
- *Legal & Corporate Affairs;*
- *Information Technology;*
- *People & Organization.*

In order to ensure Group identity, overall consistency, efficiency and internal equity, the Professional Families:

- contribute towards the definition of processes, operating procedures and instruments to be adopted at Group level, each according to their sphere of competence, with attention to the specificities of the businesses/companies;
- ensure that the members of these Families have adequate professional skills;
- act as a centre of expertise and guidance on complex issues.

The **Business Functions** carry out the activities that are typical of their business sector and generally operate at the level of Headquarters of the Worlds of Business, Distribution Subsidiaries, business units and sourcing/manufacturing.

In order to ensure an adequate development and to maintain the specificity of the individual businesses that make up the OTB Group, these functions, each according to their own specific competencies:

- ensure fulfilment of the OTB Group's strategic, business and operating objectives;
- develop operational models (such as distribution, manufacturing, logistics, etc.) that are specific for the business segments to which they belong;
- define market, sales and sourcing strategies and related guidelines, communicating them to the distribution branches.

Examples of business functions in the OTB Group are:

- *Licensing;*
- *Logistic;*
- *Marketing and Communication;*
- *Operations & Interior Design;*
- *Production & Procurement;*

OTB

Organizational, Management and Control Model

- *Research & Development;*
- *Distribution;*
- *etc.*

Lastly, the OTB Group includes other corporate functions which carry out support activities at legal entities of any level (Parent Company, Business World Headquarters, Subsidiary), supporting the boards of directors and statutory auditors with advice and technical support, thanks to their specific expertise.

These functions may be specific to the Parent Company (for example, the Corporate Communication function) or represent the typical functions of the various legal entities belonging to the Group under locally applicable regulations (for example, the Safety & Facilities function, dedicated to the control and management of issues relating to health and safety in the workplace and the prevention of environmental crimes), or for other Group organizational reasons (for example, the Corporate Governance & Internal Audit function) or local.

5.2. OTB S.p.A.

OTB, which was set up in 2002 under the name of “Only the Brave S.r.l.” and transformed into “OTB S.p.A.” in 2013, is the operating company of the OTB Group which holds some of the more iconic brands of the fashion world, such as Diesel, Maison Margiela, Marni, Viktor&Rolf, and of pioneering companies such as Staff International and Brave Kid.

The Group embodies the spirit and vision of Renzo Rosso, the Italian entrepreneur who founded Diesel and who currently holds the chairmanship of the Group. OTB believes in pushing the concepts of fashion and lifestyle to the limit, offering a portfolio of global brands to a new type of consumer - those who challenge traditional perceptions and prefer to interpret fashion individually. Indeed, the very name of OTB, which stands for "Only The Brave", reflects the Group's vision and values.

6. Adoption of the model by OTB S.p.A.

In compliance with the provisions of the Decree, the Company has adopted its own organizational, management and control model with a resolution of the Board of Directors. Both the adoption and subsequent modification of this document are the sole responsibility of the Board of Directors.

The model, also inspired by the Guidelines for the construction of models of organizational, management and control as per Legislative Decree no. 231 of 8 June 2001, issued by Confindustria in the version of 21 July 2014, has been developed taking into account the Company's structure and the activity that it actually carries on, the target market, and the nature and the size of its organization. The Company has conducted a preliminary analysis of its corporate environment and subsequently an analysis of the areas of activity that have potential risk profiles in relation to the commission of the offences specified in the Decree. The analysis involved the following: the history of the Company, the corporate context, the context of the sector, the organization chart,

OTB

Organizational, Management and Control Model

the system of corporate governance, the existing system of proxies, the legal relationship with third parties, also with regard to service contracts governing intercompany transactions, the operational environment, practices and procedures formalized and disseminated within the Company for the conduct of operations.

In preparing this document, the Company:

- identified sensitive activities, i.e. areas where the offences mentioned in the Decree may be committed, through interviews with the Heads of corporate functions, analysis of the company organization charts and the division of responsibilities;
- carried out a risk and control self-assessment of the commission of offences and an internal control system capable of intercepting illegal conduct;
- identified adequate control structures, necessary for the prevention of the offences mentioned in the Decree or to mitigate the risk of committing offences, that either exist already or are to be implemented in operational procedures and corporate practices;
- carried out a review of the system of mandates, powers and allocation of responsibilities.

In relation to the possible commission of the offences of manslaughter and injury or grievous bodily harm committed in violation of safety regulations (art. 25 *septies* of the Decree), the Company has carried out an analysis of its business environment and of all the specific activities carried out there, as well as an assessment of the risks connected to it, on the basis of the results from the checks carried out in compliance with the provisions of Legislative Decree 81/2008 and the special rules associated with it.

This document represents the Company's internal rules and is binding on it.

7. Model of OTB S.p.A. and of the companies belonging to the OTB Group based in Italy and/or abroad

Because of the attention paid by the Parent Company to the issues of corporate governance and the protection of legality in conducting various business activities, while respecting the autonomy of each company belonging to the OTB Group based in Italy, the Company encourages their adoption of an organizational, management and control model pursuant to Legislative Decree 231/01.

The companies belonging to the OTB Group based in Italy, which decide to adopt an organizational, management and control model as per Legislative Decree 231/01, in the definition of this model, adhere to the principles specified in this document, complementing the content and the necessary control measures according to their specific particularities of the nature, size, type of activity, structure of internal proxies and powers as subsidiaries. Each company belonging to the OTB Group based in Italy is responsible for the adoption of a model and the appointment of a Supervisory Board.

The model adopted by each company belonging to the OTB Group based in Italy has to be sent to the Supervisory Board of OTB S.p.A., which informs the Board of Directors in the report referred to in paragraph

OTB

Organizational, Management and Control Model

10.6. Any significant subsequent amendment made to the model is communicated by the Supervisory Bodies of the companies belonging to the OTB Group based in Italy to the Supervisory Board of OTB S.p.A.

Lastly, in the broader context of the regulations on corporate criminal liability in force in the legal systems of the foreign countries in which the companies directly or indirectly controlled by the Parent Company operate, OTB S.p.A. has adopted specific guidelines in order to specify the principles of organization and behaviour that each foreign company belonging to the OTB Group must follow in order to ensure a corporate governance system based on legality, regardless of the legislation applicable locally

8. Offences relevant to OTB S.p.A.

The model of OTB S.p.A. was drawn up taking into account the structure and specific risks arising from the activities actually carried out by the Company and the nature and size of its organization.

Given these parameters, the Company considers the following predicate offences as relevant:

- offences committed against the public administration (arts. 24 and 25);
- computer crime and unlawful data processing (art. 24 *bis*);
- organized crime (art. 24 *ter*);
- corporate offences (art. 25 *ter*);
- manslaughter and injury or grievous bodily harm, committed in violation of safety and health at work regulations (art. 25 *septies*);
- receiving, recycling ("laundering") and using money, goods or assets of illicit origin (art. 25 *octies*);
- violation of copyright (art. 25 *novies*);
- inducing a person not to make statements or to make false statements to judicial authorities (art. 25 *decies*);
- employment of third-country nationals staying in Italy illegally (art. 25 *duodecies*);
- transnational crimes (art. 10, Law 146/2006).

The offence of "inducing a person not to make statements or to make false statements to judicial authorities" (art. 377 bis of the Criminal Code), indicated as a Predicate Offence in art. 25 *decies* of the Decree and referred to in art. 10 of Law 146/2006 (transnational crimes), cannot be linked to any specific sensitive activities actually carried out by the Company. It has not been excluded from the list of offences potentially at risk of being committed as this type of offence could theoretically be committed by senior people and subordinates, not in relation to a specific sensitive activity, but through an indeterminate number of possible execution methods. In addition, specific preventive measures at the level of internal control system cannot be

OTB

Organizational, Management and Control Model

identified, and the corporate governance structures already in place, together with the principles in the Group Code of Ethics, cannot prevent this specific type of offence.

As for the other categories of Predicate Offences envisaged in the Decree, in light of the main activity performed by the Company, it was considered that the socio-economic context in which it operates and the legal and economic relationships usually established by it with third parties, there are no risk profiles that make it probable that they would be committed in the interest or for the benefit of the Company. In this regard, however, steps have been taken to control such risks by including appropriate standards of conduct in the Group Code of Ethics that in any case oblige the recipients to respect essential values such as solidarity, respect for human dignity, morality, fairness and legality. More generally, with regard to the broader issues of corporate governance, the Group Regulation represents a further means of control and monitoring, also with a view to a business management culture based on legality.

The Special Part of this document that follows identifies the activities of the Company that are considered "sensitive" because of the risk of the offences listed here being committed; and for each of the sensitive activities, it provides prevention principles and protocols.

In any case, the model can be quickly integrated or modified by the Board of Directors, on the proposal of, and in any case after consulting, the Supervisory Board in the following circumstances:

- regulatory changes such as the introduction of new offences and/or modification of the current ones;
- changes in the methods of carrying on business;
- any other situation described in paragraph 4 "Changes to and updates of the model".

9. Recipients of the model and of the Code of Ethics

The model applies to:

- senior management or persons in senior positions, i.e. those who perform, also de facto, management, administration, guidance or control in the Company or in an independent corporate function, such as members of the Board of Directors (the legal representative the CEO, the directors), the CEO, the members of the Board of Statutory Auditors or the director of an autonomous function or subjects delegated by the Directors to exercise management or guidance activities of the entity;
- employees of Group companies that are assigned temporarily to the Company with functions of management, administration, guidance or control in the Company or in an independent corporate function;
- subordinates belonging to the Company, i.e. anyone who is subject to the guidance and supervision of senior management (e.g. employees), including those who are working for the Company under a temporary employment contract or internship.

OTB

Organizational, Management and Control Model

All recipients are required to comply with the utmost diligence with the provisions contained in the Code of Ethics, in the model, and its implementation procedures, also in fulfilment of the duties of loyalty, fairness and diligence arising from the legal relationship established with the Company.

To those who act under mandate or on behalf of the Company or acting in the interest of the Company in the context of sensitive activities as explained in the following Special Section and who maintain a full decision-making and organizational autonomy outside the guidance and supervision of the entity (e.g. self-employed, co-workers, partners, designers, consultants, agents, suppliers of goods and services, with a subcontracted labour contract), the Company requires a commitment to respect the Code of Ethics and a further commitment to comply with the provisions of the Decree. This obligation is included in specific contractual clauses, which also provide for termination of the contract in the event of non-compliance.

The Company condemns any behaviour that deviates from the law or from the provisions of the model and of the Code of Ethics, even if such conduct is in the interest of the Company or with the intention of giving it an advantage.

10. Supervisory Board

10.1. Function

In accordance with the Decree, the Company has appointed a Supervisory Board, which is autonomous, independent and responsible for controlling the risks associated with the specific activities carried on by the Company and the related legal aspects.

The Supervisory Board has the task of constantly monitoring:

- compliance with the model by the Company's corporate bodies and employees;
- real effectiveness of the model in preventing the commission of offences under the Decree;
- implementation of the model during all of the Company's activities;
- updating of the model, if the need is found to adjust it due to changes in the corporate structure and organization or in the regulatory framework.

At the first meeting after it has been appointed, the Supervisory Board has to give itself Operating Regulations, approving and, if necessary, updating them and presenting them to the Board of Directors for their knowledge.

10.2. Composition and appointment of the members of the Supervisory Board

The Board of Directors appoints the Supervisory Board, justifying the choice of each member, who have to be selected solely on the basis of the following requirements:

- Autonomy and independence

OTB

Organizational, Management and Control Model

The autonomy and independence of the Supervisory Board, as well as of its members, are vital to the success and credibility of the control activity.

The concepts of autonomy and independence do not have a definition that is valid in an absolute sense, but has to be outlined and framed in the operating environment in which they have to be applied. Since the Supervisory Board has the duty to monitor the Company's operations and the procedures being applied, its position within the entity must ensure its independence from any form of interference and conditioning by any component of the entity, particularly by senior management, especially considering that the function it performs also covers supervision of those in senior positions. The Supervisory Board is therefore included in the Company's organization chart in as high a hierarchical position as possible and in performing this function, it reports only to the Board of Directors.

In addition, to ensure the independence of the Supervisory Board as much as possible, the Board of Directors makes available specifically dedicated corporate resources to it, with a number and value commensurate with the tasks assigned to it, and in the context of the formation of the Company's budget, approves adequate financial resources proposed by the Supervisory Board, which the latter can use for all its needs in the proper performance of its duties (e.g. specialist consulting, travel, etc.).

The autonomy and independence of each member of the Supervisory Board have to be determined on the basis of the function that they perform and the duties that are attributed to them, identifying from whom and from what the person should be autonomous and independent in order to carry out their duties. Consequently, each member should not hold decision-making, executive or management positions that might jeopardize the autonomy and independence of the entire Supervisory Board. In any case, the requirements of autonomy and independence presuppose that the members are not in a position, not even potentially in a position, of conflict of interest with the Company. This means that the members of the Supervisory Board must not:

- hold executive positions within OTB S.p.A. or its subsidiaries that might undermine their independence of judgement;
 - be linked to the Company by ongoing service relationships that could reasonably compromise their independence of judgement;
 - be linked by kinship with senior management of the Company or senior management of Group companies;
 - be in any other situation of apparent or potential conflict of interest;
- Professionalism

The Supervisory Board must have the technical and professional skills appropriate to the functions that it is asked to perform. It is therefore essential that the Supervisory Board includes persons with adequate professionalism in the field of economics and law, as well as in risk management, analysis

OTB

Organizational, Management and Control Model

and control. In particular, the Supervisory Board must have the specialist technical skills needed to carry out audit and consulting activities.

Once the members of the Supervisory Board have been identified, upon their appointment, the Board of Directors has to verify the existence of these conditions, not only on the basis of their CV, but also with the support of specific formal declarations received by the Board of Directors directly from the candidates.

In order to apply the skills that are useful or necessary for the activities of the Supervisory Board, and to ensure the professionalism of the Board in general (and, as noted above, its autonomy), the Supervisory Board is granted a specific budget so that, if necessary, it can hire additional skills from outside the Company to complement those of its members. In this way, by making use also of external professionals, the Supervisory Board can acquire resources that are competent in areas such as law, business organization, auditing, accounting, finance and safety at work;

- Continuity of action

The Supervisory Board performs on an ongoing basis the activities needed for the supervision of the model with adequate commitment and with the necessary powers of investigation.

Continuity of action should not be seen as "working constantly", as such an interpretation would necessarily mean a Supervisory Board exclusively internal to the entity, when in fact this circumstance would result in a decrease in the autonomy that is an essential characteristic of the Board. Continuity of action requires that the activities of the SB should not be limited to periodic meetings of its members, but be organized on the basis of a plan of action and a series of activities that involve the monitoring and analysis of the company's prevention system.

To facilitate this, it seems inevitable that at least one member of the Supervisory Board should be physically ensconced in the Company or, in any case, permanently close to the sensitive areas, in order to have ready evidence that the control system expressed in the organizational model is working effectively.

In accordance with the above parameters, the Supervisory Board is composed on a collegiate basis by a minimum of three to a maximum of five members, including:

- at least one member who is not an employee of the Company;
- a member who has been chosen as the Head of Group Corporate Governance & Internal Audit.

The Board of Directors has the right to appoint the Chairman of the SB, chosen from among the external members, with the task of handling the formalities involved in calling board meetings, setting the agenda and leading the debate. If the Board of Directors has not done so, the SB elects a Chairman from among its external members.

OTB

Organizational, Management and Control Model

This without prejudice to the Board of Directors' right to decide on a different composition in terms of the characteristics and number of the SB's members in order to help address the specific needs of the Company.

The SB is appointed by the Company's Board of Directors with a motivated resolution that acknowledges that the members meet the requirements of integrity, professionalism, autonomy and independence.

To this end, external candidates are required to submit their curriculum vitae accompanied by a declaration stating that they meet the requirements.

The Board of Directors reviews the information provided by the candidates, or otherwise available to the Company, in order to decide whether they do actually meet the requirements.

When accepting office, having seen the model and formally accepted to comply with the Code of Ethics, the members of the SB take a commitment to carry out their duties with the necessary continuity of action and to inform the Board of Directors immediately of any event likely to affect their ability to maintain the requirements.

After the formal acceptance of those appointed, the decision is communicated internally to all levels of the Company.

The SB's mandate last for three years and its members can be re-elected a maximum of three times; in any case, the SB's term of office is automatically extended until it has been renewed.

10.3. Eligibility requirements

Before being elected, all members of the Supervisory Board have to acknowledge that they are not in any of the conditions of ineligibility and/or incompatibility listed below:

- to have been subjected to precautionary measures imposed by the court in accordance with Law no. 1423 of 27 December 1956 ("Precautionary measures against those considered a danger for security") or Law no. 575 of 31 May 1965 ("Provisions against the Mafia");
- to be suspected or to have been convicted, even if the sentence is not yet final or issued as per art. 444 et seq. Code of Criminal procedure, even if with a conditionally suspended sentence, without prejudice to the benefits of rehabilitation:
 - for one or more offences among those specifically laid down in Legislative Decree no. 231/2001;
 - for any crime committed intentionally;
- to be disqualified, incapacitated, bankrupt or to have been convicted, even if the sentence is not final, to a sentence that involves even temporary disqualification from public office or the inability to hold executive office.

Being in even only one of these conditions means that the person is ineligible to hold office as a member of the SB.

10.4. Revocation, replacement, forfeiture or withdrawal

Revocation of office as a member of the SB can only take place by resolution of the Board of Directors and only if there is just cause, with the approval of the Board of Statutory Auditors.

The following are lawful conditions for revocation with just cause and are to be considered mandatory:

- loss of the eligibility requirements referred to in the previous paragraph;
- failure to fulfil the obligations of office;
- lack of good faith and diligence in the exercise of their duties;
- gross negligence in the performance of the tasks associated with the office;
- a breach of the obligations of confidentiality with regard to information acquired while carrying out supervisory activities;
- a lack of cooperation with the other members of the SB;
- unjustified absence at more than two consecutive meetings of the SB that have been formally convened;
- "a lack of or insufficient supervision" by the SB - according to art. 6, paragraph 1, letter d) of Legislative Decree no. 231/01 - resulting from a conviction, even if not yet final, pronounced against the Company or other companies in which the person was at the time a member of the SB, under the Decree or by a judgement that is the result of plea bargaining;
- in the case of an internal member, the attribution of operational functions and responsibilities within the organization that are incompatible with the SB's requirements of "autonomy and independence" and "continuity of action";
- serious and verified reasons of incompatibility that jeopardize their independence and autonomy.

If there is just cause, the Board of Directors, with the approval of the Board of Statutory Auditors, revokes the appointment of the member of the SB who is no longer suitable and, with adequate explanation, provides for their immediate replacement.

Termination of the employment relationship with the Company's internal component of the SB, for whatever reason, leads to their immediate revocation as a member of the SB, unless decided otherwise by the Board of Directors.

Incapacity or inability to hold the position constitutes grounds for forfeiture prior to expiry of the term of office specified in paragraph 10.2.

Each member of the SB can withdraw from office at any time, giving at least one month's prior notice in writing explaining the reasons to the Board of Directors.

In the event of forfeiture or withdrawal by one of the members of the SB, the Board of Directors has to replace the member who has become unsuitable as quickly as possible.

10.5. Conduct of activities and powers

The Supervisory Board meets at least once every four months and whenever a member so requests in writing to the Chairman. In addition, at its first meeting, the SB can delegate specific functions to the Chairman.

To fulfil its responsibilities, the Supervisory Board is vested with all possible powers of initiative and control over all corporate activities and staff levels, and reports exclusively to the Board of Directors through its Chairman.

The duties and powers of the SB and its members cannot be questioned by any other corporate body or structure, without prejudice to the fact that the Board of Directors can check the consistency between the work performed by the SB, company policies and its ethical principles.

The Supervisory Board performs its functions in coordination with the other control bodies or functions that exist within the Company. In particular, the SB coordinates with the corporate functions that perform risk activities for all aspects of the operational procedures involved in implementing the model.

In checking implementation of the model, the Supervisory Board has powers and duties that it exercises in accordance with the law and the individual rights of the employees and other stakeholders, broken down as follows:

- to carry out periodic inspections or to arrange to have them carried out under its direct supervision and responsibility;
- to have access to all information relating to the Company's sensitive activities;
- to acquire any documentation, without prior authorization and without notice;
- to ask for information or documents on sensitive activities to all employees of the Company and, where necessary, to the Directors, Statutory Auditors and persons responsible in accordance with the regulations on safety and the protection of safety and health in the workplace;
- to ask for information or documents on sensitive activities to employees, consultants, agents and external representatives of the Company and, generally, to all the recipients of the model, identified in accordance with paragraph 9;
- if deemed appropriate, to ask for information from any Supervisory Bodies of the subsidiaries of OTB S.p.A.;
- to make use of the assistance and support of employees;
- to make use of the assistance and support of the Corporate Governance & Internal Audit function for ordinary verification activities or of external consultants who are specialized in the particular field;

OTB

Organizational, Management and Control Model

- to propose to the body or function that holds disciplinary power to adopt the necessary sanctions referred to in paragraph 12 below;
- to check the model periodically and, if necessary, propose to the Board of Directors any changes and updates in compliance with the matters explained in paragraph 4 above;
- to define personnel training programmes on the topics mentioned in Legislative Decree 231/2001, in agreement with the Head of People & Organization;
- to draw up periodically, at least once a year, a written report to the Board of Directors, with the minimum contents indicated in paragraph 10.6;
- to inform the Board of Directors immediately in the event of serious and urgent matters discovered during the course of their activities;
- to help identify periodically, after consultation with the Directors/ Holders of relationships with counterparties, the types of legal relationships with persons outside the Company for whom it is appropriate to apply the model, and determine the method of communicating the model to such persons and the procedures necessary for compliance with its provisions.

As regards the relationship between the SB, the Board of Directors and the Board of Statutory Auditors:

- the SB can ask for meetings with the Board of Directors and/or the Board of Statutory Auditors, together or separately, or to take part in their meetings;
- the Board of Directors and/or the Board of Statutory Auditors may at any time call the SB to request information on its activities and the controls that it has carried out.

Minutes have to be prepared for all meetings between the SB, the Board of Directors and the Board of Statutory Auditors.

The Supervisory Board sets its own annual budget and submits it to the Board of Directors for approval. In case of urgent or exceptional situations, which will be the subject of a subsequent report to the Board of Directors, the Supervisory Board can depart from the budget that it has been given, if it is not sufficient for it to perform its duties effectively, with the right to extend its spending autonomy on its own initiative.

10.6. Information flows to and from the organization

The Supervisory Board is obliged to report solely to the Board of Directors, even on the important matters relating to its own office or any urgent problems relating to the model that have emerged during its supervisory activities.

It is mandatory for the SB to present a written report at least once a year with the following information:

- a summary of the activities and controls carried out by the Supervisory Board during the year;
- any discrepancies between the operating procedures for implementation of the model;

OTB

Organizational, Management and Control Model

- any new areas where offences under the Decree could be committed;
- verification of the reports received from external or internal persons concerning violations of the model and the results of audits on these reports;
- disciplinary procedures, any penalties proposed by the SB and the penalties imposed by the competent body (after input from the competent body to the SB), i.e. only those relating to activities at risk;
- a general evaluation of the model, with any proposals for additions and improvements of form and content, on its actual functioning;
- any changes in the regulatory framework;
- a summary of the relevant facts and any disciplinary penalties applied at subsidiaries of OTB S.p.A.;
- a statement of the expenses that the SB has incurred.

By introducing an operating procedure, the Supervisory Board can establish other types of information that the Heads involved in the management of sensitive activities have to send in, together with the frequency and manner in which these communications are to be forwarded to the SB.

In general, within corporate organizational documents (e.g. processes, procedures, protocols, policies, guidelines), there is a specific section which describes the information flows that the relevant company functions are required to submit periodically to the SB (e.g. Annual Plan of the Internal Audit Function, audit reports, management review report, resolutions of the Board of Directors relating to organizational and business changes, extracts of the minutes of the Board of Statutory Auditors that highlight critical issues of the internal control system).

All company personnel and external parties who are recipients of this document should communicate directly to the Supervisory Board any suspected violations of the model through confidential internal mail or through a dedicated e-mail box (OdV@OTB.net).

The Company undertakes to take suitable steps to ensure the confidentiality of the identity of the person who sends information to the Supervisory Board, providing it is true and helps identify behaviour that differs from the requirements of the model and the internal control system. In any case, behaviour designed solely to slow down the activities of the SB will be appropriately sanctioned.

The Supervisory Board undertakes to check that the Company adopt suitable rules to protect persons reporting in good faith against any form of retaliation, discrimination or penalty and, in any case, is assured the confidentiality of the identity of the person reporting, without prejudice to legal obligations and protection of the rights of the Company or of the persons accused wrongly or in bad faith.

In addition to reports of violations in general, as described above, information concerning disciplinary measures activated in relation to "notice of violation" of the model and penalties paid or the dismissal of such proceedings with the related reasons must be sent to the Supervisory Board.

11. Performance of intragroup services

For the purposes of this paragraph, Group means all companies controlled directly or indirectly by the Parent Company OTB S.p.A.

If established, the Supervisory Board of the company providing the intragroup service has to write a report at least once a year on the performance of its duties in connection with the services requested and send it to the Board of Directors and the Board of Statutory Auditors of the company receiving the service.

11.1. Services rendered by OTB S.p.A. to OTB Group companies

For services rendered by the Company in favour of other companies of the OTB Group as part of the sensitive activities indicated in the Special Part of this model, the Company adheres to the Group Code of Ethics and to the provisions of the model, protocols and procedures established for its implementation.

Services that may involve activities and operations at risk as outlined under the subsequent Special Section must be governed by a written contract.

The contract has to be communicated to the Company's Supervisory Board.

A contract for the provision of intragroup services must include:

- the obligation for the company receiving the service to certify the truthfulness and completeness of the documentation and information provided to the Company, in order to perform the services required;
- the power of the Company's Supervisory Board to request information to the Supervisory Board or, failing that, to the competent corporate functions of the company receiving the service, to ensure the proper performance of its supervisory functions in relation to the services required of the Company;
- the power of the Supervisory Board of the company receiving the service, if any, to request information from the Supervisory Board of the Company, or, if necessary, and having informed the latter, to the corporate functions of the Company, to ensure proper performance of its supervisory duties.

11.2. Services rendered by OTB Group companies to OTB S.p.A.

In the performance of services rendered by OTB Group companies to the Company as part of the sensitive activities indicated in the Special Part of this model, the company adheres to the Group Code of Ethics, the provisions of the model, and the protocols and procedures established for its implementation.

The services rendered by OTB Group companies to the Company that may involve activities and operations at risk as outlined under the subsequent Special Part, must be governed by a written contract.

The contract has to be communicated to the Company's Supervisory Board.

A contract for the provision of intragroup services must include:

OTB

Organizational, Management and Control Model

- the Company's obligation to attest to the accuracy and completeness of the documentation and information provided for the receipt of the services requested;
- the power of the Company's Supervisory Board to request information from the Supervisory Board of the company that provides the services, or, in the absence thereof, to the competent corporate functions of the company that provides the services, for the proper performance of its supervisory duties;
- the power of the Supervisory Board of the company that provides the service, if any, to request information from the Company's Supervisory Board, or, if necessary, and having informed the latter, from the corporate functions of the Company, for the proper performance of its supervisory duties.

Contracts must provide that the Group company to which the service is requested adopts a proper model or, in its absence, specific control procedures appropriate to prevent the commission of offences relevant to the Company as part of the activities performed in favour of the Company.

12. System of penalties

The system of penalties of this model is an autonomous system of sanctions aimed at strengthening compliance with and effective implementation of the model.

The penalties established by the model do not replace any additional sanctions of a different nature (criminal, administrative, civil and fiscal) that may arise from the same offence.

The establishment of a disciplinary measure, as well as application of the penalties mentioned below, therefore disregard the possible establishment and/or the outcome of criminal proceedings relating to the same conduct.

All recipients of the model and of the Group Code of Ethics are covered by the disciplinary system, within the limits set in paragraph 9 above.

The Company condemns any behaviour that deviates from the law or from the provisions of the model and of the Code of Ethics, even if such behaviour is carried out in the interest of the Company or with the intention of giving it an advantage.

12.1. General principles

Any alleged violation of the model or the procedures established to implement it, committed by anyone, must be reported immediately, in writing, to the Supervisory Board, subject to the procedures and measures pertaining to the holder of the disciplinary power.

All recipients of the model referred to in paragraph 9 have the duty to report violations.

On receiving a report, the Supervisory Board must immediately put the necessary checks in place, after maintaining the confidentiality of the person involved. The penalties are adopted by the competent corporate bodies, in accordance with the powers conferred on them by the Articles of Association or internal regulations of the Company. After the appropriate evaluation, the Supervisory Board will inform the holder of the

disciplinary power that will start the process of contesting the violation and presumed application of the sanctions.

12.2. Relevant types of behaviour and evaluation criteria

The violation (or even attempted violation) of the provisions contained in the model, in the procedures that constitute implementation of the model, and/or in the Group Code of Ethics adopted by the Company may also be perpetrated through omissions of action or behaviour, recognized as relevant for the application of the related sanction.

The following types of behaviour constitute disciplinary offences:

- behaviour, including omissions, aimed unambiguously at committing an offence under the Decree;
- violation, including omissions of behaviour, also in collaboration with others, of the principles of conduct prescribed by the model, of corporate operating procedures which constitute implementation of it and of the Group Code of Ethics;
- omission of controls on sensitive activities or phases of them as envisaged in the model;
- preparing untrue documentation, also in collaboration with others;
- facilitating the preparation of false documentation by others;
- theft, destruction or alteration of documents regarding a corporate operating procedure to circumvent the system of controls envisaged in the model;
- omission of checks prescribed by the model and the relevant procedures for the protection of the health and safety of workers;
- omission of checks prescribed by the model and the related procedures in environmental matters;
- behaviour to obstruct or elude the supervisory activities of the SB;
- impeding access to information and documentation requested by the persons in charge of checking procedures and decisions;
- any other conduct to evade the system of controls provided for by the model;
- failure to supervise the work of subordinates in the field of sensitive activities according to the model;
- failure to report violations found to the SB;
- failure to assess and failure to take timely measures with regard to reports and indications of the need for interventions on the part of the SB.

In order to identify the proper sanction in accordance with the criteria of proportionality and appropriateness, possible violations are assessed according to their severity in the light of the following criteria:

- if the behaviour was intentional;

OTB

Organizational, Management and Control Model

- the degree of neglect, incompetence and recklessness;
- the number and importance of the model's principles of behaviour that have been disregarded;
- the duties, qualification and level of the employee, managerial position held or corporate body to which the person belongs;
- the presence of previous disciplinary measures;
- multiple violations within the same conduct;
- collaboration on the part of several persons in carrying out the unlawful conduct;
- the existence of aggravating or mitigating circumstances;
- a relapse in the last three years;
- the extent of the damage caused to the Company and to property and/or persons, including customers/users;
- the severity of the damage to the prestige of the Company.

The commission of an offence under the Decree and the behaviour to obstruct the SB's functions always constitute a serious violation that can lead to the application of the maximum disciplinary sanction established for each category of recipients referred to in paragraph 12.3.

Persistent recurrence of any of the behaviours listed above makes the violation serious and can lead to the application of the maximum disciplinary sanction established for each category of recipients referred to in paragraph 12.3.

Other violations will be evaluated by the corporate function who has the disciplinary power in the light of the specific circumstances and the evaluation criteria set out above, for the application of a penalty that is both proportionate and a sufficient deterrent.

If a single act or behaviour includes more offences liable to various sanctions, the most severe applies.

12.3. Sanctions and disciplinary measures

The model and the Code of Ethics together represent a set of rules that all employees must comply with, also under their national labour contract in the field of standards of conduct and disciplinary sanctions. Violation of the provisions of the model and the Code of Ethics and its implementation procedures therefore involves the application of the disciplinary proceedings and sanctions, in accordance with the law and the labour contract of reference. Compliance with the provisions of the model and the Code of Ethics forms part of employment contracts of any kind and nature, including those with management, those with increasing levels of protections, those that are part-time, as well as collaboration contracts falling within the so-called "parasubordination" category.

Measures against employees

Violation of the rules of conduct of the Group Code of Ethics and model by employees who qualify as white collar workers and middle managers constitutes a disciplinary offence, with the effects provided by law and by the applicable collective and in-house labour contract. The applicable disciplinary measures, in order of increasing severity, consist of the following, in accordance with the rules mentioned above and with arts. 72, 73 and 74 of the labour contract applicable to companies in the textile industry:

- a) a verbal or written warning for violation of procedures and/or protocols or the standards of conduct provided in the model and/or the Group Code of Ethics;
- b) a fine not exceeding two hours of the national pay element mentioned in art. 72.2 of the current national labour contract, in the case of repeated violation of the procedures and/or protocols or the standards of conduct provided in the model and the Group Code of Ethics;
- c) suspension from work and pay for up to a maximum of three days for a violation of the procedures and/or protocols or standards of conduct of the model or of the Group Code of Ethics involving a danger to the integrity of corporate assets or damage to the Company;
- d) dismissal. By way of example, the Company can apply the sanction of dismissal with notice in case of repeated serious violations of procedures and/or protocols or the standards of conduct of the model or the Group Code of Ethics; on the other hand, dismissal without notice can be applied in the case of commission - or conduct directed unequivocally at commission - of an offence under the Decree or otherwise of an infringement committed intentionally or by fault so serious as to preclude even provisional continuation of employment.

Disciplinary action against employees cannot be applied without first making the accusation and hearing the person's defence.

Except for the verbal warning, the accusation must be in writing and disciplinary measures may not be inflicted until at least five days have gone by, during which the employer can try to justify his actions.

The employee can submit his justifications verbally, with the possible assistance of a representative of the union to which he belongs or gives a mandate, or by an executive of the Company's trade union representation.

Imposition of the measure must be justified and notified in writing to the employee within the time-limit of ten days from the expiration of the time allowed to the worker to submit his justifications.

The disciplinary measures referred to above may be contested by the worker through the trade union, according to the rules relating to contractual disputes. No account is taken of disciplinary action after two years from its imposition.

Measures against Managers

Violation of the rules of conduct contained in the Code of Ethics and the model by Managers, whose employment relationship is governed by the current national labour contract, determines the most appropriate

OTB

Organizational, Management and Control Model

application of sanctions, including, in serious cases, dismissal in accordance with the procedures laid down in art. 7 of Law 300/1970; this without prejudice to the Company's right of evaluating and formulating a request for compensation to recover the damages caused as a result of such conduct, including damages caused by the court's application of the measures envisaged in the Decree.

The disciplinary measures applicable, which can vary according to the intensity and possible recurrence of the behaviour, may include:

- a) a written warning in the case of infringements considered of lower severity considering the evaluation criteria referred to in paragraph 12.2 above (e.g. with a subjective culpable element with a slight degree of negligence, no previous disciplinary measures, no or low damage caused to the Company or to third parties, particular mitigating circumstances);
- b) fine for a maximum of one day's standard pay in the case of infringement involving an appreciable or significant exposure to the risk of committing one of the offences referred to in the model;
- c) suspension from work and salary, up to a maximum of 3 days in the case of multiple repetitions of the conduct referred to in letter a) or in the case of repetition of the acts or omissions referred to in letter b);
- d) termination for just cause in the event of conduct uniquely directed to the commission of an offence under the Decree or otherwise of violations committed intentionally or by fault so severe as to preclude even provisional continuation of the employment relationship. This penalty is also applied if the person, during his work, deliberately prevents the application of the requirements and procedures and/or protocols and principles of behaviour laid down in the model and/or the Group Code of Conduct.

Measures against Directors

In the case of violation of the rules of conduct laid down in the Group Code of Ethics and the model by the Directors, the Supervisory Board informs the Shareholders' Meeting, which takes the appropriate initiatives as foreseen by law. Depending on the seriousness of the conduct, penalties can include:

- a) a written warning that is kept on record in the case of violations of mild severity;
- b) suspension of pay in the case of violations involving an appreciable exposure to the risk of offences according to the model being committed or in the presence of multiple repetition of the conduct referred to in letter a);
- c) revocation of office if the violation of a director is so serious as to affect the Company's confidence in him, such as infringements which involve the commission of an offence as per Legislative Decree no. 231/2001 or that damage the Company and/or the shareholders (in terms of assets or otherwise).

Measures against Statutory Auditors

In the case of violation of the rules of conduct laid down in the Group Code of Ethics and the model by a member of the Board of Statutory Auditors, the Supervisory Board has to report the matter immediately in writing to the Board of Directors. The Board of Directors organizes a meeting with the person involved, with the SB in attendance, acquires any deductions made by the latter and completes any further investigations deemed necessary. In the case of serious violations likely to represent just cause for the termination of employment, the Board of Directors proposes revocation of the Statutory Auditor to the Shareholders' Meeting. If the behaviour of a member of the Board of Statutory Auditors prejudices the Company's confidence in the reliability of the entire Board of Statutory Auditors, the Shareholders' Meeting can revoke and replace the entire Board.

Measures against external parties

In the case of violations of the rules of conduct laid down in the Group Code of Ethics by third parties (e.g. self-employed, co-workers, partners, designers, consultants, agents, suppliers of goods and services, labour contractors or subcontractors), the SB sends a written report to the Chairman of the Board of Directors, who will consider how to proceed in assessing the violation in line with the terms of the contract.

The Chairman informs the Board of Directors, which, having heard the Head of the function to which the contract or relationship refers, can proceed as follows, depending on the type of contract:

- a) it can demand strict compliance with the provisions of the Group Code of Ethics and of the applicable regulations in force; otherwise, it will apply the sanction indicated below or terminate the business relationship with the Company;
- b) it can apply a sanction according to the economic value of the contract and the seriousness of the violation;
- c) it can claim for any damages caused to the Company;
- d) in case of serious or repeated violations, it can immediately terminate the contract or interrupt any outstanding commercial agreements.

13. Communication and training

Communication of the model is up to People & Organization, which has to use the most appropriate means to ensure its circulation and effective knowledge on the part of all of the recipients referred to in paragraph 9.

The Supervisory Board proposes the means to communicate with the recipients of the model outside the Company.

It is the Company's responsibility to implement and formalize specific training programmes to ensure effective knowledge of the Decree, the Code of Ethics and the model by all departments and corporate functions. The provision of training must be differentiated according to the recipients: employees in general,

OTB

Organizational, Management and Control Model

employees who work in specific areas of risk, directors, etc., on the basis of their skills and training needs, as analysed by People & Organization.

Staff training for implementation of the model is mandatory for all recipients and is managed by People & Organization in close cooperation with the Supervisory Board, which will endeavour to ensure that training programmes are delivered promptly.

The Company guarantees the means and methods always to ensure the traceability of training initiatives and a formal record of those who attend them, the ability to assess their level of learning and an assessment of their level of satisfaction with the course, in order to develop new training initiatives and improve those currently in progress, also through feedback on the content, materials, lecturers, etc.

The training, which can also take place at a distance or through the use of online systems, and the contents of which are reviewed by the Supervisory Board, is provided by experts in the field, as laid down in the Decree.