



PETTENON COSMETICS S.p.A. SB

ORGANISATION,
MANAGEMENT AND CONTROL MODEL
LEGISLATIVE DECREE NO. 231 OF JUNE 8, 2001

*Updated by resolution of the
Board of Directors
of March 14, 2024*

INDEX

	- GENERAL PART I -	3
THE REGULATORY FRAMEWORK		3
1 LEGISLATIVE DECREE NO. 231 OF JUNE 8, 2001		3
1.1. THE ADMINISTRATIVE LIABILITY OF ENTITIES		3
1.2. OFFENCES UNDER THE DECREE		3
1.3. PENALTIES IMPOSED UNDER THE DECREE		3
1.4. LIABILITY IN THE EVENT OF CHANGES IN THE ENTITY		5
1.5. EXEMPTION FROM ADMINISTRATIVE LIABILITY		5
1.6. THE BENEFIT OF REDUCING THE DURATION OF DISQUALIFICATION PENALTIES		6
1.7. CONFINDUSTRIA "GUIDELINES"		6
1.8. CASE LAW DEVELOPMENTS		7
	- GENERAL PART II -	8
THE ORGANISATION MODEL		8
2 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL		8
2.1. THE COMPANY		8
2.2. PURPOSE OF THE MODEL		8
2.3. RECIPIENTS		9
2.4. KEY ELEMENTS OF THE MODEL		9
2.5. CODE OF ETHICS.		9
2.6. METHODOLOGICAL PATH FOR DEFINING THE MODEL: MAPPING OF ACTIVITIES SUBJECT TO OFFENCE RISK - INSTRUMENTAL PROCESSES AND SAFEGUARDS		10
2.6.1 Sensitive activities		10
2.6.2 "Instrumental/functional" corporate processes		11
2.7. THE STRUCTURE OF THE ORGANISATIONAL AND CONTROL SYSTEM		12
2.8. THE COMPANY'S SYSTEM OF DELEGATED POWERS AND POWERS OF ATTORNEY		13
2.9. THE ORGANISATIONAL STRUCTURE IN THE HEALTH, SAFETY, ENVIRONMENT FIELD		13
2.9.1 Health and safety in the workplace		13
2.9.2 Environmental protection		14
3 THE SUPERVISORY BODY		14
3.1 TERM OF OFFICE, DISQUALIFICATION AND REMOVAL		15
3.2 POWERS AND FUNCTIONS OF THE SUPERVISORY BODY		16
3.3 THE SUPERVISORY BODY:REPORTING		17
3.4 INFORMATION FLOWS AND REPORTS TO THE SUPERVISORY BODY		17
3.4.1 Information flows		17
3.4.2 Whistleblowing		18
3.5 THE SANCTIONS SYSTEM		18
Sanctions for employees		19
Sanctions for employees with managerial status		21
Sanctions for non-company collaborators subject to management or supervision and third parties who have contractual/commercial dealings		21
Measures against Directors		21
Measures against Statutory Auditors and the Supervisory Body		22
4 DISSEMINATION OF THE MODEL AND TRAINING		22
5 ADOPTION AND UPDATING OF THE MODEL		23

- GENERAL PART I -

THE REGULATORY FRAMEWORK

1 LEGISLATIVE DECREE NO. 231 OF JUNE 8, 2001

1.1. THE ADMINISTRATIVE LIABILITY OF ENTITIES

Legislative Decree no. 231 of June 8, 2001 - which contains "Rules on the administrative liability of legal persons, companies and associations, including those without legal personality" (also "**Legislative Decree 231/2001**", below, or simply the "**Decree**"), and which came into effect on July 4 2001 in implementation of Article 11 of the enabling act (*Legge-Delega*) no. 300 of September 29, 2000 - introduced the mechanism of administrative liability of entities into the Italian legal system, in conformity with the EU regulatory regime¹.

This new form of liability, although defined as "administrative" by the legislature, has features that are typical to criminal liability: for one thing, it is for the competent criminal court to ascertain the criminal offences from which administrative liability may ensue and, in addition, the entity benefits from the same guarantees that are accorded to a person subject to investigation or to a defendant in criminal proceedings.

The administrative liability of the entity arises from the commission of criminal offences, specified in Legislative Decree 231/2001, that are committed:

- in its interest² or for its benefit³ (objective element):
- by persons who are functionally linked to the entity (subjective element), and in particular:
 - a) by persons who exercise representation, administration or management functions in the entity or in an organisational unit thereof that has financial and functional independence, and also by persons who exercise, de facto or otherwise, management and control functions over the same (so-called **senior managers**);
 - b) by persons who are subject to the management or supervision of one of the persons referred to in (a) (**subordinates**).

The entity's liability is excluded where the offence was carried out in the exclusive interest of the perpetrator.

In addition to the existence of the requirements described above, Legislative Decree 231/2001 also requires a finding of guilt of the entity in order for administrative liability to exist. This requirement is attributable to "*organisational fault*", namely, the entity's failure to put in place adequate preventive measures to avert the commission, by the identified individuals, of offences under the Decree.

If the entity can demonstrate that it has adopted and effectively implemented organisational measures that can prevent the commission of such offences, by having adopted an organisation, management and control Model pursuant to Legislative Decree no. 231/2001, it will not be held administratively liable.

1.2. OFFENCES UNDER THE DECREE

The offences that trigger the entity's administrative liability are those specified on a mandatory basis in Legislative Decree 231/2001.

Please refer to Annex 1 of this document to see in detail the individual offence categories that are currently included within the scope of the Decree 231/2001 ("**predicate offences**"), noting, however, that this list will soon be updated.

1.3. PENALTIES IMPOSED UNDER THE DECREE

The system of sanctions that are described by Legislative Decree 231/2001 and that apply upon the commission of the listed criminal offences, provides for the following administrative sanctions, depending on the offence committed:

¹ Article 1 of Legislative Decree no. 231 of 2001 limited the potential recipients of the new rules to "*entities with legal personality, companies and associations, including those without legal personality.*" Accordingly, the rules apply to:

- entities with "private subjectivity", that is, entities with legal personality and associations "including those without" legal personality;
- public bodies without public powers (state-controlled profit-making enterprises);
- Entities with mixed public/private status (private-public companies).

On the other hand, the following are excluded from the list of recipients: the State, local public entities (Regions, Provinces, Municipalities and Mountain Communities), not-for-profit public entities and, in general, any entities that perform functions of constitutional importance (Chamber of Deputies, Senate of the Italian Republic, Constitutional Court, General Secretariat of the Presidency of the Italian Republic, C.S.M., etc.).

² The interest (to be assessed *ex ante*) consists of the perpetrator-individual's aim of securing a benefit for the entity, regardless of whether or not the entity actually benefits.

³ The benefit (to be assessed *ex post*), refers to whether or not the entity in fact obtains a benefit, without it being necessary for the perpetrator-individual to have voluntarily committed the criminal offence with a view to benefiting the entity.

- monetary penalties;
- disqualification sanctions;
- confiscation;
- publication of the judgment.

Monetary penalties:

Monetary sanctions involve the payment of a sum of money determined by the Decree, to be no less than 10,329 euros and no more than 1,549,370 euros, to be determined in the concrete case by the Court following a two-phase evaluation procedure (a "quota" system).

Disqualification sanctions

The disqualifying sanctions are as follows:

- Disqualification from exercising the activity;
- suspension or revocation of authorisations, licenses or concessions that are instrumental or functional to the commission of the offence;
- prohibition on contracting with the Public Administration;
- exclusion from reliefs, loans contributions and subsidies, and/or revocation of any already granted;
- prohibition on advertising goods or services.

Disqualification penalties are applied, also in combination, exclusively in relation to the criminal offences for which they are expressly envisaged by the Decree, if at least one of the following conditions is met:

- a) the entity significantly benefited from the criminal offence and the offence was committed by a senior manager or by a subordinate in circumstances in which, in this latter case, the commission of the criminal offence was caused or facilitated by serious organisational deficiencies;
- b) in case of repeated offences.

Even if one or both of the aforesaid conditions are met, disqualification sanctions shall not apply if any one of the following circumstances exists:

- a) the perpetrator committed the act in his or her own prevailing interest or that of a third party, and the entity did not benefit from it in any way; or
- b) the monetary loss produced is limited; or
- c) prior to the declaration of the opening of the first instance hearing, all of the following conditions apply (hereinafter, Conditions precluding the application of a disqualification sanction):
 - 1) the entity has fully compensated the loss and eliminated the harmful or dangerous consequences of the criminal offence or has taken effective steps to do;
 - 2) the entity has eliminated the organisational deficiencies that led to the offence, by adopting and implementing a Model;
 - 3) the entity has made available the benefit or profit achieved, for confiscation.

Disqualification sanctions may also be applied as a precautionary measure if the Court is so requested by the Public Prosecutor, where the following conditions are met:

- credible evidence exists pointing to the entity's criminal liability under the Decree;
- Credible and specific evidence exists of a danger that offences may be committed that are similar to those for which proceedings are being taken.

Legislative Decree 231/2001 also provides that if the conditions exist for the application of a disqualification sanction that has the effect of suspending the entity's activity, the Court, in lieu of applying that sanction, may order the activity to be continued by an administrator (pursuant to Article 15 of the Decree) appointed for a period equal to the duration of the disqualification sanction that would have been imposed, if at least one of the following conditions is met:

- the entity performs a public service or an essential public service, the interruption of which could cause serious detriment to the community;
- the suspension of the activity could significantly impact on employment, in view of the size of the entity and the economic conditions of the local area where it is based.

Confiscation

Confiscation is the coercive acquisition by the State of the price or profit of the criminal offence, except for the part that can be returned to the injured party and subject in all cases to any rights acquired by third parties in good faith; where

confiscation in kind is not possible, there may be confiscation of sums of money, goods or other benefits of equivalent value to the price or profit of the criminal offence.

Publication of the conviction

The publication of the judgment means its publication by the Court Registry on one occasion only, either in excerpt form or in full, at the expense of the entity, in one or more newspapers indicated by the Court in its judgment, and its posting in notice boards of the municipality where the entity has its head office.

Publication of the conviction may be ordered when a disqualification sanction is imposed against the entity.

1.4. LIABILITY IN THE EVENT OF CHANGES IN THE ENTITY

The Decree regulates the regime of liability attributed to the entity in the event of its restructuring, merger, demerger and transfer.

If the entity is restructured, its liability for criminal offences committed prior to the date of the restructuring shall remain unaffected. The new entity will then be liable for penalties applicable to the original entity, for offences committed prior to the restructuring.

In the event of a merger, the entity resulting from the merger (also where merged by incorporation) will be liable for criminal offences for which the merging entities were responsible. If the merger occurred prior to the conclusion of legal proceedings to ascertain the liability of the entity, the Court must take into account the economic conditions of the original entity and not those of the merged entity.

In the case of a demerger, the liability of the demerged entity for criminal offences *committed* prior to the date of the demerger will remain unaffected; the entities benefiting from the demerger will be jointly and severally liable to pay any monetary sanctions imposed on the demerged entity to the extent of the value of the net assets transferred to each individual entity, unless it is an entity to which the business unit within which the criminal offence was committed was transferred, also in part. Disqualification sanctions apply to the entity (or entities) in which the business unit remained or into which it merged, within which the criminal offence was committed. If the demerger took place prior to the *conclusion* of legal proceedings to ascertain the liability of the entity, the Court must take into account the economic position of the original entity and not that of the merged entity.

In the event that the entity within which the criminal offence was committed is assigned or transferred, and without prejudice to the right to enforce prior payment by the assigning entity, the assignee shall be jointly and severally liable with the assigning entity to pay the monetary penalty imposed, within the limits of the value of the assigned entity and within the limits of monetary penalties indicated in mandatory accounting records or that are payable for offences of which the assignee was in fact aware.

1.5. EXEMPTION FROM ADMINISTRATIVE LIABILITY

Article 6 of Legislative Decree 231/2001 provides that the entity shall not be held administratively liable if it proves the following:

- the management body adopted and effectively implemented, prior to the commission of the act, organisation, management and control Models suitable to preventing criminal offences of the kind that occurred (hereinafter also the "**Model**");
- the task of supervising the operation of and compliance with the models and ensuring that they are updated, was entrusted to a body inside the company that has independent powers of initiative and control (hereinafter the "**Supervisory Body**");
- the offence was committed by fraudulent circumvention of the Model (if the offence was committed by a senior manager);
- there was no inadequate or omitted supervision by the Supervisory Body.

The adoption of a Model, therefore, enables the entity to escape the imputation of administrative liability. However, the mere adoption of such a document, by a resolution adopted by the entity's management body, is not in itself sufficient to exclude such liability, since the Model must also be effectively and efficiently implemented.

Regarding the Model's effectiveness to prevent the commission of the criminal offences provided for in Legislative Decree 231/2001, it must:

- identify the corporate activities within which criminal offences may be committed;
- provides for specific prevention protocols aimed at planning the formation and implementation of decisions adopted by the entity in relation to the criminal offences to be prevented;
- identify ways of managing financial resources suitable for preventing the commission of criminal offences;
- provide for disclosure obligations vis-a-vis the body delegated to oversee the functioning and observance of the Model;

- introduce an appropriate disciplinary system to punish non-compliance with the measures indicated in the Model.

In relation to the effective application of the Model, Legislative Decree 231/2001 requires:

- a periodic review, and, if significant infringements of the Model's requirements are discovered or changes occur in the entity's organisation or activity, or in the event of legal changes, the modification of the Model;
- the imposition of sanctions where the requirements imposed by Model are infringed.

1.6. THE BENEFIT OF REDUCING THE DURATION OF DISQUALIFICATION PENALTIES

Paragraph *5-bis* of Article 25 of Legislative Decree. 231/01, introduced by Anti-Corruption Law 3/2019 "*Measures to combat offences against the public administration, and measures related to the statute-barring of criminal offences and the transparency of political parties and movements,*" provides for a reduction of disqualification sanctions in the event of commission of the criminal offences of extortion, unlawful inducement by an official to give or promise a benefit, or bribery/corruption (for a term of between 3 months and 2 years).

An entity receives this benefit if, prior to the issuance of the first instance judgment, it has eliminated any organisational deficiencies that facilitated the criminal offence, by adopting and implementing organisation models suitable for preventing criminal offences of the kind that occurred, and has taken effective steps:

- to prevent the criminal activity from being taken further;
- to secure evidence of the commission of criminal offences;
- identify those responsible;
- to seize sums of money or other benefits transferred.

1.7. CONFINDUSTRIA "GUIDELINES"

Article 6 of Legislative Decree 231/2001 expressly provides that organisation, management and control Models may be adopted on the basis of codes of conduct drawn up by associations representing entities.

Therefore, for the purpose of drawing up the Model, consideration and emphasis is given to the "*Guidelines for the creation of organisation, management and control models pursuant to Legislative Decree 231/2001*" (hereinafter simply the "**Guidelines**") which were drawn up by Confindustria and most recently updated in June 2021.

The Confindustria Guidelines provide for the following phases in designing the Model of organisation, management and control,

- The identification of risks, i.e., the analysis of the corporate context in general, in order to highlight in which areas of activity - and by what methods - the offences provided for by Legislative Decree 231/2001 could potentially be committed;
- the creation of suitable system controls (i.e. of a control system) to avert the risks of commission of any criminal offence which were identified in the previous phase, to be implemented by examining and evaluating the existing control system and the extent to which it corresponds to the prevention requirements provided for by Legislative Decree 231/2001.

Below is a summary of the most relevant components of the control system outlined in the Confindustria Guidelines, for ensuring the effectiveness of organisation, management and control Models:

- the provision in a Code of Ethics of appropriate ethical principles and rules of conducts;
- a sufficiently formalised and clear organisational system, particularly with regard to the allocation of responsibilities, reporting lines and job descriptions;
- manual and/or computerised procedures governing the performance of activities, with the performance of appropriate controls;
- authorising and signatory powers in line with the organisational and management responsibilities assigned by the entity, envisaging, where appropriate, the provision of spending limits;
- management control systems, capable of promptly reporting possible critical issues;
- Staff information and training.

The Confindustria Guidelines also specify that the components of the control system described above must comply with a set of control principles, including:

- verifiability, traceability, consistency and appropriateness of each operation, transaction and action;
- application of the principle of separation of functions and segregation of duties (nobody may manage an entire process independently);

- establishment, performance and documentation of the control activity over processes and activities subject to offence risk.
- provision of an adequate sanctions system that punishes infringements of the Code of Ethics and of the procedures provided for by the Model;
- Identification of the competency requirements of the Supervisory Body, which may be summarised as follows:
 - independence;
 - professionalism;
 - continuity of action;
 - obligations to report to the Supervisory Body.

Note that non-conformity with individual points in the Confindustria Guidelines does not in itself invalidate the Model. As the individual Model must be drawn up by reference to the actual situation in the Company, it may well differ from the Guidelines which are, by their nature, generic in nature.

1.8. CASE LAW DEVELOPMENTS

For the purposes of drafting its Model, Pettenon Cosmetics S.p.A. SB has taken into account the most important recent case law decisions, the principles upheld in those decisions and the guidelines that have become established over time.

- GENERAL PART II -

THE ORGANISATION MODEL

2 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

2.1. THE COMPANY

PETTENON COSMETICS S.P.A. SB (also, "Pettenon" or the "Company") is engaged in the business of manufacturing toiletries: perfumes, cosmetics, soaps and similar, since 2015.

In 2021, Pettenon became a Benefit Society with a view to pursuing - in addition to the economic objectives proper to a business activity - one or more purposes of common benefit, and with a view to operating responsibly, sustainably and transparently towards persons, the general public, communities, territories and the environment, cultural and social assets and activities, entities, bodies and associations and other stakeholders.

In its activities, Pettenon pursues the specific common benefit purposes described below:

- continuous research and development of formulas obtained through innovative techniques used for the purpose of reducing consumption and waste of resources;
- protection of the environmental system by maximising the use of sustainable materials and packaging;
- design and development of communication and marketing projects aimed at promoting and disseminating values of multiculturalism and gender equality;
- support of training activities aimed at job placement;
- support of philanthropic initiatives benefiting categories of individuals concerned directly and indirectly by the Company's activity.

The Company, cognisant of the importance of these issues, intends to promote and optimise them by defining specific objectives which it undertakes to achieve.

A reorganisation of the corporate structure of the Group to which Pettenon belongs was completed in January 2023, through the demerger of the corporate assets of the parent company AGF88 Holding S.r.l. ("**AGF88**", below). As a result of this transaction, AGF88's management business unit - representing its activities of maintaining, managing, and developing intellectual property, managing equity interests in subsidiaries and providing administrative support to the subsidiaries - was transferred to Pettenon in order to concentrate in Pettenon business activities of strategic interest to the Group, leaving AGF88 as the holding company.

In the same year, the Company signed a business deal for the sale of the company Biocosmethics S.r.l., the Company's historical supplier, and will sign another such business deal during 2024 with the company G&P Cosmetics S.r.l., Pettenon's supplier specialising in colour production.

As a result of these transactions, Pettenon will operate three production plants, located in San Martino di Lupari ("Pet1"), Cartigliano ("Pet2") and San Sepulcro ("Pet3"), segregated based on the production of hair shampoos and hair creams (Pet1 and Pet2) and production of colours for hair (Pet3).

2.2. PURPOSE OF THE MODEL

Pettenon is committed to observing a set of rules and principles of conduct that facilitate the Company to operate effectively and transparently and to prevent improper conduct of any kind or the commission of unlawful actions or offences by those acting on its behalf.

To this end, Pettenon - cognisant of the importance of adopting and effectively implementing a suitable system to prevent unlawful conduct in the corporate context - approved (by a resolution of the Board of Directors on April 9, 2019) the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, most recently updated in its present version by resolution of March 14, 2024, considering the Model to be a valid and useful tool to raise the awareness of recipients (as defined in Section 2.3) to the importance of acting correctly and transparently in general, and thus suitable for averting the risk of commission of criminal offences specified in the list of predicate offences that entail the administrative liability of entities.

By adopting a Model, the Company seeks to achieve the following goals:

- to prohibit any conduct that could give rise to criminal offences under the Decree;
- to raise awareness amongst all those who work in the name and on behalf of Pettenon that they could potentially violate the provisions of the Decree and that the Company strongly condemns such offences as being always contrary to its interests, even if they may appear to benefit the Company directly;
- to spread awareness that an infringement of the Decree, of the provisions and directions contained in the Model

and in the documents referred to therein, and a breach of the principles of the Code of Ethics, could result in sanctions being applied against the Company;

- to enable the Company - thanks to an entire set of procedures and to the continuous monitoring of the proper implementation of this system - to prevent and/or promptly counteract the commission of the predicate criminal offences specified in the Decree.

2.3. RECIPIENTS

The provisions of this Model are binding on the entire Board of Directors, on all persons who hold representation, administration and management functions, or management and control (including de facto) functions in Pettenon, and are binding on employees (i.e. all those who are tied to the Company under an employment contract, including managerial staff), and also on external collaborators who are subject to the direction or supervision of the Company's senior managers (the "**Recipients**", below).

Specifically, the following persons are Recipients of the Model:

- the Board of Directors and all those who hold management and administration functions in the Company or in one of its divisions and/or organisational units with financial and functional independence, as well as those who exercise (including de facto) management and control functions in the Company;
- All those who have signed a formal employment contract with the Company (employees);
- all those who work with the Company in a quasi-self-employment capacity (e.g., apprentices, etc.);
- those who work under mandate from or on behalf of the Company in the area of sensitive activities, such as consultants.

The persons to whom the Model is addressed are obliged to comply carefully with all of its provisions, also in fulfilment of the duties of good faith, fair dealing and diligence that arise from legal relationships established with the Company.

2.4. KEY ELEMENTS OF THE MODEL

Below is a summary of the key components developed by Pettenon when drawing up the Model, which are discussed in detail below:

- the mapping of activities that are vulnerable to the commission of criminal offences, with identified examples of potential ways in which offences could be committed and of instrumental/functional processes which, in principle, could generate or materialise the conditions and/or means for the commission of offences under the Decree, formalised in the document entitled "*Mapping of activities subject to offence risk*" referred to in Section 2.6;
- the set of company procedures and *policies* the purpose of whose application is to safeguard all company activities, including - particularly for the purposes of this Model - those which, following the aforementioned mapping activity, were found to be vulnerable to the risk of commission of the predicate offences referenced in Legislative Decree 231/2001;
- the establishment of a multi-member Supervisory Body, assigned specific tasks to oversee the effective implementation and application of the Model in accordance with the Decree;
- the introduction of an internal reporting channel for the receipt of whistleblowing reports pursuant to Legislative Decree no. 24 of March 10, 2023 (the "**Whistleblowing Decree**") implementing Directive (EU) 2019/1937 on the protection of persons who report infringements; of national or EU regulatory provisions that compromise the public interest or the integrity of public administrations or private entities, which have come to their attention in a public or private employment context;
- a system of sanctions aimed at ensuring the effective implementation of the Model and specifying disciplinary actions and sanctions applicable to Recipients who infringe the provisions of the Decree 231 and of the Whistleblowing Decree, or who violate the provisions contained in the Model and in the documentation referred to therein and also in the Code of Ethics;
- the provision of information and training on the contents of this Model;
- the provision of conduct standards and control protocols that are defined for each instrumental/functional process, whose purpose is to regulate Pettenon's decisions as instantiated in the various Sections of the "*Special Part*" of this Model.

2.5. CODE OF ETHICS.

Pettenon, cognisant of the need to base the conduct of its corporate activities on the principle of legality, has adopted its own Code of Ethics (alternatively the "**Code**" or the "**Code of Ethics**", below)

The Code enshrines a series of principles, values and standards of conduct to be applied in the management of its

corporate affairs, which the Company recognises as its own and whose observance it demands of its own corporate bodies and of its employees, and also of third parties who, for whatever reason, have business dealings with it.

The Code of Ethics is therefore general in scope and represents a set of rules which the Company has, of its own accord, made its own, and which it recognises, accepts and shares, with a view to spreading the values of ethical integrity and a sensitivity to compliance with applicable legislative and regulatory provisions.

Compliance with the Code of Ethics therefore serves not only to disseminate inside the Company a culture that is sensitive to legality and ethics, but also to safeguard the interests of employees and those who have dealings with the Company, thereby safeguarding the Company from serious liability, sanctions and reputational harm.

In view of the fact that the Code of Ethics recalls principles of conduct (including legality, fair dealing and transparency) that also have a role in the prevention of unlawful conduct under Legislative Decree 231/2001, the Code acquires relevance for the purposes of the Model and accordingly complements it.

2.6. METHODOLOGICAL PATH FOR DEFINING THE MODEL: MAPPING OF ACTIVITIES SUBJECT TO OFFENCE RISK - INSTRUMENTAL PROCESSES AND PRINCIPLES

Article 6(2)(a) of Legislative Decree 231/2001 expressly provides, that the entity's organisation, management and control model should identify the corporate activities that could potentially give rise to the commission of offences pursuant to the Decree.

Accordingly, the Company, with the support of an external consultant, carried out a thorough examination and analysis of those activities. As part of this activity, the Company first analysed its own organisational structure, as represented in the company's organisation chart, which identifies the Company's departments/functions and highlights the relevant roles and direct/functional reporting lines. This document is kept in the *Group HR & Organisation* department, and is available for consultation.

Pettenon subsequently analysed its corporate activities based on information gathered from company representatives (i.e. Department/Function Managers) who, whose role gives them a broad familiarity with and knowledge of operations in the company sector within their respective remits.

The results of said activity were collected and formalised in two documents:

- i) the **"Mapping of activities subject to offence risk"** (hereinafter **"Mapping"**), which details the Company's risk profiles related to the commission of the offences included in Legislative Decree 231/2001. Specifically, this Mapping depicts the at-risk activities i.e. the corporate activities that are vulnerable to the risk of commission of criminal offences (so-called **"sensitive activities"**), the corporate Functions/Departments involved, the related criminal offence "families" and the predicate offences that are provided for by Legislative Decree 231/2001, that are deemed prevalent in the Company's actual operations and may be associated with sensitive activities, and examples of ways of in which such offences may be committed, as well as the purposes of such commission, and it also depicts those processes which, in principle, could generate or materialise the conditions and/or means for the commission of offences under the Decree (so-called **"instrumental/functional processes"**).
- ii) The **"Gap Report and Action Plan"** divided into the following sections:
 - **Sect. The "Gap Analysis - Action Plan"** which identified and evaluated the control safeguards adopted by the Company - "broad spectrum" control safeguards as well as those specific to each sensitive activity -, highlighting any gaps and making suggestions and/or proposing implementation actions not only with a view to improving the internal control system, but also to mitigating the risk of commission of the criminal offences provided for by the Decree;
 - **Sect. II "Risk Assessment"** which identified, for each sensitive activity, the potential risk of commission of criminal offences pursuant to the Decree (classified by "families" of offences), evaluated the internal control system highlighted, and assessed the risk of commission of offences under the Decree.

The Mapping of activities subject to offence risk and the Gap Report and Action Plan are filed in the Company's Legal Corporate Affairs & Compliance Department, which ensures that these documents are properly archived and made available for consultation by Board Members, by Statutory Auditors and by anyone authorised by the Company to access them.

2.6.1 Sensitive activities

Following an examination and analysis of the actual business operations of Pettenon Cosmetics S.p.A. SB, the following sensitive activities were identified, as described in Annex 2 of the Model:

- Management of compliance formalities and of applications for permits/administrative measures required in order to carry out normal corporate activities;
- Acquisition and management of subsidies, grants, financing, insurance or guarantees provided by public entities;

- Management of inspections by members of the public administration (Internal Revenue Service, National Social Security Institute (INPS), Local Health Authorities (ASL), Customs Agency);
- Litigation management;
- Taxation management;
- Management of financial flows - payments and collections - and of accounts;
- Selection, recruitment and management of human resources;
- expense account management;
- Management of the incentive and reward system;
- Procurement of goods;
- Procurement of services (e.g., procurement contracts with cooperatives, maintenance services...);
- Procurement of consulting services;
- Project development activities and third-party sales management;
- Sales and business development activities - large-scale retail;
- Sales and business development activities - dealers and distributors;
- E-commerce sales activities;
- Management of relationships with agents and sales representatives;
- Management of marketing, communication, education activities;
- Management of freebies;
- Management of donations and sponsorships;
- Research and Development and Production Process Management;
- Trademark and patent management;
- Labelling and packaging process;
- Quality assurance;
- Quality control;
- Import-export transactions;
- Information systems management;
- Management of the workplace health and safety system;
- Management of environmental aspects;
- Management of dealings with shareholders and with the Board of Statutory Auditors;
- Drafting of the financial statements (including estimated items) and related disclosures;
- Share capital transactions: management of contributions, corporate assets, profits and reserves, and of equity investment and capital transactions;
- Management of intercompany relations

2.6.2 "Instrumental/functional" corporate processes

Within the scope of the activities represented above, the Company also identified corporate processes that are "instrumental/functional" to the commission of criminal offences, i.e. those processes within which, in principle, the conditions may occur and/or the means may materialise for the commission of offences relevant for the purposes of the Decree, and to which sensitive activities were found to correspond.

These processes are indicated below:

1. Dealings with the Public Administration and Independent Administrative Authorities;
2. Management of cash flows, taxation, and accounting;
3. Selection, recruitment, and management of personnel;
4. Procurement management;
5. Sales management;
6. Management of promotional activities, communications, freebies and gifts;
7. Product management and development;

8. Quality management;
9. Management of import and export activities;
10. Management of workplace health and safety obligations under Legislative Decree 81/2008;
11. Management of environmental compliance;
12. Management of security and maintenance of information systems;
13. Formation of financial statements and management of relations with Shareholders;
14. Management of intercompany relations;
15. Management of dealings with the Judicial Authorities.

A specific Section of the Special Part of this Model has been devoted to each instrumental/functional process relevant in the day-to-day life of the Company, that is deemed vulnerable to the commission of offences under the Decree, and each such Section formulates so-called "**Control Protocols**," which the Company adopted in order to avert the risk of commission of offences when managing sensitive activities and instrumental/functional processes associated with the offences provided for by Legislative Decree 231/2001.

2.7. THE STRUCTURE OF THE ORGANISATIONAL AND CONTROL SYSTEM

When drafting the Model, and based on a mapping of the areas of activity in the Company that were found to be vulnerable to material offence risk, the Company reviewed the existing organisational and control system that was articulated into a complex series of safeguards, in order to assess whether that system promoted prevention of the offences listed in the Decree.

In particular, Pettenon's Organisational and control system is based not only on the principles of conduct and control protocols outlined in the Special Part, but also on the following components:

- the domestic, EU and international legal and regulatory framework, applicable to Pettenon, in the sector of manufacture of toiletries: perfumes, cosmetics, soaps and so on, with which the Company strictly complies;
- the Code of Ethics, which - as indicated above in Section 2.5 - sets out principles and rules of conduct adopted by the Company;
- the existing system of powers of attorney and delegated powers (please refer to paras. 2.8 and 2.9);
- the hierarchical-functional structure (*see* the company organisational chart, also with reference to workplace health and safety). This document reflects actual changes made to the organisational structure and is, therefore, kept constantly updated;
- The use of management applications, such as SAP, which can ensure the segregation of roles, authorisation levels and automatic controls;
- the principles of conduct and control protocols outlined in the Sections of the Special Part of this Model;
- The implementation of integrated information systems, oriented to a segregation of functions, a high degree of standardisation of processes and to protection of the information contained therein, with reference to management and accounting systems and also to systems supporting *business-related* operational activities.

Pettenon's current organisational and control system, understood as an apparatus designed to manage and monitor major business risks, ensures that the following objectives are achieved:

- effectiveness and efficiency in deploying corporate resources, protecting against losses and safeguarding the Company's assets;
- compliance with applicable laws and regulations in all transactions, operations and actions of the Company;
- reliability of information, which means timely and veracious communications to ensure the proper conduct of any decision-making process.

The following principles, taken up and delineated in the Company's procedures and control protocols, underlie this system:

- each operation, transaction and action should be verifiable, documented, consistent and appropriate;
- the system guarantees - including through a consistent allocation of powers, delegated powers and authorisation levels - that the principle of segregation of duties is applied (whereby no person should be able to manage an entire process independently) as well as functional independence;
- the internal control system ensures that the implementation of controls, including supervisory controls, is duly documented.

Responsibility for the proper functioning of the system of internal controls is devolved to each Department/Function, for all processes that fall within its remit.

The existing corporate control structure consists of:

- line controls, conducted by individual Departments/Functions on processes for which they have management responsibility, aimed at ensuring the proper conduct of operations;
- functional Group reports.

Note in addition that the Company, in accordance with the provisions of Article 6(2) c) of Legislative Decree 231/01 regarding the use of IT tools, procedures and qualified resources - aims: *i)* to achieve an orderly and transparent management of financial flows; *ii)* to combat the creation, in any form, of hidden funds and/or provisions designated for the commission of criminal offences provided for in the Decree.

2.8. THE COMPANY'S SYSTEM OF DELEGATED POWERS AND POWERS OF ATTORNEY

The Company's authorisation and decision-making system materialises in its complex and coherent system of delegated functions and powers of attorney, based on the following requirements:

- delegated powers must associate each managerial power with the related responsibility and with a sufficiently senior position in the organisation chart, and they must be updated following organisational changes;
- each delegated power must clearly and unequivocally define the delegate's management powers as well as the person to whom/which the delegate reports directly or functionally;
- management powers assigned by the delegations of authority and their implementation must be consistent with corporate objectives;
- the delegate must have adequate spending powers to discharge the functions assigned to him/her;
- powers of attorney may be granted exclusively to persons with internally delegated authority or under a specific assignment, and must make provision for an the extension of powers of representation and, where applicable, expenditure limits.
- anyone who engages in dealings with the public administration on behalf of the Company must be provided with a power of attorney or delegated power to that effect;

2.9. THE ORGANISATIONAL STRUCTURE IN THE HEALTH, SAFETY, ENVIRONMENT FIELD

2.9.1 Health and safety in the workplace

In the workplace health and safety field, the Company has adopted an organisational structure in conformity with Legislative Decree 81/2008, as amended, (the "**Safety Consolidation Act**"), with a view to eliminating or, where this is not possible, minimizing the risks of manslaughter and serious or grievous injury to workers.

In view of his position and role, the CEO is recognised as having the related implicit role of Employer of Pettenon in connection with the company's activities and the places where they are carried out, granting this figure full decision-making and managerial independence.

The provisions of Legislative Decree 81/2008 grant the Employer the authority to assess whether specific health and safety functions should be delegated - by a delegation of functions drawn up in accordance with Article 16 of the said Decree - to individuals in the Company who have adequate technical ability, professionalism and experience in the field.

The Company's current organisational arrangement therefore provides for the formalisation of appointments and functional delegations which ensure that the technical competences and powers are present that are required in order for risk to be properly ascertained, assessed and managed, also through the attribution of appropriate powers to the delegates.

Within this organisational structure, the following individuals have remit:

- Employer pursuant to Article 2 of Legislative Decree 81/2008;
- Employer's delegates pursuant to Article 16 of Legislative Decree 81/2008;
- the Risk Prevention and Protection Service manager (RSPP);
- managers;
- safety supervisors;
- Risk Prevention and Protection Service operators;
- first-aid officers
- fire prevention officers;
- workers' safety representatives;

- company medical officer;
- workers.

It is the specific responsibility of the Employer to sign the Risk Assessment Document (**DVR**); by this document, the Company formalises the assessment of all health and safety risks to workers that come into play during their respective activities, and the appropriate measures for the prevention of injuries and accidents by means of risk reduction.

The duties and responsibilities of the aforesaid individuals are formally defined in accordance with the Company's organisational and functional scheme, by reference to specific figures with specific roles who operate within activities that are vulnerable to offence risk in the workplace health and safety field.

On 20 January 2023 the National Institute for Insurance against Occupational Accidents (INAIL) published - in collaboration with Federchimica - "Guidelines for the application of a workplace health and safety management system (OHSMS) for the chemical industry", updating the 2015 version. The purpose of the Guidelines is to provide companies with functional operational support in adopting management systems, aimed at increasing health and safety levels in the workplace.

Specifically, with regard to the administrative liability of entities, the Guidelines were used to assist in the drafting of the Company's Organisation, Management and Control Model in order to benefit from the presumption of compliance provided by Article 30 of Legislative Decree 81/2008 for the corresponding parts and, accordingly, in order to exempt the entity from liability in cases of manslaughter or culpable personal injury occurring in violation of workplace health and safety rules.

The Guidelines also assist the Supervisory Body, as they contain a detailed list of the activities that must be considered in the context of the information flows that the Supervisory Body needs to receive as a precondition to properly exercising its oversight function.

That said, Pettenon's workplace health and safety compliance management system (as also indicated in Section 10 of the Special Part, to which reference should be made) provides for a control system that also monitors, over time, the suitability conditions of the measures adopted, through the work of the Prevention and Protection Services.

In addition, the system provides for a review and possible modification of the solutions adopted if significant infringements of accident prevention rules are discovered, or if changes occur in the Company's organisation and activity as a result of scientific and technological progress (activity carried out through the competent Risk Prevention and Protection Service manager, based on the provisions of Article 28 of Legislative Decree 81/2008, and at the periodic meeting referred to in Article 35 of the said Legislative Decree).

2.9.2 Environmental protection

The Company has obtained the UNI ISO 14001:2015 certification and adopted an organisational structure in conformity with the provisions of Legislative Decree 152/2006, as amended - Environmental Regulations -, with a view to eliminating or (where this is not possible) minimising risks to the environment and also to the health of workers and of the surrounding population. This organisational structure includes the appointment of an Environmental Delegate who has been granted delegated functions.

The environmental management system includes provision for overseeing the system's implementation and for monitoring to ensure that the suitability conditions of the measures taken are maintained over time, through the work of the environmental service.

Finally, the Company periodically ascertains the application and effectiveness of the procedures in force, also with a view to potentially modifying the solutions adopted in the event that organisational changes occur, or in line with scientific and technological developments.

3 THE SUPERVISORY BODY

Article 6(1) of Legislative Decree 231/2001 requires - as a condition of benefiting from the exemption from administrative liability - that the task of monitoring compliance with and the operation of the Model, as well as its updating, be entrusted to a Supervisory Body inside the entity which, vested with independent powers of initiative and control, exercises the duties entrusted to it on an ongoing basis.

The Decree requires that the Supervisory Body perform its duties extraneously to the Company's operational processes, reporting regularly to the Board of Directors, free from any subordinate hierarchical relationship under the Board of Directors and the individual Function/Department Heads.

In compliance with the provisions of Legislative Decree 231/2001, the Pettenon Board of Directors appointed a multi-member Supervisory Body by resolution adopted on 31 May 2022, consisting of 3 members functionally dependent on the Board.

In particular, the composition of the Supervisory Body was defined so as to guarantee the following requirements:

- Autonomy and independence: this requirement is ensured by the collective composition of the Supervisory Body, and by the requirement of direct *reporting* to the Board of Directors, independently of any relationship of

subordination to the Board.

- ***Professionalism:*** this requirement is ensured by the wealth of professional, technical and practical knowledge available to the members of the Supervisory Body. In particular, the pre-determined composition guarantees adequate knowledge of the law and of the requisite control and monitoring principles and techniques.
- ***Continuity of action:*** in relation to this requirement, the Supervisory Body is required to continuously oversee - by deploying its powers of investigation - compliance with the Model by Recipients, and to oversee its implementation and updating, thereby representing a constant point of reference for all Pettenon personnel.

3.1 TERM OF OFFICE, DISQUALIFICATION AND REMOVAL

The Supervisory Body remains in office for the term established by the BoD in its resolution establishing the Supervisory Body. Supervisory Body members are selected from among individuals that meet the highest ethical and professional standards, and they cannot be married to or relatives (up to the second degree) of BoD members.

In any case, Supervisory Body members shall remain in office beyond the term expiry date set in the Board resolution appointing them, until such time as the Board of Directors passes a special board resolution appointing a Supervisory Body with a new composition or with the previous composition.

Company employees and external professionals may be appointed members of the Supervisory Body. They shall not have dealings with the Company that could give rise to potential conflicts of interest and undermine their independence.

The Board of Directors shall appoint and remove the Chairperson of the Supervisory Body, who shall be selected from among outside consultants. If the management body does not take action to this end, the Chairperson shall be elected by the Supervisory Body. Fees payable to Supervisory Body members shall not be in conflict of interest.

Any disqualified, legally incapacitated or bankrupt person or person who has been sentenced (including in a non-final judgment) to a penalty involving disqualification (temporary or otherwise) from holding public office or incapacity to perform managerial functions, or who has been sentenced (even if the judgment is not final or imposed a sanction at the request of the parties pursuant to Article 444 of the Code of Criminal Procedure (plea-bargain), for having committed one of the criminal offences *provided* for by Legislative Decree 231/2001, cannot be appointed member of the Supervisory Body and, if he/she is so appointed, he/she shall be removed from office.

Supervisory Body members who have a subordinate employment relationship with the Company shall automatically forfeit their office if that relationship should terminate, regardless of the reason for its interruption, if that employee should take up new duties incompatible with the mandatory qualifications for the Supervisory Body.

The Board of Directors shall be entitled, by adopting a board resolution, to dismiss members of the Supervisory Body at any time, but only for just cause and only after consulting the Board of Statutory Auditors for its opinion.

The following constitute just causes for removal of Supervisory Body members:

- failure to notify the Board of Directors of a conflict of interest that would undermine ongoing membership of the Supervisory Body;
- the breach of confidentiality obligations related to information and news acquired in the exercise of the Supervisory Body's proper functions;
- for members linked to the Company under an employment contract, the commencement of disciplinary procedures for acts that could result in dismissal.

In the event of removal without just cause, the removed member may request to be immediately reinstated in office.

The following circumstances shall, however, give just cause for the removal of the Supervisory Body itself from office:

- ascertained serious breach by the Supervisory Body of its duties of verification and control;
- a criminal conviction (*res judicata* or otherwise) against the Company, or a sentence applying punishment at the request of the parties pursuant to Art. 444 of the Code of Criminal Procedure (plea-bargain sentence), where the records show this to be the result of inadequate or omitted supervision by the Supervisory Body.

Each Supervisory Body member shall be entitled to cease from his/her office at any time, subject to a written notice of at least 30 days, to be communicated to the Chairperson of the Board of Directors by registered letter with advice of receipt, which notice the Chairperson shall bring to the Board's attention.

If as a result of the revocation, withdrawal or disqualification of a Supervisory Body member or if, due to any other circumstance, the composition of the Supervisory Body becomes reduced to only two members, the Supervisory Body may nevertheless perform its functions until the date of a subsequent BoD resolution appointing the third Supervisory Body member.

The Supervisory Board shall independently regulate its operations by means of specific Rules, in particular by defining operational procedures for the performance of the duties assigned to it. The Rules shall be then submitted to the Board of Directors for its acknowledgement.

3.2 POWERS AND FUNCTIONS OF THE SUPERVISORY BODY

The Supervisory Body is entrusted with the following tasks:

- to supervise the dissemination inside the Company of knowledge, understanding and observance of the Model;
- to oversee compliance with the Model by Recipients within the areas of activity that are potentially subject to offence risk;
- to oversee the validity and adequacy of the Model, particularly in relation to its ability to prevent the commission of criminal offences provided for in the Decree;
- to report to the Company the advisability of updating the Model, whenever the need arises to adapt the Model in accordance with changes in corporate and/or in regulatory conditions.

In carrying out these activities, the Supervisory Body shall perform the following tasks:

- to coordinate and collaborate with the corporate Departments/Functions (also through special meetings) to optimally monitor the corporate activities that the Model identifies as being vulnerable to offence risk;
- to conduct targeted checks on specific operations or acts, implemented within areas of activity within the Company that are identified as being vulnerable to offence risk; also with the support of the company Departments/Functions;
- to verify the effective performance of information and training initiatives on the Model undertaken by the Company, supporting the Legal, Corporate Affairs & Compliance Department - upon request - in verifying their adequacy;
- to establish a dedicated information channel (i.e. e-mail address), aimed at facilitating information flows to the Supervisory Body from company Departments/Functions that are involved in corporate processes potentially vulnerable to offence risk;
- to immediately report to the Board of Directors any credible violation of the Model by the Company's Directors or senior managers;
- to immediately report to the Shareholders' Meeting any credible violation of the Model by the entire Board of Directors.

To fulfil the duties listed above, the Supervisory Body is vested with the powers set out below:

- to issue provisions and service orders intended to regulate its activities and to prepare and update the list of information, called "**Information Flows**" (as defined in Section 3.4.), which it must receive from Company Departments/Functions;
- to access, without prior authorisation, any relevant corporate document in order to facilitate the performance of its functions under Legislative Decree 231/2001;
- to arrange for the heads of the Functions/Departments, and also for all Recipients, to promptly provide the information and/or data that they are required to provide, in order to identify any aspects associated with the various corporate activities of relevance pursuant to the Model, and also to verify the effective implementation thereof;
- to retain external consultants with proven expertise in cases where this is required in order to facilitate the verification and control activities, or to update the Model.

To ameliorate the performance of its activities, the Supervisory Body may delegate one or more specific tasks to individual Supervisory Body members, who will perform them in the name and on behalf of the Supervisory Body. Responsibility arising from the duties assigned falls upon the Supervisory Body as a whole.

The Company's Board of Directors allocates an annual expenditure budget to the *Supervisory* Body that reflects the amount proposed by the latter, and that is adequate to the duties assigned to it. The Supervisory Body independently decides on expenses that are necessitated, in conformity with the company's signatory powers and, where the expenditure exceeds the allocated *budget*, this must be authorised directly by the Board of Directors.

In addition to the above, in connection with the entry into force of the Whistleblowing Decree, the Supervisory Body is required as follows:

- to oversee the Company's creation of an internal reporting channel and its conformity (in terms of "design") with the provisions of Legislative Decree 24/2023, and to oversee the attendant updating of the Model in reference to the whistleblowing channel (on this point see Section 3.4);
- to oversee the Company's adoption of a Whistleblowing procedure to regulate the management of internal reports made by so-called "whistleblowers", i.e. the adoption of compliance procedures and procedures for collecting, managing and filing reports made using the internal channel created by the Company;
- to oversee the provision of training and information and the dissemination of aspects and provisions of the

Model and of the whistleblowing procedure that are relevant in this context;

- to oversee the effectiveness and accessibility of the internal whistleblowing channel created by the Company;
- to oversee the effective operation of and compliance with the provisions of the Model and of the whistleblowing procedure (for example, to verify compliance with the provisions of Article 4(2) of Legislative Decree 24/2023 on the person identified to head up the whistleblowing channel, to do periodic sample checks on compliance with deadlines pursuant to Legislative Decree 24/2023 for acknowledgement of receipt and feedback, on the application of the disciplinary system, as relevant, and on the measures adopted to ensure compliance with the obligations of confidentiality and the prohibitions on retaliation under applicable rules).

3.3 THE SUPERVISORY BODY: REPORTING ACTIVITIES

As already mentioned, in order to ensure full independence in the performance of its duties, the Supervisory Body communicates directly to the Company's Board of Directors.

More specifically, the Supervisory Body reports, as follows, to the Board of Directors on the status of implementation of the Model and on the results of the monitoring activity conducted:

- periodically to the CEO, to ensure continuous alignment with senior management on the activities carried out;
- at least annually, to the Board of Directors, by means of a written report describing the Supervisory Body's monitoring activities, any critical issues identified and any corrective action or improvements suitable for the implementation of the Model;
- occasionally, to the Board of Statutory Auditors, if it deems it necessary, concerning alleged violations by senior managers or by BoD members, as the Supervisory Body may potentially receive from the Board of Statutory Auditors requests for information or clarification on the aforesaid alleged violations.

The Supervisory Board may be convened at any time by the Board of Directors and also by the Board of Statutory Auditors and, in turn, it may request these bodies to be heard should it deem it necessary to report on matters concerning the operation and effective implementation of the Model, or in relation to specific situations.

To ensure the smooth and effective flow of information, and also in order to facilitate the proper performance of its duties, the Supervisory Body may also request clarification or information directly from officers who are vested with key operational responsibilities.

3.4 INFORMATION FLOWS AND REPORTS TO THE SUPERVISORY BODY

3.4.1 Information flows

Legislative Decree 231/2001 enshrines, as one of the requirements that the Model must meet, specific obligations of disclosure to the Supervisory Body that are incumbent on the Company's Departments/Functions, in order to facilitate it to fulfil its supervisory and oversight/audit functions.

In this regard, the following information ("**Information flows**") must be provided to the Supervisory Body:

- periodically, a series of data, information, news and documents referring to the Special Parts of the Model, previously identified and reviewed on a periodic basis by the Supervisory Body, in accordance with procedures and timelines defined by the latter.
- within the scope of the Supervisory Body's verification activities, any information, data, news and documents that are deemed useful and/or necessary in order to conduct said verifications, identified in advance by the Supervisory Body and formally requested from individual Departments/Functions;
- occasionally, any other information of any kind concerning the implementation of the Model in areas deemed to be vulnerable to offence risk, and concerning compliance with the provisions of the Decree, which may assist the Supervisory Body in carrying out its activities.

In addition to the above, the Supervisory Body must also be sent any report or communication about any of the following:

- measures and/or notifications from the police or from any other authority, including administrative authorities, which involve the Company or senior persons and indicate that investigations are underway, including against persons unknown, for offences under the Decree, without prejudice to obligations of confidentiality and secrecy imposed by law;
- requests for legal assistance made by executives and/or employees, when legal proceedings are instituted after an offence under the Decree has allegedly been committed;
- changes in the system of powers of attorney and delegated powers, amendments to the Articles of Association or amendments to the company organisational chart;
- disciplinary sanctions imposed for an infringement of the Model, or a decision not to proceed with disciplinary

sanctions, together with the reasons for that decision;

- reports of serious bodily harm (manslaughter, serious or grievous bodily injury and, in general, any bodily harm with a prognosis of more than 40 days) suffered by employees or external collaborators of the Company;

The Supervisory Body, with the assistance of the Company, formally identifies the procedures by which such information is to be transmitted, notifying the relevant Departments that are obliged to make the communications in question.

The Supervisory Body is obliged to retain and keep any information, documentation and material shared with the Supervisory Body as well as information which it collects during the performance of its functions, for no longer than required in order to fulfil the purposes for which such information and material were requested, unless otherwise provided for by law.

In order to receive Information Flows, the Supervisory Body has activated the following e-mail box odv@pettenon.it, access to which is restricted to Supervisory Body members. Failure to send information to the Supervisory Body constitutes an infringement of this Model.

In order to regulate the flow of information, the Supervisory Body has, in addition, drafted and adopted the "*Procedure for Information Flows to the Supervisory Body*" and the related "*Table of Information Flows*" in order to define cases and operating methods concerning Information Flows, with a view to ensuring that communications to the Supervisory Body from Departments/Functions and from other Recipients of the Model are more systematic, concrete and objective.

3.4.2 Whistleblowing reports

The Whistleblowing Decree amended Article 6, paragraph 2-bis of Legislative Decree 231/2001, and repealed paragraphs 2-ter and 2-quater of the same article, stipulating that Models:

- must provide internal reporting channels that guarantee, also through the use of encryption tools, the anonymity of the reporting party (the "whistleblower"), of the person involved and of the person mentioned in the whistleblowing report, and also the confidentiality of the content of the report and of associated documentation.
- must safeguard confidentiality and prohibit retaliation in any form against the whistleblower;
- must provide for a disciplinary system suitable for sanctioning non-compliance not only with the requirements of the Model and of the Code of Ethics, but also with the provisions of the Whistleblowing Decree.

In conformity with the provisions of the Whistleblowing Decree, the Company has adopted its own internal reporting channel - the "Platform" - accessible through the following link <https://www.pettenon.it/it/whistleblowing> and appointed a committee for the management of internal whistleblowing reports (the **Whistleblowing Committee**).

The procedure for handling internal reports, i.e. the requirements and procedures for collecting, managing and filing internal reports, the prerequisites for making external reports, and the information flows between the Whistleblowing Committee and other corporate bodies/functions which, depending on the type of report, may be involved in its management, are regulated by the whistleblowing procedure attached to this Model (**Annex no. 4**), whose contents are intended to be referenced herein in full.

In this regard, where reports are made that materially concern the Decree and/or the Code of Ethics and/or the Model adopted by the Company, the Whistleblowing Committee will involve the Supervisory Body in order to enable it to proceed to assess the facts and arrange for investigations that are deemed necessary, also availing of the support of the Company's corporate control functions, in full compliance with the obligation of confidentiality and protection of personal data provided for in Article 12 and 13 of the Whistleblowing Decree.

3.5 THE SANCTIONS SYSTEM

The definition of a system of sanctions, applicable in the event of violation of the provisions of this Model, of the documents referred to therein and of the Code of Ethics, is a necessary condition to ensure the effective implementation of the Model, and also an essential prerequisite in order for the Company to benefit from the exemption from administrative liability.

Disciplinary sanctions are applied regardless of the existence and outcome of any criminal proceedings that may have been filed in cases where the infringement constitutes a predicate offence under Legislative Decree 231/2001. The sanctions that may be imposed differ according to the nature of the relationship between the perpetrator and the Company, and according to the importance and gravity of the infringement committed and the role and responsibility of the perpetrator.

In general, infringements may be classified as follows:

- a) conduct that represents a culpable failure to implement the provisions of the Model, including company directives, procedures or instructions;
- b) conduct that represents a premeditated violation of the provisions of the Model, and that jeopardises the relationship of trust between the perpetrator and the Company, insofar as it is clearly intended thereby to commit a criminal offence.

Sanctions should be graduated according to the severity of the conduct, taking into account the following criteria:

- the level of the voluntariness (premeditation) of the conduct or the degree of negligence, carelessness or inexperience evinced by the culpable conduct;
- the greater or lesser divergence from the conduct required;
- the perpetrator's past conduct, particularly whether or not previous disciplinary measures were imposed;
- the extent of the danger and/or consequences of the infringement;
- the perpetrator's position and duties;
- the circumstances, reasons, time, place and context in which the infringement occurred;
- the possibility that the same conduct led to multiple infringements; or the repetition of the same infringement;
- the perpetrator's subsequent conduct.

In any case, the sanctions procedure is within the remit of the relevant Department/Function and/or of the corporate bodies. Furthermore, pursuant to the provisions of the Whistleblowing Decree, the system of sanctions also applies to:

- persons who are responsible for any act of retaliation or unlawful discrimination or detriment, direct or indirect, against the whistleblower or other protected parties, for reasons directly or indirectly associated with the whistleblowing report;
- persons who infringe the obligation to keep confidential the identity of the whistleblower, of the facilitator, of the person involved or of any persons mentioned in the report, and also the contents of the report and of any attached documentation;
- persons who obstruct or attempt to obstruct the reporting process;
- the reported party, for any liability established;
- persons who make an unfounded report with premeditation or gross negligence.

Where disciplinary proceedings are triggered as a result of a report, the identity of the reporting party shall not be disclosed to the perpetrator if the disciplinary accusation is based on investigations that are separate from and additional to the whistleblowing report, even if they follow the report.

If a disciplinary accusation is based, in whole or in part, on the whistleblowing report and knowledge of the reporting party's identity is essential in order for the accused to defend him/herself, the report can only be used for the purposes of the proceedings if the reporting party consents to the disclosure of his or her identity.

In the latter case, apart from this requirement to obtain the whistleblower's consent, the Whistleblowing Committee will notify in writing the reasons why disclosure of his/her identity is necessary.

▪ ***Sanctions on employees***

In relation to employees, the Company is obliged to comply with the limits referred to in Article 7 of Law 300/1970 (the Workers' Statute) and with the provisions of the applicable *National Collective Labour Agreement (chemical, pharmacological)*, both in relation to the sanctions that can be imposed and the manner in which disciplinary authority may be exercised.

The failure by employees to observe the provisions of the Model and all the associated documentation constitutes a breach of the obligations derived from the employment contract, pursuant to Article 2104 of the Italian Civil Code, and constitutes a disciplinary offence.

More specifically, if a Company employee engages in conduct that may qualify as a disciplinary offence, such conduct shall also infringe the employee's obligation to perform his/her duties with the utmost diligence by adhering to the Company's directives, as required by the **National Collective Labour Agreement currently in force**.

The following sanctions may be imposed on employees, based on the applicable National Collective Labour Agreement:

- i) verbal caution;
- ii) written caution;
- iii) a fine up to 4 hours normal pay;
- iv) suspension from work for up to 8 days;
- v) dismissal for misconduct.

In order to highlight the criteria of correlation between violations and disciplinary measures, the following should be noted:

- i) the disciplinary measure of **verbal caution** shall be imposed on an employee who:

- violates, through mere negligence, company procedures and/or the provisions of the Code of Ethics or acts or conducts him/herself at variance with the provisions of the Model when engaged in activities that are subject to offence risk, if the breach has no external significance;
- ii)* the disciplinary measure of **written caution** shall be imposed on an employee who:
- repeats, within a two-year period, breaches that attract a verbal caution;
 - violates, through mere negligence, company procedures and/or the provisions of the Code of Ethics or acts or conducts him/herself at variance with the provisions of the Model when engaged in activities that are subject to offence risk, if the breach has external significance;
- iii)* the disciplinary measure of a **fine not exceeding 4 hours' pay** shall be imposed on an employee who:
- repeats, within a two-year period, breaches that attract a written caution;
 - based on his/her hierarchical or technical responsibility, or where aggravating circumstances exist, compromises the Model's efficacy through conduct such as:
 - repeated and/or unjustified failure to fulfil disclosure obligations to the Supervisory Body, if the lack of information flows prevent it from performing its functions under the Decree and under the Model;
 - repeated failure to fulfil compliance obligations set out in the Model, where they involve the management of activities related to product quality, research and development of new products or processes;
 - makes false or unsubstantiated reports with gross negligence;
- iv)* the disciplinary measure of **suspension from work for up to 8 days** shall be imposed on an employee who:
- repeats, within a two-year period, breaches that attract a monetary fine of at most 4 hours pay;
 - breaches applicable rules/provisions on signatory powers and on the system of powers of attorney granted in connection with documents and acts addressed to the Public Administration;
 - makes false or unsubstantiated reports with premeditated intent;
 - has obstructed or attempted to obstruct a whistleblowing report;
 - infringes measures adopted by the Company aimed to guarantee the anonymity of the reporting party, of the facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the report itself and of associated documentation attached;
- v)* the disciplinary measure of **dismissal for misconduct** shall be imposed on an employee who:
- breaches the internal control system by removing, destroying or altering documentation or by preventing designated bodies (including the Supervisory Body) from controlling or accessing information and documentation, in a way that compromises its transparency and verifiability;
 - fraudulently circumvents the provisions of the Model by conduct unequivocally aimed at committing one of the criminal offences under Legislative Decree 231/2001;
 - submits, with premeditation, false or unsubstantiated reports of violations of the Model and of the Code of Ethics;
 - violates measures adopted by the Company to guarantee the anonymity of the reporting party, thus leading to retaliation or any other form of discrimination or victimisation of the reporting party;
 - engages in retaliatory conduct or any other form of discrimination or victimisation of the reporting party.

The Company shall not take any disciplinary measure against an employee other than in compliance with procedures laid down in the **National Collective Labour Agreement applicable** to each individual case.

The principles of correlation and proportionality between a violation and the sanction imposed are guaranteed by observing the following criteria:

- severity of the violation;
- the employee's duties, role, responsibilities and independence;
- foreseeability of the event;
- intentionality of the conduct or degree of negligence, carelessness or inexperience;
- the perpetrator's overall conduct, also with reference to whether or not he/she has been involved in previous disciplinary proceedings, in terms provided for in the applicable National Collective Labour Agreement;

- other special circumstances characterising the violation.

The existence of a system of sanctions for non-compliance with the provisions of the Model and associated documentation, must be brought to the attention of employees using means deemed most appropriate by the Company.

- ***Sanctions for employees with managerial status***

Failure by managers to comply with the provisions of the Model and of associated documentation, including the violation of obligations to report to the Supervisory Body and to supervise and control the conduct of his/her co-workers, shall trigger the application of sanctions referred to in the applicable collective labour agreement, in compliance with Articles 2106, 2118 and 2119 of the Italian Civil Code, as well as Article 7 of Law 300/1970.

The office of employees with executive functions could be terminated for any violations ascertained, for inadequate supervision or for failure to observe obligations of prompt reporting to the Supervisory Body.

In relation to the management of reports, the sanction of **termination of employment** may be imposed on the manager in question if he or she:

- submits, with premeditation or gross negligence, false or unsubstantiated reports of violations of the Model and/or of the Code of Ethics;
- obstructed or has attempted to obstruct a whistleblowing report;
- infringes measures adopted by the Company aimed to guarantee the anonymity of the reporting party, of the facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the report itself and of associated documentation attached;
- engages in retaliation or any other form of discrimination or victimisation of the reporting party.

- ***Sanctions for employees under management or supervision and for third parties with contractual/commercial dealings***

Any non-compliance - by co-workers who are subject to direction or supervision under senior managers, or by third parties who have business/contractual dealings with Pettenon - with the provisions of the Model and of any associated documentation, including the infringement of obligations of reporting to the Supervisory Body, shall result in termination of the relevant contract in conformity with the provisions of the specific contractual relationship, without prejudice to the Company's right to claim compensation for any loss incurred as a result of said conduct, including loss caused as a result of the application of sanctions under Legislative Decree 231/2001.

These sanctions may also apply in the event of infringement of the safeguards provided for by the Whistleblowing Decree, i.e. if the third party has:

- made false or unsubstantiated reports with premeditation or with gross negligence.
- obstructed or attempted to obstruct a report;
- violated measures taken by the Company to guarantee the anonymity of the reporting party, of the facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the content of the report and of associated documentation attached;
- engaged in retaliatory conduct or any other form of discrimination or victimisation of the reporting party.

- ***Measures against Directors***

In the event of an ascertained violation by one or more Directors of the provisions of the Model and of associated documentation, the Supervisory Body shall promptly inform the entire Board of Directors so that it can take or promote actions that are most appropriate and adequate to the seriousness of the violation ascertained, in accordance with the powers provided for under applicable rules and under the Articles of Association.

More specifically, in the event of an ascertained violation by one or more Directors of the provisions of the Model and of associated documentation, the Board of Directors may - depending on the extent and seriousness of the violation - directly impose a formal written caution or it may revoke (partially or otherwise) any delegated powers and powers of attorney conferred.

In the event of proven infringement of the Model or any of its component documents by the Board of Directors as a whole, the Supervisory Body shall immediately inform the Shareholders' Meeting of this, so that it can adopt or recommend appropriate measures.

The Supervisory Body will also be informed if Directors or the entire Board of Directors have violated safeguards provided for by the Whistleblowing Decree, or if they have:

- made false or unsubstantiated reports with premeditation or with gross negligence.
- obstructed or attempted to obstruct a report;
- violated measures taken by the Company to guarantee the anonymity of the reporting party, of the

facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the content of the report and of associated documentation attached;

- engaged in retaliatory conduct or any other form of discrimination or victimisation of the reporting party.

This is without prejudice to the company's right of recourse against the wrongdoer for any loss or harm caused (including damage to its reputation) and/or for any liability that may accrue to it as a result of violations by employees of this Model.

In any case, the Board of Directors shall always keep the Supervisory Body informed of any sanctions imposed and/or infringements ascertained.

▪ **Measures against Statutory Auditors and the Supervisory Body**

In the event that a member of the Board of Statutory Auditors should infringe the provisions of the Model and of associated documentation, the Supervisory Body shall immediately notify this to the Board of Directors in a written report. The Board of Directors shall arrange for the hearing of the party or parties concerned, also inviting the Supervisory Body to participate. Any defence statements are obtained at the hearing, followed by the appropriate findings or rulings. In the event of serious infringements, the Board of Directors may propose to the Shareholders Meeting that the offending member(s) of the Board of Statutory Auditors should be removed.

- Statutory auditors will also be met with the sanctions indicated above if they violate the safeguards provided for by the Whistleblowing Decree, i.e., if they have:
 - made false or unsubstantiated reports with premeditation or with gross negligence.
 - obstructed or attempted to obstruct a report;
 - violated measures taken by the Company to guarantee the anonymity of the reporting party, of the facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the content of the report and of associated documentation attached;
 - engaged in retaliatory conduct or any other form of discrimination or victimisation of the reporting party.

If the Board of Directors should receive information concerning infringements of the Model and of associated documentation by one or more members of the Supervisory Body, the BoD will, in collaboration with the Board of Statutory Auditors, take measures deemed most appropriate in view of the gravity of the infringement, in conformity with powers provided for by law and/or by the company Articles of Association. In particular, if the infringement is committed by a Supervisory Body member who is also a Company employee, the appropriate disciplinary sanctions will be applied.

These consequences will also apply in the event of infringement of the safeguards provided for by the Whistleblowing Decree, i.e. if one or more members of the Supervisory Body have:

- made false or unsubstantiated reports with premeditation or with gross negligence.
- obstructed or attempted to obstruct a report;
- violated measures taken by the Company to guarantee the anonymity of the reporting party, of the facilitator, of the person involved or of any other persons mentioned in the report, as well as the confidentiality of the content of the report and of associated documentation attached;
- engaged in retaliatory conduct or any other form of discrimination or victimisation of the reporting party.

4 MODEL DISSEMINATION AND TRAINING

Pettenon, cognisant of the importance of training and information provision for purposes of prevention, has drawn up communication and training programs aimed at providing Recipients with knowledge of the main provisions of the Decree, of the Whistleblowing Decree and of the obligations deriving therefrom, and also of the provisions of the Model and of the whistleblowing procedure.

Information and training are provided to personnel by organising a diversity of in-depth learning levels based on the varying degrees to which they are involved in activities that are subject to offence risk, and based on their respective powers and responsibilities.

The Legal Corporate Affairs & Compliance Department, in relation to the dissemination in the Company of the Model, of the Code of Ethics and of the whistleblowing procedure:

- communicates to all personnel the successful adoption/updating of this Model and of Code of Ethics, and the appointment of the Supervisory Body;
- communicates to all personnel the creation, in conformity with the Whistleblowing Decree, of the internal reporting channel and the appointment of the Whistleblowing Committee;
- ensures that the Model, the Code of Ethics and the whistleblowing procedure are published on the company *intranet* and/or on any other communication platform deemed appropriate;

- organises training activities aimed at disseminating knowledge of Legislative Decree 231/2001, of the Whistleblowing Decree and of the provisions of the Model, of the Code of Ethics and of the whistleblowing procedure, and also schedules training sessions for personnel, including on the occasion of updates and/or amendments to the Model, in the manner deemed most appropriate.

Pettenon provides ongoing mandatory training to all employees, including new recruits, not only in areas strictly related to *compliance* under the Decree, but also in areas, topics and issues that relate to the Decree's prevention objectives such as, for example, workplace health and safety, product quality and environmental protection.

Documentation on information and training activities is kept by the *HR & Organisation Department* and may be consulted by the Supervisory Body and by any person authorised to access it.

5 ADOPTION AND UPDATING OF THE MODEL

Pettenon's Board of Directors is responsible for adopting the Model.

The Company's Board of Directors is therefore responsible for making any substantive amendments and/or additions to this Model's provisions, by passing a resolution according to the same procedures as those used to adopt the Model itself.

Such amendments shall include those necessitated by:

- significant infringements of the Model's provisions;
- identification of new areas subject to offence risk / sensitive activities / processes that are instrumental/functional to the commission of criminal offences, associated with new activities of the Company or changes to those previously identified;
- changes in the Company's organisational structure that impact on the Model;
- changes in the internal reporting system and associated legal changes enacted;
- indication of possible areas for improvement of the Model, identified by the Supervisory Body following periodic checks.

Substantive changes are those which affect the composition, term of office and operation of the Supervisory Body, and those that impact on the rules of the disciplinary and sanctions system.

Purely formal amendments and/or additions concerning, for example, the list of offences contained in Annex 1, are dealt with in the context of the independent functions of the Company's Legal Corporate Affairs & Compliance Department.

The Supervisory Body, within the scope of the powers conferred on it under Article 6(1)(b) and Article 7(4)(a) of the Decree, is responsible for submitting to the Board of Directors proposals for updating and adapting the present Model.

The competent corporate functions will alter any operating procedures adopted in the implementation of this Model, if they are found to be ineffective for the purposes of properly implementing its provisions. The competent corporate functions will be obliged to amend or supplement applicable procedures in order to properly realise and render effective any revisions to this Model.

The Supervisory Body is kept informed of the updating of existing procedures and the implementation of new ones.