ORGANISATION, MANAGEMENT AND CONTROL MODEL

Lottomatica Group S.p.A.

Within the meaning of Legislative Decree
no. 231 of 8 June 2001

Approval by the Board of Directors on February 27, 2023

LOTTOMATICA

CONTENTS

GENERAL PART

1. LEGISLATIVE DECREE NO. 231/2001 AND THE RELEVANT LEGISLATION

1.1 THE REGIME OF ADMINISTRATIVE LIABILITY FORESEEN FOR LEGAL PERSONS

Legislative Decree no. 231 of 8 June 2001 (hereinafter "Decree" or "LD 231/01") has introduced into the Italian legal system a regime of administrative liability (basically comparable to criminal liability) resting with companies and associations with or without legal personality (hereinafter referred to as "Bodies"), for a number of criminal offences committed, in their interest or for their benefit, by:

- natural persons who are entrusted with duties of representation, administration or management of such Bodies or of any organisational unit thereof endowed with financial and functional autonomy, as indeed by natural persons who exercise, including on a de facto basis, the management and control of such Bodies;
- natural persons subject to the direction or supervision of any of the persons indicated above.

The administrative liability of the legal person is added to the (criminal) liability of the natural person who materially committed the offence, and both are subject to investigation in the course of the same proceedings before the criminal court.

Before the Decree came into force, the principle of personality of criminal liability laid down by art. 27 of the Constitution precluded the possibility of judging, and possibly condemning, Bodies in criminal courts in the framework of offences committed in their interest, in that the only liability that could exist was joint and several civil liability on account of any damage that may have been caused by the Body's employee or on account of the civil obligation stemming from the condemnation to pay the employee's fine or penalty in case of his/her insolvency (arts. 196 and 197 p.c.).

As of today, the Body's liability exists only in the case of perpetration of the following types of unlawful conduct, which are specifically cited in the Decree:

- offences against the Public Administration (arts. 24 and 25, LD 231/01), which include:
  - embezzlement to the detriment of the State (art. 316-bis p.c.);
  - undue receipt of funds to the detriment of the State (art. 316-ter p.c.);
  - fraud (art. 640, par. 2, no. 1, p.c.);
  - fraud in the public supply (art. 356 p.c.);
  - aggravated fraud in order to obtain public funds (art. 640-bis p.c.);
  - computer fraud (art. 640-ter p.c.);
  - extortion (art. 317 p.c.);
  - bribery to obtain the exercise of a duty (art. 318 p.c.);
  - bribery to obtain an act contrary to official duties (art. 319 p.c.);
  - aggravating circumstances (art. 319-bis p.c.);
  - bribery in judicial records (art. 319-ter p.c.);
  - undue inducement to grant or promise benefits (art. 319-quater p.c.);
  - bribery of a public service officer (art. 320 p.c.);
  - penalties for the briber (art. 321 p.c.);
  - instigation of bribery (art. 322 p.c.);
  - misappropriation, extortion, undue inducement to grant or promise benefits, bribery, instigation of bribery and abuse of office-of members of International Courts or of bodies of the European Communities or of international parliamentary assemblies or international organizations and of officers of the European Communities and of foreign States (art. 322-bis p.c.);
  - trade of illicit influences (art. 346-bis p.c.);
  - embezzlement (art. 314 p.c.) when the act affects the financial interests of the European Union;
  - embezzlement through mistakes of others (art. 316 p.c.) when the act affects the financial interests of the European Union;
  - abuse of office (art. 323 p.c.) when the act affects the financial interests of the European Union;
  - fraud against the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (art. 2 Law no. 898 of 23 December 1986);

- crimes in respect of counterfeiting money, public credit instruments, official stamps or identifying tools or marks (art. 25-bis, LD 231/01), consisting of:
  - counterfeiting money, and passing and bringing counterfeit money into the country, with complicity (art. 453 p.c.);
  - altering of currency (art. 454 p.c.);
  - passing and bringing counterfeit currency into the country without complicity (art. 455 p.c.);
  - passing counterfeit currency received in good faith (art. 457 p.c.);
  - counterfeiting duty stamps, bringing into the country, acquiring, holding or putting into circulation counterfeit duty stamps (art. 459 p.c.);
  - counterfeiting watermarked paper used for the making of public credit instruments or duty stamps (art. 460 p.c.);
  - making or holding watermarked paper or tools intended for counterfeiting money, duty stamps or watermarked paper (art. 461 p.c.);
  - using counterfeit or altered duty stamps (art. 464 p.c.);
  - counterfeiting, altering or using distinctive marks or signs, or patents, models and designs (art. 473 p.c.);
  - bringing into the country, and trading, products with false trademarks (art. 474 p.c.);

- corporate offences (art. 25-ter, LD 231/01), namely:
  - false information on companies (art. 2621 c.c.);
  - facts of lesser importance (art. 2621-bis);
  - false corporate information on listed companies (art. 2622 c.c.);
  - false information in a prospectus (art. 2623 c.c.)[1];
  - false information in reports or notices of auditing companies (art. 2624 c.c.)[2];
  - obstructing inspection (art. 2625 c.c.);
  - undue return of contributions (art. 2626 c.c.);
  - illegal distribution of profits and reserves (art. 2627 c.c.);
  - unlawful operations in shares or holdings in the company or in the parent company (art. 2628 c.c.);
  - operativovate individuals (art. 2635 c.c., par. 3);
  - instigation of bribery among private individuals (art. 2635-bis c.c., par. 1);
  - unlawful influence over the shareholders' meeting (art. 2636 c.c.);
  - share manipulation (art. 2637 c.c.);
  - obstructing the exercise of the functions of public supervisory authorities (art. 2638 c.c.);

- crimes with objectives of terrorism or subversion of democratic order (art. 25-quarter, LD 231/01), including:
  - associations with purposes of terrorism, including international terrorism, or of subversion of democratic order (art. 270-bis p.c.);
  - aggravating and mitigating circumstances (art. 270-bis.1 p.c.);
  - aiding conspirators (art. 270-ter p.c.);
  - enlistment with purposes of terrorism, including international terrorism (art. 270-quater p.c.;
  - organising transfers for purposes of terrorism (art. 270-quater1 p.c.);
  - training for activities with purposes of terrorism, including international terrorism (art. 270-quinquies p.c.);
  - financing of conduct with the purpose of terrorism (art. 270-quinquies1 p.c.);
  - abduction of goods or money subject to seizure (art. 270-quinquies2 p.c.);
  - conduct with purposes of terrorism (art. 270-sexies p.c.);
  - attack for terrorist or subversive purposes (art. 280 p.c.);
  - act of terrorism using lethal or explosive devices (art. 280-bis);
  - act of nuclear terrorism (art. 280-ter);
  - kidnapping for purposes of terrorism or subversion (art. 289-bis p.c.);
  - instigation to commit crimes contemplated by sections one and two (art. 302 p.c.);
  - international convention for the suppression of the financing of terrorism, of New York, 9 December 1999 (art. 2);

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1. The new offence of false information in a prospectus was introduced by art. 34 of Law no. 262 of 2005, which at the same time repealed art. 2623 c.c. In view of the fact that art. 25-*ter* refers specifically to art. 2623 c.c. as a precondition of the administrative offence, the repeal of the civil code rule – without adding art. 25-*ter* to the reference to the new instance of art. 173-*bis* TUF – should lead, as a consequence, to the non-applicability of the administrative penalty, within the meaning of the Decree, to the new offence of false information in a prospectus (in this respect, see also the information provided further on concerning the offence of false information in reports or notices of the auditing company).

2. LD no. 39 of 27 January 2010, which fully reforms statutory auditing, has repealed art. 2624 (false information in reports or notices of the auditing company), this instance having been replaced by art. 27 of the said decree. But the repeal of the civil code rule has however not been accompanied by the replacement, in art. 25-*ter*, of the reference to art. 2624 in connection with the new instance of offence set out in art. 27 of LD no. 39 of 2010 (false information in reports or notices of auditing officers). This would give rise to the non-applicability of the new instance of offence in the framework of LD 231/2001. The Supreme Court has also expressed itself along these lines (United Criminal Divisions, judgment no. 34476 of 23 June 2011), when it lays down that: "*LD no. 39 of 27 January 2010, which repeals and reformulates the mandatory content of art. 174-bis T.U.F. (False information in reports or notices of the auditing company), has not influenced in any way the rules typical of administrative liability arising from a criminal offence laid down by art. 25-ter of LD no. 231 of 2001, in view of the fact that the relevant instances are not cited by this legislative text and cannot therefore be used as a basis for such liability*".

- crimes against the individual (art. 25-quinquies, LD 231/01), consisting of:
  - reducing or maintaining persons to/in a state of slavery or servitude (art. 600 p.c.);
  - child prostitution (art. 600-bis p.c.);
  - child pornography (art. 600-ter p.c.);
  - possession of or access to pornographic material (art. 600-quater p.c.);
  - virtual pornography (art. 600-quater.1 p.c.);
  - tourist initiatives aimed at exploiting child prostitution (art. 600-quinquies p.c.);
  - trafficking in persons (art. 601 p.c.);
  - buying and selling slaves (art. 602 p.c.);
  - unlawful intermediation and exploitation of labour (art. 603-bis p.c.);
  - child grooming (art. 609-undecies p.c.);

- market abuse offences (art. 25-sexies, LD 231/01), namely:
  - insider dealing or unlawful communication of privileged information. Recommending or inducing others to commit insider dealing (art. 184 of the Finance Act);
  - market manipulation (art. 185 of the Finance Act);

- practices of mutilation of female genital organs (art. 25-quater.1, LD 231/01);

- transnational offences (art. 10 Law 146/06)[3] of:
  - criminal association (art. 416 p.c.);
  - mafia-type association, including foreign associations (art. 416-bis p.c.);
  - criminal association for purposes of smuggling processed foreign tobacco (art. 291-quater of Consolidation Act no. 43 of the President of the Republic of 23 January 1973);
  - association for purposes of unlawfully dealing in narcotic or psychotropic substances (art. 74 of Consolidation Act no. 309 of the President of the Republic of 9 October 1990);
  - trafficking in migrants (art. 12, pars. 3, 3-bis, 3-ter and 5 LD no. 286 of 25 July 1998);
  - obstructing the course of justice, by inducing others not to issue statements, or to issue false statements, to judicial authorities and by personal abetment (arts. 377-bis and 378 p.c.);

- crimes of manslaughter or serious or very serious injuries committed by breaching rules on protecting health and safety at work (art. 25-septies, LD 231/01), concerning:
  - manslaughter (art. 589 p.c.);
  - unintentional personal injuries (art. 590, par. 3, p.c.);

- offences of receiving stolen goods (art. 648 p.c.); money laundering (art. 648-bis p.c.); using money, goods and gains of unlawful origin (art. 648-ter p.c.); and self-laundering (art. 648-ter.1 p.c.) (art. 25-octies LD 231/01);

- computer crimes and unlawful data processing (art. 24-bis, LD 231/01), which include:
  - IT documents (491-bis p.c.);
  - unlawful access to an IT or information system (615-ter p.c.);
  - unlawful possession, dissemination and installation of equipment, codes and other tools for access to IT or information systems (615-quater p.c.);
  - unlawful possession, dissemination and installation of IT equipment, devices or programmes geared to damaging or interrupting an IT or information system (615-quinquies p.c.);
  - unlawful interception, obstruction or interruption of IT or information communications (617-quater p.c.);
  - unlawful possession, dissemination and installation of equipment and other tools designed to intercept, prevent or interrupt IT or information communications (617-quinquies p.c.);
  - damaging IT information, data and programmes (635-bis p.c.);
  - damaging IT information, data and programmes used by the State or by other public bodies or bodies of public utility (635-ter p.c.);
  - damaging IT or information systems (635-quater p.c.);
  - damaging IT or information systems of public utility (635-quinquies p.c.);
  - computer fraud by the person/entity that provides electronic signature certification services (640-quinquies p.c.);
  - violation of cyber security perimeter regulations (art. 1, comma 11, Law Decree 21 September 2019, n. 105);

3. An offence punished with a maximum period of detention of not less than four years is considered to be a transnational offence, in cases where an organised criminal group is involved in it, and:
- it is committed in more than one State;
- or it is committed in one State, but a substantial part of its preparation, planning, direction and control takes place in another State;
- or it is committed in one State, but an organised criminal group engaged in criminal activities in more than one State is implicated in it;
- or it is committed in one State but has substantial effects in another State.

- offences of organised crime (art. 24-ter, LD 231/01), consisting of:
  - criminal association (art. 416 p.c.);
  - mafia-type association, including foreign associations (art. 416-bis p.c.);
  - political/mafia-type electoral exchanges (art. 416-ter p.c.);
  - kidnapping for purposes of robbery or extortion (art. 630 p.c.);
  - association for purposes of unlawfully dealing in narcotic or psychotropic substances (art. 74 of DPR no. 309 of 9 October 1990);
  - illegally manufacturing, bringing into the country, placing on sale, transferring, possessing and carrying in a public place, or in a place open to the public, military or military-type weapons or parts thereof, explosives, clandestine weapons or common fire-arms (art. 407, par. 2, letter a), no. 5, p.p.c.);

- crimes against industry and trade (art. 25-bis.1, LD 231/1), which include:
  - interference with the freedom of business or trade (art. 513 p.c.);
  - unlawful competition by threats or violence (art. 513-bis p.c.);
  - fraud against national industries (art. 514 p.c.);
  - fraud in carrying out trade (art. 515 p.c.);
  - selling non-genuine food substances as if genuine (art. 516 p.c.);
  - selling industrial products with false trademarks (art. 517 p.c.);
  - manufacturing and trading goods produced by usurping industrial property rights (art. 517-ter p.c.);
  - falsifying geographical indications or denominations of origin of farm and food products (art. 517-quater p.c.);

- copyright infringement crimes (art. 25-novies, LD 231/01), contemplated by copyright protection rules, and infringements of other rights inherent in exercising copyright (arts. 171, par. 1, letter a-bis) and par. 3, 171-bis, 171-ter, 171-septies and 171-octies of Law no. 633/1941);

- inducing others not to issue statements, or to issue false statements, to judicial authorities (art. 25-decies, LD 231/01);

- crimes against the environment (art. 25-undecies, LD 231/01), relating to:
  - rules protecting animal and vegetable species and habitats within protected sites (arts. 727-bis and 733-bis p.c.);
  - rules on discharging effluent waste contemplated by the Consolidated Environment Act (art. 137, pars. 2, 3, 5, 11 and 13 of LD no. 152/2006);
  - unauthorised waste management activities (art. 256, pars. 1, 3, 4, 5 and 6, first sentence, LD no. 152/2006);
  - failure to rehabilitate sites in accordance with the project approved by the competent authority (art. 257, pars. 1 and 2, LD no. 152/2006);
  - violation of disclosure obligations and of obligations in respect of preserving mandatory registers and forms (art. 258, par. 4, second sentence, LD no. 152/2006);
  - illicit trafficking of waste (art. 259, par. 1, LD 152/2006);
  - activities organised for illicit trafficking of waste (art. 260, pars. 1 and 2, LD no. 152/2006, repealed by art. 7 of LD 21/18 and included in art. 452-quaterdecies of the p.c.);
  - falsification of the waste analysis certificate, used also in the framework of SISTRI–Handling Area, and falsification and misrepresentation of the SISTRI–Handing Area schedule (art. 260-bis, pars. 6, 7, second and third sentences, and 8 of LD no. 152/2006) [4];
  - exceeding emission limit values, resulting in overstepping air quality limit values (art. 279, par. 2 and 5, LD no. 152/2006);
  - rules protecting stratospheric ozone (art. 3, par. 6, Law no. 549/1993);
  - rules on the international trading of animal and vegetable species nearing extinction and rules on commercialising and possessing live specimens of mammals and reptiles which may be a source of danger to public health and safety (Law no. 150/1992, art. 1, pars. 1 and 2, art. 2, pars. 1 and 2, art. 3-bis, par. 1, art. 6, par. 1, art. 6, par. 4);
  - rules geared to preventing pollution caused by ships (arts. 8 and 9, LD no. 202/2007);
  - environmental pollution (art. 452-bis p.c.);
  - environmental disaster (art. 452-quater p.c.);
  - unintentional crimes against the environment (art. 452-quinquies p.c.), reference should be made to the crimes set out in the two previous points, committed unintentionally;
  - aggravated crimes of association (art. 452-octies p.c.), i.e., crimes contemplated by heading VI-bis of the p.c. committed in a criminal association or in a mafia-type association, including foreign associations;
  - trafficking in, and abandoning, highly radio-active material (art. 452-sexies p.c.);

4. The LD 135/2018 in effect on December 15, 2018 and became law on February 2019, define the suspension of Control System of Tracking of Wastes (SISTRI). An electronic register for the tracking of wastes replaces this system. Until this system is not operative, the tracking of wastes is be assurance by paper tracking previously in force of SISTRI. Then actually the crime of art. 260-*bis* LD 152/06, referenced by LD 231/01 (art. 25-*undecies* c. 2 lett. g), is not applicable.

- employing illegally residing third-country nationals (art. 25-duodecies, LD 231/01), which include:
  - employing illegally residing third-country nationals (art. 22, par. 12-bis, LD 286/98);
  - promoting, directing, organising, financing or carrying out the transportation of foreigners to State territory, or carrying out other acts aimed at arranging for them to illegally enter State territory or the territory of another State of which the person is not a national or where he/she does not have a permanent right of residence (art. 12, pars. 3, 3-bis and 3-ter, LD 286/98);
  - helping foreigners to reside in conditions of illegality in State territory (art. 12, par. 5, LD 286/98);

- racism and xenophobia (art. 25-terdecies, LD 231/2001);

- fraud in sporting competitions, abusive gambling or betting and gambling exercised by means of prohibited devices (art. 25-quaterdecies), which include:
  - fraud in sporting competitions (art. 1, L. n. 401/1989);
  - abusive gambling or betting and gambling (art. 4, L. n. 401/1989);

- tax offenses (art. 25-quinquiesdecies), which include:
  - fraudulent statement through use of invoices or other documents for inexistent operations (art. 2 pars. 1 e 2-bis LD 74/2000);
  - fraudulent statement through other artifices (art. 3 LD 74/2000);
  - issuing invoices or other documents for inexistent operations (art. 8 pars. 1 e 2-bis LD 74/2000);
  - concealment or destruction of accounting documents (art. 10 LD 74/2000);
  - misappropriation to the payment of taxes (art. 11 LD 74/2000);
  - unfaithful declaration (art. 4 LD 74/2000), when committed as part of transnational fraudulent system and from which it obtains or may obtain a total damage equal to or greater than 10 million euros;
  - omitted declaration (art. 5 LD 74/2000), when committed as part of transnational fraudulent system and from which it obtains or may obtain a total damage equal to or greater than 10 million euros;
  - undue compensation (art. 10-quater LD 74/2000), when committed as part of transnational fraudulent system and from which it obtains or may obtain a total damage equal to or greater than 10 million euros;

- smuggling (art. 25-sexiesdecies LD 231/01), which include
  - smuggling in the movement of goods across land borders and customs areas (art. 282 Presidential Decree no. 43/1973);
  - smuggling in the movement of goods in border lakes (art. 283 Presidential Decree 43/1973);
  - smuggling in the maritime movement of goods (art. 284 Presidential Decree 43/1973);
  - smuggling in the movement of goods by air (art. 285 Presidential Decree 43/1973);
  - smuggling in non-customs areas (art. 286 Presidential Decree 43/1973);
  - smuggling for undue use of goods imported with customs facilities (art. 287 Presidential Decree 43/1973);
  - smuggling in customs warehouses (art. 288 Presidential Decree 43/1973);
  - smuggling in cabotage and circulation (art. 289 Presidential Decree 43/1973);
  - smuggling in the exportation of goods admitted to duty drawback (art. 290 Presidential Decree 43/1973);
  - smuggling of temporary import or export (art. 291 Presidential Decree 43/1973);
  - smuggling of foreign processed tobaccos (art. 291-bis Presidential Decree no. 43/1973);
  - aggravating circumstances of the crime of smuggling of foreign processed tobaccos (art. 291-ter Presidential Decree no. 43/1973);
  - criminal association for the purpose of smuggling foreign processed tobaccos (art. 291-quater Presidential Decree no. 43/1973);
  - other cases of smuggling (art. 292 Presidential Decree 43/1973);
  - aggravating circumstances of smuggling (art. 295 Presidential Decree 43/1973);

- offences relating to non-cash payment instruments (art. 25-octies.1 LD 231/01), which include:
  - undue use and falsification of non-cash payment instruments (art. 493-ter p.c.);
  - possession and diffusion of equipment, devices or computer programs aimed at committing offences regarding payment instruments other than cash (art. 493-quater p.c.);
  - computer fraud (art. 640-ter p.c.), in the hypothesis aggravated by the carrying out of a transfer of money, monetary value or virtual currency;
  - any other offence against public faith, against property or which in any case offends property provided for by the criminal code, when it concerns payment instruments other than cash, unless the act constitutes another administrative offence sanctioned more severely;

- crimes against the cultural heritage (art. 25-septiesdecies LD 231/01), which include:
  - theft of cultural assets (art. 518-bis p.c.);
  - embezzlement of cultural assets (art. 518-ter p.c.);
  - receiving stolen cultural goods (art. 518-quater p.c.);
  - forgery in private writing regarding cultural assets (art. 518-octies p.c.);
  - violations regarding the alienation of cultural assets (art. 518-novies p.c.);
  - illegal importation of cultural assets (Article 518-decies p.c.);
  - illicit exit or export of cultural assets (art. 518-undecies p.c.);
  - destruction, dispersion, deterioration, defacement and illegal use of cultural or landscape assets (art. 518-duodecies p.c.);
  - counterfeiting of works of art (art. 518-quaterdecies p.c.);

- laundering of cultural assets and devastation and looting of cultural and landscape assets (art. 25-duodicies LD 231/01), which includes:
  - laundering of cultural assets (art. 518-sexies p.c.);
  - devastation and looting of cultural and landscape assets (art. 518-terdecies p.c.)

In future, the Legislator in Legislative Decree 231/01 may include other types of offences and, therefore, it may be necessary to update this Model.

1.2 PENALTIES

The penalties contemplated for administrative offences arising from criminal offences are as follows:
- financial penalties;
- prohibitions;
- seizure;
- publication of the judgment.

More specifically, penalties in the form of prohibition, having a duration of not less than three months and not more than two years (without prejudice to the provisions of articles 25 par.5 of the Decree and without prejudice to the cases of definitive prohibition mentioned in article 16 of the Decree), refer to the specific activity to which the Body's offence refers and consist of:
- a prohibition on carrying out business;
- a prohibition on entering into contracts with the Public Administration, apart from obtaining the provision of a public service;
- a suspension or withdrawal of authorisations, licences or concessions inherent in the perpetration of the offence;
- an exclusion from facilitations, loans, contributions and subsidies and the possible withdrawal of any that have already been granted;
- a prohibition on advertising goods or services.

With reference to the crimes of art. 25 of the Decree that define the prohibitions, if convicted, these penalties are enhanced for a minimum of four months until a maximum of seven years, if persons in a senior position committed the crime.

If, before the judgment of the Court of First Instance, the society act effectively:
- to avoid that the criminal activity has further consequences
- to assurance the evidences of crime
- to identify the responsible and the seizure of money or other transferred utilities
- to eliminate organizational deficit that caused the crime by the adoption and actuation of suitable organizational models to prevent the crimes as that occurred

The prohibitions are by three months to two years.

Prohibitions apply in the hypotheses indicated as mandatory in the Decree, only if at least one of the following conditions arises[5]:

01. the Body has gained a substantial profit from the offence and the offence was committed:
- by persons in a senior position; or
- by persons under another person's direction and surveillance, in cases where the offence was either brought about or made easier by serious organisational shortcomings;

02. if the offences are repeated.

The type and duration of prohibitions are established by the court, bearing in mind the gravity of the act, the Body's level of liability and the action taken by the Body to eliminate or mitigate the consequences of the act and prevent the perpetration of further offences. Instead of applying the penalty, the court may order that the Body's business be continued by a judicial commissioner.

Prohibitions may be applied to the Body on a precautionary basis, in cases where there is serious circumstantial evidence pointing to the existence of the Body's liability in perpetrating the offence, and there are specific, well-founded elements of a concrete danger that unlawful offences of the same kind as that covered by the proceedings may be committed (art. 45 of the Decree). Here again, instead of applying the precautionary measure of prohibition, the court may appoint a judicial commissioner.

Failure to comply with prohibitions constitutes an autonomous offence which is envisaged by the Decree as a source of possible administrative liability on the part of the Body (art. 23 of the Decree).

Financial penalties, applicable to all offences, are determined on the basis of a system based on *"quotas"* at a number of not less than one hundred and not more than one thousand, and of an amount ranging from a minimum of € 258.23 to a maximum of € 1,549.37. The court determines the number of quotas, bearing in mind the gravity of the act, the extent to which the Body is liable and the action it has taken to eliminate or mitigate the consequences of the act and prevent the perpetration of further offences. The amount of the quota is established on the basis of the Body's economic and financial conditions, in such a way as to ensure that the penalty is effective (art. 11 of the Decree).

In addition to the aforesaid penalties, the Decree envisages, in all cases, the seizure of the price and profit of the offence (apart from the portion that can be returned to the injured party); this may apply also to goods or other assets of an equivalent value, and the court may order the judgment to be published in cases where a prohibition is imposed.

1.3 OFFENCES ATTEMPTED AND CRIMES COMMITTED ABROAD

The Body also accounts for crimes related to offences attempted and to crimes committed abroad.

In the cases of attempted offences indicated in Section I of the Decree, the financial penalties and prohibitions are reduced by one third up to a half, whereas the application of penalties is excluded in cases where the Body voluntarily prevents the perpetration of the act or the materialisation of the event. In such a case, the exclusion of penalties is justified by the interruption of any form of empathy between the Body and persons who claim to act in its name and on its behalf. This is a particular hypothesis of so-called "active withdrawal", contemplated by art. 56, par. 4, p.c.

Under art. 4 of the Decree, a Body that has its registered office in Italy may be called to account in the framework of offences–contemplated by the said Decree–committed abroad, in such a way as not to leave unpunished a frequently occurring criminal conduct and to ensure that the general structure of the relevant legislation is not easily eluded.

The preconditions on which the Body's liability for offences committed abroad rests are as follows:

A. the offence must be committed abroad by a person functionally linked to the Body, within the meaning of art. 5, par. 1, of the Decree;

B. the Body must have its principal registered office in the territory of the Italian State;

C. the Body may account only in the cases, and on the conditions, contemplated by arts. 7, 8, 9 and 10 p.c.

If the cases and conditions set out in the aforesaid articles of the penal code arise, the Body will be accountable provided that the State of the place where the act was committed does not proceed against it.

5. Under Supreme Court, Div. IV, judgment no. 42503 of 16 October 2013, the existence of at least one of the conditions set out would not be necessary for offences committed in breach of the rules on protecting health and safety in the workplace, for which the prohibitions ought in any case to apply outright. The Supreme Court in fact laid down that, if the Entity is condemned on account of the offence of serious personal injuries committed in breach of the aforesaid rules (art. 590, par. 3, p.c.), the prohibitions apply on a mandatory basis. Many people see this as an unjustified disparity of punishment between the hypothesised offences contemplated by art. 25-*septies* of the Decree and all the other predicate offences underlying the administrative liability of Entities.

1.4 PROCEEDINGS HELD TO ASCERTAIN THE OFFENCE AND THE COURT'S ASSESSMENT OF SUITABILITY

Liability on account of an administrative offence arising from a crime is ascertained in the framework of criminal proceedings.

Another rule contemplated by the Decree, resting on reasons of effectiveness, uniformity and economy of proceedings, is that of the mandatory consolidation of proceedings: the trial against the Body must continue to be consolidated, as far as possible, with the criminal proceedings filed against the natural person who committed the offence underlying the Body's liability.

The ascertainment of the Body's liability, which is assigned to the criminal court, is carried out by:

- verifying the existence of the offence underlying the Body's liability;
- ascertaining the existence of the interest of, or benefit for, the Body in the perpetration of the offence by its employee or senior executive;
- assessing the suitability of the adopted organisational models.

The court's assessment of the abstract suitability of the organisational model in terms of averting the offences indicated in the Decree is carried out according to the criterion of so-called "subsequent prognosis". In other words, the assessment of suitability is made according to a basically *ex-ante* criterion, which means that the court considers, ideally, the company's situation at the time when the offence was committed, in order to analyse the adequacy of the adopted model.

1.5 ACTIONS JUSTIFYING EXONERATION FROM ADMINISTRATIVE LIABILITY

Arts. 6 and 7 of the Decree nevertheless envisage forms of exoneration from the Body's administrative liability for offences committed in the Body's interest or for its benefit by both senior executives and employees.

More specifically, in cases of offences committed by persons occupying a senior position, art. 6 envisages exoneration if the Body demonstrates that:

A. the governing body adopted, and effectively implemented - prior to the act's perpetration - an *Organisation, Management and Control Model* that is suitable in terms of averting offences of the kind that occurred (hereinafter "Model");

B. the task of watching over the functioning and observance of the Model and proposing its updating was entrusted to a Board of the Body (hereinafter "Supervisory Board" or "Board" or "S.B."), vested with powers of initiative and control;

C. the persons who committed the offence acted by fraudulently eluding the aforesaid Model;

D. the S.B.'s supervision was neither lacking nor insufficient.

As far as the employees are concerned, art. 7 envisages exoneration in cases where the Body has adopted and effectively implemented - prior to the act's perpetration - a Model that is suitable in terms of averting offences of the kind that occurred.

Furthermore, the Decree envisages that the Model should satisfy the following requirements, i.e., by:

- singling out the activities in whose framework there is a possibility of crimes being committed;
- envisaging specific protocols aimed at planning the formation and implementation of the Body's decisions with regard to the offences to be averted;
- establishing modalities of managing financial resources that are suitable in terms of preventing the perpetration of such offences;
- envisaging disclosure obligations vis-à-vis the S.B.; and
- introducing a suitable internal disciplinary system geared to sanctioning non-compliance with the measures indicated in the Model.

The said Decree envisages that the Models may be adopted - guaranteeing the above requirements - on the basis of codes of practice prepared by representative trade associations and notified to the Ministry of Justice, which - in liaison with the competent Ministries - may, within 30 days, submit observations on the suitability of the models in terms of averting offences.

2. CONFINDUSTRIA'S GUIDELINES

The preparation of this Model is inspired by the *Guidelines* issued by Confindustria for the first time on 7 March 2002 and later updated in the course of time.

The pathway set out in the *Guidelines* for elaborating the Model can be summarised in the following basic points:

- singling out areas of risk, in such a way as to verify in which corporate areas/sectors the offences may be perpetrated;
- organising a system of monitoring capable of reducing risks by adopting specific protocols. This is facilitated by a coordinated set of organisational structures, activities and operational rules applied by company management and personnel, aimed at providing reasonable certainty in respect of attaining objectives falling within an effective system of internal control. The most important components of the preventive control system recommended by Confindustria are as follows:
  - code of ethics;
  - organisational system;
  - manual and IT procedures;
  - powers of authorisation and signature;
  - systems of control and management;
  - staff notices and staff training.

Furthermore, the control system must be standardised according to the following principles:

- each and every operation must be verifiable, documentable, coherent and reasonable;
- duties must be kept separate (no-one can autonomously manage all the phases of a process);
- the controls must be documented;
- an appropriate system of penalties must be introduced for any breaches of the rules and procedures contemplated by the Model;
- a S.B. must be set up, the main requisites of which are:
- autonomy and independence;
- professionalism;
- continuity of action.

Furthermore, the Guidelines envisage as follows:

- the company Department of groups–and in particular those which carry out activities singled out as being "open to risk"–are required to furnish information to the S.B. signalling irregularities or anomalies ascertained in the framework of the available information (this requirement extends to all employees without following hierarchical lines);
- the possibility of implementing, within groups, organisational solutions that centralise, at the group leader, the operational resources that are to be dedicated to supervision also at the group's companies, on condition that:
  - the S.B. is set up at the subsidiaries;
  - the subsidiary's S.B. has the possibility of availing itself of the group leader's operational resources dedicated to supervision on the basis of a pre-established contractual relationship;
  - the persons of whom the group leader's S.B. avails itself in the course of carrying out checks at the other companies of the group, act as external professionals who provide their services in the interests of the subsidiary, reporting directly to the latter's S.B., with the confidentiality obligations typical of an external advisor;
- the possibility that the Supervisory Boards of the various group companies may develop exchanges of information organised on the basis of timeframes and contents such as to ensure the completeness and promptness of the information required for the purposes of inspections carried out by regulatory bodies. These exchanges of information will nonetheless have to be carefully regulated and managed, in such a way as to ensure that the autonomy of boards and models is not invalidated by dealings which, de facto, give rise to the holding company's decisional interference in activities implementing the decree at each of the subsidiaries.

It is understood that the fact of choosing not to follow the Guidelines in certain specific points does not compromise the validity of a Model. Given that the Model is drawn up on the basis of the particularities of a specific company, it may in fact differ from the Guidelines, which are, of course, of a general nature.

3. ADOPTION OF THE MODEL BY LOTTOMATICA GROUP S.P.A.

3.1 OBJECTIVES AND CORPORATE MISSION

Lottomatica GROUP S.p.A. (hereinafter "Group Leader" or "Company") is a leading company in the gaming sector in Italy, where the subsidiaries operate as both concessionaires and retailers.

Caring for people and having the ambition of being a place where people are proud to work, as well as the ability to attract and retain the finest professionals, are some of the main tools with which Lottomatica GROUP S.p.A. seeks to pursue excellence in the service offered.

3.2 GOVERNANCE MODEL

The Company's *corporate governance*, based on the traditional model, is made up as follows:

- *Shareholders' Meeting,* which is responsible for deliberating-in both ordinary and extraordinary session-upon the matters reserved for it by the Law or by the Bylaws;
- *Board of Directors*, which is vested with the broadest powers in terms of running the Company, and empowered to carry out any acts required to achieve the corporate purposes, apart from acts reserved–by the Law and by the Bylaws–for the Shareholders' Meeting;
- *Board of Statutory Auditors,* which is responsible for watching over:
  - compliance with the law and with the deed of incorporation, and observance of principles of proper administration;
  - the adequacy of the Company's organisational structure, of the system of internal control and of the administrative/accounting system, including with regard to the latter's reliability in terms of correctly portraying operations;
  - the adequacy of the instructions issued to subsidiaries concerning the information to be furnished in order to comply with disclosure requirements;
- *Auditing company,* as contemplated by the legislation currently in force, auditing activities are carried out by an auditing company registered at the specific register, after being specifically appointed to this end by the Shareholders' Meeting.

3.3 ORGANISATIONAL LAYOUT

The Company's organisational structure rests on a separation of duties, roles and responsibilities among Department of groups in such a way that no Department of group can autonomously follow all the phases of a process.

The Company's Organisational System is defined, and systematically updated, on the basis of specific corporate documents, known as organisational notices, which provide an indication of:

- the Head of the Department of group/Area;
- to whom the Department of group/Area reports in hierarchical terms;
- the main responsibilities of the Department of group/Area.

These documents are circulated by email and published on the company intranet system.

3.4 REASONS WHY THE COMPANY HAS ADOPTED THE MODEL

The Company-in order to ensure that all those who operate on its behalf or in its interest always conduct themselves in a manner conforming to principles of honesty and transparency in the course of carrying out company business and activities–has seen fit to proceed to adopt a Model, in line with the requirements of the Decree and with the relevant case law recommendations, as indeed on the basis of the Guidelines issued by Confindustria.

It has done so in the belief that the adoption of the Model – quite apart from the requirements set out in the Decree, which point to the Model as an optional, and not mandatory, element – will serve to sensitise all those who operate in the interest, or for the benefit, of the Company.

In particular, the following persons are considered ***Addressees*** of this Model; as such, and in the framework of specific responsibilities, they are required to take note of it and comply with it:

- the Shareholders' representatives;
- the members of the Board of Directors;
- the members of the Board of Statutory Auditors;
- the employees, and the collaborators who have contractual dealings with the Company, for any reason, even if such dealings are occasional and/or only temporary;
- all those who have commercial and/or financial dealings of any kind with the Company.

3.4.1 PURPOSES OF THE MODEL

The Model drawn up by the Company is based on a structured and functional system of documents, which include procedures, operational instructions and other documents regulating the Company's operations (hereinafter abbreviated to "procedures"), as well as control activities that:

- single out *areas of possible risk in the company's business*, i.e. activities in whose framework the perpetration of offences is considered theoretically possible;
- define *an internal system of rules*, aimed at averting offences, which include, inter alia;
  - a *Code of Ethics*, setting out ethical commitments and responsibilities - in the course of carrying out company business and activities - undertaken by the employees, directors and collaborators in various capacaties of the Company;
  - a *system of delegated powers*, powers of signature and powers of attorney to sign corporate documents, ensuring a clear and transparent portrayal of the process by which decisions are formed and implemented;
  - *formalised procedures*, geared to regulating the operating procedures by which activities in areas open to risk are carried out;
  - a *system of penalties*;
- rest on the precondition of an *organisational structure* coherent with company activities, aimed at inspiring and monitoring honest behaviour, guaranteeing a clear and systematic allocation of tasks, applying an appropriate segregation of duties and ensuring that the cornerstones on which the organisational structure rests are implemented in practice, in the form of:
  - an *organisation chart* that is formally defined, clear and appropriate in terms of the activity to be carried out;
  - a *system of delegated internal duties and powers of attorney* for representing the Company externally, ensuring a clear and coherent segregation of duties;
- single out *procedures in respect of managing and controlling financial resources*;
- assign *to the S.B. the task of watching over the functioning and observance of the Model* and proposing its updating, applying the methods and tools formally indicated in a Set of Rules of the S.B.

Therefore, the purposes the Model seeks to achieve are:

- to improve the system of Corporate Governance;
- to set in place a structured and functional system of prevention and control aimed at reducing the risk of perpetration of offences related to company business, having particular regard to averting any illegal behaviour;
- to ensure that all those who operate in the Company's name, and on its behalf, are made aware that - in the event of breaching the rules set out therein – they may commit an offence susceptible to penalties, at both the criminal and administrative level, not only as far as they themselves are concerned, but also the Company;
- to inform all those who operate for any reason in the Company's name, on its behalf or, in any case, in its interest, that breaches of the rules contained in the Model will give rise to the application of specific penalties which may go as far as termination of the contractual relationship;
- to reiterate that the Company does not tolerate unlawful behaviour, in so far as the purpose pursued – i.e., the erroneous belief of acting in its interest or for its benefit – is of no relevance whatsoever, given that such behaviour is in any event contrary to the ethical principles by which the Company intends to abide and hence against its interests;
- to actively denounce any behaviour that is in breach of the Model, by imposing disciplinary and/or contractual penalties.

3.4.2 THE PROCESS BY WHICH THE MODEL WAS DRAWN UP

The process by which the Model was drawn up went through various phases, which are described below and which led to the elaboration of a risk assessment document pursuant to LD 231/01.

01. *Mapping of activities open to risk*. The purpose of this phase was to analyse the corporate context, with a view to mapping all of the Company's areas of activity and, among them, to single out activities in which – in theory – the offences contemplated by the Decree might be committed. The company activities and areas open to risk were identified after examining the company documents (organisation chart, main procedures, powers of attorney, organisational notices, etc.).
02. *Analysis of potential risks*. With regard to the mapping of activities, carried out on the basis of the specific context in which the Company operates and the relevant identification of areas and activities open to risk, the offences which could potentially be committed in the framework of company activities were analysed, as well as the situations, purposes and modalities of the unlawful conduct.
03. *As-is analysis*. After singling out the potential risks, the next step was to analyse the system of existing preventive controls in procedures/activities open to risk, in order to express the ensuing assessment of its suitability in terms of averting the risks of offence. This phase thus included surveying existing monitoring safeguards (formal procedures and/or practices adopted, the fact that operations and controls are verifiable, documentable or "traceable", the separation or segregation of duties, etc.), by examining the information furnished by company structures and by analysing the documents provided by them.
04. *Gap analysis*. On the basis of the results obtained in the previous phase and of the comparison with a theoretical reference model (consistent with the Decree, with the Guidelines and with the best national and international practices), the Company singled out a series of areas supplementing and/or improving the monitoring system, which made it possible to define the appropriate initiatives to be adopted.
05. *Drawing up the Model*. In view of the results of the phases described above, the Company arranged to draw up the Model, the structure of which is described in section 3.5 below.

On the basis of the risk assessment carried out, and in view of the Company's specific operations, the activities open to the risk of perpetration of the offences contemplated by LD 231/2001 were identified. They are set out in the Special Part of this Model.

The activities open to risk were also held to include those which – whilst having direct relevance as activities which could constitute criminal conduct – may also be of indirect relevance to the perpetration of other offences, which have been found to be instrumental to their perpetration (e.g., selecting and hiring personnel, system of incentives, acquisition of goods and services, etc.).

With reference to all the areas open to risk (including instrumental areas), account has also been taken of any indirect dealings, i.e., any dealings which the Company has, or could have, through third parties.

In the framework of risk assessment activities, the following components of the preventive control system were analysed:

- *Organisational system*. The verification of the adequacy of the organisational system was assessed on the basis of the following criteria:
  - formalisation of the system;
  - a clear definition of responsibilities assigned and reporting lines;
  - the existence of segregation and juxtaposition of duties;
  - the fact that the activities effectively carried out correspond to the requirements of the missions and responsibilities described in the Company's organisation chart.
- *Operating procedures*. In this framework, focus was placed on verifying the existence of formalised procedures regulating the activities carried out by structures in areas open to risk, bearing in mind not only the phases of negotiation, but also those of examining and forming company decisions.
- *System of authorisations*. The analysis covered the existence of powers of authorisation and signature coherent with the organisational and management responsibilities assigned and/or actually performed. The assessment was conducted by examining the powers of attorney issued and the delegated powers of internal management, bearing in mind the company's organisation chart.
- *Management control system*. In this framework, an analysis was conducted of the Company's current management control system, the persons involved in the process and the system's capacity to promptly furnish signals of the existence and emergence of situations of general and/or particular concern.
- *Monitoring and managing documentation*. The analysis covered the existence of a suitable system of ongoing monitoring of processes in terms of verifying results and possible discrepancies, as well as the existence of an appropriate system of managing documentation that makes it possible to trace operations.

- *Formalised ethical principles*. The analysis involved verifying the comprehensiveness of the ethical principles set out in the Code of Ethics with reference to each of the activities open to the risk of offences.
- *Disciplinary system*. The analyses conducted sought to verify the adequacy of the disciplinary system currently in force, which punishes any breaches of principles and provisions aimed at averting the perpetration of offences, whether by the Company's employees –including managers– or by Directors, Statutory Auditors and external collaborators.
- *Staff notices, staff training and information provided to the other Addressees*. The checks sought to ascertain the existence of forms of notification and training for the Addressees of the Model in the matters covered by LD 231/01.

3.5 STRUCTURE OF THE DOCUMENT

This document (Model) consists of a "General Part" and a "Special Part".

In the "General Part", after referring to the principles of the Decree, to Confindustria's Guidelines and to the reasons why the Company has adopted the Model, an explanation is provided of:

- the essential components of the Model, with particular reference to the S.B.;
- staff training and divulgation of the Model both within and outside the Company;
- the disciplinary system and the measures to be adopted in cases where its rules are not complied with;
- the general principles of conduct for Offences not covered in the special part.

The "Special Part" highlights, for each area open to risk singled out in the course of the risk assessment:

- the description of the potential risk profile;
- the activities open to risk and the units involved (Departments of group/Areas) in the framework of the specific area open to risk;
- the specific control protocols.

Furthermore, the following documents, attached as schedules, are an integral part of the Model adopted by the Company:

- *Lottomatica group Code of Ethics* (Schedule 1). This document sets out the values with which the Addressees are required to comply, accepting responsibilities, systems, roles and rules for whose violation –even in cases where this does not give rise to any corporate liability vis-à-vis third parties– they assume personal liability both within and outside the Company.
- *Letter of attestation on the part of the heads of areas at risk* (Schedule 2). This is drawn up in order to notify the S.B. that the activities have been carried out –and that the powers have been exercised- in accordance with the law, the Model and company procedures.
- *Declaration of acceptance of the Model, the Code of Ethics* and the *Policy and Guidelines for preventing corruption* (Schedule 3), which must be signed by the Company's employees/collaborators when the contractual relationship is set up.

It should be noted that the Lottomatica Group has decided to adopt an Anti-bribery Management System in accordance with the UNI ISO 37001:2016 standard, of which the mentioned document Policy and Guidelines for preventing corruption is an integral part and oriented, in particular, to the pursuit of the general objectives for the prevention and fight against corruption.

3.6 ADOPTION AND MANAGEMENT OF THE MODEL IN THE LOTTOMATICA GROUP AND IN THE SUBSIDIARIES

The subsidiaries of the Group Leader are to adopt a Model of their own in accordance with the Decree's requirements. In so doing, they are to use the Group Leader's Model as a reference, while, however, adjusting it autonomously to their particular situations, in such a way that it is effective in the various areas of activities open to risk inherent in each corporate unit and identified therein.

Each subsidiary must arrange to set up a S.B. of its own, whose first responsibility is to carry out checks on the Model's implementation, in accordance with the procedures described in it and on the basis of the guidelines contained in arts. 6 and 7 of the Decree.

Each subsidiary must send its adopted Model, and any later updates thereof, to the Group Leader.

3.7 ELEMENTS OF THE MODEL

As indicated above, the components of the preventive control system that have to be implemented at company level in order to ensure the Model's effectiveness are;

- a sufficiently formalised and clear organisational system;
- operational procedures, whether manual or IT, geared to regulating activities in business areas open to risk, with appropriate control points;
- powers of authorisation and signature coherent with the established organisational and management responsibilities;
- a management control system capable of promptly signalling the existence and emergence of critical situations;
- a system for monitoring and managing documentation;
- ethical principles aimed at averting the offences contemplated by the Decree;
- an appropriate disciplinary system geared to sanctioning breaches of the rules of the Code of Ethics and of the other guidelines of the Model;
- a staff notification and training system covering all the elements of the Model, including the Code of Ethics.

Provided below is a description - for the elements specified above - of the principles guiding the Model's protocols with characteristics common to all the instances of offence envisaged by the Decree; reference should, on the other hand, be made to the Special Part as far as the protocols with specific characteristics for each type of offence are concerned (e.g., procedures or other specific protocols);

- **Organisational System.** The Company's first tier Organisational System (structures/organisational positions, missions and areas of responsibility reporting directly to the Chief Executive Officer / Chairman of the Board of Directors) is approved by the Board of Directors (hereinafter also referred to as B.D.) and defined on the basis of organisational announcements issued by the *Human Resources, Organization and PSS* Department of group of group. Arrangements for its formalisation and divulgation are made by the *Human Resources, Organization and PSS* Department of group of group, which proceeds to update the Company's organisation chart. On the basis of organisational announcements, the missions and responsibilities of each Unit are established.

  The organisational announcements are circulated to all company personnel by publishing them on the company intranet. Furthermore, the Company also issues and circulates internal relating to specific organisational and operative aspects of the company's organisation.

- **System of Authorisations.** The Company's System of Authorisations rests on compliance with the following requisites:
  - the delegated powers and powers of attorney must combine the power with the relevant area of responsibility;
  - each delegated power and power of attorney must define clearly the powers of the delegate, clarifying the relevant limits;
  - the management powers granted under the delegated powers/powers of attorney must be consistent with corporate objectives;
  - all those who act in the name and on behalf of the Company vis-à-vis third parties, and in particular vis-à-vis the Public Administration, must be duly empowered to do so.

  In particular, the system envisages granting:
  - *powers of permanent representation*, attributable through registered notarial powers of attorney covering the performance of activities inherent in the permanent responsibilities envisaged in the company's organisation;
  - *powers relating to particular items of business*, granted under notarial powers of attorney, or other forms of delegated power, depending on their contents; such powers are granted in compliance with the laws defining forms of representation, in accordance with the types of deeds to be concluded; as far as possible, standard contents/clauses will be contemplated in special powers of attorney for pre-established categories of deeds.

  The *Corporate & Legal Affairs* Department of group of group deals with notarial formalities in respect of granting the power of attorney and:
  - informs the representative of the powers granted, in the letter of notification of powers;
  - proceeds to send the updated situation of Powers of Attorney and Delegated Powers to those concerned whenever changes are made.

In the event of revocation, it is once again the *Corporate & Legal Affairs* Department of group of group that deals with the revocation phase.

- **Company procedures.** Internal procedures are characterised by the following elements:
  - a separation-as far as possible-within each process, between the person who makes the decision (decision-making impulse), the person who authorises it, the person who carries out the decision and the person entrusted with monitoring the process (so-called segregation of duties);
  - written evidence of each significant step in the process, including control (so-called "traceability");
  - an appropriate level of formalisation

  The *Regulatory, Compliance, Anti-Money Laundering & Quality* Department of group is responsible for defining and updating the procedures in liaison with the Departments of group/Areas involved in the activities described by the procedure.

- **Management control.** The management control system adopted by the Company is split up into the various phases of elaborating the annual budget, analysing periodical results and elaborating forecasts. The system ensures:
  - that different persons are involved, on the basis of an appropriate segregation of duties in terms of elaborating and transmitting information;
  - that there is the capacity to promptly signal the existence and emergence of critical situations thanks to an appropriate and timely system of information flows and reporting.

  The *Finance, Control and Credit* Department of group is responsible for setting up an appropriate management control system, and ensuring that it is always adapted to corporate requirements.

- **Managing documentation.** All the Company's internal and external documentation must be managed on the basis of modalities that regulate-as the case may be-the updating, distribution, recording, filing and security management of documents and registrations. Specific safeguards exclude unauthorised persons from having the possibility of accessing the Company's registration system and ensure that it is impossible to alter any registrations that have already been carried out.

  The *Purchasing & Shared Services* Area of group is responsible for registering incoming and outgoing mail.

For a description of the other elements, reference should be made:
- as far as ethical principles are concerned, to the Code of Ethics and to the Special Part, which-for each area open to risk-highlights a number of applicable principles supplementing those already contained in the Code of Ethics;
- as far as the disciplinary system is concerned, to chapter 6 below;
- as far as the staff training notification system is concerned, to chapter 5 below.

Another pivotal element in the Model's construction is the **management of financial flows**. This management is established on the basis of principles resting on a basic segregation of duties, in such a way as to ensure that any and all disbursements are requested, carried out and controlled by independent functions or by different persons-where possible-who, moreover, are not vested with other responsibilities that could give rise to potential conflicts of interest. The management of liquidity is guided by asset conservation criteria, and this implies a ban on carrying out risky financial operations.

The *Finance, Control and Credit* Department of group is responsible for setting in place (and continuously adapting to company requirements) an appropriate system of managing financial flows, guaranteeing the above requirements. For further analysis, reference should be made to the Special Part, section 3.6.

3.8 AMENDMENTS AND SUPPLEMENTS TO THE MODEL

Given that this Model is an "act issued by the governing body", in accordance with the provisions of art. 6, par. 1, letter a, of the Decree, its adoption – as well as any later amendments and supplements – comes within the competence of the Company's Board of Directors. However, the *Internal Audit, GRC and AB&C* Department of group is responsible for directly incorporating any non-substantial, and essentially formal, amendments or supplements that are to be made to this Model, including any that are based on resolutions already passed by the B.D.

More specifically, the Company's Board of Directors is entrusted with the task of:

- supplementing –where appropriate on a proposal of the S.B.–the General Part and the Special Part of this Model;
- proceeding to issue the Code of Ethics and any later amendments and supplements thereto.

All the above amendments and supplements will be promptly notified to the Group's subsidiaries in order that, where appropriate, they adopt them in their models.

4. SUPERVISORY BOARD

4.1 IDENTIFICATION OF THE SUPERVISORY BOARD

On the basis of Confindustria's Guidelines, the characteristics of the S.B. – necessary for it to carry out its activities on the basis of the guidelines contained in arts. 6 and 7 of the Decree – must be:

A. **Autonomy and independence.** The requisites of autonomy and independence are vital in order to ensure that the S.B. is not directly involved in the operational activities that come within its control. These requisites can be satisfied by excluding any form of hierarchical dependence of the S.B. within the Company and by envisaging that it will report to the Board of Directors.

B. **Professionalism.** The S.B. must dispose, internally, of technical and professional competencies that are geared to the duties it is required to perform. These characteristics, combined with independence, are a guarantee of objective judgment.

C. **Continuity of action.** The S.B. must:
   - work constantly on watching over the Model, with the necessary powers of investigation;
   - make sure that the Model is implemented and ensure that it is constantly updated;
   - not perform operational duties which could affect the overall view of the company's activities which it is required to have.

In accordance with art. 6, letter b, of the Decree, the Board of Directors has granted S.B. status to both external and internal members.

In order to carry out its tasks, the S.B. may avail itself of company Department/Areas or external advisors that are deemed useful, at any given time, for the purposes of carrying out the activities for which it is responsible.

The S.B. adopts a specific Set of Rules regulating, in particular: rules of convocation and functioning; relations with company Departments/Areas and with third parties; modalities and timeframes for planning activities; reporting procedures; and the processing of the relevant data.

In accordance with art. 6 of the Decree, the Company's S.B. is vested with "autonomous powers of initiative and control". More specifically:

- the **autonomy and independence** which the Board is required to have are guaranteed by the fact that – since it is formed also by external members – it is bereft of operational duties and interests which could clash with the assignment and affect its autonomy of judgment and assessment; and also by the fact that the S.B. operates without hierarchical restrictions in the context of the Company's corporate governance, in that it reports directly to the B.D. on its activities. What is more, the activities carried into effect by the S.B. cannot be judged by any other corporate entity or structure, apart – of course - from the power/duty of the Board of Directors to watch over the adequacy of the actions taken by the S.B. to ensure that the Model is updated and implemented. To this end, each year the B.D. grants the S.B. a specific expenditure budget, which must be used solely and exclusively for the expenses needed for it to carry out its duties;
- **professionalism** is guaranteed:
  - by the blend of competencies of the Board's members, which meet the necessary requisites in terms of professionalism;
  - by the right granted to the Board of availing itself – in order to carry out its assignment and to be in a position of complete budget autonomy – of the specific professional competencies of the heads of the various company Departments/Areas and of external advisors;
- **continuity of action** is guaranteed by the fact that the Board operates at the Company in order to fulfil the assignment conferred on it; this is achieved also by establishing periodical and specific flows of information which enable it to acquire immediate knowledge of any critical aspects.

The S.B. reports to the Company's Board of Directors.

The appointment of a member of the S.B. is subject to the presence of requisites in terms of professionalism and honourableness, as indeed to the absence of any sources of incompatibility with such appointment. More specifically, the causes of ineligibility of members of the S.B. are as follows;

- having connections - as a spouse, relative or in-law up to the fourth degree - with the Directors, with members of the Board of Statutory Auditors or with other members of the S.B.;
- having, whether directly or indirectly (apart from the existing permanent employment of any internal members)

economic and/or contractual dealings - for or without consideration - with the Company, with the subsidiaries and/or with their respective Directors, that are such as to influence their independence of judgment;
- owning, whether directly or indirectly, shareholdings in the Company or in subsidiaries, which make it possible to exercise control of, or wield considerable influence over, the Company, or in any case such as to compromise their independence;
- holding delegated powers which could undermine their independence of judgment;
- being in a legal state of interdiction, disqualified, bankrupt or sentenced to a punishment that gives rise to disqualification, albeit temporarily, from public office or to the incapacity to hold management positions;
- having been subject to measures of prevention ordered by judicial authorities, without prejudice to the effects of rehabilitation;
- having been condemned - under a judgment that has become final, under a criminal conviction that has become irrevocable or under a plea bargain conviction within the meaning of article 44 of the code of penal procedure (without prejudice to cases of decriminalisation of the offence or of a declaration of the offence's extinction after the conviction in question is revoked) - in connection with one of the offences contemplated by LD 231/01 or with offences of the same type (more specifically, offences against property, offences against the Public Administration, offences against public faith, offences against public policy, tax offences, bankruptcy offences, financial offences, etc.).

The Board's members remain office for the period established by the B.D. at the time of their appointment and in any case until their successors are appointed. The appointments may be renewed twice.

Termination of the assignment as member of the S.B. may also come about due to waiver, forfeiture or revocation, and the B.D. will in any case be responsible for promptly making replacement arrangements. In the event of waiver, forfeiture or revocation of the President of the Board, the Chair is taken over by the senior member in terms of age, who remains in office until the date on which the new President of the Board is appointed.

Waiver may be exercised by members of the S.B. at any time and must be notified to the B.D. in writing, together with the reasons which have brought it about.

Should causes of incompatibility arise affecting any of the Board's members, the person concerned is required to submit formal notification thereof to the B.D.; after making the necessary checks, and after consulting the person concerned and the other members of the Board, the B.D. will fix a deadline of not less than 30 days, within which the situation of incompatibility must come to an end. Once this deadline has expired without the aforesaid situation coming to an end, the B.D. must declare the member removed and adopt the appropriate decisions.

The emergence of causes of incompatibility could also be ascertained by a person other than the person concerned, and the former is required to submit formal notification thereof to the B.D., which will proceed as described above.

Likewise, disqualification or incapacitation - or alternatively a serious infirmity that makes any of the members of the Board unfit to carry out his/her supervisory duties for a period of more than six months - will lead to the declaration of the member's removal from the Board, to be implemented as established above.

In order to ensure the necessary stability of the S.B. and protect the legitimate performance of duties, and the position occupied, against an unjustified removal, the revocation of S.B. powers - and the assignment of such powers to another person - may only take place for a justified reason, in the form of a specific resolution passed by the Board of Directors after consulting the Board of Statutory Auditors and the other members of the Board.

In this respect, the term "justified reason" for revocation of the powers inherent in the S.B. appointment can be held to include, by way of example:
- a serious breach of one's duties, as defined in the Model;
- a conviction condemning the Company within the meaning of the Decree or a plea bargain conviction that has become res iudicata, revealing "lacking or insufficient supervision" on the part of the Board, in accordance with the provisions of art. 6, par. 1, letter d), of the Decree;
- a definitive judgment or criminal conviction that has become irrevocable, or a plea bargain conviction, passed against a member of the Board for having committed one of the offences contemplated by the Decree or offences of the same kind;
- a measure condemning the Company on account of one of the offences contemplated by the Decree, in the event of "lacking or insufficient supervision" on the part of the Board, in accordance with the provisions of art. 6, par. 1, letter d), of the Decree;
- a breach of confidentiality obligations, as indeed of rules in matters of privileged information.

If all the members of the S.B. are removed, the Company's Board of Directors, after consulting the Board of Statutory Auditors, will proceed to appoint a new Board.

In cases where serious reasons of expediency arise (e.g., the application of precautionary measures), the B.D. may order the suspension from duties of one or all members of the S.B. and promptly arrange either to appoint a new member or to appoint the entire Board ad interim.

4.2 DUTIES AND POWERS OF THE SUPERVISORY BOARD

The mission of the Company's S.B. consists of:

- verifying and watching over the Model;
- signalling, where applicable, the necessity to update the Model;
- monitoring the provision of appropriate information and training thereon.

More specifically, by specifically planning interventions, the S.B. is responsible for:

- periodically surveying company activities with a view to singling out areas open to the risk of offences within the meaning of LD 231/01 and recommending that they be updated and supplemented, should this prove to be necessary;
- monitoring the Model's validity in the course of time, by promoting -where appropriate after consulting the company Departments/Areas concerned– any actions that may be required in order to ensure its effectiveness. This task includes formulating proposed adjustments to be sent to the competent company Department/Areas and to the Chairman/Chief Executive Officer, and later verifying the implementation and functionality of the proposed solutions;
- verifying the Model's effectiveness in relation to the corporate structure and to the effective capacity to avert the perpetration of the offences indicated in the Decree, by recommending –should this be deemed necessary –possible updates to the Model, with particular reference to developments and changes in the organisational structure or in company operations and/or in the legislation currently in force;
- carrying out checks on the proper functioning of company activities at the Departments/Areas considered open to the risk of offences, in accordance with the adopted Model, whilst also coordinating to this end the relevant company Departments/Areas;
- carrying out checks on existing powers of authorisation and signature, in order to verify that they are in line with the established organisational and management responsibilities, and recommending that they be updated and/or amended, where necessary;
- carrying out checks on acts carried out by persons vested with powers of signature and on the reports the latter have periodically sent to the delegating body, in such a way as to verify that they are consistent with the assigned mission and powers;
- recommending to the Chairman/CEO the advisability of elaborating, supplementing and modifying operating and control procedures which duly regulate the functioning of activities.

Furthermore, the S.B. is responsible for:

- defining the flow of information that enables it to be periodically updated, by the company Departments/Areas concerned, on activities considered open to the risk of offences, and establishing communication procedures, with a view to acquiring knowledge of any violations of the Model;
- implementing, in accordance with the Model, an effective flow of information towards the Board of Directors, in such a way as to enable the Board to report to it on the effectiveness and observance of the Model;
- promoting -in liaison with the *Human Resources, Organization and PSS* Department of group -at the competent company Departments/Areas, an appropriate staff training process based on appropriate initiatives disseminating knowledge and understanding of the Model;
- promoting and coordinating initiatives geared to facilitating knowledge of the Model and of the relevant procedures on the part of all those who operate on behalf of the Company.

In order to meet the formal requirements listed above, the S.B. is vested with the powers set out below:

- to access any corporate documents and/or information of relevance for fulfilling the duties assigned to it in accordance with the Decree;
- to avail itself of external advisors endowed with proven professionalism in cases where this may be necessary in order to carry out the activities for which it is responsible, complying with the rules that apply on granting consultancy assignments;
- to ensure that the heads of the company Departments/Areas promptly furnish the information, data and/or news they are asked to provide;

- to proceed, where necessary, to directly interview the Company's employees and directors;
- to request information from suppliers, external clients providing consultancy services, commercial partners and auditors.

As previously mentioned, for the purposes of fulfilling the tasks and duties assigned to it in a better and more effective manner, the Board may avail itself -in the course of its operations -of the various Departments/Areas which, from time to time, may be useful for the purposes of implementing the specified activities.

Furthermore, the S.B. may decide to delegate one or more specific tasks to individual members, on the basis of their respective competencies, and they will be required to report back to the Board. In any case, the Board's collective responsibility continues to apply also in respect of duties delegated by the Board to individual members or actually carried out by other company Departments/Areas.

4.3 REPORTS SUBMITTED BY THE SUPERVISORY BOARD TO THE GOVERNING BODIES

When it comes to reporting, the Company's S.B. will arrange to provide the Board of Directors with a written report, at least once a year. More specifically, the reports will cover:

- the activities carried out as a whole in the course of the period, with particular reference to verification activities;
- the concerns that have emerged regarding demeanours or events within the Company, as indeed the Model's effectiveness;
- notifications of violations of the Model received in the course of the period and the actions taken by the S.B., or by the other persons concerned, in dealing with such notifications;
- the activities in respect of which it has not been possible to proceed for justified reasons of time and/or resources;
- the necessary and/or opportune actions aimed at correcting and improving the Model, and their state of implementation;
- the state of implementation of the Model in the framework of the Group Leader and its subsidiaries;
- the Plan of activities for the forthcoming period.

The S.B. is, on the other hand, required to promptly report to the Chairman of the Board of Directors / Chief Executive Officer, whilst duly informing the B.D., on:

- any violation of the Model deemed well-founded, which has emerged in information received from employees or which the Board has itself ascertained;
- ascertained organisational or procedural deficiencies that are such as to give rise to the concrete danger of perpetration of offences of relevance for the purposes of the Decree;
- legislative changes of particular relevance for the purposes of the Model's implementation and effectiveness;
- a lack of cooperation on the part of company Departments/Areas (e.g., refusal to provide the required documents or data to the Board, or obstructing its activity, brought about also as a result of failing to behave as required by the Model);
- the existence of criminal proceedings against the Company or against persons who operate on behalf of the Company, in connection with offences of relevance within the meaning of the Decree;
- the findings of checks ordered following the opening of investigations by Judicial Authorities concerning offences of relevance for the purposes of the Decree;
- any other information deemed useful for urgent decisions that are to be passed by the Chairman of the Board of Directors / Chief Executive Officer.

Furthermore, the S.B. will be required to immediately convene the Shareholders' Meeting in order to report on any violations of the Model committed by the Board of Directors or by the auditing company.

4.4 INFORMATION FLOWS TOWARDS THE SUPERVISORY BOARD

Art. 6, par. 2, letter d), of the Decree provides that the Model should include obligations to supply information to the Board entrusted with watching over the functioning and observance of the Model.

The obligation of a structured information flow is conceived as a tool ensuring the activity of surveillance over the Model's efficacy and effectiveness and also as a tool for an assessment *a posteriori*, where appropriate, of the reasons which made possible the material occurrence of offences contemplated by the Decree; it is also intended to enhance the authority of any requests for documents which the Board may need in the course of its checks.

It is possible to contact the S.B. by addressing the notification to "Supervisory Board of Lottomatica Group S.p.A.", at the Company's registered office (the address can be found on the company website) or by contacting the following email address: **odv.lottomaticagroup@lottomatica.com**.

The company also has an alternative channel (EthicsPoint Platform), which is suitable in terms of ensuring, with IT modalities, the confidentiality of the informer's identity (for further information, reference should be made to the procedure elaborated for dealing with notifications).

As to the specific information which must be sent by company Departments/Areas to the Board on a specific or periodical basis, reference should be made to section 3 of the Special Part of the Model.

4.4.1 REPORTS BY COMPANY REPRESENTATIVES OR BY THIRD PARTIES

All Addressees of the Model are required to report to the S.B. any information, of any kind-including information provided by third parties-which they have directly acquired and which concerns violations of the Model in areas of activity open to risk or any other irregularities of relevance in accordance with the Decree. More specifically:

- the perpetration of offences mentioned in the Decree and the perpetration of acts that are directly aimed at committing them;
- any behaviour not in line with the rules of practice envisaged by this Model;
- any deficiencies in the procedures currently in force;
- operations of particular importance or operations that are characterised by risk profiles such as to warrant ascertaining the reasonable danger of offences being committed.

Reports of unlawful practices will have to be both detailed and based on precise and concordant factual elements, and they may be submitted through the specific channels indicated in the previous paragraph.

The S.B. will take into account any reports received, including those received anonymously, provided they are sufficiently detailed; it will evaluate any consequent initiatives at its discretion and under its responsibility, interviewing – where appropriate - the person who submitted the report and/or the person responsible for the presumed violation, and providing written grounds for any decision it makes in this respect.

The Company will:

- protect those who submit reports in good faith against retaliation, discrimination or penalty, whether direct or indirect, for reasons related to the report;
- prohibit acts of retaliation or discrimination, whether direct or indirect, against the informer, for reasons directly or indirectly related to the report;
- guarantee the confidentiality of the informer's identity in the course of dealing with the report, this being without prejudice to legal obligations and to the protection of the rights of the Company or of persons accused erroneously and/or in bad faith;
- ensure that staff are informed of reporting procedures and in a position to make use of them, knowing their rights and safeguards in the framework of the adopted procedures, following due notification in accordance with the modalities envisaged in section 5;
- proceed – in the event of an ascertained violation of measures safeguarding the informer or of unjustified reports submitted with fraud or gross negligence – to single out and apply the punishment deemed most appropriate for the situation, as defined in section 6 below.

4.4.2 COLLECTION, CONSERVATION AND ACCESS TO THE S.B.'S ARCHIVE

Any and all information, indications and reports envisaged in the Model are preserved by the S.B. in a specific archive, access to which is permitted on the terms set out in the Board's Set of Rules.

5. STAFF TRAINING AND NOTIFICATION OF THE MODEL BOTH WITHIN THE COMPANY AND EXTERNALLY

5.1 STAFF TRAINING

The Company promotes knowledge of the Model, of the Code of Ethics and of company procedures with all employees, who are thus required to be aware of its contents, comply with them and contribute towards their implementation.

The *Human Resources, Organization and PSS* Department of group, in cooperation with the S.B., deals with staff training on the contents of LD 231/91 and on the Model's implementation through a specific plan.

The training pathway contemplates training seminars in classrooms for senior management and for executives vested with powers of attorney. For the remaining staff, training modalities also envisage the possibility of exploiting "e-learning" modalities based on IT systems. Participation in training sessions is mandatory.

The traceability of participation in training seminars in classrooms on the Decree's provisions and on the Model is ensured by drawing up the list of participants with their signatures.

Update training sessions, where applicable, will be carried out either in the event of significant changes being made to the Model and to the Code of Ethics or else on later legislative changes of relevance to the Company's business, whenever, in view of the matter's complexity, the S.B. considers that simply notifying the change on the basis of the modalities described in paragraph 5.2 below is not sufficient.

In the framework of their insertion in the Company, new employees will receive specific training on the Model, on the Code of Ethics and on the system of procedures.

5.2 STAFF NOTIFICATIONS

In addition to the training activities set out above, the Company will arrange to provide staff with appropriate notifications relating to:

- legislative changes;
- procedural and organisational changes.

The *Human Resources, Organization and PSS* Department of group, in cooperation with the S.B., is responsible for dealing with such notifications. In order to guarantee the latter, the said Department will arrange to:

- input the Model and the Code of Ethics into the Company's intranet system and website;
- distribute the Code of Ethics to all employed staff and to new employees when hired;
- send emails or updates on changes made to the Model, to the Code of Ethics and to company Procedures, as indeed on legislative changes and/or organisational changes of relevance for the purposes of the Decree.

5.3 NOTIFICATIONS TO EXTERNAL COLLABORATORS AND PARTNERS

The Company promotes knowledge and observance of the Model and the Code of Ethics also among the Company's commercial and financial partners, consultants, commercial references , collaborators in various capacities, and suppliers.

For the persons listed above, the notification is made by informing them of the existence of the Model and the Code of Ethics and asking them to consult the Company's website. As far as the Code of Ethics is concerned, responsibility rests:

- with the Departments that manage the contract with partners, external collaborators to obtaining the suppliers' acceptance of the Code of Ethics. Any exceptions (e.g. international suppliers) must be justified and brought to the attention of the S.B.;
- with the Business Units for obtaining acceptance of the Code of Ethics on the part of Clients and commercial partners. Any exceptions (e.g., partners for whom it is necessary, for reasons of expediency, to accept their Code of Ethics, etc.) must be justified and brought to the attention of the S.B.

Furthermore, the Company will arrange to include, in contracts with the aforesaid counterparties, specific contractual clauses envisaging – in the event of conduct inconsistent with observance of the established ethical principles – appropriate penalties, which may go as far as termination of contractual obligations. Here again, any exceptions must be justified and brought to the attention of the S.B.

6. DISCIPLINARY SYSTEM AND MEASURES IN THE EVENT OF FAILURE TO COMPLY WITH THE MODEL'S RULES

6.1 GENERAL PRINCIPLES

The preparation of an appropriate system of penalties for violations of the rules contained in the Model is a key condition for ensuring the Model's effectiveness.

In this respect, article 6, par. 2, letter e), of the Decree in fact contemplates that the models must "*introduce an appropriate disciplinary system in terms of sanctioning the failure to comply with the measures indicated in the model*".

For the purposes of this disciplinary system - and in compliance with the provisions established under collective bargaining, where applicable – the types of conduct susceptible to triggering penalties consist of: acting or behaving in violation of the Model; violating measures protecting informers; and/or submitting, with fraud or gross negligence, reports that prove to be groundless.

The application of disciplinary penalties is distinct from the opening and/or outcome of any criminal proceedings, in so far as the rules of practice laid down by the Model are adopted by the Company on a totally autonomous basis, irrespective of the type of offence which violations of the model may bring about.

When it comes to establishing and applying penalties, account must be taken of the principles of proportionality and adequacy in relation to the alleged violation. In this respect, the following circumstances will be of relevance:

- the type of offence alleged;
- the concrete circumstances in which the offence materialised;
- the manner in which the act was committed;
- the gravity of the violation, bearing in mind also the subjective attitude of the perpetrator;
- the possible perpetration of several violations in the framework of the same conduct:
- the possible complicity of several persons in committing the violation;
- the possible recidivism of the perpetrator.

Responsibility rests:

- with the S.B. for constantly monitoring the adequacy of the disciplinary system;
- with the *Human Resources, Organization and PSS* Department of group for updating the disciplinary system.

6.2 PENALTIES APPLIED TO EMPLOYEES

6.2.1 WHITE-COLLAR WORKERS AND CADRES

The types of conduct adopted by employees in violation of the individual rules of behaviour set out in this Model, including failure to comply with company procedures – with particular reference to those highlighted in the Special Part - constitute disciplinary offences.

The penalties that can be imposed on the aforesaid employees come within those contemplated by the applicable company Labour Contract and by the Group's Disciplinary Code, in accordance with the procedures envisaged by article 7 of the Workers' Statute and any special rules that may apply.

In the above framework, the Model makes reference to the categories of punishable acts contemplated by the existing framework of penalties.

The aforesaid categories describe the types of conduct that are punished, depending on the relevance assumed by the individual instances considered, and the penalties actually envisaged for perpetrating such acts, depending on their gravity.

More specifically, in accordance with the current National Collective Labour Contract for Companies in the Distribution and Services Sector and with the Group's Disciplinary Code, it is envisaged that:

- a worker who violates the internal procedures contemplated by the Model (e.g., who fails to observe the prescribed procedures, fails to provide the S.B. with the envisaged information, fails to carry out checks, etc.) –in so far as such conduct constitutes a breach of the contract, causing harm to the Company's discipline and morals–will be subject to the measures of verbal reproach, written reproach, a fine not exceeding the amount of four hours' remuneration or suspension from work and from remuneration up to a maximum of 10 days;
- a worker who, in the course of carrying out activities in areas open to risk, behaves in a manner that fails to comply with the rules of this Model and that is aimed clearly at committing an offence punished by the Decree –in so far as such behaviour is in disobedience of the rules laid down by the Company–will be subject to the measure of dismissal with advance notice;
- if there is a violation of one or more rules laid down by the Model of such gravity that it irreparably compromises the relationship of trust, the worker will be subject to the measure of dismissal without advance notice, with the other ensuing and legal consequences, in so far as the employment relationship cannot be continued even provisionally.

6.2.2 EXECUTIVES

In cases where executives violate the internal procedures contemplated by this Model-or behave, in the course of carrying out activities in areas open to risk, in a manner contrary to the rules of the Model-arrangements will be made to apply against those responsible the most appropriate measures, in accordance with the provisions of the National Collective Labour Contract for Executives of Distribution and Services Companies and with the Group's Disciplinary Code.

More specifically:

- in the event of a non-serious violation of one or more procedural or behavioural rules envisaged in the Model, the executive will be subject to a written reproach (or other penalty envisaged in the relevant NCLC/Group's Disciplinary Code) in which he is required to comply with the Model, this being a necessary condition for maintaining the relationship of trust with the Company;
- in the event of a serious violation of one or more of the Model's rules, such as to configure a substantial non-fulfilment, the executive will be subject to the measure of dismissal with advance notice;
- if the violation of one or more of the Model's rules is so serious that it irreparably compromises the relationship of trust–not making it possible to even provisionally continue the employment–the worker will be subject to the measure of dismissal without advance notice, with the other ensuing and legal consequences.

6.3 MEASURES AGAINST DIRECTORS

In the event of a violation of the Model by the Company's Directors, the S.B. will promptly arrange to:

- convene the Shareholders' Meeting, which will proceed to adopt the most appropriate and suitable initiatives, depending on the gravity of the violation and in accordance with the powers envisaged by the law and/or by the Bylaws-in the event of a violation by the entire Board of Directors or by the majority of Directors;
- report the violation to the Board of Directors, which will proceed to adopt the most appropriate and suitable initiatives, depending on the gravity of the violation and in accordance with the powers contemplated by the law and/or by the Bylaws-in the event of a violation by one or more Directors who, however, do not represent the majority of the Board of Directors.

6.4 MEASURES AGAINST THE STATUTORY AUDITORS

In the event of a violation of the Model by one or more of the Company's Statutory Auditors, the Board of Directors will promptly arrange to convene the Shareholders' Meeting, which will proceed to adopt the most appropriate and suitable measures, depending on the gravity of the violation and in accordance with the powers envisaged by the law and/or by the Bylaws.

6.5 MEASURES AGAINST COLLABORATORS, CONSULTANTS, PARTNERS, COMMERCIAL COUNTERPARTIES AND OTHER EXTERNAL ENTITIES

Any behaviour adopted in the framework of a contractual relationship by collaborators, consultants, commercial partners, commercial references and other external entities, that is in contrast with the behaviour guidelines set out in the Model and in the Code of Ethics, may give rise–by triggering due clauses–to termination of the contractual relationship.

Responsibility rests with:

- the *Corporate & Legal Affairs* and the *Business Legal* Department of group, for arranging to elaborate and update such specific contractual clauses;
- the *Purchasing & Shared Services* Area of group, for arranging to include such specific contractual clauses in purchase orders and in contractual arrangements with suppliers.

6.6 PROCEDURE IN RESPECT OF APPLYING PENALTIES

The procedure in respect of imposing penalties arising from violations of the Model and of the procedures differs, for each category of persons concerned, in terms of the phase of:

- raising the violation with the person concerned;
- establishing, and then imposing, the penalty.

The procedure in respect of imposing the penalty starts, in any case, following the receipt - by the governing bodies having competence at any given time and indicated below - of a notification under which the S.B. signals the possible relevance of the episode pursuant to LD 231/01.

More specifically, in any cases where the Board receives a report or acquires, in the course of its supervisory and monitoring activities, elements that are such as to configure the danger of a violation of the model, it is required to take action by carrying out checks and controls coming within the framework of its activity.

Once the checks and controls have been completed, the S.B. will assess–on the basis of the elements in its possession–whether there are conditions for activating the disciplinary procedure, by making the arrangements set out in sections 6.6.1 to 6.6.4 below.

6.6.1 THE DISCIPLINARY PROCEDURE AGAINST DIRECTORS AND STATUTORY AUDITORS

If the S.B. ascertains a violation of the Model by a person who occupies the position of Director and who is not linked to the Company by an employment relationship, it will send the Board of Directors a report containing:

- a description of the ascertained conduct;
- an indication of the provisions of the Model that appear to have been violated;
- the personal details of the person responsible for the violation;
- any documents proving the violation and/or other supporting evidence.

Within ten days of receiving the S.B.'s report, the Board of Directors will convene the member indicated by the S.B. to a Board meeting, which must be held not later than thirty days after the report is received.

The convocation must:

- be in writing;
- contain an indication of the alleged conduct and of the provisions of the Model that have been violated;
- inform the person concerned of the date of the meeting, advising him/her that he/she is entitled to submit comments and/or arguments, both in writing and verbally. The convocation must be signed by the Chairman or by at least two members of the Board of Directors.

At the meeting of the Board of Directors, which the members of the S.B. are also asked to attend, arrangements will be made to consult the person concerned, obtain any arguments submitted by him/her and carry out any further assessments deemed appropriate.

On the basis of the elements thus obtained, the Board of Directors will establish the penalty deemed applicable, where appropriate, justifying any disagreement with the proposal put forward by the S.B.

If the entire (or more than half of the) Board of Directors is involved, the S.B. will make arrangements to ask to convene the Shareholders' Meeting, to which the Board Directors concerned will also be invited. After hearing the members of the Board of Directors, the Shareholders' Meeting will proceed to impose the penalty it considers most appropriate (or not impose a penalty)

The resolution passed by the Board of Directors and/or by the Shareholders' Meeting, as the case may be, will be acquired by the S.B.

The procedure described above will also apply in cases where a violation is ascertained on the part of a member of the Board of Statutory Auditors (or of the entire Board of Statutory Auditors), within the limits permitted by the applicable legal provisions. In this case, it will be the Board of Directors that arranges to convene the Shareholders' Meeting.

In any cases where a violation of the Model by a Director linked to the Company by a direct employment relationship has been ascertained, the procedure envisaged below for Executives/Employees will be followed. If a penalty is imposed once this procedure has been completed, the Board of Directors will promptly convene the Shareholders' Meeting in order to deliberate upon the ensuing measures.

6.6.2 THE DISCIPLINARY PROCEDURE AGAINST EXECUTIVES

The procedure in respect of assessing an offence involving Executives is followed in compliance with the legislative provisions currently in force, as indeed with the applicable collective contracts and with the Group's Disciplinary Code.

More specifically, the S.B. will send the Chief Executive Officer (or, if the Chief Executive Officer is the executive involved, the Chairman of the Board of Directors) and the Head of the *Human Resources, Organization and PSS* Department of group (if the head of this Department is concerned, the S.B. will send the report only to the Chief Executive Officer/ Chairman), a report containing:

- a description of the ascertained conduct;
- an indication of the provisions of the Model that appear to have been violated;
- the personal details of the person responsible for the violation;
- any documents proving the violation and/or other supporting evidence.
- Within five days of receiving the S.B.'s report, the Chief Executive Officer (or the Chairman) will convene the Executive concerned under a notice of allegation containing:
- an indication of the ascertained conduct and the specific violation in pursuance of the Model;
- notification of the date of the hearing and of the right of the person concerned to submit - in this venue also - any written and verbal considerations concerning the facts.

After this, the Chief Executive Officer (or the Chairman), in liaison with the Head of the *Human Resources, Organization and PSS* Department of group – except in cases where the latter is involved – will define the position of the person concerned, adopting a reasoned decision as to whether or not to apply a penalty.

If the person in respect of whom the notification procedure has been started occupies a senior position who has been entrusted by the Board of Directors with delegated powers, and if the investigation proves that he/she is involved in pursuance of the Model, the Chief Executive Officer/Chairman will promptly inform the Board of Directors, which will decide to withdraw the delegated powers conferred on the basis of the type of assignment and to apply the penalty, where appropriate. The Chief Executive Officer/Chairman will arrange to implement the relevant penalty procedure.

The measure imposing the penalty will be notified in writing to the person concerned - within ten days of sending the notification, or in any case within any shorter deadline that may be envisaged by the applicable collective bargaining in the concrete case – by the Chief Executive Officer/Chairman or by the Head of the *Human Resources, Organization and PSS* Department of group, depending on whether, in the specific case, the person involved is a senior manager or an Executive.

In the framework of the procedure described above, it is envisaged that the Board of Directors must, in all the aforesaid cases, be informed of the findings of the internal checks and of the type of penalty imposed.

The S.B., which will receive a copy of the measure imposing the penalty for its information, will verify its application.

Without prejudice to the right to apply to the judicial Authorities, anyone who is involved in the procedure may –within twenty days of receiving the disciplinary measure–ask for a conciliation and arbitration Panel to be set up, in accordance with the provisions of the collective bargaining applicable to the specific case.

If such a Panel is appointed, the disciplinary penalty will be suspended until it has issued its ruling.

6.6.3 THE DISCIPLINARY PROCEDURE AGAINST NON-EXECUTIVE EMPLOYEES

The procedure in respect of applying penalties to non-executive Employees will take place in compliance with the procedure described below, with current legislative rules and with the applicable collective contract.

More specifically, the S.B. will send the Head of the *Human Resources, Organization and PSS* Department of group a report containing:

- the personal details of the person responsible for the violation;
- a description of the ascertained conduct;
- an indication of the provisions of the Model that appear to have been violated;
- any documents and evidence corroborating the notification.
- Within ten days of receiving the report, the Company, through the Human Resources & Organization Department of group, will send the Employee a written notice of allegation containing:
- a precise indication of the ascertained conduct;
- the provisions of the Model that have been violated;
- notification of the right to put forward any arguments and/or justifications in writing within five days of receiving the notice, and to request the intervention of the representative of the trades union association to which the employee belongs or grants a mandate.

After receiving any counterarguments of the person concerned, the Head of the *Human Resources, Organization and PSS* Department of group will decide whether or not to apply a penalty, establishing its extent and justifying the measure.

The penalties may however not be applied until five days have elapsed since the notice was received and must be notified to the person concerned by the Head of the *Human Resources, Organization and PSS* Department of group not later than fifteen days after the expiry of the deadline granted for submitting counterarguments, barring particularly complex cases.

The relevant measure must also be notified to the S.B., which will verify the effective application of the imposed penalty.

Without prejudice to the possibility of applying to the Judicial Authorities, the Employee may, within twenty days of receiving the measure, ask for a conciliation and arbitration Panel to be set up, in which case the penalty will be suspended until it has issued its ruling.

In the framework of the procedure described above, it is envisaged that the Board of Directors should be informed of the findings of the internal checks and of the type of penalty applied to employees.

6.6.4 THE PROCEDURE AGAINST THIRD PARTY ADDRESSEES OF THE MODEL

In order to facilitate adopting the initiatives envisaged in the contractual clauses indicated in subsection 6.4., the S.B. will send the Head of the Department/Area that deals with the contractual relationship, and, for information, the Chief Executive Officer (or the Chairman of the Board of Directors in cases where the Chief Executive Officer deals with the contractual relationship), a report containing:

- the personal details of the person responsible for the violation;
- a description of the ascertained conduct;
- an indication of the provisions of the Model that appear to have been violated;
- any documents and elements in support of the notification.

The aforesaid report –in cases where the contract has been resolved by the Company's Board of Directors –must also be sent to its attention.

The Head of the Department/Area that deals with the contractual relationship-in agreement with the *Corporate & Legal Affairs* Department of group, on the basis of any decisions meanwhile adopted by the Chief Executive Officer and by the Board of Directors, in cases where the assignment was conferred by the latter –will send the person concerned a written notification with an indication of the ascertained conduct, the provisions of the Model that have been violated and an indication of the specific contractual clauses, whose enforcement is requested.

The relevant measure will also be notified to the S.B., which will moreover verify the effective application of the imposed penalty.

7. GENERAL STANDARDS OF BEHAVIOUR

This Model envisages that its Addressees are specifically prohibited from engaging in behaviour that:

- is such as to constitute any type of offence (including purely attempted offences), including, therefore, also those contemplated by LD 231/01 and listed in section 1 of this General Part;
- though not being such as to constitute, per se, a type of offence coming within those considered above, could potentially become such;
- fails to conform to company procedures or is, in any event, not in line with the general standards set out in this Model and in the Code of Ethics.

Therefore, the Addressees of the Model are required to:

- behave in an honest, transparent and cooperative manner, in compliance with legal requirements, the Code of Ethics, the principles contained in this Model and company procedures.
- avoid carrying into effect acts–or giving rise to the adoption of forms of behaviour–that are such as to directly or indirectly constitute types of offence coming within those set out in section 1 of this General Part;
- carry out company activities in full compliance with national and international laws and legislation currently in force;
- engage in conduct geared to ensuring the Company's orderly functioning, while ensuring and facilitating any and all forms of control over operations on the part of the Governing Bodies, the S.B. and the auditing company;
- constantly apply the rules of this Model, the Code of Ethics and internal company rules, keeping up to date with legislative developments;
- make sure that no relationship is entered into with persons or bodies that do not intend to conform to the Company's ethical standards;
- guarantee the truthfulness, completeness and accuracy of information conveyed to the Public Administration and to supervisory or control authorities, in compliance with the laws currently in force.

SPECIAL PART

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