

Project	Update of the Organization, Management and Control Model pursuant to Decree 231/01
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Organization, Management and Control Model pursuant to Decree 231/01 - General Part

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Recipients of the General Part

The following persons are recipients (hereinafter, the “Recipients”) of this General Part of the Organization, management and control model pursuant to Decree 231/2001 of Aeffe S.p.A. (hereinafter, the “Company”) and agree to comply with its provisions:

- the directors and executives of the Company (so-called *senior decision-makers*);
- the employees of the Company (so-called *internal persons managed by others*);
- the directors, executives and employees of other companies in the Aeffe Group who provide services on an ongoing basis for and in the interests of the Company, in the context of the sensitive activities identified and described in detail in the Special Parts.

Under specific agreements or contractual clauses and solely to the extent to the performance of any sensitive activities in which they might participate, the following external parties (hereinafter, the “External Parties”) may have specific obligations regarding the adequate performance of the internal control activities envisaged in this General Part:

- the agents, collaborators, consultants and, in general, parties that carry out freelance activities, to the extent that their work involves participation in sensitive activities for or in the interests of the Company;
- the vendors and partners (including partners in temporary business associations and joint ventures) whose work involves significant and/or ongoing participation in so-called sensitive activities for or in the interests of the Company.

The above definition of External Parties also includes those whose work, while subject to contractual relations with other companies in the Group, in substance involves significant and/or ongoing participation in sensitive activities for or in the interests of the Company.

Organization, management and control model pursuant to Decree 231/01 - General Part -

1 Administrative responsibility of companies

1.1 The regime of administrative responsibility envisaged for legal persons, companies and associations

For the first time in Italy, Decree 231/2001 on “Regulation of the administrative responsibility of legal persons, companies and associations even without legal personality” assigned criminal liability to entities for certain offenses committed in their interests or for their benefit, by persons appointed to represent, administer or manage the entity or any of its organizational unit granted financial and functional autonomy, or by persons who, on a de facto basis or otherwise, manage and control them (so-called *senior decision makers*) and, lastly, by persons subject to the management or supervision of one of the above parties (so-called *persons managed by others*). The Decree also relieves the entity from responsibility if *senior decision makers* or *persons managed by others* act solely in their own interests or those of third parties.

The above responsibility is addition to that of the natural person who actually carries out the deed. The new responsibility introduced by Decree 231/2001 seeks to involve in the punishment of certain criminal offenses the net worth of entities benefiting from the commitment of those offenses. All offenses are subject to the application of a pecuniary penalty; in more serious cases, the penalties might also include bans, such as the suspension or revocation of licenses and concessions, ban on dealing with the public administration (PA), ban on the conduct of business activities, exclusion from or revocation of loans and grants, or ban on the advertising of goods and services. The entity remains responsible, even if the offense was only attempted without success, albeit with a reduction - in such cases - of the penalties applied.

At present, the following types of offense are covered by the above regulations:

- (a) offenses committed in relations with the Public Administration (arts. 24 and 25¹ of Decree 231/2001);
- (b) falsification of cash, government-issued bearer bonds and duty-paid stamps and documents (art. 25-bis² of Decree 231/2001);
- (c) certain types of corporate offense (art. 25-ter³ of Decree 231/2001);
- (d) offenses committed for the purposes of terrorism or the subversion of democratic order (art. 25-quater⁴ of Decree 231/2001);
- (e) offenses involving the mutilation of female genitals (art. 25-quater 1⁵ of Decree

¹ Article subsequently amended by art. 1, para. 77, letter a) of Law 190 dated November 6, 2012.

² Article added by art. 6, para. 1, of Decree 350 dated September 25, 2001, as enacted with amendments by Law 409 dated November 23, 2001.

³ Article added by art. 3, para. 2, of Decree 61 dated April 11, 2002, with effect from the day following that of its publication in the Italian Official Gazette, in the manner envisaged in art. 5 of Decree 61/2002.

⁴ Article added by art. 3, para. 1, of Decree 7 dated January 14, 2003, with effect from the day following that of its publication in the Italian Official Gazette.

⁵ Article added by art. 8, para. 1, of Law 7 dated January 9, 2006.

- 231/2001);
- (f) offenses against individual freedom (art. 25-quinquies⁶ of Decree 231/2001);
 - (g) insider trading and market manipulation (art. 25-sexies⁷ of Decree 231/2001);
 - (h) violation of the regulations governing health and safety in the workplace (art. 25-septies⁸ of Decree 231/2001);
 - (i) receiving and money laundering (art. 25-octies⁹ of Decree 231/2001);
 - (j) transnational offenses, as addressed by the UN Convention against transnational organized crime and its Protocols (art. 10 of Law 146 dated March 16, 2006¹⁰);
 - (k) IT offenses and improper data processing (art. 24-bis¹¹ of Decree 231/2001);
 - (l) organized crime (art. 24-ter¹² of Decree 231/2001);
 - (m) offenses against trade and industry (art. 25-bis. 1¹³ of Decree 231/2001);
 - (n) violation of authorship rights (art. 25-novies¹⁴ of Decree 231/2001);
 - (o) inducement to not make declarations or to make false declarations to the judiciary (art. 25-decies¹⁵ of Decree 231/2001);
 - (p) environmental offenses (art. 25-undecies¹⁶ of Decree 231/2001);
 - (q) employment of foreign citizens without a proper permit (art. 25-duodecies¹⁷ of Decree 231/2001).

The offenses committed in relations with the Public Administration comprise:

- Misuse of funds to the detriment of the State (art. 316-bis criminal code);
- Improper collection of funds to the detriment of the State (art. 316-ter criminal code);
- Fraud [to the detriment of the State or a public body] (art. 640, para. 2.1, criminal code);
- Aggravated fraud to obtain public funds (art. 640-bis criminal code);
- IT fraud [committed to the detriment of the State or other public body] (art. 640-ter criminal code).
- Malfeasance (art. 317 criminal code);
- Corruption to obtain an official deed (art. 318 criminal code);
- Corruption contrary to official duty (art. 319 criminal code);
- Aggravating circumstances (art. 319-bis criminal code);
- Corruption to obtain a judicial deed (art. 319-ter criminal code);
- Improper inducement to give or promise benefits (art. 319-quater criminal code);
- Corruption of a person who provides a public service (art. 320 criminal code)
- Penalty for the corrupter (art. 321 criminal code);

⁶ Article added by art. 5, para. 1, of Law 228 dated August 11, 2003.

⁷ Article added by art. 9, para. 3, of Law 62 dated April 18, 2005.

⁸ Article added by art. 9 of Law 123 dated August 3, 2007.

⁹ Article added by art. 63, para. 3, of Decree 231 dated November 21, 2007.

¹⁰ In this case, as for the administrative offenses envisaged in art. 187-quinquies of Decree 58/1998, the provisions of the Decree are not applied by the inclusion of identified offenses in the body of the Decree, but by making reference to the provisions of art. 10 of the above Law, which addresses the *Administrative responsibility of entities*.

¹¹ Article added by art. 7 of Law 48 dated March 18, 2008.

¹² Article added by art. 2, para. 29, of Law 94 dated July 15, 2009.

¹³ Article added by art. 15, para. 7 b) of Law 99 dated July 23, 2009.

¹⁴ Article added by art. 15, para. 7 c) of Law 99 dated July 23, 2009.

¹⁵ Article added by art. 4 of Law 116 dated August 3, 2009.

¹⁶ Article added by Law 116 dated August 3, 2009, and replaced by Decree 121 dated July 7, 2011.

¹⁷ Article added by Decree 209 dated July 16, 2012, in implementation of Directive 2009/52/EC that provides for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.

- Instigation of corruption (art. 322 criminal code);
- (Embezzlement), malfeasance, improper inducement to give or promise benefits, corruption and instigation of the corruption of members of the International criminal court or European Community bodies and officials of the European Communities and foreign countries (art. 322-bis criminal code).

The offenses committed in relation to the falsification of cash, government-issued bearer bonds and duty-paid stamps and documents comprise:

- Falsification of cash and false spending and introduction into Italy, by collusion, of falsified money (art. 453 criminal code);
- Alteration of money (art. 454 criminal code);
- Spending and introduction into Italy, without collusion, of falsified money (art. 455 criminal code);
- Spending of falsified money received in good faith (art. 457 criminal code);
- Falsification of duty-paid paper, introduction into Italy, purchase, holding or circulation of falsified duty-paid paper (art. 459 criminal code);
- Counterfeiting of watermarked paper used to manufacture government-issued bearer bonds or duty-paid paper (art. 460 criminal code);
- Manufacture or holding of security strips or equipment for the falsification of money, duty-paid paper or watermarked paper (art. 461 criminal code);
- Use of counterfeited or altered duty-paid paper (art. 464 criminal code);
- Counterfeiting, alteration or use of trademarks or distinctive signs or industrial patents, models and designs (art. 473 criminal code);
- Importation into Italy and sale of products bearing false signs (art. 474 criminal code).

The corporate offenses comprise:

- False corporate communications (art. 2621 civil code);
- Minor offenses (art. 2621-bis civil code);
- False corporate communications by listed companies (art. 2622 civil code);
- False prospectuses (art. 2623 civil code) abrogated by art. 34, para. 2 of Law 262/2005;
- False reports or communications by the legal auditor (art. 2624 civil code) abrogated by art. 37, para. 34 of Decree 39/2010;
- Impeding controls (art. 2625 civil code);
- Improper return of contributions (art. 2626 civil code);
- Illegal distribution of profits and reserves (art. 2627 civil code);
- Illegal transactions in shares or quotas of the company or the parent company (art. 2628 civil code);
- Operations detrimental to creditors (art. 2629 civil code);
- Failure to disclose conflicts of interest (art. 2629-bis civil code)
- Fictitious formation of capital (art. 2632 civil code);
- Improper distribution of company assets by liquidators (art. 2633 civil code);
- Corruption between private persons (art. 2635 civil code);
- Illegal influence over the shareholders' meeting (art. 2636 civil code);
- Market manipulation (art. 2637 civil code);
- Impeding the activities of public supervisory authorities (art. 2638 civil code).

The Decree does not provide a complete list, however the offenses committed for the purposes of terrorism or the subversion of democratic order comprise:

- Association for the purposes of domestic or international terrorism or the subversion of democratic order (art. 270-bis criminal code);
- Provision of assistance to members (art. 270-ter criminal code);
- Recruitment for the purposes of domestic or international terrorism (art. 270-quater criminal code);
- Organization of travel for the purposes of terrorism (art. 270-quater.1 criminal code);
- Training for the purposes of domestic or international terrorism (art. 270-quinquies criminal code);
- Conduct for the purposes of terrorism (art. 270-sexies criminal code);
- Attacks for the purposes of terrorism or subversion (art. 280 criminal code);
- Acts of terrorism using deadly or explosive devices (art. 280-bis criminal code);
- Kidnapping of persons for the purposes of terrorism or subversion (art. 289-bis criminal code);
- Instigation to commit any of the offenses envisaged in the first and second chapters [Title I, Book II of the criminal code];
- Urgent measures for protecting the democratic order and public safety (art. 1 of Decree 625/1979, as enacted with amendments by Law 15 dated February 6, 1980)
- Art. 2 of the International Convention for the Suppression of the Financing of Terrorism, New York, December 9, 1999.

The offenses involving the mutilation of female genitals comprise:

- Mutilation of female genitals (art. 583-bis criminal code).

The offenses against individual freedom comprise:

- Reduction into slavery or serfdom (art. 600 criminal code);
- Child prostitution (art. 600-bis, criminal code);
- Child pornography (art. 600-ter criminal code);
- Holding of pornographic materials (art. 600-quater criminal code);
- Virtual pornography (art. 600-quater.1 criminal code);
- Tourism to take advantage of child prostitution (art. 600-quinquies criminal code);
- Holding of persons (art. 601 criminal code);
- Purchase or sale of slaves (art. 602 criminal code);
- Soliciting of minors (art. 609-undecies criminal code).

The offenses of insider trading and market manipulation comprise:

- Insider trading (art. 184 Consolidated Finance Law (T.U.F.) Decree 58 dated February 24, 1998);
- Market manipulation (art. 185 T.U.F. Decree 58 dated February 24, 1998);
- Insider trading - administrative offense (art. 187-bis T.U.F. Decree 58 dated February 24, 1998);
- Market manipulation - administrative offense (art. 187-ter T.U.F. Decree 58 dated

February 24, 1998).

The offenses of manslaughter and serious or very serious personal injury through negligence in violation of the health and safety at work regulations comprise:

- Manslaughter (art. 589 criminal code);
- Serious or very serious personal injury through negligence (art. 590, para. 3 criminal code).

The offenses of receiving and money laundering comprise:

- Receiving (art. 648 criminal code)
- Money laundering (art. 648-bis criminal code);
- Use of money, assets or benefits deriving from illegal sources (art. 648-ter criminal code);
- Self-laundering (art. 648-ter.1 criminal code).

If and to the extent falling within the definition envisaged in art. 3 of Law 146 dated March 16, 2006, transnational offenses comprise:

- Criminal association (art. 416 criminal code);
- Mafia-related association (art. 416-bis criminal code);
- Criminal association for the contraband of foreign processed tobaccos (art. 291-quater of Presidential Decree 43 dated January 23, 1973);
- Association for the illegal trafficking of narcotics or psychotropic drugs (art. 74 of Presidential Decree 309 dated October 9, 1990);
- Violation of the measures against clandestine immigration (art. 12, paras. 3, 3-bis, 3-ter and 5, of Decree 286 dated July 25, 1998);
- Inducement to not make declarations or to make false declarations to the judiciary (art. 377-bis criminal code);
- Aiding and abetting (art. 378 criminal code).

The offenses of IT fraud and illegal data processing comprise:

- False information in public or private IT documents used as court evidence (art. 491-bis criminal code in relation to arts. 476-490, 492 and 493 criminal code);
- Unauthorized access to an IT or electronic data communications (telematic) system (art. 615-ter criminal code);
- Holding and unauthorized distribution of access codes to IT or telematic systems (art. 615-quater criminal code);
- Distribution of equipment, devices or IT programs intended to damage or crash an IT or telematic system (art. 615-quinquies criminal code);
- Interception, prevention or illegal interruption of IT or telematic communications (art. 617-quater criminal code);
- Installation of equipment for intercepting, preventing or interrupting IT or telematic communications (art. 617-quinquies criminal code);
- Causing damage to information, data or IT programs (art. 635-bis criminal code);
- Causing damage to information, data or IT programs used by the State or a public

- body or of public interest (art. 635-ter criminal code);
- Causing damage to IT or telematic systems (art. 635-quater criminal code);
- Causing damage to IT or telematic systems of public interest (art. 635-quinquies criminal code);
- IT fraud by the party that provides electronic signature certification services (art. 640-quinquies criminal code).

The offenses of organized crime comprise:

- Criminal association (art. 416 criminal code);
- Italian and foreign mafia-related associations (art. 416-bis criminal code);
- Political/mafia-related electoral voting fraud (art. 416-ter criminal code);
- Kidnapping for the purposes of theft or extortion (art. 630 criminal code);
- Association for the illegal trafficking of narcotics or psychotropic drugs (art. 74 Presidential Decree 309/1990);
- Association for the illegal manufacture, importation into the State, sale, transfer, holding and bearing in a public place or place open to the public of military firearms or similar or parts thereof, explosive, clandestine arms or more common shotguns, with the exception of certain categories (art. 407, para. 2 a), point 5), criminal procedures code, which refers to the situations envisaged in art. 2 of Law 110 dated April 18, 1975).

The offenses against trade and industry comprise:

- Disturbing the freedom of trade and industry (art. 513 criminal code);
- Illegal competition with threats or violence (art. 513-bis criminal code);
- Fraud against national industries (art. 514);
- Fraud in the exercise of trade (art. 515 criminal code);
- Sale as genuine of fake foodstuffs (art. 516 criminal code);
- Sale of industrial products with false signs (art. 517 criminal code);
- Manufacture and trade in goods made by appropriating industrial property rights (art. 517-ter criminal code);
- Counterfeiting of designation or geographical area of origin of food industry products (art. 517-quater criminal code).

The offenses in violation of authorship rights comprise:

- Protection of authorship and other utilization rights (arts. 171, 171-bis, 171-ter, 171 septies, 171 octies, 174 quinquies of Law 633 dated April 22, 1941).

The inducements to not make declarations or to make false declarations to the judiciary comprise:

- Inducement to not make declarations or to make false declarations to the judiciary (art. 377-bis criminal code).

The environmental offenses comprise:

- Environmental pollution (art. 452-bis criminal code);
- Environmental disaster (art. 452-quater criminal code);
- Negligent offenses against the environment (art. 452-quinquies criminal code);
- Traffic and abandonment of highly radioactive materials (art. 452-sexies criminal code);
- Aggravating circumstances (art. 452-octies criminal code);
- Killing, destruction, capture, taking, holding of examples of protected wild animal or vegetable species (art. 727-bis criminal code);
- Destruction or deterioration of the habitat within a protected site (art. 733-bis criminal code);
- Commerce in examples of the species listed in Attachment A (art. 1 Law 150 dated February 7, 1992);
- Commerce in examples of the species listed in Attachment B and Attachment C (art. 2 Law 150 dated February 7, 1992);
- Falsification or alteration of the certificates needed to trade in the examples referred to in the above articles (art. 3-bis Law 150 dated February 7, 1992);
- Ban on holding examples representing a hazard to public health and safety (art. 6 Law 150 dated February 7, 1992);
- Environmental regulations (art. 137 Decree 152 dated April 3, 2006);
- Unauthorized management of waste (art. 256 Decree 152 dated April 3, 2006);
- Clean-up of sites (art. 257 Decree 152 dated April 3, 2006);
- Violation of the obligations to notify and to keep mandatory registers and formula lists (art. 258 Decree 152 dated April 3, 2006);
- Illegal trafficking of waste (art. 259 Decree 152 dated April 3, 2006);
- Organized activities for the illegal trafficking of waste (art. 260 Decree 152 dated April 3, 2006);
- IT system for controlling the traceability of waste (art. 260-bis Decree 152 dated April 3, 2006);
- Penalties (art. 279 Decree 152 dated April 3, 2006);
- Measures to protect the ozone layer and the atmosphere - Termination and reduction of the use of hazardous substances (art. 3 Law 549 dated December 28, 1993);
- Criminal pollution (art. 8 Decree 202 dated November 6, 2007, implementing Directive 2005/35/EC on pollution caused by ships and related penalties);
- Negligent pollution (art. 9 Decree 202 dated November 6, 2007, implementing Directive 2005/35/EC on pollution caused by ships and related penalties).

The offenses of employing foreign citizens without a proper permit comprise:

- Employment on fixed-term or permanent contracts (art. 22 Decree 286 dated July 25, 1998).

The individual Special Parts of the Model contain a detailed description of each offense, if that type of offense is significant in the circumstances and therefore worthy of inclusion in a special Special Part.

1.2 Adoption of the Organization, management and control model as a duty of the Company in order to prevent, to the extent possible, commitment of the offenses envisaged by the Decree

Having established the administrative responsibility of entities, art. 6 of the Decree establishes that the entity is not liable if it can demonstrate adoption and effective implementation, prior to commitment of the offense, of “*organization and management models suitable for preventing offenses of the type committed*”.

The same regulations also requires the establishment of a supervisory body within the entity with the task of supervising the functioning and effectiveness of and compliance with the above models, as well as ensuring their update.

These organization, management and control models (hereinafter, the “Model” or the “Models”), pursuant to art. 6, paras. 2 and 3, of Decree 231/2001, must satisfy the following requirements:

- identify the activities in whose context the offenses envisaged in the Decree might be committed;
- establish specific protocols for making and implementing decisions at entity level with regard to the offenses to be prevented;
- identify procedures for the management of financial resources capable of impeding the commitment of those offenses;
- place disclosure requirements on the body appointed to supervise the functioning of and compliance with the Models;
- implement a disciplinary system for penalizing failure to comply with the measures indicated in the Model.

The entity is not liable when the offense is committed by persons appointed to represent, administer or manage the entity or any of its organizational units with financial and functional autonomy, or by persons who, on a de facto basis or otherwise, manage and control the entity, if the entity can demonstrate that:

- the executive adopted and effectively implemented, prior to commitment of the offense, a Model capable of preventing offenses of the type committed;
- the task of supervising the functioning of and compliance with the Model and ensuring its update was entrusted to an internal body with autonomous powers of initiative and control;
- the parties who committed the offense circumvented the Model in a fraudulent manner;
- Model supervision by the appointed supervisory body was not omitted or insufficient.

If, on the other hand, the offense was committed by persons subject to management and supervision by one of the above parties, the entity is responsible if commitment of the offense was made possible by non-compliance with the management and supervision requirements. Such non-compliance is always excluded if, prior to commitment of the offense, the entity adopted and effectively implemented a Model capable of preventing offenses of the type committed. The Model must envisage measures capable of guaranteeing that activities are conducted in compliance with the law, while also discovering and eliminating risk situations on a timely basis.

Effective implementation of the Model requires:

- periodic verification and amendment as necessary when significant violations of its requirements are discovered, or following changes in the organization or in the activities carried out;
- a disciplinary system capable of penalizing failure to comply with the measures indicated in the Model.

1.3 CONFINDUSTRIA guidelines

Lastly, art. 6 of the Decree establishes that the required organization and management models may be adopted with reference to codes of conduct prepared by business associations and communicated to the Ministry of Justice that, together with the other competent Ministries, has 30 days to make any observations on the suitability of the models for the prevention of offenses.

In March 2002, Confindustria approved “Guidelines for the preparation of organization, management and control models pursuant to Decree 231/2001”, solely in relation to offenses against the Public Administration. Subsequently, in October 2002, Confindustria approved an appendix supplementing the above Guidelines in relation to the corporate offenses identified in Decree 61/2002. In May 2004, Confindustria made certain updates to the Guidelines, principally in relation to the Supervisory Body. Subsequently, following numerous legislative changes that, in the meantime, had modified the regulation and application of the administrative responsibility of entities to include other types of identified offense, it was deemed necessary to update the Guidelines for the preparation of organizational models. The update process, involving both the general part and the appendices for individual offenses, was designed to provide indications about the measures capable of preventing commitment of the new offenses identified and was completed with approval from the Ministry of Justice on April 2, 2008. Most recently, the previous text was updated in July 2014 to reflect the changes in legislation, jurisprudence and best practices. The principal amendments made to the general part included: the new chapter on the fundamentals of the responsibility for offenses and the summary table of identified offenses; the disciplinary system and the mechanisms for applying penalties, as well as the supervisory body, its composition and the phenomenon of groups of companies. The special part, dedicated to the analysis of identified offenses using specific case studies, was however revised more significantly, both to cover the new types of offense identified and to introduce a new outline method of analysis that is more easily applied by the operators concerned.

The fundamental phases identified by the Guidelines for the preparation of Models are summarized below:

- the first phase consists in the identification of risks by analyzing the business context to highlight where (in which areas/sectors of activity) and how events might occur that are prejudicial to the objectives indicated in Decree 231/2001;
- the second phase consists in designing a system of controls (protocols for making and implementing decisions at entity level), by assessing the current system and updating it as necessary in order to tackle the identified risks effectively i.e. reduce them to an acceptable level.

According to the Confindustria Guidelines, the most significant components of the system of controls are:

- the Code of Ethics with reference to the offenses considered;
- an organized system that is sufficiently formalized and clear, especially with regard to the assigned responsibilities;
- manual and IT procedures (information systems) capable of governing the performance of activities with appropriate control points; in this context, an effective preventive control consists of the segregation of duties among those who carry out activities deemed crucial within a process at risk;
- the assignment of authorization and signature powers in a manner consistent with the

- organizational and operational responsibilities defined;
- a system of management control that is capable of reporting on a timely basis the existence and development of general and/or specific situations that may be critical;
- communications to personnel and their training.

According to the Confindustria Guidelines, the above components must be integrated seamlessly within a systems architecture that complies with a series of control principles, including¹⁸:

- *each operation, transaction, action must be: verifiable, documented, consistent and reasonable*: there must be adequate documentary support for each operation, so that checks can be carried out at any time to confirm the characteristics of and reasons for the operation and identify who authorized, carried out, recorded and verified it.
- *no-one can manage an entire process independently*: the system must guarantee application of the principle of the segregation of duties, so that different persons are responsible for authorizing an operation, recording it, carrying it out operationally and checking it.
- *control documentation*: the system of controls must document (possibly via the preparation of reports or minutes) the performance of checks, including supervisory work.

Notably, failure to comply with specific points contained in the Confindustria Guidelines does not affect *per se* the validity of the Model.

In fact, individual Models are prepared with reference to the concrete reality experienced by each company and, therefore, may differ from the Guidelines (which, by their nature, are expressed in general terms) in certain ways, when this is due to the need to guarantee better the requirements safeguarded by the Decree.

The examples (case studies) contained in the appendix to the Guidelines must be considered in this light, along with the summary list of controls envisaged therein.

¹⁸ Confindustria, Guidelines for the preparation of organization, management and control models pursuant to Decree, 2014, page 44 et seq.

2 Adoption of the Organization, management and control model by Aeffe S.p.A.

2.1 Description of the corporate structure and business areas

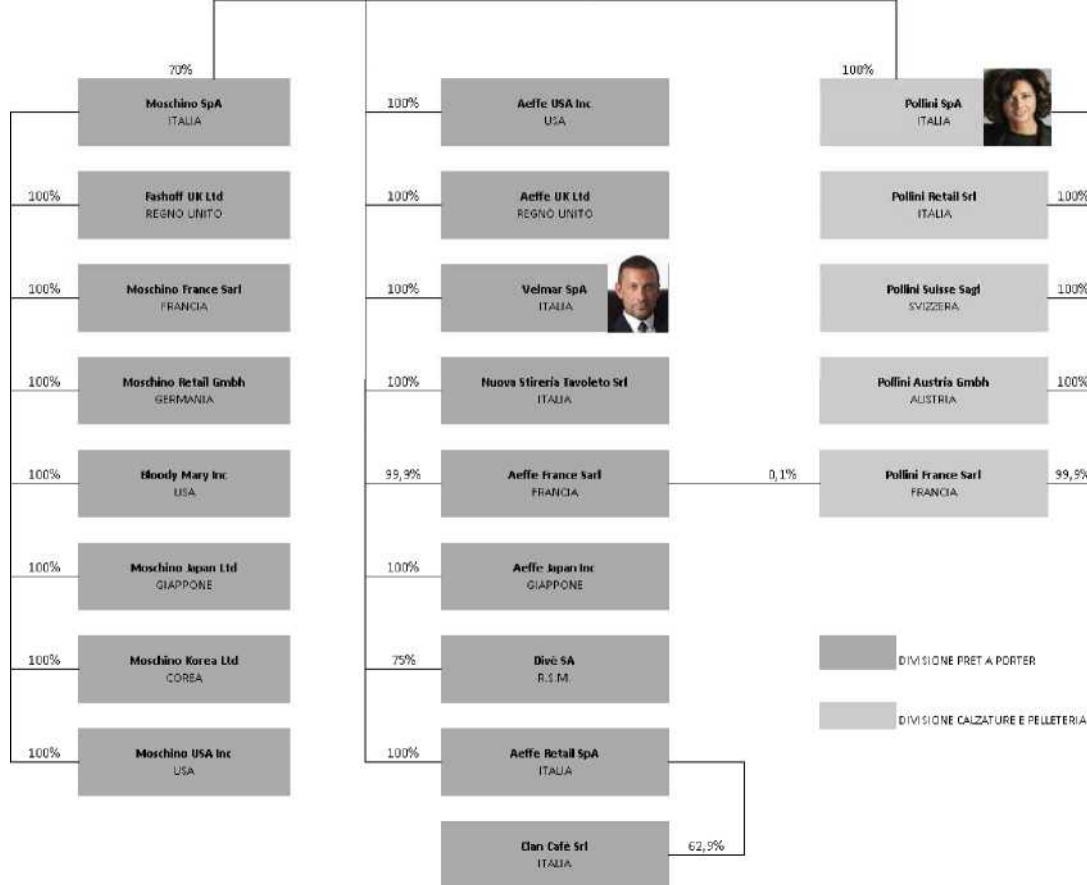
The Aeffe Group operates at an international level in the fashion and luxury sector, producing and distributing a wide range of products. The various product lines and brands presented by the Group are divided into two segments: (i) *prêt-à-porter* (comprising the *prêt-à-porter* lines, lingerie and beachwear); and (ii) footwear and leather goods.

With a constant focus on uniqueness and exclusivity, the Group designs, produces and distributes collections for both its house brands, including “Alberta Ferretti”, “Philosophy di Lorenzo Serafini”, “Moschino”, “Boutique Moschino” and “Pollini”, and for licensed brands, including “Blugirl” and “Cedric Charlier”, “Emanuel Ungaro” and “Jeremy Scott”.

In addition, the Group has licensed the production and distribution of additional accessories and products to leading partners, in order to complete its range (perfumes, kids and junior lines, watches, eyewear and other).

The *maisons* of the Group, characterized by their international fame and their unique and recognizable style, hold a range of complementary brands that are positioned among the principal luxury brands in both image and price terms.

The following diagram presents the companies that comprise the Group. The companies are colored differently to indicate whether they belong to the Prêt-à-porter Division or the Footwear and leather goods Division:



2.2 The organization in general

Corporate governance assigns a central role to the Board of Directors.

Pursuant to art. 14 of the Articles of Association, the Board of Directors comprises a variable number of members, from 7 (seven) to 9 (nine), who need not be shareholders. The Board of Directors includes both executive and non-executive directors. On the first renewal of the Board of Directors subsequent to the Shareholders' Meeting held on April 18, 2013, the portion reserved for the least represented gender is limited to one fifth of the total, as rounded up to the nearest whole number in the case of a fraction. In all cases, at least one member of the Board of Directors, or two if the Board of Directors comprises more than seven members, must satisfy the independence requirements established in art. 148, para. 3, of the Consolidated Finance Law. The directors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected.

Art. 17 of the Articles of Association requires meetings of the Board of Directors to be called by the Chairman or by the Deputy Chairman (if appointed) or

by a Managing Director or by the Board of Statutory Auditors or by one of the Statutory Auditors, upon notification to the Chairman.

The Articles of Association do not establish a minimum frequency for meetings of the Board of Directors; however, consistent with Principle 1.P.1 of the Code of Self-Regulation, the meeting of the Company's Board of Directors held on 26 March 2007 resolved, among other matters, to make every effort to meet at least on a quarterly basis, unless other requirements or urgent needs arise.

In addition, as envisaged in art. 19.2 of the Articles of Association and pursuant to art. 150 of the Consolidated Finance Law, the directors report to the Board of Statutory Auditors, at least every quarter, on the work performed and on the principal economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the transactions in which they have an interest, whether personally or on behalf of third parties, or which were influenced by the party which directs and coordinates the activities of the Company. Such information is communicated verbally by the directors to the Board of Statutory Auditors, during special meetings with the directors or at the meetings of the Board of Directors or the Board of Statutory Auditors envisaged by art. 2404 of the Italian Civil Code, or by the submission of written reports which is noted in the minute book of the Board of Statutory Auditors envisaged by art. 2421.5 of the Italian Civil Code.

Pursuant to art. 19.1 of the Articles of Association, the Board of Directors exercises the widest powers for the administration of the Company, without any exceptions, and has the right to perform all deeds deemed appropriate for the pursuit and achievement of the Company's objects, with the sole exclusion of those reserved by law for the Shareholders' Meeting.

In addition, pursuant to art. 19.6 of the Articles of Association, the following resolutions cannot be delegated and must be adopted by the Board of Directors pursuant to art. 2436 of the Italian Civil Code:

- mergers or spin-offs pursuant to arts. 2505, 2505-bis and 2506-ter c.c.;
- opening or closure of secondary offices;
- transfer of the registered offices elsewhere in Italy;
- indication of which directors are the Company's legal representatives;
- reduction of capital following withdrawal by a shareholder;
- alignment of the Articles of Association to reflect compulsory regulatory requirements,

without prejudice to the fact that such resolutions can, in any case, also be adopted at an extraordinary shareholders' meeting.

Pursuant to Criterion 1.C.1 of the Code, the Board has sole responsibility for:

- examination and approval of the strategic, industrial and financial plans of the Issuer and the Group which it leads, the Issuer's system of corporate governance and the structure of the Group;
- assessment of the adequacy of the organization, administrative and financial accounting systems of the Issuer, and those of subsidiaries of strategic importance, prepared by the Managing Directors, with particular reference to the system of internal controls and the management of conflicts of interest;
- granting and revoking the mandates of the Managing Directors, establishing the limits on their powers and how they may be exercised;
- determination, having examined the proposals made by the relevant committee and heard the opinion of the Board of Statutory Auditors, of the remuneration of the Managing Directors and the other directors with special duties, as well as the allocation of the total remuneration due to members of the Board, if not already decided at the Shareholders'

Meeting;

- assessment of the general results of operations, having regard in particular for the information received from bodies with delegated powers, and periodically comparing the results achieved against budget;
- acquisition of firms and equity investments and merger and spin-off transactions and other special operations that may have strategic, economic or financial importance for the Issuer.

In conformity with the combined requirements of arts. 147 quinquies and 148 of the Consolidated Finance Law, the members of the Board of Directors satisfy the honorability requirements established for members of management bodies in Regulation 162 dated March 30, 2000, issued by the Justice Minister, as well as professionalism and experience requirements needed in order to carry out their mandates effectively and efficiently.

On March 23, 2007, the Board of Directors adopted regulations for the Internal Audit Committee, now known as the Control and Risks Committee, which comprises three members who, consistent with Principle 7.P.4 of the Code of Self-Regulation, are all non-executive directors, including two independent directors.

In particular, the Control and Risks Committee advises the Board of Directors and makes recommendations concerning:

- (a) the definition of guidelines for the system of risk management and internal controls, so that the principal risks faced by the Company and the Group are properly identified and adequately measured, managed and monitored, as well as criteria for the compatibility of such risks with the healthy and proper management of the business;
- (b) the decisions to be taken on the appointment, removal, remuneration of and allocation of resources to the manager of the Internal Audit function;
- (c) the identification of the executive director responsible for supervising the functioning of the system of internal controls;
- (d) the assessment, each year or more frequently, of the effective and proper functioning of the system of internal controls;
- (e) the description in the report on corporate governance of the key elements of the system of internal controls.

In addition, the Control and Risks Committee:

- (a) assesses, together with the executive responsible for preparing the Company's accounting documentation and with the auditing firm, the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- (b) on request from the Chairman, expresses opinions on specific matters concerning identification of the principal business risks, as well as on the design, implementation and management of the system of internal controls;
- (c) examines the work programs prepared by the internal control manager and the periodic reports prepared by him;
- (d) assesses the proposals presented by auditing firms with a view to obtaining the related appointment, and assesses the plan of the audit and the results set out in the auditors' report and any letter of recommendations;
- (e) monitors the effectiveness of the auditing process;
- (f) if deemed necessary, may request the Internal Audit function to perform checks in specific operational areas, informing at the same time the Chairman of the Board of Statutory

Auditors.

The Control and Risks Committee coordinates its work with the Board of Statutory Auditors and the internal control managers, reporting at least every six months to the Board of Directors at the time of approving the annual financial statements and the half-year report. The meetings of the Control and Risks Committee are attended by the Chairman of the Board of Statutory Auditors or by another serving auditor designated by him.

The Board has also appointed an internal control manager who reports periodically to the Control and Risks Committee (and to the Board) about the work performed and helps the Committee to carry out its functions and duties.

The Company also has a number of organizational tools (organization charts, organizational communications, etc.) founded on the following general principles:

- formal specification of roles, with a complete description of the duties assigned to each function and the related powers and responsibilities;
- clear description of reporting lines;
- knowability, transparency and communication of the powers granted (within the Company and in relation to the third parties concerned).

In particular, the following aspects are guaranteed:

- the organization chart, the scope and the responsibilities of the business functions are defined clearly via specific communications made available to all employees;
- incompatible activities are organized into phases and distributed among several functions in order to guarantee the adequate segregation of duties;
- specific roles and duties are assigned to the internal managers of each area exposed to possible risks, who are granted powers for the management, motivation and coordination of the underlying functions.

2.3 *System of mandates and delegated powers*

The system of mandates and delegated powers contributes, together with the other tools comprising this Model, to the prevention of risks-offenses in the context of the sensitive activities identified.

Mandate is understood to mean the unilateral legal instrument used by the Company to assign powers of representation to a specific person.

Delegated powers consist of any internal assignment of functions and duties documented in the system of organizational communications.

All persons with the power to commit the Company in relation to third parties hold a relevant mandate.

Each internal delegation of powers specifies unambiguously the powers assigned and their limits, as well as the party (body or individual) to which the delegee reports hierarchically.

By a resolution adopted on May 13, 2014, the Board of Directors granted to the Chairman of the Board of Directors, Massimo Ferretti, Director Alberta Ferretti and Managing Director Simone Badioli all the widest powers of ordinary and extraordinary administration, to be exercised as sole signatories without any limitation on the amount or type of expenditure, except in relation to the following transactions

- (i) purchase, sale, exchange or contribution of property subject to registration with the land registry;
- (ii) purchase, sale, exchange or contribution of lines of business that include property subject to registration with the land registry;
- (iii) purchase and sale of trademarks used in pursuit of the Company's objects;
- (iv) purchase, sale, exchange or contribution of lines of business or equity investments in companies whose value exceeds Euro 2,000,000.

The Chairman of the Board of Directors, Massimo Ferretti, was also identified as the "employer" pursuant to Decree 81/2008, as he was granted exclusive powers for the implementation and proper execution of all accident prevention activities and, in particular, the power to:

- (i) organize work, giving the necessary instructions and directives in order to safeguard the health and safety of workers and, in the event of violations, applying the appropriate disciplinary measures;
- (ii) apply all measures deemed necessary for the protection of health and safety at work, including those to take all urgent and non-deferrable actions to achieve or restore safe working conditions;
- (iii) sign purchase contracts, contracts for work and arrange in any form the exchange of goods, services and intellectual property that may be necessary in order to implement, manage properly, improve or revise the supervisory activities carried out to protect the health and safety of workers.

Again on May 13, 2014, the Board revoked all the powers previously granted to Marcello Tassinari, director and General Manager of the Aeffe Group, and granted him the following powers to be exercised as sole signatory without any limitation on the amount or type of expenditure:

- (a) set down, modify, extend and terminate all types of purchase and sale contract, with all appropriate clauses including recourse to arbitration, that are necessary or useful for the development of the Company's industrial and commercial activities, including but not limited to contracts and agreements for the hire of assets, transportation, the supply of work, services and goods, the free use of assets, leases and rentals, business rentals, agency work, franchises, construction work and the provision of services of all kinds, with the sole exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the licensing and sale of trademarks used in pursuit of the Company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 2,000,000; sign the above contracts with the public administration, public and private bodies and, in particular, with the national railways;
- (b) represent the Company in relations with banks, customers, suppliers, agents and third parties in general, sign correspondence, pay accounts and invoices and make any related settlements;
- (c) sign communications with the Companies Register, Chambers of Commerce, the Bank of Italy, Consob, the Competition Authority, the Stock Exchange, ministries and other public and private bodies and offices concerning requirements placed on the Company by laws, regulations or regulatory or administrative instructions, sign and present declarations and communications concerning value-added tax, registration taxes, Ires, Irap and all other direct and indirect taxes, ICI declarations, INVIM declarations, as well as any and all attachments or attestations relating to the above deeds;
- (d) sign with appropriate clauses, including arbitration clauses, amend and terminate, transfer and acquire for disposal, contracts for the purchase, sale or exchange of know-how,

- secrets and research, including designs, plant and engineering works in general;
- (e) carry out all the deeds necessary to register patents including, by way of example, applications for corrections, amendments, extensions to the secret, divisions, propose or resist administrative objections, interference, administrative appeals, carry out in general all other deeds that may be necessary and useful for requesting, obtaining and maintaining patents and/or trademarks of the Company, sign all deeds necessary for the exercise of the above powers, appointing for this purpose patent correspondents in Italy and abroad and granting them the related powers;
 - (f) carry out with the Public Administration, public bodies and offices all the deeds and transactions necessary to obtain concessions, licenses and authorizations in general, set down and sign regulations, conventions, acts of submission and all other preparatory deeds for such measures; fulfill all the related requirements, including those concerning taxes on production and consumption, land and monopoly levies;
 - (g) sign the currency declarations for import and export transactions issued by the Bank of Italy and authorized banks, arranged for the related currency settlements and, in particular, sign the forms requesting the application of simplified customs procedures;
 - (h) transfer currency amounts and payments received from abroad from bank to bank, give instructions to banks for the use of such amounts and for the processing of currency declarations regarding export transactions;
 - (i) carry out, in any currency, the transactions described below with banks and finance companies in general; pay in any amounts to the Company's current accounts with any bank or finance company; issue checks with or without special clauses or restrictions; use in any way the amounts to the credit of the Company or otherwise available in such accounts, whether by drawing sums against a simple receipt, by the issue of checks, including checks for the benefit of the Company, by payment orders or requests for the issue of bankers' drafts; overdraw the Company's current accounts to the extent of agreed lines of credit; cash drafts and checks of all kinds and in any currency, with the usual reservations; request and collect blank check books for current accounts opened in the Company's name, giving receipts; order the sale and purchase of currency for all import and export transactions;
 - (j) arrange insurance contracts of all kinds, signing the related policies with the right to agree and demand, in the event of losses, the related indemnities, giving receipt to those that require it and agreeing in settlement all other indemnities due to third parties for any losses arising;
 - (k) make deposits for any reason and withdraw them from post and telegraph offices, banks, central banks, the tax authorities, the central and branch offices of Cassa Depositi e Prestiti, customs, the national and private railways, transport and shipping firms etc.; collect from post and telegraph offices, customs, railways, transport and shipping firms and, in general, from any public offices and any company or premises, payment orders, packages, letters including registered and insured letters declaring their value, goods, cash etc., giving receipts and releases from responsibility;
 - (l) represent the Company in dealings with local or sector industrial associations, taking part in meetings with the right to reach and sign agreements with them;
 - (m) demand and give receipts for amounts, credits, earnings, interest, dividends, checks and payment orders issued by whosoever in favor of the Company, endorse such securities over to banks, protest amounts not honored and arrange for recalls;
 - (n) represent the Company before civil, administrative and judicial authorities and bodies at all levels, as well as before the tax authorities; represent the Company in any and all fiscal disputes before any authority or office, including the tax commissioners at all levels, census and customs offices, and panels of experts, with the power to sign appeals, sign and

present declarations and communications concerning IRES, IRAP, VAT, registration taxes and all other direct and indirect taxes, ICI declarations and any and all attachments or attestations concerning the above deeds; propose and accept settlements, promote legal claims, appear as plaintiff or defendant, proposing all appropriate deeds and represent the Company in creditors' meetings, make proposals or obtain registration of amounts due in bankruptcy and other court supervised procedures; accept creditors' arrangements and demand the related amounts, settle any amounts or cases outstanding, agree to arbitration and mediation, including those with unappealable rulings, ensure the enforcement of judgments, defer, refer and accept sworn oaths, promote the attachment or seizure of assets or other forms of credit protection in relation to debtors and third parties, and revoke the same, appoint solicitors, lawyers and experts, revoke such appointments and elect domicile;

- (o) sign declarations of the remuneration subject to withholding taxes to be given to third parties pursuant to and for the effects of art. 3.1 of Decree 600 dated September 29, 1973;
- (p) represent the Company with the State Tax Authorities, the central and branch offices of Cassa Depositi e Prestiti, the State, Regional, Provincial and Municipal Treasuries, so that in the name of and on behalf of the Company he may carry out any transaction involving the payment of release of provisional and final guarantee deposits, collect payment mandates for whatever reason issued or to be issued in favor of the Company by State or near-State entities, giving good receipt without any limitation of amount, exonerating the above administrations from all responsibility, stating that the Company reserves the right to and agrees to communicate to the above competent authorities any changes in this mandate, exonerating them from any responsibility for the untimely notification of any changes to it;
- (q) arrange to hire and dismiss clerical and factory workers, adopting in relation to employees all the measures deemed necessary and useful, sign employment contracts and determine remuneration levels;
- (r) request, negotiate and sign contracts for bank lines of credit and all other contracts relating to loans requested from third parties;
- (s) request, negotiate and sign contracts for the sale of receivables to factoring companies and/or third parties operating in the same sector;
- (t) give and sign guarantees and sureties in favor of the subsidiaries of Aeffe S.p.A. and, in all cases, in favor of companies belonging to the Aeffe Group and/or associated with Aeffe S.p.A.

Given that the position of Chairman of the Board of Directors of the Issuer is held by a person appointed by the majority shareholder of the Issuer, on May 13, 2014, the Board appointed Sabrina Borocci as Lead Independent Director, pursuant to Criterion 2.C.3 of the Code.

2.4 Objectives pursued by Aeffe S.p.A. by adoption of the Model

The Company is fully aware of the need to ensure the proper and transparent conduct of its business and corporate activities, as well as to protect its position and image, the expectations of its shareholders and the work of its employees, and understands the importance of implementing a system of internal controls capable of preventing illegal conduct by its directors, employees, collaborators, representatives and business partners.

For this purpose, although adoption of the Model is optional and not specifically required by law, the Company carried out an investigative project in the conviction that adoption and effective implementation of the Model not only enables the Company to benefit from the exoneration

envisaged by Decree 231/2001, but also to improve its corporate governance, within the stated boundaries of the Model, and limit the risk of committing offenses.

2.5 Objectives of the Model and fundamental principles

By adopting the Model, the Company seeks to pursue the following principal objectives:

- make all Recipients of the Model aware of the need to comply with the Model in every way, with violations resulting in severe disciplinary penalties;
- confirm that such forms of illegal conduct are strongly condemned by the Company, as they are (even if the Company might apparently benefit from them) in any case contrary to both the law and the ethical standards that the Company intends to uphold in the conduct of its business activities;
- explain the serious consequences for the Company (and, indirectly, for all stakeholders) that might derive from application of the pecuniary penalties and bans envisaged in the Decree and the possibility that such measures might be applied on a precautionary basis;
- enable the Company to monitor constantly and closely supervise activities, so that timely action can be taken in relation to possible risk situations, with application of the disciplinary measures envisaged in the Model if necessary.

Consistent with the Confindustria Guidelines, the methodology adopted for preparation of the Model involved:

- identifying so-called *sensitive* activities via an examination of corporate documentation (especially organization charts and mandates) and a series of interviews within the managers responsible for the various sectors of business operations (managers of the different business areas). The purpose of this analysis was to identify and evaluate any activities that might involve illegal conduct and the risk of committing the identified offenses. At the same time, related preventive and other controls were also evaluated in order to identify any weaknesses for subsequent improvement;
- designing and implementing the actions needed in order to improve the system of controls and align it with the objectives pursued by the Decree, having regard for the Confindustria Guidelines, as well as such fundamental principles as the segregation of duties and the definition of authorization powers consistent with the responsibilities assigned. Particular attention was dedicated in this phase to identifying and governing the processes for the financial management and control of the various activities at risk;
- defining control protocols for cases in which the theoretical risks are deemed to be real. In this regard, decision and implementation protocols were defined that contain the rules and regulations considered most suitable by the operational managers concerned, among others, for the governance of the risk profiles identified. The principle underpinning construction of the system of controls is that whereby the conceptual threshold of acceptability is represented by a system of prevention that can only be avoided by fraudulent activity, as indeed indicated in the Confindustria Guidelines. The protocols seek to ensure that the various phases of the decision-making process are both documented and verified, so that the reasons underlying the decisions made can be determined.

I The key aspects of the Model are therefore:

- mapping the activities at risk, being those in the context of which it may be possible to

- commit the offenses identified in the Decree;
- preparing suitable controls to prevent the commitment of offenses identified in the Decree;
- checking business conduct ex post, as well as the functioning of the Model, with consequent periodic updates;
- disseminating the rules of conduct and procedures established and involving all corporate levels in their implementation;
- assigning specific duties to the Supervisory Body for monitoring the proper and effective functioning of the Model;
- preparing a Code of Ethics.

II Without prejudice to the specific objectives described earlier with regard to the exoneration envisaged in the Decree, the Organization, management and control model is part of the broader system of controls already adopted in order to provide reasonable assurance about the achievement of business objectives in compliance with the various laws and regulations, the reliability of financial information and protection of the Company's net assets, even in the event of fraud.

In particular, with regard to the so-called *sensitive* activities, the Company has identified the following guiding principles for the Model that, by governing those activities, represent tools for determining and implementing the decisions of the Company and for guaranteeing appropriate control over them, in relation to the offenses to be prevented:

- segregation of duties via the proper allocation of responsibilities and the establishment of suitable levels of authorization, in order to avoid the accumulation of functions or operational tasks that concentrate the performance of critical activities on just one person;
- clear and formalized assignment of powers and responsibilities, with express indication of their limits, that are consistent with the duties assigned and the roles covered within the organizational structure;
- prevention of significant transactions being carried out without prior authorization;
- existence of rules of conduct capable of ensuring that business activities comply with the established laws and regulations and safeguard the net assets of the Company;
- adequate procedural regulation of *sensitive* business activities so that:
 - o operational processes are defined with adequate documentary support, so that their reasonableness and consistency can always be checked, together with the related responsibilities;
 - o the characteristics and reasons for operational decisions and choices can always be traced back and the persons who authorized, carried out and checked each activity can always be identified;
 - o suitable methods for the management of financial resources are implemented to prevent the commitment of offenses;
 - o the constant control and supervision of business transactions is documented;
 - o security mechanisms guarantee adequate protection against unauthorized physical-logical access to data and Company assets;
 - o procedures for the exchange of information between adjoining phases or processes guarantee the completeness and accuracy of the data concerned.

The above principles are consistent with the indications provided in the Confindustria Guidelines and are deemed by the Company to be reasonably suitable for preventing commitment of the offenses identified in the Decree. For this reason, the Company considers it fundamental to guarantee the proper and concrete application of the above control principles in each of the *sensitive* business areas identified and described in the Special Parts of this Model.

2.6 Structure of the Model: General Part and Special Parts covering the various possible offenses

The Model comprises this General Part, which explains the functions and principles embodied in the Model and identifies and governs its essential components, being the Supervisory Body, personnel selection, training and dissemination of the Model, the general principles for the system of internal controls and the disciplinary system, as well as thirteen Special Parts covering the various possible offenses.

Special Part “A” is dedicated to the prevention of offenses committed in relations with the Public Administration (arts. 24 and 25¹⁹ of Decree 231/2001).

Special Part “B” is dedicated to offenses involving the falsification of cash, government-issued bearer bonds and duty-paid stamps and recognizable signs (art. 25-bis²⁰ of Decree 231/2001)

Special Part “C” is dedicated to the prevention of corporate offenses (art. 25-ter²¹ of Decree 231/2001).

Special Part “D” is dedicated to market abuse (art. 25-sexies²² of Decree 231/2001) and, given the reference to the responsibility of entities in art. 187-quinquies²³ of Decree 58/1998, to prevention of the administrative offenses referred to in arts. 187-bis and 187-ter of Decree 58/1998.

Special Part “E” is dedicated to offenses in violation of the regulations governing health and safety in the workplace (art. 25-septies²⁴ of Decree 231/2001).

Special Part “F” is dedicated to receiving and money laundering (art. 25-octies²⁵ of Decree 231/2001).

Special Part “G” is dedicated to IT offenses and improper data processing (art. 24-bis²⁶ of Decree 231/2001).

Special Part “H” is dedicated to organized crime (art. 24-ter²⁷ of Decree 231/2001).

Special Part “I” is dedicated to offenses against trade and industry (art. 25-bis. 1²⁸ of Decree

¹⁹ Article subsequently amended by art. 1, para. 77, letter a) of Law 190 dated November 6, 2012.

²⁰ Article added by art. 6 of Decree 350 dated September 25, 2001, as enacted with amendments by Law 409 dated November 23, 2001, and subsequently amended by Law 99 dated July 23, 2009).

²¹ Article added by art. 3, para. 2, of Decree 61 dated April 11, 2002, with effect from the day following that of its publication in the Italian Official Gazette, in the manner envisaged in art. 5 of Decree 61/2002, as subsequently amended by arts. 31, para. 2, and 39, para. 5, of Law 262 dated December 28, 2005, by art. 1, para. 77 b), of Law 190 dated November 6, 2012 and by art. 12 of Law 69 dated May 27, 2015.

²² Article added by art. 9, para. 3, of Law 62 dated April 18, 2005.

²³ The amendment made to the Consolidated Law on financial intermediation by Law 62 dated April 18, 2005, envisages with regard to the responsibility of entities that art. 187-quinquies applies when the administrative offenses of insider trading or market manipulation envisaged in arts. 187-bis and 187-ter TUF respectively are carried out in the interests or for the benefit of the entity. Accordingly, art. 187-quinquies represents the first time that the legislation envisaged in Decree 231/01 has been applied outside of its normal sphere.

²⁴ Article added by art. 9 of Law 123 dated August 3, 2007.

²⁵ Article added by art. 63, para. 3, of Decree 231 dated November 21, 2007, as amended by art. 3, para. 5, of Law 186 dated December 15, 2014.

²⁶ Article added by art. 7 of Law 48 dated March 18, 2008.

²⁷ Article added by art. 2, para. 29, of Law 94 dated July 15, 2009.

²⁸ Article added by art. 15, para. 7 b) of Law 99 dated July 23, 2009.

231/2001).

Special Part “L” is dedicated to the violation of authorship rights (art. 25-novies²⁹ of Decree 231/2001).

Special Part “M” is dedicated to the offenses of inducement to not make declarations or to make false declarations to the judiciary (art. 25-decies³⁰ of Decree 231/2001).

Special Part “N” is dedicated to environmental offenses (art. 25-undecies³¹ of Decree 231/2001).

Special Part “O” is dedicated to the employment of foreign citizens without a proper permit (art. 25-duodecies³² of Decree 231/2001).

The principal sensitive activities are presented below and analyzed in detail in the related Special Parts.

For offenses against the Public Administration (arts. 24 and 25³³ of Decree 231/2001) (Special Part “A”):

Ref Sensitive Macro Activity

1PA Obtaining and managing grants, contributions, loans (e.g. public assistance for the payment of principal or interest)

2PA Obtaining and managing other assistance from Public Entities in favor of Aeffe for investment in the renovation of properties

3PA Obtaining and managing assistance to Aeffe in the form of relief from contributions or other assistance for the recruitment of personnel

4PA Obtaining and managing tax credits from Public Bodies in favor of Aeffe for the recruitment and training of personnel

5PA Applications for concessions, licenses, authorizations or certificates

6PA Consob formalities

7PA Formalities relating to taxes and levies

8PA Formalities relating to privacy matters

9PA Formalities relating to employment regulations

10PA Formalities relating to health and safety at work (Decree 626/94)

11PA Relations with CONSOB at the time of audits, inspections and penalty procedures

12PA Relations with the Tax Authorities at the time of audits, inspections and penalty procedures

13PA Audits, inspections and penalty procedures (Relations with the Privacy Ombudsman (Garante), etc.)

14PA Relations with public officials at the time of audits, inspections and penalty procedures regarding employment matters (INPS, INAIL, Employment Inspectors, etc.)

15PA Relations with public officials regarding occupational health and safety matters (Decree 626/94)

16PA Management of court cases and out-of-court disputes; appointment of lawyers and coordination of and support for their activities.

17PA Management of tax disputes; appointment of lawyers and coordination of and support for their activities.

18PA Selection of vendors

19PA Payment for goods/services acquired

20PA Confirmation of the receipt of advertising and paid editorial services

21PA Management of individual gifts with significant economic value.

22PA Management of sponsorships

23PA Management of donations granted/paid

²⁹ Article added by art. 15, para. 7 c) of Law 99 dated July 23, 2009.

³⁰ Article added by art. 4 of Law 116 dated August 3, 2009.

³¹ Article added by Law 116 dated August 3, 2009, replaced by Decree 121 dated July 7, 2011, and subsequently amended by art. 1, para. 8, of Law 68 dated May 22, 2015.

³² Article added by Decree 209 dated July 16, 2012, in implementation of Directive 2009/52/EC that provides for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.

³³ Article subsequently amended by art. 1, para. 77, letter a) of Law 190 dated November 6, 2012.

- 24PA Management of employee travel expenses**
- 25PA Checking of hospitality expenses**

With regard to offenses involving the falsification of cash, government-issued bearer bonds and duty-paid stamps and recognizable signs (Special Part “B”):

- Ref Sensitive Macro Activity**
- 1MON Management of collections**
- 2MON Research and development**
- 3MON Management of trademarks, designs and models (acquisition of new trademarks and management of those held under license)**

For corporate offenses (Special Part “C”):

- Ref Sensitive Macro Activity**
- 1SOC Processing of data/information/estimates to be included in the financial statements**
- 2SOC Processing of the draft financial statements, subsequent activities and approval of final financial statements.**
- 3SOC Preparation and approval of the consolidated financial statements**
- 4SOC Corporate communications**
- 5SOC Management of contractual relations with Group companies**
- 6SOC Management of relations with the Auditing Firm, the Board of Statutory Auditors and Shareholders**
- 7SOC Preparation for shareholders’ meetings, preparation and conduct of general meetings**
- 8SOC Transactions in treasury shares and quotas, capital transactions and allocation of profits**
- 9SOC Management of relations with directors regarding conflicts of interest**
- 10SOC Management of economic relations with parties related to shareholders or directors**
- 11SOC Formalities relating to instructions from the Supervisory Authorities**
- 12SOC Audits, inspections and penalty procedures by the Supervisory Authorities (Consob)**
- 13SOC Definition and quantification of forms of variable remuneration**
- 14SOC Management of relations with strategic customers**
- 15SOC Recruitment and management of human resources for the Styling Office and the Research and Development Department**
- 16SOC Selection of vendors**
- 17SOC Confirmation of the receipt of advertising and paid editorial services**
- 18SOC Payment for goods/services acquired**
- 19SOC Management of employee travel expenses**
- 20SOC Checking of hospitality expenses**
- 21SOC Management of sponsorships**
- 22SOC Management of individual gifts of significant economic value**
- 23SOC Management/granting/payment of donations**

For the administrative offenses of insider trading and market manipulation (Special Part “D”):

- Ref Sensitive Macro Activity**
- 1MER Use of inside information**
- 2MER Transactions in treasury shares**
- 3MER Transactions in the listed financial instruments of third parties**
- 4MER Public disclosure of information about corporate activities**
- 5MER Management of interview and communications to the media and related monitoring**
- 6MER Input of information to the Investor Relations section and the NIS of Borsa Italiana**

With regard to offenses in violation of the regulations governing health and safety in the workplace (Special Part “E”):

- Ref Sensitive Macro Activity**

*Organization, Management and Control Model pursuant to Decree 231/01 -
General Part*

1LAV Compliance with the provisions of Decree 626/94 on health and safety in the workplace
2LAV Allocation and maintenance of company cars
With regard to the offenses of receiving and money laundering (Special Part “F”):

Ref Sensitive Macro Activity
1RIC Management of collections
2RIC Management of international collections from countries not members of the FATF
3RIC Management of international payments to from countries not members of the FATF
4RIC Organization of the delegated authorities for the management of cash flows
5RIC Movement of bank current accounts
6RIC Management of financial relationships with Group companies
7RIC Management of contractual relations with Group companies
8RIC Tax declarations
9RIC Corporate communications
10RIC Management of personal data
11 RIC Import and/or export of goods sourced from non-EU countries

With regard to the offenses of IT fraud and illegal data processing (Special Part “G”): **Ref Sensitive**

Macro Activity

1INF IT management of administrative-accounting documents

With regard to the organized crime (Special Part “H”):

Ref Sensitive Macro Activity
1CRI Selection of vendors
2CRI Payment for goods/services acquired
3CRI Selection of personnel
4CRI Management of exclusive sales concessions
5CRI Management of presents, gifts and donations
6CRI Economic and financial transactions with countries not members of FATF

With regard to the offenses against trade and industry (Special Part “I”): **Ref Sensitive Macro Activity**

1IC Management of production and distribution
2IC Management of trademarks, designs and models (acquisition of new trademarks and management of those held under license)

With regard to the offenses in violation of authorship rights (Special Part “L”):

Ref Sensitive Macro Activity
1AUT Management of licenses and software
2AUT Management of marketing
3AUT Organizations of fashion shows and presentations

With regard to the offenses involving inducements to not make declarations or to make false declarations to the judiciary (Special Part “M”):

Ref Sensitive Macro Activity
1IND Relations with parties involved in criminal proceedings and, in particular, persons who are being investigated or have been charged
With regard to the environmental offenses (Special Part “N”):

Ref Sensitive Macro Activity

- 1AMB Management of waste**
- 2AMB Selection of outsourcing suppliers and management of external processing**
- 3AMB Use of products derived from examples of protected animal species**
- 4AMB Management of relations with parties engaged to transport and dispose of waste**

With regard to the offenses of employing foreign citizens without a proper permit (Special Part “O”):

Ref Sensitive Macro Activity

- 1IRR Selection and periodic evaluation of personnel**
- 2IRR Selection of outsourcing suppliers and management of external processing**

With regard to:

- offenses committed for the purposes of terrorism or the subversion of democratic order (art. 25-quater³⁴ of Decree 231/2001);
- offenses involving the mutilation of female genitals (art. 25-quater 1³⁵ of Decree 231/2001);
- offenses against individual freedom (art. 25-quinquies³⁶ of Decree 231/2001);
- transnational offenses, as addressed by the UN Convention against transnational organized crime and its Protocols (art. 10 of Law 146 dated March 16, 2006³⁷,

it was decided, using a methodology that analyzed and assessed the various risk factors, that the risk profile of the specific activities of the Company does not provide a reasonable basis for believing that these offenses might be committed in the interests or for the benefit of the Company.

In this regard, it is deemed entirely sufficient to refer to the principles contained in this General Part of the Model and in the Code of Ethics, which require the Recipients of the Model to comply with the values of integrity, transparency, legality, impartiality and prudence.

Without prejudice to its special purpose, this Model is part of the broader system of controls comprising principally the rules of corporate governance and the system of internal control adopted by the Company.

By way of example, the existing specific tools for making and implementing decisions at Company level, including those above the offenses to be prevented, comprise:

- the Code of Ethics;
- the system of internal control;
- the system of management control;
- the documentation and instructions regarding the hierarchical-functional and organizational structure of the business, as well as the administrative, accounting, financial management and reporting systems.

³⁴ Article added by art. 3, para. 1, of Decree 7 dated January 14, 2003, with effect from the day following that of its publication in the Italian Official Gazette.

³⁵ Article added by art. 8, para. 1, of Law 7 dated January 9, 2006.

³⁶ Article added by art. 5, para. 1, of Law 228 dated August 11, 2003, and subsequently amended by art. 3, para. 1, of Decree 39 dated March 4, 2014.

³⁷ In this case, as for the administrative offenses envisaged in art. 187-quinquies of Decree 58/1998, the provisions of the Decree are not applied by the inclusion of identified offenses in the body of the Decree, but by making reference to the provisions of art. 10 of the above Law, which addresses the *Administrative responsibility of entities*.

The principles, rules and procedures inherent in the above tools are not detailed in this Model, but are part of the broader system of organization and control that includes the Model.

These tools may be amended and expanded independently, in a manner fully consistent with their objectives and in compliance with the rules for the authorization and adoption of each tool, without this resulting in automatic amendments to the Model.

2.7 Relationship between the Model and the Code of Ethics

The principles and rules of conduct contained in this Model are consistent with those expressed in the Code of Ethics adopted by the Company, even though the influence of the Model is different to that of the Code, given the objectives pursued in implementation of the requirements of the Decree.

Specifically with regard to the Code of Ethics, it is noted that the conduct of directors, executives, employees and external parties must comply with the general principles and rules of conduct documented in the “Code of Ethics adopted pursuant to Decree 231/2001” (hereinafter, the “Code”) adopted by resolution of the Board of Aeffe S.p.A. on March 28, 2008, and subsequently updated and amended by Board resolution on November 14, 2013.

This Code was developed in order to translate the ethical values into principles of behavior that the Recipients are required to follow in the conduct of business and their activities, not least in relation to conduct that might represent an offense pursuant to Decree 231/2001.

In this regard, it is appropriate to clarify that:

- the Code is a tool adopted independently and may be applied generally by the Company in order to express a series of professional principles that the Company has adopted as its own and with which all employees and business collaborators are expected to comply;
- the Model, on the other hand, responds to specific requirements contained in the Decree that are designed to prevent the commitment of specific types of offense that, solely apparently in the interests or for the benefit of the Company, might give actually rise to administrative responsibility pursuant to the provisions of the Decree.

However, given that the Code also makes reference to principles of conduct capable of preventing the illegal conduct addressed by the Decree, it is relevant for the purposes of the Model and, therefore, formally represents an integral part of the Model.

2.8 Adoption of the Model and related amendments

Art. 6, para. I, letter a) of the Decree requires the Model to be a “*deed issued by the executive body*”.

Adoption is therefore the responsibility of the Board of Directors, which resolves accordingly.

This Model, comprising the General Part and the Special Parts, was approved and adopted by resolution of the Board of Directors of Aeffe S.p.A. on March 28, 2008, and subsequently updated and amended on November 14, 2013, and most recently by resolution of the Board of Directors adopted on [*].

Subsequent amendments or additions to the General Part or the Special Parts, whether proposed by

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the Supervisory Body or otherwise, are referred for the attention of the Board of Directors.

The latest version of the Model is immediately made available to the Supervisory Body.

3 The Supervisory Body

With regard to the actions of *senior decision makers*, art. 6, para. 1, of Decree 231/01 establishes that “*the task of supervising the functioning of and compliance with models and ensuring their update*” must be entrusted “*to an internal body with autonomous powers of initiative and control*”³⁸. Although no specific legislation addresses the actions of *persons managed by others* for the purpose of implementing effectively the model adopted, art. 7, para. 4 a) does require *periodic verification and amendment as necessary when significant violations of the requirements are discovered, or following changes in the organization or in the activities carried out*, which is work usually performed by the Supervisory Body.

3.1 Process of appointing and revoking the Supervisory Body

The Supervisory Body is appointed by formal resolution of the Board of Directors.

The appointment must specify the criteria adopted with regard to the identification, structuring and nature of the Supervisory Body and its assigned functions, as well as the reasons for making that decision and for appointing the individual members of the Supervisory Body.

At the time of appointment and throughout their period of appointment, the members of the Supervisory Body must be guaranteed the independence of their role.

From a personal standpoint, the members of the Supervisory Body must satisfy the requirements of honorability and morality.

Persons are ineligible in the following cases:

- if they engage directly or indirectly in economic relations, excluding employment (including, in addition to the relations indicated in the following point, the provision of professional services in the current or prior year; the conduct of commercial relations in the current or prior year, etc.), with the company, its subsidiaries, its executive directors or its controlling shareholder or group of shareholders, of such significance as to affect their independence of judgment, having regard for the subjective wealth of the natural person concerned;³⁸
- if they own, directly or indirectly, sufficient equity interests in the company to exercise control or significant influence over it;
- if they are close family members of executive directors of the company or persons in the situations described above;
- if they are banned, excluded from their profession or bankrupt;
- if they are sentenced irrevocably pursuant to art. 648 of the criminal procedures code: whether for facts connected with the performance of their appointment; or for facts

³⁸ **The explanatory report attached to Decree 231/2001 states in this regard:** “*The entity (...) must also monitor the effective operation of the models and, therefore, compliance with them: for this purposes, in order to guarantee maximum efficacy, it is established that the company must establish an internal structure (to avoid simple maneuvers designed to draw a veil of legitimacy over the actions of the company via recourse to obliging bodies and, above all, to ensure that the company is truly responsible) with autonomous powers and specific responsibility for these duties (...) the requirement to provide a flow of information to the above internal control body, in order to guarantee its ability to operate, is especially important (...)*”.

that significantly affect their professional morality; or for facts that result in being banned from public office, from the executive management of firms and legal entities, from the exercise of arts or professions, or from contracting with the Public Administration; or, in any case, for having committed one of the offenses envisaged in Decree 231/2001;

- in all cases, in order to safeguard the essential requirements for the Supervisory Body, this reason for ineligibility only applies to criminal proceedings for the facts referred to in the previous point, from the moment the member is notified of the start of criminal action pursuant to arts. 405 and 415 bis of the criminal procedures code, until a no-basis ruling is handed down pursuant to art. 425 of the criminal procedures code, or until a not guilty verdict is reached pursuant to arts. 529 and 530 criminal procedures code

The appointment must establish a fixed duration, which is normally three years from the date of appointment.

The members of the Supervisory Body cease to serve following resignation, subsequent inability to work, death or revocation of their appointment.

The appointments of members of the Supervisory Body may be revoked:

- in the event of repeated failure to carry out their duties or unjustified inactivity;
- if the Company is banned from certain activities due to inaction by the member concerned;
- if violations of the Model by its recipients are identified, followed by failure to report such violations or to check the suitability and effective implementation of the Model in order to propose any necessary amendments;
- if any of the above reasons for ineligibility arise subsequent to their appointment.

Revocation decided by resolution of the Board of Directors, which immediately informs the Board of Statutory Auditors.

In the event of resignation, subsequent inability to work, death or revocation of a member of the Supervisory Body, the Chairman of the Board of Directors must promptly inform the Board of Directors, in order to make the necessary decisions without delay.

3.2 *Essential requirements for the Supervisory Body*

In view of the specific nature of the tasks assigned to the Supervisory Body, the provisions of the Decree and the indications contained in the Confindustria Guidelines, this internal body with autonomous powers of action and control was appointed in a manner designed to guarantee the autonomy, independence, professionalism and continuity required by the Decree for this delicate function.

In particular, partly by reference to the above Guidelines, these requirements can be analyzed as follows:

3.2.1 *Autonomy*

The Supervisory Body makes decisions independently.

The Body is independent in relation to the Company, in that it is not involved in operational

activities in any way and does not participate in management. In addition, the Body is also able to carry out its role without being influenced, directly or indirectly, by the parties monitored. The activities decided by the Supervisory Body cannot be objected to by any other corporate body or structure.

The Body is autonomous in a regulatory sense, in that it is able to determine its own rules of conduct and procedures, in the context of the powers and functions determined by the Board of Directors.

3.2.2 Independence

The independence of the Supervisory Body is necessary in order to avoid any type of conditioning by the Company. Such independence is obtained by proper and appropriate positioning within the reporting hierarchy.

3.2.3 Professionalism

The Supervisory Body is professionally capable and reliable.

It is therefore necessary to guarantee, overall, as a body, the technical-professional skills necessary for the functions to be performed; the presence of legal, accounting, corporate management and organizational skills is axiomatic.

In particular, the possession of specific audit and consultancy skills must be guaranteed, including skills in relation to statistical sampling, risk analysis and assessment techniques, and interview and questionnaire preparation techniques, as well as methodologies for the identification of fraud.

These characteristics, combined with independence, guarantee objectivity of judgment.

3.2.4 Continuity

In order to guarantee the effective and constant implementation of the Model, the Supervisory Body must operate on a continuous basis. Accordingly, based on the operational solutions adopted, the members of the Supervisory Body make a predominant, albeit not necessarily exclusive, commitment to ensure that their institutional tasks are performed effectively and efficiently.

3.3 Organizational positioning of the Supervisory Body

Art. 6 of Decree 231/01 requires the Body to be an integral part of the Company, positioned within the internal organization chart. This is the only way for the Supervisory Body to be informed about the activities of the Company and coordinate appropriately with other corporate bodies. In the same way, only the integration of the Supervisory Body can guarantee the necessary continuity of action.

The Supervisory Body is a *staff function* reporting to the Board of Directors, which appoints it. In order to further guarantee the requirement of independence, the Supervisory Body is required to report to the Board of Statutory Auditors and - in the final instance - to the Shareholders' Meeting.

Additionally, constant flows of information between the Board of Directors and the Supervisory

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Body are guaranteed by its integration within the Company and organizational positioning.

3.4 Identification of members of the Supervisory Body

Applying all the above principles to the reality of the Company and in consideration of the specific duties of the Supervisory Body, it is considered that its membership may be drawn from the Board of Statutory Auditors, the independent directors and employees designated from time to time by the Board of Directors who satisfy the requirements envisaged by current legislation.

The Internal Audit function is authorized to provide operational support to the Supervisory Body, while recognizing the full decision-making autonomy of the latter. The provision of operational support to the Supervisory Body by the Internal Audit function is governed by a specific mandate or appointment.

Tasks involving all types of technical activity may be delegated externally, without prejudice to the requirement for the Internal Audit function, or other external party used as support, to report on the work performed to the Supervisory Body. Clearly, this type of delegation does not relieve the Supervisory Body from responsibility for the supervisory function assigned to it by law.

The above composition is deemed adequate to ensure that the Supervisory Body possesses the required degree of autonomy and continuity.

The members of the Supervisory Body were selected from among those parties in possession of the skills needed to perform the specific professional duties assigned to the Supervisory Body.

3.5 Functions of the Supervisory Body

The Supervisory Body performs the tasks envisaged in arts. 6 and 7 of Decree 231/01 including, in particular:

- supervision and control activities;
- monitoring implementation of the Code of Ethics;
- adaptation and update of the Model;
- reporting to corporate bodies;
- management of information flows.

3.5.1 Supervision and control activities

The primary function of the Supervisory Body involves constant supervision of the functioning of the Model adopted.

The Supervisory Body must supervise:

- compliance with the requirements of the Model by its recipients in relation to the various types of offense identified in the Decree;
- the true effectiveness of the Model in relation to the business organization and its real ability to prevent commitment of the offenses identified in the Decree.

In order to perform this important function appropriately, the Supervisory Body must carry out periodic checks on the individual areas deemed *sensitive*, checking the effective adoption and proper application of the related protocols, the preparation and routine retention of the documentation specified in the protocols, and the overall efficiency and functioning of the measures and safeguards included in the Model to prevent and impede commitment of the offenses identified in Decree 231/01.

In particular, the duties of the Supervisory Body involve:

- checking the actual adoption and proper application of the control protocols envisaged in the Model. In this regard, it is noted that control activities are a primary responsibility of operational management and are considered to be an integral part of each business process (“line controls”), which means that the related personnel training is important.
- performing periodic checks, with operational support from the Internal Audit function as necessary, on specific operations or actions - especially those in the context of sensitive activities - and summarizing the results in a report whose content is communicated to the other corporate bodies, as described further below;
- collecting, processing and retaining significant information about compliance with the Model;
- monitoring initiatives for disseminating knowledge about and understanding of the Model.

3.5.2 Monitoring implementation of the Code of Ethics

The Supervisory Body monitors application of and compliance with the Code of Ethics adopted by the Board of Directors of the Company on March 28, 2008.

The Supervisory Body monitors the dissemination, understanding and implementation of the Code of Ethics.

The Supervisory Body proposes possible Code updates to the Board of Directors.

3.5.3 Adaptation and update of the Model

The Supervisory Body performs an important pro-active role, presenting recommendations and constructive criticism, by assessing and determining technically the changes to be made to the Model, and making suitable proposals to the Board of Directors following:

- significant violations of the requirements of the Model adopted;
- significant changes in the internal organization of the Company or in the way corporate activities are conducted;
- regulatory changes, *in primis* following legislation to increase the *numerus clausus* of identified offenses.

In particular, the duties of the Supervisory Body involve:

- reviewing corporate activities in order to update the mapping of sensitive activities;
- coordinating the training programs for personnel and collaborators with the manager responsible;
- interpreting the regulations governing the offenses identified and any relevant Guidelines, including updates to existing documentation, and checking the adequacy of the system of internal control in relation to the requirements of the regulations or the Guidelines;
- checking the need to update the Model.

3.5.4 Reporting to corporate bodies

The Supervisory Body must report constantly to the Board of Directors; similarly, periodic communications to the Board of Statutory Auditors must also be assured.

The Supervisory Body reports to the Board of Directors:

- when necessary, about proposals for the update and alignment of the Model adopted, to be implemented by making any necessary amendments and additions;
- immediately, about any identified violations of the Model adopted that might give rise to liabilities for the Company, so that appropriate action can be taken. If it is necessary to take appropriate action against the directors, the Supervisory Body must inform the Shareholders' Meeting;
- periodically, in a report issued at least every semester, about the checks and controls carried out and their outcome, as well as about any issues identified in relation to conduct or events that might impact on the adequacy or effectiveness of the Model.

The Supervisory Body reports to the Board of Statutory Auditors:

- immediately, about any identified violations of the Model adopted that might give rise to liabilities for the Company, given that the Board of Statutory Auditors is required to supervise the adequacy of the administrative, organization and accounting systems

- adopted by the Company and their proper functioning;
- periodically, via the periodic report referred to in the previous report.

Meetings of the Supervisory Body may be called at any time by the above bodies, or in turn that Body may request to meet them, to report on the functioning of the Model or on specific situations.

3.5.5 Management of information flows

In order to facilitate the supervision and control activities of the Supervisory Body, it is necessary to establish and guarantee appropriate information flows to that Body.

Accordingly, it is essential for the Supervisory Body to be informed constantly about corporate events and all matters of significance.

The required information flows to the Supervisory Body ensure orderly supervision and control of the effectiveness of the Model and cover, on a periodic basis, the information, data and news specified in the Special Parts, as well as any additional information identified by the Supervisory Body and/or requested from the individual business functions.

This information must be provided on the timing and basis specified in the Special Parts or determined by the Supervisory Body (so-called *information flows*).

The requirement to provide information to the Supervisory Body also includes, on an occasional basis, all other information of any kind relating to implementation of the Model, with regard to both *sensitive* activities and compliance with the requirements of the Decree, that might assist the Supervisory Body in the performance of its duties (so-called *flags*). In particular, it is mandatory to flag:

- news about the effective implementation of the Model at all business levels, highlighting any penalties incurred or decisions not to levy penalties, together with the related reasons;
- the emergence of new risks in areas under the direct responsibility of the various managers concerned;
- any reports prepared by managers as part of their control activities that identify potentially critical facts, deeds or omissions in relation to compliance with the requirements of the Decree or the Model;
- any anomalies and unusual matters identified by business functions as a result of the control activities carried out in implementation of the Model;
- measures and/or news deriving from the judicial police or any other public authority that may indicate the investigation of offenses identified in the Decree, even if the perpetrators are unknown;
- internal reports identifying responsibility for identified offenses;
- reports or requests for legal support submitted to the Company by *senior decision makers* or *persons managed by others* if legal proceedings are started against them in relation to one of the offenses identified in the Decree;
- reports from *senior decision makers* or *persons managed by others* about alleged violations of or non-compliance with specific behavioral precepts or any suspicious behavior in relation to the offenses identified in the Decree;
- reports from *senior decision makers* or *persons managed by others* at other Group companies who provide continuous services for or in the interests of the Company in

relation to these *sensitive* activities, about alleged violations of or non-compliance with specific behavioral precepts or any suspicious behavior in relation to the offenses identified in the Decree;

- reports from collaborators, agents and representatives, consultants and, in general, freelance personnel, vendors and partners (including partners in temporary business associations and joint ventures) and, more generally, all those who work, on any basis, on sensitive activities for or in the interests of the Company.

The Supervisory Body is not obliged to systematically check in detail every report or matter identified; accordingly, the specific cases to be verified and examined in greater detail are determined at the discretion and under the responsibility of the Supervisory Body.

With regard to the transmission of reports by *senior decision makers* and *persons managed by others*, the obligation to inform the employer about any conduct contrary to the Model adopted is, in fact, part of the broader duties of diligence and loyalty required of employees and collaborators. Accordingly, proper compliance with the obligation to report placed on employees and collaborators does not result in the application of disciplinary penalties. Conversely, all inappropriate information, whether in terms of content or form, provided with the intent of blaming a person known to be innocent will be punished by suitable penalties.

In particular, the following requirements apply:

- all information and reports regardless of source, including those relating to violations or suspected violations of the Model, its general principles or the principles embodied in the Code of Ethics, must be presented in writing and in a non-anonymous form. The Supervisory Body takes steps to protect the authors of these reports from all forms of reprisal, discrimination or penalization or any other adverse consequences, assuring them that their identity will be kept confidential, without prejudice to legal requirements, the rights of the Company and those of persons who are accused wrongly and/or in bad faith;
- the author must send the information and reports directly to the Supervisory Body;
- the Supervisory Body evaluates the reports received; all persons with an obligation to report are required to collaborate with this Body, so that all necessary additional information can be collected for a proper and complete assessment of the situation.

The *information flows* and *reports* are retained by the Supervisory Body in an IT and/or hard-copy database. The data and information held in the database are only available to parties external to the Supervisory Body upon authorization from that Body, without prejudice to any access required by law. The Supervisory Body establishes its own criteria and conditions for access to the database, as well as for the retention and protection of the data and information, in compliance with current legislation.

3.6 Powers of the Supervisory Body

The principal powers of the Supervisory Body are indicated below:

- self-regulation and definition of its own internal operating procedures;
- supervision and control.

With regard to the powers of self-regulation and definition of internal operating procedures, the

Supervisory Body has sole responsibility for the way in which:

- its meetings are called and organized;
- its activities and decisions are documented;
- its communications and direct relations with other corporate bodies are organized, as well as for the acquisition of information, data and documentation from them;
- its relations with the Board of Directors and Board of Statutory Auditors are coordinated, including any meetings with those bodies called by the Supervisory Body;
- its supervisory and control activities are coordinated and the results of that work are reported.

With regard to the powers of supervision and control, the Supervisory Body:

- has free and unconditional access to all business functions - without need for any prior consent - in order to obtain all information and data deemed necessary for performance of the duties envisaged in the Decree;
- may use its initial and period budgets freely, without any interference, in order to meet all needs associated with the proper performance of its duties;
- may, if deemed necessary, draw on support - under its direct supervision and responsibility - from all corporate structures, including the Internal Audit function;
- may, in the same way - with full decision-making autonomy, if specific skills are needed and, in all cases, in order to operate professionally - draw on the operational support of the Internal Audit function or even on the collaboration of professionals external to the Company, making use of its period budget for this purpose. In these cases, the parties external to the Supervisory Body merely provide technical-specialist consultancy, without taking any responsibility;
- may, after appropriate investigations and checks and after interviewing the author of the violation, refer the event to the Disciplinary System adopted pursuant to the Decree, without prejudice to the responsibility of the employer for the formal trial and decision on penalties.

3.7 Budget of the Supervisory Body

In order to further strengthen its autonomy and independence, the Supervisory Body is granted a suitable initial and period budget by resolution of the Board of Directors.

The Supervisory Body is able to use these resources in a fully autonomous manner, albeit with the requirement to report on its use of the budget at least once every year, as well as to justify the budget request for the following period, as part of its periodic reporting to the Board of Directors.

4 Disciplinary and penalty system

Pursuant to art. 6, para. 2 e), and art. 7, para. 4 b) of the Decree, the organization, management and control models adopted and implemented (together with the other situations envisaged in the above articles 6 and 7) as an essential condition for the exoneration of the Company from responsibility, should offenses identified in the Decree be committed, are only effectively implemented if they include a suitable disciplinary system for the penalization of failures to comply with the measures indicated.

The application of penalties is unrelated to the start or outcome of any related criminal

proceedings, since the Model and the Code of Ethics are binding on their Recipients and, for the purposes of compliance with the requirements of the Decree, violations must be penalized regardless of the actual commitment of an offense or whether it is punishable.

The rules of conduct imposed by the Model are adopted autonomously by the Company, in order to comply better with the regulatory requirements imposed on the Company.

In this regard, the principles of timeliness and immediacy make it not only necessary but also inadvisable to delay the imposition of penalties ahead of any rulings handed down by the judiciary³⁹.

4.1 Definition and limits on disciplinary responsibility

This section of the Model identifies and describes significant violations pursuant to Decree 231/2001 and subsequent amendments, the corresponding penalties and the related dispute procedures.

Aware of the need to comply with the law and the related instructions for reaching settlements, the Company guarantees that the penalties applicable by this Disciplinary System comply with the national employment contract for the sector - specifically that for workers in the Textile and Clothing Industry, effective from February 4, 2014, and applicable in economic and regulatory terms until March 31, 2016 - and that the procedures for disputing the offense and levying the related penalty are consistent with those envisaged in art. 7 of Law 300 dated May 30, 1970 (so-called "Workers' Statute).

For Recipients not bound by an employment contract (directors and External Parties in general), the measures applicable and the penalty procedures must comply with the law and the actual contractual conditions applicable to them.

4.2 Recipients and their duties

The recipients of this disciplinary system are the same as the Recipients of the Model.

I Recipients must align their conduct with the principles embodied in the Code of Ethics and with all the principles and measures for the organization and management of corporate activities defined in the Model.

Each violation of the above principles, measures and procedures (hereinafter, the "Infringements") represents, if confirmed:

- in the case of employees and executives, non-compliance with the contractual obligations deriving from their employment relationship pursuant to arts. 2104 and 2106 of the civil code;
- in the case of directors, non-compliance with the duties imposed on them by the law and the Articles of Association pursuant to art. 2392 of the civil code;
- in the case of External Parties, non-compliance with their contractual obligations justifying termination of the contract, without prejudice to any claims for damages;

³⁹ See Confindustria Guidelines, chapter 2, point 2.3, page 19

II basis for the levying of penalties, discussed below, taking due account of the specific aspects deriving from the legal status of the person against whom action is taken.

In all cases, the Supervisory Body must be involved in the procedure for levying disciplinary penalties.

The Supervisory Body checks that specific procedures are adopted to inform all of the above parties, from the start of their relationship with the Company, about the existence and content of this system of penalties.

4.3 *General principles for penalties*

The penalties levied for Infringements must, in all cases, comply with the principle of gradual and proportional application based on the seriousness of the violations committed.

Determination of the type and extent of the penalty levied following Infringements, including offenses identified in Decree 231/2001, must take into account and evaluate the following aspects:

- whether the conduct resulting in the violation was intentional;
- the degree of negligence, imprudence and recklessness demonstrated by the author when committing the violation, especially considering whether the event was in fact foreseeable;
- the significance of any consequences deriving from the violation or offense;
- the position of the Recipient within the organizational structure, especially considering the responsibilities associated with the assigned duties of that person;
- any aggravating or mitigating circumstances identifiable in relation to the conduct of the Recipient, for example aggravating circumstances would include any previous disciplinary penalties levied against the same period in the two-year period prior to the violation or offense;
- conspiracy by several Recipients to commit the violation or offense.

The penalties and the procedures for disputing the Infringement differ, depending on the category of Recipient concerned.

4.4 *Penalties levied against employees*

I Conduct by employees in violation of the rules of conduct embodied in this Model is defined as a disciplinary offense.

The penalties that can be levied against employees are described in the corporate disciplinary system and/or the penalty system envisaged in the national employment contract, in compliance with the procedures envisaged in art. 7 of the Workers' Statute and any special regulations that may be applicable.

II The corporate disciplinary system therefore comprises the relevant regulations embodied in the civil code and the settlement procedures envisaged in the national employment contract. In particular, the disciplinary system describes the conduct that is penalized, depending on the importance of each situation considered and the penalties envisaged for having committed the

deeds, depending on their seriousness.

In relation to the above, the Model makes reference to the penalties and categories of deed that are penalized by the system of penalties envisaged in the national employment contract, in order to associate infringements of the Model with the situations already envisaged therein.

The Company believes that the penalties envisaged in the national employment contract are applicable to the Infringements defined above, following application of the procedures described below and considering the general principles and criteria identified in the preceding point.

In particular, the national employment contract identifies types of disciplinary violation that, considering their general and abstract nature, are considered to embody the above Infringements.

Persons subject to the Textile and Clothing Industry national employment contract may be penalized as follows:

- a) verbal warning;
 - b) written warning;
 - c) fine, up to an amount equivalent to 2 hours of contractual remuneration;
 - d) suspension from work for a maximum of 3 days;
 - e) disciplinary dismissal.
- (a) verbal warning;

Pursuant to the national employment contract, a verbal warning is delivered to employees following:

- violation of the principles of conduct, the requirements of control protocols and the obligation to provide information to the Supervisory Body, due to non-compliance with instructions received, including the performance of work without proper diligence, while not deliberately failing to do their duty;
- in general, Infringements committed due to minor failings, on condition that these are slight and without impact outside of the corporate structure/organization.

- (b) written warning;

Pursuant to the national employment contract, a written warning is delivered to employees following:

- repetition, several times in a calendar year, of an Infringement already penalized by a verbal warning, such that it becomes necessary to warn of more serious penalties in a manner less ephemeral than a verbal warning;

- (c) fine, up to an amount equivalent to 2 hours of contractual remuneration;

A fine, not exceeding 2 hours of remuneration pursuant to the national employment contract, may be levied for:

- minor Infringements, greater than those warranting a verbal warning, committed negligently by employees in the performance of their business activities;
- violation of the principles of conduct, the requirements of control protocols and the obligation to provide information to the Supervisory Body, due to negligent non-compliance with instructions received, including conduct involving the tolerance of

- improper conduct by persons subject to their management;
- repetition, several times in a calendar year, of an Infringement already penalized by a written warning and, in particular, when the verbal or written warnings given did not have the desired effect or the nature of the failing is such that a warning would be insufficient;

(d) suspension from work for a maximum of 3 days;

Suspension from work, not exceeding

3 working days under any circumstances pursuant to the national employment contract, is applicable to employees following:

- repetition, several times in a calendar year, of an Infringement already penalized by a fine;
- violation of the principles of conduct, the requirements of control protocols and the obligation to provide information to the Supervisory Body, due to deliberate non-compliance with instructions received, including conduct involving the negligent tolerance of improper conduct by persons subject to their management;
- deliberate Infringements with impact outside outside of the corporate structure/organization;

(e) disciplinary dismissal

Disciplinary dismissal applies to employees following:

- malicious Infringements of such significance as to cause loss of the trust underlying the working relationship, so that continuation is impossible, even on a provisional basis;
- repetition of failings that have already resulted in a suspension for the same reason or a suspension for other reasons in the 4 previous months.

This penalty is applied, in particular, when employees maliciously commit an Infringement of such significance as to represent, even if only theoretically, the commitment of an offense envisaged in Decree 231/2001.

The powers of the employer, possibly delegated to specific persons, are unchanged with regard to verification of the above infringements, the related disciplinary procedures and the levying of penalties.

The Company envisages the necessary involvement of the Supervisory Body in the procedures for levying penalties consequent to violations of the Model, in that no disciplinary penalties for violation of the Model can be levied without first informing the Supervisory Body.

This communication is of course superfluous if application of the penalty was proposed by the Supervisory Body.

The Supervisory Body must also be informed about any disciplinary procedures referred to in this section that are shelved.

Employees will be given immediate and widely disseminated information about the introduction of any new instructions, via an internal circular explaining the reasons for them and summarizing their content.

4.5 Penalties levied against executives

By its nature, the working relationship with executives is preeminently based on trust. The conduct of executives has an impact not only within the Company, but also externally, for example in terms of market image and, in general, towards the various stakeholders.

Accordingly, compliance by the executives of the Company with the requirements of this Model and their obligation to enforce those requirements are essential elements of the executive role, since they provide an example and motivation to those who report to them hierarchically.

Given the particular relationship of trust existing between executives and the Company and the absence of a specific disciplinary system, any Infringements by executives will be penalized by suitable disciplinary measures specific to the individual case and in compliance with the general principles described in section 4.3 General principles for penalties, having regard for any related legal and contractual requirements, and for the fact that such violations represent in all cases non-compliance with the obligations inherent in the working relationship.

The same disciplinary measures apply if executives allow, expressly or by failure to supervise, employees who report to them to behave in a manner not consistent with the Model and/or in violation of the Model, thus committing Infringements.

If the Infringements of the Model by executives may be criminal in nature, the Company reserves the right, at its sole discretion, to apply the following alternate provisional measures to the authors ahead of the criminal judgment:

- provisional suspension of the executive on full pay;
- reassignment to a different role within the Company.

If the criminal judgment confirms violation of the Model by the executive, that person will be subject to the disciplinary measures reserved for more serious Infringements.

In particular, the following disciplinary measures are adopted in the event of more serious Infringements:

- (a) dismissal with notice

Dismissal with notice applies in the event of more serious Infringements in the performance of *sensitive* activities, without giving rise to application against the Company of the measures envisaged in the Decree.

- (b) dismissal without notice

Dismissal without notice applies in the event of more serious Infringements that may give rise to application against the Company of the measures envisaged in the Decree and, in any case, that are more serious than those envisaged in the case of dismissal with notice, giving rise to serious loss of the essential trust underlying the working relationship, so that continuation is impossible, even on a provisional basis.

The Company envisages the necessary involvement of the Supervisory Body in the procedures for levying penalties against executives consequent to violations of the Model, in that no penalties for violation of the Model can be levied against an executive without first involving the Supervisory Body.

This involvement is understood if application of the penalty was proposed by the Supervisory

Body.

The Supervisory Body must also be informed about any disciplinary procedures referred to in this section that are shelved.

4.6 Measures in relation to other senior decision makers (art. 5, para. 1 a) of the Decree)

The Company takes very seriously any Infringements of this Model by those who represent the top management of the Company and who therefore project its image to employees, shareholders, customers, creditors, the supervisory authorities and the general public. Propriety and transparency are key values that must be internalized, agreed and respected by those who make decisions within the Company, in order to set an example and motivate those who, at any level, work for the Company.

Any violations of the principles and measures envisaged in the Organization, management and control model adopted by the Company, by members of its Board of Directors, must be reported promptly to the entire Board of Directors and Board of Statutory Auditors by the Supervisory Body.

The Board of Directors is responsible for evaluating the Infringements and for adopting the most suitable measures in relation to the director or directors who committed them. The Board of Directors makes this assessment with support from the Supervisory Body and adopts the related resolutions by a majority of those present, excluding the director or directors who committed the Infringements, after having consulted with the Board of Statutory Auditors.

The Board of Directors, and the Board of Statutory Auditors pursuant to art. 2406 of the civil code, are responsible - in accordance with the applicable legislation - for calling the Shareholders' Meeting if this is deemed necessary. The Shareholders' Meeting must be called in order to revoke the appointment of directors or impeach them.

4.7 Measures in relation to External Parties

All conduct by External Parties (collaborators, agents and representatives, consultants and, in general, freelance personnel, vendors and partners, including partners in temporary business associations and joint ventures) that conflicts with the principles of conduct specified in this Model and that might involve the commitment of an offense identified in the Decree, may result - having regard for the specific contractual clauses included in their engagement letters or contracts - in termination of the contractual relationship or the right to withdraw from it, without prejudice to any requests for compensation should that conduct cause losses for the Company, such as but not limited to application to the Company, even on a precautionary basis, of the penalties envisaged in the Decree.

The Supervisory Body working together with the Managing Director or other parties appointed by them check that specific procedures are adopted for informing the External Parties about the principles and codes of conduct contained in this Model and in the Code of Ethics, and check that they have been informed about the possible consequences of violating them.

5 Training and dissemination of the Model

The training of Recipients about matters relating to the Decree is managed by the Board of Directors, or other parties appointed by the Board, in close cooperation with the Supervisory Body, and varies depending on the role of the recipients and their involvement in the sensitive activities identified at the risk assessment stage.

In all cases, employees, executives and persons empowered to represent the Company are given general training over at least a three-year period, while specific training is given to new recruits and periodic refresher training covers significant amendments to the regulations.

The Supervisory Body checks the quality of the courses, the frequency of updates and actual attendance by the personnel concerned.

External parties that have ongoing contractual relations with the Company, in the context of so-called *sensitive* activities, will - on the signature or renewal of their contracts - receive appropriate information about the requirements of the Code of Ethics and the Model adopted by the Company that govern the areas of activity in which they are involved.

The Supervisory Body will check the adequacy of this information and ensure that it is actually provided.

In addition, all Recipients of the Organization, management and control model will be given a copy of the Code of Ethics and the General and Specific Parts of this Model (limited, in the case of External Parties, to those relevant) or they will be informed how to access this documentation independently. The above distribution of the Organization, management and control model will be evidenced by the signatures of the Recipients on the specific receipt forms.

6 Confirmation of the adequacy of the Model and its effective implementation

The adequacy of the Model and its effective implementation is guaranteed:

- by the results of the continuous monitoring work carried out by the executives of the Company in the functional areas under their responsibility;
- by the Supervisory Body in the exercise of the supervisory and control powers described above, to which reference is made.