



Organisation, Management and Control Model of Penny Market S.r.l.



Penny Market S.r.l.

ORGANISATION, MANAGEMENT AND CONTROL MODEL

PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

*Approved at the meeting of the Board of Directors on 28.09.2020
Updated at the meeting of the Board of Directors on 08.09.2021*



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GENERAL PART



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1 Definitions

Decree: Italian Legislative Decree no. 231 of 8 June 2001.

Confindustria Guidelines: the Guidelines for the drawing up of organisation, management and control models pursuant to Italian Legislative Decree 231/2001, approved by Confindustria on 7 March 2002 (updated to March 2014).

Organisation, management and control model pursuant to Italian Legislative Decree 231/2001: this Organisation, Management and Control Model as required by Italian Legislative Decree 231/2001.

Company: Penny Market S.r.l.

Group/REWE Group: the REWE multinational group of which Penny Market S.r.l. is a member.

Sensitive Activity/ies: activities that may involve the risk of perpetration of Offences.

Code of Ethics/Code: the document referred to in paragraph IV.8

Recipients: the subjects defined in paragraph IV.4.

Employees: persons subject to the management or supervision of a senior manager; therefore, this includes, but not only, all subjects, including executives, who have a subordinate employment relationship of any kind with the Company as well as seconded workers or persons working under quasi-subordinate employment contracts.

Entity/Entities: all entities with legal personality, companies and associations, including those without legal personality.

IT document: any IT support containing data or information having evidential value or programmes specifically intended to reprocess them.

Administrative offences: the administrative offences referred to in Art. 187-*quinquies* of the Italian Consolidated Law on financial brokerage (T.U.F., from the Italian *Testo Unico delle disposizioni in materia di intermediazione finanziaria*).

Supervisory Body (SB): the Supervisory Body provided for by Italian Legislative Decree 231/2001.

Offences: the offences referred to in Italian Legislative Decree no. 231 of 8 June 2001.

Corporate body/ies: the Board of Directors and those who perform, even *de facto*, management, administration, direction or control functions at Penny Market or one of its autonomous organisational units and the members of the Board of Statutory Auditors.

Special Part/s: documents divided into sections (applicable offence) containing general and special control principles.

Senior Managers: persons who hold representative, administrative or management functions at the Company or one of its financially and functionally autonomous units, as well as persons who exercise, even *de facto*, the management or control of the Company.

Subordinate/s: persons subject to the management or supervision of a Senior Manager.



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Disciplinary System: the disciplinary system defined in chapter 6.

Violation/s: the violations defined in paragraph VI.

Report/s: the information to be transmitted as defined.

Further definitions contained in the body of this document remain unaffected.



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2 Foreword

This document describes the contents of the Organisation, Management and Control Model ("Organisation Model" or simply "Model") adopted by Penny Market S.r.l. ("Penny Market" or the "Company") with the Board of Directors resolution of 28.09.2020 and updated by the Board of Directors resolution of 08.09.2021, pursuant to Italian Legislative Decree no. 231 of 8 June 2001 and subsequent amendments and additions ("Italian Legislative Decree 231/2001" or "Decree"), regulating the administrative liability of legal persons, companies and associations, including those without legal personality.

This document contains the guidelines and general principles for the adoption of the Model and is made up of a "General Part", a "Special Part" and related annexes.

The General Part contains a brief illustration of the Decree and its contents, in addition to the rules and general principles of the Model; the identification of the Supervisory Body and the definition of its duties, powers and functions; the description of the sanctioning and disciplinary system; the definition of a communication, information and training system on the Model; as well as the establishment of periodic checks and the updating of the Model.

The Special Part contains the identification of the areas and activities considered relevant for the Company, as well as the description of the preventive control protocols adopted for each category of offence deemed relevant for the Company pursuant to Italian Legislative Decree 231/2001.



3 Italian Legislative Decree 231/2001

I. The Administrative Liability of Entities

On 8 June 2001, in execution of the delegation granted under Art. 11 of Italian Law no. 300 of 29 September 2000, Italian Legislative Decree no. 231 was enacted (hereinafter referred to as the "Decree"), which entered into force on the following 4 July, intending to adapt internal legislation on the liability of legal persons to some international conventions which Italy had long endorsed, specifically:

- the Brussels Convention of 26 July 1995 on the protection of the European Communities' financial interests;
- the Convention, signed in Brussels on 26 May 1997, on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union.;
- the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions.

With the Decree, entitled "Rules on the administrative liability of legal persons, companies and associations, including those without legal personality", an administrative liability regime was introduced into the Italian legal system for entities (companies, associations, etc., hereinafter referred to as "Entities") in relation to some crimes committed in the interest or to the benefit thereof by:

- natural persons who perform representative, administrative or management functions at the Entities themselves or one of their financially and functionally autonomous organisation units, as well as natural persons who exercise, even *de facto*, the management and control of the same Entities;
- natural persons subject to the management or supervision of one of the aforementioned subjects.

The administrative liability of the Entities is added to that of the natural person who materially committed the crime and they are both assessed in the course of the same criminal proceedings. Moreover, the Entity continues to be accountable if the natural person who committed the crime is not identified or is not punishable.

The field of application of the Decree is very broad and concerns all entities with legal personality, companies, associations, including those without legal personality, public economic entities, private entities that are concessionaires of a public service. However, it does not apply to the State, to local public bodies, to non-economic public bodies, and to bodies that perform functions of constitutional importance (for example political parties and trade unions).

The Decree does not refer to entities not based in Italy. However, in this regard, an order of the Preliminary Investigation Judge of the Court of Milan (order of 13 June 2007; see also Preliminary Investigation Judge



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of Milan, order of 27 April 2004, and Court of Milan, order of 28 October 2004) established, on the basis of the principle of territoriality, the jurisdiction of Italian Courts in relation to crimes committed by foreign Entities in Italy.

II. The offences covered by the Decree

The offences whose perpetration gives rise to the administrative liability of the Entity are expressly and exhaustively referred to in the Decree and subsequent amendments and additions. Specifically:

1) **Undue receipt of funds, fraud against the State, a public body or the European Union or for the achievement of public funds, IT fraud against the State or a public body and fraud in public supplies (Art. 24, Italian Legislative Decree no. 231/2001)** [Article amended by Italian Law 161/2017 and by Italian Legislative Decree no. 75/2020]:

- Embezzlement to the detriment of the State (Art. 316-*bis* of the Italian Criminal Code);
- Undue receipt of funds to the detriment of the State (Article 316-*ter* of the Italian Criminal Code) [amended by Italian Law no. 3/2019];
- Fraud to the detriment of the State or another public body or of the European Communities (Art. 640, paragraph 2, no. 1, of the Italian Criminal Code);
- Aggravated fraud for obtaining public funds (Art. 640-*bis* of the Italian Criminal Code);
- IT fraud to the detriment of the State or another public body (Art. 640-*ter* of the Italian Criminal Code);
- Fraud in public supplies (Art. 356 of the Italian Criminal Code) [Article added by Italian Legislative Decree no. 75/2020];
- Fraud to the detriment of the European Agricultural Fund (Art. 2 Italian Law no. 898 of 23/12/1986) [Article added by Italian Legislative Decree no. 75/2020].

2) **Computer crimes and unlawful data processing (Art. 24-*bis*, Italian Legislative Decree no. 231/2001)** [Article added by Italian Law no. 48/2008; amended by Italian Legislative Decree no. 7 and 8/2016 and by Italian Decree Law no. 105/2019]:

- IT documents (Art. 491-*bis* of the Italian Criminal Code);
- Unauthorised access to an IT or telematic system (Art. 615-*ter* of the Italian Criminal Code);
- Unauthorised possession and dissemination of access codes to IT or telematic systems (Art. 615-*quater* of the Italian Criminal Code);
- Dissemination of programmes aimed at damaging or interrupting an IT system (Art. 615-*quinquies* of the Italian Criminal Code);
- Illicit interception, impediment or interruption of IT or telematic communications (Art. 617-*quater* of the Italian Criminal Code);
- Installation of equipment designed to intercept, prevent or interrupt IT or telematic communications (Art. 617-*quinquies* of the Italian Criminal Code);
- Damage to information, data and IT programmes (Art. 635-*bis* of the Italian Criminal Code);
- Damage to information, data and IT programmes used by the State or by another public body or in the public interest (Art. 635-*ter* of the Italian Criminal Code);



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- Damage to IT or telematic systems (Art. 635-*quater* of the Italian Criminal Code);
 - Damage to IT or telematic systems in the public interest (Art. 635-*quinquies* of the Italian Criminal Code);
 - IT fraud by the electronic signature certifier (Art. 640-*quinquies* of the Italian Criminal Code);
 - Violation of the rules on the Perimeter of national cyber security (Art. 1, paragraph 11, Italian Decree Law no. 105 of 21 September 2019).
- 3) **Organised crime offences (Art. 24-*ter***, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 94/2009 and amended by Italian Law 69/2015]:
- Criminal association (Art. 416 of the Italian Criminal Code);
 - Mafia-type association, including foreign ones (Art. 416-*bis* of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Political-mafia electoral exchange (Art. 416-*ter* of the Italian Criminal Code) [thus replaced by Art. 1, paragraph 1, Italian Law no. 62 of 17 April 2014, with effect from 18 April 2014, pursuant to Art. 2, paragraph 1 of the same Law 62/2014];
 - Kidnapping for the purpose of extortion (Art. 630 of the Italian Criminal Code);
 - Association aimed at the illicit trafficking of narcotic or psychotropic substances (Art. 74 Italian Presidential Decree no. 309 of 9 October 1990) [paragraph 7-*bis* added by Italian Legislative Decree no. 202/2016];
 - All crimes if committed by making use of the conditions provided for by Art. 416-*bis* of the Italian Criminal Code to facilitate the activities of the associations covered by the same Article (Italian Law 203/91);
 - Illegal manufacture, introduction into the State, sale, transfer, possession and carrying in a public place or place open to the public of war or war-type weapons or parts thereof, explosives, clandestine weapons and several common firearms except those provided for by Article 2, third paragraph, of Italian Law no. 110 of 18 April 1975 (Art. 407, paragraph 2, letter a), number 5), Italian Code of Criminal Procedure).
- 4) **Embezzlement, extortion, undue inducement to give or promise benefits, corruption and abuse of office (Art. 25**, Italian Legislative Decree no. 231/2001) [amended by Italian Law no. 190/2012, by Italian Law 3/2019 and by Italian Legislative Decree no. 75/2020]:
- Extortion (Art. 317 of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Corruption for the exercise of duties (Art. 318 of the Italian Criminal Code) [amended by Italian Law no. 190/2012, Italian Law no. 69/2015 and Italian Law no. 3/2019];
 - Corruption for an act contrary to official duties (Art. 319 of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Aggravating circumstances (Art. 319-*bis* of the Italian Criminal Code);
 - Corruption in judicial acts (Art. 319-*ter* of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Undue inducement to give or promise benefits (Art. 319-*quater*) [Article added by Italian Law no. 190/2012 and amended by Italian Law no. 69/2015];



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- Bribery of a person in charge of a public service (Art. 320 of the Italian Criminal Code);
 - Punishments for the briber (Art. 321 of the Italian Criminal Code);
 - Incitement to corruption (Art. 322 of the Italian Criminal Code);
 - Embezzlement, extortion, undue inducement to give or promise benefits, corruption and incitement to corruption of members of international courts or bodies of the European Communities or of international parliamentary assemblies or international organisations and officials of the European Communities and foreign states (Art. 322 of the Italian Criminal Code) [amended by Italian Law no. 190/2012 and by Italian Law no. 3/2019];
 - Trafficking in illicit influences (Art. 346-*bis* of the Italian Criminal Code) [amended by Italian Law no. 3/2019];
 - Embezzlement (limited to the first paragraph) (Art. 314 of the Italian Criminal Code) [Article added by Italian Legislative Decree no. 75/2020];
 - Embezzlement by profiting from the error of others (Art. 316 of the Italian Criminal Code) [Article added by Italian Legislative Decree no. 75/2020];
 - Abuse of office (Art. 323 of the Italian Criminal Code) [Article added by Italian Legislative Decree no. 75/2020].
- 5) **Counterfeiting of money, public credit cards, revenue stamps and identification instruments or signs (Art. 25-*bis*, Italian Legislative Decree no. 231/2001)** [Article added by Italian Decree Law no. 350/2001, converted with amendments by Italian Law no. 409/2001; amended by Italian Law no. 99/2009; amended by Italian Legislative Decree no. 125/2016]:
- Counterfeiting of money, spending and introduction into the State, subject to prior agreement, of counterfeit money (Art. 453 of the Italian Criminal Code);
 - Alteration of money (Art. 454 of the Italian Criminal Code);
 - Spending and introduction into the State, subject to prior agreement, of counterfeit money (Art. 455 of the Italian Criminal Code);
 - Spending of counterfeit money received in good faith (Art. 457 of the Italian Criminal Code);
 - Counterfeiting of revenue stamps, introduction into the State, purchase, possession or circulation of counterfeit revenue stamps (Art. 459 of the Italian Criminal Code);
 - Counterfeiting of watermarked paper used for the manufacture of public credit cards or revenue stamps (Art. 460 of the Italian Criminal Code);
 - Manufacture or possession of watermarks or instruments intended for the counterfeiting of money, revenue stamps or watermarked paper (Art. 461 of the Italian Criminal Code);
 - Use of counterfeit or altered revenue stamps (Art. 464 of the Italian Criminal Code);
 - Counterfeiting, alteration or use of trademarks or distinctive signs or patents, models and designs (Art. 473 of the Italian Criminal Code);
 - Introduction into the State and trade in products bearing false signs (Art. 474 of the Italian Criminal Code).
- 6) **Crimes against industry and trade (Art. 25-*bis*.1, Italian Legislative Decree no. 231/2001)** [Article added by Italian Law no. 99/2009]:



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- Disturbed freedom of industry or trade (Art. 513 of the Italian Criminal Code);
 - Unlawful competition with threats or violence (Art. 513-*bis* of the Italian Criminal Code);
 - Fraud against national industries (Art. 514 of the Italian Criminal Code);
 - Fraud in the exercise of trade (Art. 515 of the Italian Criminal Code);
 - Sale of non-genuine food substances as genuine (Art. 516 of the Italian Criminal Code);
 - Sale of industrial products bearing misleading signs (Art. 517 of the Italian Criminal Code);
 - Manufacture and trade in goods made by infringing industrial property rights (Art. 517-*ter* of the Italian Criminal Code);
 - Counterfeiting of geographical indications or designations of origin of agricultural foodstuffs (Art. 517-*quater* of the Italian Criminal Code).
- 7) **Corporate offences (Art. 25-*ter*, Italian Legislative Decree no. 231/2001)** [Article added by Italian Legislative Decree no. 61/2002, amended by Italian Law no. 190/2012, by Italian Law 69/2015 and by Italian Legislative Decree no. 38/2017]:
- False corporate communications (Art. 2621 of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Minor events (Art. 2621-*bis* of the Italian Criminal Code);
 - False corporate communications of listed companies (Art. 2622 of the Italian Criminal Code) [Article amended by Italian Law no. 69/2015];
 - Prevented control (Art. 2625, paragraph 2, of the Italian Civil Code);
 - Undue return of contributions (Art. 2626 of the Italian Civil Code);
 - Illegal distribution of profits and reserves (Art. 2627 of the Italian Civil Code);
 - Unlawful operations on shares or interests in the company or the parent company (Art. 2628 of the Italian Civil Code);
 - Transactions to the detriment of creditors (Art. 2629 of the Italian Civil Code);
 - Failure to communicate a conflict of interest (Art. 2629-*bis* of the Italian Civil Code) [added by Italian Law no. 262/2005];
 - Fictitious capital formation (Art. 2632 of the Italian Civil Code);
 - Undue distribution of company assets by liquidators (Art. 2633 of the Italian Civil Code);
 - Corruption between private persons (Art. 2635 of the Italian Civil Code) [added by Italian Law no. 190/2012; amended by Italian Legislative Decree no. 38/2017 and by Italian Law no. 3/2019];
 - Incitement to corruption between private persons (Art. 2635-*bis* of the Italian Civil Code) [added by Italian Legislative Decree no. 38/2017 and amended by Italian Law no. 3/2019];
 - Unlawful influence on the shareholders' meeting (Art. 2636 of the Italian Civil Code);
 - Stock manipulation (Art. 2637 of the Italian Civil Code);
 - Hindering the functions of public supervisory authorities (Art. 2638, paragraphs 1 and 2, of the Italian Civil Code).



8) **Crimes with the purpose of terrorism or subversion of the democratic order, as regulated by the Italian Criminal Code and special laws (Art. 25-*quater*, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 7/2003]:**

- Subversive associations (Art. 270 of the Italian Criminal Code);
- Associations with the purpose of terrorism, including international terrorism, or subversion of the democratic order (Art. 270-*bis* of the Italian Criminal Code);
- Aggravating and mitigating circumstances (Art. 270 *bis*.1 of the Italian Criminal Code) [Article added by Italian Legislative Decree no. 21/2018];
- Assistance to members of the association (Art. 270-*ter* of the Italian Criminal Code);
- Enlistment for terrorist purposes, including international terrorism (Art. 270-*quater* of the Italian Criminal Code);
- Transfer organisation for terrorist purposes (Art. 270-*quater*.1) [inserted by Italian Legislative Decree no. 7/2015, converted with amendments by Italian Law no. 43/2015];
- Training in terrorist activities, including international terrorism (Art. 270-*quinquies* of the Italian Criminal Code);
- Financing of conduct for terrorist purposes (Italian Law no. 153/2016, Art. 270-*quinquies*.1 of the Italian Criminal Code);
- Theft of assets or money subject to seizure (Art. 270-*quinquies*.2 of the Italian Criminal Code);
- Conduct for terrorist purposes (Art. 270-*sexies* of the Italian Criminal Code);
- Attack for terrorist or subversion purposes (Art. 280 of the Italian Criminal Code);
- Act of terrorism with deadly or explosive devices (Art. 280-*bis* of the Italian Criminal Code);
- Acts of nuclear terrorism (Art. 280-*ter* of the Italian Criminal Code);
- Kidnapping for the purpose of terrorism or subversion (Art. 289-*bis* of the Italian Criminal Code);
- Kidnapping for the purpose of coercion (Art. 289-*ter* of the Italian Criminal Code) [introduced by Italian Legislative Decree 21/2018];
- Incitement to commit any of the crimes envisaged by the first and second Chapters (Art. 302 of the Italian Criminal Code);
- Political conspiracy by agreement (Art. 304 of the Italian Criminal Code);
- Political conspiracy by association (Art. 305 of the Italian Criminal Code);
- Armed gang: training and participation (Art. 306 of the Italian Criminal Code);
- Assistance to conspiracy or armed gang participants (Art. 307 of the Italian Criminal Code);
- Possession, hijacking and destruction of an airplane (Italian Law no. 342/1976, Art. 1);
- Damage to ground installations (Italian Law no. 342/1976, Art. 2);
- Sanctions (Italian Law no. 422/1989, Art. 3);
- Active repentance (Italian Legislative Decree no. 625/1979, Art. 5);



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- New York Convention of 9 December 1999 (Art. 2).
- 9) **Female genital mutilation practices (Art. 25-*quater*.1**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 7/2006]:
- Female genital mutilation practices (Art. 583-*bis* of the Italian Criminal Code).
- 10) **Crimes against the individual (Art. 25-*quinquies***, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 228/2003, amended by Italian Law no. 199/2016]:
- Reduction or maintenance in slavery or servitude (Art. 600 of the Italian Criminal Code);
 - Child prostitution (Art. 600-*bis* of the Italian Criminal Code);
 - Child pornography (Art. 600-*ter* of the Italian Criminal Code);
 - Possession of pornographic material (Art. 600-*quater*);
 - Virtual pornography (Art. 600-*quater*.1 of the Italian Criminal Code) [added by Art. 10, Italian Law 6 February 2006 no. 38];
 - Tourist initiatives aimed at the exploitation of child prostitution (Art. 600-*quinquies* of the Italian Criminal Code);
 - Human trafficking (Art. 601 of the Italian Criminal Code) [amended by Italian Legislative Decree no. 21/2018];
 - Purchase and sale of slaves (Art. 602 of the Italian Criminal Code);
 - Illicit intermediation and exploitation of labour (Art. 603-*bis* of the Italian Criminal Code);
 - Solicitation of minors (Art. 609-*undecies* of the Italian Criminal Code).
- 11) **Market abuse offences (Art. 25-*sexies***, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 62/2005]:
- Market manipulation (Art. 185, Italian Legislative Decree no. 58/1998; amended by Italian Legislative Decree no. 107/2018);
 - Insider dealing (Art. 184, Italian Legislative Decree no. 58/1998).
- 12) **Other offences relating to market abuse (Art. 187-*quinquies* TUF)** [Article amended by Italian Legislative Decree no. 107/2018]:
- Prohibition of insider dealing and unlawful communication of inside information (Art. 14 Reg. EU no. 596/2014);
 - Prohibition of market manipulation (Art. 15 Reg. EU no. 596/2014).
- 13) **Manslaughter and serious or very serious negligent injuries, committed in violation of accident prevention regulations and of legislation on the protection of hygiene and health at work (Art. 25-*septies***, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 123/2007; amended Italian Law no. 3/2018]:
- Manslaughter (Art. 589 of the Italian Criminal Code);
 - Negligent personal injury (Art. 590 of the Italian Criminal Code);
- 14) **Receiving, laundering and using money, goods or benefits of illicit origin, as well as self-laundering (Art. 25-*octies***, Italian Legislative Decree no. 231/2001) [Article added by Italian Legislative



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Decree no. 231/2007, amended by Italian Law no. 186/2014]:

- Laundering money, goods or benefits of illicit origin (Art. 648-bis of the Italian Criminal Code);
- Receiving money, goods or benefits of illicit origin (Art. 648 of the Italian Criminal Code);
- Using money, goods or benefits of illicit origin (Art. 648-ter of the Italian Criminal Code);
- Self-laundering (Art. 648-ter.1 of the Italian Criminal Code).

15) **Crimes relating to copyright infringement (Art. 25-novies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 99/2009]:

- Making available to the public, in a system of telematic networks, through connections of any kind, a protected intellectual work or part of it (Art. 171, Italian Law no. 633/1941 paragraph 1 letter a) *bis*);
- Offences referred to in the previous point, committed on the works of others, not intended for publication if this offends their honour or reputation (Art. 171, Italian Law 633/1941 paragraph 3);
- Illegal duplication, for profit, of computer programmes; import, distribution, sale or possession for commercial or business purposes or leasing of programmes contained in media not marked by the SIAE [Italian Authors' and Publishers' Association]; provision of means to remove or circumvent the protection devices of computer programmes (Art. 171-*bis* Italian Law no. 633/1941 paragraph 1);
- Reproduction, transfer to another medium, distribution, communication, presentation or demonstration in public of the contents of a database; extraction or reuse of the database; distribution, sale or leasing of databases (Art. 171-*bis* of Italian Law 633/1941 paragraph 2);
- Unauthorised duplication, reproduction, transmission or dissemination in public using any procedure, in whole or in part, of intellectual works intended for the television or cinema, for the sale or rental of records, tapes or similar media or any other medium containing phonograms or videograms of similar musical, cinematographic or audiovisual works or sequences of moving images; literary, drama, scientific or educational, musical or musical drama, multimedia works, even if inserted in collective or composite works or databases; unauthorised reproduction, duplication, transmission or dissemination, sale or trade, transfer for any reason or illegal import of more than fifty copies or specimens of works protected by copyright and related rights; introduction into a system of telematic networks, through connections of any kind, of an intellectual work protected by copyright, or part of it (Art. 171-*ter* Italian Law no. 633/1941);
- Failure to notify SIAE of the identification data of media not subject to marking or false declaration (Art. 171-*septies* Italian Law no. 633/1941);
- Fraudulent production, sale, import, promotion, installation, modification, use for public and private use of equipment or parts of equipment suitable for decoding conditional access audiovisual broadcasts made over the air, via satellite, via cable, in both analogue and digital form (Art. 171-*octies* Italian Law no. 633/1941).

16) **Inducement not to make statements or to make false statements to the judicial authority (Art. 25-decies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 116/2009]:

- Inducement not to make statements or to make false statements to the judicial authority (Art. 377-*bis* of the Italian Criminal Code).

17) **Environmental offences (Art. 25-undecies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Legislative Decree no. 121/2011, amended by Italian Law no. 68/2015; amended by Italian Legislative Decree no. 21/2018]:



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- Environmental pollution (Art. 452-*bis* of the Italian Criminal Code);
 - Environmental disaster (Art. 452-*quater* of the Italian Criminal Code);
 - Negligent crimes against the environment (Art. 452-*quinqüies* of the Italian Criminal Code);
 - Traffic and abandonment of highly radioactive material (Art. 452-*sexies* of the Italian Criminal Code);
 - Aggravating circumstances (Art. 452-*octies* of the Italian Criminal Code);
 - Killing, destruction, capture, removal, possession of specimens of protected wild animal or plant species (Art. 727-*bis* of the Italian Criminal Code);
 - Destruction or deterioration of habitats within a protected site (Art. 733-*bis* of the Italian Criminal Code);
 - Import, export, possession, use for profit, purchase, sale, display or possession for sale or for commercial purposes of protected species (Italian Law no.150 / 1992, Art. 1, Art. 2, Art. 3-*bis* and Art. 6);
 - Industrial waste water discharges containing dangerous substances; discharges to the soil, subsoil and groundwater; discharge into sea waters by ships or aircraft (Italian Legislative Decree no. 152/2006, Art. 137);
 - Unauthorised waste management activities (Italian Legislative Decree 152/2006, Art. 256);
 - Pollution of the soil, subsoil, surface water or groundwater (Italian Legislative Decree no. 152/2006, Art. 257);
 - Illicit waste trafficking (Italian Legislative Decree 152/2006, Art. 259);
 - Violation of obligations of disclosure, keeping of mandatory registers and forms (Italian Legislative Decree no. 152 / 2006, Art. 258);
 - Organised activities for illegal waste trafficking (Art. 452-*quaterdecies* of the Italian Criminal Code) [introduced by Italian Legislative Decree no. 21/2018];
 - False indications on the nature, composition and chemical-physical characteristics of waste in the preparation of a waste analysis certificate; insertion in SISTRI [waste traceability control system] of a false waste analysis certificate; omission or fraudulent alteration of the paper copy of the SISTRI form - waste handling area (Italian Legislative Decree no. 152 / 2006, Art. 260-*bis*);
 - Sanctions (Italian Legislative Decree no. 152/2006, Art. 279);
 - Intentional pollution caused by ships (Italian Legislative Decree no. 202/2007, Art. 8);
 - Negligent pollution caused by ships (Italian Legislative Decree no. 202/2007, Art. 9);
 - Termination and reduction of the use of harmful substances (Italian Law no. 549/1993, Art. 3).
- 18) **Employment of illegally staying third-country nationals (Art. 25-*duodecies***, Italian Legislative Decree no. 231/2001) [Article added by Italian Legislative Decree no. 109/2012, amended by Italian Law no. 161 of 17 October 2017]:
- Provisions against illegal immigration (Art. 12, paragraph 3, 3 *bis*, 3 *ter* and paragraph 5, Italian Legislative Decree no. 286/1998);
 - Employment of illegally staying third-country nationals (Art. 22, paragraph 12 *bis*, Italian Legislative Decree no. 286/1998).



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- 19) **Racism and xenophobia (Art. 25-terdecies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 167 of 20 November 2017, amended by Italian Legislative Decree no. 21/2018]:
- Propaganda and incitement to crime on grounds of racial, ethnic and religious discrimination (Art. 604-bis of the Italian Criminal Code) [added by Italian Legislative Decree no. 21/2018].
- 20) **Fraud in sports competitions, illegal gambling or betting and gambling carried out by using prohibited devices (Art. 25-quaterdecies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 39/2019]:
- Fraud in sports competitions (Art. 1, Italian Law no. 401/1989);
 - Illegal gambling or betting (Art. 4, Italian Law no. 401/1989).
- 21) **Tax Offences (Art. 25-quinquesdecies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Law no. 157/2019; amended by Italian Legislative Decree no. 75/2020]:
- Fraudulent declaration through the use of invoices or other documents for non-existent transactions (Art. 2, Italian Legislative Decree no. 74/2000);
 - Fraudulent declaration by using other devices (Art. 3, Italian Legislative Decree no. 74/2000);
 - Issue of invoices or other documents for non-existent transactions (Art. 8, Italian Legislative Decree no. 74/2000);
 - Concealment or destruction of accounting documents (Art. 10, Italian Legislative Decree no. 74/2000);
 - Fraudulent evasion of the payment of taxes (Art. 11, Italian Legislative Decree no. 74/2000);
 - Inaccurate declaration (Art. 4, Italian Legislative Decree no. 74/2000) [Article added by Italian Legislative Decree no. 75/2020];
 - Omitted declaration (Art. 5, Italian Legislative Decree no. 74/2000) [Article added by Italian Legislative Decree no. 75/2020];
 - Undue compensation (Art. 10-*quater*, Italian Legislative Decree no. 74/2000) [Article added by Italian Legislative Decree no. 75/2020].
- 22) **Smuggling (Art. 25-sexiesdecies**, Italian Legislative Decree no. 231/2001) [Article added by Italian Legislative Decree no. 75/2020]
- Smuggling in the movement of goods across land borders and customs areas (Art. 282, Italian Presidential Decree no. 43/1973);
 - Smuggling in the movement of goods in border lakes (Art. 283, Italian Presidential Decree no. 43/1973);
 - Smuggling in the maritime movement of goods (Art. 284, Italian Presidential Decree no. 43/1973);
 - Smuggling in the movement of goods by air (Art. 285, Italian Presidential Decree no. 43/1973);
 - Smuggling in non-customs areas (Art. 286, Italian Presidential Decree no. 43/1973);
 - Smuggling for improper use of imported goods with customs facilities (Art. 287, Italian Presidential Decree no. 43/1973);
 - Smuggling in customs warehouses (Art. 288, Italian Presidential Decree no. 43/1973);
 - Smuggling in cabotage and traffic (Art. 289, Italian Presidential Decree no. 43/1973);



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- Smuggling in the export of goods eligible for return of dues (Art. 290, Italian Presidential Decree no. 43/1973);
- Smuggling in temporary import or exports (Art. 291, Italian Presidential Decree no. 43/1973);
- Smuggling of foreign manufactured tobaccos (Art. 291-*bis* Italian Presidential Decree no. 43/1973);
- Aggravating circumstances of smuggling foreign manufactured tobaccos (Art. 291-*ter*, Italian Presidential Decree no. 43/1973);
- Criminal association for smuggling foreign manufactured tobaccos (Art. 291-*quater*, Italian Presidential Decree no. 43/1973);
- Other cases of smuggling (Art. 292, Italian Presidential Decree no. 43/1973);
- Aggravating circumstances of smuggling (Art. 295, Italian Presidential Decree no. 43/1973).

23) Liability of entities for administrative wrongdoings resulting from a crime (Art. 12, Italian Law no. 9/2013) [The following are a prerequisite for entities operating in the virgin olive oil supply chain]:

- Use, adulteration and counterfeiting of food substances (Art. 440 of the Italian Criminal Code);
- Trade in counterfeit or adulterated food substances (Art. 442 of the Italian Criminal Code);
- Trade in harmful food substances (Art. 444 of the Italian Criminal Code);
- Counterfeiting, alteration or use of distinctive signs of intellectual property or industrial products (Art. 473 of the Italian Criminal Code);
- Introduction into the State and trade in products bearing false signs (Art. 474 of the Italian Criminal Code);
- Fraud in the exercise of trade (Art. 515 of the Italian Criminal Code);
- Sale of non-genuine food substances as genuine (Art. 516 of the Italian Criminal Code);
- Sale of industrial products bearing misleading signs (Art. 517 of the Italian Criminal Code);
- Counterfeiting of geographical indications or designations of origin of agricultural foodstuffs (Art. 517-*quater* of the Italian Criminal Code).

24) Transnational crimes (Italian Law no. 146/2006) [The following crimes are a prerequisite for the administrative liability of entities if they are committed transnationally]:

- Provisions against illegal immigration (Art. 12, paragraphs 3, 3-*bis*, 3-*ter* and 5, of the consolidated act referred to in Italian Legislative Decree no. 286 of 25 July 1998);
- Association aimed at the illicit trafficking of narcotic or psychotropic substances (Art. 74 of the consolidated act referred to in Italian Presidential Decree no. 309 of 9 October 1990);
- Criminal association for smuggling foreign manufactured tobaccos (Art. 291-*quater* of the consolidated act referred to in Italian Presidential Decree no. 43 of 23 January 1973);
- Inducement not to make statements or to make false statements to the judicial authority (Art. 377-*bis* of the Italian Criminal Code);
- Personal aiding (Art. 378 of the Italian Criminal Code);
- Criminal association (Art. 416 of the Italian Criminal Code);



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- Mafia-type association (Art. 416-*bis* of the Italian Criminal Code);

III. Criteria for attributing liability to the Entity

In the event of perpetration of an Offence, the Entity may be held liable where certain conditions are met, which can be qualified as "criteria for attributing liability to the Entity". The criteria for attributing liability to the Entity are "objective" and "subjective".

Objective criteria provide that Entities may be held liable whenever the unlawful conduct strictly listed in the Decree occurs, provided that:

- the offence is committed ***in the interest or to the advantage*** of the Entity;
- the offence is committed:
 - *"by persons who hold representative, administrative or management functions at the Entity or one of its financially and functionally autonomous units, as well as persons who exercise, even de facto, the management or control thereof"* (so-called "**Senior Managers**");
 - *"by persons subject to the management or supervision of one of the subjects referred to in letter a)"* (so-called "**Subordinates**").

As regards the notion of "interest", it takes shape whenever the unlawful conduct is put in place with the intent of procuring a benefit to the Company; the same liability is also attributable to the Company whenever the same obtains some indirect *advantage* (economic/financial or otherwise) from the illicit conduct, even though the perpetrator of the crime acted without the exclusive purpose of procuring a benefit to the legal person. On the contrary, the liability of the Entity is excluded where the Offence, even if committed in violation of the provisions of the Model, does not bring any advantage to or is not committed in the interest of the Entity, but rather in the exclusive interest and to the exclusive advantage of the offender.

The interest and advantage of the Entity are two alternative criteria; for the Entity to be liable, at least one of the two must apply. The benefit obtained or hoped for by the Entity must not necessarily be of an economic nature: liability exists not only when the unlawful conduct results in a financial advantage, but also in the event that, even in the absence of such a concrete result, the offence intends to favour the interest of the Entity. On the other hand, the Entity is not liable if the offence is committed independently of or against its interest or in the exclusive interest of the offender or third parties.

The Entity's interest can be found also within a group of companies, in the sense that the parent company can be held liable for an Offence committed in the subsidiary's business if an interest or advantage of the parent company can also be found.



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However, in order for the liability of the parent company to apply, the following conditions must be met:

- the interest or advantage of the parent company is immediate and direct, even if not financial;
- the person who contributes to committing the Offence (with a causally relevant contribution proven in practice) is functionally connected to the Company.

With reference to culpable Offences, such as murder or serious or very serious personal injury committed in violation of the rules on the protection of health and safety in the workplace (pursuant to Art. 25-*septies* of the Decree) and certain environmental offences (pursuant to Art. 25-*undecies* of the Decree), the interest and/or advantage of the Entity must not be related to the event (such as, by way of example, the death of the worker), rather to the causative conduct of this event, as long as conscious and voluntary aimed at favouring the Entity¹.

Therefore, the interest and/or advantage of the Entity may be found in the savings in safety costs or in the enhancement of the speed of execution of services or in the increase in productivity resulting from the failure to adopt the necessary accident or environmental protections imposed by the law.

On the other hand, the Entity is not liable if the Offence is committed independently of or against its interest or in the exclusive interest of the offender or third parties.

Articles 6 and 7 of the Decree regulate the criteria for the subjective attribution of the Entity's liability, which vary according to whether the Offence is committed by a Senior Manager or a Subordinate.

In the case of Offences committed by Senior Managers, Article 6 of the Decree provides for a specific form of exemption from liability of the Entity, if it proves that:

- the task of supervising the operation and observance of the Model, as well as ensuring its updating, has been entrusted to the Supervisory Body;
- there was no omission or insufficient supervision by the Supervisory Body;
- the offenders acted by fraudulently avoiding the measures envisaged by the Model².

The conditions listed above must concur together to exclude the Entity's liability; the exemption of the Entity from liability therefore depends on the proof given by the Entity itself of the adoption and effective implementation of a Crime Prevention Model and the establishment of a Supervisory Body.

¹ Therefore, conducts deriving from mere inexperience, mere underestimation of the risk or inaccurate execution of accident prevention measures would not be relevant for the purposes of the Entity's liability.

² The fraud referred to in the Decree does not necessarily require contrivances or deceptions; rather it presupposes that the violation of the Model is determined by circumventing the control measures envisaged therein in such a way as to "force" its effectiveness.



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On the other hand, in the case of Offences committed by a Subordinate, Article 7 of the Decree establishes that the Entity will be accountable only in the event that the Offence has been made possible by its failure to comply with its management and supervision obligations; such failure is excluded if the Entity, before the commission of the Offence, adopts and effectively implements a Model suitable for preventing the Offences.

With specific reference to health and safety in the workplace, Art. 30 of Italian Legislative Decree no. 81 of 9 April 2008, establishes that the Model that can be effective as an exemption from the administrative liability of the entities referred to in the Decree must be adopted and effectively implemented, ensuring a company system for the fulfilment of all legal obligations relating to:

- compliance with the technical-structural standards of the law relating to equipment, plants, workplaces, chemical, physical and biological agents;
- risk assessment activities and the preparation of the ensuing prevention and protection measures;
- organisational activities, such as emergencies, first aid, procurement management, periodic safety meetings, consultations with workers' safety representatives;
- health surveillance;
- information and training for workers;
- supervisory activities with reference to workers' compliance with work safety procedures and instructions;
- the acquisition of documents and certifications required by law;
- periodic checks on the application and effectiveness of the procedures adopted.

The Model must provide for suitable systems for recording completion of the activities listed above. The Model must in any case establish, as required by the nature and size of the organisation and the type of activity carried out, an articulation of functions that ensures the technical skills and powers necessary for the verification, assessment, management and control of risk, as well as a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model. The Model must also provide for a suitable control system on its implementation and on the maintenance over time of the conditions of suitability of the measures adopted.

IV. The sanctions established by the Decree

The sanctioning system in case of perpetration of the offences listed above, provides for application of the following administrative sanctions:

- a) pecuniary sanctions;
- b) disqualification sanctions;



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- c) confiscation;
- d) publication of the sentence.

a) Pecuniary sanctions

In case of conviction of the entity, a pecuniary sanction is always applied. The pecuniary sanction is determined by the judge through a share-based system. The number of shares (ranging from a number of not less than one hundred and not more than one thousand and for an amount ranging from a minimum of Euro 258.22 to a maximum of Euro 1,549.00) depends on the seriousness of the offence, the degree of liability of the entity, the steps taken to eliminate the consequences of the fact and mitigate its consequences or to prevent the commission of unlawful acts. In order to make the sanction effective, the amount of the share is also determined by the Judge on the basis of the economic and financial conditions of the Entity.

The pecuniary sanction is reduced in the event that:

- a) the offender committed the act in the prevailing interest of himself or of third parties and the Entity did not derive an advantage or obtained a minimal advantage from it;
- b) the pecuniary damage caused is particularly minor, or if, before the opening declaration of the trial at first instance:
- c) the Entity fully compensates the damage and eliminates the harmful or dangerous consequences of the crime or otherwise takes effective steps in this respect and d) a Model has been adopted and made operational.

b) Disqualification sanctions

Disqualification sanctions are applied in relation to the offences for which they are expressly provided for, when at least one of the following conditions is met:

- I. the Entity derives a significant profit from the offence and the offence is committed by subjects who hold a representative, administrative or managerial position in the Entity or by subjects who are controlled by the former, and the commission of the offence is determined or facilitated by serious organisational deficiencies;
- II. in case of repetition of the offences.

The Decree provides for the following disqualification sanctions, which may have a duration of not less than three months and not more than two years:

- disqualification from exercising the activity;



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- suspension or revocation of authorisations, licences or concessions functional to perpetration of the offence;
- prohibition from contracting with the Public Administration;
- exclusion from allowances, loans, contributions and subsidies, and/or revocation of those already granted;
- ban on advertising goods or services.

Pursuant to current legislation, disqualification sanctions are not applied for corporate crimes and market abuse. In fact, only pecuniary sanctions are envisaged for these crimes, doubled in their amount by Art. 39, paragraph 5, of Italian Law 262/2005 ("Provisions for the protection of savings and the regulation of financial markets").

The Decree also establishes that, if the conditions are met for the application of a disqualification sanction that orders the interruption of the company's activity, the judge, instead of applying the disqualification sanction, can order the continuation of the activity by a commissioner for a period equal to the duration of the disqualification that would have been applied, when at least one of the following conditions is met:

- the company performs a public service or a service of public necessity whose interruption can cause serious damage to the community;
- taking into account the company's size and the economic conditions of the area in which it is located, the interruption of its activity can have significant repercussions on employment.

Once the existence of one of the two conditions is ascertained, with a sentence the judge orders the continuation of the activity of the entity by a commissioner, indicating its duties and powers with particular reference to the specific area in which the offence was committed; the commissioner therefore takes care of the effect of organisation models suitable for preventing the commission of crimes of the type that has occurred and cannot perform acts of extraordinary administration without the judge's authorisation.

Despite the protection of the community, the judicial commissioner is still an alternative to the disqualification sanction and that is why it must have a sanctioning character; this happens through the confiscation of the profit deriving from continuation of the activity. Finally, it should be noted that the solution of the judicial commissioner cannot be adopted in the event of a definitive disqualification sanction.

Disqualification sanctions are usually temporary, but in the most serious cases they can exceptionally be applied with definitive effects.

Art. 16 of Italian Legislative Decree 231/2001 defines when the disqualification sanction must be definitively applied: the definitive disqualification from exercising the activity can be applied if the entity has made a significant profit from the crime and has already been sentenced, at least three times in the last seven years, to temporary disqualification from exercising the activity. Furthermore, the judge can definitively apply the



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sanction of the prohibition to contract with the public administration or the prohibition of advertising goods or services to the entity, when the latter has already been sentenced to the same sanction at least three times in the last seven years. Finally, in the case of an illegal enterprise, that is an organisation with the sole purpose of allowing or facilitating the perpetration of offences, the definitive disqualification from exercising the activity must always be applied.

Furthermore, the disqualification sanctions can also be applied as a precautionary measure, or before the sentence, if there are serious indications of the entity's liability and there are well-founded and specific elements such as to suggest the concrete danger of perpetration of illicit acts of the same type as the one for which action has been taken. The disqualification sanctions are not applied if the pecuniary sanction is in a reduced form.

Disqualification sanctions, however, do not apply if the entity, before the opening declaration of the first instance hearing:

- compensates for the damage and eliminates the harmful or dangerous consequences of the crime (or at least makes effective efforts to do so);
- makes the profit of the crime available to the judicial authority;
- eliminates the organisational shortcomings that led to the crime by adopting and effectively implementing adequate organisation models suitable for preventing the perpetration of new crimes of the type that occurred.

Just like for pecuniary sanctions, the type and duration of disqualification sanctions are determined by the competent criminal judge, taking into account the provisions of Art. 14 of the Decree.

Disqualification sanctions must refer to the specific sector of activity of the entity and must comply with the principles of adequacy, proportionality and subsidiarity, especially when applied as a precautionary measure.

c) Confiscation

The confiscation of the price or profit of the Offence is always ordered by the criminal judge with the sentence, except for the part that can be returned to the injured party. Any rights acquired by third parties in good faith are reserved³.

When it is not possible to confiscate the price or profit of the Offence, the same may extend to sums of

³ For the purposes of confiscation, reference must be made to the time when the offence was committed and not to that of earning the profit, so that the profit deriving from an offence that was not included in the category of predicate offences referred to in the Decree at the time of its perpetration (but was so at the time the profit was obtained) will not be open to confiscation.



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money, goods or other benefits of equivalent value to the price or profit of the Offence.

d) Publication of the sentence

The criminal judge can order the publication of the sentence when a disqualification sanction is applied against the Entity.

The sentence is published pursuant to Art. 36 of the Italian Criminal Code, as well as by posting in the Municipality where the Entity has its head office.

V. Condition for exemption from administrative liability

The Decree expressly provides, in Articles 6 and 7, the exemption from administrative liability of the Entity for offences committed to its own advantage and/or in its interest if the entity has effective organisation, management and control models (hereinafter also the "Model") , suitable to prevent the same illicit facts referred to by the legislation.

In particular, if the offence is committed by Senior Managers, the Entity is not liable if it proves that:

- the management body of the Entity adopted and effectively implemented, before perpetration of the offence, organisation, management and control models suitable for preventing offences of the type that occurred;
- the task of supervising the operation and observance of the models, as well as ensuring their updating has been entrusted to a Supervisory Body of the Entity with autonomous powers of initiative and control;
- the persons who committed the crime acted by fraudulently evading the aforementioned organisation and management models;
- there was omitted or insufficient supervision by the Supervisory Body in charge of supervising the operation and observance of the organisation and management models.

For crimes committed by Subordinates, the Entity can be called to answer only if it is ascertained that the perpetration of the offence was made possible by its non-compliance with management or supervision obligations. In this case, the Decree traces liability back to the failure to fulfil management and supervision duties which typically fall within the responsibility of top management (or the subjects delegated by them).

Failure to comply with management or supervision obligations does not occur if the entity, prior to perpetration of the offence, adopted and effectively implemented an organisation, management and control model suitable for preventing offences of the type that occurred.

The mere adoption of the Model by the management body is not, however, sufficient to exempt the entity from liability, as it is rather necessary that the Model is also suitable and effective. In this regard, the Decree



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indicates the essential characteristics for the drawing up of an organisation, management and control model.

In particular, for the prevention of offences the Model must (Art. 6 paragraph 2 of the Decree):

- identify and define the corporate activities within which there is the possibility that the offences envisaged by the Decree may be perpetrated;
- prepare specific protocols aimed at planning the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
- establish the procedures for finding and managing financial resources suitable for preventing the perpetration of such offenses;
- provide for information obligations towards the Supervisory Body appointed to supervise the operation and observance of the organisation, management and control model, in order to ensure its concrete operational capacity;
- prepare an internal disciplinary system suitable for sanctioning non-compliance with the measures indicated in the organisation, management and control model, in order to guarantee its effectiveness.

Furthermore, with reference to the effective implementation of the Model, the following are envisaged (Art. 7 paragraph 4):

- a periodic check and possible modification of the Model itself when significant violations of the applicable provisions are discovered or when changes occur in the organisation or in the activity;
- the introduction of a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model itself.

These requirements must be supplemented, with reference to crimes committed in violation of occupational health and safety regulations, by those specifically laid down by Art. 30 paragraph 1 of Italian Legislative Decree no. 81 of 9 April 2008 ("Italian Legislative Decree 81/08"), according to which the organisation model must be such as to ensure a company system for the fulfilment of all legal obligations relating to:

- a) compliance with the technical-structural standards of the law relating to equipment, plants, workplaces, chemical, physical and biological agents;
- b) risk assessment activities and the preparation of the ensuing prevention and protection measures;
- c) organisational activities, such as emergencies, first aid, procurement management, periodic safety meetings, consultations with workers' safety representatives;
- d) health surveillance;
- e) information and training for workers;



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- f) supervisory activities with reference to workers' compliance with work safety procedures and instructions;
- g) the acquisition of documents and certifications required by law;
- h) periodic checks on the application and effectiveness of the procedures adopted.

The Model must also provide for suitable systems for recording completion of the activities described above, as well as an articulation of functions that ensures the technical skills and powers necessary for the verification, assessment, management and control of risk, as well as a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the model.

The organisation model must also provide for a suitable control system on the implementation of the model itself and on the maintenance over time of the conditions of suitability of the measures adopted. The review and possible modification of the organisation model must be adopted when significant violations of the rules relating to accident prevention and hygiene at work are discovered, or in the event of changes in the organisation and in the activity in relation to scientific progress and technological.

VI. The "Guidelines" of Confindustria

Art. 6 of the Decree expressly provides that the Model can be adopted on the basis of codes of conduct drawn up by the representative associations of the entities.

The Confindustria Guidelines were approved by the Ministry of Justice with Italian Ministerial Decree 4 December 2003. The subsequent update, published by Confindustria on 24 May 2004, was approved by the Ministry of Justice, which judged these Guidelines to be suitable for achieving the purposes set out in the Decree. These Guidelines were updated by Confindustria in March 2014.

In defining the Model, the Confindustria Guidelines provide for the following design phases:

- the identification of risks, i.e. the analysis of the business context to highlight in which areas of activity and according to which methods the offences envisaged by the Decree may occur;
- the preparation of a control system (the so-called protocols) suitable for preventing the risks of crime identified in the previous phase, through the assessment of the control system existing within the entity and its degree of adaptation to the needs expressed by the Decree.

The most relevant components of the control system outlined in the Confindustria Guidelines to ensure the effectiveness of the organisation, management and control model are the following:

- the provision of ethical principles and behavioural rules in a code of ethics;
- a sufficiently formalized and clear organisational system, in particular with regard to the attribution of responsibilities, the hierarchical relationships and description of tasks with the specification of control



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principles;

- manual and/or IT procedures regulating the performance of activities, providing for appropriate controls;
- authorisation powers and signing authorities consistent with the organisational and managerial responsibilities of the entity, indicating, where required, the applicable spending limits;
- management control systems, capable of promptly reporting possible critical issues;
- personnel information and training.

Furthermore, the control system must comply with the following principles:

- verifiability, traceability, consistency and congruity of each operation;
- segregation of duties (no one can independently manage an entire process);
- documentation of the checks carried out.

VII. Attempted crimes and crimes committed abroad

The Entity is also liable for offences deriving from attempted crimes and offences committed abroad.

In the event of an attempt at the crimes provided for by the Decree, the pecuniary sanctions and disqualification sanctions are reduced by one third to half, while the imposition of sanctions is excluded if the Entity voluntarily prevents execution of the action or realization of the event. The exclusion of sanctions is justified, in this case, by virtue of the interruption of any relationship of identification between the Entity and the subjects assuming to act in its name and on its behalf.

Pursuant to Art. 4 of the Decree, the Entity based in Italy may be called to answer for offences - covered by the same Decree - committed abroad, in order to avoid frequent criminal conduct not being sanctioned, as well as to in order to avoid easy evasion of the entire regulatory system in question.

The assumptions on which the liability of the Entity for crimes committed abroad is based are:

- the offence must be committed abroad by a person who is functionally linked to the Entity, pursuant to Art. 5 paragraph 1 of the Decree;
- the Entity must have its main office in Italy;
- the conditions provided for by Art. 7, 8, 9, 10 of the Italian Criminal Code, with reference to the punishment of crimes committed abroad, must be met (Annex B - "Articles of the Criminal Code referred to in Art. 4 of Italian Legislative Decree 231/2001", describes the types of offences);
- no proceedings are brought against the Entity in the State in which the offence was committed.



4 The Organisation, Management and Control model of Penny Market S.r.l.

I. The Company

With a widespread and articulated presence throughout the national territory, Penny Market S.r.l. (hereinafter also Penny Market or the "Company") is a food discount store belonging to the REWE group, one of the leading commercial groups on the German and European market in large-scale distribution.

Penny Market was born, as part of a process of international expansion of the REWE group, in the summer of 1994 in partnership with an Italian partner in the sector, with the opening of the first store in Cremona. The alliance proved to be beneficial as it represented the union of the German experience in the discount market and the knowledge of the Italian market of large-scale distribution. For this reason, in 1999, Penny Market achieved adequate solidity and became independent: it passed entirely to the REWE group for which the discount channel is particularly strategic. In 2000, in line with the expansion process, Penny acquired more than 50 stores from Plus Italia in Liguria, Tuscany and Umbria, establishing itself as a leader in these regions.

The Company carries out a retail trade activity with a prevalence of food and beverage products, through a commercial network that develops in the numerous points of sale distributed throughout the national territory, served by distribution centres in strategic locations on the peninsula so as to ensure an efficient goods sorting service.

Today Penny Market Italia has about 400 points of sale throughout Italy, served by 7 distribution centres and with almost 4,000 employees.

The Company is sensitive to the need to ensure conditions of fairness and transparency in the conduct of business and company activities, so as to protect its position and image, the expectations of its shareholders and the work of its employees and is aware of the importance of adopting an up-to-date internal control system suitable for preventing the commission of unlawful conduct by its directors, employees, representatives and business partners.

To this end, Penny Market has launched a project to analyse its organisation, management and control tools, aimed at verifying the correspondence of the behavioural principles and procedures already adopted with the purposes set out in the Decree and at implementing the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 (hereinafter the "Model").

By adopting the Model, Penny Market intends to pursue the following objectives:

- prohibit behaviour that may amount to the types of offences referred to in the Decree;
- spread the awareness that the violation of the Decree, of the provisions contained in the Model and of the principles of the Code of Ethics may result in the application of sanctions (of a pecuniary and disqualifying nature) also against the Company;



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- allow the Company, thanks to a structured system of procedures and the constant monitoring of the correct implementation of this system, to promptly prevent and/or combat the commission of the offences covered by the Decree.

The organisational structure of Penny Market is aimed at guaranteeing, on the one hand, the segregation of duties, roles and responsibilities between the operational and control functions, and on the other hand, maximum efficiency.

In particular, the corporate organisational structure is based on a precise definition of the duties and competences of each corporate function and of the related responsibilities.

Below is a list of the most significant Functions from the perspective of the Model:

- **Accounting & Finance:** it is the function responsible for all administrative, fiscal and financial activities related to the Company's business. Furthermore, it is responsible for preparing the accounting documentation that is required for the closing of the financial statements.
- **Controlling:** it is the function responsible for ensuring management control, coordinating the budgeting process, analysing and evaluating reporting data and measuring performance.
- **Purchasing & Category:** it is the function dedicated to the purchase of all the commercial goods displayed in the points of sale throughout the territory. Furthermore, the function includes a series of figures engaged in different distribution centres, responsible for monitoring stocks in the warehouse and the consequent planning of offers.
- **Sales:** it is the function responsible for all activities related to the sale of commercial products at the points of sale located throughout the territory. Furthermore, in collaboration with other Company departments, the function is responsible for the internal layout of the stores, the choice of promotions to be offered and the monitoring of the KPIs assigned to the sales network staff.
- **Logistic:** it is the function dedicated to the management of all the goods handling activities carried out by the Company and the management of the distribution centres located throughout the Italian territory.
- **Human Resources:** it is the function that deals with all activities relating to the design, organisational development, training and strategies of Human Resources, including the selection, evaluation and administrative management of the company's personnel.
- **Expansion:** it is the function responsible for carrying out all the preparatory activities for the expansion of the Company throughout the territory through the opening of new points of sale.
- **Construction:** it is the function that deals with the organisation and management of the openings of new stores, including the technical and administrative procedures necessary for carrying out construction works. In addition, it is responsible for the technical management and maintenance of the points of sale.



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- **Strategic Marketing:** it is the function dedicated to the marketing and promotion of the Company's brand. Furthermore, it is responsible for all CRM activities related to customer loyalty, including through the planning of dedicated promotional campaigns. Lastly, it is the function in charge of managing the development activities of own brand products (private label).
- **Quality:** it is the function that deals with the verification activities carried out on suppliers and related products. In addition, it monitors and develops the quality of private label products for sale in the Penny network and handles product complaints and reports.
- **ICT:** it is the function that manages and develops the networks, software and hardware maintenance used by the Company's staff.
- **Legal & Compliance:** it is the function responsible for managing the legal cases in which the Company is involved and for all the Compliance activities necessary to abide by current regulations.
- **Security:** it is the function in charge of managing the security activities related to the points of sale and the handling of money. In addition, it is in charge of the opening and operational management of claims.
- **Commercial Auditing:** it is the function responsible for carrying out audits within the stores aimed at verifying the consistency between commercial offers and the products actually offered for sale by the stores.
- **Disposition:** it is the function responsible for the supply of goods within the various Distribution Centres, from which the relative points of sale are then supplied.

II. Governance model

Penny Market's corporate governance, based on the traditional model, is structured as follows:

Shareholders' Meeting, competent to decide, at ordinary and extraordinary meetings, on the matters reserved to it by law or by the articles of association. The shareholder that holds 100% of the shares is REWE International Dienstleistungsgesellschaft m.b.H..

Board of Directors, vested with the widest powers for the administration of the Company, with the power to carry out all appropriate actions to achieve the corporate purposes, with the exception of the acts reserved - by law and by the articles of association - for the Shareholders' Meeting.

Board of Statutory Auditors, which is responsible for supervising: a) compliance with the law and the articles of association as well as compliance with the principles of good governance; b) the adequacy of the Company's organisational structure, its internal control system and administrative and accounting system, also with reference to the reliability of the latter in correctly representing management events; c) the adequacy of the instructions given to the subsidiaries in relation to the information to be provided to fulfil all disclosure obligations.

Auditing firm, registered in the special CONSOB [regulatory body for the Italian Stock Exchange] register,



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which carries out the auditing activity, appointed by the Shareholders' Meeting.

III. Purpose of the Model

The purpose of the Model is the preparation of a structured and organic system of control procedures and activities (preventive and ex post controls) which aims to reduce the risk of crime perpetration by identifying the "Processes" and "Sensitive activities" to the commission of offences and their consequent proceduralisation.

The principles contained in this Model must, on the one hand, lead to the full awareness, on the part of the potential perpetrator of the crime, of committing an offence (the commission of which is strongly condemned and contrary to the interests of Penny Market even when it might apparently benefit from it) and, on the other hand, thanks to constant monitoring of the activity, they must allow Penny Market to react promptly in preventing or impeding the commission of the crime itself.

Therefore, one of the aims of the Model is to develop awareness among Employees, Corporate Bodies, Service Companies, Consultants and Partners, operating on behalf or in the interest of the Company in the context of the "Processes" and "Sensitive Activities", that they may incur - in the event of conduct that does not comply with the provisions of the Code of Ethics and other company rules and procedures - in offences with criminal consequences not only for themselves but also for the Company.

Furthermore, it is intended to effectively censor any illegal behaviour through the constant activity of the Supervisory Body on the conduct of people with respect to "Processes" and "Sensitive Activities" and the imposition of disciplinary or contractual sanctions.

The elements that characterise this Model are: **effectiveness**, **specificity** and **topicality**.

a) Effectiveness

The effectiveness of a Model depends on its concrete suitability to develop decision and control mechanisms such as to eliminate - or at least significantly reduce - the area where there is a risk of incurring liability. This suitability is guaranteed by the existence of preventive and subsequent control mechanisms that can identify operations that have anomalous characteristics, such as to signal conduct falling within the processes and tools for timely intervention where such anomalies are detected. The effectiveness of a Model, in fact, is also connected with the efficiency of the tools suitable for identifying "illegal symptoms".

b) Specificity

The specificity of a Model is one of the elements that connotes its effectiveness.

- A specificity connected to the processes is necessary, as recalled by Art. 6, paragraph 2, letter a) of the Decree, which requires a survey of the Company's activities in the context of which the offences



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may be committed;

- Pursuant to Art. 6, paragraph 2, letter b) of the Decree, it is equally necessary for the Model to provide for specific processes for forming the decisions of the entity and for implementation processes in "sensitive" sectors.

Similarly, the identification of the methods of managing financial resources, the development of a system of disclosure duties, the introduction of an adequate disciplinary system are obligations that require the specificity of the individual components of the Model.

Furthermore, the Model must take into account its own characteristics, the size of the Company and the type of business carried out, as well as the history of the Company.

c) Topicality

A Model is suitable for reducing the risks of crime if it is constantly adapted to the characteristics of the business structure and activity.

In this respect, Art. 6 of the Decree provides that the Supervisory Body, holder of autonomous powers of initiative and control, has the function of supervising the updating of the Model.

Art. 7 of the Decree establishes that the effective implementation of the Model envisages a periodic verification, as well as any modification of the same when any violations are discovered or changes occur in the activity or in the organisational structure of the Company.

IV. Recipients

The rules contained in the Model apply:

- to those who are holders, within the Company, of formal qualifications, such as those of legal representative, director, member of the board of statutory auditors;
- to those who perform, even de facto, management, administration, direction or control functions at the Company or one of its autonomous organisational units;
- to those who perform management functions as heads of specific Organizational Units;
- to those who, even without a formal investiture, actually carry out management and control activities at the Company;
- to subordinates of the Company, of any degree and serving under any type of contractual relationship, even if posted abroad to carry out their activity;
- to Company Employees, even if posted abroad to carry out their activities;
- to all those subjects who collaborate with the Company under a para-subordinate employment



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relationship, such as project-based collaborators, temporary workers, interim workers, etc.;

- to those who, although not belonging to the Company, work according to a mandate given thereby or in the interest of the same.
- to those subjects who act in the interest of the Company, as they are linked to it by contractual legal relationships or by agreements of another nature, such as, for example, partners in joint-ventures or shareholders for the realization or acquisition of a business.
- to all the subjects of the Group whose activities/decisions have an impact on the Company.

The Model is an indispensable reference for all those who contribute to the development of the various activities, as suppliers of materials, services and works, consultants, partners with whom Penny Market operates.

V. The method for preparing the OMM and for carrying out the Risk Self Assessment

The Penny Market Organisation, Management and Control Model was developed taking into account the activity actually carried out by the Company, its structure, as well as the nature and size of its organisation.

The preparatory activities for the drawing up of this document included a preliminary analysis by the Company of its business context and, subsequently, an analysis of the areas of activity that present potential risk profiles in relation to the perpetration of the offences indicated by Italian Legislative Decree no. 231/2001 (the so-called Risk Self Assessment).

The approach used for the recognition of risks, in line with leading practices, envisaged the analysis of the risks of perpetration of the offences referred to in the Decree associated with the risk areas and sensitive activities, both at an inherent level (so-called Inherent Risk) and at a residual level (so-called Residual Risk), i.e. considering the effects of operational control measures.

The Inherent Risk was self-assessed by the company management through two dimensions:

- likelihood that one or more offences referred to in Italian Legislative Decree no. 231/2001 might be committed in carrying out a sensitive activity, on the basis of “drivers” referring to the sensitive activity itself (frequency, relevance, complexity, cases of irregularities and/or sanctions in the past);
- impact based on the severity of the sanctions that are envisaged for the categories of offence potentially applicable in relation to a sensitive activity.

The adequacy of the Internal Control and Risk Management System was assessed by analysing the level of implementation, in each sensitive activity, of six key control principles, namely:

- roles and responsibilities (organisation chart, powers and proxies, job description);
- policies and procedures (Group Guidelines, policies, procedures, operating instructions);



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- segregation of duties (both from an organisational and an IT point of view);
- traceability (evidence of the documentation analysed and produced, etc.);
- monitoring and reporting systems (KRI/KPI, availability of reports, etc.);
- independent audits and verifications (conducted in the past by independent bodies, such as the Internal Audit Function, SB, certification bodies, etc.).

The Residual Risk of each sensitive activity was therefore assessed by reducing the level of inherent risk in proportion to the adequacy and level of implementation of the control measures capable of reducing the risk of perpetration of the offences regulated by Italian Legislative Decree no. 231/2001 and abstractly relevant to the Company.

VI. Structure of the Model

The Model is made up of all the "components" identified in paragraph VII below and of all the procedures, company and group policies and management and control systems referred to and/or envisaged in this document.

This document consists of a General Part and a Special Part.

The **General Part** deals with the description of the rules contained in Italian Legislative Decree 231/01, the indication - in the relevant parts for the purposes of the Decree - of the legislation specifically applicable to the Company, the description of the offences relevant to the Company, the indication of the recipients of the Model, the operating principles of the Supervisory Body, the definition of a system of sanctions dedicated to monitoring violations of the Model, the indication of the obligations of disclosure of the Model and of personnel training.

The **Special Section** covers the indication of the processes and related "sensitive" activities - that is, the activities that have been considered by the Company at risk of crime, following its risk analyses - pursuant to the Decree, the general principles of conduct, the elements of prevention monitoring the aforementioned activities and the essential control measures dedicated to the prevention or mitigation of offences.

The following are also an integral part of the Model:

- the Risk Self Assessment aimed at identifying sensitive activities;
- the Code of Ethics, which defines the principles and rules of conduct of the Company;
- all the provisions, internal provisions, documents or company operating procedures that represent the tools for implementing the Model.

These deeds and documents can be found, according to the procedures envisaged for their dissemination, within the company and on the company intranet.



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VII. Fundamental elements of the Model

With reference to the needs identified in the Decree, the fundamental elements developed by Penny Market in the definition of the Model can be summarized as follows:

- mapping of sensitive activities, with examples of possible ways of perpetration of the crimes and instrumental/functional processes potentially associated with perpetration of the crimes referred to in the Decree, to be subjected, therefore, to periodic analysis and monitoring;
- identification of ethical principles and rules of conduct aimed at preventing conduct that might amount to the types of offences envisaged by the Decree, enshrined in the Code of Ethics adopted by the Company and, more specifically, in this Model;
- appointment of a Supervisory Body which is assigned specific supervisory tasks on the effective implementation and application of the Model pursuant to Art. 6 point b) of the Decree;
- approval of a sanctioning system suitable for guaranteeing the effective implementation of the Model, containing the disciplinary provisions applicable in the event of failure to comply with the measures indicated in the Model itself;
- performance of an information, awareness and dissemination activity to the Recipients of this Model;
- procedures for the adoption and effective application of the Model as well as for the necessary amendments or additions to it.

VIII. Code of Ethics

The Company has deemed it appropriate and necessary to specify in the Code of Ethics, adopted with a resolution of the Board of Directors on 24/06/2019, the values which all its directors, employees and collaborators in various capacities must adapt to, accepting responsibilities, structures, roles and rules whose violation they are personally responsible for both internally and externally of the company.

The Code of Ethics adopted by the Company also expresses the commitments and ethical responsibilities in the conduct of business and company activities and defines the set of values and principles which inspire the companies of the REWE Group.

The fundamental ethical principles set out in the Code and to which the Company is inspired are compliance with the law, transparency and management fairness, trust, honesty and cooperation, integrity, competence and loyalty, in order to compete effectively and fairly on the market, improve customer satisfaction and develop the skills and professional growth of its human resources.

For the Company, compliance with these principles in conducting business is a necessary condition, as well as a competitive advantage, to pursue and achieve its objectives, consisting in the creation and maximization of value for those who work in favour of Company, for customers and for the community as a whole.



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The rules of conduct contained in this Model supplement those of the Code of Ethics, though the Model, for the purposes it intends to pursue in implementation of the provisions contained in the Decree, has a different scope than the Code itself. In this respect, in fact:

- the Code of Ethics is a tool adopted autonomously and open to application on a general level by the Company in order to express the principles of "corporate ethics" that the Company recognizes as its own and on which it calls for compliance by all Employees;
- the Model, instead, is designed for specific provisions contained in the Decree, aimed at preventing the commission of particular types of crimes (for acts which, apparently committed to the advantage of the company, may involve its administrative liability based on the provisions of the Decree itself).

IX. Assumptions of the Model

In preparing the Model, Penny Market took into account its corporate organisation in order to verify the areas of activity most exposed to the risk of potential offence perpetration.

The Company also took into account its internal control system in order to verify its ability to prevent the types of offences envisaged by the Decree in the areas of activity identified as being at risk.

More generally, Penny Market's internal control system must guarantee, with reasonable certainty, the achievement of operational, information and compliance objectives:

- the operational objective of the internal control system concerns the effectiveness and efficiency of the Company in using resources, in protecting itself from losses, in safeguarding company assets; this system is also aimed at ensuring that personnel work to pursue corporate objectives, without placing other interests above those of Penny Market;
- the information objective translates into the preparation of timely and reliable reports for the decision-making process inside and outside the company organisation;
- the objective of compliance, on the other hand, guarantees that all operations and actions are conducted in accordance with laws and regulations, prudential requirements and internal company procedures.

In particular, the internal control system is based on the following elements:

- organisational system that is formalized and clear in the attribution of responsibilities;
- procedural system;
- IT systems oriented towards the segregation of duties;
- management control and reporting system;
- authorisation powers and signing authorities assigned in line with responsibilities;



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- internal communication system and personnel training.

The Penny Market internal control system is based on the following principles:

- every operation, transaction and action must be truthful, verifiable, consistent and documented;
- no one must be able to manage an entire process independently (so-called segregation of duties);
- the internal control system must be able to document the performance of controls, including supervisory ones. All personnel, within the scope of the functions performed thereby, are responsible for the definition and correct operation of the control system through line controls, consisting of the set of control activities that the single operating units carry out on their processes.

X. Changes to the Model

All changes and additions of a substantial nature to the Model itself are the responsibility of the Board of Directors of the Company, since this Model is an act issued by the management body (see Decree, Art. 6).

In order to ensure the stability and effectiveness of the Model, the decisions for substantial changes and additions to the Model must be approved with the favourable vote of at least two thirds of the directors present at the meeting.

XI. Offences relevant to Penny Market S.r.l.

The preparation of the Model was preceded by a series of preparatory activities in line with the provisions of the Decree.

Indeed, the Decree expressly provides in Art. 6, paragraph 2, letter a), that the entity's Model must identify the corporate activities within which the offences referred to in the same Decree might potentially be committed.

In compliance with these requirements, organisation and management models can be adopted on the basis of codes of conduct drawn up by representative trade associations and deemed suitable by the Ministry of Justice.

The Company, as anticipated in paragraph V, conducted a careful analysis of its organisation, management and control tools in order to verify whether the behavioural principles and procedures already adopted thereby matched the purposes set out in the Decree and, where necessary, to adapt them.

Following this analysis, the Company conducted a process of improvement of its internal control system in order to remedy the criticalities highlighted during its Risk Assessment activities, for example, by formalizing the operating procedures intended to regulate instrumental processes and adopting internal policies and protocols to oversee the activities at risk, which are an integral and essential part of this Organisation Model.

On the basis of the analysis conducted, also during the updating of the Model, the crimes that might be perpetrated in the corporate context of Penny Market S.r.l. are the following:



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TYPES OF OFFENCES REGULATED BY THE DECREE	Applicability to Penny Market
Crimes in relations with the public administration (Art. 24-25)	Yes
Computer crimes and unlawful data processing (Art. 24-bis)	Yes
Organised crime offences (Art. 24-ter)	Yes
Counterfeiting of money, public credit cards, revenue stamps and identification instruments or signs (Art. 25-bis)	Yes
Crimes against industry and trade (Art. 25-bis1)	Yes
Corporate offences (Art. 25-ter)	Yes
Crimes for the purpose of terrorism or subversion of the democratic order (Art. 25-quater)	No
Female genital mutilation practices (Art. 25-quater1)	No
Crimes against the individual (Art. 25-quinquies)	Yes
Market abuse (Art. 25-sexies)	No
Manslaughter and serious or very serious negligent injuries, committed in violation of the rules on the protection of health and safety at work (Art. 25-septies)	Yes
Receiving, laundering and using money, goods or benefits of illicit origin, as well as self-laundering (Art. 25-octies)	Yes
Crimes relating to copyright infringement (Art. 25-novies)	Yes
Inducement not to make statements or to make false statements to the judicial authority (Art. 25-decies)	Yes



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TYPES OF OFFENCES REGULATED BY THE DECREE	Applicability to Penny Market
Crimes against the environment (Art. 25-undecies)	Yes
Employment of illegally staying third-country nationals (Art. 25-duodecies)	Yes
Racism and xenophobia (Art. 25-terdecies)	Yes
Fraud in sports competitions, illegal gambling or betting and gambling carried out by using prohibited devices (Art. 25-quaterdecies)	No
Tax Offences (Art. 25-quinquiesdecies)	Yes
Smuggling (Art. 25-sexiesdecies)	No
Transnational crimes (Italian Law no. 146/2006)	Yes

The offences referred to in articles Art. 25-*quater* (Crimes for the purpose of terrorism or subversion of the democratic order), Art. 25-*quater1* (Female genital mutilation practices) Art. 25-*quaterdecies* (Fraud in sports competitions, abusive exercise of gambling or betting and gambling carried out by means of prohibited devices) have not been deemed applicable since the likelihood of perpetration thereof is extremely remote considering the Company's core business.

As regards the offence referred to in Art. 25-*sexies* (Market abuse), this is not applicable as the Company is not listed on the Stock Exchange.

With regard to the offence referred to in Art. 25-*octies* (Receiving, laundering and using money, goods or benefits of illicit origin, as well as self-laundering), it is specified that the risk mapping was carried out in compliance with the Confindustria Circular of 12 June 2015 (19867), with the intent to avoid automatic charges for self-laundering, rigorously interpreting Art. 648-*ter.1* and, therefore, enhancing the most characterising element of money laundering, namely the ability to hide the illicit nature of proceeds. In line with a literal and substantial interpretation of the law, relevance was given to the constitutive elements of the crime in order to punish only those conducts that express a further criminal value compared to that attributable to the basic crime.

Therefore, with specific reference to self-laundering, we have mapped this risk not with respect to the source of the income, rather with respect to the actual self-laundering conduct. Therefore, essentially the management of financial resources, liquidity and liquidity investments.



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Finally, as regards the offence referred to in Article 25-*sexiesdecies* (Smuggling), this is not applicable since, at present, Penny Market manages all import activities on a "carriage paid" basis.

The main company processes within which the potential risk of committing the offences of the Decree was identified are the following:

#	Process	
1	Purchases	PUR
2	Administration, Finance and Control	AFC
3	Business Development	BD
4	Human Resources	HR
5	Legal	LEG
6	Logistics	LOG
7	Marketing and communications	MKT
8	Quality	QUA
9	Sales	SAL
10	Relations with the Public Administration	RPA
11	Information Technology	IT
12	Environment	ENV
13	Occupational Health and Safety	OHS
14	Reordering and Allocation	REORD



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XII. General and specific internal control principles

The Company's organisational system must comply with the fundamental requirements of: explicit formalisation of the rules of conduct; clear, formal and knowable description and identification of the activities, tasks and powers attributed to each management department and to the different professional qualifications and roles; precise description of the control activities and their traceability; adequate segregation of operational roles and control roles.

In particular, the following general principles of internal control must be pursued:

Behavioural rules

- Existence of a Code of Ethics that describes behavioural rules of a general nature to oversee operations.

Definitions of roles and responsibilities

- Internal regulations must outline the roles and responsibilities of the organisational units at all levels, describing the activities of each structure in a homogeneous manner;
- this regulation must be made available and known within the organisation.

Internal procedures and rules

- Sensitive activities must be regulated, in a coherent and congruous manner, through the company regulatory instruments, so that the operating methods for carrying out the activities, the related controls and the responsibilities of those who have operated can be identified at all times;
- a manager must be identified and formalised for each sensitive activity, typically coinciding with the manager of the organisational structure responsible for managing the activity itself.

Segregation of duties

- Within each relevant corporate process, the functions or persons in charge of the decision and its implementation must be separated from those who record it and those who control it;
- there must be no subjective identity between those who take or implement the decisions, those who process accounting evidence of the transactions decided and those who are required to carry out thereon the controls provided by law and by the procedures established by the internal control system.

Authorisation powers and signing authorities

- A system of proxies must be defined within which there is a clear identification and a specific assignment of powers and limits to the subjects who engage the company and express its will;



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- organisational and signing authorities (proxies, powers of attorney and related spending limits) must be consistent with the organisational responsibilities assigned;
- powers of attorney must be consistent with the internal system of proxies;
- mechanisms for publicizing powers of attorney are envisaged;
- the system of proxies must identify, among other things:
 - the professional requirements and skills that the delegate must possess in the light of the specific area of operation of the proxy;
 - the express acceptance by the delegate or sub-delegate of the delegated functions and the ensuing assumption thereby of the obligations given;
 - the operational methods for managing spending commitments;
- proxies are attributed according to the principles of:
 - decision-making and financial autonomy of the delegate;
 - technical-professional suitability of the delegate;
 - autonomous availability of adequate resources for the task and continuity of performance.

Control and traceability activities

- As part of procedures or other internal regulations, all operational controls and their characteristics (responsibility, evidence, frequency) must be formalized;
- the documentation relating to sensitive activities must be adequately formalized and show the date of compilation, acknowledgement thereof and the recognizable signature of the compiler/supervisor; the same must be filed in a suitable place for conservation, in order to protect the confidentiality of the data contained therein and to avoid damage, deterioration and loss;
- the formation of deeds and the corresponding authorisation levels, the development of operations, both material and registration operations, must be reconstructed, with evidence of their motivation and reasons, so as to guarantee the transparency of the choices made;
- the person in charge of the activity must produce and maintain adequate monitoring reports that contain evidence of the checks carried out and of any anomalies;
- where possible, provision must be made for the adoption of IT systems, which guarantee the correct and truthful attribution of each operation, or of any of its segments, to the person responsible for it and to the parties participating in it. The system must provide for the impossibility of modification (not



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tracked) of the records;

- the documents relating to the Company's activities, and in particular the documents or IT documentation relating to sensitive activities, are filed and stored by the competent management department in a manner that does not allow for their subsequent modification, except where specifically evidenced;
- access to filed documents must always be motivated and allowed only to persons authorised on the basis of internal regulations or their delegate, to the Board of Statutory Auditors or equivalent body or to other internal control bodies, to the auditing firm, if any, and to the Supervisory Body.

XIII. Supply of intragroup services

The supply of goods or services by the companies of the REWE Group, with particular reference to goods or services that may concern processes at risk of crime and related Sensitive Activities, must take place in compliance with the following principles:

- all intra-group contracts must be stipulated in writing and the aforementioned stipulation must be notified to the Supervisory Body of the Company, which may, if necessary, examine it;
- the lending company must certify the truthfulness and completeness of the documentation produced and of the information communicated to the Company pursuant to legal obligations;
- the lending company must undertake to respect, for the duration of the contract, the fundamental principles of the Code of Conduct and the Model, as well as the provisions of Italian Legislative Decree 231/2001 and to operate in accordance therewith.

5 Supervisory Body

I. The Supervisory Body and its requirements

In order for the Company to be exempt from administrative liability in accordance with the provisions of Art. 6 of the Decree, the Company must identify and set up a Supervisory Body provided with the authority and powers necessary to supervise, in absolute autonomy, the operation and observance of the Model, as well as to take care of its related update, proposing any amendments or additions deemed appropriate thereby to the Company's Board of Directors.

The members of the Supervisory Body of the Company (hereinafter also the "**SB**") are chosen from among subjects possessing the requisites of autonomy, independence and professionalism required by the Decree to carry out this role.

Decree 231/01 does not provide any information on the composition of the SB; therefore, the choice between its mono-subject or multi-subject composition and the identification of its members - internal or external to the entity - must take into account - as suggested by the Confindustria Guidelines and as confirmed by the relevant case-law - of the purposes pursued by law and the corporate context in which the SB will operate, as it must



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ensure the effectiveness of the controls in relation to the size and organisational complexity of the entity.

Based on these indications, the SB must possess the following main characteristics:

Autonomy and independence

The autonomy and independence requirements that the SB must necessarily meet, in order for the Company to be exempt from liability, refer in particular to the functionality of the SB itself. The position of the SB within the companies must therefore ensure the autonomy of its controls from any interference or conditioning from the Company and its management bodies. These requirements are ensured by placing the Supervisory Body in a top position within the company organisation, without the formal or even de facto attribution of any executive role that may involve it in the decisions and operational activities of the Company, which otherwise would deprive it of the necessary objectivity of judgment when carrying out checks on conduct and on the Model.

The requirements of autonomy and independence refer both to the SB as a whole and to its members taken individually: in the case of a multi-subject SB, in which some members are external and others internal, the degree of independence of the SB must be assessed as a whole since internal members cannot be expected to be completely independent of the Company.

In order to ensure the effective fulfilment of the requirements described above, the members of the SB should meet some formal subjective requirements that further guarantee their autonomy and independence as required by the Confindustria Guidelines for the drawing up of organisation, management and control models pursuant to Italian Legislative Decree no. 231 of 8 June 2001, approved on 7 March 2002 and updated in March 2014 (for example integrity, absence of conflicts of interest with corporate bodies and top management, etc.).

Professionalism

The members of the SB must possess, as specified also in some jurisprudential rulings, specific technical skills, in order to be able to effectively carry out their inspection and control tasks. These are specialized techniques that are typical of those who carry out inspection, consultancy and legal activities.

With reference to the inspection and analysis of the control system, the members of the SB should have experience, for example, in the techniques for the analysis and assessment of risks, in the measures for their containment, in the flow-charting of procedures and processes for identifying weaknesses, in interviewing techniques and in the preparation of questionnaires.

In any case, it is recalled that the SB, in order to fulfil its duties, may use, in addition to the specific skills of its single members, also internal company resources or external consultants.

Continuity of action



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To guarantee the effective and constant implementation of the Organisation Model, the SB must guarantee continuity in the exercise of its functions, which must not be understood as a 'continuous presence', rather as the effectiveness and frequency of such control.

The definition of all aspects relating to the continuity of action of the SB, such as the scheduling of its activities, the minutes of its meetings, the frequency and conditions of its meetings, is left to the same Body, which, in exercising its right to self-regulation, will have to regulate its internal functioning. In this regard, it is advisable for the SB itself to draw up a regulation of its activities (e.g. methods of calling meetings, documentation of the activity, etc.).

Finally, it should be noted that Italian Law no. 183 of 2011 (so-called Stability Law for 2012), has expressly provided for the possibility for joint stock companies to entrust the Board of Statutory Auditors with the functions of the Supervisory Body (Art. 6, paragraph 4-bis of the Decree). Therefore, the Company has the right to opt for this form of organization of the SB, also in consideration of the need for the overall rationalization of the control system adopted thereby.

Free access

Free access to all company information it deems relevant.

Spending autonomy

Spending autonomy as regards the performance of its functions as long as they are necessary for the implementation and operation of the Model.

II. Members of the Supervisory Body, appointment, dismissal, causes of ineligibility and loss of office of its members

The number and qualification of the members of the Supervisory Body are established by the Board of Directors, which appoints the SB and its Chairman by means of a specific motivated board resolution, which acknowledges fulfilment of the autonomy, independence and professionalism requirements that the members of the SB must meet.

The members of the SB remain in office for three years and can be re-elected.

The members of the Supervisory Body, in exercising their functions, must maintain the necessary requisites of autonomy and independence required by the Decree: they must therefore immediately notify the Board of Directors and the Supervisory Body itself of any situations that prevent continued compliance with these requirements.

The appointed members of the Supervisory Body remain in office for the entire duration of their mandate, regardless of the change in the members of the Board of Directors who appointed them, unless the renewal of the Board of Directors depends on the perpetration of one of the Offences covered by the Decree: in this



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case the newly elected management body will establish a new Supervisory Body.

The following cannot be elected as members of the Supervisory Body and, if elected, they automatically lose office:

- those who find themselves in the conditions provided for by Article 2382 of the Italian Civil Code (disqualification, incapacitation, bankruptcy, sentence to a punishment that implies the disqualification, even temporary, from public offices or the inability to exercise managerial offices);
- the spouse, relatives and in-laws within the fourth degree of the non-independent directors of the Company; the spouse, relatives and in-laws within the fourth degree of the non-independent directors of the companies controlled by it, of the companies that control it and of the companies subject to common control;
- those who have been sentenced, even if not on a final basis (including pursuant to Art. 444 of the Italian Code of Criminal Procedure):
 - to imprisonment for a period of not less than one year: i) for one of the crimes provided for by Italian Royal Decree no. 267/1942; ii) for one of the offences envisaged by the rules governing banking, financial activities, securities, markets and payment instruments; iii) for a crime against the public administration, against public faith, against public property, against the public economy or in tax matters;
 - to imprisonment for a period of not less than two years for any non-culpable crime;
 - for one or more of the crimes envisaged and referred to in the Decree, regardless of the type of sentence imposed;
 - for an offence that is punished with the disqualification, even temporary, from public offices or the temporary disqualification from management offices of legal persons and companies.
- those against whom one of the prevention measures provided for by Art. 3 of Italian Law no. 55 of 19 March 1990 and subsequent modifications has been applied.

In the event of the appointment of an external member, the same must not have commercial relations with the Company that might give rise to a conflict of interest.

Without prejudice to the case of automatic loss of office, the members of the SB cannot be revoked by the Board of Directors except for just cause.

The following causes represent a just cause for revocation:

- a sentence condemning the Company pursuant to the Decree, or a plea bargaining sentence, which



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reveals the 'omitted or insufficient supervision' by the SB in accordance with Art. 6, paragraph 1, letter d) of the Decree;

- the failure to keep confidential any information they become aware of in the performance of the assignment;
- the failure to participate in more than two consecutive SB meetings without justified reason.

Should a member of the SB resign or automatically lose office, s/he latter will promptly notify the Board of Directors, which will take the appropriate decisions without delay.

The SB is considered to have lost office if the majority of its members lose office due to resignation or other causes. In this case, the Board of Directors appoints all new members of the SB.

For serious reasons of convenience, the Board of Directors can suspend one or all members of the SB from their functions, promptly appointing a new member or the entire *ad interim* Body.

III. The Supervisory Body of Penny Market

On the basis of the aforementioned assumptions and considerations, upon adoption of its Organisation Model, the Company also established the Supervisory Body (SB) and appointed its members. In its current composition, the SB was appointed with a resolution of 28/09/2020.

The company chose to entrust the functions of the Supervisory Body to a board made of three members (one external member and two internal members).

In consideration of the size and characteristics of the company organisation and the complexity of the tasks that the SB is called upon to perform, the composition described above seems to be the most suitable to guarantee the autonomy, professionalism, as well as the continuity of action that must distinguish the work of said Body.

The decision to identify the external member as Chairman of the SB meets the need to strengthen the requirements of autonomy and independence of the Body, as well as its professionalism. More precisely, an external professional who is an expert in compliance with Italian Legislative Decree 231/2001 has been chosen as Chairman of the SB.

The presence of two members of the Supervisory Body who are internal to the Company and one external member thus meets the need to guarantee the continuity of the SB's action in the concrete corporate reality, providing the necessary support for the management of information flows and internal coordination of the activities between the SB and the corporate organisational units.

IV. Duties, Powers and Functions of the Supervisory Body

The Supervisory Body carries out the supervisory and control functions provided for by the Decree and the



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Model.

The Supervisory Body has autonomous powers of initiative and control within the Company such as to allow the effective exercise of the functions provided for by the Decree and the Model.

For every need related to the correct performance of its duties, the Supervisory Body has adequate financial resources which are assigned to it on the basis of a budget approved by the Board of Directors, on the proposal of the SB itself. The activities implemented by the SB cannot be disputed by any other corporate body or structure, though the Board of Directors is in any case called upon to supervise the adequacy of its intervention, since the Board of Directors is ultimately responsible for the operation and effectiveness of the Model.

The SB is called upon to carry out the following activities:

- a) Verification and supervision activities:
 - supervision of compliance with the Model;
 - verification of the actual adequacy and capacity of the Model to prevent the commission of the offences envisaged by the Decree;
 - supervision of the correct application of the Disciplinary System by the corporate functions responsible for it;
- b) Updating the Model
 - assessment as to the maintenance over time of the solidity and functionality of the Model, verifying that the Company updates the Model and proposing, if necessary, to the Board of Directors or to the competent corporate functions, the adaptation of the same in order to improve its adequacy and effectiveness, in relation to changed corporate and/or legislative conditions;
 - follow-up activities, i.e. verifying the implementation and effective functionality of the proposed solutions.
- c) Information and training
 - promotion of the dissemination of knowledge and understanding of the Model in the corporate context;
 - promotion and monitoring of initiatives, including courses and communications, aimed at encouraging adequate knowledge of the Model by all Recipients;
 - evaluation and response to requests for clarification from company functions or from administrative and control bodies, if connected and/or related to the Model.
- d) Reporting to and from the SB



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- implementation, in compliance with the Model, of an effective flow of information to the competent corporate bodies regarding the effectiveness and observance of the Model;
- verification of the timely fulfilment, by the parties concerned, of all the reporting
- activities relating to the Model;
- examination and evaluation of all information and/or reports received in relation to the Model, including as regards any violations of the same;
- in the event of checks by institutional subjects, including the Public Authority, provision of the necessary information support to the inspection bodies.

As part of the activities set out above, the SB will fulfil the following requirements:

- promote the dissemination and verification in the corporate context of the knowledge and understanding of the principles outlined in the Model;
- collect, process, store and update any relevant information for the purpose of verifying compliance with the Model;
- periodically verify and check the identified areas and activities at risk, also performing, if deemed necessary for the purpose of carrying out its functions, checks not previously planned (so-called 'surprise checks');
- verify and control the regular keeping and effectiveness of all the documentation relating to the activities/operations identified in the Model;
- periodically check the powers of attorney and internal proxies in force, recommending the necessary changes if they are no longer consistent with organisational and managerial responsibilities;
- establish (upon request to the competent corporate functions) specific 'dedicated' information channels (e.g. e-mail addresses), aimed at facilitating the flow of reports and information to the Body;
- periodically assess the adequacy of the Model with respect to the provisions and regulatory principles of the Decree and the corresponding updating needs;
- periodically assess the adequacy of the information flow and adopt any corrective measures;
- communicate and report periodically to the Board of Directors regarding the activities carried out, the reports received, the corrective and improvement actions relating to the Model and their state of implementation.

For the purposes of carrying out the obligations entrusted to it, the SB is assigned the powers and rights indicated below:



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- issue provisions and service orders intended to regulate the activity of the Body;
- access any and all company documents relevant to the performance of the functions attributed to the SB, including company records pursuant to Art. 2421 of the Italian Civil Code;
- request the collaboration, even on an ongoing basis, of internal structures or resort to external consultants of proven professionalism in cases where this is necessary to carry out verification and control activities or update the Model;
- arrange for the recipients of the request to promptly provide the information, data and/or news requested of them so as to identify aspects connected to the various company activities relevant under the Model and to verify the effective implementation of the same by corporate organisational structures;
- conduct the internal investigations necessary to ascertain alleged violations of the provisions of this Model;
- request information, data and/or news useful to monitor the correct application of the disciplinary system from the corporate functions responsible for and delegated to manage disciplinary proceedings and the application of sanctions;
- request, through the appropriate channels and people, the meeting of the Board of Directors to address urgent matters;
- access the documentation prepared by the Board of Statutory Auditors;
- request the heads of functions to participate, without decision-making power, in the meetings of the Supervisory Body.

Considering the functions of the Supervisory Body and the specific professional contents required by them, in carrying out the supervisory and control activity, the Supervisory Body may avail itself of the support of other internal functions of the Company which, from time to time, may be necessary for the effective performance of verification activities.

The Supervisory Body, if it deems it appropriate and/or where the Body required to perform activities that require professional expert skills which the Body or the Company does not have, may resort to the specific professional skills of external consultants to whom to delegate predefined areas of investigation and the technical operations necessary for the performance of its control function. In any case, the consultants must always report the results of their work to the Supervisory Body.

V. Reporting by the Supervisory Body

The SB reports on the implementation of the Model and the activity carried out thereby according to the following reporting lines:

- on an annual basis, to the Board of Directors, to which a written report must be sent concerning in particular:



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- the overall activity carried out in the reference period;
 - a review of the reports received and the actions taken by the SB or other subjects,
 - including disciplinary sanctions (connected with conduct that is relevant for the purposes of the Decree) possibly imposed by the competent subjects;
 - the criticalities arisen in relation to the Model and the necessary and/or appropriate corrective and improvement actions taken in relation to the Model and their state of implementation;
 - the identification, on an annual basis, of the action plan for the following year;
 - the state of implementation;
- on an ongoing basis and if necessary, to the Chief Executive Officer and the Board of Directors. In particular, the SB must:
 - promptly report to the Board of Directors any violation of the Model that is considered grounded by the Body itself, of which it has become aware through reporting by employees or ascertained by it;
 - promptly report to the Board of Directors any organisational or procedural deficiencies capable of determining the concrete risk of perpetration of the offences covered by the Decree;
 - report to the Chief Executive Officer or the Board of Directors any regulatory changes that are particularly relevant for the purposes of the implementation and effectiveness of the Model;
 - promptly transmit to the Board of Directors any other relevant information for the proper performance of the functions of the Body itself, as well as for the correct fulfilment of the provisions of the Decree.

The SB of Penny Market may be called at any time by the aforementioned bodies or may in turn submit a request to that effect, to report on the operation of the Model or on specific situations.

VI. Information flows to the Supervisory Body

One of the needs that the Model must meet, as stated in the Decree, is the establishment of information obligations towards the Supervisory Body. These flows concern all the information and documents that must be brought to the attention of the Supervisory Body, in accordance with the provisions of the protocols adopted and each Special Part of the Model.

For each 'area at risk of crime', one or more 'Internal Managers' will be identified who must, among other things, provide the SB with information flows according to the methods and with the frequency defined in a specific 'Information flow protocol', which is an integral part of this Organisation Model. In fact, it is appropriate



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for the management of information flows to the Supervisory Body to be governed by a specific procedure, suitably disseminated and communicated to all recipients, in order to ensure greater effectiveness in the implementation of information flows. Even if, in the selected period, there are no significant reports to be communicated to the Supervisory Body, the same must be sent a 'negative' report.

Specific obligations have also been established for Penny Market's corporate bodies and staff, in particular:

- the corporate bodies must report to the Supervisory Body any information that is relevant to compliance with and the operation of the Model;
- the Recipients must report to the Supervisory Body any information relating to conduct that might amount to a violation of the provisions of the Model or to an offence.

The above reports must be sent in writing to the following e-mail address:

organismodivigianza@pennymarket.it

or, by mail, to the Supervisory Body at the Company's registered office, currently at:

[Penny Market S.r.l., for the attention of the Supervisory Body,](#)

indicating on the envelope the words "PERSONAL AND STRICTLY CONFIDENTIAL - NOT TO BE OPEN" in order to guarantee its confidentiality.

Without prejudice to the foregoing, the reports addressed or, in any case, brought to the attention of single members of the Supervisory Body will also be examined, provided they are sufficiently precise and detailed, who will share the information received with the other members of the Body.

The Supervisory Body acts in such a way as to protect the authors of the reports against any form of retaliation, discrimination, penalization or any consequence deriving from them, assuring the confidentiality of their identity, though without prejudice to any legal obligations and the protection of the rights of the Company or of persons accused erroneously and/or in bad faith.

In any case, the information flows transmitted to the Supervisory Body must necessarily include information concerning:

- measures and/or news from judicial police bodies, or from any other authority, including administrative ones, which concern the Company or top management, from which it is clear that investigations are being carried out, including against unknown persons, for the offences covered by the Decree, without prejudice to the legally imposed obligations of confidentiality and secrecy;
- requests for legal assistance made by executives and/or employees in the event of judicial



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proceedings, in particular for the offences included in the Decree;

- control activities carried out by the managers of other company departments from which critical facts, acts, events or omissions have arisen with respect to compliance with the provisions of the Decree or the Model;
- changes in the system of proxies and powers of attorney, statutory changes or changes to the company organisation chart;
- disciplinary proceedings initiated in relation to the violation of the Code of Ethics or the Organisation Model and related outcomes (even in the case of their dismissal);
- reporting of serious injuries (in any case any injury with a prognosis of more than 40 days) occurring to employees, maintenance workers, contractors and/or collaborators working in the Company's workplaces;
- any orders received from a superior and deemed to be in conflict with the law, internal regulations or the Model;
- the list of public funding requested/obtained in the period with the progress of the project; minutes of inspections, visits and assessments by public supervisory bodies and any sanctions;
- legal actions in progress brought by or against the company and, upon their conclusion, the corresponding outcomes;
- any requests or offers of money, gifts or other benefits from public officials or persons in charge of a public service;
- any significant budget variances or expenditure anomalies not duly justified, arising from authorisation requests in the final accounting phase of Management Control;
- any omissions, negligence or falsification in the keeping of accounts or in the keeping of documentation on which accounting records are based;
- any reports, not promptly identified by the competent functions, concerning both deficiencies or inadequacies of the workplaces, of the work equipment, or of the protective devices made available to the Company, and any other dangerous situation connected to the protection of the environment and health and safety at work.

VII. Sending information on changes to the corporate organisation to the Supervisory Body

In order to facilitate the verification and monitoring activities carried out by the Supervisory Body with reference to the activities at risk of offence perpetration and in the light of the organisational structure adopted by the Company, the Internal Managers identified within the company organisation as contact persons for the Supervisory Body must provide the following information to the Supervisory Body, each with reference to the activities carried out directly or in any case under their own responsibility, with the frequency and according to



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the methods identified by the Company, also on the proposal of the SB:

- information relating to organisational changes (for example, changes in corporate organisation charts, reviews of existing procedures or adoption of new procedures or policies, etc.);
- updates and changes to the system of proxies and powers;
- any communications from the person in charge of the statutory audit regarding issues that may indicate shortcomings in the internal control system;
- copy of the minutes of meetings of the Board of Directors and the Board of Statutory Auditors giving evidence of organisational changes, criticalities in the implementation of the internal control system or in any case facts or news relevant for the purposes of correct implementation or the need to update the Organisation Model;
- copy of any communications made to the Supervisory Authority (for example: Supervisory Authority for Competition and the Market, Supervisory Authority for the protection of personal data, etc.);
- any other information that the Supervisory Body should request in the exercise of its functions.

VIII. The regulations of the Supervisory Body

The Supervisory Body is responsible for drawing up its own internal regulations aimed at governing the concrete aspects and methods of exercising its action, including as regards its organisational and operating system.

IX. Storage of information

With respect to all the requests, consultations and meetings between the SB and other company functions, the Supervisory Body is required to provide for suitable documentary evidence or for specific minutes of such meetings. This documentation will be kept under the responsibility of the Supervisory Body itself.

All information and reports provided for by this Model are kept by the Supervisory Body in a specific and confidential computer and/or paper archive in accordance with the provisions contained in EU Regulation 2016/679 and in Italian Legislative Decree 196/2003 and subsequent amendment and/or additions, for a period of 10 years.

6 Sanctioning system

I. General principles

The effectiveness of the Model is also linked to the adequacy of the sanctioning system for the violation of the rules of conduct and, in general, of internal procedures and regulations.

The Disciplinary System operates in compliance with the regulations in force, including those of collective bargaining; it is essentially internal to Penny Market S.r.l. and does not replace, rather has a preventive and complementary nature with respect to the laws or regulations in force, as well as a supplementary nature



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with respect to any other intra-company regulations.

The application of the sanctions established by the Model does not replace any further sanctions of another nature (such as by way of example, criminal, administrative, civil and tax sanctions) that may derive from the same offence.

Any issue that is not expressly regulated by the Disciplinary System will be governed by applicable laws and regulations and, in particular, Art. 7 of Italian Law no. 300 of 20 March 1970 (Workers' Statute) as well as the provisions of collective bargaining and applicable company regulations.

The application of disciplinary sanctions for the violation of the rules of conduct and non-compliance with company provisions is independent of criminal proceedings and their outcome, as these regulations are adopted by the company in full autonomy regardless of the criminal offence which the conduct in question may amount to.

The sanction will be commensurate with the gravity of the infringement and its possible repetition; recidivism will also be taken into account for the purposes of imposing a possible expulsive sanction.

An incorrect interpretation of the principles and rules established by the Model may amount to a cause for exemption only in cases of conduct in good faith where the constraints set by the Model exceed the limits of in-depth knowledge required of a reasonable man acting with due care.

The following are punishable:

- violations of internal procedures provided for by this Model or the adoption, in the performance of Sensitive Activities, of conducts that do not comply with the provisions of the Model, whether they expose or do not expose the company to an objective situation of risk of perpetration of one of the Offences regulated by Italian Legislative Decree 231/2001;
- the adoption of conduct in violation of the provisions of this Model and univocally aimed at the commission of one or more offences;
- the adoption of conduct in violation of the provisions of this Model, such as to determine the concrete or potential application to the Company of the sanctions provided for by Italian Legislative Decree 231/2001.

The sanctions, of a disciplinary and contractual nature, and any request for compensation for damages, will also be commensurate with the level of responsibility and autonomy of the Employee, or with the role and intensity of the fiduciary bond connected to the office conferred on the Directors, Service Companies (meaning third-party companies with which the Company has contractual relationships).

The sanctioning system is subject to constant verification and evaluation by the Supervisory Body and the Chief Executive Officer and the Human Resources Director, the latter remaining responsible for the actual



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application of the disciplinary measures against the Employee outlined herein, upon possible notification by the Supervisory Body and having heard the hierarchical superior of the perpetrator of the censured conduct.

The disciplinary system of sanctions will also be applied to the Supervisory Body or to those subjects, Employees or Directors, who, due to negligence and inexperience, have not identified and consequently eliminated the behaviours in violation of the Model.

II. Recipients and sanctioning and/or settlement system

An essential aspect for the effectiveness of the Model is the preparation of an adequate system of sanctions for the violation of the rules of conduct imposed for the purpose of preventing the offences referred to in the Decree, and, in general, of the internal procedures envisaged by the Model itself.

The application of disciplinary sanctions does not depend on the outcome of any criminal proceedings, as the rules of conduct imposed by the Model are adopted by the company in full autonomy regardless of the offence that any conduct may cause.

— Sanctions for employees

The procedures laid down in Article 7 of Italian Law no. 300 of 30 May 1970 (Statute of Workers) are applicable to conduct by employees in breach of the single rules of conduct set out in this Model, with the exception of verbal warnings, as well as the provisions of the National Collective Labour Agreement for Commerce to which reference is made.

In particular, in the event of (a) violation of the provisions of the Model, of its internal procedures (for example failure to comply with the procedures, failure to communicate the information requested to the Supervisory Body, failure to carry out controls, etc.), of the Code of Ethics, of the Decree or any other criminal provision included therein or (b) failure to comply with the provisions of the Model in carrying out activities in 'at risk' areas or (c) damage to the Company or having caused an objective situation of danger for the assets of the same (the "Disciplinary Offences"), the following disciplinary measures will be applicable to Employees:

- verbal warning;
- written warning;
- fine not exceeding the amount of 4 hours of the employee's normal salary;
- suspension from pay and service for a maximum of 10 days;
- dismissal.

— Notification of the infringement and reasons given by the employee

The notification of the infringement to the worker must be made in writing with the specific indication of the



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constitutive facts of the infringement. The disciplinary measure cannot be issued until 5 days have elapsed from such notification, during which the worker can give reasons therefor. If the measure is not issued within the following 5 days, these reasons will be considered accepted. On the contrary, if the reasons given by the worker are not accepted, the disciplinary measure must be issued within 6 days from notification of the offence even if the employee does not give any reason.

In the event that the alleged infringement is of such gravity as to entail the maximum sanction, or dismissal, the worker may be cautiously suspended from work until the time of application of the measure, without prejudice to the worker's right to receive remuneration for the period in question.

The application of this measure must be motivated and communicated in writing. Disciplinary measures other than dismissal may be challenged before the relevant trade union according to the rules laid down by the applicable national collective bargaining agreement. No sanctions will be taken into account after 2 years from their application.

— Disciplinary sanctions

1. A "written warning" applies to:

the employee who for the first time violates the internal procedures provided for by this Model (for example, the employee does not comply with the prescribed procedures, fails to notify the SB of the required information, etc.) or adopts, in carrying out his/her activity, conduct that does not comply with the provisions of the Model itself, since such conduct must be regarded as a non-execution of the orders given by the company both in written and verbal form.

2. A "fine" applies to:

the employee who violates the internal procedures provided for by this Model several times or adopts, in carrying out his/her activity, conduct that does not comply with the requirements of the Model itself several times, even before said violations are individually ascertained and notified, since such behaviour must be regarded as the repeated non-execution of the orders given by the company both in written and verbal form; taking into account the seriousness of the behaviour and the duties performed by the worker, a fine may be imposed even in the case of a first violation. The amount of the fine cannot be higher than that envisaged by the relevant national collective bargaining agreement.

3. The "suspension from service and from pay" applies to:

the employee who repeatedly incurs into violations already punished with a fine in the previous six months; taking into account the seriousness of the behaviour and the duties performed by the worker, a fine may be imposed even in the event of a first violation if the employee, in violating the internal procedures provided for by this Model or adopting, in carrying out activities in the areas subject to risk, conduct that does not comply with the provisions of the Model itself, as well as carrying out acts contrary to the interest of the Company,



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causes damage to the Company or exposes it to an objective situation of risk to the integrity of the Company's assets, since such conduct must be regarded as non-execution of the orders given by the company both in written and verbal form. The period of suspension from pay cannot exceed that envisaged by the relevant national collective bargaining agreement.

4. "Dismissal without notice" applies to:

the worker who adopts, in carrying out his/her activity, conduct that is clearly in violation of the provisions of this Model and such as to determine the concrete application to the Company of the measures provided for by the Decree, since such conduct must be regarded as such as to cause the company serious moral and/or material damage as well as to amount to acts involving wilful misconduct or gross negligence to the detriment of the company.

The type and extent of each of the aforementioned sanctions will be applied, in accordance with the provisions of the Company, in relation to:

- the intentionality of the behaviour or degree of negligence, imprudence or inexperience, having regard also to the predictability of the event;
- the overall behaviour of the worker, with particular regard to any previous disciplinary measures applied thereto, within the limits permitted by law;
- the worker's duties;
- the functional position of the persons involved in the facts constituting the violation;
- other particular circumstances accompanying the disciplinary violation.

— Sanctions against executives

In the event of perpetration of a Disciplinary Offence by an executive, the following measures will be applied thereto in accordance with the provisions of the National Collective Labour Agreement for Industrial Executives:

- in the event of a minor violation of one or more procedural or behavioural rules provided for in the Model, the executive is given a written warning to comply with the Model, which is a necessary condition for maintaining the fiduciary relationship with the Company;
- in the event of a serious violation - or repeated violations - of one or more provisions of the Model such as to amount to a significant non-fulfilment, the executive is dismissed with notice;
- where the violation of one or more provisions of the Model is so serious as to irreparably damage the relationship of trust, preventing the continuation, even temporarily, of the employment relationship, the worker is dismissed without notice.



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— Sanctions against members of the Supervisory Body

In the event of Disciplinary Offences committed by members of the SB, the Board of Directors must be promptly informed and the same may reprimand the member of the SB in writing or revoke him according to the seriousness of the offence committed thereby. The sanctions envisaged for employees and executives will also be applied to the members of the SB who fall into these categories.

In the event of violation of the regulatory provisions on whistleblowing by the recipients of the reports, in order to protect the identity of the whistleblower and the same from any acts of retaliation or discrimination, the Company may apply sanctions to the SB. In the event of violation of this Model or violation of the confidentiality of the identity of the reporting party by the SB, whoever becomes aware of the violation is required to immediately inform the Board of Directors: the latter, after notifying the violation and granting adequate defence instruments, will take appropriate measures including, for example, the revocation of the appointment of the SB and the consequent appointment of a new SB to replace the previous one.

— Measures against Directors and Statutory Auditors

In the event of Disciplinary Offences committed by Directors or Statutory Auditors of the Company, the SB will inform the entire Board of Directors and the Board of Statutory Auditors of the same who will take the appropriate actions provided for by current legislation, consistently with the seriousness of the violation and in accordance with the powers provided for by law and/or by the articles of association (declarations in the minutes of meetings, request for convocation or convocation of the Shareholders' Meeting to decide on adequate measures against the persons responsible for the violation, dismissal for just cause, etc.) .

— Measures against Collaborators, Partners and Consultants

External Collaborators, suppliers, Consultants and Partners of the Company, with particular reference to subjects involved in the performance of activities, supplies or services that involve activities at risk pursuant to the Model, are informed on the adoption of the Model and the Company's requirement that their conduct must comply with the principles of conduct established therein.

The Company evaluates the methods (e.g. dissemination on the Intranet site), depending on the different types of external collaborators and partners, with which to inform these subjects of the policies and procedures followed by the Company as a result of the adoption of the Model and to ensure that these subjects comply with these principles, also providing for the adoption of suitable contractual clauses requiring these subjects to comply with the provisions of the Model itself, or else their contractual relationship is automatically terminated, without prejudice to any request for compensation if this behaviour causes damage to the Company.

III. Updating the Model

The adoption and effective implementation of the Model are - by express legislative provision - a responsibility



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of the Board of Directors. It follows that the power to adopt any updates to the Model pertains to the Board of Directors, which will exercise it by means of a resolution in the same manner as that provided for its adoption.

The updating activity, intended both as an integration and as an amendment of the Model, is aimed at guaranteeing the adequacy and suitability of the Model, which is assessed with respect to its function of preventing perpetration of the offences envisaged by the Decree.

On the other hand, the Supervisory Body is responsible for the actual verification of the need or opportunity to update the Model, promoting this requirement *vis-à-vis* the Board of Directors.

In this regard, it is recalled that the Decree expressly provides for the need to update the Model in order to make it constantly 'tailored' to the specific needs of the entity and its actual operations. The adaptation and/or updating of the Model may be necessary, for example, on the occasion of:

- regulatory innovations;
- violations of the Model and/or findings emerged during checks on the effectiveness of the same (which may also be inferred from experiences regarding other companies);
- changes in the organisational structure of the entity, also deriving from extraordinary finance operations or from changes in its business strategy deriving from new fields of activity undertaken thereby.

IV. Personnel information and training

It is the general objective of Penny Market S.r.l. to ensure, to all recipients of the Model, correct knowledge and disclosure of the rules of conduct contained therein. All personnel, including senior managers, consultants, partners and external collaborators are required to have full knowledge of both the objectives of fairness and transparency that are intended to be pursued with the Model, and of the ways in which the Company intends to pursue them.

In this context:

— **Initial communication and information:** the adoption of the Model is communicated to employees, heads of functions and executives by:

- sending a communication signed by the Chief Executive Officer to all personnel on the contents of the Decree, the importance of the effective implementation of the Model, the information methods envisaged by the Company;
- making the Model available in the most suitable ways, including: i) delivering a copy of the same during training sessions; ii) suitably disseminating it on the intranet and Internet site; iii) posting it on the notice board; iv) sending it in electronic format;



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— **Training:** Adequate training is also provided for the Company's personnel and collaborators on the contents of the Decree and the Model. This training activity is divided into the following phases:

- general training activities: i.e. generic training activities aimed at informing recipients about the provisions of the Decree and the contents of the Model adopted by the Company;
- specific training activities: i.e. specific training activities for those who work in areas at risk of crime, aimed at informing the recipients, in particular on a) the specific risks to which the area in which they operate is exposed and b) the principles of conduct and company procedures that they must follow in carrying out their duties. In particular, in addition to the Code of Ethics, training must also concern other prevention tools such as procedures, policies, information flows and other protocols adopted by the Company in relation to the various activities at risk.

In order to guarantee an adequate training activity for the recipients, it is also necessary that the training be repeated i) on the occasion of changes in duties that affect behaviours that are relevant to the Model (also individual training in the form of specific and personal instructions); ii) in relation to the introduction of substantial changes to the Model or, even before that, to the occurrence of new events that are particularly significant with respect to the Model (collective training).

Training is organised taking into consideration, in the contents and methods of delivery thereof, the qualification of the recipients and the level of risk of the area in which they operate; therefore, training may provide for different levels of in-depth analysis, with particular attention to those employees operating in risk areas.

The training courses, their timing and the methods of implementation will be defined by the Human Resources manager after hearing the opinion of the Supervisory Body, who will also define the forms of control over the attendance of the courses and the quality of the content of training programmes. In particular, training can be carried out through classroom sessions, in e-learning mode and with the delivery of information material aimed at illustrating the contents of the Decree, the Organisation Model and its components (including the Code of Ethics and the Disciplinary System). In this regard, the related training activities must be established and concretely carried out both at the time of hiring and during any changes in duties, as well as following any updates and/or changes to the Model.

Participation in training courses on the Model is mandatory; failure to participate in training activities amounts to a violation of the Model itself and may lead to the application of disciplinary sanctions. The Company has implemented a system for monitoring the recipients' effective use of training courses, with particular reference to course 231, in order to identify any recipients who have not completed the course and prepare the appropriate corrective actions.

Furthermore, forms of assessment of learning by the recipients of the training are envisaged through questionnaires to understand the concepts presented during the training sessions, with the obligation to repeat the training in case of unsatisfactory results.



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The information and training system is constantly checked and, where necessary, modified by the SB, in collaboration with the Human Resources Department or other heads of functions.

7 Whistleblowing

With Italian Law no. 179 of 30 November 2017, containing "Provisions for the protection of the authors of reports of crimes or irregularities of which they become aware in the course of a public or private employment relationship", the Legislator, in an attempt to harmonise the provisions envisaged for the public sector with the aforementioned Law, introduced specific provisions for the entities covered by Italian Legislative Decree no. 231/2001 and included in Art. 6 of Italian Legislative Decree no. 231/2001 three new paragraphs, namely paragraphs *2-bis*, *2-ter* and *2-quater*.

In particular, Art. 6 provides:

— in paragraph *2-bis*, that Organisation, Management and Control Models must establish:

- one or more channels that allow employees (Senior Managers and Subordinates) to submit, for the protection of the integrity of the entity, detailed reports of (i) illegal conduct, relevant pursuant to the Decree and based on precise and consistent facts, or (ii) violations of the organisation and management model of the entity, of which they become aware due to the functions performed; these channels guarantee the confidentiality of the whistleblower's identity in the management of the report;
- at least one alternative reporting channel suitable for guaranteeing the confidentiality of the whistleblower's identity using IT methods;
- the prohibition of retaliation or discriminatory acts, whether direct or indirect, against the whistleblower for reasons connected, directly or indirectly, to his/her report;
- in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against those who violate the measures designed to protect the whistleblower, as well as those who make reports with wilful misconduct or gross negligence that prove to be unfounded;

— in paragraph *2-ter*, that the adoption of discriminatory measures against the whistleblowers referred to in paragraph *2-bis* can be reported to the Labour Inspectorate, for the measures within its remit, as well as by the whistleblower, also via the trade union indicated by the same;

— paragraph *2-quater* governs the retaliatory or discriminatory dismissal of the whistleblower, which is expressly qualified as 'null'. The change of duties pursuant to Art. 2103 of the Italian Civil Code, as well as any other retaliatory or discriminatory measure against the whistleblower, are also indicated as null.

Furthermore, the aforementioned Article provides that in the event of disputes related to the application of disciplinary sanctions, demotion, dismissals, transfers or subjecting the whistleblower to other organisational measures that have negative effects on his/her working conditions, it is up to the employer to prove that such



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measures have been adopted for reasons unrelated to the report (so-called 'reversal of the burden of proof in favour of the whistleblower').

In order to guarantee the effectiveness of the whistleblowing system, the Company ensures the timely information of all employees and collaborators with reference to the knowledge, understanding and dissemination of the objectives and the spirit with which a report should be made.

In particular, the reports must concern:

- unlawful conduct that amounts to one or more types of offence which may result in liability for the entity pursuant to the Decree;
- conducts which, albeit not amounting to any type of offence, are carried out in violation of the rules of conduct, procedures, protocols or provisions contained in the Model, in the documents attached to it or in the Code of Ethics.

In this regard, the Code of Ethics adopted by the Company indicates the possibility for all employees and collaborators to report any violation of the principles indicated in the Code.

Any unlawful conduct carried out within the Company must be referred freely, directly and confidentially to the bodies and functions appointed for this purpose. In particular, all communications such as the reporting of present violations, requests for clarification or opinions on the contents of the Code can be sent by the Recipients to the following email address:

compliance@pennymarket.it

On the other hand, matters of a personal nature of whistleblowers, claims or requests relating to the regulation of their employment relationship or relations with their hierarchical superior or with their colleagues will not be worthy of reporting.

The reports must provide useful information to allow the persons in charge to proceed with the necessary and appropriate checks and inspections (Art. 6, paragraph 2 *bis*, Italian Legislative Decree no. 231/2001).

Anonymous reports are also regulated, i.e. those reports that do not contain information allowing for the identification of their author. Anonymous reports will not be taken into consideration with regard to the protection granted by the law to the whistleblower (Art. 6, paragraphs 2-ter and 2-quater, Italian Legislative Decree no. 231/2001). The aforementioned reports will be subject to further checks only if they are characterised by an adequately detailed and substantiated content and concerning particularly serious illegal or irregularities.