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# **Abstract**

## **O.M. 231 DL Appliances**

**De 'Longhi Appliances Srl Organizational Model**

**Pursuant to Legislative  
Decree. no. 231 /2001**

7<sup>th</sup>December 2021

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## 1.1 PURPOSE OF DOCUMENT

This document "De 'Longhi Appliances' Organizational Model" (hereinafter "De'L. Appliances' O.M." or "Model") is drawn up in implementation of the provisions of articles 6 subsection 1, letters a. and b. and subsection 2; article 7, second and third subsections of Legislative Decree No. 231 of 08.06.2001 (hereinafter also the "Decree").

The adoption of the Model by De 'Longhi Appliances Srl (hereinafter also the "Company" or "De 'Longhi Appliances") is an endeavour to improve the internal control system, by significantly limiting the risk of committing the offences envisaged by the foregoing Decree. De 'Longhi Spa is sensitive to the need to ensure conditions of fairness and transparency in the conduct of business and company activities, and the need to protect its position and image, the expectations of *stakeholders* and the work of its employees, and is aware of the importance of having an internal control system suitable for preventing the commission of unlawful conduct by its directors, employees, consultants and non-salaried personnel.

The Model, together with the Code of Ethical Conduct, constitutes an awareness-raising instrument for all the Company's stakeholders and has the objective of making these subjects fully aware of just how serious the commission of a crime is and that the attendant penal consequences affect not only themselves, but also the Company. And thanks to such instruments the Company, in the event of such situations, will be able to act promptly and effectively.

The original of this document was approved by the Board of Directors of the Company in the meeting of 14.05.2009 and subsequently approved the updates respectively in the meetings of 11.02.2010, of 09.05.2013 of 10.11.2016, and of 08.11.2018.

## 1.2 RECIPIENTS

On the basis of the provisions of the Decree (Article 5, paragraph 1, letters a. and b.) the main "Recipients" of De'L. O.M. are identified according to their capacity to take action:

**a) Top managers:** the Subjects who hold management, administration and representation functions of the Company or one of its organizational units with financial and functional autonomy, as well as the Subjects who, delegated by the Company to carry out tasks that involve the spending of the Company's name, can influence its management and control.

**b) Subordinates:** Subjects subordinate to the management and / or supervision of one of the Subjects referred to in the previous letter **a)**.

The Company is also committed to ensure compliance with the principles set out in this De'L. O.M. and their effective disclosure and application, and also with regard to third parties.

Therefore, the Recipients of the Model and required to comply with it are:

- corporate bodies and their members;
- the employees of the Company - including managers - including those who also carry out activities abroad on behalf of the Company and / or simultaneously hold formal positions in the foreign companies controlled by De 'Longhi;
  - non-salaried personnel (including interns), consultants and individuals who although working on an autonomous and a self-employed basis, are deemed Recipients on account of work in the name or in the interest of the Company within the areas of activity where there is a potential risk of committing the offences referred to in Legislative Decree 231/2001 and, more generally, all those third parties (including suppliers) who, for any reason, operate in the name or in the interest of the Company in the areas of activity where there is a potential risk of committing the offences referred to in Legislative Decree 231/2001;
- the members of the Supervisory Body of the Company insofar as not included in the aforementioned categories.

## 1.3 THE LEGISLATIVE DECREE 8 JUNE 2001, No. 231: THE RESPONSIBILITY OF THE ORGANISATION, LEGAL PROFILES

### 1.3.1 THE LAW ON THE ADMINISTRATIVE LIABILITY OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS

Legislative Decree 8 June 2001, no. 231, implementing Enabling Law no. 300, introduced the administrative liability of legal persons, companies and associations, including those without legal

personality (organisations) into the Italian legal system for the first time and its attendant regulations. Before the introduction of this legislative discipline, collective organisations were not subject, according to Italian law, to criminal-administrative liability and only natural persons (directors, managers, etc.) could be prosecuted for the commission of a crimes in the interest of the corporate structure.

This Decree profoundly changed the regulatory framework and has brought Italian legislation into line with a series of international conventions to which Italy has already and much earlier adhered: in particular, the Convention on financial protection of the European Communities of 26 July 1995, the EU Convention of 26 May 1997 on contrasting corruption, as well as the OECD Convention of 17 September 1997 on contrasting the bribery of foreign public officials in international business transactions. By issuing this Decree, the Italian Legislator has complied with the obligations contained in these international and EU measures that set out the circumstances constituting the liability of legal persons and a correlated system of sanctions that hit business crime in a more direct and effective manner.

This is a *sui generis* "administrative" liability, because, although involving administrative sanctions, it is the outcome of a crime and as such assisted by the guarantees that characterise criminal proceedings.

In particular, the Decree provides for an detailed system of sanctions that ranges from pecuniary sanctions, to sanctions commensurate with the seriousness of the crime committed: disqualification measures such as the suspension or revocation of concessions and prohibition on dealings with the Public Administration; the exclusion or revocation of loans and contributions; the prohibition of advertising goods and services, up to the most severe disqualifying sanctions that can even prohibit the prosecution of a Company's business activity.

An administrative sanction against the company, however, can only be applied by a criminal court judge, in the context of the guarantees established by the criminal law system, and only if all the objective and subjective requirements set by the legislator are met. In particular, it is necessary that one of the crimes entailing the administrative liability of the organisation envisaged is committed and that such a crime is committed in the interest or to the advantage of the organisation by its top management or their subordinates. An advantage accruing exclusively to the perpetrator (or to a third party with respect to the organisation) shall not determine any liability for the organisation, since the legal person is clearly not party to the crime.

As regards subjects, the Legislator, in art. 5 of the Decree, makes provision for the organisation's liability whenever a crime is committed:

- *"by persons who hold representative, administrative or management functions in the organisation or in a corporate unit endowed with financial and functional autonomy as well as by persons who exercise, even de facto, the management and control of the organisation (the so-called top management);*
- *"by persons subject to the management or supervision of one of the subjects referred to in letter a)"(the so-called subordinates).*

As can be seen, the subjects referred to in the law in question are those who perform functions inherent to the management and control of the organisation or its branches. The Legislator, therefore, has opted for a "functional" rather than a "nominal" approach; that is, by paying attention to the concrete activity carried out, rather than to a subject's formal qualification.

In this perspective, the equivalent level of liability - with respect to the subjects who perform representative, administrative or management functions of the organisation- of persons who have the same functions in a *"organizational unit with financial and functional autonomy"* should also be borne in mind.

For the purposes of affirming the liability of the organisation, in addition to the existence of the requisites referred above, which allow an objective link to be made between the crime committed and the organisation's activity, the Legislator also requires that the presence of a subjective requisite be ascertained, consisting in the organisation's culpability for the crime committed. This subjective requirement coincides with the identification of a fault in the organisation, understood as the violation of appropriate self-imposed rules of diligence aimed at preventing the specific risk of crime. The aforementioned rules of diligence constitute the core content of this Model of organisation, management and control.

### **1.3.2 MODEL-FACT SITUATIONS OF OFFENCES**

The organisation can only be deemed liable for the crimes expressly referred to in the Decree, if committed in its interest or to its advantage by qualified parties pursuant to art. 5, subsection 1, of the Decree.

The "types of offence" currently included within the scope Legislative Decree 231/2001 application are as follows:

1. Offences against the Public Administration, as amended by Law 69/2015 (articles 24 and 25 last amended by Legislative Decree 75/2020);
2. IT crimes and unlawful data processing, (art. 24-bis introduced by Law 48/2008 last amended by Decree Law 105/2019);
3. Offences of organized crime, ( art. 24-ter introduced by Law 94/2009);
4. Crimes relating to the counterfeiting of money, public credit cards, revenue stamps and identification cards or similar, (art. 25-bis introduced by Law 409/2001 and amended by Law 99/2009);
5. Crimes against industry and trade, (art. 25-bis.1 introduced by Law 99/2009);
6. Corporate crimes, including the crime of corruption between private individuals and the crime of instigating corruption between individuals (article 25-ter introduced by Legislative Decree 61/2002 and amended by Law 262/2005, Law 190/2012, Law 69/2015 and Legislative Decree 38/2017);
7. Crimes committed for purposes of terrorism or for the subversion of the democratic order, provided for by the criminal code and special laws, (art.25-quater introduced by Law 7/2003);
8. Practices involving the mutilation of female genital organs, (art. 25quater.1 introduced by Law 7/2006);
9. Crimes against the individual (art.25-quinquies, introduced by Law 228/2003 and amended by Law 199/2016);
10. Market abuse (art.25-sexies introduced by Law 62/2005);
11. Crimes of manslaughter and serious or very serious personal injury or grievous bodily harm committed in infringement of regulations to protect of health and safety at work (art. 25-septies introduced by Law 123/2007 and amended by Legislative Decree 81/2008);
12. Crimes relating to the receiving, laundering and use of money of illicit origin, as well as self-laundering (Article 25-octies introduced by Legislative Decree 231/2007 and amended by Law 186/2014);
13. Crimes infringing copyright (art. 25-novies, introduced by Law 99/2009);
14. Crime of inducement either not to make statements or to make false statements to the judicial authorities (art. 25-decies introduced by Law 116/2009 and amended by Legislative Decree 121/2011);
15. Environmental crimes (art. 25 undecies, introduced by Legislative Decree 121/2011 and amended by Law 68/2015);
16. Crime of employing citizens from third countries without a residence permit (art. 25-duodecies introduced by Legislative Decree 109/2012 and amended by Law 161/2017);
17. Crimes of racism and xenophobia aggravated by denial (Article 25-terdecies introduced by Law 167/2017);
18. Fraud in sporting competitions, illegal gambling or betting and gambling using banned platforms (art. 25-quaterdecies introduced by law 39/2019)
19. Tax crime (art. 25-quinquiesdecies introduced by Law Decree 124/2019 and amended by Legislative Decree 75/2020);
20. Contraband crimes (art. 25-sexiesdecies introduced by Legislative Decree 75/2020);
21. Transnational crimes, introduced by Law 146/2006.

### **1.3.3 SANCTIONS**

The penalty system described by Legislative Decree 231/2001, for the commission of the crimes listed above, postulates the application of the following administrative sanctions, according to the

nature of the offences committed:

- ☐ pecuniary penalties;
- ☐ interdictive penalties;
- ☐ confiscation;
- ☐ publication of the sentence.

In making the pecuniary sanction fit the crime, the judge will consider:

- the number of shares, taking into account the seriousness of the fact, the extent of the company's responsibility as well as the activities carried out to eliminate or mitigate the consequences of the fact and prevent the commission of further offences;
- the amount of the single share, on the basis of the economic and financial conditions of the company.

Disqualification sanctions are applied only in relation to the crimes for which these sanctions are expressly indicated, and provided that at least one of the following conditions is met:

- the company has derived a significant profit from the commission of the offence and the offence was committed by persons in top positions or by persons subject to the direction of others when, in the latter case, the commission of the offence was determined or facilitated by serious organizational deficiencies;
- ☐ if the offences are repeated.

The judge determines the type and duration of the disqualification taking into account the suitability of individual sanctions to prevent offences of the type committed and, if necessary, can apply them conjointly (Article 14, paragraphs 1 and 3 of the Decree).

The sanctions of discontinuing the organisation's activity, prohibiting dealings with the Public Administration and advertising goods or services can be definitively applied in the most serious cases. It should also be noted, instead, that in the case of the disqualification for exercising the organisation's activity, the company's business activities may be carried out by a commissioner appointed by the judge pursuant to and under the conditions set out in art. 15 of the Decree.

#### **1.3.4 LIABILITY EXEMPTION: THE ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL**

Articles 6 and 7 of the Decree provide for exemption from administrative liability if the organisation has efficacious and effective organizational, management and control models in place suitable for preventing crimes of the model-type situations indicated in the Decree.

On the basis of these provisions of the Decree, differences may emerge in terms of sanctions and evidentiary requirements, in relation to the crimes committed by subjects in top positions in comparison to those committed by subordinates.

By introducing an inversion of the burden of proof, art. 6, in fact, indicates that the organisation is not liable for crimes committed by persons in top positions if it can be demonstrated that:

- the management body adopted and effectively implemented, before the offence was committed, an organizational, management and control model suitable for preventing crimes of the type that occurred;
- the task of supervising the functioning and observance of the aforementioned Model, as well as proposing its updating, has been entrusted to the organisation's supervisory body, and that the latter is endowed with autonomous powers of initiative and control;
- ☐ the persons who committed the crime acted by fraudulently evading the aforementioned Model;
- there was no omission or insufficient supervision by the Supervisory Body.

Pursuant to art. 7, for crimes committed by parties subject to the management of others, the organisation is only liable if the commission of the crime was made possible by the failure to comply with management or supervisory obligations (in this case the burden of proof is borne by the public prosecutor). In any case, these obligations shall be assumed to have been observed if the organisation, prior to the commission of the crime, adopted and effectively implemented an organizational, management and control Model suitable for preventing crimes of the type committed.

The adoption of an organizational, management and control model constitutes an opportunity that the legislator gives to the organisation in order to exclude it, where possible, from liability.

However, the mere adoption of this Model by the management body - which is to be identified as the Board of Directors - does not, as such, seem sufficient to determine the organisation's exemption from liability, because it is also necessary that the aforementioned Model be efficacious and effective .

As regards the Model's effectiveness, the Legislator, in art. 6 paragraph 2 of the Decree, states that the latter must meet the following requirements:

- the capacity to identify the activities where crimes may be committed;
- the provision of specific protocols designed to plan, train and the implement the organisation's decisions in relation to the crimes to be prevented;
- the laying down of obligations to make information available to the Supervisory Body;
- the provision of one or more reporting channels for unlawful conduct deemed relevant pursuant to Legislative Decree or violations of the Model, of which at least one is suitable for guaranteeing the confidentiality of the identity of a whistle-blower through the adoption of IT methods;;
- ☐ introduction of an internal disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model;
- the introduction of a code of conduct for company activities.

The characteristic of the Model's efficacy is instead a function of its effective implementation which, pursuant to art. 7 paragraph 4 of the Decree, requires:

- periodic checks and modification to it when significant infringements of its regulations come to light or when changes take place in the organisation or in its activities (updating the Model);
- ☐ a disciplinary system suitable for sanctioning non-compliance with the measures indicated in the Model.

The organizational models, in accordance with the provisions of art. 6, paragraph 3 of the Decree, *"can be adopted (...) on the basis of codes of conduct drawn up by representative associations of the organisations, and after communication to the Ministry of Justice, the latter, in agreement with the competent ministries, will, within thirty days, issue observations on the suitability of the models to prevent crime"*. However, it should be emphasized that the indications contained in the Guidelines prepared by trade associations only represent a reference framework and do not account for all the precautionary measures that can be adopted by individual organisations in the context of their freedom to choose the organizational models deemed most suitable..

### **1.3.5 GUIDELINES PROVIDED BY TRADE ASSOCIATIONS**

Confindustria has laid down the Guidelines for building organizational, management and control models that offer, among other things, methodological indications for the identification of areas at risk (sector / activity in which crimes may be committed), the planning of a control system (the so-called protocols for planning the training and implementation of the organisation's decisions) and the contents of the organizational, management and control model.

The preparation of this Organizational, Management and Control Model is inspired by the Guidelines issued by Confindustria on 7 March 2002 and later updated by Confindustria in March 2014, with the approval of the Ministry of Justice on 21 July 2014 and on 8 July 2021.

## **1.4 THE METHODOLOGICAL PHASES FOR PREPARING THE MODEL**

For the purposes of preparing this document, the Company, pursuant to Article 6, paragraph 2, lett. a) of Legislative Decree 231/01, the Company conducted a risk analysis aimed at identifying the activities in the context of which the crimes referred to in the aforementioned decree may be committed, updating it at various times, due either to the introduction of new fact-model situations of crimes as grounds for the administrative liability of organisations or to adjust to changes in its organisation.

In line with the provisions of the Decree, Confindustria's Guidelines and with the indications

inferred from case law, the Company carried out the risk analysis in compliance with the so-called control and risk self-assessment methodology.

The *control and risk self-assessment* was conducted by a Project Team, endowed with appropriate legal and organizational skills, and with the direct involvement of the Company's Management.

In particular, these activities were broken down into the following phases:

- acquisition and analysis of the relevant documentation for the purposes of *governance* and the company's / group's internal control system (e.g. organisation charts, codes of conduct, structure of delegated functions and powers of attorney, internal procedures, reports and minutes);
- preliminary identification of the Sensitive Processes under the control of the various organizational structures involved, with particular reference to those most affected by the scope of the Decree, while also taking account of any potentially new areas identified as being at risk in terms of the commission of offences. For purposes of the Model, Sensitive Processes mean the set of corporate activities and operations organized to accomplish a specific purpose or manage a specific corporate area of the Company in areas where the potential of a crime of a crime being committed exists;
- identification of the *key officers* to be involved in interviews;
- conducting targeted interviews:
  1. identification/confirmation of the Sensitive Processes, the operating procedures for their management and the subjects involved;
  2. identification of potential (inherent) risks of committing predicate offences attributable to individual Sensitive Processes;
  3. the analysis and assessment of the checks /control systems in place to mitigate the above risks and the identification of possible areas for improvement;
- sharing the findings with the Management and drafting them in the summary report ("Control & risk self-assessment and Gap analysis pursuant to Legislative Decree 231/2001") to which this document refers. This activity led to the identification of appropriate safeguards to be implemented in the control system so as to make it suitable for reducing the risk that offences will be committed, as well as the effective implementation of the aforementioned safeguards in the control system by individual key officers as and when involved.

The **Sensitive Processes** identified as part of the control and risk self-assessment activities are the following:

- Management of (direct) goods and services procurement
- Management of (indirect) goods and services procurement
- Consultancy and professional services
- Management of relations with agents and business brokers
- Management of financial flows-payments
- Management of active billing and credit
- Management of intragroup relations
- Preparation of the budget
- Share capital transactions, distribution of profits and reserves
- Management of other periodic communications to shareholders or to the market
- Tax management
- Management of customs feasancess
- Feasancess relating to taxes and employee contributions
- Management of sponsorships, events and exhibitions
- Management of expense reports and related reimbursements
- Management of gifts, gratuities and entertainment expenses

- Selection, hiring, management of human resources
- Feasances related to the hiring of protected categories
- Management of real estate assets
- Management of company assets
- Relations with the public administration and supervisory authorities in the context of inspections
- Management of relations with public bodies to obtain funds and/or facilitations
- Management of commercial relations for product sales
- Management of commercial relations for product sales - Ariete Division
- Management of After Sales customer commercial relationships
- Management of administrative, civil and criminal litigation
- Management of investments and divestments
- IT system management
- R&D
- Industrial Design
- Management of relationships with certification bodies
- Marketing and communication
- Management of the environmental system
- Management of health and safety at work

The "**families**" of crime deemed relevant and applicable for De 'Longhi are the following:

- Offences against the Public Administration (Articles 24 and 25 of Legislative Decree 231/2001)
- Computer crimes (Article 24-bis of Legislative Decree 231/2001)
- Crimes of organized crime (Article 24-ter of Legislative Decree 231/2001)
- Counterfeiting offences with respect to trademarks, patents and distinctive signs (Article 25-bis of Legislative Decree 231/2001)
- Crimes against industry and commerce (Article 25-bis.1 of Legislative Decree 231/2001)
- Corporate offences, including corruption between private individuals (Article 25-ter of Legislative Decree 231/2001)
- Market abuse offences (Article 25-sexies of Legislative Decree 231/2001)
- Crimes against the individual, with specific reference to the crime of illicit intermediation and exploitation of work (Article 25-quinquies of Legislative Decree 231/2001)
- Offences relating to health and safety in the workplace (Article 25-septies of Legislative Decree 231/2001)
- Crimes of receiving stolen goods, money laundering, use of money, goods or utilities of illicit origin and self-laundering (Article 25-octies of Legislative Decree 231/2001)
- Crimes arising from copyright infringements (Article 25-novies of Legislative Decree 231/2001)
- Instigation to either not make statements or to make false statements to the Judicial Authority (Article 25-decies of Legislative Decree 231/2001)
- Environmental crimes (Article 25-undecies of Legislative Decree 231/2001)
- Employment of citizens of third countries without a residence permit (Article 25-duodecies of Legislative Decree 231/2001)
- Transnational crimes (Law 146/2006)
- Crimes relating to racism and xenophobia (Article 25-terdecies of Legislative Decree 231/2001).
- Fraud in sporting competitions, illegal gambling or betting and gambling using banned

platforms (art. 25-quaterdecies introduced by law 39/2019)

- Tax crime (art. 25-quinquiesdecies introduced by Law Decree 124/2019 and amended by Legislative Decree 75/2020);
- Contraband crimes (art. 25-sexiesdecies introduced by Legislative Decree 75/2020);

In particular, with reference to cases of predicate offences "Racism and xenophobia" (art. 25 terdecies of the Decree introduced by Law 167/2017) and cases of predicate offences regarding illegal immigration (introduced in art. 25-duodecies by Law 161/2017) and following a preliminary assessment of the business activities and the organizational structure of the Company, as well as and taking into consideration the specific characteristics of this type of crime, the Company deems that compliance with the principles set out in the Company's Code of Ethical Conduct constitutes an adequate safeguard. In particular, as regards offences of illegal immigration, the Company has considered that the Code of Ethical Conduct, the general principles of conduct and the specific control measures set out in the "Human resources management" procedure constitute appropriate safeguards for the prevention of even these such offences.

Finally, with reference to the hypothesis of "fraud offenses in sports competitions", following a preliminary assessment of the business activities and the organizational structure of the Company, as well as in consideration of the specific characteristics of this type of crime, the Company has deemed that compliance with the principles already contained in the Code of Ethics as well as with the provisions contained in the Protocol "Management of marketing and communication, gifts, gifts and expenses for representation, sponsorships, events and exhibitions" constitutes an adequate safeguard for its prevention.

## **1.5 THE STRUCTURE AND ORGANISATION OF THE MODEL (GENERAL PART AND PROTOCOLS)**

The Model comprises

- **General Part** (this document) illustrates the function and principles of the Model, identifies and regulates its essential components, namely the Supervisory Body, as also those of the disciplinary system, personnel training, and the Model's dissemination and application;
- **Annexes** to the General Part, namely: Group Code of Ethical Conduct (ANNEX 1), Array of Sensitive Processes / Protocols/ Offences (ANNEX 2);
- **Protocols governing Sensitive Processes**, which contain the control measures implemented by the Company with reference to the Processes and activities identified as areas where a potential risk exists that the offences referred to in the Decree (hereinafter "**Protocols**") could be committed. The Protocols are as follows:
  - Procurement of goods and services, including the management of consultancy and professional services
  - Budget and taxation
  - Financial flows
  - Management of intragroup relations
  - Litigation management
  - Human resources management
  - Information and communication management
  - Business relations
  - Protection of intellectual property
  - Relations with certifying bodies
  - Corporate assets management
  - Information systems management
  - Marketing and communication management, gifts, gifts and entertainment expenses, sponsorships, events and exhibitions

- Relations with the public administration, including inspections
- Management of health and safety at work
- Feasances on environmental matters

## 1.6 PURPOSE, PRINCIPLES AND COMPONENTS OF THE PROTOCOLS

The Protocols, an integral part of the Model and prepared by the Company, are founded upon and contained within a structured and intrinsic internal control system consisting of rules, instruments for defining responsibilities and mechanisms, and instruments for monitoring company processes, even pre-existing with respect to the issue of the Model.

In particular, the **purpose** of the Protocols is to:

- highlight the relevant Sensitive Processes;
- specify the components that characterize the preventive control system, as well as the general and specific principles of behaviour and the specific rules of conduct attributable to Sensitive Processes;
- provide the Supervisory Body with the instruments necessary to monitor and verify the correct application of the Model in all its parts.

The scope of application of each individual Protocol with reference to the Sensitive Processes and the applicable crime categories is reported in the Array of Sensitive Processes / Protocols/ Offences (ANNEX 2).

The **principles** that inspire the architecture of De 'Longhi Appliances' internal control system, especially as concerns Sensitive Processes, and in line with Confindustria's forecasts, are described below:

- a clear identification of the roles, tasks and responsibilities of the subjects participating in the implementation of company activities (internal or external to the organisation);
- separation of duties between those who are significantly involved in the critical phases of the Process / Sensitive Activity (for example: decision, authorization, execution, control and registration) (where applicable);
- verifiability and accountability of ex-post operations: the relevant activities carried out must be appropriately recorded, with particular reference to the documentation prepared during their implementation. The documentation produced and / or available on paper or electronic format must be filed in an orderly and systematic manner by the functions / persons involved;
- identification of prevention controls and ex-post checks, both manual and automatic: manual and / or automatic controls must be provided to prevent the commission of offences or to detect ex-post irregularities that could be at odds with the objectives of this Model.

The **components** of the preventive control system to be implemented at company level to ensure the effectiveness of the Model refer to the following elements, all of which relevant for the prevention of all types of offences referred to in the Decree and apply to every Sensitive Process:

- **System of ethical principles**

The Company considers it essential that Recipients respect ethical principles and general rules of conduct in carrying out their activities and in managing relations with colleagues, third parties acting in the interest or on behalf of De 'Longhi and with the Public Administration.

These reference standards and principles are formulated in the De 'Longhi Group Code of Ethical Conduct

- **Organizational system**

The Company's organizational system is defined through the preparation of the company organisation chart and the issuing of delegated functions and organizational provisions (for example: service orders, internal organizational communications), which provide a clear definition of the role, duties and responsibility of the most relevant company functions / figures involved in particular in the context of Sensitive Processes.

- **Authorization system**

The authorization and decision-making system translates into a detailed and coherent system for the delegation of the Company's functions and powers of attorney, based on the following directives:

- all delegated functions must combine each of its management powers with a congruent liability and an adequate position in the organisation chart and must be updated following organizational changes;
- each delegated function must define and describe in a specific and unequivocal way the managerial powers exercised and the superior to whom its holder must report either in terms of the Company's hierarchy or functional structure;
- the executive powers assigned to the delegated functions and their implementation must be in line with corporate objectives;
- each of such officers must have adequate spending powers for the functions assigned to him/her;
- powers of attorney can only be conferred upon subjects holding an internal and functional delegated office or tasked with specific duties and must provide for the extension of the powers of representation and, if necessary, the numerical spending limits;
- all those who have relations with the Public Administration on behalf of De 'Longhi Spa must, where necessary, hold a delegated function/ power of attorney for this purpose.

- **Management and financial flow control system**

The management control system adopted by De 'Longhi Appliances breaks down into various stages of budgetary preparation, the analysis of periodic final balances and the preparation of the Company level forecasts.

The system guarantees:

- a number of subjects involved, in terms of an appropriate separation of functions for the processing and transmission of information;
- ability to provide timely reporting of the existence and occurrence of critical situations through an adequate and timely system of information flows and *reporting*.

Art. 6, paragraph 2, lett. c) of the Decree explicitly states, moreover, that the Model must *"identify methods for managing financial resources suitable for preventing the commission of offences"*. For this purpose, the management of financial resources is defined according to principles based on rational and functional separation so as to ensure that all disbursements can be requested, carried out and controlled by independent functions or subjects as separate, one from another, as possible, and to whom, moreover, no further responsibilities are assigned such as to cause potential conflicts of interest.

Finally, the management of liquidity is based on criteria for the conservation of assets, with the associated prohibition on carrying out financial transactions at risk.

- **Information and training programme**

A primary objective of the Company is to ensure that Recipients, as identified, are correctly apprised as to the contents of Legislative Decree 231/01, of the Model and the consequent obligations.

The information and training path on the subject of Legislative Decree 231/2001 are specifically provided for and regulated in the chapters dedicated to this in the General Part of the Model.

### **Traceability**

Each operation must produce a trace designed to track the results of each action back to a business process, and each process to a manager, and each manager to a set of general principles, protocols and procedures governing the business process.

Whether an "IT" or another type of trace, the function that originates the activity, as well as the function responsible for ratification and / or verification of regularity, must demonstrate to have acquired full information, and excised support and control capacity in every step of the workflow.

The general criterion of "Traceability" is determined by the need to verify and ascertain -

at every level - the security of the operations.

- **Disciplinary system**

The existence of a system of sanctions applicable in the event of failure to comply with the corporate rules of conduct and, specifically, with the directives and protocols laid down by the Model, is an indispensable component for guaranteeing the effectiveness of the Model itself. With regard to this aspect, reference should be made to the guidelines extensively described in Chapter 5 of the General Part of the Model.

- **System of operating procedure**

Art. 6, paragraph 2, lett. b) of the Decree explicitly states that the Model must "*lay down specific protocols aimed at planning the formation and implementation of the organisation's decisions in relation to the crimes to be prevented*".

These documents, which incorporate the general principles and specific principles of behaviour described below, allow, in particular, to regulate the activities subject to the Sensitive Processes in more detail and to guide and guarantee the implementation and practical deployment of the principles of behaviour and control established in this Model and are, therefore, to be considered an integral part of the organizational protocols defined in the Model itself, and useful to prevent the commission of the offences referred to in the Decree.

- **Information systems and computer applications**

To safeguard such corporate assets as documents and information, appropriate security measures must be put in place to protect against the risk of losing and / or tampering with documents referring to Sensitive Processes as also against unauthorised access to such data / documents.

In order to monitor the integrity of the data and the effectiveness of the information systems and / or the IT applications used to carry out operational or control activities in the context of Sensitive Processes, or in support of it, the presence and operation of:

- user profiling systems in relation to accessing modules or environments;
- rules for the correct use of company IT systems and aids (hardware and software programs);
- automated systems for access control mechanisms;
- automated mechanisms for blocking or inhibiting access;
- automated mechanisms for the management of workflow authorizations.

## **1.7 THE COMPANY'S COMMITMENT**

In compliance with the provisions of Articles 6 and 7 of the Decree, the Company is committed to:

- a)** adopting and effectively implementing the Model as an organizational and management model that includes:
  1. the areas of activity and operation where the risk of committing the offences referred to by the Decree is present;
  2. the rules of conduct useful for preventing the commission of such offences;
  3. the rules aimed at guaranteeing the carrying out of social activities and operations in compliance with the law.
- b)** conferring upon a Body of the Company (Supervisory Body - hereinafter "SB") - appointed by the Board of Directors, after consulting with the Board of Statutory Auditors - separate and autonomous powers of initiative and control in order to supervise compliance with De'L O.M. and its operation;
- c)** guaranteeing the disclosure of the rules of conduct introduced by De'L O.M. and the awareness of the recipients of the correct application and observation of the relative directives, the violation of which can lead to the application of severe disciplinary sanctions;
- d)** providing for mechanisms for adapting company procedures and protocols to ensure the formation and implementation of the Company's decisions in relation to the crimes to be prevented;

- e) providing for methods of managing financial resources suitable for preventing the commission of crimes;
- f) introducing the obligation of providing information to the S.B., in order to render its action more effective;
- g) introducing a disciplinary system aimed at sanctioning non-compliance with De'L O.M.'s measures and directives;
- h) checking for any need to modify De'L O.M. in relation the occurrence of:
  1. changes in the organisation and / or activity of the Company,
  2. changes in the reference law;
  3. significant violations of regulations.

### **1.7.1 DISSEMINATION AND TRAINING**

The Company is committed to disseminating De'L O.M. also through the corporate "231 Portal", guaranteeing access to all Recipients.

The Company also promotes the training of Recipients, making them aware of the permanent contents of De'L O.M., and takes action to ensure that the application of De'L O.M. is subject to supervision.

Participation in the aforementioned training activities by identified subjects must be considered mandatory: consequently, failure to participate will be sanctioned pursuant to the Disciplinary System contained in De'L O.M.

The training must at least provide information on: the regulatory framework (Legislative Decree 231/2001 and Confindustria Guidelines); the De'L O.M.; the Code of Ethical Conduct; corporate cases involving the legislation's application; the safeguards and protocols introduced following the adoption of De'L O.M.

The Human Resources Department prepares and implements, also on the basis of the indications of the SB, training activities aimed at promoting knowledge of the principles and ethical rules contained therein. The training initiatives are differentiated by the Recipient's role and responsibility. However, this will, in particular, include imparting specific information to new recruits. Timely recording of the training carried out must be kept.

The Company will make concrete disclosure to third parties of the Group's Code of Ethical Conduct and the general principles of this Model by publishing them on the website [www.delonghi.com](http://www.delonghi.com).

The Company may also:

- provide third parties with adequate explanations on the policies and procedures indicated in De'L O.M.;
- insert contractual clauses in contracts with third parties to ensure compliance with the Code of Ethical Conduct on their part and which provide for suitable sanctions, such as the right for De 'Longhi Spa to terminate the contract and any compensation for damage in case of violation .

### **1.7.2 CONSTANT REVISION**

Also with reference to the provisions of point 1.7, letters a) and h), the Company's Management is committed to reviewing the content of the Model, not only in view of the adjustments required by any extension of the scope of effectiveness of the reference standards, but also in relation to the modification, expansion and / or diversification of the Company's activities and operations.

### **1.7.3 APPLICATION OF THE PRINCIPLE OF THE CONSTANT REVISION**

Responsibility for the constant revision of De'L O.M., lies with the Board of Directors (BoD) (art. 6 paragraph 1, letter a. Of the Decree) which delegates its updating to the S.B. (art. 6 paragraph 1 , letter b. of the Decree) so that the latter can determine if changes to De'L O.M. are required and, if so, propose appropriate revisions to the BoD.

The revisions to the Model, to be adopted if proposed by the SB following changes in the operating conditions of the Company and / or any changes in the operative parts of the Decree, may

therefore concern, after due risk analysis, and by way of example:

- a)** the introduction of new Model Protocols governing Sensitive Processes,
- b)** the profile of the supervisory and control activities of the SB (e.g. the frequency of the survey and / or reporting activities),
- c)** the addition to or modification of the sections of the Model dedicated to information flows to the SB or to the disciplinary system,
- d)** any modification and / or supplement to principles, references and provisions, namely anything deemed necessary for bringing De'L O.M. into line with the evolution and / or modification of Legislative Decree 231/2001 or the operating conditions of the Company.

Furthermore, the Chief Executive Officer is granted the right to make, at the behest of the SB, modifications or additions to this document of an exclusively formal nature, such as those set out below:

- Adding to the list of the types of offences relevant for the Decree as per paragraph 1.3.2
- Change in the name of the corporate functions referred to in the Model
- Modification to the structure of the Model or of the numbering of its paragraphs provided that its content remains unchanged.

The Board of Directors must be informed of such modifications or additions of a formal nature.

#### **1.7.4 ACTIVITIES AND RESPONSIBILITIES IN APPLYING THE MODEL**

The responsibilities inherent in the dissemination, application, management and revision of De'L O.M. is expressly entrusted to the following subjects:

#### **BOARD OF DIRECTORS (BoD)**

With responsibility for:

- arranging the necessary measures, within the scope of their own managerial, administrative and directional competences, for the dissemination and application of De'L O.M.'s provisions, including those relating to the application of the penalty system, or for their modifications, additions and revisions;
- acting on and implementing modifications and additions to and revision of the Model as proposed by the SB.

#### **BOARD OF STATUTORY AUDITORS**

With responsibility for:

- assisting the SB in submitting requests for modifying, supplementing and revising De'L O.M. to the BoD.

#### **CHIEF EXECUTIVE OFFICER (CEO)**

With responsibility for:

- activating the functions and / or corporate bodies concerned with the application of the disciplinary sanctions provided for by the disciplinary system contained in the Model;
- acting on and implementing the ratifications of the BoD in relation to the application, management and management of the Model.

#### **HUMAN RESOURCES DEPARTMENT**

With responsibility for:

- initiating the application of the disciplinary sanctions envisaged for the non-fulfilment of the provisions contained in De'L O.M.;
- assisting the Company in the management of any dispute that may arise from the application of De'L O.M.'s penalty system;
- ☐ supervising the definition, preparation and effective implementation of information and training plans regarding the dissemination of the principles of De'L O.M. especially as concerns new recruits.

The responsibilities inherent in the control and monitoring of De'L O.M. are expressly entrusted to the:

## **SUPERVISORY BODY (SB)**

With responsibility for:

- verifying the implementation of the operative contents of the Model;
- carrying out the inspection activities relating to the application of the Model's directives;
- monitoring and controlling the effectiveness of the Model;
- cooperating with the Board of Directors to implement the "Constant Review" of the Model; (ref. Point 1.7.3);
- reporting to the BoD on the existence of further Sensitive Processes where the risk of committing the offences envisaged by the Decree exists, any discrepancies found in practice with respect to the contents of De'L O.M. and any violations found;  
formulating proposals for modifying, adding to and revising the operative contents of De'L O.M to be submitted to the BoD;
- formulating, in the event of non-compliance with the provisions of De'L O.M., requests for the application of the disciplinary sanctions provided for by the disciplinary system to the Human Resources Department or the Chief Executive Officer.

## **RECIPIENTS**

With responsibility for:

- ☐ complying with and applying the provisions of the Model;
- cooperating with the SB in checking and monitoring activities included among Sensitive Processes; complying with the general and specific directives issued by the SB in order to obtain the information deemed necessary for the performance of its duties;
- participating in the inspection visits scheduled by the SB;
- ☐ participating in training meetings;
- complying with the information obligations towards the SB;

All the Bodies and Subjects mentioned are required to cooperate with the activities in question. The Company will deem the non-compliance with or non-application of the provisions of De'L O.M. a breach of contractual work obligations.

## **1.8 DOCUMENTATION ON THE MODEL**

The documentation of De'L O.M. is available at the following offices and offices:

### **Registered office the Board of Directors**

1. Updated release of the Model
2. Periodic reports provided by the SB to the BoD

### **Office of the Board of Statutory Auditors**

1. Updated release of the Model
2. Periodic reports provided by the SB to the BoD

### **Office of the Supervisory Body**

1. Updated release of the Model
2. Reporting of the activities carried out and the documents archive compiled on them
3. Periodic reports provided by the SB to the BoD
4. Minutes of the SB meetings
5. Extract from the Register of Resolutions and Communications of the BoD (with reference to the Model)

### **Office of Function Managers**

1. Updated release of the Model

## **2 LIABILITY UNDER LEGISLATIVE DECREE 231/2001 OF THE ORGANISATIONS INCLUDED IN A SO-CALLED GROUP OF ENTERPRISES**

### **2.1 WHEREAS**

The law pursuant to Legislative Decree 231/2001 is applicable to the so-called , groups of enterprises. The simplest way for the De'Longhi group to be involved in such groups, would be one characterized by interlocking shareholdings. This entails the possibility that the administrative responsibility for a crime committed within a group organisation could reverberate in an *ascending* (from a subsidiary / associated company to a parent company) manner or *descending* (from a parent company to a subsidiary / associate) manner upon other companies.

For the purposes of declaring the liability referred to in the Decree for a company belonging to group but other than that in which the offence was attempted or committed, it is required:

1. that a natural person within the organization has participated in the commission of the type of offense included in the Decree, acting in concert with the subjects of the different organization;
2. that the natural person is an "Top Managers" or "Subordinate" person;
3. that the offense was committed (also) in the interest and / or to the advantage of the Company itself.

As confirmed by a consolidated line of decisions by the courts, an extension / propagation of responsibility for a crime between several companies on the basis of merely belonging to the same group or any automatism deriving from the identification of a general "group interest" must be excluded.

In order to exclude that liability pursuant to Legislative Decree 231/2001 be shifted among the various organisations belonging to the same group of companies, the parent company, given its institutional function, is responsible for promoting the adoption by the other companies or organisations of the group of models aimed at preventing crimes as also responsible for verifying, within the scope of this primary purpose, their concrete and effective implementation.

### **2.2 ADOPTION OF THE MODEL IN THE CONTEXT OF A "GROUP" OF ENTERPRISES**

It is the responsibility of the administrative bodies of the individual companies of the group to evaluate and eventually adopt an organizational, management and control model of their own, which must be consistent, albeit in its specificity, with the parent company's model, according to the following operational criteria:

1. the parent company prepares and adopts its own Model;
2. the individual subsidiaries and / or associates in preparing and adopting their own Model may take as a reference the Model of the parent company, which must in any case be adapted to the individual circumstances of each, taking into account their own organizational peculiarities and the specific risk attaching to activities carried out by them, and must also set up their own Supervisory Bodies (or the executive bodies entrusted with for this task);
3. the Supervisory Bodies established within each of such subsidiary or associate companies (or the management bodies of each) are tasked with controlling the implementation of the Model of the individual companies and coordinating with the parent company's Model, *ut infra*.

### **2.3 IMPLEMENTATION OF THE MODEL BY THE INDIVIDUAL SUBSIDIARIES AND COORDINATION OF CONTROL SYSTEMS**

The implementation of corrective actions on the organizational models of subsidiaries is the exclusive purview and responsibility of the subsidiaries.

The Company, as the individual recipient of the requirements of Legislative Decree 231/2001, has independently carried out the preparation and revision of its own organizational model. This activity was conducted on the basis of the indications and implementation methods furnished by the parent company with regard to common general aspects such as ethical-behavioural principles, the management and development of human resources, the disciplinary system and pertinent other policies. However, these indications do not in any way limit the autonomy of the Companies in drawing up and adopting their own Model. The subsidiary, pursuant to art. 6, paragraph 1, lett. b) of Legislative Decree 231/2001, appointed its own Supervisory Body with

autonomous powers of initiative and control.

The subsidiary company can request the competent functions of the parent company (instead of making recourse to external consultants) to provide them with consultancy to facilitate the updating, implementation and monitoring of their own 231 Model.

The Company may also request the Parent Company's Internal Auditing function, whose range of action also extends to subsidiaries, to lend its support to management on initiatives relevant for compliance with Legislative Decree 231/2001.

## **2.4 RELATIONS BETWEEN SURVEILLANCE BODIES**

The Supervisory Body of the subsidiary may share with the Supervisory Body of the parent company: the elaboration of the Organizational Model (e.g. criteria and methods for carrying out the risk assessment, definition of common settings regarding operational approaches, sharing best practice); the updating of the Model (in consideration of the new regulations and jurisprudential guidelines as well as changes to the business and organizational structure of the group); the definition of training plans and delivery methods; the methodology for carrying out the audit activities; the general issues that emerged in the supervisory activities that suggested the need to strengthen the safeguards on sensitive activities of common interest.

## **3 THE MODEL'S BODIES, ACTIVITIES AND INSTRUMENTS OF CONTROL**

### **3.1 STRUCTURE OF IMPLEMENTATION**

The verification activities relating to the level of implementation of the provisions contained in the Model, as well as those relating to the level of its effectiveness are entrusted to the Supervisory Body (hereinafter the "SB").

### **3.2 SUPERVISORY BODY (SB)**

#### **3.2.1 APPOINTMENT, REVOCATION, REPLACEMENT, FORFEITURE AND WITHDRAWAL OF SURVEILLANCE BODY MEMBERS**

The SB is a collegial body appointed by the Company's BoD, with a resolution explaining the reasons for the choice of each member. It carries out the functions defined by this model and Legislative Decree 231/01 in force and observes the regulations it approved and communicated to the Board of Directors.

The SB remains in office for the time indicated in the appointment resolution.

The appointment of the members of the SB is formalised when a declaration of their acceptance is received.

The members of the Supervisory Body can be removed for just cause. In this regard, "just cause" for the revocation of the powers of office of a member of the Supervisory Body includes but is not limited to:

- gross negligence in carrying out the duties associated with the assignment;
- in the case of an internal member, the assignment of operational functions and responsibilities within the company organisation incompatible with the requirements of "autonomy and independence" and "continuity of action" specific to a Supervisory Body and the termination of the employment relationship ;
- in the case of an external member, serious and ascertained reasons for incompatibility such as to undermine his/her independence and autonomy;

- the loss of even one of the eligibility requirements.

In the exercise of their functions, the members of the SB must not find themselves in situations, even potentially, of conflict of interest on account of any personal, family or professional reason. In this case, they are required to immediately inform the other members of the Body and must refrain from participating in the relevant resolutions.

Upon expiry of the mandate, the SB may continue to carry out its functions and exercise the powers assigned to it, as further specified below, until the appointment of the new members by the Board of Directors.

The incapacity or impossibility to exercise the office constitutes a cause for forfeiture of the office, before the regular term of office expires.

Each member of the SB can resign from his/her office at any time and, on the other hand, be re-elected upon expiry of his/her mandate.

In the event of forfeiture or resignation by one of the members of the SB, the Board of Directors will promptly replace the outgoing member deemed unfit or unable to discharge his or her office.

### **3.2.2 ELIGIBILITY REQUIREMENTS FOR SUPERVISORY BODY MEMBERS**

The members of the SB must possess the requisites of autonomy, independence, professionalism, continuity of action, as well as integrity and the absence of conflicts of interest, as all are requirements for this function.

No member of the Supervisory Body can have a professional and personal profile that could compromise the impartiality of judgement, authoritativeness and ethics of his or her conduct.

The Board of Directors of the Company, therefore, in choosing the members of the Supervisory Body must evaluate the following elements:

#### a) Autonomy and independence

The requirements of autonomy and independence require that the SB report to the BoD on how its functions are being performed, and requires that, on the basis of an annual request presented to the BoD with regard to the preparation of the company budget, and approved by the latter, it be given adequate financial resources for whatever may be necessary for the correct performance of its duties (for example supervisory and control activities that require specialist skills, etc.).

Finally, independence presupposes that the Supervisory Body as a whole does not find itself, actually or potentially, in a conflict of interest as regards either the Company or as regards operational activities that might undermine the objectivity of its judgement whenever it is necessary to ascertain compliance with the Model.

#### b) Honourableness and causes of ineligibility

The following cannot be elected to the Supervisory Body and should they be, they necessarily and automatically forfeit office:

- i. whoever finds him/herself in the conditions set out under article 2382 of the civil code, namely, whoever has been incapacitated, banned, declared bankrupt or sentenced to a penalty that involves the interdiction, even temporary, from public offices or the inability to hold managerial office;
- ii. whoever has been subject to preventive measures ordered by the judicial authority pursuant to Legislative Decree 6 September 2011, n. 159 "Code of anti-Mafia laws and prevention measures, as well as new provisions in terms of anti-Mafia documentation";
- iii. whoever has been convicted and handed down a sentence even if not final or issued pursuant to art. 444 and seq. of the Code of Criminal Procedure, including conditionally suspended sentences, without prejudice to the effects of rehabilitation:
  - 1) for one of the crimes set out under in title XI of V section of the civil code (criminal provisions relating to companies and consortia) and in Royal Decree no. 267, and its subsequent amendments and supplements, (regulations on bankruptcy, arrangement with creditors and compulsory administrative liquidation);
  - 2) of imprisonment, for not less than one year, for one of the crimes set out under the rules governing banking, financial, securities, insurance and those on markets and marketable securities, payment instruments (among which we should note, including but not limited to, the crimes of banking and financial abusiveness as referred to under articles 130 et seq. of the Consolidated Law on Banking (Legislative Decree no. 385/1993), crimes of counterfeiting money, spending counterfeit money, and introducing counterfeit money into the State, after agreement, as per art. 453 of the Criminal Code, the crimes of fraudulent damage to insured assets and fraudulent mutilation of one's person pursuant to art. 642 of the criminal code);

- 3) for a crime against the public administration, or a custodial sentence of not less than one year for a crime against the public faith, property, the public order, the public economy or involving taxation;
- 4) of imprisonment for a period of not less than two years for a crime committed without criminal intent;
- 5) in any case, and regardless of the nature of the penalty, for one or more offences among specifically indicated by Legislative Decree 231/2001;
- iv. whoever is in receipt of the pecuniary administrative sanctions indicated under art. 187-  
quater of the Consolidated Finance Law (Legislative Decree no. 58/1998).

c) Proven professionalism, specific skills in the field of inspection and consultancy activities The Supervisory Body (understood as a whole) must be able to command in-house technical-professional skills appropriate to the functions it is required to perform. These characteristics, combined with its independence, guarantee its objectivity of judgement. Therefore, it is necessary that the Supervisory Body include persons with appropriate training in law, control systems and corporate risk management. The Supervisory Body may also, also by making use of external professionals, endow itself with the resources necessary for specific matters. In particular, the Supervisory Body, as a whole, must possess such specialist skills as:

- a knowledge of the organisation and of the main business processes typical of the sector in which the Company operates;
- a legal knowledge such as to allow the identification of offences likely to figure as model-fact situations of crime;
- ability to identify and assess the impact on the company, of sanctions deriving from the reference regulatory context;
- a knowledge of the specialized techniques needed to carry out "inspection" activities.

d) Continuity of action

The Supervisory Body carries out the activities necessary for the supervision of the correct application of the Model on a continuing basis and with the necessary commitment and powers of investigation, and ensuring that the latter are regularly updated.

In this regard:

- the activities carried out by the SB cannot be controlled by any other corporate body or structure. The SB has free access to all Company functions - without the need for prior consent - in order to obtain whatever information or data is deemed necessary for the performance of the tasks predicated by the Model;
- the SB may make use - under its direct supervision and responsibility - of the assistance of all the Company structures or, as indicated above, external consultants.

Through periodic checks, BoD assesses, before and after the installation of the SB, that the aforementioned professional and personal requirements in respect of its members have been satisfied. In this regard, appropriate information must be provided at the time of appointment - during apposite meetings of the Board of Directors - regarding the presence of the above requisites, including, if necessary, the attachment of the curriculum vitae of each member to the minutes of meetings.

Each member of the SB is obliged to notify the Board of Directors, through the Chairman of the SB, in the event that he or she is no longer able to satisfy the requisites referred to in the previous paragraphs.

The Supervisory Body adopts its own Regulations so as to ensure the full autonomy of its own organisation and operations, such as, for example, the frequency of inspections, operating procedures, arrangements for convening and minuting meetings, the resolution of conflicts of interest and procedures to modify and/or revision its own Regulations. The Supervisory Body also regulates the operating procedures and the frequency of such meetings, identifying the subjects from time to time involved, as well as its agenda.

### **3.3 DUTIES OF THE SB AS CONCERNS THE IMPLEMENTATION AND CONTROL OF THE O.M. De'L.**

For the performance of the tasks assigned, the Supervisory Body is invested with all powers of initiative and control over all company activities and personnel levels, and reports exclusively to the Board of Directors, through the office of its Chairman.

In addition to the provisions of paragraph 1.7.4, with regard to the implementation of the Model, the SB is responsible for the following tasks:

- a) supervising the observance of the Model by Recipients;
- b) monitoring the effectiveness and adequacy of the Model in relation to corporate structure and its effective ability to prevent the commission of crimes;
- c) proposing and soliciting the updating of the Model wherever necessary to adapt it to changed corporate, regulatory or external conditions.
- d) preparing revision proposals for O.M. De'L.

For the effective performance of the aforementioned functions, the SB is assigned with the following tasks and powers:

- periodically checking the areas where the risk of committing crimes exists in order to ensure that they conform to changes in business and / or corporate structure;
- periodically verifying the effective application of the Code of Ethical Conduct, the Model's protocols and company procedures in areas of activity at risk and the efficacy of such processes and also by performing specific supervisory / auditing activities;
- verifying the adoption of interventions to solve the critical issues detected during *Control & Risk Self-Assessment* activities affecting the internal control systems;
- periodically carrying out checks on specific transactions or actions performed in the context of activities at risk;
- conducting internal investigations and carrying out inspections to ascertain alleged violations of the Model's requirements;
- monitoring the adequacy of the disciplinary system envisaged to cases where the rules defined by the Model are infringed;
- coordinating with other company functions, as well as with the other control bodies, including the convening of specific meetings, in order to better monitor activities regarding the procedures established by the Model, or to identify new areas at risk, as well as, in general, assessing the various aspects regarding the Model's implementation;
- coordinating and cooperating with subjects responsible for protecting the safety and health of workers, in order to ensure that the control system pursuant to the Decree is in harmony with control system set up in compliance with the special regulations for safety in the workplace;
- carrying out periodic checks on the content and quality of training programmes.

For this purpose, the SB draws up a supervisory plan providing for individual interventions aimed at preventing violations and examines the outcome of the activities carried out to assess the real degree of efficacy of De'L O.M.'s directives.

In order to monitor the Company's compliance and that of the Recipients with the provisions of De'L O.M.'s directives, the SB:

- may be summoned to attend Shareholders Meetings, whether ordinary or extraordinary, according to the procedures set out in the "Regulations of Shareholders' Meetings", meetings of the Board of Directors and meetings of the Board of Statutory Auditors whenever issues within its specific purview are on the agenda.
- However, in no case will the SB be entitled to participate in the proceedings of any of the foregoing meetings.

### **3.3.1 SUPERVISORY BODY REPORTING**

The SB reports on the implementation of the Model and any critical issues, directly to the Board of Directors.

The Supervisory Body, vis-à-vis the Board of Directors, is responsible for:

- communicating, at the beginning of each financial year, the programme of the activities it intends to carry out to discharge the tasks assigned to it;
- communicating periodically, and at least every six months, on the progress of the foregoing programme and any changes made to it, and explaining such changes;
- reporting any violation of the Model or illegitimate and / or illegal conduct that the SB deems well founded;

- drawing up, at least once a year, a report on activities carried out in the previous twelve months detailing their results, the critical issues found and any violations of the Model, as well as proposals relating to necessary updates to the Model and their implementation.

The BoD has the right to summon the SB at any time, and the latter, in turn, has the right to request, through the competent offices, to be summoned.

### **3.3.2 TECHNICAL SUPPORT**

In carrying out its functions, the SB will in any case have the right to request expert assistance from Consultants and / or subjects belonging to any corporate function of the Company, whose skills it may from time to time deem useful in order to pursue determined purposes.

### **3.4 THE SB'S COMMUNICATION AND TRAINING TASKS**

The SB verifies that the Model is brought to the attention of the Recipients in compliance with the provisions of the foregoing paragraph 1.7.1.

The Supervisory Body verifies the quality of the contents of the training courses with respect to the Decree and the Model and ensures that such courses ensure a correct understanding of the Model.

### **3.5 INFORMATION FLOWS AND REPORTS TO THE SUPERVISORY BODY**

In carrying out its activities, the Supervisory Body has the right to access any type of useful information, on condition that it undertakes to keep all the information acquired confidential.

In addition to the right to access information and in order to facilitate supervisory activity on the correct application and effectiveness of De'L. O.M., the Supervisory Body receives:

#### **A. Information flows:**

useful and necessary for the performance of the supervisory tasks entrusted to the Supervisory Body, and which break down as follows:

- 1. Information flows on Sensitive Processes;**
- 2. Information flows on reports from whistle-blowers;**
- 3. General information flows;**

**B. Notifications** relating to alleged or actual violations of the Model as well as detailed reports of alleged or actual illegal conduct, in terms of Legislative Decree 231/2001.

#### **A. Information flows:**

##### **1. Information flows on Sensitive Processes**

To allow the SB to monitor particularly important activities carried out in the context of Sensitive Processes, function managers must periodically notify information to the SB on Sensitive Processes, deemed relevant pursuant to Legislative Decree 231/2001, according to the arrangements specified in this article 3.5.

##### **2. Information flows on notifications from whistle-blowers**

The Company has adopted a Whistleblowing system for reporting, also in anonymous form and to protect the integrity of the entity, of illegal or non-compliant behavior with the Code of Ethics, with internal procedures, with laws and regulations in force, with the Organizational Model 231 or the internal procedures adopted by the Group.

The reporting system uses a special platform called DeLonghi Group Integrity Platform, suitable for guaranteeing the confidentiality of the whistleblower's identity, complying with the legislation on Whistleblowing in line with safety standards (ISO 37001: 2016) and the most recent best practices.

The Company has set up a Whistleblowing Committee in charge of carefully evaluating each report, carrying out specific investigations into cases, where necessary, and adopting consistent and appropriate measures.

The Committee is composed of a minimum of three to a maximum of five members appointed by the Chief Executive Officer from among the employees of the company who have the highest qualities of confidentiality and reliability of the Internal Audit Department, the Human Resources Department and the Group Legal Affairs Department. The appointment is made for a period of three years, reserving the right to the Chief Executive Officer to change the composition of the Committee at any time if necessary or even if only the opportunity arises. The Committee has the right to adopt internal regulations for managing the activities of its members. The activities relating to the Whistleblowing system are detailed in a specific procedure that regulates the operating procedures and information flows also to the Supervisory Body.

The Supervisory Body is the recipient of a periodic information flow relating to Whistle-blowing reports concerning conduct attributable to the types of offenses relevant under the Decree.

### 3. General information flows

Finally, the Supervisory Body will receive **General information flows**, sent immediately by the functions required to provide this information and which will concern:

- the measures taken and / or news from criminal investigation bodies, or any other authority, from which it can be understood that investigations are in course on the Company for the offences referred to in the Decree;
- internal and external communications regarding any disciplinary circumstance that can be connected to the types of crime referred to in the Decree (e.g. disciplinary measures initiated / implemented against employees);
- requests for legal assistance submitted by employees in the event that judicial proceedings be taken against them for offences referred to in the Decree;
- news relating to disciplinary proceedings carried out that refer to violations of the Model and any sanctions imposed (including measures taken against employees) or the dismissal of proceedings and the reasons cited;
- news relating to changes in organizational structure;
- updates to the system of delegated functions and powers of attorney (including delegated functions for health and safety at work and on the environment);
- any communications from independent auditors regarding aspects that may indicate shortcomings in the internal control system, reprehensible facts, observations on the Company's financial statements;
- critical issues, anomalies or unusual events found by the corporate functions in the implementation of the Model and suggestions for changes to it.

The SB, on the basis of its experience, knowledge of the Company and the results of the *control and risk self-assessment* activities, will determine the parameters for the receipt of **Information flows on Sensitive Processes, Information Flows on whistle-blowing notifications** and **General information flows**, especially as concerns their content, timing, methods of receipt and the sending parties, and evaluate not only their effectiveness for the purpose of carrying out duties, but also their consistency over time in line with the increase in information volumes and the importance of the activities.

In particular, the contents of **Information Flows on Sensitive Processes, Information Flows on whistle-blowing notifications** and **General information flows**, as well as, in general, the regulation of information flows to the Supervisory Body (including the identification / formalization of department heads) in terms of frequency, transmission methods and responsibility for transmission, are regulated in detail in a specific procedure or in an organizational provision defined and issued by the SB itself.

### B. Notifications

In addition to the above, all Recipients also have the right to communicate any **Notifications** on circumstantial evidence of unlawful conduct directly to the Supervisory Body deemed relevant for purposes of the Decree and based on precise and consistent factual elements, or violations of the Company's Model, of which they have become aware due to the functions performed, using the

e-mail box (**odv.delonghispa@delonghigroup.com**)

Such **Notifications** must be as precise and detailed as possible and attributable to a defined event or area. Moreover, it should be noted that they may also concern any company area coming within the scope of Legislative Decree 231/2001 and the current Model, including violations of the Model regarding safety and health in the workplace.

Notifications may be anonymous, but they must detail the facts and persons to which the reports refer.

In any case, the confidentiality as to the identity of the referring party and of the information is ensured, whatever the context, after the submission of the notification, without prejudice to legal obligations and the protection of the rights of the Company or of the persons accused in bad faith. The notifications shall be understood as having been in good faith when made on the basis of a reasonable belief and grounded in factual elements.

In any case, the Company guarantees whistle-blowers acting in good faith against any form of retaliation, discrimination or penalisation for reasons, directly or indirectly, connected to the notifications, but without prejudice to the right of assignees to protect themselves if criminal or criminal liability is ascertained on the part of the reporting party on account of his/her making unfounded declarations, and without prejudice to the legal requirements of the case.

### **3.6 VIOLATIONS OF THE MODEL**

Upon receipt of the Notification, or following the results of the autonomous supervisory activity, the SB will:

1. analyse the findings, and undertake an in-depth analysis using the technical assistance available in order to verify the general validity of the notifications received, and possibly:
  - a) summon the notifying party so as to verify the data and circumstances;
  - b) hear the purported author (possibly with the guarantees referred to in articles 391 bis c.p.p et seq. and for this purpose by designating a qualified professional practitioner) and the head of the Function to which the author of the purported violation belongs so as to perform checks on the data and circumstances of the
2. prepare a dossier on the basis of the results, in the event that the notification/ information is deemed founded:
  - a) inform the BoD, by sending a copy of the documentation to the Board of Statutory Auditors for information;
  - b) formulate proposals to modify, supplement and revise the operative parts of the Model for submission to the BoD;
  - c) formulate, in writing, a request for the application of disciplinary sanctions pursuant to the sanctioning system, which will be submitted to the Human Resources Department and the CEO and / or the BoD in compliance with the principles laid down in the Disciplinary System included in the Model
3. Subsequently, the competent corporate functions, alerted by the BoD, will define the measures, oversee their implementation, and report the outcome of the work to the SB and the BoD.

## 4 THE CODE OF ETHICAL CONDUCT

### **The relationship between the Code of Ethical Conduct and the Model**

The Company has adopted a Code of Ethical Conduct (**ANNEX 1**) that formalizes the values and principles inspiring the work of all those who in any capacity cooperate in carrying out the company activity.

The principles and rules of conduct contained in this Model are supplemented by the indications set out in the Code of Ethical Conduct, although the purview of the Model, given its purposes of meeting the requirements of the Decree, is different from that of the Code of Ethical Conduct.

From this point of view it should, in fact, be specified that:

- the Code of Ethical Conduct represents an instrument adopted autonomously and able to be applied generally by the Company in order to embody and acknowledge a series of principles of good corporate practice and to which it expects all its employees and all those who cooperate in the pursuit of corporate objectives will adhere;
- the Model, on the other hand, addresses specific requirements contained in the Decree, aimed at preventing the commission of particular types of crimes for acts that, committed in the interest or to the advantage of a company, may entail an administrative liability based on the provisions of the foregoing Legislative Decree. 231/2001.

However, in consideration of the fact that the Code of Ethical Conduct refers to principles of conduct that are also designed to prevent the unlawful conduct referred to in the Decree, it is important for the Model's purposes.

### 5.1 WHEREAS

Art. 6, paragraph 1, letter e) of Legislative Decree 231/2001, in attributing the body's exemption from liability to the adoption and effective implementation of an organizational, management and control model suitable for preventing the perpetration of criminal offences relevant for the purposes of this legislation, made provision for the introduction of "*a disciplinary system able to appropriately sanction non-compliance with the measures indicated in the Model*".

The definition of a "*suitable disciplinary system*" therefore constitutes one of the essential requirements of the Model for purposes of exempting an organisation from liability.

The disciplinary system, premised upon violations of the provisions of the Model, must be applied regardless of the conduct and outcome of criminal proceedings by the Judicial Authority (in the event that the conduct to be censured also includes a specific crime).

The disciplinary system is exhibited in a place regularly visited by all Employees and in any case will be made known to all Recipients.

### 5.2 VIOLATIONS OF THE MODEL

The violation of the rules of the Model, as well as of all the procedures and company *policies*, constitutes a breach of the primary obligations of the employment relationship or a disciplinary offence, with all attendant legal consequences, also in relation to the preservation of the employment or cooperative relationship.

Non-compliance with the rules of the Model, as well as with all procedures and company *policies* by Recipients, entails differential sanctions, depending on the role played by the subject, in addition to compensation for any damage (material or moral) resulting from the non-compliance.

Violations of the Model constitute:

- violation of the provisions of the General Part of the Model and the Group's Code of Ethical Conduct;
- violation of the provisions set out in the Protocols included in the Special Part of the Model or the general procedures referred to in the Model;
- non-cooperative behaviour towards the SB, including but not limited to the refusal to provide requested information or documentation, failure to comply with the general and specific directives given by the SB in order to obtain information deemed necessary for the performance of its duties, the non-participation without justified reason in the inspection visits scheduled by the SB, and non-participation in training sessions;
- violation of the information obligations towards the SB as indicated in the previous paragraph 3.5;
- violation of the confidentiality obligations towards those who make reports through the De'Longhi Group Integrity Platform or the Notification pursuant to paragraph 3.5. In this case, the sanction of disciplinary suspension will normally be applied, unless the violation of the confidentiality obligations has caused the whistle-blower serious damage, and in which case the sanction of dismissal will be applied. If the conduct is carried out by an administrator, one of the sanctions provided for in paragraph 5.5, will be applied according to the seriousness of the offence;
- carrying out retaliatory or discriminatory acts against the person making reports through the De'Longhi Group Integrity Platform or a Notification pursuant to paragraph 3.5 for reasons directly or indirectly connected to the Notification itself. In this case, the sanction would be a fine or disciplinary suspension, depending on the seriousness of the conduct, or alternatively the sanction of dismissal for just cause, could be invoked if the act of retaliation consists in the dismissal of the notifier. If the conduct refers to an administrator, one of the sanctions provided for in paragraph 5.5, will be applied according to the seriousness of the offence;
- sending with intent or gross negligence reports through the De'Longhi Group Integrity Platform or Notification that prove to be unfounded, this would constitute a case of wilful misconduct or gross negligence and in this case, the disciplinary sanctions outlined in the

following paragraphs will be applied, according to the severity of the case.

### **5.3 SANCTIONS - APPLICATION CRITERIA**

The imposition of sanctions must be commensurate with the seriousness of the violation.

The severity of the violations will be assessed on the basis of the following elements:

- the presence and intensity of intention;
- the presence and intensity of negligence, imprudence, or inexpert behaviour;
- the level of hazard and / or the consequences of the violation for the persons to whom the legislation on protecting health and safety in the workplace applies, as well as for De Longhi Appliances Srl;
- the foreseeability of the consequences;
- the frequency and manner of the violation;
- the circumstances under which the violation took place;
- recidivism, consisting in the repeated imposition of disciplinary sanctions for violations of the Model, as well as in the repetition of behaviour susceptible to disciplinary action, assessed in terms of its recurrence and overall impact (even if not hitherto subject to sanction).

The disciplinary system must be constantly monitored by the Supervisory Body.

### **5.4 RECIPIENTS OF SANCTIONS**

#### **5.4.1 EMPLOYEES**

Compliance with the rules contained in this Model must be considered an essential part of the contractual obligations of the Company's Employees pursuant to and by the operation of art. 2104 of the Civil Code.

A violation of the rules of the Model will constitute a breach of the primary obligations of the employment relationship or a disciplinary offence, in compliance with the procedures laid down under art. 7 of the Workers' Charter, together with all legal consequences, including the survival of the employment relationship, and may also entail compensation for damages deriving therefrom.

The foregoing also applies with regard to provisions of Legislative Decree 231/2001, regardless of possible judicial proceedings in the cases where grounds exist for postulating the commission of a crime.

Pursuant to Article 2094 of the Civil Code, Employees are persons who in return for remuneration, undertake to collaborate in the company, by providing intellectual or manual work in the employ or under direction of an entrepreneur, namely Subject(s) appointed by the latter.

The sanctions that can be imposed on Employees in compliance with the procedures set out in Article 7 of the Workers' Charter and any applicable special regulations, as well as the applicable National Collective Work Contract, are those listed in the following disciplinary system:

- **Verbal warning**
- **Written warning**
- **Financial penalty / fine not in excess of 3 hours of basic pay**
- **Suspension from work and pay for a period not in excess of 3 days**
- **Justified dismissal with right to prior notice**
- **Dismissal for just cause without notice.**

In particular, with reference to violations of the Model committed by an Employee, it is foreseen that:

- 1) an Employee who violates the provisions of this Model, or displays, when carrying out activities in the areas at risk, a behaviour in violation of the rules stipulated in the Model will incur a **verbal or written warning**, according to the seriousness of the violation, provided that such conduct does not lead to the application of the measures laid down in the Decree;
- 2) a worker who pursues a recidivist behaviour as regards any of the infringements that entail the verbal reprimand or written warning referred to in the foregoing point 1), on more than two occasions in two years, or who for several times, on a single occasion infringes the rules stipulated in this Model, or still carries out acts of retaliation or discriminatory against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the report itself, incurs a **pecuniary sanction / fine not in excess of 3 hours of his/her basic salary**, provided that such conduct does not lead to the application of the measures laid down in the Decree;
- 3) **an Employee** who: i) in violating the internal procedures provided for by this Model or by adopting a behaviour in violation of the Model's rules when carrying out activities in the areas at risk, causes damage to the Company or objectively exposes it to a situation endangering the integrity of corporate assets or ii) exhibits a recidivist behaviour as regards any of the infringements sanctioned by the fine referred to in the previous point 2), more than twice in two years, iii) carries out retaliation or discriminatory acts of particular gravity against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the reporting itself; iv) violates the confidentiality obligations on the identity of the whistleblower incurs the **suspension from work and from pay for a period not in excess of 3 days** provided that such conduct is not in any case unequivocally directed at the commission of a crime or does not lead to the application of measures provided for under the Decree;
- 4) the Employee who exhibits a recidivist behaviour regarding any of the infringements of the rules entailing the disciplinary suspension referred to in the previous point 3 on more than two occasions in two years, after a formal written warning incurs **justified dismissal with the right to notice** while the employee who exhibits a behaviour in contrast with this Model's rules and which is unequivocally directed at the commission of a crime sanctioned by the Decree, as well as the employee who behaves in a manner clearly in violation of this Model's rules, such as to determine the actual application by De 'Longhi of the measures provided for under the Decree, in retaliation, you dismiss anyone who has reported an unlawful conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the report itself; violates the confidentiality obligations on the identity of the whistleblower causing serious harm to the whistleblower or incurs **dismissal for just cause without notice**.

With reference to the risk of committing crimes in violation of the legislation on health and safety at work provided for by art. 25 septies of the Decree, in accordance with the provisions of the Circular of the Ministry of Labour of 11 July 2011 no. 15816, concerning the "organisation and management model pursuant to art. 30 of Legislative Decree 81/2008 ", the possible violations are indicated below, ranked in increasing order of seriousness:

- 1) the employee who does not comply with the Model, and whose violation determines a situation that could endanger the life and limb of one or more persons, including the author of the violation, and on condition that the behaviour is not accompanied by one of the hypotheses postulated in the following points 2, 3, 4, incurs a **written warning**;
- 2) the employee who exhibits a recidivist behaviour with respect to any of the infringements entailing the written warning referred to in previous point (1) on more than two occasions in two years or who does not observe the Model, in the event that the violation entails harm to the life and limb of one or more subjects, including the author of the violation, and provided that none of the hypotheses postulated in the following points 3 and 4 are present, or still carries out acts of retaliation or discriminatory against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly linked to the report itself, incurs a **pecuniary sanction / fine not in excess of 3 hours of his/her basic salary** ;
- 3) the Employee:
  - who does not respect the Model, in the event that the violation causes an injury

classified as "serious" pursuant to art. 583, paragraph 1 of the Penal Code to the life and limb of one or more subjects, including the perpetrator of the infringement, and provided that none of the hypotheses postulated in the following point 4 are present, incurs **suspension from work and from pay for a period not in excess of 3 days**;

- who exhibits recidivist behaviour in any of the infringements punished by a fine, as specified in the previous point (2), on more than two occasions in two years; carries out retaliation or discriminatory acts of particular gravity against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the reporting itself; violates the confidentiality obligations on the identity of the whistleblower
- 4) the Employee who adopts a recidivist behaviour in any of the infringements determining suspension from work and pay for up to a maximum of ten days, as specified in the previous point (3), on more than two occasions in two years, incurs **dismissal for just cause with notice**. The Employee who does not respect the Model, in the event that the violation causes an injury, classified as "very serious" pursuant to art. 583, paragraph 2 of the Penal Code, by harming the life and limb or causing the death of one or more subjects, including the perpetrator of the infringement (by way of mere example, negligent, imprudent or inexperienced conduct likely to cause an injury to him/herself or other persons), in retaliation, you dismiss anyone who has reported an unlawful conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the report itself; violates the confidentiality obligations on the identity of the whistleblower causing serious harm to the whistleblower incurs **dismissal for just cause without notice**.

In the event that the alleged infringement is particularly serious, the Employee may on a precautionary basis be suspended from the work with immediate effect, up to the moment of the imposition of the sanction, in compliance with the provisions of the Workers' Charter and the applicable National Collective Labour Agreement.

No disciplinary measure can be adopted without a formal indictment of the charges against the worker and without first having heard his/her defence.

The notification of the charges together with the specification of the fact constituting the infringement will be made in writing and indicating the term for the worker to present his/her defence, but which in no case will be less than five working days.

#### **5.4.2 MANAGERS**

As regards violations of the individual rules of this Model by De 'Longhi Appliances Srl workers in their capacity as 'Manager', such violations constitute a disciplinary offence.

Any type of violation of the rules of conduct contained in the Model will authorize the Supervisory Body to request the Board of Directors to impose one of the sanctions listed below, according to the seriousness of the violation committed in light of the criteria indicated in paragraph 5.3 and of the behaviour exhibited before (for example any previous violations) and after the fact (for example the communication to the Supervisory Body of the irregularity) by the author of the violation.

The disciplinary measures that can be imposed on 'Executives' in compliance with the procedures provided for under article 7, paragraphs 2 and 3 of Law no. 300 (Workers Charter) and without prejudice to any other special regulations applicable, refer to those comprised in the following sanctioning system:

- **written warning;**
- **suspension from work and pay for no more than 3 days;**
- **justified dismissal with the right to notice;**
- **dismissal for just cause.**

In any case, the competent corporate functions will always keep the Supervisory Body informed of the sanctions imposed and / or the violations ascertained.

In particular, with reference to the violations of the Model by the Managers of De 'Longhi Appliances Srl, it is envisaged that:

- in the event of a minor violation of one or more of the Model's procedural or behavioural rules, the manager will incur a written reprimand consisting in a recommendation to comply with the Model, which is a necessary condition for maintaining a fiduciary relationship with the Company;

- in the event of a minor but repeated violation of one or more of the Model's procedural or behavioural rules, the manager will incur a suspension from work and pay for no more than three days;
- in the event of a serious violation of one or more of the Model's procedural or behavioural rules such as to constitute significant non-performance, or in the event of recidivism, with respect to any of the infringements punished by suspension, when the behaviour is exhibited on more than two occasions in two years, the manager incurs justified dismissal with the right to notice;
- where the violation of one or more of the Model's procedural or behavioural rules is so serious as to irreparably undermine the relationship of trust, such as not to permit the continuation, even temporarily, of the employment relationship, the manager incurs dismissal for just cause.

The manager incurs one of the previous sanctions, depending on the severity, in the event of:

- acts of retaliation or discriminatory against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the report itself;
- violation of the confidentiality obligations on the identity of the whistleblower;
  - reports, which turn out to be unfounded, if made with willful misconduct or gross negligence.

The manager incurs one of the previous sanctions, depending on the severity, in the event of:

- acts of retaliation or discriminatory against anyone who has reported illegal conduct, relevant for the purposes of Legislative Decree 231/2001, or a violation of the Model, for reasons directly or indirectly connected to the report itself;
- violation of the confidentiality obligations on the identity of the whistleblower;
- reports, which turn out to be unfounded, if made with willful misconduct or gross negligence.

Furthermore, for the workers of De 'Longhi Appliances Srl in their capacity as 'Manager', the following constitutes a serious violation of the Model's rules:

- failure to comply with the obligation to manage or supervise subordinate workers as regards the correct and effective application of the Model;
- non-compliance with the obligation to manage and supervise other workers who, although not connected to De 'Longhi by a bond of subordination (in the case, for example, of self-employed workers, consultants, etc.), are in any case subject to the management and supervision of a 'manager' within the meaning of art. 5 paragraph 1 letter. b) of Legislative Decree 231/2001, without prejudice to the contractual qualification of these workers.

## 5.5 DIRECTORS AND STATUTORY AUDITORS

The Supervisory Body informs the Board of Statutory Auditors (if the members of the aforementioned bodies do not coincide) and all the directors of when news of a violation of the Model committed by one or more members of the Board of Directors is received.

The Board of Directors proceeds with the necessary investigations and, after consulting the Board of Statutory Auditors, takes the appropriate measures, in light of the criteria indicated in paragraph 5.3 and in accordance with the powers provided for by the law and / or by the Articles of Association (declarations in the minutes of the meetings, request for or summoning of the Assembly whose agenda will refer to appropriate measures to take against the subjects responsible for the violation, etc.).

The disciplinary measures that can be imposed with respect to one or more Directors, subject to a resolution of the Board of Directors adopted with the abstention of the interested party and, where necessary, a resolution of the Shareholders' Meeting, are included in the following sanctionary system:

- **written reprimand;**
- **temporary suspension from office;**
- **revocation of office.**

In particular, with reference to the violations of the Model committed by one or more Directors, it

is envisaged that:

- in the event of a minor violation of one or more of the Model's procedural or behavioural rules, the Director incurs a written admonition consisting in a reference to compliance with the Model, which is a necessary condition for maintaining fiduciary relations with the Company;
- in the event of a serious violation of one or more of the Model's procedural or behavioural rules, the Director incurs temporary suspension from office;
- in the event of a serious violation of one or more of the Model's procedural or behavioural rules such as to irreparably damage the relationship of trust, the Director incurs the revocation of office.

In case of violation of the Model by the entire Board of Directors of De 'Longhi Appliances Srl, the Supervisory Body will inform the Board of Statutory Auditors (in the event that the members of the aforementioned bodies do not coincide) so that the Shareholders' Meeting can take appropriate measures. If the Supervisory Body coincides with the Board of Statutory Auditors, the latter will call the Shareholders' Meeting without delay so that it can take the appropriate measures.

Furthermore, for the members of the Board of Directors, the violation of the obligation to manage or supervise subordinates regarding the correct and effective application of the Model's rules will also constitute a sanctionable violation of the Model.

The Supervisory Body informs all the Statutory Auditors (if the members of the aforementioned bodies do not coincide) and the Board of Directors when it receives news of the violation of the Model by one or more Statutory Auditors.

In the event of violation by a member of the Board of Statutory Auditors, coinciding with the Supervisory Body, the Board of Directors must be immediately notified by one or more individual members of the Board of Statutory Auditors.

In any case, the Board of Directors will take the appropriate measures in line with the seriousness of the violation and in accordance with the powers provided under the law and / or the Articles of Association (declarations in the minutes of the meetings, request to call or instruction to convene the Shareholders' Meeting with adequate measures against the subjects responsible for the violation, etc. on the agenda).

## **5.6 MEASURES AGAINST THIRD PARTIES INVOLVED IN SENSITIVE PROCESSES**

Any violation committed by the third-party Recipients involved in the Sensitive Processes, may determine, according to the specific contractual clauses in their letters of appointment or contracts, the termination of the contractual relationship, without prejudice to requests for compensation.

## 6 LEGEND AND ANNEXES

### 6.1 LEGEND

#### 6.1.1 TEXT REFERENCES

CEO	Chief Executive Officer
CC	Civil Code
C.C.N.L.	National Collective Labour Agreement (s)
BoD	Board of Directors
C.P.	Penal Code
C.P.P.	Code of Criminal Procedure
DECREE	Legislative Decree no. 231/2001
RECIPIENTS	Recipient (s) of the rules of De'L O.M..
Model	De 'Longhi Appliances Srl's Organizational Model - pursuant to Legislative Decree 231/2001
SB	Supervisory body
T.U.s	Trade Unions
PA	Public administration
WC	Workers' Charter