

# OVS S.P.A.

## Organisational Model - General Part

pursuant to LEGISLATIVE DECREE 231 of 8 June 2001 as amended.

Document approved by the Board of Directors on 31 January 2023

OVS S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 1 di 27
------------	--------------------------------------	--------------------	-----------------

## CONTENTS

1.	LEGISLATIVE DECREE 231/2001 .....	4
1.1.	Summary of the legislation .....	4
1.2.	The Organisational Model as a means of preventing and exempting the company from liability.....	5
1.3.	Codes of conduct of trade associations .....	7
2.	THE ORGANISATIONAL MODEL.....	9
2.1.	The Company.....	9
2.2.	Scope of the Model .....	9
2.3.	Persons concerned by the Model .....	10
2.4.	Methodology used to construct the Model.....	11
2.5.	Adoption of the Model .....	11
2.6.	Principles of preventative control.....	12
2.7.	Structure .....	12
2.8.	Verification and updating of the Model.....	12
3.	THE INTERNAL SUPERVISORY BODY.....	14
3.1.	Identification of the Supervisory Body.....	14
3.2.	Tasks and powers of the Supervisory Body .....	17
3.3.	Information flows.....	18
3.4.	Reports of offences or infringements of the Model (whistleblowing). .....	20
3.5.	Reporting by the Supervisory Body .....	21
3.6.	Regulations of the Supervisory Body .....	21
4.	DISSEMINATION OF THE MODEL AND TRAINING OF RESOURCES .....	22
4.1.	Senior managers and employees .....	22
4.2.	Advisors/external contractors.....	22
5.	DISCIPLINARY SYSTEM .....	23
5.1.	Objectives of the disciplinary system .....	23
5.2.	Structure of the disciplinary system.....	23
5.3.	General material infringements .....	24
5.3.1.	<i>Disciplinary measures against directors</i> .....	24
5.3.2.	<i>Disciplinary measures against executives</i> .....	25
5.3.3.	<i>Disciplinary measures against employees</i> .....	26

5.3.4. *Disciplinary measures against advisors/external contractors* .....26

5. THE CODE OF ETHICS.....27

## 1. LEGISLATIVE DECREE 231/2001

### 1.1. Summary of the legislation

Legislative Decree 231 of 8 June 2001 (the “Decree”) introduced the “administrative liability of entities” into our legal system (with companies such as OVS S.p.A. included in this concept) in relation to certain offences (*predicate* offences), committed **in the interest or to the benefit** of a company by certain persons with a functional connection to that company. This “corporate” administrative liability is in addition to the criminal liability of the natural person who materially commits the offence and, although ostensibly autonomous and direct, derives from the conduct of the person who materially committed the offence.

In particular, this person may be:

- a “senior manager”, meaning anyone who holds the position of director, legal representative or executive of the company or of one of its organisational units;
- a “subordinate”, meaning all those who, on the basis of the company organisation – either inside the company (employees of all kinds and grades) or outside the company (advisors, contractors, etc.) – report to the senior managers and are managed and/or supervised by them.

The legislature’s intention was to involve corporate assets and, ultimately, the financial interests of shareholders and stakeholders in the punishment of certain criminal offences committed in the interest or for the benefit of the company, in such a way as to prompt the interested parties to exercise greater self-control over the regularity and legality of corporate operations, particularly from the perspective of prevention. This is based on the assumption that such offences are facilitated by a lack of preventative corporate organisational measures, which has resulted, according to the Court of Cassation, in veritable “**organisational negligence**”.

According to the principle of legality, only the offences expressly referred to in Legislative Decree 231/2001 may give rise to corporate liability. Since the entry into force of the Decree, the legislature has implemented several measures to extend the scope of application of this legislation, which has become one of the most effective tools for exercising corporate control over organised activities.

OVV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 4 di 27
------------	--------------------------------------	--------------------	-----------------

For the aforementioned purposes, the Decree establishes a system of administrative sanctions, which is summarised in the following table:

SANCTION	DESCRIPTION
<b>Pecuniary fine</b>	Always applied when 231 liability is ascertained; the company is required to pay using its own assets. Applied on the basis of a quota system, depending on the type and circumstances of the infringement, and for amounts that differ according to the company's capital capacity, ranging from €25,800 to €1,550,000.
<b>Disqualification</b>	Applied in addition to the pecuniary fine in the cases stipulated. Includes the following types: <ul style="list-style-type: none"> <li>- Temporary or permanent disqualification from engaging in business;</li> <li>- Suspension or revocation of authorisations, licences or permits instrumental in the commission of the offence;</li> <li>- Exclusion from benefits, loans, contributions and subsidies, and/or revocation of those granted;</li> <li>- A ban on contracting with public authorities (except to obtain the provision of a public service);</li> <li>- A ban on the advertising of goods or services.</li> </ul>
<b>Confiscation</b>	Affects the benefit obtained by the business as a result of the commission of the offence; applied, for the monetary equivalent, to any available funds of the company.
<b>Publication of the court's decision</b>	May be ordered if a disqualification sanction is imposed, with the aim of publicising the company's infringement.

The types of sanctions, the jurisdiction of the criminal judge, the procedural rules and numerous general principles of 231 liability clearly derive from criminal law: accordingly, the entire legislative **system** is defined as “**para-criminal**”.

Please see **Annex 1 to the Model**, which contains a detailed list of the offences that give rise to the application of the provisions of Legislative Decree 231/2001 as of the time of adoption and updating of the current Model.

## **1.2. The Organisational Model as a means of preventing and exempting the company from liability**

With the clear intention of promoting prevention and self-control on the part of companies,

the Decree<sup>1</sup> exempts from liability any entity that demonstrates that it has adopted and effectively implemented, before the offence is committed, appropriate organisational, management and control models for the prevention of the criminal offences in question<sup>2</sup>. This exemption operates differently according to whether the offences are committed by persons in senior management positions or persons managed by them.

In the case of offences committed by **persons in “senior management” positions**, there are essentially three conditions for excluding liability:

- that the internal system of organisational rules (procedures and protocols) constituting the Model has been formally adopted;
- that the Model is theoretically suitable for “*preventing offences of the kind that have occurred*”;
- that this Model had effectively been implemented before the offence was committed.

Additional legal conditions may be regarded as specific eligibility and effective implementation requirements or represent confirmation thereof. The following are required:

- that the task of overseeing the functioning of, and compliance with, the models and of updating them has been assigned to a body within the entity with autonomous powers of initiative and control;
- that there has been no lack or insufficiency of oversight on the part of the Supervisory Body;
- that an appropriate disciplinary system has been established to sanction infringements of the Model;
- that, in the case of senior managers, the offence was committed by fraudulently evading the organisational and management models<sup>3</sup>.

In the case of offences **committed by subordinate persons**, the entity is held liable if the company has failed to comply with management and supervisory obligations; such failure is excluded by the law (Article 7, paragraph 2, of Legislative Decree 231/2001) if the entity has adopted and effectively implemented an organisational model capable of preventing

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<sup>1</sup> Articles 6 and 7 of Legislative Decree 231/2001.

<sup>2</sup> This is an exemption from liability as it excludes the possibility of guilt (i.e. the subjective element required for the offence to exist) on the part of the entity in relation to the commission of the offence.

<sup>3</sup> As clarified by case law (see Court of Cassation, no. 4677/2014), the fraud referred to in Decree 231 does not necessarily require actual artifice or deception. The law rather presupposes that the infringement of the Model resulted from the circumvention of security measures capable of enforcing its effectiveness.

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 6 di 27
-----------	--------------------------------------	--------------------	-----------------

offences of the kind that occurred.

Consequently, in the case of both offences committed by senior management and those committed by subordinates, the adoption and effective implementation by the entity of the organisational model is an essential condition – albeit not always sufficient<sup>4</sup> – of the avoidance of direct corporate liability.

### 1.3. Codes of conduct of trade associations

The law allows trade associations to identify general guidelines, referred to as codes of conduct, for the construction of organisational models. Although the law does not expressly give these guidelines a binding or presumptive regulatory value, it is quite clear that the correct and timely application of these guidelines serves as a point of reference for court decisions on the question of the theoretical appropriateness of the Model, also taking into account that provision is made for the prior examination of the effectiveness of the guidelines by the Ministry of Justice.

In this case, consideration was given to the guidelines developed and published by Confindustria, which became effective following the completion of the procedure described by the regulation implementing the legislative decree in question, i.e. Ministerial Decree 201 of 26 June 2003<sup>5</sup>.

*The most significant components of the control system identified by Confindustria in order to reasonably prevent the commission of the offences provided for by the Decree are:*

*A) With regard to fraud offences:*

- *A code of ethics referring to the offences in question;*
- *An organisational system that is sufficiently up to date, formalised and clear;*
- *Manual and/or IT procedures (information systems);*
- *Powers of authorisation and signature (system of delegations and powers of attorney) consistent with organisational and management responsibilities;*
- *Staff information and training;*
- *Integrated control and management systems.*

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<sup>4</sup> The final decision is made by the judicial authorities.

<sup>5</sup> These guidelines are periodically updated (most recently in 2014). When the Board of Directors of OVS S.p.A. approved the most recent update to the Model in April 2021, a further update to the Confindustria guidelines was still being prepared. The drafts of these guidelines were taken into account in the absence of approval by the Ministry, as they are not yet final.

OV S.P.A.	ORGANISATIONAL MODEL	Version 01/2023	Page 7 di 27
	GENERAL PART		

*B) With regard to negligence offences (concerning environment, health and safety (EHS)), without prejudice to the provisions for types of fraud offences:*

- *A code of ethics as a statement of the company's environment, health and safety policy;*
- *An organisational structure with duties and responsibilities formally defined in accordance with the company's organisational and functional structure;*
- *Staff education and training;*
- *Communication and involvement (particularly of employees and workers' safety representatives);*
- *Regulated operational management;*
- *A health and safety monitoring system.*

*The above components must be organically incorporated within a system architecture that complies with a series of **principles of control**, including:*

- *The verifiability, documentability, consistency and congruence of each action, operation and transaction;*
- *The application of the principle of segregation of functions (according to which no one person can autonomously manage an entire process);*
- *Control documentation;*

*In addition, to ensure the effective implementation of the Model, it is necessary to:*

- *establish an adequate system of sanctions for infringements of the rules of the Code of Ethics and the procedures laid down in the Model;*
- *identify a Supervisory Body that meets the following requirements:*
  - a) Autonomy and independence;*
  - b) Professionalism;*
  - c) Continuity of action;**providing for adequate obligations of reporting to the Supervisory Body (information flows).*

OVVS S.p.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 8 di 27
-------------	--------------------------------------	--------------------	-----------------



## 2. THE ORGANISATIONAL MODEL

### 2.1. The Company

OVS S.p.A. is the leading player in the women's, men's and children's clothing market in Italy. It has over 1,750 stores in Italy and abroad trading under the OVS, OVS Kids, Stefanel, Upim, BluKids, CROFF (home decoration) and Stefanel brands. Listed on Borsa Italiana since March 2015, the Group's business model is typical of vertically integrated retailers, providing for the management of the entire value chain, from the design and sourcing of garments to their sale.

In the corporate context, the regulations and procedures adopted by OVS S.p.A. have been structured in accordance with the current regulations, the Corporate Governance Code for Listed Companies and national and international best practices.

Account has been taken of the specific activity performed by the Company and the decentralised functions performed or received in the preparation of the Model, particularly with regard to the identification of areas of risk and the preparation of appropriate protocols, which are set out in the Special Part of the Model.

With regard to the governance structure, OVS S.p.A. has maintained the traditional management system, with a Board of Directors and Board of Statutory Auditors.

The Company's organisational chart has been provided in the filed annual financial statements.

With regard to the organisational and functional structure, please see the constantly updated corporate organisational chart published on the Company's corporate website at [www.ovscorporate.it](http://www.ovscorporate.it).

### 2.2. Scope of the Model

Before its stock market flotation, OVS S.p.A. was already aware of the need to ensure fairness, transparency and compliance with the law in conducting its business and activities and believed it appropriate to adopt and implement the Model, with the dual aim of adapting the policy for the purposes of prevention recommended by the legislature and protecting the interests of shareholders, the Management Body and, ultimately, the entire Company from the negative effects of an unexpected application of sanctions.

OVS S.p.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 9 di 27
------------	--------------------------------------	--------------------	-----------------

OVS S.p.A. also sees the Model as an important opportunity to verify, review and integrate corporate decision-making and implementational processes and their control systems, further strengthening the Company's longstanding reputation of fairness and transparency. OVS S.p.A.'s main aim in adopting the Model was to establish a structured system of procedures and controls that will reduce and potentially eliminate the risk that predicate offences regarded as material for the Company will be committed in high-risk business processes.

The commission of predicate offences and unlawful conduct in general is, in any case, contrary to the will of the Company, as stated in the Code of Ethics and confirmed herein, and always causes harm to OVS S.p.A., even if such activity could apparently and erroneously be regarded as in the interest or to the advantage of the same.

The Model, therefore, prepares tools for monitoring risk processes, effective prevention of unlawful conduct, timely corporate intervention against actions committed in breach of company rules and the adoption of the necessary disciplinary measures of sanction and repression.

In addition, the preventative control system in this Model is designed to:

- prevent non-fraudulent circumvention of procedures by senior management;
- prevent any persons operating within the Company from justifying their conduct on the grounds of ignorance of corporate directives;
- prevent, under normal circumstances, offences being caused by human error (or negligence or incompetence) in the assessment of these directives.

### 2.3. Persons concerned by the Model

This Model is intended for the following persons, to whom the provisions contained herein apply:

- persons in senior positions, such as the directors, legal representatives and executives of the Company;
- persons managed and supervised by senior managers, who work within the corporate organisation, i.e. all employees with any type of contractual relationship;
- persons managed and supervised by senior managers, who work outside the corporate organisation, such as advisors, suppliers of goods for internal use or sale, the occupational health physician (safety in the workplace), providers of environmental management services, IT service providers, persons responsible for managing matters

OVS S.p.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 10 di 27
------------	--------------------------------------	--------------------	------------------

of any kind vis-à-vis public authorities and other persons identified from time to time in the context of the relevant contractual relationships or assignments.

The Model also applies to activities carried out by persons concerned abroad, since, under certain conditions, such activities may constitute a source of administrative liability pursuant to the Decree.

The Company requires all persons concerned to comply with the rules and procedures established in this Model, expressly notifying them that any infringement thereof may result in the application of the sanction system established in the Model and the disciplinary rules set out therein.

#### **2.4. Methodology used to construct the Model**

The Management Body, with the assistance and advice of the corporate structures and external advisors, has analysed and drafted the Model in accordance with the Confindustria guidelines. This work was divided into the following stages:

- the identification of areas of corporate risk; this step involved the identification of operating processes in the various areas of corporate activity, through the examination of important corporate documentation and targeted interviews with key people within the corporate structure, as well as the verification of these operating processes in the light of the offences provided for in the reference legislation (stage of **mapping of company areas at risk and material offences**);
- verification of existing operating and control procedures at company level and **identification of improvement actions**, identifying necessary/appropriate changes and additions (stage of **assessment/construction/adaptation of the preventative control system**);
- **the drafting of the Model**, providing for the progressive, periodic integration and updating of individual operating company procedures and protocols;
- **periodic review and updating of the Model** according to changes in internal and external conditions relevant for the present purposes.

#### **2.5. Adoption of the Model**

OVS S.p.A. has drafted and adopted its own Organisational Model, as per the BoD resolution of 27 October 2014.

OV S.P.A.	ORGANISATIONAL MODEL	Version 01/2023	Page 11 di 27
	GENERAL PART		

In March 2015, OVS S.p.A. was listed on the Milan Stock Exchange and, also in view of the new edition of the Confindustria guidelines of 2014, the changes in its organisation and in the relevant legislation that took place in subsequent years, updated its Model to the current version.

## 2.6. Principles of preventative control

This Model is based on the following general principles of control:

- every operation, transaction and action is verifiable, documented, consistent and appropriate;
- no one person may manage an entire process fully autonomously and without controls;
- the control system documents the checks performed.

The Company has its own system of preventative control of unlawful conduct, divided into types of offence, described in the special part of the Model and set out according to similar types of offences and whether the offences have been committed with intent or without intent (mainly relating to occupational safety and environmental protection); in the latter case (occupational safety and, in part, environmental offences), the control is performed by setting up systems to manage the relevant legal obligations.

## 2.7. Structure

This Model comprises:

- the Code of Ethics;
- this General Part;
- the Special Part, divided both, into homogenous categories of offences and processes, to which the specific company procedures and operating protocols are linked.

## 2.8. Verification and updating of the Model

Since the Model is a tool designed to meet the Company's prevention and control needs in a dynamic and changing context, it is necessary to verify periodically that it meets these needs, and therefore to make any additions and changes that may be necessary from time to time.

This assumes a re-assessment of risk, and the intensity of this risk, whenever conditions arise that may affect the relevance of the Model.

OV S.S.p.A.	ORGANISATIONAL MODEL	Version 01/2023	Page 12 di 27
	GENERAL PART		

In particular, verification is appropriate:

- whenever significant organisational changes take place at the Company, particularly in the areas already identified as high-risk;
- when significant infringements of corporate procedures take place or conduct is detected that is high-risk in concrete terms;
- when the reference legislation is amended or supplemented.

The Supervisory Body verifies that the Model's preventative characteristics are maintained over time. In doing so, it may make use of the collaboration and assistance of external advisors, subsequently proposing to the Board of Directors, which is competent to approve additions and amendments to the Model, any additions or amendments that are necessary or advisable from time to time.

OVS S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 13 di 27
------------	--------------------------------------	--------------------	------------------

### 3. THE INTERNAL SUPERVISORY BODY

#### 3.1. Identification of the Supervisory Body

To ensure enjoyment of the benefits of the adoption and implementation of the Model, Legislative Decree 231/2001 stipulates that a duly constituted body should be entrusted with the task of supervising the operation of and compliance with the Model and ensuring that it is updated, granting that body autonomous powers of initiative and control.

The Supervisory Body is a corporate body appointed by the Management Body with the support of the Control, Risks and Sustainability Committee.

The supervisory functions referred to in Article 6, paragraph 1, letter b) of Legislative Decree 231/2001 may be assigned to the Board of Statutory Auditors<sup>6</sup> or to a duly constituted body consisting of a single member or multiple members.

If the body is not the same as the board of statutory auditors, the management body decides whether to appoint within the body at least one non-executive director and/or a member of the board of statutory auditors and/or the holder of legal or control functions at the company, in order to ensure coordination between the various persons involved in the internal control and risk management system

##### 3.1.1. Requirements of the Supervisory Body

Although the Decree does not set out specific requirements, the Company, to ensure that the Supervisory Body has autonomous powers of initiation and control, in line with the recommendations of the Confindustria guidelines, considers it appropriate to require the body to fulfil the following requirements:

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<sup>6</sup> Article 6, paragraph 4a, of Legislative Decree 231/01, following the amendments made by Law 183/11 and Decree Law 212/11 provides that *"In limited companies, the board of statutory auditors, the supervisory body and the management control committee may perform the functions of the supervisory body"*.

OV S.P.A.	ORGANISATIONAL MODEL	Version	Page
	GENERAL PART	01/2023	14 di 27

REQUIREMENT	WHAT THIS ENTAILS
<b>AUTONOMY AND INDEPENDENCE</b>	<p>The Supervisory Body is not assigned operational duties. Each member is required:</p> <ul style="list-style-type: none"> <li>- to fulfil the integrity requirements established in Article 2, paragraph 1, letters a) and b) and paragraph 2 of Ministerial Decree 162/2000;</li> <li>- not to be ineligible under Article 2382 of the Italian Civil Code; not to be in a conflict of interest and/or have family relationships with other members of corporate bodies and with senior management, pursuant to Article 2399 of the Italian Civil Code;</li> <li>- not to have been investigated or convicted in relation to the offences covered by the 231/2001 legislation.</li> </ul>
<b>PROFESSIONALISM</b>	<p>The Supervisory Body must, as a whole, have sufficient knowledge of inspections and advisory activities to effectively carry out the verifications and controls assigned to it.</p>
<b>CONTINUITY OF ACTION</b>	<p>The Supervisory Body, as a whole, has a mandate (usually lasting several years) to ensure continuity of action. If it is made up of external persons only, it usually has an internal secretariat and tools (such as a dedicated e-mail address) in place to facilitate information flows. The Supervisory Body meets periodically and documents its work.</p>

### **3.1.2. Term of office and remuneration**

The Supervisory Body remains in office for a period of three years from appointment until the next resolution/decision of the Management Body to replace its members.

External members of the Supervisory Body are appointed on a paid basis, according to a fee determined at the time of the appointment and unchanged for the duration of the term of office. In the case of internal members qualifying as employees, an additional fee for the extra commitment may be identified at the time of appointment, with a requirement that this remains unchanged for the duration of the term of office.

### **3.1.3. Appointment, termination or revocation of the Supervisory Body**

Appointment normally takes place when the Model is first adopted and after each natural expiry of the mandate or in other cases or when it becomes necessary to add or replace members during the mandate.

The following rules must be observed for termination and revocation, also in order to ensure autonomy and independence, depending on the type of Supervisory Body actually selected by the Company.

a. Termination/revocation of an ad hoc Supervisory Body

The Board of Directors, by reasoned resolution, revokes the mandate of the Supervisory Body or of individual members thereof in the event that the requirements of autonomy and independence, integrity, professionalism and continuity of action necessary for the performance of this function are no longer met or for reasons of incompatibility.

With the favourable opinion of the Board of Statutory Auditors, where present, the Management Body may also revoke, before its natural expiry, by means of a reasoned resolution, the mandate granted to the members of the Supervisory Body if all or part of the performance of the tasks assigned is omitted or the performance thereof is manifestly negligent or incompetent.

The dismissal of any employee who is a member of the Supervisory Body, for the entire duration of the assignment and for six months after its termination, as well as due to resignation, may only take place for just cause or justified reason under the law, and in the latter two cases, will be duly substantiated with a favourable opinion of legitimacy of the Board of Statutory Auditors, where present. Internal termination of employment with the Company for any reason results in the simultaneous forfeiture of the position of member of the Supervisory Body, unless otherwise decided by the Management Body.

b. Termination/revocation of the Board of Statutory Auditors acting as the Supervisory Body

The termination of the Board of Statutory Auditors due to expiry of the term and the revocation of the mandate of the Board of Statutory Auditors, pursuant to Article 2400, paragraph 2, of the Italian Civil Code, results in the simultaneous forfeiture of the Supervisory Body's mandate.

If the mandate of one Statutory Auditor or several Statutory Auditors is revoked pursuant to Article 2400, paragraph 2, of the Italian Civil Code, the Management Body will supplement the Board of Statutory Auditors pursuant to the Italian Civil Code and this supplementation will also have effect on its functions as the Supervisory Body. The Management Body may revoke, before its natural expiry, by means of a reasoned resolution, the role of Supervisory Body assigned to the Board of Statutory Auditors if all or part of the performance of the tasks assigned is omitted or the performance thereof is manifestly negligent or incompetent. If the revocation resolution is not unanimous, the

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 16 di 27
-----------	--------------------------------------	--------------------	------------------



dissenting director may refer the matter to the Shareholders' Meeting at the first opportunity.

c. Assignment to a corporate function meeting the necessary requirements

Depending on whether this function is performed by employees of the Company or external persons, the provisions contained in paragraph a. will apply respectively for the respective position.

**3.2. Tasks and powers of the Supervisory Body**

The Supervisory Body is assigned the following autonomous tasks and the relevant powers of initiative and control:

- a) to monitor the effectiveness of the Model, which consists in verifying the consistency between conduct in practice and the established Model;
- b) to monitor the continuing fulfilment over time of adequacy requirements for prevention purposes, dynamically updating the Model in the event that, due to the analyses performed, it is necessary to make corrections and adjustments, by formulating a proposal to update the Management Body, as a result of:
  - i. significant infringements of the provisions of the Model;
  - ii. material changes in the internal structure of the company and/or its business activities or the methods of their implementation;
  - iii. regulatory changes that alter the risk for the company;
- c) to receive reports of material unlawful conduct pursuant to the Decree or of infringements of the Model and handling them in accordance with the provisions of law and the relevant whistleblowing procedure;
- d) where any infringements of the Model that may result in liability for the entity are detected, to report such infringements to the relevant company functions to that appropriate steps, including disciplinary measures, can be taken.

The Supervisory Body is granted autonomous powers of initiative and control in order to perform these tasks.

The Supervisory Body has free access to all the Company's functions in order to obtain any information necessary for the performance of its tasks, without prejudice to its duty to observe the prohibition on disclosing and/or disseminating the information and/or data acquired, unless disclosure and/or dissemination is required by the police, the judicial

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 17 di 27
-----------	--------------------------------------	--------------------	------------------

authorities, security bodies or other public bodies for the purposes of national defence or security or for the prevention, detection or repression of offences, or, furthermore, for the purposes of anti-money laundering legislation. This provision applies without prejudice in all cases to the limit on the circulation and dissemination of sensitive data pursuant to privacy legislation.

The activities of the Supervisory Body, if in accordance with its mandate, cannot be syndicated by any other company body or structure.

In order to strengthen the autonomy and independence of the Supervisory Body, the Management Body, in the context of the procedures for preparing the corporate budget, periodically resolves on an adequate amount of financial resources for the Supervisory Body, at its request, which it may use as required to carry out its work.

### 3.3. Information flows

In accordance with the provisions of the second paragraph of Article 6 of Legislative Decree 231/2001<sup>7</sup>, information flows are established in respect of the Supervisory Body in order to facilitate the monitoring of the Model's effectiveness and to ascertain reasons that may make, or have made, infringements of the Model possible. This obligation to provide information is incumbent on the corporate functions with respect to activities potentially at risk of offence, and relates to:

- a) periodic reports on the results of control activities;
- b) any anomalies or atypical characteristics found in the information provided.

In particular, the information may relate to:

- requests for legal assistance from managers and/or employees against whom the judiciary are bringing proceedings for the offences referred to in Legislative Decree 231/2001;
- orders and/or information from the judicial police or any other authority that reveal that investigations are being conducted, including against unknown persons, for the offences provided for in the aforementioned legislation;

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<sup>7</sup> Article 6: "In relation to the extension of the delegated powers and to the risk of commission of offences, the models referred to in letter a) of paragraph 1 must meet the following requirements: (... omissis ...) d) provide for reporting obligations vis-à-vis the body responsible for overseeing the functioning and compliance of the models".

- reports prepared by the heads of corporate functions in the context of their control activities and from which facts, actions, events or omissions that are critical in terms of compliance with the aforementioned legislative decree may emerge;
- information on the actual implementation of the organisational model at all company levels, highlighting any disciplinary proceedings brought and any sanctions imposed or measures for filing such procedures together with the respective reasons;
- information on inspections by public bodies;
- any anomalies found during first- and second-level controls and from the audit activities carried out within the Company by internal or external structures, in the context of the management systems in place;
- information relating to procedures for granting or authorising or in any way connected with the exercise of business activities, including any requests for financing or benefits, initiated with respect to public bodies;
- periodic reporting on safety at work;
- information on accidents at work or accidents that are not negligible in terms of consequences or methods, or relating to applications for recognition of occupational illnesses;
- other information or documents provided for in the Model's operating procedures (Special Part).

### 3.4. Reports of offences or infringements of the Model (whistleblowing).<sup>8</sup>

In order to protect the integrity of the company, senior managers or subordinates are also required to send the Supervisory Body detailed reports of material unlawful conduct within the meaning of the Decree based on accurate and consistent facts or of infringements of the Model of which they become aware due to their work. It should be stressed that, with regard to employees, the obligation to report any conduct contrary to the Organisational Model is part of the employee's wider duty of diligence and obligation of loyalty referred to in articles 2104 and 2105 of the Civil Code. Consequently, as it is part of these duties, the proper fulfilment of employee reporting obligations may not result in the application of disciplinary sanctions.

In any event, the confidentiality of the reporting party's identity is guaranteed during the handling of the report, and direct or indirect retaliation or discrimination against the reporting person for reasons directly or indirectly related to the report are prohibited, without prejudice to the provisions of the disciplinary system for sanctioning fraudulent or negligent reports that turn out to be unfounded.

Lastly, actions or facts that are not material pursuant to the Decree or the Model will not be taken into consideration by the Supervisory Body.

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<sup>8</sup> Law 179/2017, which came into effect on 29 December 2017, introduced whistleblowing measures to protect employees reporting irregularities and abuse that they become aware of at work. In particular, **Article 6 of Legislative Decree 231/2001** was amended. **Paragraph 2a** now requires that organisational models provide for: "a) one or more channels that enable the persons indicated in Article 5, paragraph 1, letters a) and b) to submit, in order to protect the integrity of the entity, detailed reports of unlawful conduct, that are material under this decree and based on accurate and consistent facts, or of infringements of the entity's organisational model of which they have become aware due to the role they perform; these channels guarantee the confidentiality of the whistleblower's identity in the handling of the report; b) at least one alternative reporting channel capable of guaranteeing, by computerised means, the confidentiality of the whistleblower's identity; c) the prohibition of direct or indirect retaliation or discrimination against the whistleblower for reasons related, directly or indirectly, to the report; d) in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against persons who infringe measures to protect the whistleblower, as well as those who fraudulently or negligently make reports that turn out to be unfounded". Pursuant to **paragraph 2b**, "The adoption of discriminatory measures against persons who make reports pursuant to paragraph 2a may be reported to the National Works Inspectorate for measures within its competence, not only by the reporting party but also by the trade union organisation indicated by the same". Finally, **paragraph 2c** provides that "Retaliatory or discriminatory dismissal of the reporting party shall be null and void. Changes in duties pursuant to Article 2103 of the Civil Code, as well as any other retaliatory or discriminatory measures taken against the reporting party, shall also be null and void. It is the employer's responsibility, in the event of disputes relating to the imposition of disciplinary sanctions or the demotion, dismissal, transfer or subjection of the reporting party to another organisational measure having negative, direct or indirect effects on working conditions after the submission of the report, to demonstrate that these measures are based on reasons unrelated to the report."

### 3.5. Reporting by the Supervisory Body

The Supervisory Body reports periodically and on an *ad hoc* basis on the implementation of the Model, and proposes amendments and additions which are deemed necessary from time to time.

The Supervisory Body reports to the Management Body on both an ongoing and a periodic basis. The Supervisory Body keeps the Management Body informed:

- by means of a periodic report, usually half-yearly, on the progress of the programme of periodic and spot checks and on the state of implementation of the Model; a copy of this report is also sent to the Board of Statutory Auditors; the obligation to report periodically to the Management Body may also be fulfilled by periodically sending and/or making available the minutes of the Supervisory Body;
- promptly, about infringements or reports of unlawful acts or significant breaches of the Model that suggest the commission or attempted commission of offences that might result in the application of the Decree.

Without prejudice to the Supervisory Body's autonomous powers of initiative and control, the Management Body has the right to request further information from the Supervisory Body on its activities. The Board of Statutory Auditors also has this right, with reciprocal reporting.

### 3.6. Regulations of the Supervisory Body

In addition to the provisions of this chapter of the General Part of the Model, regulation of the activities of the Supervisory Body may be subject to specific decisions by the Supervisory Body itself, which has the power to regulate its operation and operating rules completely autonomously, including but not limited to procedures for keeping and maintaining its records and documentation, convening and scheduling meetings, secretarial activities, etc.

In any case, the Supervisory Body keeps written evidence of its activities by preparing and storing appropriate minutes and is available to meet with other corporate control bodies and to periodically report on its work to the Management Body.

## 4. DISSEMINATION OF THE MODEL AND TRAINING OF RESOURCES

### 4.1. Senior managers and employees

The Model is disseminated to all the persons concerned at the Company, according to methods and timescales defined for maximum awareness of the rules of conduct which the Company has decided to adopt.

The Model is available and can be viewed in its entirety, electronically or in paper form, at the Company's registered office, where it is available to anyone entitled to consult it.

The Supervisory Body also recommends, in agreement with the corporate functions, training/information programmes for company staff according to their role, the powers and delegations awarded and the level of risk of the corporate area in which they work.

### 4.2. Advisors/external contractors

OVS S.p.A. provides information to persons who operate on behalf of the company under the supervision and coordination of senior management, particularly to advisors and/or external contractors of various kinds who work in high-risk areas and activities, on the existence of relevant rules of conduct and procedure.

Contractual relations with such persons include specific clauses protecting the Company, which allow for the relationship to be terminated in the event of contravention of the above rules of conduct and procedure.

OVS S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 22 di 27
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## 5. DISCIPLINARY SYSTEM

### 5.1. Objectives of the disciplinary system

As expressly required by law, an adequate system of sanctions, commensurate with the infringement and prioritising prevention, has been provided for breaches of the Code of Ethics and the procedures provided for in the Model.

Disciplinary sanctions are applied regardless of the outcome (or initiation) of criminal proceedings against individuals, as infringements of the Code of Ethics and the Model damage the relationship of trust established with the Company.

### 5.2. Structure of the disciplinary system

The disciplinary system provided for herein has an essentially preventative role, with sanctions ranging from conservative measures to termination, depending on the severity and possible recurrence of the infringements, as well as the justifications given. Since the disciplinary system complies with the principles of proportionate sanctions and the principle of adversarial process, in line with the strong orientation at constitutional level, the identification of the sanction in relation to the infringement can only take place in practice and taking into account the multiple circumstances emerging from the disciplinary procedure. Furthermore, the disciplinary system provided for herein, aimed at sanctioning infringements of the Code of Ethics and the Model, both by persons in senior positions (directors and managers) and by subordinates (employees or self-employed persons), cannot disregard the respective binding legal provisions on the subject and is therefore harmonised with the provisions of Law 300/1970 (Workers' Statute), the applicable national collective bargaining agreements, the Italian Civil Code and the Articles of Association. The Company remains free to assess and formulate any compensation claim permitted to compensate for damage caused as a result of this conduct, including damage caused by the application by the judge of the measures provided for in the Decree.

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 23 di 27
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### 5.3. General material infringements

The infringement of individual rules of conduct of the Code of Ethics and the Model constitutes a disciplinary offence, with the effects provided for by law, collective bargaining and other applicable contractual clauses.

The following also constitute general disciplinary offences:

- failure to apply or fraudulent circumvention of the rules of conduct established in the operating procedures referred to in the Model;
- obstruction of controls, unjustified impediment of access to information and documentation contrary to the Supervisory Body, or other conduct in any way capable of infringing or circumventing the control system, such as destruction or alteration of the documentation provided for in the Model;
- failure to comply with the measures to protect persons who report unlawful conduct or infringements of the Model, or the adoption of direct or indirect retaliatory or discriminatory actions against the reporting persons for reasons directly or indirectly relating to the report;
- making fraudulent or negligent reports that prove to be unfounded.

#### 5.3.1. Disciplinary measures against directors

In the event of an infringement of the Model by directors, the Supervisory Body, also through the Board of Statutory Auditors, informs the Shareholders' Meeting, which will take the appropriate steps provided for by current legislation. The applicable sanctions may consist of the following, graded according to the severity and possible recurrence of the behaviour:

- a written or verbal warning,
- suspension of compensation,
- revocation of mandate.

The same sanctions also apply where, due to incompetence or negligence, directors have prevented or not facilitated the discovery of infringements of the Model or, in the most serious cases, the commission of offences relevant to the Decree, or if they have failed to monitor compliance by the staff of OVS S.p.A. with the provisions of law, this Model and the Code of Ethics.

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 24 di 27
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The directors mainly oversee the activities of the persons under their management and supervision, within the scope of the provisions and duties set out in the Civil Code, through the verification and control systems provided for in this Model, through the activities of the Supervisory Body and other operating structures in charge of control activities, as well as all periodic and occasional disclosures provided to the directors by the above persons.

This is without prejudice to the right to any liability actions against directors pursuant to law.

### **5.3.2. Disciplinary measures against executives**

The applicable disciplinary sanctions may consist of the following, graded according to the severity and possible recurrence of the behaviour:

- a written warning,
- a fine of up to one day's compensation per the tables,
- suspension from duties without compensation for up to three days,
- dismissal for just cause.

Disciplinary measures are imposed, in accordance with current procedural and substantive rules, by company management, including at the request or report of the Supervisory Body, after consultation of the relevant corporate function.

The actual extent of the sanction, in accordance with the provisions of the national collective bargaining agreement applicable to the Company's staff, will be determined keeping in mind the nature and severity of the infringement, any repetition of the infringement, and the reliability, relevance and veracity of the justifications submitted by the interested party.

No disciplinary measure can be adopted against an employee before he or she has been notified of the charge and without having heard his or her defence.

Imposition of the measure must be justified and notified in writing.

The same sanctions also apply if executives have impeded, including due to negligence, the discovery of infringements of the Model or, in the most serious cases, the commission of material offences under the Decree, and if they fail to monitor, on the basis of the professional expertise and hierarchical and functional powers corresponding to the nature of his or her office, compliance with the provisions of law, this Model and the Code of Ethics on the part of his or her staff.

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 25 di 27
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**5.3.3. Disciplinary measures against employees**

The applicable disciplinary measures, in ascending order of severity, consist of the following, in accordance with the above rules:

- a verbal warning,
- a written warning,
- a fine of up to four hours' pay,
- suspension from work without pay for up to ten days,
- dismissal for just cause or justified reason with or without notice.

Disciplinary measures are imposed, in accordance with current procedural and substantive rules, by company management, including at the request or report of the Supervisory Body, after consultation of the relevant corporate function.

The actual extent of the sanction, in accordance with the provisions of the national collective bargaining agreement applicable to the Company's staff, will be determined keeping in mind the nature and severity of the infringement, any repetition of the infringement, and the reliability, relevance and veracity of the justifications submitted by the interested party.

No disciplinary measure can be adopted against an employee before he or she has been notified of the charge and without having heard his or her defence.

Imposition of the measure must be justified and notified in writing.

**5.3.4. Disciplinary measures against advisors/external contractors**

Infringements by the Company's third-party advisors and external contractors of the rules of the Code of Ethics and of this Model entail the mandatory activation, at the request or initiative of the Supervisory Body, of the contractual penalty clauses included in the relevant contracts.

This is without prejudice to the Company's right to seek compensation for damages.

OV S.P.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 26 di 27
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## 5. THE CODE OF ETHICS

The adoption by the Company, through the Code of Ethics, of behavioural principles that are relevant to the transparency and correctness of the company's activities and useful for the prevention of offences under Legislative Decree 231/2001 is an essential element of the preventative control system.

These principles are included in the Code of Ethics, which is an integral part of this Model; this is a document formally adopted by the Company's Board of Directors, containing all rights, duties and ethical principles adopted by the entity in respect of “stakeholders” (employees, suppliers, customers, public authorities and third parties).

It is intended to recommend, promote or prohibit certain types of conduct, beyond and regardless of the regulatory provisions, defining the principles of “corporate ethics” that OVS S.p.A. acknowledges as its own and requiring compliance on the part of all the persons concerned.

OVS S.p.A.	ORGANISATIONAL MODEL GENERAL PART	Version 01/2023	Page 27 di 27
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