

Organisation,  
Management  
and Control  
Model

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*GENERAL PART*

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## 1. LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001 ON THE ADMINISTRATIVE LIABILITY OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS, INCLUDING THOSE WITHOUT LEGAL PERSONALITY

### 1.1 Administrative Liability of Legal Persons

Legislative Decree No. 231 of 8 June 2001, implementing Delegated Law No. 300 of 29 September 2000, introduced in Italy the “*Rules governing the administrative liability of legal persons, Companies and associations, including those without legal personality*” (hereinafter, for brevity, also “**Legislative Decree No. 231/2001**” or the “**Decree 231**”).

Decree 231 therefore establishes a system of administrative liability for legal persons (hereinafter, for brevity, the “**Entity/Entities**”), in addition to the liability of the natural person (identified in greater detail in paragraph 1.2) who has committed the offence and aims to involve, in the punishment thereof, the Entities in whose interest or advantage the offence was committed. Such administrative liability applies only to the offences peremptorily listed in Decree 231.

Article 4 of the Decree also specifies that in some cases and under the conditions laid down in Articles 7, 8, 9 and 10 of the Criminal Code, Entities that have their principal place of business in the territory of the State are liable for crimes committed abroad by natural persons, provided that the State of the place where the criminal act has been committed does not take action against such Entities.

### 1.2 Persons Subject to the Legislative Decree No. 231/2001

The persons who, by committing an offence in the interest or to the advantage of the Entity, may determine their liability, are listed below:

- a) natural persons holding senior positions (representation, administration or management of the Entity or of one of its financially and functionally autonomous organisational units, or persons who *de facto* manage and control, hereinafter for convenience referred to as “**Senior Management**”);
- b) natural persons subordinate to the management or supervision of one of the Senior Management (hereinafter, for brevity, the “**Subordinate Parties**”), this notion also having to include “*employees who, although not employees of the Entity, have a relationship with it that suggests that there is an obligation of supervision by the management of the Entity itself: consider, for example, agents, partners in joint ventures, so-called ‘parasubordinate’ in general, distributors, suppliers, consultants, collaborators.*”

It is in any case appropriate to reiterate that the Entity is not liable, by express legislative provision (Article 5, paragraph 2, of the Decree), if the above parties acted in their own exclusive interest or in the interest of third parties. In any case, their conduct must be related to the “organic” relationship for which the acts of the natural person can be attributed to the Entity.

### 1.3 Predicate Offences

The Decree refers to the following types of offences (hereinafter for brevity also referred to as the “**Predicate Offences**”):

- offences against the Public Administration referred to in Articles 24 and 25 of Decree 231. Article 24 was amended by Law No. 161/2017, Legislative Decree No. 75/2020 and Legislative Decree No. 4/2022. Article 25 was supplemented and amended by Law No. 190 of 6 November 2012 and further supplemented and amended by Law No. 3 of 9 January 2019 and Legislative Decree No. 75/2020;
- computer crimes and unlawful data processing, introduced by Article 7 of Law

- No. 48 of 18 March 2008, which inserted into Decree 231 Article 24-*bis* further -  
-amended by Legislative Decree No. 7 and 8/2016 and Legislative Decree No. 105/2019;
- organised crime offences, introduced by Article 2, paragraph 29, of Law No. 94 of 15 July 2009, which incorporated into Decree 231 Article 24-*ter*, subsequently supplemented by Law No. 172 of 1 October 2012, supplemented by Law No. 236 of 11 December 2016;
  - offences related to counterfeiting of legal tender, official stamps and deeds or distinguishing marks, introduced by Article 6 of Law No. 406 of 23 November 2001, which has been incorporated into Decree 231 Article 25-*bis*, subsequently supplemented by Article 15, paragraph 7, letter a), of Law No. 99 of 23 July 2009 and amended by Legislative Decree No. 125/2016;
  - crimes against industry and commerce introduced by Article 15, paragraph 7, letter b) of Law No. 99 of 23 July 2009, which incorporated into Decree 231 Article 25-*bis.1*;
  - corporate crimes, introduced by Legislative Decree No. 61 of 11 April 2002, which it incorporated into Decree 231 Article 25-*ter*, subsequently supplemented by Law No. 190 of 6 November 2012, then amended by Law No. 69 of 27 May 2015, by Legislative Decree No. 38 of 15 March 2017 and most recently by Law No. 3 of 9 January 2019;
  - crimes for the purposes of terrorism or subversion of the democratic order, introduced by Law No. 7 of 14 January 2003, which inserted into Decree 231 Article 25-*quater*;
  - mutilation of female genitals, introduced by Law No. 7 of 9 January 2006, which incorporated into Decree 231 Article 25-*quater.1*, subsequently supplemented by Law No. 172 of 1 October 2012;
  - crimes against the person, introduced by Law No. 228 of 11 August 2003, which incorporated into Decree 231 Article 25-*quinquies*, subsequently supplemented by Law No. 172 of 1 October 2012, subsequently supplemented by Article 6, paragraph 1, of Law No. 199 of 29 October 2016;
  - offences of market abuse, as provided for by Law No. 62 of 18 April 2005, which incorporated into Decree 231 Article 25-*sexies* and, within the TUF, Article 187-*quinquies "Entity's Liability"*;
  - crimes of culpable homicide or serious or very serious injury, committed with violation of the rules on the protection of health and safety at work, introduced by Law No. 123 of 3 August 2007, which inserted into Decree 231 Article 25-*septies*, subsequently amended by Law No. 3/2018;
  - crimes of receiving, laundering and using money, goods or assets of illegal origin and self-laundering introduced by Legislative Decree No. 231/2007, which included it in Decree 231 Article 25-*octies*, subsequently supplemented by Law No. 186 of 15 December 2014 and amended by Legislative Decree No. 195/2021;
  - offences relating to non-cash payment instruments introduced by Legislative Decree No. 184/2021, which included it in Decree 231 Article 25-*octies.1*;
  - copyright infringement offences introduced by Article 15, paragraph 7, letter c) of Law No. 99 of 23 July 2009, which has incorporated into Decree 231 Article 25-*novies*;
  - offence of incitement not to make statements or to make false statements to the judicial authority, introduced by Article 4 of Law No. 116 of 3 August 2009, which included in Decree 231 Article 25-*decies*;
  - environmental offences introduced by Legislative Decree No. 121/2011, which it incorporated into Decree 231 Article 25-*undecies*, subsequently supplemented by Law No. 68 of 22 May 2015 and amended by Legislative Decree No. 21/2018;
  - transnational crimes, introduced by Law No. 146 of 16 March 2006, the "*Law of Ratification and Implementation of the United Nations Convention and Protocols against Transnational Organised Crime*";

- offence of employment of illegally staying third-country nationals, introduced by Legislative Decree No. 109 of 16 July 2012 on “*Implementation of Directive 2009/52/EC introducing minimum standards on sanctions and measures against employers of illegally staying third-country nationals*”, which incorporated into Decree 231 Article 25-*duodecies*, subsequently supplemented by Law No. 161 of 17 October 2017; of racism and xenophobia introduced by Article 5 of Law No. 167 of 20 November 2017, the European Law 2017, on the “*Provisions for the fulfilment of obligations arising from Italy's membership of the European Union*”, which inserted into Decree 231 Article 25-*terdecies*, subsequently amended by Legislative Decree No. 21/2018; offences of fraud in sports competitions, abusive gambling or betting and games of chance exercised through prohibited devices, introduced by Article 5, paragraph 1, of Law No. 39 of 3 January 2019, on “*Ratification and Implementation of the Council of Europe Convention on Sports Manipulation, made in Magglingen on 18 September 2014*”, which inserted into Decree 231 Article 25-*quaterdecies*; tax offences introduced by Article 39 of Decree-Law No. 124 of 26 October 2019 relating to “*Urgent provisions on tax and non-deferrable requirements*”, which it incorporated into Decree 231 Article 25-*quinquiesdecies*, subsequently supplemented by Article 5 of Legislative Decree No. 75 of 14 July 2020, on the “*Implementation of Directive (EU) 2017/1371 on the fight against fraud affecting the financial interests of the Union through criminal law*”.
- contraband offences introduced by Legislative Decree No. 75 of 14 July 2020, which it incorporated into Decree 231 Article 25-*sexiesdecies*;
- crimes against cultural heritage, introduced by Law No. 22 of 2022, which inserted them into Decree 231 Article 25-*septiesdecies*;
- crimes of recycling of cultural objects and devastation and looting of cultural and landscape objects introduced by Law No. 22 of 2022, which has inserted into Decree 231 and Article 25-*duodecies*.

#### 1.4 The Sanctions included in the Decree

Legislative Decree No. 231/2001 includes the following types of sanctions applicable to entities subject to the legislation:

- a) **The administrative fine**, governed by Articles 10 et seq. of the Decree, constitutes the “basic” sanction of necessary application, of which the Entity is liable with its assets or with the mutual fund for payment.

The Legislator adopted an innovative criterion for measuring the penalty, assigning to the Judge the obligation to carry out two different and subsequent assessment operations.

More specifically, the first assessment requires the Judge to determine the number of units (in any case not less than one hundred or more than one thousand) taking into account:

- the seriousness of the event;
- the degree of responsibility of the Entity;
- the activity carried out to eliminate or mitigate the consequences of the event and to prevent further offences from being committed.

During the second assessment, the Judge determines, within the predetermined minimum and maximum values in relation to the sanctioned offences, the value of each unit from a minimum of €258.00 to a maximum of €1,549.00. This amount is fixed “*on the basis of the economic and financial conditions of the Entity in order to ensure the effectiveness of the penalty*” (Articles 10 and 11, paragraph 2, of Decree 231).

Article 12 of Decree 231, provides for a series of cases in which the financial penalty is reduced. They are schematically summarised in the following table, indicating the reduction made and the prerequisites for the application of the reduction.

Reduction	Prerequisites
1/2 (and not exceeding €103,291.00)	<ul style="list-style-type: none"> <li>The offender committed the offence mainly in his own interest or in the interest of third parties <u>and</u> the Entity did not obtain an advantage or obtained a minimal advantage;</li> <li><u>or</u></li> <li>the financial loss caused is particularly insubstantial.</li> </ul>
from 1/3 to 1/2	<p>[<u>Before</u> the first instance proceedings have commenced]</p> <ul style="list-style-type: none"> <li>The Entity has fully compensated the damage and eliminated the damaging or dangerous consequences of the offence or has taken effective measures to this end;</li> <li><u>or</u></li> <li>an organisational model capable of preventing offences of the kind that has occurred has been implemented and implemented.</li> </ul>
from 1/2 to 2/3	<p>[<u>Before</u> the first instance proceedings have commenced]</p> <ul style="list-style-type: none"> <li>The Entity has fully compensated the damage and eliminated the damaging or dangerous consequences of the offence or has taken effective measures to this end;</li> <li><u>and</u></li> <li>an organisational model capable of preventing offences of the kind that has occurred has been implemented and implemented.</li> </ul>

- b) The following **disqualification sanctions** are stated in the Decree and apply only in relation to offences for which they are expressly provided for:
- disqualification from carrying on a business activity;
  - suspension or revocation of authorisations, licences or concessions instrumental to the commission of the offence;
  - prohibition on entering into contracts with the public administration, except in order to obtain a public service;
  - exclusion from concessions, loans, grants and subsidies, and/or revocation of those already granted;
  - prohibition on advertising goods or services.

In order for disqualification sanctions to be imposed, at least one of the conditions set out in Article 13 of Decree 231, i.e.

- *“the Entity has obtained a significant profit from the offence and the offence has been committed by persons in a top management position or by parties subordinate to the management of others when, in this case, the perpetration of the offence has been determined or facilitated by serious organisational shortcomings”*; or
- *“in the event of repetition of the offences.”*

In addition, disqualification sanctions may also be sought by the Public Prosecutor and applied to the Entity by the Judge as a precautionary measure, when:

- there are serious indications that the Entity is liable for an administrative offence arising from an offence;
- there are well-founded and specific elements which suggest that there is a real danger that offences of the same nature as the one being prosecuted will be committed;

- the Entity has obtained a significant profit.

In any case, the disqualification sanctions shall not be applied when the offence was committed in the predominant interest of the author or third parties and the Entity has obtained a minimal or null advantage, or the financial damage caused is particularly insubstantial.

The application of disqualification sanctions is also excluded from the fact that the Entity has implemented the remedial conducts provided for in Article 17 of Decree 231 and, more specifically, when the following conditions pertain:

- *“the Entity has fully compensated the damage and eliminated the damaging or dangerous consequences of the offence or has taken effective measures to this end”*;
- *“the Entity has eliminated the organisational deficiencies that led to the offence by the adoption and implementation of organisational models capable of preventing offences of the kind that occurred”*;
- *“the Entity has made the profit obtained available for confiscation.”*

Disqualification sanctions have a term of not less than three months and not more than two years and the choice of the measure to be applied and its duration is made by the Judge on the basis of the criteria indicated above for the imposition of the fine, *“taking into account the suitability of the individual penalties to prevent offences of the type committed”* (article 14 of Decree 231).

- c) Pursuant to Article 19 of Decree 231, the conviction always requires the **confiscation** - including for equivalent - of the price (money or other economic benefits given or promised to induce or lead another person to commit the offence) or of the profit (immediate economic benefit derived) of the offence, except for the part that can be returned to the damaged party and without prejudice to the rights acquired by third parties in good faith.
- d) The **publication of the conviction** in one or more newspapers, in excerpt or in full, may be ordered by the Judge, together with the posting in the municipality where the Entity has its head office, when a disqualification sanction is imposed. Publication is carried out by the clerk of the court with jurisdiction and at the expense of the entity.

## 1.5 Exempt Conducts

Articles 6 and 7 of Decree 231, provide for specific forms of exemption from administrative liability of the Entity for offences committed in the interest or to the advantage of the same both by Senior Management and by Subordinate Parties (as defined in paragraph 1.2 above).

In particular, in the case of offences committed by Senior Management, Article 6 of the Decree provides for exemption if the Entity itself proves that:

- a) the management body has adopted and effectively implemented, before the offence is committed, an organisation, management and control model suitable for preventing offences of the kind that occurred (hereinafter, for brevity, the **“Model”**);
- b) the task of supervising the functioning and observance of the Model and ensuring that it is kept up to date was entrusted to a Supervisory Body of the Entity (hereinafter, for brevity, **Organismo di Vigilanza**” or the **“OdV”**), which has autonomous powers of initiative and control;
- c) the persons who committed the offence acted by fraudulently evading the Model;
- d) there was no failure to supervise or insufficient supervision on the part of the **Organismo di Vigilanza**.



With regard to the Subordinate Parties, Article 7 of the Decree provides for an exemption from liability in the event that the Entity has adopted and effectively implemented, before the commission of the offence, a Model suitable for preventing offences of the kind that occurred.

The exemption of the Entity's liability is not, however, determined by the mere adoption of the Model, but by its effective implementation to be carried out through the implementation of all the procedures and controls necessary to limit the risk of the commission of the offences that the Entity intends to avoid. In particular, with reference to the characteristics of the Model, the Decree expressly provides, in Article 6, paragraph 2, the following preparatory phases for the correct implementation of the Model:

- identification of activities in the context of which offences may be committed;
- establishment of specific procedures to plan the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
- identification of ways of managing financial resources capable of preventing the perpetration of such offences;
- provision of reporting obligations to the *Organismo di Vigilanza*;
- introduction of an appropriate disciplinary system to sanction non-compliance with the measures indicated in the Model.

## 2. THIS MODEL

### 2.1 KIKO S.p.A.

KIKO S.p.A. (hereinafter, the “**Company**” or “**KIKO**”) is an Italian company offering a make-up and facial and body treatments for the company purpose *inter alia*:

- a) *“the manufacture and sale, wholesale and retail, both on site and remotely, by mail order and electronically, of cosmetic products in general, perfumes and costume jewellery, personal care and hygiene items and gifts, including precious metal, textiles and clothing in general, footwear and leather goods, sporting goods and clothing accessories;”*
- b) *“the recruitment, organisation and management, on their own behalf and on behalf of others, of technical and commercial services for companies, associations, entities and individuals, the organisation and planning of production, investment management and planning, data processing, consultancy, market research and the preparation of feasibility studies in the real estate and commercial sector in general, with the exclusion of activities reserved by law to professional registers and to auditing and fiduciary companies.”*

The Company may also:

- carry out, both in Italy and abroad, any other commercial, industrial, securities and real estate transaction connected with the company's activities deemed necessary or useful by the administrative body for achieving the company object;
- acquire, directly or indirectly, interests and shareholdings in other companies having a similar or related object, to take out short-, medium- and long-term loans and grant guarantees and sureties, provide endorsements, allow mortgage entries on its own properties, including to guarantee third-party obligations.

### 2.2 The Purposes of the Model

This Model is inspired by the Guidelines for the construction of Organisation, Management and Control Models *pursuant to* Decree 231 of Confindustria.

The purpose of the Model prepared by KIKO, on the basis of identifying the areas of possible risk within which the possibility of offences being committed is considered to be highest, is to:

- establish a system of prevention and control aimed at reducing the risk of offences related to its activities being committed;
- render all those who operate in the name and on behalf or in the interest of KIKO, and in particular those involved in “offence risk areas”, aware that, in the event of a violation of the provisions contained therein, they may be committing an offence subject to criminal and administrative sanctions, not only against themselves but also against the Group;
- inform all those who operate with KIKO that violation of the stipulations contained in the Model entails the application of appropriate sanctions or termination of the contractual relationship;
- confirm that KIKO does not tolerate unlawful conduct, of any kind and for any purpose whatsoever and that, in any case, such conduct (even if KIKO is apparently in a position to benefit from it) is in any case contrary to the principles on which the Group’s activity is based.

### 2.3 The Construction of the Model

Based also on the instructions contained in the Guidelines, the construction of the Model (and the subsequent drafting of this document) is divided into the following steps:

- a) preliminary examination of the company context through analysis of relevant corporate documentation (e.g. Articles of Association, procedures and policies, system of proxies and powers, etc.) and conducting interviews with KIKO managers with information on its structure and activities, in order to define the organisation and activities performed by the various organisational units/functions, as well as an examination of the processes in which the activities are structured and their concrete and effective implementation;
- b) identification of areas of activity and business processes “at risk” or “instrumental” to the commission of offences, based on the aforementioned preliminary examination of the business environment (hereinafter, for brevity, cumulatively indicated as “**Offence Risk Areas**”);
- c) definition, on a hypothetical basis, of the main possible methods of committing Predicate Offences within the individual Offence Risk Areas;
- d) detection and identification of the Company’s control system aimed at preventing the perpetration of Predicate Offences.

#### 2.3.1 The Concept of Acceptable Risk

In preparing a Model, such as the present one, the concept of acceptable risk cannot be overlooked. It is, in fact, essential to establish, for the purposes of compliance with the provisions introduced by Decree 231, a threshold allowing the determination of the quantity and quality of the prevention instruments to be adopted in order to prevent the commission of the offence. With specific reference to the penalty mechanism introduced by the Decree, the acceptability threshold is the effective implementation of an adequate preventive system that is such that it cannot be circumvented except intentionally, or, for the purposes of the exclusion of administrative liability of the Entity, the persons who committed the offence acted by fraudulently evading the Model and the controls adopted by the Company.

#### 2.3.2 The structure of the Model and the Predicate Offences Relevant to its Construction

KIKO intended to produce a Model that considered its own specific reality and

organisational structure, in accordance with its own governance system and capable of enhancing existing controls and bodies.

The Model therefore represents a coherent set of principles, rules and provisions that:

- affect the internal functioning of the Company and the ways in which it interacts with external parties;
- govern the diligent management of a system of control of Offence Risk Areas, aimed at preventing the commission, or attempted commission, of the offences referred to in the Decree.

In particular, the KIKO Model consists of a “**General Section**”, which contains the main principles of the same and a “**Special Section**”, in relation to the various categories of offences provided for by Decree 231 and considered relevant for the Company.

The Special Section contains a brief description of the offences that may constitute a source of administrative liability for the company, an indication of the Offence Risk Areas identified, a description of the main methods of committing offences of relevance in each Offence Risk Area, and the general rules of conduct to which the Recipients of the Model (as defined in paragraph 2.5.1) must comply in order to prevent such offences from being committed.

Also in view of the number of types of offence that currently constitute a prerequisite for the administrative liability of Bodies under the Decree and, following a careful assessment of the activity actually carried out by KIKO and its history, the following types of offence were considered relevant:

- corruption (between private individuals and against the Public Administration), as well as other offences against the Public Administration referred to in Articles 24, 25 and 25-*ter* letter *s-bis*) of Decree 231;
- computer crimes pursuant to Article 24-*bis* of Decree 231;
- organised crime offences referred to in Article 24-*ter* of Decree 231;
- offences of forgery of coins, public credit cards, revenue stamps and identification instruments and signs pursuant to Article 25-*bis* of Decree 231;
- violations in industry and trade pursuant to Article 25-*bis*.1 of Decree 231;
- corporate offences referred to in Article 25-*ter* of Decree 231;
- offences for the purposes of terrorism or subversion of the democratic order, pursuant to Article 25-*quater* of Decree 231;
- crimes against the person referred to in Article 25-*quinquies* of Decree 231;
- offences of market abuse, as per Article 25-*sexies* of Decree 231 and article 187-*quinquies* of the TUF “*Responsibility of the Entity*”;
- manslaughter or serious or grievous bodily harm committed as a result of the breach of the rules on the protection of health and safety at work laid down in Article 25-*septies* of Decree 231;
- receiving, laundering and using money, goods or assets of illegal origin and self-laundering as referred to in Article 25-*octies* of Decree 231;
- offences relating to non-cash payment instruments referred to in Article 25-*octies*.1 of Decree 231;
- copyright infringement offences under Article 25-*novies* of Decree 231;
- incitement not to make or to make false statements to the judicial authority referred to in Article 25-*decies* of Decree 231;
- environmental offences referred to in Article 25-*undecies* of Decree 231;
- offences involving the employment of third-country nationals staying illegally pursuant to Article 25-*duodecies* of Decree 231;
- offences of racism and xenophobia as referred to in Article 25-*terdecies* of Decree 231;
- transnational crimes pursuant to Law No. 146 of 2006;
- tax offences pursuant to Article 25-*quinquiesdecies* of Decree 231;
- contraband offences pursuant to Article 25-*sexiesdecies* of Decree 231

The Company and the *Organismo di Vigilanza* (hereinafter “*Organismo di Vigilanza*” or *OdV*”) appointed under this Model periodically assess the completeness of the Model and its ability to prevent offences in view of the Company’s actual activities and - should it be found that some cases not included in the above list have in the meantime become relevant for the Company, promoting the timely updating of the Model.

In any case, the ethical principles on which the KIKO Model is based and its *governance* structure are intended to prevent, in general, even offences that, due to their minor importance or relevance to the Company’s activities, are not specifically governed by the Special Section of this Model.

### 2.3.3 The adoption and subsequent updating of the Model

The Decree entrusts the adoption of this Model to the management body (and in particular to the Board of Directors), which is also responsible for supplementing this Model with additional parts of the Special Section relating to other types of newly introduced Predicate Offences into Decree 231, or in the meantime considered relevant in view of the activity carried out by KIKO.

The Board of Directors resolves on the updating of the Model and its adaptation in relation to amendments and/or additions that become necessary as a result, for example:

- changes in the organisational structure of the company and/or in the manner in which the company’s activities are carried out;
- regulatory changes;
- results of controls;
- significant breaches of the provisions of the Model.

In the event that amendments of an exclusively formal nature, such as clarifications or clarifications of the text, are necessary, the authorised entities may proceed independently, after hearing the opinion of the *Organismo di Vigilanza*, immediately reporting them to the Board of Directors.

## 2.4 Documents related to the Model

The following documents form an integral and substantive part of the Model:

- the KIKO Code of Ethics containing all rights, duties and responsibilities to the Recipients of the Model (hereinafter, for brevity, the “**Code of Ethics**”);
- the disciplinary system and the relevant sanction mechanism to be applied in the event of breach of the Model (hereinafter, for brevity, the “**Sanction System**”);
- system of proxies and powers of attorney, as well as all documents with the aim of describing and assigning liability and/or duties to those operating within the Company in Offence Risk Areas (*i.e.* organisational charts, etc.);
- system of procedures, *polices* and internal controls with the purpose of ensuring adequate transparency and awareness of decision-making and financial processes, as well as of the behaviours to be taken by the Recipients of this Model who operate in the Offence Risk Areas.

(Hereinafter, for brevity, the system of proxies and powers of attorney, the procedures and internal controls mentioned above will be cumulatively defined as the “**Procedures**”).

It follows that the term Model must be understood not only this document, but also all the other documents and Procedures that will be subsequently adopted as provided in the Model and that will pursue the purposes indicated therein.

Without prejudice to the above, it should be noted that prior to the adoption of the

Model, KIKO had adopted a system of directives, procedures and internal controls in order to ensure adequate transparency and awareness of decision-making and financial processes, as well as conduct that must be observed by all those who work for KIKO.

## 2.5 Dissemination of the Model

### 2.5.1 Recipients

This Model takes into account the particular organisational and operational reality of KIKO and represents a valid tool for raising awareness and informing the Senior Management and Subordinate Parties (hereinafter, for brevity, the “**Recipients**”).

All this is to ensure that, in the performance of their activities, the Recipients follow correct and transparent conduct in line with the ethical and social values that the Company inspires in the pursuit of its purpose and in any case such as to prevent the risk of the perpetration of the offences provided for in the Decree.

In any event, the competent company departments ensure that the principles and rules of conduct contained in the Model and in the KIKO Code of Ethics are transposed into the Company's Procedures.

It is the objective of KIKO to ensure proper knowledge by the Recipients of the content of the Decree and the obligations arising therefrom.

### 2.5.2 Staff Training and Information

For the purposes of the effective implementation of this Model, training and information for the Recipients is managed by the function of *Global Audit*.

In particular, the adoption of the Model and its subsequent update are communicated by *email* and sent to all Recipients present in KIKO, which indicates the *link* to the shared folder on the company *intranet* in which the Model is uploaded.

Specific training is also provided. This continuing training activity is mandatory and can be developed through IT tools and procedures (update *e-mails*, self-assessment tools, paper-based documents), as well as periodic training and refresher meetings and seminars. This activity varies in terms of content and methods of disbursement, depending on the qualification of the Recipients, the level of risk in the areas they work in, and whether they represent the Company.

In order to ensure the effective dissemination of the Model and the adequate information of the Recipients with respect to the contents of the Decree and the obligations arising from its implementation, all the documents that make up the Model are stored in digital format on the *intranet* of the Company, updated from time to time by the internal department of reference in coordination or on the instructions of the *Organismo di Vigilanza*.

### 2.5.3 Information to Third Parties and Dissemination of the Model

KIKO also provides for the dissemination of the Model to persons who maintain collaboration relationships without subordination, consultancy relationships, agency relationships, commercial representation relationships and other relationships that take the form of a professional service, not of a subordinate nature, both continuous and occasional (including its recipients and consultants) (hereinafter, for brevity, the “**Third Parties**”).

The Company also invites the Third Parties to read the contents of the Code of Ethics

and the General Part of the Model on its *website*.

Specific clauses intended to inform Third Parties of the adoption of the Model by KIKO are included in the contractual text and/or in the general conditions of supply of goods and/or services.

### 3. ELEMENTS OF THE GOVERNANCE MODEL AND THE GENERAL ORGANISATIONAL STRUCTURE OF KIKO

KIKO implemented specific general controls applicable in all Offence Risk Areas. Specifically, these are as follows:

- Transparency: each operation/transaction/action must be justifiable, verifiable, consistent and congruent;
- Separation of functions/powers: no one may manage an entire process autonomously and may be vested with unlimited powers. Powers of authorisation and signature must be defined in a manner consistent with the organisational responsibilities assigned.
- Adequacy of internal rules: the set of corporate rules must be consistent with the operations carried out and the level of organisational complexity and such as to guarantee the controls necessary to prevent the perpetration of the offences provided for by the Decree;
- Traceability/Documentability: Each operation/transaction/action, as well as the relevant verification and control activities must be documented and the documentation must be adequately stored or in any case easily found.

In addition to the above, the Company has adopted the following specific controls:

#### 3.1 The Governance model of KIKO

KIKO is an Italian limited company that offers a line of professional make-up and face and body treatments, including through subsidiaries, all forming part of the same Group (hereinafter, the “**Group**”).

KIKO is administered by a Board of Directors composed of seven members and has appointed a Chief Executive Officer who has been granted extensive powers of representation with specific expenditure limits.

In addition, the Company granted powers to agents to carry out corporate activities.

The Company has appointed a Board of Statutory Auditors (hereinafter “*Collegio Sindacale*”), consisting of three standing members and two alternate members, as well as an Independent Auditors.

#### 3.2 Internal Control System Implemented by the Company

##### (a) Code of Ethics

The Board of Directors of KIKO has adopted its own Code of Ethics, which is available on the company *intranet* and posted on the KIKO *website*, to enable consultation of all interested parties.

The document defines the ethical principles and values that all company employees, regardless of hierarchical level, must respect in the conduct of all KIKO activities, both stable and temporary.

##### (b) Whistleblowing

In accordance with the provisions of Article 6, paragraph 2-*bis* of Decree 231, the Recipients of the Model who, due to the activities carried out, become in possession of information relating to illegal conducts pursuant to Decree 231 and/or conduct in violation of the rules and principles contained in the Model and in the related Procedures and in the Code of Ethics, may make detailed Reports, based on precise and consistent facts (hereinafter, the “**Reports**”).

Such Reports may be made by the following alternative methods:

- through the following dedicated channel: <https://kikomilano.whistlelink.com/>, or;
- by the following email: [whistleblowing@kikocosmetics.com](mailto:whistleblowing@kikocosmetics.com);

as required by Article 6, paragraph 2-*bis*, letter a) of Decree 231, are suitable to guarantee the confidentiality of the reporting party's identity.

The management of Reports received is detailed in the specific procedure “CP AUD 001- *Whistleblowing*”, uploaded in the company *intranet*.

Parties that provide detailed Reports of unlawful conducts or violations of the Model relevant pursuant to Decree 231 will be guaranteed by any form of retaliation, discrimination or penalty.

It should also be noted that in cases of Reporting or Notification performed within the limits referred to in Article 6, paragraph 2-*bis* of Decree 231, the pursuit of interest in the company's integrity and in the prevention and repression of embezzlement constitutes just cause for the disclosure of information covered by the obligation of secrecy established in Articles 326, 622 and 623 of the Criminal Code and Article 2105 of the Civil Code.

#### (c) Management of Financial Resources

Any payment or use of financial resources is subject to specific authorisation procedures (with value thresholds) within KIKO, which provide for maximum expenditure limits and single or joint signing methods depending on the amount of the transaction.

#### (d) Delegations and Powers of Attorney

KIKO has assigned the Company's powers of representation and signature on the basis of its organisational structure, in line with the management and organisational responsibilities of all the designated representatives.

These powers comply with the principle of *segregation of duty*, and in case of economic/financial transactions with third parties, the Company has provided for a system of double authorisation.

The powers assigned are regularly updated and continuously monitored to ensure correspondence with the responsibilities formally defined in the Company's organisational system, approved by the Board of Directors with the supervision of the *Legal, Finance* and *Global Audit* departments.

#### (e) Organization Chart

The KIKO organisational system, based on the principle of separation of duties and powers between the various functions, is reproduced in the most up-to-date versions of the organisational charts available on the company *intranet*. Any significant organisational changes are communicated by *e-mail* directly by the Chief Executive Officer, through the *Human Resources* office, to all employees.

(f) Policies and Procedures

The main processes and activities are regulated by *Global Policy, Procedures (Corporate and Country) and Work Instructions*, which are based on the principle of the separation of responsibilities and tasks. In addition, a specific control system has been implemented to ensure the security and protection of data, information, access and integrity of IT systems, in line with the provisions of the Code of Ethics for Data Protection.

KIKO has adopted the “CP HR 01 - *Company Document Definition*” procedure, which defines the phases of drafting, reviewing and approving KIKO's corporate documentation. All documents described in the procedure, including the above-mentioned document, can be accessed by all employees via the company *intranet*.

(g) Global Audit Function

The *Global Audit* function conducts its business objectively and independently. Its mission is to support KIKO's management through the effective, systematic and disciplined analysis and supervision of processes in terms of risk management, internal control and *governance*, including risks associated with Decree 231. In order to fulfil its mission, the department sends audit reports with the findings that have emerged and also conducts audits on the recommendations proposed. The *Global Audit* function supervises and analyses the processes, elements or areas of the Company in order to ensure the reliability of financial and operational information, the effectiveness and efficiency of the processes, compliance with internal regulations and procedures, and the safeguarding of KIKO's resources.

(h) Company's Intranet

KIKO's commitment to transparency and continuous information is based, among other actions, on the development of the company *intranet* where all information associated with the company's *governance* system is disclosed. The *intranet* is structured in different areas where you can find all the information you need for your employees. Therefore, among other documents, you may access the Code of Ethics, the current list of *Policies&Procedures*, the organisation charts of all the Group's corporate and *country* functions, etc.

(i) Guidelines for Foreign Companies

KIKO conducts its business in many countries and jurisdictions around the world and, together with its personnel, must comply with Italian law and the law of the states in which it operates (including laws ratifying international conventions). Therefore, the Company itself may be subject, directly and independently, to sanctions in relation to crimes committed by such individuals, unless they have acted exclusively for their own benefit or in the interest of third parties.

That is why KIKO and its subsidiaries, in accordance with Decree 231 and in compliance with the Code of Ethics adopted by the Company, undertake to carry out their activities in compliance with the Group's ethical principles and applicable local laws and provide guidelines to subsidiaries. The guidelines define the common principles of conduct and control measures to be adopted as part of its activities in line with the contents of the Model. Accordingly, *top management* at local level is responsible for implementing those *standards* applicable to the entities in which it operates.



## 4. THE ORGANISMO DI VIGILANZA (OdV)

### 4.1. Characteristics of the *Organismo di Vigilanza*

In accordance with the provisions of Decree 231 (Articles 6 and 7), as well as the instructions contained in the Confindustria Guidelines, the characteristics of the *Organismo di Vigilanza*, such as to ensure the effective and effective implementation of the Model, must be:

#### a) Autonomy and Independence

The requirements of autonomy and independence are fundamental so that the *OdV* is not directly involved in the management activities that constitute the object of its control activity and therefore does not suffer any conditioning or interference on the part of the management body.

These requirements can be achieved by ensuring that the *OdV* has the highest possible hierarchical position and by providing for *reporting* at the highest operational level of the Company, i.e. to the Board of Directors. For the purposes of independence, it is also essential that the *OdV* is not assigned management duties, which would compromise its objectivity in judgement with reference to assessments of the conduct and effectiveness of the Model.

#### b) Professionalism

The *OdV* must possess appropriate technical and professional skills for the functions it is called on to perform. These characteristics, combined with independence, guarantee objectivity of judgement.

#### c) Continuity of Action

The *OdV* must:

- carry out on a continuous basis, including through internal company departments, the activities necessary for the supervision of the Model with adequate commitment and with the necessary powers of investigation;
- be a structure relating to the Company, acting with due continuity in supervisory activities with appropriate commitment and supervisory powers.

In order to ensure the effective existence of the requirements described above, such persons should possess, in addition to the professional skills described, formal subjective requirements that further ensure the autonomy and independence required by the task (e.g. integrity, absence of conflicts of interest and family relationships with company bodies and senior management, etc.).

### 4.2. Identification of the *Organismo di Vigilanza*

The KIKO *OdV* is appointed by the Board of Directors as a collegiate body that guarantees the autonomy of the control initiative from any form of interference and/or conditioning by any member of the organisation, while ensuring sufficient continuity of action and, overall, allows the fulfilment of the requirements of professionalism in relation to the various categories of Predicate Offences.

### 4.3. Term of Office and Grounds for Termination

The *Organismo di Vigilanza* remains in office for the term indicated in the deed of appointment and may be renewed.

The *OdV* may cease to hold office for one of the following reasons:

- expiry of the mandate;
- revocation of the Body by the Board of Directors;
- waiver of a component, formalised by a specific written communication sent to the Board of Directors;
- one of the grounds for forfeiture referred to in paragraph 4.4.

The revocation of the *OdV* can only be ordered for just cause and this must be understood, by way of example, as the following cases:

- where the member is involved in a criminal trial involving the commission of a Predicate Offence;
- if a violation of the confidentiality obligations of the *OdV* is detected;
- in the event of conflicts of interest, including potential conflicts of interest, with the Company such as to prejudice the independence required by the role and tasks of the *Organismo di Vigilanza*. Examples of conflicts of interest can be represented by the fact of:
  - a) maintaining significant business relationships with KIKO, with the parent company or with companies controlled by or associated with it, except for the subordinate employment relationship;
  - b) maintaining significant business relationships with the Chairman or with directors vested with powers (executive directors);
  - c) having relationships with or be part of the family of the Chairman or executive directors, the family unit being understood as that consisting of a spouse not legally separated, relatives and in-laws up to the third degree;
  - d) holding directly (or indirectly) equity investments in the Company of such an entity as to enable the exercise of significant influence over the Company;
  - e) gross negligence in the performance of the tasks related to the assignment.

Revocation is ordered by decision of the Board of Directors, subject to the binding opinion of the *Collegio Sindacale* of the Company.

In the event of expiry, revocation or renunciation, the Board of Directors shall immediately appoint the new member of the *OdV*, while the outgoing member shall remain in office until his/her replacement.

#### 4.4. Cases of Ineligibility and Forfeiture

The following constitute grounds for ineligibility and/or forfeiture of the member of the *OdV*:

- a) disqualification, unsuitability, bankruptcy or, in any case, criminal conviction, including one not confirmed by a final judgement, for one of the offences provided for in the Decree or, in any case, a penalty that involves disqualification, including temporary disqualification, from public office or inability to exercise managerial positions;
- b) the existence of relationships of kinship, marriage or affinity up to the fourth degree with a member of the Board of Directors or the *Collegio Sindacale* of the Company.

Where any of the grounds for ineligibility referred to above should apply to a person appointed, the latter will automatically step down from office.

In the event of the presence of Company employees among the members of the *Organismo di Vigilanza*, the cessation of the relevant employment relationship shall also entail the forfeiture of the position.

In order to guarantee the necessary stability for the *Organismo di Vigilanza*, the

revocation of the powers of the *Organismo di Vigilanza* and the attribution of such powers to another person may only take place for just cause, including when linked to interventions to restructure the Company's organisation, by means of a specific resolution of the Board of Directors and after consulting the *Collegio Sindacale*.

In this regard, "just cause" for revoking the powers connected with the position of member of the *Organismo di Vigilanza* may be understood, by way of example only:

- a final conviction of the Company pursuant to the Decree or a plea bargaining sentence, where the documents show "failure to supervise or insufficient supervision" of the *Organismo di Vigilanza*, as provided for in Article 6, paragraph 1, letter d) of the Decree;
- the violation of the confidentiality obligations of the *OdV*;
- the attribution of operational functions and responsibilities within the company organisation that are incompatible with the requirements of "autonomy and independence" and "continuity of action" of the *Organismo di Vigilanza*.

In particularly serious cases, the Board of Directors may, following consultation with the *Collegio Sindacale*, suspend the powers of the *Organismo di Vigilanza* and appoint an *interim OdV*.

#### 4.5. Functions, Duties and Powers of the *Organismo di Vigilanza*

In accordance with the instructions provided by the Decree and by the Guidelines, the function of the *Organismo di Vigilanza* consists, in general, of:

- monitoring the effective application of the Model in relation to the various types of offences considered by the Model;
- verifying the effectiveness of the Model and its ability to prevent the perpetration of the offences in question;
- verifying that the requirements of adequacy and effectiveness of the Model continue to be met over time;
- identifying and proposing updates and amendments to the Model to the Board of Directors in relation to changed legislation or changed company requirements or conditions; In particular, reporting the necessity to draw up new sections of the Special Section in order to better prevent the perpetration of Predicate Offences which in the meantime have become relevant for KIKO;
- checking that the proposals for updates and amendments made to the Board of Directors have actually been incorporated into the Model.

Within the scope of the function described above, the *Organismo di Vigilanza* has the following tasks:

- periodically verifying the map of the Offence Risk Areas and the adequacy of control points in order to enable them to be updated on changes in the company's activity and/or structure. To this end, the Recipients of the Model, as described in greater detail in its Special Sections, must report to the *Organismo di Vigilanza* any situations that could expose KIKO to the risk of offence. All communications must be in writing and sent to the relevant email address for the *OdV*;
- periodically carrying out, on the basis of the previously established plan of activities of the *OdV*, targeted verifications and inspections of certain operations or specific acts carried out within the Offence Risk Areas;
- collecting, processing and storing relevant information (including the Reports referred to in paragraph 4.7) regarding compliance with the Model, and update the list of information that must be transmitted to the *OdV*;
- conducting internal investigations to ascertain alleged violations of the requirements of this Model brought to the attention of the *OdV* by specific Reports or during its own supervisory activities;
- verifying that the elements provided for in the Model for the various types of offences (*standard* clauses, procedures and related controls, system of proxies,

etc.) are actually adopted and implemented and are in line with the requirements of compliance with Decree 231, if not, proposing corrective actions and updates to the same;

- collecting any Reports from any Recipient of the Model regarding: i) any critical aspects of the measures provided for in the Model; ii) violations thereof; iii) any situation that could expose the Company to the risk of offence;
- periodically reporting to the department managers concerned any breaches of the control safeguards referred to in the Model and/or company procedures or deficiencies detected during the checks carried out, so that they may adopt the necessary adaptation measures involving, where necessary, the Board of Directors;
- monitoring the consistent application of the sanctions provided for by the internal regulations in cases of breach of the Model, without prejudice to the competence of the management body to apply the sanctions. detecting any behavioural deviations that may emerge from an analysis of information flows and from the Reports to which the Recipients of the Model are required.

The *Organismo di Vigilanza* is bound by confidentiality obligations with respect to all information of which it becomes aware as a result of the performance of its duties. Disclosure of such information may only be made to the persons and in the manner provided by this Model.

The following powers are assigned to the *OdV* for the performance of the duties and tasks indicated above:

- wide and extensive access to the various company documents and, in particular, to those concerning relationships of a contractual nature not established by the Company with third parties;
- make use of the support and cooperation of the various company structures and corporate bodies that may be involved, or otherwise involved, in control activities;
- granting specific consultancy and assistance mandates to professionals, including those external to the Company.

#### 4.6. Resources of the *Organismo di Vigilanza*

The Board of Directors assigns to the *OdV* the human and financial resources deemed appropriate for the performance of its assigned duties. In particular, the Supervisory Body is assigned autonomous spending powers, as well as the right to enter into, amend and/or terminate professional engagements to third parties possessing the specific skills necessary for the optimum execution of the mandate.

#### 4.7 Information Flows of the *Organismo di Vigilanza*

##### 4.7.1. Reporting Obligations to the *Organismo di Vigilanza*

In order to facilitate monitoring of the effectiveness of the Model, the *OdV* must be informed, by means of appropriate Reports from the Recipients (and, where appropriate, from Third Parties) about events that could involve KIKO's liability pursuant to Decree 231.

Information flows to the *OdV* are divided into periodic information and information on the occurrence of particular events.

In the first case, the following requirements apply:

- the Recipients are required to report to the *OdV* information relating to a breach of the Model and information relating to the commission or the reasonable belief of commission, the offences *pursuant* to Decree 231 or practices not in line with the Procedures and rules of conduct issued or to be issued by KIKO;

- the Third Parties are required to make Reports to the *OdV* relating to a breach of the Model as well as to the commission or the reasonable belief of commission, the offences *pursuant* to Decree 231 within the limits and according to the contractually established methods.

In addition to the periodic Reports described above, information on the following must be promptly sent to the *OdV*:

- measures and/or information from the judicial police, or any other authority, concerning investigations/proceedings in which KIKO or the Recipients of the Model are involved;
- any reports produced by the heads of other bodies (for example, the *Collegio Sindacale*) and functions in the context of their control activities which could reveal facts, actions, events or omissions which are critical in terms of compliance with Decree 231;
- information on disciplinary proceedings, as well as any sanctions imposed or measures for filing such proceedings with the respective reasons that KIKO or the Recipients of the Model are involved, if they are linked to the commission of offences or violation of the rules of conduct or procedure of the Model;
- the commissions of inquiry or internal reports/communications from which it emerges that KIKO or the Recipients of the Model are liable for the offences referred to in Decree 231;
- organisational changes;
- updates of the system of delegations and powers;
- particularly significant transactions carried out within the Offence Risk Areas;
- changes in the Offence Risk Areas or areas potentially at risk;
- any communications from the *Collegio Sindacale* concerning aspects that may indicate shortcomings in the internal control system, reprehensible actions, observations on the company's financial statements;
- a statement of the truthfulness and completeness of the information contained in corporate communications;
- a copy of the minutes of meetings of the *Collegio Sindacale* concerning aspects that may indicate shortcomings in the internal control system, reprehensible actions, observations on the company's financial statements.
- any violations of both the principles of conduct defined in the Guidelines for foreign companies and applicable local laws.

The Company adopts specific dedicated information channels to ensure the confidentiality of the above information and facilitate the flow of Reports and information to the Body through the mailbox [OdVkikospa@kikocosmetics.com](mailto:OdVkikospa@kikocosmetics.com).

Without prejudice to the above, the *OdV* may - at its own discretion - identify and propose to the Board of Directors the establishment of specific periodic flows with an indication of the relevant managers, with a view to obtaining information useful for monitoring the adequacy and effectiveness of the Model and to identifying any anomalies or anomalies detected in the context of the information available, proposing the relevant corrections.

The *OdV* assesses the Reports received with discretion and responsibility. To this end, it may listen to the person who filed the Report and/or the person responsible for the alleged violation, giving written reasons for any independent decision not to proceed. In any case, those who report in good faith shall be guaranteed any form of retaliation or penalization and they shall be guaranteed the utmost confidentiality, without prejudice to the legal obligations and requirements of protection of the Company for persons wrongly accused or accused in bad faith.

#### 4.7.2. Reporting Obligations of the *Organismo di Vigilanza*

Given that the responsibility for adopting and effectively implementing the Model remains with the Company's Board of Directors, the *OdV* reports on the implementation of the Model and on the occurrence of any critical issues.

In particular, the *Organismo di Vigilanza* is responsible to the Board of Directors for:

- promptly notify any problems, if significant, related to the activities carried out by the *OdV* in relation to its duties;
- report on the implementation of the Model on an annual basis.

The Body may request to be convened by the Board of Directors and the *Collegio Sindacale* to report on the functioning of the Model or on specific situations. Meetings with the corporate bodies to which the *OdV* reports must be minuted. Copies of the minutes are kept by the *OdV* and by the bodies involved.

Without prejudice to the above, the *Organismo di Vigilanza* may also communicate, assessing the individual circumstances, by:

- the results of its investigations to the heads of departments and/or sensitive areas if the activities concern aspects that could be improved. In such cases, the *OdV* must obtain from the heads of the areas an action plan, with the relevant timescales, for the implementation of activities that are liable to improve, and the result of such implementation
- reporting to the Board of Directors and the *Collegio Sindacale* on conduct/actions not in line with the Model in order to:
  - a) acquire from the Board of Directors all the elements to make any communications to the structures responsible for evaluating and applying the disciplinary sanctions;
  - b) to give instructions for the removal of deficiencies in order to avoid a recurrence of the event.

Finally, the *OdV* is obliged to immediately inform the *Collegio Sindacale* if the violation concerns the Board of Directors.

The following aspects are addressed in the annual *reporting*:

- checks and verifications carried out by the *Organismo di Vigilanza* and their outcome;
- any critical issues that have arisen;
- state of progress of any corrective and improvement measures to the Model;
- any legislative innovations or organisational changes that require updates in the identification of risks or changes to the Model;
- any disciplinary sanctions imposed by the competent bodies as a result of breaches of the Model;
- any Reports received from internal and external parties during the period concerning alleged violations of the Model or the Code of Ethics;
- the activity plan for the following period;
- other information considered significant.

Meetings with corporate bodies to which the *Organismo di Vigilanza* reports must be documented. The *Organismo di Vigilanza* is responsible for filing the relevant documentation.

## 5 SANCTION SYSTEM FOR FAILURE TO COMPLY WITH THIS MODEL AND THE RULES AND PROVISIONS CITED THEREIN

## 5.1 General Principles

KIKO acknowledges and declares that the preparation of an adequate Sanction System for the violation of the rules contained in the Model and in the Procedures is an essential condition for ensuring the effectiveness of the Model.

In this regard, Article 6, paragraph 2, letter e), paragraph 2 of Decree 231, provides that the organisation, management and control models must *“introduce a disciplinary regime suitable for sanctioning non-compliance with the measures indicated in the model”*.

Pursuant to Article 2106 of the Italian Civil Code, with reference to subordinate employment relationships, this penalty system supplements the provisions of the Collective National Organised Modern Retail Agreement (hereinafter also the “**CCNL**”) applied to the Company’s staff.

The violation of the rules of conduct and the measures provided for in the Model and the relevant Procedures by subordinate employees - including Managers - of KIKO, constitutes a breach of the obligations arising from the employment relationship, pursuant to applicable legislation and contractual provisions. More specifically, failure to comply with the rules and provisions contained in the Model and the related Procedures, in itself, undermines the existing relationship of trust with KIKO and involves actions of a sanctioning nature. This also applies in accordance with the principles of timely and immediate notification of the challenge and imposition of sanctions, in accordance with applicable legislation.

In addition, in the event that any party with whom the company is contractually in contact (regardless of whether or not the relationship is formal) violates the rules and provisions of the Model and the relevant Procedures, the contractual penalties provided for in this penalty system shall apply, the general principles of which must be considered for all legal purposes as an integral part of the contractual agreements in place with the interested parties.

Finally, it should be noted that the application of the sanctions described in this penalty system does not depend on the outcome of any criminal proceedings, since the rules of conduct imposed by the Model and the relevant Procedures are assumed by the Company in full autonomy and regardless of the type of offences referred to in Decree 231.

For the purposes of assessing the effectiveness and suitability of the Model to prevent the offences referred to in Decree 231, the Model must identify conduct that can be sanctioned, as it is appropriate to commit an offence, and the relevant sanctions.

The concept of the disciplinary system suggests that the Company must graduate the applicable sanctions, depending on the likelihood that certain behaviours may constitute specific offences.

A disciplinary system has therefore been created which, first of all, sanctions all infringements of the Model, from the lightest to the most serious, through a system of gradual sanction and which, second, respects the principle of proportionality between the conduct in place and the sanction imposed.

By virtue of the principles set out above, the disciplinary power referred to in Decree 231 is exercised (in the capacity of “Employer”) by the Chief Executive Officer, following Reporting and Assessment, originating from any person to whom the relative powers are and/or will be assigned.

In particular, disciplinary power is exercised against employees pursuant to Article 2106 of the Italian Civil Code and against other Recipients of the Model by virtue of specific clauses contained in contracts entered into with them.

## 5.2 Definition of “Breach” for the Purposes of the Operation of this Sanction System

Purely general and by way of example, the “**Breach**” of this Model and the relevant Procedures constitutes:

- the implementation of actions or behaviours, which do not comply with the law and the provisions contained in the Model itself and in the relevant Procedures, that entail a situation even of mere risk of perpetration of one of the offences contemplated by Decree 231;
- the omission of actions or conduct prescribed in the Model and the relevant Procedures that involve a situation of even the mere risk of perpetration of one of the offences contemplated by Decree 231;
- the implementation of actions or conduct that breach the measures to protect parties who, in order to protect the integrity of the Company, make detailed Reports of unlawful conducts or violations of the Model and the relevant Procedures pursuant to Decree 231;
- the preparation of detailed Reports of unlawful conduct or violations of the Model and the relevant Procedures pursuant to Decree 231 based on wilful misconduct or gross negligence by the reporting party and that prove to be unfounded following the planned checks and controls;
- the omission of the checks and controls provided for in the event that the persons identified as recipients of the Reports receive a Report detailing unlawful conducts or violations of the Model and the relevant Procedures pursuant to Decree 231.

## 5.3 Criteria for Imposing Sanctions

The type and extent of specific sanctions will be applied in proportion to the seriousness of the breach and, in any case, on the basis of the following general criteria:

- subjective element of the conduct (malicious intent, negligence);
- relevance of breached obligations;
- the potential for damage arising from KIKO;
- level of hierarchical responsibility or compliance with laws, regulations, orders or disciplines associated with the employment position of the perpetrator of the unlawful conduct;
- the presence of aggravating or mitigating circumstances, with particular regard to any precedents attributable to the author of the unlawful conduct;
- any sharing of liability with other employees or third parties in general that have contributed to determining the Breach.

If more than one offence has been committed by one act, punishable by different penalties, only the most serious penalty will apply.

In any event, disciplinary sanctions against subordinate employees must be imposed in accordance with Article 7 of Law No. 300/1970 (hereinafter, in short, the “**Workers’ Statute**”) and all other existing legislative and contractual provisions on the subject.

## 5.4 Sanctions for Employees

Conduct by employees in breach of the rules contained in this Model and in the



Procedures is defined as disciplinary offences.

From a regulatory point of view, Article 2104 of the Italian Civil Code, by identifying the duty of care and “obedience” incumbent on the employee, requires the employee to comply, in the performance of his or her duties, with provisions of a legal and contractual nature, as well as instructions issued by the Employer and by the employees of the latter on whom he or she reports in hierarchical terms.

In the event of non-compliance with these provisions, the Employer may impose disciplinary sanctions, graduated according to the gravity of the infringement, in compliance with the provisions of Article 7 of the Workers’ Statute and/or the Collective Agreement applied (see below).

In particular, the disciplinary procedure adopted by the Employer must be consistent with the combined provisions of Article 7 of the Workers’ Statute and Articles 225 et seq. of the Collective Agreement applied and, accordingly, it must comply with the following principles:

- disciplinary rules relating to sanctions, infringements in relation to which each of them may be applied and procedures for objecting to them, must be brought to the attention of employees by posting them in a place accessible to all Recipients;
- the employer cannot adopt any disciplinary measure against the worker without having previously contested the charge and without having heard the claim in its defence;
- the most serious disciplinary measures of the verbal warning cannot be applied until 5 days have elapsed from the date of written notification of the fact that gave rise to the action, in order to enable the person against whom the notification is addressed to exercise his right of defence (and by Article 7 of the Workers’ Statute);
- any adoption of disciplinary measures must be notified to the worker by registered letter within 15 days of the expiry of the period assigned to the worker to submit his/her counter-arguments;
- for requirements due to difficulties in the assessment of counter-arguments and decisions on the merits, the deadline indicated above may be extended by 30 days, provided that the company gives prior written notice thereof to the worker concerned.
- sanctions must be in accordance with the principle of proportionality to the infringement, the specification of which is entrusted to collective sector bargaining;

The Breach by employees, pursuant to paragraph 5.3 above of this Model, may give rise, depending on the seriousness of the Breach, to the various types of measures provided for by the law and/or the aforementioned CCNL, established in application of the principles of proportionality, as well as the criteria for correlation between the breach and the penalty and, in any case, in accordance with the form and methods established by applicable legislation.

For the purposes of this Sanction System, the disciplinary measures that may be imposed on employees of the Company, pursuant to the CCNL applied to them, may consist of:

- a verbal warning;
- written warning;
- fine not exceeding the amount of 4 hours of remuneration;
- suspension from work and remuneration up to a maximum of 10 days;
- disciplinary dismissal with other consequences of reason and law.

Without prejudice to the rights, powers and obligations of KIKO arising from the Workers’ Statute, the CCNL, any special laws and applicable provisions, as well as applicable internal regulations, the punishable conduct of employees of the Company

for the purposes of this penalty system, as considered and recognised by KIKO as disciplinary offences are: violations, infractions, circumvention, imperfect or partial application of the provisions contained in the Model and the related Procedures on a negligent, malicious and malicious basis in the event of the commission of an offence relevant to Decree 231.

The imposition of a disciplinary sanction for a breach of the Model must be notified in advance to the *Organismo di Vigilanza*.

The *Organismo di Vigilanza* is also notified of any archiving measures in relation to the disciplinary proceedings referred to in this paragraph.

#### 5.4.1 Managers

In compliance with the provisions of the industry's CCNL and Article 7 of the Workers' Statute, both the disciplinary sanctions provided by the industry's CCNL and disciplinary sanctions for breaches of the Model and the relevant Procedures in the individual employment contracts of the individual persons concerned and the relevant supplementary agreements are applicable to managerial staff.

The greater severity of the sanctions that may be imposed on workers in management positions compared to the rest of the personnel, due to the same violation, is explained by the greater degree of diligence and professionalism required by the position held.

In assessing the gravity of the Violation committed by personnel in the category of "Executive", KIKO takes account of the powers conferred, the technical and professional skills of the person concerned, with reference to the operational area in which the Violation occurred, and of any involvement in the Violation, including only from the standpoint of mere knowledge of the facts charged, of personnel with a lower classification.

If the violation of the Model leads to the supervening lack of trust between KIKO and the executive, the sanction is identified as disciplinary dismissal for just cause.

A manager who commits a Breach or fails to comply with a specific duty to supervise the subordinate parties is subject to the above disciplinary measures.

### 5.5 Senior Management

In the event of a breach of the rules referred to in the preceding paragraphs by the Chairman, the Chief Executive Officer or other members of the Board of Directors, the *OdV* shall immediately inform the *Collegio Sindacale* and the Board of Directors itself and, at the request of the *Collegio Sindacale*, a Shareholders' Meeting is convened for the appropriate assessments and measures.

### 5.6 Auditors

In the event of a Breach of the rules by one or more members of the *Collegio Sindacale*, the *Organismo di Vigilanza* shall inform the Board of Directors and the *Collegio Sindacale* and, at the request of the Board of Directors, a Shareholders' Meeting shall be called to make the appropriate assessments and measures.

### 5.7 Third Parties: External Contractors, Agents and Consultants

In the event of a Breach of the rules referred to in the previous paragraphs by collaborators, agents or external consultants, or, more generally, by Third Parties, the Company, depending on the seriousness of the breach: (i) recall the interested parties

to strictly comply with the provisions provided for therein; or (ii) shall be entitled, depending on the different types of contract, to withdraw from the existing relationship for just cause or to terminate the contract for non-fulfilment of the aforementioned persons.

To this end, KIKO has provided for the inclusion of appropriate clauses in agreements entered into with Third Parties which provide: (a) information to Third Parties of the adoption of the Model and the Code of Ethics by KIKO, an indication of the *link* to access the Code of Ethics and a declaration by Third Parties that they have already read it, and to undertake to scrupulously respect its ethical principles of conduct and the rules of conduct contained therein (b) the right of the Company to terminate the contract *pursuant* to Article 1456 of the Italian Civil Code in the event of violation of the said Code of Ethics attributable to the liability of Third Parties or its directors and/or managers and/or employees as well as in the event of committal to trial and/or conviction of its directors or managers for offences provided for by Decree 231.

#### **5.8 Sanctions pursuant to Article 6, paragraph 2-bis, letter d) of Legislative Decree No. 231/2001**

In accordance with the provisions of Article 6, paragraph 2-*bis* of Decree 231, in the event of:

- direct or indirect retaliation or discrimination against the reporting party for reasons related directly or indirectly to the Report;
- breach by the body responsible for receiving and/or managing the Report of the confidentiality obligations regarding the reporting party's identity;
- failure on the part of the body responsible for receiving and/or managing the Report to undertake the necessary checks to assess the validity of the facts forming the subject of the Report;
- making unfounded Reports fraudulently or with gross negligence,
- the disciplinary measures referred to in the above paragraphs are applied to the person who has implemented even only one of the above offences (see paragraph 5.4 to 5.7), depending on the position held.