

**ORGANISATIONAL AND MANAGEMENT MODEL
PURSUANT TO THE ITALIAN LEGISLATIVE DECREE NO.
231/2001**

Italdesign-Giugiaro S.p.A.

Approved by the Board of Directors of the Company on October 27th, 2021

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GENERAL PART

INTRODUCTION

The directors of Italdesign-Giugiaro S.p.A. (hereinafter referred to as “Italdesign” or the “Company”) have, over the years, provided the Company with an organizational, administrative and accounting structure consistent with the purposes of good governance set forth in art. 2086 of the Italian Civil Code.

This structure is functional not only to the achievement of the economic targets set forth by the shareholders, but also to the timely identification of any crisis factors or loss of business continuity that may arise.

This is to protect all stakeholders, including workers and the territories in which the business activity takes place, according to the principles of Sustainable Success, which is the main objective of the directors of Italdesign-Giugiaro S.p.A.

Believing that the commission of offences or in any case the violation of the rules governing the markets in which the Company operates is in itself a crisis factor (even before the heavy penalties that may result), the Organisational and Management Model provided for by Legislative Decree 231/2001, which aims to prevent such offences, is deemed to be an integral and essential part of the entire organisational structure of Italdesign.

This document, which represents the Model pursuant to Legislative Decree no. 231/2001, and which is reproduced below in full, has been updated several times by the Board of Directors and the latest version presented hereto was approved at the meeting held on October 27th, 2021.

This document sets out *i)* the assessment carried out with regard to the risks of committing the offences expressly referred to in Legislative Decree 231/2001; *ii)* the identification of sensitive activities, in order to verify in which areas/sectors of activity and according to which methods the aforesaid offences may occur; *iii)* the identification of the existing control system with reference to the "control principles" applied; *iv)* the identification of the "control principles" applied in order to identify the areas/sectors in which the offences may occur.

It has also been foreseen *v)* the rules for the identification, composition and functioning of the Oversight Body and the reporting from and to this Body; *vi)* the disciplinary system applicable in case of violation of the rules referred to by the Model; *vii)* the system for the management of financial flows; *viii)* the essential features of the corporate system for the fulfilment of all the obligations related to the compliance with the standards provided for by art. 30 of the Legislative Decree 81/2008 concerning the protection of health and safety in the workplace; *ix)* the methods for updating the Model itself.

The provisions of the Model are completed by the provisions of the Code of Conduct (Annex 2), which sets out the principles of behavior governing all those who work in Italdesign and on its behalf.

1. DESCRIPTION OF THE REGULATORY FRAMEWORK

With Italian Legislative Decree no. 231/ 2001 (hereinafter referred to as the “Decree”), pursuant to the delegation of powers granted to the Government with art. 11 of the Law no. 300 dated September 29th, 2000¹ the regulation of the “*responsibility of entities for administrative offences resulting from a crime*” was introduced, which applies to entities having legal capacity and to companies and associations, including those without legal capacity.

In accordance with the Decree, entities may be held responsible for certain offences committed or attempted (so called “Predicate Offences”, hereinafter referred to as “Offences”) committed in the interest or to the advantage of the entity, by representatives of the company management (so called persons “body’s senior officers” or just “seniors”) and by persons subject to the management or supervision of one of the above-mentioned persons (art. 5, paragraph 1 of the Decree)².

This liability is additional to the (criminal) liability of the actual persons who committed the crime.

The purpose of this expansion of liability is essentially to place Company assets and, ultimately, the financial interests of shareholders within the scope of the penalties for certain crimes, who, until the decree in question came into force, did not suffer direct consequences from the commission of offences, in the interest of or to the advantage of the entity by managers and/or employees³.

The Decree has accomplished the Italian legal system as it has allowed for the direct and autonomous application to entities of sanctions of both a pecuniary and disqualifying nature in relation to Offences attributed to subjects connected to them pursuant to art. 5 of the Decree.

The administrative responsibility of the entity is, however, excluded if the entity has, among other things, adopted and effectively implemented, prior to the commission of an Offence, organisational, management and control models suitable for preventing Offences of the same type as the one for which proceedings are being taken; such models may be adopted in accordance with codes of conduct (guidelines) drawn up by associations representing companies, including Confindustria, and forwarded to the Ministry of Justice.

In any event, the administrative responsibility is excluded if the seniors and/or their employees have acted exclusively in their own interest or that of third parties⁴.

1.1 Perpetrators of the offences: seniors and persons subject to their management

As mentioned above, pursuant the Decree, the entity is responsible for Offences committed in the

¹ The Legislative Decree no. 231/2001 was published in Official Gazette no. 140 of 19 June 2001, and Law no. 300/2000 in Official Gazette no. 250 of 25 October 2000.

² Art. 5, paragraph 1 of Legislative Decree no. 231/2001: “*Entity’s liability - An entity is liable for offences committed in its interest or to its advantage: a) by persons serving as representatives, or holding administrative or senior executive positions within the body or an organisational unit of same, and being financially and functionally independent, as well as by persons actually exercising management and control of same; b) by persons under the direction or supervision of one of the persons as per subparagraph a)*”.

³ Hence the introduction of the *Guidelines for the construction of models of organization, management and control pursuant to Legislative Decree no. 231/2001* of Confindustria.

⁴ Art. 5, paragraph 1 of Legislative Decree no. 231/2001: “*Entity’s liability - The entity cannot be held liable if the persons indicated in paragraph 1 act solely in their own interest or in the interest of others*”.

interest or to the advantage of the entity by:

- “persons serving as representatives, or holding administrative or senior executive positions within the entity or an organisational unit of same, and being financially and functionally independent, as well as by persons actually exercising management and control of same” (persons “in apical positions” or “apical”; art. 5, paragraph 1, letter a), of the Decree); and/or
- by persons under the direction or supervision of one of the seniors (so called persons subject to the direction of others; art. 5, paragraph 1, letter b), of the Decree).

It is also appropriate to confirm that the Law (art. 5, paragraph 2 of the Decree) expressly exempts the entity from liability if the above persons acted solely in their own interest or the interest of third parties⁵.

1.2 Offences

In accordance with the Decree, the entity may be held liable only for the Offences expressly referred to in articles 24 to 25-sexiesdecies of the Decree, if committed in its interest or to its advantage by qualified subjects pursuant to art. 5, paragraph 1, of the Decree or in the event of specific legal provisions that refer to the Decree, as art. 10 of Law no. 146/2006.

For convenience, the offenses can be included in the following categories (for a complete list, see [Annex 1](#)):

- offences in the relations with **Public Administration** (such as corruption, extortion, embezzlement from the State or European Union, defrauding and fraud against the State or European Union⁶, inducement to give or promise benefits and influence peddling, as referred to in arts 24 and 25 of the Decree);
- **IT-related felonies and unlawful processing of data** (such as unauthorized access to an information technology or electronic communication systems, installation of devices aimed at intercepting, impeding or interrupting IT or electronic communication systems, damage to IT or electronic communication systems referred to in art. 24-bis of the Decree);
- **felonies committed by criminal organizations** (e.g. for instance criminal association of a mafia type also with foreign connections, political-mafia election collusion, kidnapping for ransom referred to in art. 24-ter of the Decree);
- crimes against **public faith** (such as forgery of money, money values having legal tender or revenue stamps and instruments or identification signs), counterfeiting referred to in

⁵ The Illustrative Report on Legislative Decree no. 231/2001, in the section concerning Article 5, paragraph 2, of Legislative Decree no. 231/2001, states that: “The second paragraph of article 5 of the scheme derives from letter e) of the delegation and excludes the liability of the company when natural persons (whether senior managers or subordinates) have acted exclusively in their own interest or the interest of third parties. The provision refers to cases in which the offence committed by the natural person cannot in any way be attributed to the entity because it was not carried out, even partially, in the interest of the latter. Moreover, it should be noted that, where the clear extraneousness of the legal person results in this way, the judge will not even have to verify whether the legal person has gained an advantage by chance (the provision therefore applies as an exception to the first paragraph)”.

⁶ The Legislative Decree no. 75 of July 14, 2020, art. 5 paragraph 1 letters a) and b), in implementation of the Directive (EU) 2017/1371 on the fight against fraud affecting financial interests of the EU by means of criminal law, extended the scope of application of the above-mentioned offences also with regard to the legal assets of which the European Union is a member. Moreover, the same legislative innovation has included among the offences referred to in art. 25 of the Decree the crime of fraud in public contracts as per art. 356 of the Italian Criminal Code and the crime of fraud in agriculture.

- art. 25 bis of Legislative Decree 231/2001);
- offences against **industry and commerce** (such as for example obstructing industry and trade, fraud in trade, sale of industrial products with misleading signs referred to in art. 25 *bis*.1 of the Decree);
 - **corporate offences** (such as false corporate communications, prevention of control, unlawful influence over the shareholders' meeting, corruption between private individuals referred to in art. 25-*ter* of the Decree, amended by Law no. 262/2005 and more recently by Italian Legislative Decree no. 39/2010, Law no. 190/2012, Legislative Decree no. 38/2017 and Law no. 3/2019);
 - **felonies committed for purposes of terrorism or felonies designed to subvert democracy** (referred to in art.25-*quater* of the Decree);
 - offences against **individuals** (such as the trafficking of people, treating people as slaves or reducing them to slavery or illegal intermediation and exploitation of labour, as indicated in art.25-*quater*.1 and art. 25-*quinquies* of the Decree);
 - **market abuse** crimes (misuse of privileged information and market manipulation referred to in art. 25-*sexies* of the Decree);
 - **transnational** crimes (such as for example organised crime and criminal association for the purpose of obstruction of justice, insofar as the crimes can be classified as “transnational”);
 - crimes committed in breach of the regulations on **health and safety at the workplace** (manslaughter and grave negligent personal injury referred to in art. 25-*septies* of the Decree);
 - crimes of **handling stolen goods, laundering and using of money, assets or benefits whose origin is illegal and self-laundering** (referred to in art. 25-*octies* of the Decree);
 - crimes concerning **breach of copyrights** (referred to in art. 25-*nonies* of the Decree);
 - crime of **induction for not making statements or making false statements to the courts** (referred to in art. 25-*decies* of the Decree);
 - **environmental crimes** (art. 25-*undecies* of the Decree);
 - **employment of subjects from other countries who are illegal immigrants** (art. 25 *duodecies* of the Decree);
 - crime of **racism and xenophobia** (art. 25-*terdecies* of the Decree);
 - **fraud in sporting competitions, abusive gambling or betting and gambling by means of prohibited devices** (art. 25 *quaterdecies* D.Lgs. 231/2001);
 - **tax offences** (fraudulent declaration through the use of invoices or other documents for non-existent transactions; fraudulent declaration through other devices; issue of invoices or other documents for non-existent transactions; concealment or destruction of accounting documents; fraudulent evasion of tax payments; false declaration, non-declaration and unlawful compensation referred to in art. 25-*quinquiesdecies* of the Decree);

- **smuggling** crimes (provided for in Decree of the President of the Republic no. 43/1973 and referred to in art. 25-*sexiesdecies*).

The aforementioned categories are likely to increase further due to the legislative tendency to extend the administrative liability set forth in the Decree, also in compliance with international and EU obligations. In addition to these cases, there is also the crime provided for by art. 23 of the Decree itself, which provides for the punishment of anyone who, while carrying out the activity of the entity to which a sanction or a prohibitory precautionary measure has been applied, violates the obligations and prohibitions inherent to such sanctions or measures.

1.3 Sanctioning system

The Decree foresees the following types of sanctions applicable to entities as a consequence of the commission or attempted commission of the above-mentioned Offences:

- pecuniary penalties (and seizure as cautionary measures);
- disqualification (also as a cautionary measure) of no less than three months and no more than two years⁷ (highlighting that, under art. 14 paragraph 1 of Italian Legislative Decree no. 231/2001 “*Disqualification sanctions specifically concern the activity related to the offence committed by the Entity*”) and more specifically:
 - ✓ disqualification from trading or exercising business activity;
 - ✓ suspension or revocation of those permits, licenses or concessions which were/are functional to the commission of the offence;
 - ✓ prohibition to negotiate with the public administration, except when requesting public services;
 - ✓ exclusion from all financing, public grants, contributions and subsidies with revocation of those already granted;
 - ✓ prohibition to advertise goods or services;
- confiscation (and seizure as cautionary measures);
- publication of the judgement (in case of application of a disqualification sanction).

Pecuniary sanctions are determined based on a “quota” system of no less than one hundred and no more than one thousand, whose amount may vary from a minimum of Euro 258,23 to a maximum of Euro 1,549.37. In the determination of the pecuniary sanction, the Judge takes into account:

- ✓ the number of quotas, the seriousness of the offence, the degree of liability of the Entity and the activity performed by the Entity in order to eliminate or dilute the consequences of the offence and prevent the performance of further offences;
- ✓ the amount of each quota is established according to the financial and equity conditions of the Entity.

⁷ As a result of the entry into force of Law no. 9 of January 3rd, 2019, the duration of the disqualification penalties has been significantly increased in relation to the commission of the predicate offences provided for by art. 319 (Corruption for an act contrary to official duties), 319-ter, paragraph 1 (Corruption in judicial acts), 321 (Penalties for the corruptor), 322, paragraphs 2 and 4 (Incitement to corruption), 317 (Concussion), 319, aggravated pursuant to article 319-bis, when the entity has obtained a significant profit from the act, 319-ter, paragraph 2, 319-quater (Undue induction to give or promise benefits) and 321 c.p..

Disqualification measures are applied in the event of Offences for which disqualification is expressly provided, where at least one of the following conditions is met:

- a) the Entity has obtained significant profit from the offence and the offence is committed by senior officers or otherwise by persons reporting to others when, in this case, commission of the offence is caused or facilitated by severe organisational shortcomings;
- b) in cases of reiteration of the offences.

The Judge determines the type and duration of the disqualification taking into consideration the suitability of the sanctions for preventing unlawful acts of the type committed from re-occurring and, where necessary, can apply them simultaneously (art. 14 paragraph 1 and paragraph 3 of Italian Legislative Decree no. 231/ 2001).

The disqualification from the company business, from entering into contracts with the public administration and the advertising of goods or services - in the more serious cases - may be final⁸. There is also the possibility that a commissioner appointed by the Judge may continue to run the activity of the Entity (instead of the issuing of the sanction) under the conditions of art. 15 of Italian Legislative Decree no. 231/ 2001⁹.

1.4 Attempts

In cases in which the offences referred to and considered by Italian Legislative Decree no. 231/2001 arise from the attempt to commit the crime, the pecuniary sanctions (in terms of the amounts) and the disqualifications (in terms of time) are reduced by between a third and a half.

The Entity is not liable if it voluntarily prevents completion of the action or realisation of the event (art. 26 of Italian Legislative Decree no. 231/ 2001). The exclusion of sanctions is justified, in such case, provided that all relations are broken off whereby the individuals concerned were identified with the entity and assumed that they acted on behalf of the entity.

1.5 Offences committed abroad

Based on the provisions of art. 4 of the Italian Legislative Decree no. 231/2001, the Entity may be

⁸ Information is provided under art. 16 of Italian Legislative Decree no. 231/2001, according to which: "1. Final disqualification from exercising the activity may be ordered if the entity obtains significant profits from the offence and if the entity has already been sentenced, at least three times in the last seven years, to temporary disqualification from business. 2. The judge may disqualify the entity, such decision being final, from entering into contracts with the public administration or otherwise may prohibit the entity from advertising goods or services when the same penalty has already been imposed at least three times in the last seven years. 3. If the entity or any of its organisational units is used on an ongoing basis solely, or primarily to allow or to facilitate the commission of offences for which it may be found liable, the entity is again disqualified from business, such decision being final, and the provisions of article 17 do not apply".

⁹ Art. 15 of Italian Legislative Decree no. 231/2001: "Judicial Commissioner - If the conditions exist for the application of a disqualification sanction that causes the interruption of the entity's activity, the judge, in place of the application of the sanction, orders the continuation of the entity's activity by a commissioner for a period equal to the duration of the disqualification sanction that would have been applied, when at least one of the following conditions is met: a) the entity performs a public service or a service of public necessity, the interruption of which may cause serious harm to the community; b) the interruption of the entity's activity may cause, taking into account its size and the economic conditions of the territory in which it is located, significant repercussions on employment. With the decision ordering the continuation of the activity, the judge spells out the tasks and powers to be held by the temporary commissioner, taking into consideration the specific activity in connection with which the crime has been committed by the entity. Within the scope of the tasks and powers spelled out by the judge, the temporary commissioner deals with adoption and effective implementation of the organisational and control models to prevent offences of the type previously occurring. The temporary commissioner may not engage in extraordinary business without the judge's authorisation. Profits arising from continuation of the activity are confiscated. Continuation of the activity by the temporary commissioner cannot be ordered when interruption of the activity is a consequence of disqualification, such imposition being final".

made accountable in Italy, in relation with the crimes foreseen by the same Italian Legislative Decree no. 231/2001, and committed abroad¹⁰.

The Explanatory Report to Legislative Decree no. 231/2001 underlines the need not to leave a criminal situation that may actually occur without a sanction, also in order to avoid easy circumvention of the entire regulatory framework in question.

The prerequisites on which the liability of the entity for Offences committed abroad is based are the following:

- (i) the Offence must be committed abroad by an individual functionally connected to the Entity for the purposes of article 5 of the Decree;
- (ii) the Entity must have its headquarters in Italy;
- (iii) the Entity may be held liable only in the cases and on the conditions provided by articles 7, 8, 9 and 10 of the Italian Criminal Code (in the cases where the law states that the guilty party - natural person - is punished on the request of the Ministry of Justice, action is taken against the organisation only if the request is formulated against the latter) and, in accordance with principle of legality as per art. 2 of the Decree, only for offences for which its liability is provided for by a specific legislative provision;
- (iv) Existing the cases and conditions provided for in the above-mentioned articles of the Italian Criminal Code, the Entity is liable, unless it is prosecuted in the state where the crime has been committed.

1.6 Exempting value of Organisation, Management and Control Models

The Legislative Decree no. 231/2001 assigns an exempting value to the models of organization, management and control where adopted by the Entity.

In case the crime was committed by one of the seniors the Entity shall not be liable if it proves that (art. 6, comma 1, D.Lgs. n. 231/2001):

- a) it has adopted and effectively implemented, through its management body, organisational and management models which aim to prevent the crime in question, before the offence was committed;
- b) a special independent body , which has independent monitoring and surveillance powers, has been appointed by the company to ensure that the models are implemented and complied with and to update them;
- c) the persons committed the Offence by fraudulently circumventing the aforementioned organisational and management models;
- d) there was no omission or insufficient supervision on the part of the oversight body.

In the case of an Offence committed by seniors there is, therefore, a presumption of responsibility

¹⁰ Art. 4 of Italian Legislative Decree no. 231/2001 foresees as follows: “1. In those cases contemplated by articles 7, 8, 9 and 10 of the Criminal Code and subject to the conditions contained therein, entities having their main place of business within the state are also liable in respect of offences committed abroad, provided that prosecution is not brought by the State in the place where the act is committed. 2. Where the law provides that the guilty party is punishable subject to a request being made by the Minister of Justice, prosecution is only brought against the entity if the request is also made against the latter”.

of the Entity due to the fact that these subjects express and represent politics and, therefore, the will of the Entity itself. In order to be exempt from liability, the Entity must, therefore, demonstrate its extraneousness to the facts alleged against the seniors by proving the existence of the above-mentioned competing requirements and, consequently, the circumstance that the commission of the crime does not derive from its own "organizational fault"¹¹.

In the case, however, where the crime was committed by one of the so-called persons subject to the direction of others, the Entity shall be liable if the individual was able to commit the crime due to violation of the supervisory and management obligations that the company must observe¹².

In any case, the violation of the obligations of management or supervision is excluded if the entity, before the commission of the Offence, has adopted and effectively implemented a model of organization, management and control suitable to prevent the crimes of the kind that occurred.

In case provided for in art. 7, and namely in case an Offence committed by persons subject to the direction of others, the prosecution shall have to prove the non-adoption and effective implementation of a model of organization, appropriate management and control to prevent the Offence occurred.

The Decree outlines the general content of the models of organization and management foreseeing that the latter, in relation to the extension of the delegated powers and the risk of commission of Offences, as specified by art. 6, paragraph 2, must:

- ✓ identify the areas at risk of committing the Offences;
- ✓ prepare specific protocols which aim to provide training and implementation programs for company resolutions which refer to the Offences to be prevented;
- ✓ put in place of means of identification and management of financial resources capable of preventing the commission of Offences;
- ✓ impose of information obligations on the independent body appointed to monitor the adequacy and compliance with the model;
- ✓ introduce an internal disciplinary system capable of sanctioning any failure to comply with the measures indicated in the model.

Art. 7, paragraph 4 of the Decree also defines the requirements for the effective implementation of organisational models:

- ✓ regularly check and eventual modification of the model when some violation of the prescriptions have been discovered or when change in the organization or in the activity of the company has been carried out;
- ✓ introduction of an internal disciplinary system in order to sanction the failure to comply

¹¹ In this regard, the Illustrative Report of Legislative Decree n.231/2001 states that: *"For the purposes of the liability of the Entity, therefore, it will be necessary not only that the crime be connected to it objectively (the conditions under which this occurs, as seen above, are governed by Article 5); moreover, the crime will have to constitute also expression of the business policy or at least to derive from a guilt of organization". And again: "we start from the presumption (empirically founded) that, in the case of crime committed by a summit, the "subjective" requirement of liability of the entity [ie the c.d. "organizational fault" of the entity] is satisfied, since the summit expresses and represents the politics of the agency; if this does not happen, it will have to be the society to demonstrate its strangeness, and this will be able to do only proving the subsistence of a series of requirements between they competitors"*.

¹² Art. 7, paragraph 1 of the Decree: *"Persons subject to the direction of others and the body's organisational models - Where contemplated by article 5, paragraph 1, subparagraph b), the body is liable if commission of the offence is made possible by means of noncompliance with the directive or oversight requirements"*.

with the measures indicated in the model.

1.7 The Organisation, Management and Control Model in the context of the company's organisational structure

The Organisation, Management and Control Model is an integral part of the organisational, administrative and accounting structure that the entrepreneur has the duty to establish pursuant to art. 2086 of the Italian Civil Code.

In fact, in its orientation towards preventing the commission of the Offences provided for by Italian Legislative Decree no. 231/2001, it is an element that minimizes the risk of sanctions that could potentially have a negative impact on the company's ability to continue and, at the same time, offers a valid tool for the timely detection of critical situations.

In this sense, the Board of Directors of Italdesign Giugiaro S.p.A. ensures the continuous updating and constant implementation of the Organizational Model.

1.8 Codes of conduct prepared by the associations representing companies

Art. 6, paragraph 3 of the Decree states that *"The organisational and management models may be adopted, by guaranteeing that the requirements set out in paragraph 2 are met, on the basis of codes of conduct drawn up by the associations representing the bodies, notified to the Ministry of Justice which, in concert with the competent ministries, may, within thirty days, draw up observations on the suitability of models designed to prevent offences"*.

Confindustria has defined the *"Guidelines for the construction of organisational, management and control models pursuant to Legislative Decree no. 231/2001"*, providing, among other things, methodological indications for the identification of risk areas (sector/activity in relation to which Offences may be committed), the definition of a control system (so-called protocols for planning the creation and implementation of the entity's decisions) and the contents of the organisational, management and control model.

In particular, the Confindustria Guidelines issued on March 7th, 2002 and later updated in June 2021, recommend the use of risk assessment and risk management processes and provide for the following phases in defining the model:

- identification of risks and protocols;
- implementation of general tools, the main ones being a Code of Conduct with reference to the Offences pursuant to Legislative Decree no. 231/2001 and a disciplinary system;
- coordination with existing controls (e.g. in the tax area) with a view to implementing an efficient and consistent integrated compliance system;
- definition of the criteria for selecting the oversight body, its requisites, duties and powers, and reporting obligations.

Italdesign has adopted and repeatedly updated its Organization, Management and Control Model (hereinafter also referred to as the "Model") on the basis of the Confindustria Guidelines.

In any case, any discrepancies that may be found with respect to the content of the Guidelines would not compromise the validity of the Model in itself, since the latter corresponds to the specific situation of the Company and, therefore, it may well deviate from the Guidelines - which

by their nature are general for specific protection and prevention requirements¹³.

1.9 Assessment of suitability

The liability of the company is determined by the criminal court by:

- verifying the existence of the predicate offence for the liability of the entity, the interest and advantage and the relationship between the offender and the entity; and
- verifying the suitability of the organisational models adopted.

The assessment of the theoretical suitability of the organisational model to prevent the offences referred to in Legislative Decree no. 231/2001 is carried out according to the criteria of the so-called "posthumous prognosis".

The assessment of suitability has to be formulated according to a substantially *ex ante* criterion whereby the judge ideally places himself in the company reality at the time when the offence occurred in order to test the effectiveness and efficiency of the adopted model, not being able to automatically assume the ineffectiveness of the model from the occurrence of the offence, otherwise the provision would be worthless.

2. THE ITALDESIGN GOVERNANCE MODEL AND ORGANISATIONAL STRUCTURE

2.1 Italdesign-Giugiaro S.p.A.

Italdesign is an Italian company belonging to the multinational Volkswagen/Audi group (hereinafter also referred to as the "Group"). The Group, headquartered in Germany, is one of the world's largest manufacturers of motor vehicles.

The Company, founded as a service center for the *automotive* sector, represents excellence in the field of automotive technology and design, having expanded its capabilities and skills over the years, offering services that also cover the production of vehicles and industrial objects, as well as activities of styling research and design, validation and prototyping.

In particular, the Company proposes itself to the market both as a car manufacturer through the brand "*Automobili Speciali*", with which it produces editions in ultra-limited series, and by collaborating with the main car manufacturers (and not only) for the design and production of small series vehicles for the open market.

Over time, Italdesign has further expanded and diversified its activities by launching the *Powertrain Development* Department, through which it provides its customers and in particular the companies

¹³ Guidelines for the implementation of Organization, Management and Control Models, drawn up by Confindustria, approved on March 7th, 2002 and updated in June 2021, page 4: "However, given the breadth of the types of entities represented in Confindustria's membership and the variety of organizational structures adopted from time to time, depending both on their size and on the different geographic or economic markets in which they operate, it is not possible to provide precise references in terms of organizational and functional models, except on a methodological level. The Guidelines, therefore, aim to guide companies in the creation of these models, since it is not possible to propose the construction of decontextualized case studies to be applied directly to individual operating situations. Therefore, without prejudice to the key role of the Guidelines in terms of the abstract suitability of the model that complies with them, the judgement on the concrete implementation and effective application of the model itself in the company's daily activities is left to the judge's free assessment".

of the Group with testing services on a chassis dynamometer, and the *Electric/Electronics* Department, which deals transversally with the development of electronic components and functions such as, for example, ADAS functions, Infotainment systems, connectivity and HMI (*Human Machine Interface*). Finally, Italdesign has also launched the innovative Concept Lab, a multidisciplinary environment for the analysis and study in virtual reality of the relationship between man and vehicle.

The Company also operates through its foreign subsidiaries Italdesign Giugiaro Barcelona and Italdesign Giugiaro Deutschland.

The first one is a company operating in the automotive and *Industrial Design* sector. The second one, on the other hand, is in charge of the development and execution of the orders entrusted to Italdesign by the Parent Company and consists of an operating office in Ingolstadt, which acts as a support office for Italdesign staff and as a reference for Audi, as well as an office in Wolfsburg in support of Volkswagen.

2.2 The governance system of Italdesign-Giugiaro

Italdesign's *governance* model and, overall, its entire organizational system, is entirely structured in such a way as to ensure that the Company implements its strategies and achieves the objectives defined by the Group, in compliance with the relevant national and international regulations.

The current structure of Italdesign-Giugiaro S.p.A., in fact, was created taking into account the need to provide the Company with an organization able to ensure maximum efficiency and operational effectiveness, in compliance with the principles of transparency, legality and sustainability always adopted by the whole Group.

In view of the peculiarities of its organisational structure and of the activities it carries out, the Company has opted for the so-called "*traditional governance system*", which includes a Board of Directors with administrative functions, a Board of Statutory Auditors with management control functions, and an Independent Auditors who perform the statutory audit of the accounts. All these bodies are appointed by the Shareholders' Meeting. Although the entire share capital is held by the sole shareholder Automobili Lamborghini S.p.A., Italdesign is subject to the management and coordination of Audi AG. The *corporate governance* system of the Company is therefore structured as follows:

A) Shareholders' Meeting

The Ordinary and Extraordinary General Meeting of Shareholders is responsible for passing resolutions on matters reserved to it by law or by the Articles of Association.

B) Board of Directors

The Board of Directors is invested with all the powers of ordinary and extraordinary administration for the implementation and achievement of the corporate purpose, within the limits of what is allowed by law and by the Articles of Association. Therefore, among other things, the Board of Directors has the power to define the strategic policies of the Company and to verify the existence and efficiency of its organisational and administrative structure.

According to the provisions contained in the Articles of Association, the Board of Directors can be

made up of between 3 and 11 members, who need not necessarily be Shareholders, appointed by the Shareholders' Meeting, which determines the number of Board members. They remain in office for three financial years and can be re-elected. A Managing Director (*CEO*) is appointed within the Board.

C) Board of Statutory Auditors

The Board of Statutory Auditors is made up of 3 Standing Auditors and 2 Substitute Auditors. All members of the Board of Statutory Auditors shall remain in office for 3 financial years or for the different period established upon appointment. On expiry, the appointment may be renewed.

The Board of Statutory Auditors is entrusted with the task of supervising

- compliance with the law and the memorandum of association;
- compliance with the principles of proper administration
- the adequacy of the Company's organisational structure, of the Internal Control System and of the administrative and accounting system, also with regard to the reliability of the latter to correctly represent management events.

D) Auditing Company

The Shareholders' Meeting of Italdesign appointed an auditing firm, registered in the Special Register, to audit the Company's accounts.

2.3 Organisational structure

Italdesign's organisational structure is headed by the Chief Executive Officer (*CEO*) and is described in the company's organisational chart.

The following departments operate in support of the business areas and, for this reason, can be defined as *Staff* departments:

- **Legal & Governance Office:** manages the Company's active and passive litigation. Provides support in the preparation of opinions and agreements with counterparties, as well as in the definition and review of contracts and agreements. It deals with corporate compliance.
- **Compliance & Risk:** manages the implementation and monitoring of the Company's Compliance Management System (*CMS*), which is the responsibility of the Compliance Officer, in compliance with Italian legal requirements, the Group's international standards and the Group's procedures and directives.
- **Strategy:** ensures a strategic and constant control of the programming and product development flow and ensures the time to market, cost, performance and quality objectives assigned to the projects.

In addition to the above, there are the following departments, which guarantee the availability of human, material and economic resources adequate for the development of business activities:

- **Human Resources & Organisation (HR&O):** deals with recruitment and personnel management practices, takes part in the definition of the evaluation system and manages personnel training and development activities and is responsible for payroll processing.

This includes the *Information Technology (IT)* Unit, which supports the Company in providing a wide range of services dedicated to the development of vehicles and industrial products, from *styling* to *engineering*, from the production of prototypes to their verification and validation. The team also works constantly to ensure the highest quality standards in *IT* management, *IT* network architecture and *IT* security.

The *Health, Safety & Environment* Unit is also part of HRO, and is responsible for managing environmental and occupational health and safety issues, ensuring compliance with the law, preparing the necessary documentation, monitoring company and production processes in order to identify risks and define the prevention systems to be implemented, and offering support to all the other Entities and, in particular, to those who have a role of responsibility in guaranteeing the correct implementation of environmental and occupational safety measures. Such management and monitoring activities concerning the protection and prevention of risks relating to environmental issues and to health and safety at work are coordinated by the Italdesign Prevention and Protection Service Manager (RSPP or otherwise identified within this Model as *Health, Safety & Environment Manager*).

The HRO also guarantees the company Security.

- **Purchasing:** responsible for the procurement process for goods and services, both direct and indirect.
- **Finance:** manages financial flows and accounting controls. It also contributes to the definition of the *budgets* assigned to the individual company bodies, carrying out an assessment of their economic sustainability. Supervises the preparation of the financial statements, accounting situations and reports. It controls and administers the Company's credit exposure, monitors the overall level of credit exposure and initiates the appropriate initiatives for credit recovery. Manages activities related to the preparation of all Company tax returns, with the support of external consultants.

Below is a summary of the tasks and responsibilities of the entities directly involved in the activities that characterize Italdesign's business, carried out through the main plant in Moncalieri and the one in Nichelino, where the sheets for the prototypes designed in the former are printed:

- **Project Management:** deals with the design, planning and implementation of the objectives of a project, managing it in all its characteristics and evolutionary phases.
- **Business Development:** deals with the commercial management of orders, starting from the search for new customers, both active (i.e. through the development of relationships that can create a network, with the aim of getting in touch with new potential customers) and passive (through the increase of brand visibility, working in close connection with the *Public Relations & Communications* Unit). The Business Development Unit is then responsible for preparing the commercial documentation for participation in tenders called by private and public entities and, in particular, the commercial offer.

It interfaces and handles relations with intermediaries, finders or developers with whom the Company, in the absence of a worldwide distribution and sales network, defines agreements to develop sales in the various geographical areas and thus reach potential customers.

The *Public Relations & Communications* Unit is located within the *Business Development* Department and is responsible for all external communication activities, including through the website, and for the management of public relations, including relations with the press, in relation to institutional events or participation in sector events; it is also responsible for activities connected with the management of the museum's vehicles and the organization of events, following stand set-up operations and the shipment of showcars.

- **Design:** the team that deals with the preparation of the sketches, the three-dimensional scale models and the whole process of conception and design, up to the construction of the first prototypes of new models.

Starting from the client's brief, the stylistic research prepares freehand sketches and drafts both for the interior and exterior, showing the positions of the various components of the vehicle. The research study continues with the development of 3D proposals using software such as ALIAS, ICEM and MAYA; these three-dimensional virtual models, which also enable animations, interactive management, and full-scale motion simulations, are used to directly produce styling models using numerical controls that process virtual surface data through CAM applications. The work of finishing and modifying is, instead, left to the modelers, who add craftsmanship to technology, paying attention to the smallest details.

- **Engineering:** manages all the activities of design, homologation, experimentation and prototypes, innovation of components, technologies and laboratories.

Specifically, the Engineering Unit operates in the following areas: *Powertrain Development, Concept Development, Surfacing, Body, Interior Trim, Aerodynamics, Hvac, Thermal Management, Vehicle Safety, Numerical Simulations, E-Traction, Lighting Development, Wiring Harness, HMI, ADAS, Product & Process Integration, Whole Vehicle Validation, Bill of Material, Cost Engineering.*

- **Pre Series Center & Production:** realizes master models with very high levels of precision for the validation of all design and engineering parameters. Organize the activities of the production departments, identifying the timing and priorities of each process. It also manages the ordinary and extraordinary maintenance of machines, plants and assembly lines. Within the Unit, the Logistics & Warehouse deals with the organizational, managerial and strategic activities that govern the incoming flows of goods purchased from suppliers and their use within the plants, and those leaving until the delivery of finished vehicles to customers, coordinating the activities of the warehouses.
- **Quality:** supervises the activities of verification of the processes adopted by the individual production units and analysis of the quality of the raw materials used and finished products. Support operational processes in design, engineering and production units, providing measurement and testing services and certifying products. The performance of the available measuring instruments allows to guarantee and certify the dimensional accuracy of products with negligible tolerances. The Unit is involved in the resolution of problems with suppliers where related to the quality of the products delivered.

3. THE ITALDESIGN ORGANISATIONAL AND MANAGEMENT MODEL

3.1 Purpose of the Model

The Organizational and Management Model of Italdesign-Giugiaro has been defined, prepared and updated taking into particular consideration the interaction between the internal control system and the business processes already existing and implemented within the Company with the discipline and provisions of the Decree.

The Model thus prepared was the subject of a first update during the year 2014, a subsequent update during the year 2019 and a third and last update during the year 2021, which led to the adoption of the current version, which reflects not only the new regulations in the in the meantime intervened, but also the organizational and operational changes to the company's activities.

To this end, the Company has carried out a series of preparatory activities divided into different phases and all aimed at updating the risk prevention and management system, in line with the provisions of the Decree and the aforementioned Guidelines issued by Confindustria.

This Model perfects and integrates the set of rules of conduct, principles, policies and procedures of the Company, as well as all existing organizational tools and internal controls, with the implementation of provisions that respond to the purposes of the Decree for the specific purpose of preventing the commission of the Crimes contemplated therein.

This purpose is achieved through the identification of sensitive activities, the construction of an organic and structured system of procedures and the adoption of an adequate internal control system.

The Company's Model aims to:

- make aware all those who work and in any case collaborate with Italdesign that the commission of a Crime (or even the attempt) - even if carried out thinking of bringing an advantage to the Company or in the interest of the same - is strongly condemned, stigmatized and opposed, because it represents a violation of the Model and the principles and provisions expressed therein and constitutes an offense punishable by sanctions, on the criminal and administrative level, not only against the offender, but also against the Company;
- identify the behaviors that are not in line with the principles of the Company, as contrary to the provisions of the law, to the rules of conduct to which the Company is inspired and complies with in the conduct of its business activity;
- monitor the sectors of activity and the related risks of Crime, defining the timely intervention to prevent and prevent their commission.

In order to define the Model and prevent the commission of the Crimes contemplated by Decree 231, the following activities have been implemented:

- adoption of the Code of Conduct (Annex 2) containing the ethical principles of Italdesign-Giugiaro S.p.A., which is an integral and substantial part of the Organisational and Management Model;
- identification of the areas at risk of committing crimes pursuant to the Decree, through an in-depth analysis of the activities carried out, of the existing procedures and controls, of the practice and of the authorization levels;

- identification of the Oversight Body, which has been assigned the tasks of supervising the effective and correct functioning of the Model and given powers to ensure its full and effective operation, both in terms of autonomy and available means;
- definition of information and communication flows towards the Oversight Body and by the same Body;
- definition and adoption, in accordance with the provisions of the Decree, of a disciplinary and sanctioning system to be applied in case of violation of the Model;
- definition and launch of a dissemination, information, awareness and training activity, at all company levels, as well as towards those who work in the name and on behalf of the Company, on the rules of conduct provided for in the Model, as well as on the internal processes and procedures to govern, prevent and control activities at risk;
- constant control and supervision of sensitive processes so as to be able to intervene promptly where risk profiles arise.

3.2 Structure of the Model of Italdesign-Giugiaro

The Model, as prescribed by the Decree and recommended by the Confindustria Guidelines and best practices, has been prepared and subsequently updated several times according to the methodological phases represented below.

Phase 1 - Organizational analysis and identification of sensitive activities

Identification of the processes and activities in which the Crimes expressly referred to in Legislative Decree 231/2001 (so-called sensitive activities) can be committed abstractly and identification of those responsible, i.e. resources with in-depth knowledge of these processes / activities and the control mechanisms currently in place (cd. "key officer").

Phase 2 - As-Is Analysis

Analysis and formalization, for each sensitive process/activity of:

- main phases;
- functions and roles/responsibilities of the internal and external subjects involved;
- existing control elements;

in order to verify in which areas / sectors of activity and in what ways the cases of Crime referred to in Legislative Decree 231/2001 could be carried out in the abstract.

Phase 3 - Gap Analysis

Identification of any vulnerabilities and related improvement actions necessary to ensure that the Organizational Model is suitable to prevent the Crimes referred to in Legislative Decree 231/2001.

Phase 4 - Updating of the Organizational and Management Model

Updating, on the basis of the results of the previous phases and the comparison with the best practices of reference, as well as according to the choices of direction of the Company's decision-making bodies and the degree of synergistic alignment with the existing internal control system, of the Organization, Management and Control Model of the Company, divided into the following parts:

- **General Part**, containing a description of the regulatory landscape of reference, the activity carried out by the Company as well as the function of the Italdesign-Giugiaro Model. It is recalled that they are an integral part of the internal control system of the institution, also:
 - the **Oversight Body**, which is entrusted with the task of supervising the functioning and observance of the Model;
 - the **Code of Conduct**, which forms the basis of the Company's internal control system;
 - the **organizational system**, perfected in relation to the attribution of responsibilities in line with the exercise of powers and functions, in compliance with the principle of separation of functions, and with the provision of appropriate control principles;
 - the **system of powers of attorney and delegations**, assigned in line with the organizational and managerial responsibilities defined, with the appropriate spending approval thresholds;
 - **manual and IT procedures**, which regulate the performance of activities and related controls in order to ensure the separation of functions and tasks between those who carry out essential activities in a process at risk, as well as to safeguard the principles of transparency, verifiability and inherence to the company's activity;
 - the **management control system**, able to provide timely reporting of the existence and occurrence of situations of general and / or particular criticality, through the monitoring of adequate indicators for the individual types of risk detected;
 - the **disciplinary system**, for the violation of the rules of the Code of Conduct and the rules defined internally by the Company;
 - communication and training of staff on the content of the Model.
- **Special Part**, the content of which consists of the identification of the Company's activities in the context of which the predicate crimes provided for by the Decree could be committed, with the provision of the relative control protocols.

In particular, the sensitive activities detected during the analysis phase, with an indication of the degree of risk, are as follows:

1. *Management of design, development and production/management of trademarks and patents;*
2. *Management of the vehicle type-approval process;*
3. *Provision of performance measurement services;*
4. *Management of the procurement process of goods, services and consultancy;*

5. *Management of the sales process;*
6. *Management of brand promotion activities and the Company's image: participation in exhibitions and events, communication, relations with the media;*
7. *Management of relations with universities;*
8. *Management of financial flows;*
9. *Acquisition of public funding/contributions;*
10. *Management of gifts, invitations, donations, sponsorships;*
11. *Management of intra-group transactions;*
12. *Preparation of the financial statements and communication to stakeholders and/ or third parties of data and information relating to the economic, equity and financial situation of the Company;*
13. *Management of tax and social security obligations;*
14. *Management of customs obligations;*
15. *Selection, recruitment and management of personnel;*
16. *Management of relations with corporate bodies;*
17. *Share capital transactions and extraordinary finance operations;*
18. *Management of relations with Public Authorities for obtaining/renewing authorizations, concessions and licenses also in the field of environment and safety;*
19. *Management of inspections by the public administration, certification bodies or customers;*
20. *Management of judicial and extrajudicial disputes or arbitration proceedings;*
21. *Management of obligations in the field of safety at work;*
22. *Management of environmental obligations;*
23. *Use and management of IT resources.*

3.3 The Italdesign control system

This Model does not replace, but supports and completes the system of controls with which Italdesign is already equipped and together with the Code of Conduct, referred to in the following paragraph and which constitutes an integral part of it, completes it, clearly directing it to the objective of transparency and legality that the Company adopts in every area of activity.

In particular, for the purposes of this Organizational and Management Model, all the tools already operating in Italdesign-Giugiaro S.p.A. are expressly and fully referenced, including the internal regulatory system adopted in compliance with the voluntary regulations UNI EN ISO 9001: 2015 (quality management system), UNI EN ISO 27001: 2013 (for the management of information security) and in accordance with the requirements and indications of the Group to which the Company belongs.

In fact, Italdesign, being part of the Audi/VW Group, which sees a listed company at its top, therefore equipped with a particularly widespread internal control system, borrows the same that is implemented through the system of policies and procedures by the Compliance & Risk Unit, adapting it taking due account of Italian legislation and the corporate structure.

3.4 Code of Conduct

An essential element of the preventive control system is represented by the adoption and implementation of ethical principles relevant for the prevention of the Crimes provided for by the Decree, explained in the Code of Conduct which, although distinct and autonomous with respect to the Model, is an integral part of the latter (Annex 2), by virtue of the aim pursued by Italdesign to operate both internally and externally in full compliance with the principles of legality and correctness.

Italdesign's Code of Conduct incorporates at local level the principles of the Volkswagen Group's Code of Conduct and contains all the values that the Company recognizes, respects and shares and of which it requires compliance with all those who in various capacities work with (or for) the same.

The Model and the Code of Conduct are closely related and must be understood as an expression of a single body of rules adopted by the Company in order to promote the high moral principles, fairness, honesty and transparency in which Italdesign believes and to which it standardizes its activity.

The Model responds to the need to prevent, through the implementation of specific rules, processes and procedures, the commission of the Crimes provided for by the Decree and in general by the law.

The Code of Conduct is a more general tool that establishes the conduct that the Company intends to respect and enforce in the performance of the company's activities to protect its reputation and image in the market.

The Code of Conduct therefore illustrates the fundamental ethical principles for the Company and the related rules of conduct, which guarantee their implementation, concretely govern the principles of conduct to be observed in the performance of company activities to ensure the proper functioning, reliability and good reputation of the Company and the Group and constitute an effective tool for the prevention of illegal behavior by all those who find themselves acting in the name of and on behalf of the Company and/or the Group or in any case to work with them.

3.5 Recipients of the Model

The rules contained in this Model apply to the members of the corporate bodies and to all those who perform functions of management, administration, direction or control of the Company, as well as to all employees and in general to those who find themselves operating under the direction and/or supervision of the aforementioned persons (hereinafter all called, collectively, the "Recipients").

The control principles contained in the Model and in the Code of Conduct also apply, within the limits of the existing contractual relationship, to those who, although not belonging to the Company, operate on behalf of or on behalf of the same or are in any case linked to the same by

relevant legal relationships, such as suppliers, consultants and partners: these subjects, as a result of specific contractual clauses, undertake to maintain, in the context of the relations established with the Company, correct behaviors and respectful of the regulations in force and in particular suitable for preventing the commission of crimes in relation to which the sanctions provided for in the Decree apply.

4. OVERSIGHT BODY

4.1 Composition and appointment of the Oversight Body

According to the provisions of the Decree, the Company may be exempted from liability resulting from the commission, in its interest or advantage, of Crimes by top management or subject to their supervision and direction, if the management body - in addition to having adopted and effectively implemented the Organization, Management and Control Model suitable for preventing Crimes - has entrusted the task of supervising the functioning and observance of the Model to a body equipped with autonomous powers of initiative and control.

In compliance with the provisions of the Decree and the provisions of Confindustria, the Company has established its own Oversight Body (hereinafter also "OB") as a collegial body with autonomous powers of initiative and control.

In particular, the Italdesign OB consists of 3 (three) members, one of which is internal.

The members of the OB have been chosen so that the Body presents the requirements of professionalism, autonomy and continuity of action indicated by the Confindustria Guidelines and in particular:

- professionalism, as the OB includes the necessary skills in the field of control activities, analysis techniques and evaluation of legal risks;
- autonomy, as the OB is guaranteed self-determination in the control initiative, free from any form of interference or conditioning. The OB reports directly to the top management, i.e. to the Board of Directors, with the possibility of reporting directly to the sole shareholder and to the members of the Board of Statutory Auditors; the OB has not been assigned operational tasks and it does not participate in decisions and operational activities, in order to protect and guarantee the objectivity of its judgment; the OB is provided with adequate financial resources necessary for the proper performance of its activities; the rules of internal functioning of the OB are defined and adopted by the same in the Regulations of the OB. The presence, within the OB, of a member of the Board of Statutory Auditors is a choice that - where made by the Company - on the one hand does not affect the autonomy and independence of the OB and, on the other, allows a better efficiency of controls and a continuous exchange of information and coordination with the Board of Statutory Auditors;
- continuity of action, as the OB - also thanks to the presence of an internal component - is systematically dedicated to the supervisory activity provided for by the Decree and has ensured a constant supply of relevant information for the completeness and timeliness of monitoring.

The appointment as a member of the OB is subject to the presence of the subjective requirements

of eligibility. In particular, the person designated to hold the position of member of the OB simultaneously issues a declaration in which he certifies the absence of:

- conflicts of interest, including potential ones, with the Company such as to undermine the independence required by the role and tasks of the OB (the situation of the internal component in this regard is carefully evaluated and specific obligations to abstain with respect to matters in which a conflict could exist are envisaged);
- ownership, direct or indirect, of shares of such a size as to allow to exercise a significant influence on the Company;
- administrative functions - in the three financial years preceding the appointment as a member of the OB - of companies subject to bankruptcy or other insolvency proceedings;
- sentence of conviction, even if not passed into *res judicata*, or sentence of application of the penalty on request (the so-called plea bargain), in Italy or abroad, for the crimes referred to in the Decree or other crimes in any case incidents on professional morality;
- the conditions of ineligibility or forfeiture provided for in Article 2382 of the Civil Code (these are currently the interdict, the incapacitated, the bankrupt, or those who have been sentenced by sentence - even if not legally binding - to a penalty that imports the interdiction, even temporary, from public offices or the inability to exercise managerial offices).

If any of the aforementioned reasons for ineligibility should be borne by a person already appointed, he will automatically lapse from office. In this case, the Board of Directors shall replace it by its own resolution.

The members of the Company's OB, identified by resolution of the Board of Directors, remain in office for three financial years or for the different period established at the time of appointment, in any case not less than one financial year. The charge is renewable.

At the end of the term, the OB remains in office until the new appointment or re-election to the next Board of Directors.

Termination of office may also take place by resignation, forfeiture or death. The members of the OB who renounce the appointment are required to give written notice to the Board of Directors, the Board of Statutory Auditors and the OB itself so that their timely replacement is carried out.

Termination of office may also take place upon revocation by the Board of Directors. However, in order to guarantee the necessary freedom and independence to the members of the OB, the revocation can only take place for just cause through a specific resolution of the Board of Directors, after consulting the Board of Statutory Auditors. By way of example, for just cause of revocation of the tasks and powers connected with the office of member of the OB may be understood:

- gross negligence in the performance of the tasks associated with the assignment;
- the "omitted or insufficient oversight" - in accordance with the provisions of art. 6, paragraph 1, letter d) of the Decree - which may also result from a sentence of conviction, although not final, issued against the Company pursuant to Legislative Decree 231/2001, or from a sentence of application of the penalty on request (the so-called plea bargain);

- the termination of another office in the event that the same has been the explicit prerequisite for the appointment as a member of the OB (e.g. covering a certain role within the Company);
- conflicts of interest, including potential ones, with the Company such as to undermine the independence required by the role and tasks of the OB.

The termination of the office of a member of the OB may be requested to the Board of Directors by the OB itself, adequately justifying the request.

In any case of resignation, termination, revocation or death, the Board of Directors shall replace the member of the OB who has ceased to hold office, after consulting the Board of Statutory Auditors. The members thus appointed shall remain in office for the remaining period of the OB.

4.2 Financial resources allocated to the Oversight Body

In order to operate independently and have the most appropriate tools to ensure the effective performance of its tasks, assigned by this Model in accordance with the provisions of the Decree, the OB must be able to have adequate financial resources.

The allocation of the financial resources of the OB is approved by the Board of Directors when defining and assigning the annual budget to the various corporate bodies. The same the OB can dispose of for any need necessary for the proper performance of the tasks assigned to the same.

The remuneration due to the individual external members of the OB is established by the Board of Directors at the time of appointment.

Moreover, taking into account the peculiarity of the OB's powers and the related professional contents in the performance of supervisory and control tasks, the same can be supported by dedicated personnel. Finally, it can avail itself of the help of the Company's Units/Offices where the need arises from time to time and may also use external consulting functions when this is required for the most effective and autonomous performance of its tasks.

4.3 Powers and functions of the Oversight Body

The Board of Directors, in line with the provisions of Legislative Decree 231/2001 and the Confindustria Guidelines, has entrusted the OB with the task of supervising:

- on compliance with the provisions of the Model, in relation to the Crimes provided for by the Decree;
- on the effectiveness of the Model in relation to the corporate structure and the effective ability to prevent the commission of Crimes;
- on the advisability of updating the Model, where there are needs to adapt it in relation to the changed company conditions and / or regulations.

At the same time, the Board of Directors recognized to the OB all the prerogatives necessary to ensure effective and efficient supervision of the functioning and compliance with the Model and, in particular, the power to:

- verify the efficiency and effectiveness of the Model also in terms of compliance between the operating methods adopted in practice and the protocols formally provided for by the Model

itself;

- verify the persistence over time of the efficiency and effectiveness requirements of the Model;
- promote the updating of the Model, formulating, where necessary, to the Board of Directors proposals for any updates and adjustments to be made through changes and / or additions that may become necessary as a result of: i) significant changes in the internal structure of the Company and / or in the methods of carrying out business activities; (ii) regulatory changes; iii) significant violations of the requirements of the Model;
- promptly report to the Chief Executive Officer and the Chairman of the Board of Statutory Auditors for appropriate measures, the violations ascertained of the Model that may result in the incurrance of liability on the part of the Company;
- promote initiatives for the dissemination of the Model, as well as for the training of personnel and the awareness of the same to the observance of the principles contained in the Model;
- promote communication and training interventions on the contents of Legislative Decree 231/2001, on the impacts of the legislation on the Company's activity and on the rules of conduct;
- provide clarifications on request regarding the meaning and application of the provisions contained in the Model;
- promote the implementation of an effective internal communication channel to allow the sending of relevant news for the purposes of Legislative Decree 231/2001, ensuring the protection and confidentiality of the whistleblower;
- formulate and submit to the approval of the Board of Directors the expenditure forecast necessary for the proper performance of the assigned tasks;
- freely access, in compliance with current legislation, any body of the Company in order to request information, documentation and data deemed necessary for the performance of the tasks provided for by Legislative Decree 231/2001;
- request relevant information from collaborators, consultants and collaborators outside the Company, however named;
- promote the activation of any disciplinary or sanctioning proceedings as a result of found violations of this Model.

At the organizational level, the OB provides:

- adopt a Regulation aimed at regulating the performance of its activities;
- develop and implement a periodic Activity Plan (normally annual) aimed at monitoring the effective application of company procedures and controls in risk areas and their effectiveness;
- carry out targeted checks on certain specific operations or acts, carried out within the areas of activity at risk as defined in the Special Part of the Model;
- coordinate with the various corporate bodies in order to improve the monitoring of activities in risk areas, collecting, processing and storing relevant information regarding compliance

with the Model;

- conduct internal investigations to ascertain any violations of the provisions of the Model, in compliance with the policies and procedures also defined in coordination with the Group.

4.4 Reporting to the corporate body

The OB is required to report the results of its activities to the Board of Directors of the Company.

In particular, the OB reports on (i) the activity carried out; (ii) any violations of the Model and any critical issues in terms of effectiveness and efficiency of the same; (iii) to any need to update the Model for violations, organizational changes or regulatory changes, with indication of the relative level of urgency; (iv) its own expenditure management (statement on how to use the financial resources constituting the budget allocated to the OB).

The OB regularly interfaces with the Chief Executive Officer and prepares for the Board of Directors, at least twice a year, an information report on the supervisory activity carried out, on the outcome of this activity and on the implementation of the Model within the Company; this report is also transmitted to the Board of Statutory Auditors.

In any case, the OB may contact the Chief Executive Officer, the Board of Directors and/or the Board of Statutory Auditors whenever it deems it appropriate for the effective and efficient performance of the tasks assigned to it.

Even outside the periodic report, the OB may be invited to report to the Board of Directors on its activities, at the request of the same.

The OB may also communicate, assessing the individual circumstances:

1. the results of its investigations to the managers of the Units and/or processes, if they arise aspects that can be improved. In this case, the process managers send to the OB a plan of actions, with relative timing, for the activities that can be improved, as well as the specifications of the operational changes necessary to carry out the implementation;
2. report any behavior/actions not in line with this Model, with the Code of Conduct and with company procedures, in order to:
 - acquire all the elements to make any communications to the structures responsible for the evaluation and application of disciplinary sanctions;
 - avoid the recurrence of the event, giving indications for the removal of deficiencies.

The formal meetings with the bodies to which the OB refers are recorded and a copy of the minutes is kept by the OB in a special archive in paper and electronic format. The recording can be entrusted to an external subject chosen by the OB, which remains bound by the obligation of secrecy on what is the subject of the recording.

The activities of the OB are unquestionable by any body, structure and corporate body or office, without prejudice, however, to the obligation of supervision on the part of the Board of Directors on the adequacy of the OB and its intervention, being in any case the Board of Directors ultimately responsible for the functioning and effectiveness of the Model.

4.5 Obligation to reporting to the Oversight Body and Whistleblowing system

To facilitate and make effective the duties of the OB, all the information deemed useful for this purpose is transmitted in writing (also by e-mail) to the same, by the Recipients, including by way of example:

- the critical issues that may be significant for the correct application of the Model, emerged from the first and / or second level control activities;
- measures and / or news from the Bodies of the Judicial Police or from any other Authority, from which it is possible to carry out investigations, even possibly against unknown persons, for the Crimes referred to in the Decree;
- measures and / or news from the Bodies of the Judicial Police or from any other Authority, from which it is possible to carry out investigations against employees and representatives of the Company for facts made in the exercise of their activity;
- internal and external communications concerning any case that can be connected with the hypothesis of Crime referred to in the Decree (e.g. disciplinary measures initiated/implemented against employees);
- communications, by the Board of Statutory Auditors and the Independent Auditors, relating to any critical issues that have emerged, even if resolved;
- requests for legal assistance forwarded by employees against whom the Judiciary proceeds for the Crimes provided for by the Decree;
- news relating to the effective implementation, at all company levels, of the Model, with evidence - in the context of the disciplinary proceedings carried out - of any sanctions imposed or of the measures to close these proceedings with the relative reasons, if they are linked to the commission of any of the crimes referred to in the Decree or refer to the Disciplinary System;
- cases, suspected or overt, of violation or incorrect application of a procedure or operating rule, with indication of the intervention measures taken to avoid further violations and / or in any case to prevent the subject from committing a Crime (for example, temporarily relieving him from the task of interacting with the outside on behalf of the Company);
- news related to the significant organizational changes implemented;
- updates of the powers of attorney and of the internal attributions of tasks and responsibilities;
- significant or atypical transactions in the context of which a hypothesis of risk can be found in relation to any of the Crimes referred to in the Decree;
- decisions on the request, disbursement or use of public funding;
- changes in situations of risk or potentially at risk in relation to any of the Crimes referred to in the Decree;
- significant violations of the rules relating to the prevention of accidents and occupational hygiene and the prevention of environmental impacts;
- accidents at work, near-accidents or dangerous behavior occurred to employees of the

Company and / or external companies in the context of supply, contract or administration relationships in place with the Company;

- periodic reporting on health and safety at work and in particular the minutes of the periodic meeting referred to in art. 35 of Legislative Decree no. 81/2008;
- visits, inspections, investigations initiated by the competent bodies (by way of example: ASL, INPS, INAIL, Guardia di Finanza, Labour Inspectorate, etc.) and, at their conclusion, any findings and sanctions imposed;
- copy of any communications made to the Supervisory Authority (e.g. Competition and Market Authority, Guarantor Authority for the protection of personal data, etc.);
- results of internal audits in general and in particular those aimed at verifying the effective compliance with the Model and the Code of Conduct.

In relation to each sensitive activity, moreover, the OB agrees with the Managers of the various company bodies additional, specific and detailed information flows, requesting the periodic transmission of information and documents whose examination allows the OB to promptly ascertain the constant application of the procedures and compliance with the company's safeguards, as described in the Model.

All the information flows indicated, or any other communication deemed relevant to allow the OB to adequately carry out its supervisory tasks, are sent in writing to the e-mail address:

odv@italdesign.it

This channel, which is accessed by all members of the OB, can also be used for the forwarding of reports by those who come into possession of information relating to the commission of crimes or practices not in line with the rules of conduct and the principles of the Code of Conduct and / or this Model.

The OB always acts in such a way as to guarantee the authors of the reports against any form of retaliation, discrimination, penalization or any consequence deriving from the same, ensuring them confidentiality about their identity, without prejudice to legal obligations and the protection of the rights of the Company or of persons accused erroneously and / or in bad faith.

However, to offer even greater guarantees to the reporting party, in compliance with art. 6, paragraph 2 bis, Legislative Decree 231/2001¹⁴ the Company has established the e-mail box:

odv-anonymous@italdesign.it

accessible only to the two external members of the Body, in such a way as to ensure even more confidentiality regarding the identity of the whistleblower, whose name will therefore not be

¹⁴ This article, as a result of the amendments introduced by Law 179/2017 on whistleblowing, requires organisational models to provide for a) one or more channels enabling the persons indicated in Article 5(1)(a) and (b) to submit, in order to protect the integrity of the entity, circumstantiated reports of unlawful conduct, relevant under this Decree and based on precise and concordant facts, or of violations of the organisation and management model of the entity, of which they have become aware by reason of the functions performed; these channels guarantee the confidentiality of the identity of the reporter in the management of the report; b) at least one alternative reporting channel capable of guaranteeing, by computerised means, the confidentiality of the identity of the person making the report; c) the prohibition of retaliatory or discriminatory acts, whether direct or indirect, against the person making the report for reasons connected, directly or indirectly, with the report; d) in the disciplinary system adopted pursuant to paragraph 2, letter e), sanctions against those who violate the measures for the protection of the person making the report, as well as against those who make reports that turn out to be unfounded with malice or serious misconduct.

known by anyone within the Company, always without prejudice to legal obligations and the protection of the rights of the Company or of persons accused erroneously and / or in bad faith. Confidentiality obligations may not be invoked where the information requested is necessary for the investigations or proceedings initiated by the judicial authority following the report.

It is recalled that the workers still have the duty of diligence and the obligation of loyalty to the employer pursuant to Articles 2104 and 2105 of the Civil Code and, therefore, the correct fulfillment of the obligation to provide information by the worker cannot in itself give rise to the application of disciplinary sanctions. It is expressly provided for the nullity of any retaliatory measure against the whistleblower, implemented, for example, by retaliatory or discriminatory dismissal measures, or by changes in duties.

The information provided to the OB is intended to facilitate and improve its control planning activities and does not require it to carry out a systematic and timely verification of all the phenomena represented. It is, therefore, left to the responsibility of the OB to establish in which cases and how to take action.

To this end, it is however necessary that the reports are based on precise and consistent factual elements, precisely to allow the recipient of the same to immediately assess their relevance. Any unfounded reports made with intent or gross negligence are sanctioned in the manner set out in the following chapter 7 of the General Part.

The aforementioned system is combined with the Whistleblower System referred to in the P_006 Policy, which is responsible for collecting reports concerning only the conduct of employees, including management, the Company and members of corporate bodies, by anyone made and received through one of the channels indicated above, or through the Group channels:

Email: whistleblower-office@audi.de;

Piattaforma Web: www.bkms-system.com/audi

24/7 hotline: +800.444.46300 (free of charge from Germany); + 49-5361-946300 depending on the telephone operator

Posta: Audi Investigation Office - AUDI AG - I/GC-C5 - 85045 Ingolstadt -Germany

Ombudspersons: www.ombudsleute-der-volkswagen-ag.de; www.ombudsmen-of-volkswagen.com

In the construction of its whistleblowing system, the Company takes into account the indications provided by ANAC for application in the public sector¹⁵, by trade associations, as well as by the Privacy Guarantor with regard to the technical-structural requirements required for the protection of the personal data of the whistleblower and the reported¹⁶.

The Whistleblower System operates according to the principles of legality, confidentiality and protection of whistleblowers from possible forms of retaliation and discrimination and is, in any case, implemented in such a way as not to affect the correct performance of the functions

¹⁵ Guidelines on the protection of whistleblowers who report crimes or irregularities of which they become aware as a result of an employment relationship, pursuant to Article 54-bis of Legislative Decree no. 165/2001 (so-called whistleblowing), last updated by resolution of 9 June 2021

¹⁶ The reference is to the Opinion on the outline of "Guidelines on the protection of the authors of reports of crimes or irregularities of which they have become aware by reason of an employment relationship, pursuant to Article 54-bis of Legislative Decree 165/2001 (so-called whistleblowing)" issued by the Guarantor on 4 December 2019 and to the most recent technical indications contained in the Order of injunction against Aeroporto Guglielmo Marconi di Bologna S.p.a. issued on 10 June 2021.

entrusted to the OB or conflict with the provisions of the Model.

In fact, the OB is in any case involved in the process of managing the reports sent to one of the Group's channels, albeit in a differentiated manner depending on the seriousness of the reported facts and the classification made according to the P_006 Policy.

The Policy distinguishes between reports of serious regulatory violations (so-called "serious regulatory violations"), reports of other violations (so-called "other regulatory violation") and unsubstantiated or unfounded reports.

Any retaliatory or discriminatory conduct committed against the whistleblower or in any case aimed at violating the protection measures of the whistleblower and put in place by the management bodies or by subjects operating on behalf of the Company is sanctioned in the manner referred to in the following chapter 7 of the General Part.

5. TRAINING - INFORMATION AND DIFFUSION OF THE MODEL

In order to ensure the effectiveness of the Model, the Company shall ensure an adequate knowledge and dissemination of the rules of conduct contained therein among the members of the management bodies, the employees, the external collaborators, and third parties holding relationships of any kind with the Company itself.

This objective applies to all the personnel falling within the aforementioned categories, whether already employed by the Company or to be hired in the future. The level of training and instruction is implemented according to specific and appropriate methods based on the functions performed by the Recipients.

Participation in the training activities, in accordance with the procedures and time frames defined by the Company, is mandatory, and any failure to comply with the requirement is subject to disciplinary evaluation.

In particolare, la formazione e l'informazione saranno effettuate secondo le modalità che seguono.

5.1 Information and training of the Company's internal resources

The adoption and updating of the Model are communicated to the employees and managers by email, newsletter or other suitable means and by making the document available (e.g. by sharing it on the corporate intranet, on notice boards, posting it on a notice board, making hard copies of the Model).

During the signing of employee/collaborator contracts, the HRO is required to issue a declaration confirming that the new employees/new collaborators have read the Model and the Code of Conduct and agree to comply with the same.

All of these declarations are kept within the HRO.

Any updates to the Model are communicated to the staff via an email message containing a link to the section of the Intranet where the new version of the Model is published, as well as on the notice board, with the recommendation that the Department/Function Managers share the updated Model

with everyone, including those who may not have access to the company's Intranet.

In addition, the Oversight Body is responsible of regular and ongoing training, namely for the promotion and monitoring of the implementation, by the Company, of the initiatives aimed at encouraging adequate knowledge and awareness of the Model and the Protocols connected to it, in order to increase the ethical and control culture within the Company.

In particular, it is envisaged that the principles of the Model, and in particular those of the Code of Conduct which is part of it, are illustrated to company resources through specific training activities (e.g., courses and seminars, also on-line, questionnaires, etc.), in which participation is compulsory and whose implementation methods are monitored by the Oversight Body which verifies the preparation of specific training plans, approved by the CEO and implemented by the Company.

The courses and other training initiatives on Legislative Decree 231/2001 and on the principles of the Model are differentiated according to the role and responsibility of the resources involved, i.e. through the provision of more intense training characterized by a higher degree of in-depth study for those who qualify as "seniors" in the same way as the Decree, as well as for those operating in sensitive activities that present a higher risk.

In particular, the contents of the training sessions include a session on the Decree and the administrative liability of entities (regulatory sources, crimes, sanctions against individuals and companies and exemptions) and a specific session on the Organization and Management Model adopted by the Company (reference principles for the adoption of the Organization and Management Models pursuant to Legislative Decree 231/2001, General Part and Special Part of the Model).

Evidence and appropriate documentation of successful participation in training courses is kept, also for the purposes of accurate traceability over time.

5.2 Third party recipients of the model

The contents and principles of the Model are also communicated to any third parties holding contractually regulated business relationships with the Company, or who represent the Company without being directly employed by the same (for example: finder, dealers, business partners, consultants and other external collaborators, however named).

Depending on the different types of external collaborators and partners, the Company evaluates the methods by which to inform these subjects of the policies and procedures followed by Italdesign pursuant to the adoption of the Model and the Code of Conduct (i.e. appropriate dissemination of the Code of Conduct on the Website, attachment to communication contracts or other documents), and provides for the inclusion of appropriate contractual clauses requiring the subjects in question to comply with the provisions of the Model, upon penalty of sanctions or the termination of the contractual relationship itself.

To this end, the Company provides these third parties with a copy of the Code of Conduct, and requires them to formally certify that they have read them and agree to comply with their provisions.

The Company does not begin or continue any relationship with those who do not intend to commit to the principles contained in the Code of Conduct and in the Model (the latter limited to any

aspects, from time to time, applicable), except in the event that third parties do not have their own code similar to that adopted by the Company.

6 THE DISCIPLINARY AND SANCTION SYSTEM

6.1 General principles

Art. 6, paragraph 2, letter e) and art. 7, paragraph 4, letter b) of Italian Legislative Decree no. 231/2001 indicate the application of a suitable disciplinary system punishing non-compliance with the measures indicated in the Model itself as a condition for the Model's effective implementation. Therefore, the definition of an effective disciplinary system is an essential prerequisite for the Model's effectiveness with regard to administrative responsibility.

The disciplinary system established by Italdesign, which has been disseminated to the staff using appropriate instruments, has been prepared based on the provisions contained in the National Labour Contract applied, and is inspired by the following principles:

- it is structured differently depending on the intended recipients (for this reason, the disciplinary part itself is that which regards the employees, while the penalties regard third parties) and takes into account any recurring conduct;
- it precisely identifies the sanctions to be adopted in relation to the recipients in the case of any violations, infractions or evasions of the requirements contained within the Model or the corporate procedures referred to by the Model itself, all in full compliance with the relevant provisions of National Labour Contract and the applicable regulatory requirements;
- provides for a procedure for verifying such violations, infringements, circumventions, imperfect or partial applications, as well as a specific procedure for imposing penalties.

The disciplinary measures and sanctions are applied regardless of whether a crime was actually committed and, therefore, regardless of the enactment or outcome of any criminal proceedings.

Whatever the case, the principles of timeliness and immediacy make it inadvisable to delay the imposition of the disciplinary action pending the outcome of any cases brought before the Judicial Authorities (see The Confindustria Guidelines, chapter 3, point 4, p. 50).

As previously mentioned, this is without prejudice to the provisions of art. 7 of Italian Law no. 300/1970 and the National Labour Contract applicable in cases of sanctioning proceedings, which are to be understood as fully incorporated herein. Specifically:

- no disciplinary action will be adopted without the charge having first been contested to the employee and without having heard his/her defence;
- disciplinary actions that are more serious than a verbal warning will not be applied until five days have passed since the written notification of the fact that caused it, during which the employee can present his/her justifications, with the assistance of a union representative if desired;
- if disciplinary action is not taken in the six days following the presentation of said justifications, these are considered as accepted;

- the sanction must be applied via a written and justified provision;
- in cases in which the contested infringement might lead to the termination of an employment contract, the worker can be provisionally suspended from his/her role up until the time of termination, without prejudice to the right to his/her remuneration;
- disciplinary actions taken more than two years previously will not be taken into consideration with regard to recidivism.

The Oversight Body is entrusted with the task of monitoring the observance and correct application of the disciplinary and sanctions system and informing the Board of Directors in order to ensure the updating, modification and/or the integration of the system itself, if deemed necessary to improve the Model's efficiency.

The disciplinary system outlined below also applies to those who violate the protective measures adopted against workers who have made reports, as well as to those who make intentional or grossly negligent reports that prove to be totally unfounded.

6.2 Measures in relation to employees

Compliance with the provisions of the Model, the Code of Conduct, and the company procedures on the part of the Company's employees constitutes a fundamental part of their contractual obligations pursuant to and by effect of article 2104 of the Italian Civil Code.

The violation, infraction, evasion, imperfect or partial application of the individual rules of conduct described in this Model, therefore, constitute disciplinary offences punishable according to the procedures envisaged under article 7 of Italian Law no. 300 of 20 May 1970 as amended (henceforth the "Workers' Statute") and the National Labour Contract applied.

More precisely, for the purposes of the Disciplinary System, the measures that may be taken in relation to the employees may consist of:

1. Verbal or written warning: an employee incurs such a sanction when he/she does not correctly observe or violates a provision of the Model or a procedure in one of its formal aspects (for example, he/she does not promptly provide a written communication to their supervisor regarding the start of a procedure or does not promptly request one of the approvals provided for under the procedure, despite having verbally received the required authorisations, fails to communicate the prescribed information to the Oversight Body, fails to carry out due verifications, etc);
2. Fine: a Subject incurs such a sanction in the case of any repeated violation of the procedures referred to in the Model, or any use of conduct, during the performance of his/her activities in sensitive areas, that is not consistent with the provisions of the Model;
3. Suspension from duty and pay: an employee incurs such a sanction in the case of any violation of the procedures referred to in the Model, or any use of conduct, during the performance of his/her activities in sensitive areas, that is not consistent with the provisions of the Model, and exposes the integrity of the corporate assets to an objective situation of danger;
4. Termination with compensation in lieu of notice and with severance indemnity: a Subject

incurs this sanction when he/she engages in conduct, during the performance of his/her activities in sensitive areas, that is not consistent with the provisions of the Model, and is exclusively aimed at committing one of the crimes sanctioned by the Decree;

5. Termination without notice and with severance indemnity: an employee incurs this sanction when he/she engages in conduct, during the performance of his/her activities in sensitive areas, that violates the provisions of the Model in such a way as to seriously compromise the Company's trust in his/her regard, and/or results in the effective application of the measures envisaged by the Decree against the Company. The same sanction will apply to an employee who has repeated the offence more than three times in the calendar year with respect to what is indicated in point 3.

Moreover, termination of employment without notice is also applied in the cases referred to in point 4 above, where the severity of the conduct or the possible consequences for the Company seriously compromise the trust relationship, so that it is impossible to continue it even if only for a limited period of time.

In all cases, the sanctions are commensurate with the employee's level of responsibility and autonomy, the intentionality of the conduct, and the severity of the same, which is to be understood as both the significance of the obligations violated, and the effects that the Company may reasonably believe itself to be exposed to, even pursuant to and by effect of the Decree.

If a single act results in the commission of multiple offences punished with different sanctions, the more severe sanction shall be applied.

The person in charge of the effective application of the disciplinary measures described above for the employees is the *HRO* Director, who shall issue the sanctions upon receiving a relative report from the Oversight Body, after hearing the opinion of the perpetrator's immediate superior and, where appropriate, the CEO. If the violation has been ascertained through the Group *Whistleblower System*, the competent Group body is also involved in determining the applicable disciplinary sanction, where required.

Whatever the case, the Oversight Body shall be promptly notified of any action relating to disciplinary proceedings against a worker resulting from the violation of this Model as soon as the disciplinary dispute arises.

The Oversight Body is required to be involved in the procedure for the application of the sanctions due to the violation of the Model, in the sense that a disciplinary sanction for a violation of the Model cannot be imposed without the content of the complaint and the type of sanction that is intended to be imposed being communicated to the Oversight Body beforehand.

The Oversight Body must also be notified of any dismissal of the disciplinary proceedings referred to in this chapter.

The workers are promptly notified of the introduction of any new provisions, with appropriate internal communications being sent out to explain and summarize the contents of the same.

6.3 Measures in relation to managers

By its very nature, the management relationship is characterized by a high degree of trust being

established between the worker and the employer. A manager's conduct not only has repercussions within the Company itself, but also externally, for example in terms of the Company's image on the marketplace.

This having been stated, compliance with the provisions of this Model and the Code of Conduct on the part of the Company's managers, and their obligation to ensure that the other employees comply with the provisions of these documents and relevant procedures and policies, are essential elements of the managerial employment relationship, as they constitute an impetus and example for all those who report to them hierarchically.

In the event of a violation on the part of the Company's managers, the following measures will be taken, in accordance with the procedures envisaged by art. 7 of the Workers' Statute:

- in the event of a minor violation of one or more procedural or behavioural regulations foreseen by the Model or the Code of Conduct, the manager will receive, after a first verbal warning, a written warning regarding compliance with the Model and the Code of Conduct, which constitutes a necessary condition for the retention of the fiduciary relationship with the Company, above all taking into account the responsibilities entrusted to the manager;
- in case of serious violation of one or more of the provisions of the Model or Code of Conduct or of the reiteration of one or more violations outlined in the previous point, amounting - following opportune and necessary controls by the Company - to material non-fulfilment that can be attributed to the negligence or willful misconduct of the manager, the Company will terminate said manager's employment contract, with recognition of the payment in lieu of notice;
- in case of violation of one or more of the provisions of the Model or Code of Conduct, serious enough as to irreparably damage the fiduciary relationship and preventing even provisional continuation of the working relationship, the Company will terminate the employment, without warning or relative substitute indemnity, of said manager in accordance with art. 2119 of the Italian Civil Code and the National Labour Contract applied.

As a specific sanction, the Company may also order the suspension of any powers conferred upon the manager him/herself, and his/her exclusion from any incentive program applicable during the year in which the violation took place.

The person in charge of the effective application of disciplinary measures described above for the managers is *HRO* Director, after consultation and discussion with the CEO.

In the event that serious regulatory violations are identified by employees with TMK level or higher, the Audi Disciplinary Committee recommends disciplinary action as deemed necessary based on the investigation report and the recommendations of the *Audi Investigation Office*.

The Audi Disciplinary Committee transmits its decisions to the Human Resources Coordinator of Audi AG who involves the HRO Director for implementation and simultaneously notifies the *Audi Investigation Office*.

The Oversight Body is required to be involved in the procedure for the application of the sanctions to the managers due to the violation of the Model, in the sense that a disciplinary sanction for a violation of the Model cannot be imposed upon a manager without being communicated to the Oversight Body beforehand.

The Oversight Body must also be notified of any dismissal of the disciplinary proceedings referred to in this chapter.

6.4 Measures in relation to Directors and Statutory Auditors

In the event of a violation of the provisions contained in the Model or the Code of Conduct on the part of one or more members of the Board of Directors, the other members of the administrative body and/or the Board of Statutory Auditors and/or the Oversight Body must inform, in writing and without delay, the entire Board of Directors and Board of Statutory Auditors, who will take all the appropriate actions permitted by law, including, by way of example, the convocation of the Shareholders' Meeting in order to adopt the most suitable measures.

Likewise, in the event of a violation of the provisions contained in the Model and/or the Code of Conduct on the part of one or more members of the Board of Statutory Auditors, the other members of the Board of Statutory Auditors and/or the Board of Directors and/or the Oversight Body must inform, in writing and without delay, the entire Board of Directors and Board of Statutory Auditors, who will take all the appropriate actions permitted by law, including, by way of example, the convocation of the Shareholders' Meeting in order to adopt the most suitable measures.

In any case the Company reserves the right to lodge claims for liability and compensation.

6.5 Measures in relation to consultants, external collaborators and business partners

Any conduct in violation of the provisions of the Model and/or the Code of Conduct adopted by collaborators, consultants or other third parties bound to the Company by a contractual relationship other than a relationship of employment may result in the application of penalties or the termination of the contractual relationship, without prejudice to the right to seek compensation if the conduct in question has resulted in damage for Italdesign.

To this end, all collaboration or consultancy agreements with subjects external to Italdesign (consultants, external collaborators, business partners, etc.) shall expressly mention, among the contract obligations, compliance with the principles contained within the Code of Conduct and, to the extent applicable, the Model.

In the event that the non-compliance results in a serious default or the application of one of the administrative sanctions envisaged by the Decree to the Company, or in the event that the fiduciary relationship between the Company and said subjects should cease, pursuant to art. 1456 of the Italian Civil Code, Italdesign shall have the right to terminate the contract in question.

For minor violations that do not result in an irreparable loss of the fiduciary relationship, Italdesign shall arrange for the application of appropriate and proportionate sanctions, in accordance with the terms of the contract.

The Oversight Body shall be notified of the verified violation and the actions taken against the third party.

7 ADOPTION OF THE MODEL - CRITERIA FOR THE UPDATING AND ADAPTATION OF THE MODEL

As the Model is an “act issued by the Senior Executive Body”, in accordance with the provisions of article 6, paragraph 1, letter a) of the Decree, its adoption and any subsequent modifications and integrations are remanded to the competence of the Company's Board of Directors or the CEO, without prejudice to its subsequent ratification by the Board of Directors itself, as the body holding the original power to issue the Model.

In the case of any modifications or updates handled by the CEO, the same shall promptly notify the Oversight Body and the Board of Statutory Auditors.

Whatever the case, the Oversight Body may evaluate and express its opinion on the proposals to update and/or revise the Model before they are effectively adopted

By way of example, the Company evaluates the possibility of updating the Model and adapting it based on any changes and/or additions that may be rendered necessary due to:

- changes to the Company's internal structure and/or methods of conducting business activities;
- changes in its areas of business;
- information regarding the commission or attempted commission of the offences referred to by the Model;
- information regarding new possible ways of committing the offences referred to by the Model;
- regulatory changes;
- findings of control activities;
- significant violations of the Model's provisions.

The reviews carried out are formal, and their relative records are retained.

SPECIAL PART

INTRODUCTION

The project to update the Italdesign Model has made it possible to identify the company activities (“sensitive activities”) within which the predicate offenses envisaged by the Decree might be committed.

This Special Part contains, for each of the sensitive activities detected in the *risk assessment* phases, the control protocols provided for in Article 6, paragraph 2, letter b) of Italian Legislative Decree 231/01.

For violations of the protocols and procedures referenced, the provisions of Chapter 6 of the General Part apply.

For the updating/adjustment of the Special Part, the provisions of Chapter 7 of the General Part apply.

1. SENSITIVE ACTIVITIES

The sensitive activities identified following surveys and interviews with the Company's staff are listed below.

1. Management of design, development and production/management of trademarks and patents

The activity concerns the multiple phases of research, study and design for the development and innovation of products, from the conception to the preparation of sketches and three-dimensional scale models, up to the construction of the first prototypes, followed by a possible production phase involving short runs.

The activity includes the checks carried out to ensure that technical and quality characteristics of the *output* of production match with those identified during the design phase and stated during the type approval, where applicable.

Finally, it includes the start of the patent filing *process* in the case of new inventions, or industrial designs where the *design* must be protected.

2. Management of the vehicle type-approval process

The process concerns the activities carried out by Italdesign to ensure, from the development stages, compliance with the constraints and requirements imposed by the applicable directives for each of the target markets.

The activity includes the management of relations with the *Technical Services* and/or with the Public Bodies responsible for issuing type-approval certificates.

3. Provision of performance measurement services

Reference is made to the activities carried out by the *Powertrain Development* Department on vehicles produced by other Group companies, which request that Italdesign carry out trials, tests and measurements of various types to obtain the data necessary to understand the maturity of a project, including in view of the type-approval application.

4. Management of the goods, services and consultancy procurement process

The activity concerns the procurement of materials, goods, services and consultancy for the Company's production and organizational activities.

5. Management of the sales process

This includes the management of relationships with existing and *prospective customers* for the sale of Italdesign products and services, from Special Cars to style and engineering services.

6. Management of Company brand and image promotion activities: participation in shows and events, communication and media relations

The activity relates to advertising and promotional initiatives generally, and in particular to organization and participation in trade fairs and events, according to the annual plan. It also includes relations with the media and the company's external communication generally, including through the Company's *website*.

7. Management of relations with universities

This refers to management of agreements with universities (or other education and research bodies) for the launch of joint projects in the field of technological research, as well as to support the training of students in the *automotive* and *mobility* sector and encourage their integration into the job market.

8. Management of cash flows

This activity refers to financial planning, as well as to the management of payments and receipts and in general to the movement of financial resources originating from Italdesign's activity.

9. Acquisition of public funds/grants

This activity refers to requesting and managing grants/funds provided by public entities, from the project research and identification phase to the management of the initiative and final reporting of the expenses incurred.

10. Management of gifts, invitations, donations and sponsorships

This refers to the methods of managing gifts, presents or invitations in cases in which Italdesign employees are recipients or identify a need to make a gift or send an invitation to third parties in

connection with business activities.

It also concerns the decision-making process followed for the formulation of donation or sponsorship contracts.

11. Management of intercompany transactions

This refers to the management of intercompany commercial transactions, carried out in compliance with the arm's-length principle, so that the price established in commercial transactions between associated companies always corresponds with that which would be agreed between independent companies on the free market under similar conditions.

12. Preparation of the financial statements and communication to stakeholders and/or third parties of data and information relating to the Company's income statement, balance sheet and financial position

This refers to the collection and processing of year-end accounting data, the preparation of the financial statements and the preparation of reports and schedules attached to the financial statements and any other data or schedules relating to the Company's financial performance, balance sheet and financial position, including for the purposes of disclosure to the Group.

13. Management of tax and social security obligations

This refers to the management of data collection activities and preparation of tax returns for the correct payment of the tax liabilities.

14. Management of warehouse and import and export operations

This refers to activities aimed at ensuring the correct management of the entry and exit of goods into and from the Company's facilities, as well as the exchange of goods and services by Italdesign with parties based outside Italian national territory, particularly in the case of *non-EU* sales.

15. Personnel selection, recruitment and management

This refers to the identification of the needs for the hiring of new personnel, the evaluation of candidates and the subsequent recruitment phase, the management and evaluation of employees and the management of the disciplinary system and the incentive plan.

It also includes the search for and selection of new employees on the basis of the rules governing compulsory recruitment and protected categories.

It extends to the methods of reimbursement of travel and representation expenses and the management of the Company's owned vehicle fleet.

16. Management of relations with corporate bodies

This refers to the Company's relations with the supervisory bodies such as the Board of Statutory Auditors, which oversees the administrative structure of the Company, and the independent auditors.

17. Transactions on share capital and extraordinary finance transactions

This refers to the management of risks related to extraordinary activities to increase or decrease the amount of share capital and to all transactions non part of ordinary management (e.g. transformations, mergers and sales).

18. Management of relations with Public Authorities to obtain/renew authorizations, concessions and licenses, including in the field of environment and safety

This refers to the management of relations with the relevant public bodies for the management of the application or renewal of authorizations, concessions and licenses, including in the field of environment and safety.

19. Management of inspections by the public administration, certification bodies or customers

This relates to the management of inspection visits by bodies and agencies of the Public Administration that carry out checks and/or acquire data, information and/or documents relating to company activities.

It also includes the management of relationships with external Certification Bodies during audits for the issuance or renewal of certifications, as well as the checks that customers may request that they be able to carry out on processes affecting the quality of the goods/services.

20. Management of judicial and out-of-court disputes or arbitration proceedings

This relates to the management of judicial and out-of-court disputes, criminal proceedings and settlements in the fields of labor, civil, administrative and tax law, carried out with the support of external lawyers or tax experts.

21. Management of workplace safety obligations

This refers to the set of procedures, rules and operating practices implemented by the Company to ensure the correct fulfillment of the obligations governed by Italian Legislative Decree 81/2008 and, in general, to ensure the best possible protection of the health and safety of workers.

22. Management of environmental requirements

This includes the methods whereby Italdesign ensures the correct management of environmental requirements in relation to the management and disposal of waste, the management of waste and atmospheric emissions.

23. Use and management of IT resources

This includes all the company rules designed to ensure the proper use of IT resources, with particular reference to: *i)* management of user profiles and the authentication process; *ii)* management of the process of creating and processing IT documents; *iii)* management of accesses to and from the outside; *iv)* management and protection of networks; *v)* management of system outputs and storage devices; and *vi)* physical security in the IT field.

2. THE CONTROL SYSTEM

The internal control system adopted by the Company includes, in addition to the principles and rules of conduct contained in the Code of Conduct of Italdesign and the Group, the operating rules and safeguards described below, taking into account the indications contained in the Confindustria Guidelines, last updated in June 2021:

Existence of formalized procedures/guidelines: the Company has adopted internal rules and organizational documents that establish principles of conduct and define the operating methods for carrying out the activity, characterized by a clear, comprehensive definition of roles and responsibilities and by rules for storing the relevant documentation.

Traceability and ex-post verifiability of transactions through adequate documentary/computer media: the application of the controls established for each individual activity is supported by adequate records so that the authorization, execution and control activities are always verifiable and reconstructable after the fact.

Separation of duties: in application of this principle, company activities are authorized, carried out and controlled by different parties, in order to guarantee independence and objectivity of judgment and thus to avoid the holding of potentially incompatible roles or excessive concentrations of responsibility and powers with individuals.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned: the powers of authorization and signature identified by the Company are: *i)* consistent with the organizational and management responsibilities assigned, establishing specific levels of authorization, where required; *ii)* clearly defined and known within the Company at all organizational levels.

2.1 The contents of the controls

Chapter 4 lists all the sensitive activities identified, with a description of the related specific control protocols according to the criteria listed below:

- the paragraph "**Relevant offenses**" indicates the types of offense, grouped by family, for which a potential risk of commission has been identified in *risk assessment* activities. Regardless of the offenses indicated, in carrying out sensitive processes all relevant control and behavioral protocols must always be applied as they are nonetheless useful for the prevention of crimes and illegal activity.
Accordingly, in all activities, compliance with the principles set out in the Code of Conduct must always be ensured as - together with compliance with company procedures and the general control principles set out in Chapter 3 below - they also prevent the commission of those crimes that, while taken into account in the risk analysis phase, did not present profiles requiring the introduction of specific controls and therefore are not included in the section "Relevant offenses".
- the paragraph "**Corporate or Group roles involved**" indicates the Bodies or corporate or Group structures directly involved in the performance of the individual activity;
- "**Regulation of the process and existence of formalized procedures/guidelines**" describes the operating procedure followed when updating the Model for the performance of the specific activity. In particular, the Bodies and Units involved and the controls carried out are identified in compliance with the segregation of duties, indicating any company *policies* and procedures that regulate the individual process in a detailed, formalized manner. Future changes to these operating procedures do not entail the need for an immediate formal update of the Model if they are transposed into corporate procedures or regulatory acts, while guaranteeing a similar degree of segregation of duties;
- the paragraph "**Traceability and ex-post verifiability of the activities through adequate documentary/electronic media**" describes the methods for recording and storing the documentation and the decision-making steps relating to the sensitive process;
- the paragraph "**Separation of tasks**" shows the diversity of those who perform, control and authorize the various phases that make up the sensitive activity;
- the paragraph "**Existence of a system of delegated powers consistent with the organizational responsibilities assigned**" highlights the formalization of signing and representation powers consistent with the organizational and management responsibilities assigned and clearly set and known within the Company. All activities are carried out in compliance with the provisions of the internal system of powers of attorney that assign powers of representation of the Company externally and the internal system of delegation for the performance of the relevant activity. The existence of a system of delegated powers consistent with the assigned organizational responsibilities was assessed for all sensitive processes.

Exceptions to the general and specific controls provided for by this Model and the Code of Conduct must be justified and authorized by the *CEO* or the Board of Directors and reported to the Oversight Body.

3. THE GENERAL RULES

All company activities must be carried out in compliance with applicable laws, the Code of Conduct, the values and procedures and company and Group *policies*, as well as the rules contained in this Model and in particular in this Special Part.

It is forbidden to engage in, collaborate with or give cause to conduct such that, taken individually or collectively, might directly or indirectly constitute the types of offense included among those provided for by the Decree; it is also forbidden to engage in conduct in violation of the principles and rules provided for in this Special Part.

In carrying out all activities, all Addressees are obliged to:

- comply with all applicable laws and regulations;
- establish and maintain relations with counterparties in accordance with the criteria of maximum fairness and transparency;
- use the Company's financial resources exclusively in accordance with the management procedures established by internal regulations and applicable laws on financial transactions and the limitation of the use of cash;
- scrupulously comply with all legal and voluntary regulations aimed at protecting the health and safety of the workplace and the environment.

In the case of the risk of committing **Offenses against the Public Administration**, it is specifically prohibited to:

1. make cash donations to Italian or foreign public officials;
2. distribute and/or receive gifts and presents not in keeping with the provisions of company procedures (i.e. any form of gift offered in excess of normal business or courtesy practices, or in any case aimed at acquiring unfair favorable treatment in the conduct of any company activity).

In particular, any form of gift to Italian and foreign public officials or their family members that may influence their independence of judgment or induce them to provide any advantage to the Company is prohibited.

In any case, permissible gifts are always low value (not exceeding the maximum amount allowed by company rules or codes of conduct adopted by individual public administrations and in any case not exceeding €50.00 for gifts and €100.00 for invitations) or aimed at promoting initiatives of a charitable or cultural nature, or the image of Italdesign products and services (*brand image*);

3. grant or promise favors of any type and kind (recruitment, internships, consultancy contracts, etc.) or confer advantages of any kind to public officials or public service representatives belonging to public bodies and/or similar parties of the Italian State, the European Communities and foreign countries, as well as for the benefit of other individuals or legal entities in any case attributable to the sphere of interest of the aforementioned parties;

4. provide, draft or deliver to public officials or public service representatives belonging to the Public Administration, public bodies and/or similar parties of the Italian State, the European Communities and foreign countries, statements, data or documents in general containing inaccurate, incorrect, incomplete and/or false content in order to obtain certifications, permits, authorizations and/or licenses of any kind or kind, or obtain public disbursements, grants or subsidized financing;
5. submit untruthful declarations to national or Community public bodies in order to obtain funding, grants or disbursements of any kind;
6. allocate sums received from national or Community public bodies for disbursements, grants or financing for purposes other than those for which they were obtained;
7. assign or delegate the use of company cars, both personal and in *pools*, to parties other than those expressly authorized by the Company;
8. receive services from *service* companies, consultants and suppliers not adequately justified by the contractual relationship with them;
9. pay compensation to suppliers of goods and services and consultants not adequately justified by the type of assignment to be carried out and current local practices.

The following obligations are established with regard to the risk of committing **corporate offenses, corruption between individuals and market abuse**:

1. act correctly, transparently and collaboratively, in compliance with the law and internal company procedures, in all activities aimed at preparing the financial statements and other corporate communications, in order to provide shareholders and third parties with true and fair information on the Company's income statement, balance sheet and financial position;
2. act correctly, in compliance with the law and internal company procedures, ensuring the utmost attention and accuracy in the acquisition, processing and illustration of the accounting data necessary to allow a clear representation of the Company's balance sheet, income statement and financial position and the development of its business;
3. comply strictly all the rules set by law to protect the integrity and effectiveness of share capital, in order not to harm the guarantees of creditors and third parties in general;
4. safeguard the regular functioning of the Company and its corporate bodies by guaranteeing and facilitating all forms of internal control over corporate management provided for by law, as well as the free and correct formation of the shareholders' meeting;
5. not carry out simulated transactions or spread false information likely to considerably alter the price of financial instruments;
6. behave correctly in commercial transactions and collaborative relationships, not paying or promising money or other benefits to induce the counterparty to perform and/or omit acts in violation of its obligations and with undue interest and/or advantage for Italdesign;
7. give or promise money, goods or other benefits unrelated to the subject matter of the contract during or by reason of ongoing business negotiations.

In the context of these behaviors, it is forbidden to:

(with reference to the previous point 1):

- a) represent or transmit for the preparation and representation in financial statements, reports and prospectuses or other corporate communications, false or incomplete data or, in any case, data that do not correspond to reality, regarding the Company's income statement, balance sheet and financial position;
- b) omit data and information required by law regarding the Company's income statement, balance sheet and cash flow;

(with reference to the previous point 2):

- a) illustrate the data and information used in such a way as to provide a presentation that does not correspond to the actual judgment made of the balance sheet, income statement and financial position of the Company and on the evolution of its business;

(with reference to the obligation set out in point 3 above):

- a) return contributions to shareholders or release them from the obligation to execute them, except in cases of legitimate reduction of the share capital;
- b) distribute profits or advances on profits not actually made or allocated by law to reserves;
- c) purchase or subscribe for shares in the Company or subsidiaries outside the cases provided for by law, harming the integrity of share capital;
- d) carry out reductions of share capital, mergers or demergers in breach of the provisions of law protecting creditors, thus causing them harm;
- e) carry out a fictitious formation or increase of share capital, granting shares with a value lower than their nominal value when share capital is increased;

(with reference to the previous point 4):

- a) engage in conduct that materially prevents, through the concealment of documents or the use of other fraudulent means, or that in any case hinders, the performance of the control and audit activity by the Board of Statutory Auditors or the Independent Auditors;
- b) determine or influence the passage of resolutions by the Shareholders' Meeting by engaging in simulated or fraudulent acts aimed at altering the regular procedure for determining the shareholders' will.

The following obligations are established with reference to the risk of committing the **offenses of receipt, laundering and re-use of money or other benefits of illegal origin and self-laundering**:

1. not to hold commercial relations with parties (physical persons or legal entities) whose membership or proximity to criminal or otherwise illicit organizations is known or suspected;
2. not to carry out financial and/or commercial transactions with counterparties that use opaque corporate structures and/or that prevent the unambiguous identification of the corporate structure (ownership) and/or the actual beneficiaries of the transaction;
3. to act in a correct, transparent and collaborative manner, in compliance with the law and internal company procedures, in all activities aimed at managing the supplier/customer registry;

4. To comply with the general rules on means of payment provided for by Italian Legislative Decree 231/2007 (i.e. check regulations, prohibition of holding bearer securities beyond certain thresholds and/or prohibition of transfer for cash beyond the legal limits in force);
5. not to accept payments and not to issue invoices to parties other than those who assume the role of contractual counterparties and in the absence of adequate justification;
6. to suspend/terminate a relationship with the customer/supplier/partner where, after appropriate consultation with their function manager and possibly with the Administrative Department, there is evidence of customer behavior not in line with the regulations, laws and control principles established in this document. Reports, as well as any interruptions in relationships, must be made as soon as possible;
7. to ensure the correct management of tax policy, including with regard to any transactions with the countries set out in the "*black list*" defined in the regulatory provisions in force and with those with preferential tax systems indicated in the Italian Ministerial Decree of January, 23 2002, as amended;
8. to identify and implement specific internal control programs with particular regard to the management of payments and treasury, agreements/joint ventures with other companies, intercompany relationships and relationships with counterparties with registered offices and/or operations in countries with preferential taxation;
9. to implement the training and information of company representatives on issues related to the prevention of money-laundering;
10. to give evidence of the activities and controls carried out.

Furthermore, during the customer acquisition phase the competent Bodies and Units also assess the related "money laundering risk" profiles through the analysis of certain elements of attention such as, for example:

- the sector of activity and the profession of the customer/sector of activity and corporate purpose (in the case of a legal person);
- the customer's residence/registered office in "tax havens" or in "non-cooperative" countries as listed in the FATF Lists;
- payment of the transaction is made through financing by a bank established in one of the countries indicated in the previous point;
- the customer intends to settle the payment of the transaction with a sum of money higher than the legal limit in force for payment in cash, or with bank or postal deposit books or with bearer securities (checks, money orders, certificates of deposit, etc.) in Euro or in foreign currency or with instruments unrelated to normal commercial practices;
- the customer intends to settle the payment of the transaction by checks with progressive serial numbers or multiple checks of the same amount on the same date;
- the customer insists that the transaction be closed quickly.

Before carrying out any transaction with any of the anomaly indicators listed above, the General Manager of *Finance/CFO* and the *AML Contact Person* must be informed.

The following obligations are established with reference to the risk of committing **crimes against**

industry and commerce:

1. whenever there is found to be a risk of carrying out activities that could conflict with and, therefore, violate the industrial property rights of third parties (including the use of technologies covered by patents already filed), a prior check must be done on previous patents and trademarks registered in the name of third parties;
2. in the contracts for the acquisition of products protected by industrial property rights, specific clauses must be included, whereby the counterparty certifies:
 - that it is the legitimate owner of the rights of economic exploitation on the trademarks, patents, distinctive signs, designs or models subject to sale or in any case that it has obtained from the legitimate owners the authorization to grant their use to third parties;
 - that the trademarks, patents, distinctive signs, designs or models subject to transfer or concession in use do not infringe any industrial property rights of third parties;
 - that it indemnifies and holds harmless Italdesign from any damage or harm as a result of the non-truthfulness, inaccuracy or incompleteness of such declaration.

It is forbidden to:

1. use the company secrets of others (even if they are known by new personnel hired by Italdesign and who have participated in the invention at another company);
2. engage in conduct aimed at hindering the normal functioning of the economic and commercial activities of Italdesign's competitors;
3. engage in fraudulent acts likely to result in diversion of the customers of others and damage to competing undertakings;
4. improperly reproduce, imitate, tamper with trademarks, distinctive signs, patents, industrial designs or models owned by third parties;
5. make use, in the industrial and/or commercial field, of trademarks, distinctive signs, patents, industrial designs or models counterfeited by third parties;
6. introduce into the territory of the state in order to make trade in, hold for sale or put into circulation in any way industrial products with trademarks or distinctive signs forged or altered by third parties.

The following prohibitions are established with reference to the risk of committing **copyright infringement offenses:**

1. to illegally procure, store, reproduce, disseminate, distribute and/or use in the Company's activities (e.g.: preparation of material for conventions, meetings, institutional events, etc.) material obtained in violation of copyright protection laws;
2. to hinder or omit, including with artifice and deception, the fulfillment of obligations deriving from copyright protection legislation.

The following obligations are established with reference to the risk of committing **computer crimes**:

1. prohibition of fraudulent access to the computer systems of the Public Administration to obtain or modify data or information in the interest or to the advantage of the Company;
2. prohibition to carry out modifications or updates of operating systems or application programs on their own initiative (unless expressly indicated by the competent Functions);
3. prohibition to modify the configuration parameters received and to install on one's computer peer to peer programs or personally owned communications devices (modems, wi-fi cards, etc.);
4. prohibition of unauthorized programs (such as malicious code) from entering the network or servers;
5. prohibition of the use of software and/or hardware designed to intercept, alter or suppress the content of communications and/or computer documents.

The following obligations are established with reference to the risk of committing the **crime of illicit brokering and exploitation of labor**:

1. prohibition of the payment of remuneration not complying with national or territorial collective bargaining agreements concluded by the most representative trade union organizations at national level;
2. prohibition of paying wages disproportionate to the quantity and quality of the work performed;
3. prohibition of the violation of the regulations on working hours, rest periods, weekly rest, compulsory leave and holidays;
4. prohibition of the violation of the rules on safety and hygiene in the workplace;
5. prohibition of subjecting workers to working conditions, methods of surveillance or degrading housing conditions;
6. obligation, in the cases provided for by collective bargaining and by the reference legislation, to ensure the involvement of trade union representatives and, in any case, to ensure that the requests of such representatives are always taken into account, favoring transparency in justifying company decisions;
7. obligation to scrupulously comply with company procedures for the qualification of suppliers, in particular with reference to the award of works under contract.

The following principles of conduct must be observed with reference to the **crimes of manslaughter or serious or very serious injuries committed in violation of the regulations on the protection of occupational health and safety**:

1. comply with current legislation and internal procedures on health and safety in the workplace;
2. use machinery, equipment, substances correctly and according to the training received;
3. always use the safety devices appropriately;
4. relations with the Public Administration/Bodies responsible for monitoring compliance with

- health and safety regulations are conducted only by persons with the necessary powers;
5. before choosing a supplier, and during the relationship, the appointed parties verify the satisfaction/maintenance of requirements/authorizations by suppliers; under specific clauses, the Company requests compliance with health and safety regulations in the workplace;
 6. relations with suppliers are formalized and provide for the inclusion of a clause requiring a commitment to comply with the Code of Conduct and Italian Legislative Decree 231/2001;
 7. it is forbidden to carry out, on one's own initiative, activities or tasks that do not fall within one's purview and that could endanger one's safety or that of others;
 8. participation in development and training programs is mandatory;
 9. with specific reference to the prevention of workplace violence and harassment:
 - the risk of workers being subjected to violence or harassment in the workplace is assessed. The risk is included in the occupational health and safety management system;
 - the consequences on the mental and physical integrity of the harassed person and its health consequences are assessed;
 - with the participation of workers and their representatives, measures are taken to prevent and monitor the risk of acts of violence or harassment;
 - what constitutes violence and what constitutes harassment are clearly defined, explicitly prohibiting any act that may constitute one or the other case and stating the penalties applicable to those who violate this prohibition;
 - adequate support tools are established and made available to employees, including psychological support, where they are victims of harassment or violence;
 - appropriate channels are set up to report incidents of violence or harassment;
 - information and training activities are organized on the identified dangers and risks of violence and harassment and related prevention and protection measures, including the rights and responsibilities of workers and other stakeholders in relation to company policy.

The following obligations are established with reference to **environmental crimes**:

1. to comply with all environmental legislation in order to ensure the prevention of pollution;
2. to adopt specific measuring instruments in order to ensure compliance with the authorization limits;
3. to ensure that relations with the Public Administration/Bodies responsible for monitoring compliance with environmental legislation are conducted by persons with the necessary powers;
4. to ensure the continuous updating of the environmental requirements applicable to the corporate context;
5. to ensure that all "management" activities (collection, temporary storage, transport and transfer of waste), even if entrusted to third parties (such as suppliers, cleaning or waste disposal companies appointed by the Company), are carried out in compliance with the

- laws in force and the rules of the Code of Conduct;
6. for this purpose, to provide for an adequate qualification of the suppliers responsible for waste disposal, verifying the satisfaction of the requirements and authorizations required by law for the purposes of carrying out the activity.

With reference to the risk of committing **tax offenses**, it is mandatory to:

1. plan appropriately the timing and deadlines for tax obligations, as well as manage without delay any problems related to the calculation of taxes deriving from transactions with counterparties, including international counterparties;
2. respect the roles and responsibilities identified for the calculation of taxes and in general for the management and monitoring of tax obligations and for subsequent electronic transmission;
3. respect the roles and responsibilities identified for the determination, communication and payment of the Company's VAT position;
4. ensure that the auditing firm is responsible for verifying the accounting data, the data indicated in the tax returns and the counter-signature thereof;
5. keep proper and complete accounting records;
6. in case of doubt on data and aspects relevant for tax purposes, refrain from proceeding and request qualified technical support, including, where appropriate, from the external consultant who must issue a written indication on the correct way to proceed.

In addition, it is forbidden to:

1. submit untruthful or incomplete tax returns;
2. consent to the issuance of invoices and documents with tax value to parties other than the actual purchasers or beneficiaries of the services or services rendered;
3. issue invoices or documents with tax value without a description of the services performed or with a generic indication;
4. use in income or value added tax returns invoices or other documents relating to transactions not actually carried out, which describe the nature of the service generically (or which do not describe it at all) or which are not attributable to the issuer of the document;
5. engage in conduct that, by carrying out objectively or subjectively simulated transactions, or by using false documents or other fraudulent means, hinders a tax assessment or misleads the revenue authorities;
6. engage in conduct that, by concealing or destroying all or part of the accounting records or documents that must be kept, does not allow the tax authorities to reconstruct income or turnover;
7. simulate the disposal of or committing fraudulent acts on its assets in order to render

ineffective the compulsory collection procedure, so as to avoid paying income or value added taxes or interest and penalties relating to said taxes;

8. in general, violate the rules on tax, duties and social security matters.

The following obligations are established for the prevention of **smuggling offenses**:

1. to respect the roles and responsibilities identified for the calculation, reporting and payment of the customs duties, as well as for the correct and complete keeping of the relevant documentation;
2. to check the veracity and completeness of the information sent to the suppliers (hauliers and customs brokers) in the context of the management of the supply/export/import activities and the customs operations;
3. to carry out periodic evaluations of the suppliers (hauliers and customs shippers) and schedule periodic checks on the activities carried out by them on behalf of the Company as part of the management of the sale/export/import activities and customs operations.

In addition, it is forbidden to:

1. avoid in any way the payment of frontier duties (import duties and export duties, levies and other import or export charges provided for in the Community regulations and their implementing rules) and, as regards imported goods, avoid the payment of monopoly duties, frontier surcharges and any other consumption tax or surcharge to the State;
2. carry out, personally or through a direct or indirect representative, transfer/export/import operations in violation of customs rules;
3. transport foreign goods across borders in violation of the requirements, prohibitions and limitations;
4. conceal foreign goods on a person or in baggage or among goods of another kind or in any means of transport;
5. remove goods from customs areas without having paid the duties due or without having guaranteed payment;
6. bring out of the customs territory national or nationalized goods subject to border duties.

4. THE INDIVIDUAL SENSITIVE ACTIVITIES

4.1 Management of design, research and development/management of trademarks and patents

Relevant offenses

Offenses against industry and trade

Offenses against the Public Administration

Corporate offenses

Receiving stolen goods, laundering and use of money, goods or benefits of illegal origin, as well as self-laundering

Offenses committed in violation of workplace health and safety regulations

Organized crime offenses

Company or Group roles involved

Design Center

Engineering Office

Pre Series Center

Management Committee

General Manager of Finance

Quality Office

CEO

Regulation of the process and existence of formalized procedures/guidelines

The process of design, development and production of products is governed by the tabs "*Product Development - SP_IGEK_0001*", "*Patent filing and registration of trademarks and ornamental models - SP_IGES_0001*", "*Intellectual property portfolio management - SP_IGEK_0002*", by the procedures "*Production compliance - PS_IGQ1_0002*" and "*Prototype construction process control - PS_IGQ1_0001*" and by operating rules according to which:

- the IDG *Design Center*/the customer prepares the business case that, accompanied by the budget, is discussed in the context of specific meetings by all the members of the *Management Committee* and subject to the control of the *General Manager of Finance* and the authorization of the *CEO*;
- following approval, the *concept* phase is initiated under the responsibility of the *Vehicle Architecture* Department;
- in the case of internal projects, the ***Whole Vehicle Development*** Department offers support to ensure that, from that stage, the type-approval requirements are met;
- the next phase of development through CAD processing and formulation of mathematics is entrusted to the *Whole Vehicle Development* Department or to the *Upper Structure Development* Department depending on the complexity of the project;
- the testing activities are carried out by the *Whole Vehicle Development* department, the *Vehicle Safety & Functional Development* department for passive safety, air conditioning and engine cooling, and the *Powertrain Development* department for engine calibration, and the measurements carried out are recorded;
- the start of prototype production is conditional on authorization from the end customer in the case of projects on order, or of the different technical departments involved for internal projects;
- in the case of technical KOs, an escalation flow is provided internally and/or towards the competent functions within the Italdesign organizational structure for internal projects (up to the *Engineering* Director) or the customer for external projects;
- prototype production requires prior verification of the characteristics, including safety, of the products received from suppliers and those made internally by the *Quality* Department;
- in the event of a positive outcome, the assembly phase is started and the *Quality Office* carries out new quality and safety checks in collaboration with the *Electric/Electronics*

Department;

- the prototype/prototypes are made available to the various technical departments (users) for the performance of the relevant tests;
- the validation plan, depending on the phase, provides for the tests to be repeated until the pre-established results are achieved, or the measurements carried out in the previous phase to be repeated to verify whether any problems encountered have been rectified; each user issues their own assessment, necessary in order to allow the transition to the next phase of State of Production (SOP);
- during the prototype production phase, the characteristics and requirements necessary for the approval by the *Whole Vehicle Development* Department are also verified;
- in the case of internal projects, or construction on small production run orders, the *Whole Vehicle Development* Department starts the approval *process* in compliance with the provisions of the paragraph 4.2 below, "*Management of the vehicle type-approval process*";
- the production activities are carried out by the production facilities, under the control of the *Quality Office* in accordance with a plan agreed with the *Pre-Series & Production Office* and informed by the principle of repeatability of measurements;
- all the documentation and the results of the checks and tests carried out are recorded and stored in a special electronic archive which can only be accessed by the departments involved in the project, as well as saved on the client's server in the case of external orders.

The following control principles are observed in all phases:

- whenever there is found to be a risk of carrying out activities that could conflict with and, therefore, violate the industrial property rights of third parties (including the use of technologies covered by patents already filed), a prior check must be done on previous patents and trademarks registered in the name of third parties; The checks are carried out by external consultants at the request of the *Engineering Office*;
- contracts with suppliers include specific clauses with which the counterparty certifies:
 - that it is the legitimate owner of the rights of economic exploitation on the trademarks, patents, distinctive signs, designs or models subject to sale or in any case that it has obtained from the legitimate owners the authorization to grant their use to third parties;
 - that the trademarks, patents, distinctive signs, designs or models subject to transfer or concession in use do not infringe any industrial property rights of third parties;
 - that it indemnifies and holds harmless the Company from any damage or harm as a result of the non-truthfulness, inaccuracy or incompleteness of such declaration.

If, during the various concept, design and development phases, one of the technical departments involved considers there to be an idea worthy of protection through the filing of a patent application, the process flow described in the module "*Patent filing and registration of trademarks and ornamental models SP_IGES_0001*" is followed, for which:

- the preliminary search for any relevant prior art is carried out by specialized external consultants;
- the decision on the filing of the patent application is referred to the *Head of the Office* or *Organizational Unit* involved;
- the application is filed by the external consultants;
- all the relevant documentation is signed by the Company's attorneys according to the

current system of powers of attorney and stored on an encrypted network volume.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The documentation relating to the analyses and research carried out, test reports, schedules, budgets, etc. is stored in a specific server by the *Engineering Office*.

Contracts with suppliers, including clauses relating to the ownership or legitimacy of the use of patents, are archived by the *Purchasing Office*.

All documentation relating to the filing of patent applications by Italdesign is stored on an encrypted network volume.

Separation of tasks

The segregation of duties is implemented through the separation between: *i) the executive activities carried out by the Design Center; Vehicle Architecture Department; Upper Structure Development Department; Pre-Series & Production; ii) the control conducted by the Management Committee; General Manager of Finance; Whole Vehicle Development; Quality Office; and iii) authorization by the CEO.*

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.2 Management of the vehicle type-approval process

Relevant offenses

Offenses against the Public Administration

Offenses against industry and trade

Corporate offenses

Cyber-crimes and unlawful data processing

Organized crime offenses

Company or Group roles involved

Engineering Office (Engineering Director, Whole Vehicle Development Department, Whole Vehicle Development Manager, Type-Approvals Manager)

Quality Office

CEO

Regulation of the process and existence of formalized procedures/guidelines:

Type-approval activities are set out in *Procedure PS_IGEG_001* in a manner consistent with the requirements of the Group's *Golden Rules*, as well as by operating rules according to which:

- the *Whole Vehicle Development* Department updates the technical requirements and type-

approval procedures in force in the various target countries by consulting a Group IT portal in which the applicable legislation is collected and updated and equipped with a change notification system, as well as under consultancy contracts with *Technical Services*.

- the tests are performed by test centers and/or *Technical Services* whose skills are attested by the competent Public Offices or by a valid certificate of accreditation. The test center and/or *Technical Service* that supports the Company in the management of the type-approval procedures is designated through the issuance of by the *Whole Vehicle Development* Department and subsequent order by the *Purchasing Office*, in compliance with the ordinary purchase procedures;
- the tests are planned by the *Whole Vehicle Development Manager* in a manner consistent with the *state of production (SOP)* date of the vehicle;
- the planning is shared with the test centers and/or *Technical Service* and with all the company departments involved in the various project areas;
- relationships with the public bodies responsible for issuing the type-approval are managed by the *Technical Service*;
- relations with the *Technical Service* staff are managed by the Type-Approval Manager;
- where the use of tests carried out during the development phase is not sufficient or not significant, the tests and trials are carried out under the supervision and responsibility of the Type-Approval Manager (where possible accompanied by a second Italdesign staff member), who is present at each phase and assists the physical performer of the test, with the possible presence of the *Technical Service* as well;
- the description and identification of the vehicle or parts being tested are formalized in a special test report, drawn up in accordance with the applicable legislation by the Type-Approval Manager;
- the Type-Approval Manager prepares the information sheet containing: *i)* project data and drawings necessary for type-approval purposes; *ii)* map and master labels; *iii)* attachments containing the information relating to the object to be approved in sufficient detail; *iv)* photographs and descriptive annexes of the object to be approved (when deemed necessary);
- the *Whole Vehicle Development Manager* verifies the information sheet and prepares the type-approval application accompanied by, in addition to the information sheet and its annexes, the type-approval drawings, test reports and test objects representative of the project;
- the application for approval is signed by the *Whole Vehicle Development Manager* together with the Director of the *Engineering Office* or the *CEO* in compliance with the delegations of authority and powers of attorney conferred by the Company;
- the application is submitted to the competent Public Bodies by the *Technical Services*;
- the *Whole Vehicle Development Manager* verifies the outcome of the application and, after type-approval has been obtained, informs all company Functions concerned of the entry into

the company information system of the type-approval data linked to the certificate of conformity;

- any changes to the product details or to the characteristics on file are subject to the prior authorization of the *Whole Vehicle Development Manager*, the *Technical Service* and/or the competent type-approval authority in order to verify the need to prepare an extension or update of the existing type-approval certificates. Any change to a regulated component is managed by issuing a change request, which follows the same process;
- all relevant documentation is archived by the *Whole Vehicle Development Manager*;
- during production, the *Quality Office* carries out checks on the basis of a specific control plan. All the characteristics subject to verification, the values detected and the final result of the test are documented by means of the forms provided and the documentation proving conformity to the type approved is filed.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The traceability of the process is implemented through the filing of the documentation required by the applicable legislation by the *Whole Vehicle Development Manager*.

The Departments involved in the development and prototyping phases keep, for the part of within their purview, the certificates of the tests and analyses carried out.

During production, the *Quality Office* carries out checks on the basis of a specific control plan. All the characteristics subject to verification, the values detected and the final result of the test are documented by means of the forms prepared and the documentation is filed together with that relating to conformity to the type approved.

Segregation of tasks

The approval process is implemented by ensuring the separation between: *i)* the executive activities carried out by the *Whole Vehicle Development Department* and the *Technical Service*; *ii)* control by the Approval Manager; *iii)* the authorization role of the *Whole Vehicle Development Manager*, the *Engineering Director* and the *CEO*, depending on the different phases.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

The *Whole Vehicle Development Manager* holds the power of attorney to sign the documentation to be submitted to the Public Bodies for type-approval.

4.3 Provision of performance measurement services

Relevant offenses

Corporate offenses

Offenses against industry and trade

Offenses committed in violation of workplace health and safety legislation

Organized crime offenses

Company or Group roles involved

Powertrain Development Department

Powertrain Development Manager

Engineering Director

Regulation of the process and existence of formalized procedures/guidelines

The test activities and measurements are carried out in the test chamber equipped with a roller bench and through the analysis chamber, where the data are processed and evaluated.

The process is divided into the following main phases:

- acquisition of the order following the Group's request, as defined by the process diagram "*SP_IGGT_001 Issuance of intra-group offers*";
- acceptance of the vehicle (prototype, *pre-series* or series) to be subjected to tests by the *Powertrain Development Department*;
- execution of the required *tests* by the staff of a specialized external supplier, using Italdesign equipment and roller bench; the tests are carried out according to standardized cycles or as requested by the customer;
- the results of the individual tests are automatically processed using a computerized system;
- the reports thus prepared are verified and read by external personnel and *Powertrain Development Department* technicians, sent to the customer and archived by the *Powertrain Development Manager*;
- the customer uses the results of the tests to continue the development project or to submit the type-approval application, with which Italdesign is not involved.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The traceability of the process and of the measurements is ensured by the preparation, using the computer system, of specific *reports*, archived by the *Powertrain Development Manager*.

These *reports* are completed by the written annotation of the evaluations carried out on the test output data by the *Powertrain Development Department* technicians and the external supplier.

The tests to be carried out according to standardized or customized cycles are also specified within the contract with the customer.

Separation of tasks

The segregation of duties is implemented through the separation of: *i)* the executive activities entrusted to the *Powertrain Development Department* and external suppliers; *ii)* the control carried out by the *Powertrain Development Manager*; *iii)* the authorization role of the *Powertrain Development Manager* and the *Engineering Director*.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.4 Management of the goods, services and consultancy procurement process

Relevant offenses

Offenses against the Public Administration

Corporate offenses

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Tax offenses

Smuggling offenses

Employment of illegal immigrant third-country citizens

Illegal brokering and exploitation of labor

Organized crime offenses

Crimes committed for purposes of terrorism (Criminal Code and special laws) and offenses committed by associations of a transnational nature

Company or Group roles involved

Requesting Office

Purchasing Office (General Purchasing Office; Project Purchasing Office)

Finance Office

Quality Office

Health, Safety & Environment Office

Legal & Governance Office

Logistics & Warehouse Unit

Attorneys-in-fact of the Company

CEO

Audi Buyer/Corporate Sourcing Committee

Regulation of the process and existence of formalized procedures/guidelines

Within the *Purchasing Office*, competencies and responsibilities are divided between the following Offices, in relation to the different types of purchase:

- The General Purchasing Office is dedicated to the procurement of goods and services that are not directly related to Italdesign's activities (e.g. maintenance, logistics, legal services, investments in machinery or IT equipment, raw materials, furniture, stationery);
- The Project Purchasing Office deals with the purchases necessary for the development and implementation of individual projects. It includes a Readiness Office that handles the contacts with the suppliers after the conclusion of the contract to monitor and ensure at a general level that the processing and delivery times and the quality of the good/service

are respected, guaranteeing the separation of the roles between those who manage the relations with the supplier during the qualification and negotiation phase and those who interface with the supplier over the term of the contract.

The purchasing process is governed by various company procedures (*Procurement Manual*, *ERP User Manual*; *PS_IGB_0001 Supplier Qualification*; *PS_IGB_0002, Supplier Re-qualification*; *IO_IGB_000 Supplier Coding*, *IO_IGB_0002 Sheet Metal Purchase*), modulated according to the procedures and policies issued by the Parent Company.

These procedures provide for different operating rules based on the value of the purchase, or for each type of purchase

- i) a first threshold, which provides for the possibility of operating in single sourcing, without comparing multiple offers due to the low value of the supply. The same process also applies in the event of a monopoly or in the event that the supplier is identified by the customer through contractual clauses;
- ii) a second threshold, which requires comparing the offers of several suppliers on the market;

for general purchases only:

- iii) a third threshold, which requires the obligation to use the Group sourcing system called *Globe*, which for certain categories of purchases (e.g. independent auditing services) provides for a list of qualified suppliers that cannot be modified;
- iv) for tenders with a value of more than €100,000, a weekly meeting is also scheduled between the purchasing managers of all the Italian Group companies, with joint analysis and verification of compliance with the procedures;
- v) for very significant amounts (over €1 million), verification by the competent Audi buyer according to the product category is envisaged as an additional level of control;
- vi) a final threshold, for even greater amounts, requires a review by the Group CSC (*Corporate Sourcing Committee*), which must authorize it.

Finally, for project purchases only:

- i) the offers received are compared on the basis of the *Vendor Rating* attributed to the suppliers;
- ii) the *Sourcing Committee*, chaired by the *Purchasing Office* and with the involvement of the individual *Business Units* and the *Quality Office*, authorizes contested decisions.

In summary, the purchasing process is divided into the following stages:

- the Office that needs to purchase goods or services sends its request to the General Purchasing/Project Purchasing Office, with a description of the specifications/CAD drawing and an indication of the possible supplier(s), where applicable;
- in the case of single sourcing, the buyer identifies the supplier at the request of the requesting Office and by consulting the database, in addition to reviewing the information available in relation to previous orders;
- in other cases, a tender procedure is launched to compare the offers of as many possible suppliers, taking into account multiple aspects (price, timing, quality, possession of

certifications);

- the offers received are evaluated by the buyer together, where necessary for a technical evaluation, with the Head of the requesting Office or the contact person for the purchase. Once the technically best offers have been identified, the buyer then handles the negotiation;
- where the supplier is not already included in the list of approved and qualified suppliers, the supplier is subject to prior qualification. In particular:
 - for all types of supply and for all amounts, the supplier in question is required to connect to the specific online portal prepared by Italdesign, fill in the identification questionnaire and upload a standard package of documents including: *i)* form indicating personal, tax and bank details; *ii)* confidentiality document; *iii)* documents required for privacy obligations; *iv)* Code of Conduct or, failing that, compilation of answers to questions aimed at detecting the existence of similar controls; *v)* Chamber of Commerce certificate, in order to verify the consistency between the corporate purpose and the supply; *vi)* copy of insurance; - based on the type of contract to be assigned, further documentation is required. In particular, in the event of the award of works or services under contract, the supplier must produce the updated social-security compliance declaration and further checks are provided for by the Safety Officer and the inclusion of specific clauses within the contracts regarding compliance with Italian Legislative Decree 81/2008 (please refer in this regard to what is described in detail in par. 4.19 "*Management of workplace safety obligations*"); in the case of services to be provided within the Company's premises, the Single Interference Risks Document and all the necessary documents on workplace health and safety are prepared;
 - for particular categories of supply (e.g. customs agent, event management agent, approval and certification service provider, licensee or marketing agent), the Group Policy P_022 *Business Partner Due Diligence* applies, which, regardless of the value of the supply, requires the registration of the supplier in a specific *Group tool*, through which automatic checks are then carried out on the profile of the supplier and its representatives, also considering elements related to integrity, with particular reference to the risk of corruption. In the event of findings in this first phase, more in-depth checks are begun, the positive outcome of which is essential to proceed with the conclusion of the contract;
 - for further categories of supply (e.g. general purchases, product purchases for series production), in addition, a further qualification process managed at Group level is applied, which requires the attribution to the supplier of a *Sustainability Rating* (S-Rating through a Group process aimed at assessing various risks, including that of environmental non-compliance and corruption. Please refer to the Procedure "*Sustainability Management in Supplier Relationships*"). Here again, the supplier is required to fill out a thorough questionnaire, aimed at verifying whether the supplier's organization is able to ensure compliance with ethical principles regarding environmental sustainability and legality in general;

- the documents sent by the supplier are examined by various Bodies/Offices (*Finance, Safety Officer, Legal & Governance*, etc.), each for the relevant aspect, with a flag that is essential to continue;
- the qualification of suppliers, aimed at their inclusion in the appropriate register, is subject to an adequacy check in terms of resources, structures, processes and ability to provide products or services according to the expectations of Italdesign or its customers. Depending on the type of supplier, this verification is carried out by means of a site visit, assignment of a test activity or analysis of a material sample and is repeated at least every three years;
- in the case of consultancies considered "strategic", specific procedures apply (*Policy P_004 Management Consulting Services: Commissioning and Steering; Procedure ORS 60*) that provide for additional levels of control, such as prior approval by the Group;
- the supplier is then assigned a *Vendor Rating*, on the basis of which suitability for obtaining the qualification is established. The evaluation is carried out by the *Quality Office* (quality criteria); the *Health, Safety & Environment Office* (safety criteria); the requesting Office or Unit (technical criteria) and the *Purchasing Office* (economic criteria); the *Vendor Rating* corresponds to the supplier's index of compliance with the expected requirements, and is the result of the average of the values expressed by each Office;
- the Company's IT system automatically detects the expiry of documents and sends a specific alert to the supplier, who is required to reload the updated version;
- once the qualification process has been completed, the buyer continues with the issue of the order, which is recorded in the system. An order can be issued exclusively to registered suppliers and deemed suitable following the assignment of the *Vendor Rating*;
- the agreement is concluded by means of a purchase order with the general conditions at the bottom, including the clause on compliance with Italian Legislative Decree 231/2001 and the Code of Conduct with specific sanctions for cases of violation, up to the termination of the contract in the most serious cases;
- for amounts up to €20,000, the order is signed by the buyer together with the General Purchasing Office Manager/by project depending on the purchase category. For higher values, signing is the responsibility of the Purchasing Director together with another attorney-in-fact in possession of suitable powers (where possible, the second signature is affixed by an attorney-in-fact of the *Finance Office*);
- for project purchases, the *Readiness Office* extracts from the system the details of the serial numbers/codes assigned to the suppliers and continuously monitors their activity, where necessary also through visits to their premises. In the event of anomalies (e.g. in relation to quality, materials, timing or technical feasibility), the *Readiness Office* reports them to the other corporate bodies concerned (e.g. *Quality, Engineering*, etc.) and a work table is started to solve the problem;
- on arrival of the goods: *i)* in the case of prototype objects, the Metrology Organizational Unit carries out the measurements and check that the goods are accompanied by the certificate

of inspection issued by the supplier. In the event of non-conformity, the goods are sent back for reworking or replacement (in some cases, where the times are very tight, the competent company bodies may make the necessary changes and then charge them to the supplier); *ii*) for general purchases, the control is carried out by the *Logistics and Warehouse* Unit, which records the corresponding transportation document in the system;

- for the provision of services, the requesting Office accesses the computer system and enters the progress of the work; where the fee is calculated on the basis of an hourly rate, the *Project Manager* also intervenes to verify that the work carried out matches the hours indicated;
- the *Finance* Office, according to its own procedures, records the invoices issued by suppliers in the IT system, where all documents related to the order are stored. On the due dates, following the verification that what is indicated on the invoice matches the services entered on the system, the payment is ordered as described in par. 4.8 "*Management of cash flows.*"

Finally, a simplified procedure for managing certain orders is allowed (the simplification concerns the non-involvement of the *Purchasing* Office), based on the following control principles:

- the definition of specific thresholds for the value of the supply, within which the individual Office that needs the purchase can access the management system, select the supplier among those already qualified, the product and issue the order;
- the possibility of proceeding as described above only if: *i*) the product is listed in the catalog; *ii*) the supplier is already included in the list of qualified suppliers.

Otherwise, regardless of the value of the supply, the Office cannot proceed independently, but must begin the standard purchasing process, as described above, with the necessary involvement of the *Purchasing* Office.

In the case of purchases outside the EU, from the first stages of the purchasing process, the *Finance* Office is involved, responsible for interfacing directly with the Customs Agency, which carries out preventive checks and defines the necessary requirements for import, according to the provisions of par. 4.14 "*Management of customs requirements*".

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is guaranteed by the use of the ERP computer system, with registration and filing of all the relevant documents (e.g. purchase request/specifications/CAD drawing, offers received from possible suppliers, evaluations carried out and reference of the person who carried them out, negotiations, purchase order or contract, delivery note/progress to the system in the case of services, non-conformities and management methods).

In the case of procurement contracts, the documentation is exchanged with the supplier through an IT portal, with a record of the checks carried out by the various bodies involved, tracked through an authorization flag in the system.

In the case of single sourcing for reasons other than the minimum value threshold, the rationale is logged by stating the reasons why it is not possible to compare multiple suppliers by the Requesting Office or by the customer within the contract.

The IT system also records the authorizations for the individual orders, depending on the levels required by the procedure and differentiated according to the value of the purchase.

The coding and qualification of suppliers are also adequately tracked through the updating of the suppliers' register, with the assignment of a justified *Vendor Rating*.

Separation of tasks

The segregation of roles is ensured between: *i)* the operational activities carried out by the buyer of the General Purchasing/ Procurement Office and by the Requesting Office; *ii)* the control carried out by the *Finance Office*, the *Safety Officer*, the *Legal & Governance Office*, the *Readiness Office*, the *Logistics and Warehouse Unit* and the *Quality Office*, each for the aspect within its purview; an additional level of control is also represented by the weekly meeting between the purchasing managers of all the Italian companies of the Group for purchases over €100,000; *iii)* those who authorize the purchase, signing the purchase order or entering an approval flag through the IT system. In general, for amounts up to €20,000, the buyer, together with the Head of the General Procurement/Project Department, depending on the purchasing category. For higher values but in any case up to €500,000, the Purchasing Manager together with another attorney-in-fact in possession of suitable powers (normally the *Accounting/Controlling Manager*). Beyond this threshold, the *CEO's* signature is also required. Audi buyers and/or the *Corporate Sourcing Committee* play an authorizing role for significant amounts.

For the purchase of certain consultancy services considered strategic, the Procedure ORS 60 is observed, which provides for further authorization phases.

In the case of purchases according to the simplified procedure, there is still segregation between those who place the order (the Office interested in the purchase) and those who have included the supplier in the list of qualified, usable suppliers (*Purchasing Office*).

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.5 Management of the sales process

Relevant offenses

Corruption between private parties

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Offenses against industry and trade

Tax offenses

Smuggling offenses

Organized crime offenses

Offenses committed for purposes of terrorism (Criminal Code and special laws) and offenses committed by associations of a transnational nature

Company or Group roles involved

Business Development Office

Head of Project Management

Project Manager

Engineering, Pre-series & Production and Design Offices

Finance Office - General Manager of Finance

Legal & Governance Office

Sales Meetings

Attorneys-in-fact of the Company

Regulation of the process and existence of formalized procedures/guidelines:

The process of selling Italdesign's products and services on the *open market* is regulated as described in the scheme *SP_IGV_0001 "Issue of open market offers in the automotive sector"* and by operating practices according to which:

- the customer requests the formulation of a quotation (RFQ);
- the *Business Development Office* receives the RFQ, analyses its contents and conditions and, if it deems it interesting, submits it to the *Head of Project Management*, who identifies the *Project Manager* according to the subject of the request;
- the *Project Manager* interfaces with the *Engineering, Pre-Series & Production and Design Offices*, collecting from each the estimate of the costs for which they are responsible in order to formulate a unit quote, which is sent to the *Business Development Director*;
- This latter, making use of the people from his or her own structure, calculates the final price to be presented to the customer, taking into account the costs of execution and the correct positioning of Italdesign on the market;
- the payment terms are set by the *Finance Office*, which assesses whether to request the issue of specific guarantees and, based on the information and documentation provided by the customer, verifies the applicable tax regime, also with reference to the application of VAT;
- if the quote is consistent with the budget set, or exceeds it, the business case is approved by the *CFO* and the *Head of Business Development*;
- in cases where the *Business Development Office* considers it necessary to formulate an offer below budget¹⁸, or if an agreement is not reached within the so-called "opportunity meeting", the project is submitted to the approval of the *Sales Meeting* in which all the first reports of the *CEO* participate;
- the decisions taken by the *Sales Meeting*, which approves or does not approve the proposal, are tracked in the minutes of the meetings;

¹⁸ This refers to cases in which, in view of the impossibility of reducing the cost items entered by the individual offices involved in the definition of the estimate, it is nonetheless - according to the assessment of the Business Development Office - found to be non-competitive in terms of market performance and a joint assessment is therefore necessary, with a final decision referred to the CEO.

- the *Business Development* Director then signs and presents the offer to the customer, together with any documentation required, prepared by the *Business Development Office*;
- where during the negotiation the contents and the conditions of the below-budget offer must be revised, new approval by the *Sales Meeting* is required, even if within the contribution margin for large customers;
- in the event of a successful outcome of the negotiations, the contract is drawn up, prepared on the format of Italdesign or the customer and subject to review by the *Legal & Governance Office*;
- before signing the contract, the customer undergoes a specific qualification process, which starts with the compilation of the "*RFQ Assessment*" document by the *Business Developer*. The questionnaire contains the main information regarding the customer (e.g. previous problems with the customer, presence of the name in anti-money laundering and anti-terrorism lists, consolidated customer or start-up, etc.), the customer's country (e.g. presence of embargoes or limitations, particular risks related to the geographical area, but also applicable customs and tax regimes) and the payment methods (highlighting any abnormal requests);
- the "*RFQ Assessment*" document is sent to the *Finance Office* and the *Project Manager*, who carry out further checks for the qualification of the customer, involving the *Business Development Office* for the acquisition of any necessary information and documents; the qualification according to the steps described is repeated when each new order is opened, unless a short period of time has elapsed (not exceeding one year) from the last contract with the customer;
- the contract is signed by two attorneys-in-fact of the Company, in compliance with the system of delegation of authority and powers of attorney in force;
- the contract is recorded by the *Finance Office* in the management system for monitoring receipts;
- the *Project Manager* initiates the project activities covered by the contract, supervising and coordinating the activities of all the Offices involved;
- any disputes by the customer after the delivery of the product/project are managed by the *Business Development Office (back office)* together with the *Project Manager* and the *Quality Office*. Warranty management is governed by the contractual agreements entered into from time to time with the customer, according to a precise problem assessment scheme and approval of the coverage of warranty repair costs;
- transportation is organized by the *Finance Office* together with the *Logistics and Warehouse Unit*, based on the instructions provided by the customer regarding the destination country. The *Finance Office* is responsible for assessing the applicable tax and customs regime.

The process described above does not apply to *RFQs* for the *Industrial Design* sector, for which the offer is formulated by the *Project Manager* after consulting the technical offices involved and approved by the *Business Development Director* where the quotation falls within the margin budget set by the *Sales Meeting*. Otherwise, approval by the General Manager of *Finance* is also required.

Italdesign may involve natural or legal persons as business partners (network partners, agents and brokers) in the sale of new products or services. In such cases, the following control points apply:

- qualification of the agent/intermediary according to the process governed by the Procedure *P_022 Business Partner Due Diligence* with Group approval;

- regulation of the contractual relationship on the basis of standard contracts, the format of which has been jointly set by the *Business Development Office* with the *Legal & Governance Office*, signed by the Company's attorneys-in-fact according to the current powers of attorney;
- awareness of the procedures to be observed and the Code of Conduct before the start of the activities;
- periodic monitoring of the activity of agents/intermediaries, through meetings in which the Director of the *Business Development Office* participates and of which is kept track through the minutes;
- precise discipline, within the contracts, of the commissions paid, defined as a percentage of the amount of the order (decreasing as the value increases), with payment clause subject to satisfactory completion and collection;
- payment of commissions by the *Finance Institution*, in compliance with the controls provided for in par. 4.8 "*Management of cash flows*" and, in particular, after verifying that the invoice issued by the agent/intermediary refers to the order actually acquired and that the customer has already made the payment.

The management of intra-group service sales activities is described by the scheme *SP_IGGT_0001 "Issuance of intra-group offers"* which sets out the role and responsibilities of the parties involved and the main phases of the quotation process both in the case of a tender procedure and in the absence of a tender.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability of the sales process is implemented through the archiving of documentation and contracts concluded by the *Business Development Office*.

In addition, the decisions taken by the *Sales Meeting* are recorded.

Minutes are also taken of the monthly meetings between the Director of the *Business Development Office and the Business Partners*.

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities entrusted to the *Business Development Office* and to the *Engineering, Pre-Series & Production and Design Offices* for the aspects within their purview; *ii)* the control carried out by the *Project Manager*, the *Business Development Director* and the *General Manager of Finance*, as well as by the *Legal & Governance Office* with reference to the contract; *iii)* the authorization by the *Head of Project Management* for the start of the *process* of formulating the offer, the authorization issued by the *CFO* and the *Head of Business Development*, or by the *Sales Meeting* about the conditions of sale and the price to be applied and the signing of the contracts by the Company's attorneys-in-fact with appropriate powers.

Segregation is also assured for the inclusion of new agents and intermediaries, providing for the prior approval by the Group, the signing of the contractual agreement by the Company's attorneys-in-fact and the monitoring of activities by the Director of the *Business Development Office*.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.6 Management of Company brand and image promotion activities: participation in shows and events, communication and media relations

Relevant offenses

Offenses against the Public Administration

Corruption between private parties

Offenses of market abuse

Offenses related to copyright infringement

Offenses against industry and trade

Tax offenses

Smuggling offenses

Offenses committed in violation of workplace health and safety legislation

Organized crime offenses

Company or Group roles involved

Public Relations & Communications Unit

Purchasing Office

Design Office Manager

Finance Office

Parent Company

Attorneys-in-fact of the Company

Regulation of the process and existence of formalized procedures/guidelines:

The promotion of the company image and the activities aimed at the presentation and promotion of new models/projects are part of the activities carried out by the *Public Relations & Communications Unit*, which:

- handles relations with the press and journalists for institutional events or for photo shoots concerning historic cars or new vehicles and, more generally, to present and promote Italdesign's activities in the automotive and prototypes, style and industrial design sectors;
- is responsible for determining the contents of the Company's website;
- handles all activities related to the management of the museum's cars and the organization of events, supervising the preparation of stands and shipment of cars;
- is responsible for organizing events within the company (e.g. on special occasions).

Activities that involve a relationship with the media, the publication of communications on the website/online and, more generally, the communication of information concerning the Company are governed by the *Policy "P_011 Group Communications"* Policy, the Guidelines "*GL_IGC_0001 Rules of Communication*" and the Guidelines "*GL_IGC_0002 Social Media Use*", in compliance with the following control elements:

- precise identification of the persons responsible for maintaining relations with the information bodies and, in general, for disseminating communications, according to a system of delegated authority consistent with the organizational responsibilities assigned and with the instructions from the Parent Company;
- the formal establishment of the authorization process relating to the management of communications to be transmitted externally and the information to be provided to the press;
- in particular, in the case of information involving other Group companies (e.g. Italdesign's participation in a project for a new car model based on an idea by Audi), the rules set out in the *Policy "P_011 Group Communications"* are followed and specific authorization is required from the Parent Company, with which the methods of communication are also agreed;
- images and renderings are delivered to the printing office via a USB stick or QR codes, after validation by the *Public Relations & Communications Manager* and the *Design Manager*;
- the adoption of a system for the management and processing of company information (public, internal and confidential) that complies with the certification standards according to ISO 27001 for information security;
- the definition of the contents of the website by the *Public Relations & Communications Unit*, after discussion with the other corporate bodies involved (e.g. *Business Development, Legal & Governance*). The uploading of the contents is entrusted to a specialized external company under a specific contract;
- the archiving of all relevant documentation, including press releases issued, interviews and articles relating to Italdesign by the *Public Relations & Communications Unit*, together with internal authorizations.

Activities related to the organization of and/or participation in trade fairs and events require compliance with the following controls:

- the definition of a pre-established budget for the participation in shows and sector events or for the organization of corporate events, with monitoring of the relative use by the *Finance Office*;
- the formal definition of the authorization process relating to the organization and management of these activities;
- the management of the purchase of advertising space/rental of exhibition space/purchase

of gifts in compliance with company purchase procedures for indirect goods and services, under the responsibility of the *Purchasing* Office, with the signing of the related contracts by two attorneys-in-fact of the Company;

- preparation of advertising/promotional material for the event by the *Public Relations & Communications* Unit, with the possible support of external agencies, selected according to the procedures for purchasing indirect services;
- prohibition against using images or other works covered by copyright, as well as distinctive signs of others without express license by the owner. For this purpose, the *Public Relations & Communications* Manager verifies:
 - that only the images contained in databases whose contents have been verified and whose use is, therefore, safe, are used. In the event of doubt, the *Legal & Governance* Office should be contacted;
 - within the contract concluded with the selected advertising agency, there is a specific clause with which the latter undertakes to ensure and guarantee the legitimate usability of the images/videos/music used;
 - in the event that distinctive signs of third parties are used on the advertising material/gadgets or in the preparation of the exhibition spaces (e.g. a customer's brand), it verifies the presence of a contract or a written release with which the holder of the right expressly grants the possibility of use and exploitation. In the event of doubt, the *Legal & Governance* Office should be contacted;
- management of invitations to participate in the event/fair in compliance with company procedures, with registration of beneficiaries;
- management of activities for the temporary exportation of cars to be presented at events, exhibitions and fairs in compliance with the controls referred to in par. 4.14 "*Management of the warehouse and import and export operations*";
- the application of the *Head of Mission* procedure for the identification and evaluation of personnel taking part in the event in terms of technical suitability for the task, training and in general compliance with the requirements of Italian Legislative Decree 81/2008.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is implemented through the archiving of promotional material prepared by the *Public Relations & Communications* Unit, together with the contracts concluded with external agencies. Documentation that legitimizes the use of distinctive signs or recognition of ownership of third parties is also archived.

The traceability of invitations and gifts is ensured by the preservation of documentation containing the main information (e.g. register of invitations sent).

Separation of tasks

The segregation of duties is implemented through the distinction between: *i) the executive activities carried out by the Public Relations & Communications Unit and by the Purchasing Office; ii) the control entrusted to the Public Relations & Communications Manager/Head of the Design Office; the Finance Office; iii) the authorization by the Parent Company (Audi clearing center) and in any case by the Company's attorneys-in-fact.*

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.7 Management of relations with universities

Relevant offenses

Offenses against the Public Administration

Offenses involving copyright infringement

Illegal brokering and exploitation of labor

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Organized crime offenses

Company or Group roles involved

Legal & Governance Office

Finance Office

Attorneys-in-fact of the Company

Office involved *Head of Design*

Regulation of the process and existence of formalized procedures/guidelines:

Italdesign collaborates with universities and other training institutes to carry out joint research, technological development and innovation projects, as well as to contribute to the guidance and education of young people interested in the engineering and mobility sector.

In particular, as part of these collaborative relationships, the Company may make financial resources or the knowledge of its technicians available for the provision of courses to students or give them the opportunity to carry out an internship at its facilities.

Relations with universities are managed in accordance with the following control elements:

- precise identification of the parties who, based on the organizational role and the system of delegated powers and internal powers of attorney, can maintain relations with the training bodies;
- the need for each agreement to always be regulated in writing, under a contract subject

to review by the *Legal & Governance* Office. The contract includes specific clauses:

- of confidentiality that commit the counterparty: *i)* not to disclose the confidential information acquired in the course of the contractual relationship; *ii)* not to exploit and not to register Italdesign's designs, models, intellectual property and not to disclose them;
- that allow the termination of the relationship or the application of penalties in case of violation of the Italdesign Code of Conduct or in case of violation of the legislation referred to in Italian Legislative Decree 231/2001 or any other applicable law;
- relating to the obligations of the parties with regard to health and safety in the workplace pursuant to Italian Legislative Decree 81/2008, in the event that the execution of the contract requires the presence of Italdesign personnel at the headquarters of the external body and vice versa;
- signing of the contract by the Company's attorneys-in-fact with appropriate powers in compliance with the system of internal delegation of authority and powers of attorney;
- in the case of payments to be made to the University, compliance with the company spending procedures and the control principles referred to in par. 4.9. "*Management of cash flows*";
- in the case of sponsorship donations, involvement of the *Finance* Office and compliance with the provisions of par. 4.11 "*Management of gifts, invitations, donations and sponsorships*";
- respect for the following is always ensured in the context of relations with universities:
 - third-party industrial property, it being prohibited to carry out any activity capable of replicating, copying, imitating, creating, designing, designing and/or using models, industrial designs, patents, trademarks, names and/or distinctive signs owned by third parties or legitimately used by third parties;
 - copyright rules, with the prohibition of engaging in conduct aimed at copying, duplicating, burning, distributing, selling computer programs, intellectual property, drawings, photographs, books, databases, discs, tapes, etc.;
- for this purpose, any material prepared by Italdesign technicians for training activities is previously subject to the control and approval of the Head of the Unit/Office concerned and, in case of doubt, the *Legal & Governance* Office is involved;
- involvement of the *HRO* in the case of launch of internship projects, in order to guarantee the correct administrative management of resources and the planning of the necessary training activities.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

All documentation concerning the request for collaboration with universities or other educational institutions is kept by the *Legal & Governance* Office and the *HRO* Office, as well as by the office concerned, each for the relevant aspect.

Separation of tasks

The separation of tasks is implemented through the distinction between: *i)* the management of the activities covered by the contract by the staff of the Office involved (e.g. technicians and researchers in case of teaching, *HRO* Office in case of *internship*, *Finance* Office in case of financial grants); *ii)* the control carried out by the *Legal & Governance* Office for the formulation of content of contracts; *iii)* the authorization role of the attorneys-in-fact who sign the agreements in compliance with the system of delegation of authority and powers of attorney in force.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.8 Management of cash flows

Relevant offenses

Tax offenses

Offenses against the Public Administration

Corporate offenses and corruption between private parties

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Inducement not to make statements or to make false statements to the judicial authority

Organized crime offenses

Offenses committed for purposes of terrorism (Criminal Code and special laws) and offenses committed by associations of a transnational nature

Company or Group roles involved

Finance Office (General Manager of *Finance*, *Accounting/Controlling* Manager, *Treasury*)

CEO

AML Contact Person

Business Development Office

Attorneys-in-fact of the Company

Regulation of the process and existence of formalized procedures/guidelines

Cash inflows and outflows are managed on the basis of consolidated operating rules known to all those operating within the Company, in compliance with those set by the Group and described in detail by the following policies and procedures:

- *Policy P_009 "Financial Transactions/Financial Risks"* and its annexes (including "*regulation of the Treasury department (I/FF-6) for the Automotive Division*");
- *Policy P_028 "Financial principles"*;
- Operating Manual MN_IG-F-11_0001 "*System Responsibilities and Authorizations*";

- Operating Manual MN_IG-F-11_0002 “*Process Payment*”;
- MN002 “*Remote banking operating instructions*”;
- Operating Manual MN_IG-F-1-0014 “*IDG Treasury responsibilities*”.

Payment and collection transactions pass through the banking circuit, in compliance with the following controls:

- the opening, management and closure of bank current accounts can only be carried out by persons with specific powers in accordance with the system of delegated authority and powers of attorney in force;
- the persons authorized to intervene in the process (i.e. the person who authorizes the payment, the person in charge of making the payment and the person in charge of the control) are clearly identified and have the necessary powers in accordance with the system of delegated authority and powers of attorney;
- the General Manager of *Finance* ensures that the signing powers on file with the banks are up to date with respect to the corporate powers of attorney as communicated by the *Legal & Governance* Office, requesting the appropriate changes;
- any change in the attorneys-in-fact and persons authorized to intervene in the process is communicated to the *ICT/Process Digitalization* Office so that it may also change the rules of the IT system used accordingly.

The management of cash flows derives from the setting of annual budgets (general and by sector), in compliance with the following:

- indication, through the inclusion in the information system, of the needs of each Unit by its Manager, in compliance with the guidelines issued by the *Management Committee*, which also take into account any instructions provided at Group level;
- discussion, in the context of specific meetings, of the actual needs of the various Units in order to resolve any interactions and/or allocation needs;
- review of the budget plan by the General Manager of *Finance*, the *Accounting /Controlling Manager* and the *CEO*;
- formalization of the annual budget by the Board of Directors;
- verification and monitoring of the performance of the general *budget* and that attributed to each Organizational Unit by the *Controlling/Reporting* Unit;
- possibility of exceeding the budget only with the authorization of the *CEO* and the General Manager of *Finance*.

The payment management follows the rules formalized within the Instructions, Policies and Operating Manuals referred to above and, in any case, the following control elements:

- the prohibition of making payments in cash or by similar means of payment, without prejudice to the scope of the petty cash procedure, within the limits laid down by the

legislation in force;

- payments by bank transfer only by persons holding the relevant power of attorney according to the system of delegated powers and powers of attorney;
- implementation of controls aimed at ensuring that the name of the supplier to whom the payment is made always fully matches the holder of the current account to which the payment is sent (payments may not be made to “numbered accounts”);
- possibility of modifying the data of the supplier's personal data only following communication on headed paper and signed by the legal representative of the counterparty;
- blocking payments addressed to subjects not registered in the registry (in such cases, the related invoice may not even be registered and therefore the problem of paying it does not even arise);
- verification of that the country where the payee is based matches the country where the payee's bank is located. In the event that a location emerges in a country belonging to the so-called "*Black List*", the payment is blocked;
- prohibition against payments to a country different from that where the supplier has its registered office or where the service has been rendered;
- prohibition against carrying out transactions involving the use or utilization of economic or financial resources in the event that they do not bear an express cause and are not documented and recorded in accordance with company procedures;
- the need for prior verification of the existence in the system of a record of entry of goods or progress of the service received in order to be able to pay the invoice issued by the supplier;
- formalization, including for *intercompany* cash flows, of specific agreements/contracts/orders that describe in sufficient detail the activities and services received and the methods for setting the consideration;
- issuance of credit notes or transfer of invoices only by persons holding the relevant power of attorney according to the system of delegated authority and powers of attorney and verification by the *Accounting & Financial Statements Manager* and/or the *Accounting/Controlling Manager*;
- adequate recording of each transaction and archiving of the documentation.

In summary, from an operational point of view, the payment process follows the following steps:

- prior setting by the *Finance Office* of the annual payment schedule, reported to all first level *managers* at the beginning of each financial year;
- payments may be made outside the defined schedule only for justified reasons, subject to authorization from the *Accounting/Controlling Manager*;
- upon receipt of the supplier's invoice, the *Accounting & Financial Statements Unit* verifies its completeness and correspondence with the order and the goods entry document, in the

case of goods (three way match), and records it in the company's management system. The system automatically matches the invoice with the payment terms established with the supplier in the contract and set out in the respective registry, and enters it among those to be settled on the first available date after the due date;

- according to the established schedule, the *Accounting & Financial Statements* Unit extracts the list of expired invoices through the information system in use and prepares the payment batch;
- the payment batch is verified by the *Accounting/Controlling* Manager, who carries out sample checks to ensure that there are no anomalies and that the three way match has been carried out correctly;
- in the event of a positive outcome of the checks, the *Accounting & Financial Statements* Unit enters the payment order via home banking, and the order is then authorized electronically by the *Accounting/Controlling* Manager via a personal OTP key. Authorization is also provided by a second attorney-in-fact of the Company, where possible belonging to an office other than *Finance* (e.g. *Purchasing* Director). In the absence of the *Accounting/Controlling* Manager, the authorization of two attorneys-in-fact is required;
- payments from all suppliers are arranged on two days a month, save for any exceptions, which must be previously authorized by the *Accounting/Controlling* Manager;
- if the agreement with the supplier provides for the payment of specific bonuses, the *Accounting & Financial Statements* Unit checks the relative credit notes received to verify their adequacy with respect to the provisions of the agreements. Where the supplier's accounts do not coincide with those on record with the *Accounting & Financial Statements* Unit according to the contractual agreements, the *Purchasing* Office is involved to verify the correctness of the calculations and agreements;
- advances and prepayments are not allowed (prior to the complete delivery of the goods or provision of the service/consultancy by the supplier), save for exceptions that must be previously authorized by the *Accounting/Controlling* Manager.

The Company has adopted a specific procedure for determining the methods for managing cash with reference to cases in which payment cannot be made by bank transfer or it is company rules allow it not to be made. However, these cases refer exclusively to small amounts (*petty cash*), always below the legal limit in force for payment in cash, in compliance with the following:

- prior identification of the types of expenses for which company cash can be used (e.g. for travel expenses in countries that require the use of cash that the employee changes according to the local currency, small expenses for purchases from local shops);
- control of the matching and periodic reconciliation of the company cash register by the *Accounting & Financial Statements* Unit.

Following a general reorganization of the petty cash box, it only counts the currencies of greater, more frequent use. In addition, expenses are verified in a timely manner, requiring, in addition the need for the employee who has incurred them to submit all the proof of expenditure, prior authorization for the expenditure by his/her direct Manager and the *HRO* Office.

The Company also has company credit cards assigned to employees who, by level or job performed, have been authorized to use them by the *CEO*.

These payment instruments can only be used for work-related expenses (mainly online purchases), in compliance with ordinary company purchasing procedures.

The *Finance* Office periodically verifies the charges and the related reasons and, where personal or unjustified/unjustifiable expenses are identified, requests information from the user and, where appropriate, involves the *HRO* Office so that the necessary deductions from remuneration are made and any disciplinary proceedings are evaluated.

The following controls are observed with regard to the management of receipts:

- exclusive use of the banking system;
- Prior checks during the qualification phase of the customer, with particular reference to:
 - acquisition and verification of personal data, through the use of a specific form. In the case of a legal person, the *Business Development* Office may request a copy of the Chamber of Commerce certificate or similar document depending on the country of origin, a copy of the articles of association and/or evidence of the internal documents with which the powers to sign the contract/agreement/order are assigned and it sends this documentation to the *Finance* Office, which carries out audits in consultation with:
 - Reliable, independent sources with public access or through authentication credentials (Chambers of Commerce/Business Register, *Dun&Bradstreet* services, information providers on Italian/foreign companies that provide specific reports and information on property and any corporate links);
 - lists of persons and entities associated with terrorist financing activities or subject to freezing measures, where applicable;
 - Web pages and press releases relating to any investigations involving the customer and/or legal representatives;
 - the above verifications are modulated according to the level of risk identified by the *Finance* Office taking into account: *i*) the legal nature of the customer; *ii*) the prevailing activity carried out, also as resulting from the corporate purpose in which it is a legal person; *iii*) the behavior engaged in at the time when the documents and information were requested and, in general, in relations with the Company; *iv*) the geographical area of origin of the customer (e.g. tax havens, embargo lists);
- when the order is opened, the *Finance* Office, through the *Accounting & Financial Statement* Unit and the *Controlling/Reporting* Unit, records the customer data and the contract in the management system, respectively;
- Where the person who makes the payment differs from the customer, the *Accounting & Financial Statement* Unit requires that the customer provide appropriate documentation proving the assumption of its debt by the person who makes the payment in its name and on its behalf and/or the existing relationships between these parties (e.g. the customer may be a natural person and pays its debt through the company of which it is the owner and/or sole director, or with which it has additional credit relationships);

- according to the payment plan contractually set with the customer, the *Accounting & Financial Statement* Unit issues invoices, subject to confirmation of the possibility of proceeding with issuance by the *Project Manager* or the sales representative of reference;
- where the customer has submitted a declaration of intent, before the invoice is issued, it is verified and the capacity of the maximum amount envisaged is checked;
- upon receipt of each receipt, its correspondence with the supporting accounting and contractual documentation is verified. Receipts deemed abnormal (with regard to counterparty, amount, type, object, frequency or entity) are subject to identification and analysis and are reported to the *Accounting/Controlling Manager*, the General Manager of *Finance* and the *AML Contact Person*, who assess whether to also involve the *CEO*;
- in the case of the provision of a service, the competent *Project Manager* checks the progress of the work and, at the end, declares the conclusion of the project;
- in the case of a sale of a vehicle, the effectiveness of the service to which the invoice relates is proved by the issue of the relevant transport document by the warehouse.

In addition, in order to ensure compliance with anti-money laundering legislation and prevent the risk of illicit proceeds being introduced into the Company's economic circuit, the Company has adopted *Policy P_008 "Prevention of money-laundering"* and appointed an *AML Contact Person* who:

- monitors the status of national and European legislation with reference to anti-money laundering regulations and, in the event of changes (e.g. To the limits of the use of cash), promptly informs the relevant corporate bodies;
- is responsible, in coordination with the *HRO Office*, for the training of the Company's personnel on *AML* matters;
- is informed in the event of risk situations and periodically reports to the *CEO*, the General Manager of *Finance* and the Oversight Body on the status of implementation of measures to prevent money laundering phenomena.

In the event that there are unpaid receivables, the internal rules provide for:

- Identification of the outstanding amount in the company management system by the *Accounting & Financial Statements* Unit, which notifies the *Business Development Office* or the different Office that normally has relations with the counterparty;
- sending of two goodwill reminders, prepared on a format defined by the *Finance Office* together with the *Legal & Governance Office* and signed by an attorneys-in-fact of the Company on the basis of the current system of delegated authority and powers of attorney;
- on the second unsuccessful attempt, the *Accounting & Financial Statements* Unit, in coordination with the *Legal & Governance Office*, initiates the procedure for the judicial recovery of the debt;
- in the event that the judicial recovery is not successful or it is decided not to proceed (for example, the cost of the legal action would be higher than the value of the outstanding exposure), the decision on the closure of the loss-making customer account is referred to

the *Accounting/Controlling* Manager.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The traceability of cash inflows and outflows is implemented through the use of traceable means of collection and payment and through records on banking systems and internal software, which allow automated operating procedures.

The "*Financial Principles*" Policy expressly provides that payments are only possible on the basis of a valid order/contract and a valid delivery/receipt of the service (provided by the Office that receives the goods/services) and corresponding invoice, requesting the filing of such documentation. In addition, the management system used keeps track of all the records made (including those relating to the effectiveness of the service received) and the approval process. All documentation relating to the checks carried out in relation to each transaction (also with reference to counterparties) is archived by the *Finance* Office.

Separation of tasks

With reference to the budget definition activities, the segregation of tasks is implemented through the distinction between: *i)* the operational activities for the definition of the budget items carried out by the Heads of each Unit; *ii)* the controls carried out by the General Manager of *Finance* and the *CEO*; *iii)* the formalization of the competence of the Board of Directors.

With reference to payments, the separation is ensured between: *i)* the executive activities carried out by the *Accounting & Financial Statements Unit*; *ii)* the controls pertaining to the *Accounting/Controlling* Manager and the *AML Contact Person* in the event of anomalies; *iii)* the approval role of the Office that made the purchase - which confirms the object of the supply - and the authorization role of the *Accounting/Controlling* Manager and other attorney-in-fact of the Company for the payment instruction.

Similarly, for the collection management process, the principle of segregation is implemented by providing that:

i) the executive activities of issuing invoices are entrusted to the *Accounting & Financial Statements Unit*; *ii)* the *Accounting/Controlling* Manager has a supervisory and control role; *iii)* the *Project Manager* is responsible for confirming the possibility of issuing the invoice in compliance with the payment plan and, at the end of the project, the declaration of closure; *iv)* the authorization must be issued by the *Accounting /Controlling Manager*, the General Manager of *Finance* and the *AML Contact Person* and possibly by the *CEO* depending on the decision to be taken (e.g. reclassification to loss of an account receivable, management of anomalies and different levels of risk, etc.).

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.9 Acquisition of public funds/grants

Relevant offenses

Offenses against the Public Administration

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Tax offenses

Cyber-crimes and unlawful data processing

Organized crime offenses

Company or Group roles involved

Interested office

Finance Office - General Manager of Finance

CEO

Regulation of the process and existence of formalized procedures/guidelines:

The methods for evaluating, requesting and using public grants and funding (for example for training activities or for conducting research and development projects) are governed by operating practices that involve the following steps and controls:

- identification of the possibility of requesting a grant or public funding from the Manager of the Office concerned, including through the use of external consultants;
- verification of the actual existence of the requirements for access to the public grant or funding by the Manager of the Office concerned, who, if he/she considers the tender to be interesting, submits it to the General Manager of *Finance* and the *CEO* for evaluation for authorization to participate;
- the necessary documentation is prepared internally under the coordination of the Manager of the Office concerned, with the support of the *Accounting Specialist* responsible for tax matters, other corporate bodies in possession of the data/documents required by the tender (e.g. *Finance Office*, *HRO*, Technical Departments) and external consultants;
- the documentation to be submitted to the funding office is signed by the Company's attorneys-in-fact in accordance with the signing powers granted;
- where the funding is obtained, the sums disbursed are used exclusively for the purposes for which they were granted;
- the Manager of the Office concerned ensures that the disbursements received are timely and accountable, in compliance with current regulatory requirements and on the basis of appropriate documentary records;
- the reporting of staff costs and costs incurred for consultancy and supplies is properly tracked and documented;
- accounting entries are made exclusively by personnel with specific access rights to company information systems and in a way that allows the timely identification of the execution of each individual record.

Traceability and ex-post verifiability of transactions through adequate

documentary/electronic media

All documentation concerning the application and obtaining of financing, as well as that proving the expenses incurred and the methods of use of the resources, is kept by the Office that took the initiative and uses the resources in a specific paper and computer archive. Filing is also carried out by *Finance Office*, for the aspect within its purview.

Separation of tasks

The segregation of duties is ensured by distinguishing between: *i)* the Office concerned, which identifies the publication of a public financing tender to which the Company may have access; *ii)* the Manager of the Office concerned, who carries out a preliminary verification of the satisfaction of the requirements for participation; *iii)* the General Manager of *Finance* and the *CEO*, who authorize participation in the tender; *iv)* the Office concerned and the other company offices in possession of the necessary data, which prepare the documentation under the coordination and control of the Manager of the Office concerned and with the support of external consultants; *v)* the Company's attorneys-in-fact, who sign the application and the documentation, where required; *vi)* and the Manager of the Office concerned, who verifies the correct reporting of the project and the resources used.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.10 Management of gifts, invitations, donations and sponsorships

Relevant offenses

Offenses against the Public Administration

Tax offenses

Corporate offenses and corruption between private parties

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Organized crime offenses

Company or Group roles involved

Compliance Officer

Director of the Office concerned

Public Relations & Communications Unit

Legal & Governance Office

Finance Office - CFO

CEO

Management Committee

Audi Sponsorship Forum (ASF)

Regulation of the process and existence of formalized procedures/guidelines:

The management of gifts and invitations (received or made) is governed by Policy P_023 - "*Policy on Gratuities for the Avoidance of Conflicts of Interest and Corruption*" which, in compliance with the corresponding Group Policies and Procedures:

- identifies the criteria for assessing the appropriateness of gift/invitation considering: *i)* their purpose; *ii)* their consistency with the business; *iii)* their timing; *iv)* their value, by identifying reference thresholds; *v)* their frequency; and *vi)* their transparency;
- defines the approval process that the employee must activate in the event that the gift/invitation exceeds the reference threshold provided for by the Policy, requesting the approval by the hierarchical superior;
- identifies specific categories of gifts and invitations that cannot be given or accepted regardless of value (i.e. in cash or in comparable forms, involving goods that conflict with the ethical principles of the Company, illegal goods, invitations to events that do not have a business content, but only or mainly of entertainment, etc.);
- identifies the methods for managing gifts/invitations that must be rejected, providing that, in the event of an impossibility of return, the goods must be delivered to the *Compliance Officer*;
- identifies the holders of the power to authorize the giving of gifts/invitations when they are not among those certainly eligible. The authorization power varies according to the value of the gift/invitation;
- for gifts/invitations intended for representatives of the Public Administration, it provides for an enhanced process. In particular, it provides for the necessary and prior assessment by the *Compliance Officer* and requires, in the event that the employee decides to deviate from the instructions received, that the decision be adequately justified and that the justification be reported to the *Compliance Function*. This is in addition to the ordinary approval process in the event that the reference values are exceeded; it governs the registration methods that each Entity must observe to track the gifts/invitations given and received for values greater than the benchmarks.

The rules to be followed where a donation is made to third parties are set in Policy P_029 -

"*Donations and Sponsorships*" which, in particular, provides for the following control elements:

- the donation can only be made to legal persons, associations or entities with certain corporate purposes consistent with the Code of Conduct of the Company and in any case not to individual natural persons; any exceptions require the approval of the *Management Committee*;
- the Director of the Office concerned makes the request to the *Finance Office* indicating the beneficiary and the purpose;
- the request for authorization to donate is formulated by the Requesting Office through the compilation of a specific form containing: *i)* the indication of the Requesting Office, the Proposing Office (if different) and the cost center; *ii)* the personal data of the recipient of the donation (including an indication of the IBAN and the Bank to which to make the payment); *iii)* the purpose and frequency of the donation and the type of donation (in cash or non-monetary form, indicating in this case the value of the asset to be donated); *iv)* the response to a short compliance questionnaire, which includes questions about the prior verification of the beneficiary as described by *Policy P_021 "Customs, Excise and Foreign*

Trade Law"; and v) statements about the fact that the people involved in the donation process are not negotiating a contract with the recipient of the donation and that there are no identifiable conflicts of interest, even of a potential nature;

- the completed form is sent to the *HR Director* and the *CFO*, who are responsible for issuing the authorization if the donation does not exceed a predefined threshold (currently €5,000). Authorization takes place by signing the form;
- for donations of more than €5,000, authorization is also required from the *General Secretariat* of VW AG and: i) from the *CEO* of Italdesign for amounts up to €50,000; ii) from the *Management Committee* for still higher amounts. The approval flow is defined precisely by Policy P_029 - "*Donations and Sponsorships*";
- the donation is disbursed by the *Finance Office* at the end of the authorization flow after verifying the applicable tax regime and in compliance with the rules on the management of financial flows;
- the receipt issued by the recipient of the donation is acquired and kept to verify the destination of the contribution paid.

Specific rules are also laid down for sponsorship activities:

- the establishment of a pre-established budget for the management and approval of sponsorships;
- the formal definition of the authorization process relating to the organization and management of sponsorships;
- the preliminary performance of checks on the recipient of the sponsorship, carried out by the *Compliance Department* through specific *due diligence tools*, also including *integrity checks*;
- verification of the adequacy of the economic consideration agreed in relation to the sponsorship to be carried out and the expected image/benefit return. This analysis can also be carried out using external consultants;
- prior examination of the contract by the *Legal & Governance Office* and its signing by the Company's attorneys-in-fact according to their respective powers;
- the execution of payments by the *Finance Office* in compliance with expenditure processes;
- the archiving of the sponsorship contract and documentary and/or photographic evidence of the service performed by the requesting Office (normally *Public Relations & Communications*).

The process is also governed by the provisions of the "*Charter Volkswagen Group Sponsorship Forum*". In particular, all sponsorships of an amount over a predetermined threshold are to be authorized, after adequate evaluation, by the *Volkswagen Group Sponsorship Forum* consisting of the *Head of Group Marketing Communications*, the *Head of Brand Marketing*, the *Head of Brand Sponsorship*, the *Head of Brand PR* and a member of the *Group Purchasing*, the *Group Legal* and the *Group Compliance*.

In any case, compliance with control protocols relating to the management of cash flows is required for lower amounts, with particular reference to the Company Expenditure Procedure.

The authorization process is managed through the completion by the requesting Office of a thorough questionnaire in which it is necessary to:

- i. indicate the details of the recipient of the sponsorship;
- ii. state the economic data of the sponsorship, both with reference to the sums disbursed, and to the *ROSI - Return on Sponsorship Invest* (also indicating the calculation methods applied);

- iii. answer multiple *Compliance* questions aimed at excluding situations of possible conflict of interest and possible negative consequences for the Company and the Group deriving from the start of a relationship with the recipient of the sponsorship (e.g. due to news on the *partner's profile*, integrity alerts, etc.).

The form, completed in its entirety, is signed by the Head of the Requesting Office, the *CFO* and *Controlling* with a digital signature, for approval of the contents and confirmation of the truthfulness of the data and the answers provided. It is therefore subject to the *ASF*.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability in the management of gifts and invitations is implemented by requiring that: *i)* the employee receiving a gift/invitation keep track of it and, if required pursuant to company procedures, request prior approval from the Director responsible for the Office or in any case from the competent party. If it is received at an address other than the company address, the *Compliance Officer* must also be promptly informed thereof;

ii) each business area is required to periodically send the *Compliance Officer* a report containing the description of the gifts and invitations offered or received during the period, their value, the beneficiaries and their classification with an indication, in the case of gifts for which a prior authorization is required, of the person who issued or refused it; *iii)* for gifts/invitations made by Italdesign to third parties, each Office is also required to keep the documentation containing the main information; *iv)* in the event that a public representative is involved, the prior written opinion of the *Compliance Officer* is required and decisions that do not comply with the opinion received are traced, justified and reported to the *Compliance* Department.

With regard to donations and sponsorships, traceability is implemented:

- through the completion and retention by the Requesting Office of the forms required for the start of the authorization process, together with any exchanges of correspondence between the parties involved in the approval process (e.g. for the better disclosure of certain information);
- the retention, by the requesting Office, of the results of the due diligence checks carried out on the beneficiaries; the filing by the *Finance* Office of all relevant documentation.

For sponsorships, the storage of the documentation acquired/evaluated is also ensured to determine the *ROSI* and the related documentation that proves the expected result (e.g. photographs, newspaper articles, etc. documenting the sponsorship), or documents the *KPIs* set in the contract.

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities carried out by employees who receive or intend to give gifts and invitations and those entrusted to the *Purchasing* Office responsible for the purchase process and the *Finance* Office; *ii)* the authorization role of the hierarchical Manager in the case of gifts and invitations above the reference thresholds; *iii)* the control activities carried out by the *Compliance Officer*; *iv)* the advisory and control role of the *Compliance Officer* in the case of a public entity.

With regard to the disbursement of donations, the segregation of duties is implemented through the distinction between: *i)* the executive activities of the Director of the interested Office that

proposes the disbursement and of the *Finance Office* that arranges the payment; *ii*) the controls carried out by the *Compliance Officer* and the *Finance Office* on the beneficiaries *iii*) the authorization role of the *HR Director* and the *CFO* in the event that the donation does not exceed a predefined threshold (currently equal to €5,000), as well as the *General Secretariat* of VW AG and the *CEO* and *Italdesign* for amounts up to €50,000; of the *Management Committee* for even higher amounts.

In the process of managing and approving sponsorships, the separation of tasks requires that: *i*) the executive activities be entrusted to the requesting Office; *ii*) the *Compliance Officer*, the *Legal & Governance Office*, the *CFO* and the *Controlling Officer* carry out the controls for which they are responsible; *iii*) the authorization must be issued by the Company's attorneys-in-fact, who sign the contracts and by the *Volkswagen Group Sponsorship Forum* (as well as by the *VW Corporate Citizenship Sponsoring Committee* for amounts greater than €1 million).

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.11 Management of intercompany transactions

Relevant offenses

Corporate offenses

Tax offenses

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Organized crime offenses

Company or Group roles involved

Finance Office (Accounting/Controlling Manager; Controlling/Reporting Unit)

Project Manager

Legal & Governance Office

Purchasing Office

Attorneys-in-fact of the Company

Board of Statutory Auditors

Auditing Firm

Regulation of the process and existence of formalized procedures/guidelines:

Intercompany transactions are managed in compliance with the arm's-length principle, so that the price established in commercial transactions between *Italdesign* and other Group companies corresponds to that which would be agreed between independent companies, under similar conditions, on the free market.

To this end, the process flow described by the SP_IGGT_0001 is observed both in the event that

the order is assigned by the Group through a tender and in the event of absence of a tender.

Compliance with the following control elements is ensured:

- the involvement of the *Project Manager* and the Technical Offices for the evaluation of the skills and competences necessary to carry out the order and for the formulation of technical estimates;
- the development of a specific preliminary and final business case by the *Finance Office (Controlling/Reporting Unit)*;
- the approval of the business case by the Company's attorneys-in-fact, in compliance with the signing powers in force;
- the preparation of the intercompany agreement (or the final offer in the event of a tender)
 - with a clear identification of the prices applied and the methods of calculating the fees
 - by the *Project Manager*, with control by the *Legal & Governance Office*, the *Purchasing Office* and the *Accounting /Controlling Manager*;
- the signing of contracts by persons with adequate powers in accordance with the system of delegated authority and powers of attorney;
- adequate recording of orders in the IT system and archiving of the reporting tools adopted (e.g. timesheets);
- compliance with the general rules for managing payments, with the possibility of offsetting in accordance with the provisions of the *Policy P_009 "Financial Transactions/Financial Risks"*;
- the existence of a centralized Group treasury system with a cash pooling system, formalized under a special contract concluded between the Group companies;
- the preparation of the documentation required by the reference legislation, consisting of the masterfile, which collects the information relating to the Group and the National Documentation that sets out the information relating to the resident companies by the Parent Company and the *Accounting/Controlling Manager*, respectively, with the support of external consultants for the setting of benchmarks;
- the indication, within the tax return, of the correct preparation of such documentation;
- the control and verification of the documentation relating to intragroup transactions by the external tax consultant and the verification of the financial statements by the Board of Statutory Auditors and the Independent Auditors.

In addition, the IT system used by the VW/Audi Group is structured in such a way as to automatically reject any invoice that does not perfectly match the documents already present in their respective systems. Therefore, Italdesign can issue invoices for intragroup contracts only if they are based on previously approved contracts and according to the deadlines and systems for calculating the agreed remuneration.

This safeguard is aimed at avoiding, as far as possible, the need to resort to credit notes which, moreover, are subject to timely control by the Independent Auditors (which mainly verifies the overall volume and time frame of any concentration).

With reference to other intragroup contracts (for example, for the purchase by IDG of services from other companies), the following control principles are observed:

- the clear identification of the subject of the intercompany agreement, the prices applied and the methods of calculating the fees within written contracts, subject to review by the *Legal & Governance Office*, the *Controlling/Reporting Unit*, the *Accounting/Controlling Manager* and finally the *General Manager of Finance*;
- the signing of contracts by persons with adequate powers in accordance with the system of delegated authority and powers of attorney; the contracts include
 - a clear, precise definition of the nature of the intragroup services with a statement of the activities (description of the service, method of delivery, quality of the service to be provided or received, etc.);
 - an identification of the price or the methodologies for identifying it (e.g. setting of the rate, the applicable units of measure, the frequency of recalculation, etc.);
 - the obligation for the company performing the intragroup service to carry out these activities with the utmost professional diligence and according to quality levels not lower than those indicated in the agreement/contract;
 - a specific information on the behavioral rules adopted by the Company in relation to the Model pursuant to Italian Legislative Decree 231/2001;
 - a commitment to comply with the regulations and the Code of Conduct, as well as to require compliance with the laws and regulations also by third parties on which the company providing the service may rely for the performance of the outsourced activities, with specific penalties for the cases of violations (i.e. penalties and/or termination of the contract);
 - the powers of verification and control vested in the Company requesting the intra-group service in relation to the actual fulfillment and adequacy of the activities provided by the company performing the requested service;
 - appropriate reporting systems;
- adequate recording of orders in the IT system and archiving of the reporting tools adopted (i.e. timesheets);
- on invoices, a detailed indication of the purpose and services to which the compensation requested refers;
- the payment or issuance of invoices follow the ordinary company procedures and control principles formulated for the "*Management of cash flows*". In this regard, the "*Financial Principles*" Policy expressly provides that invoices for intragroup services can only be issued if there is a corresponding purchase order and if the service has been completely rendered. The possibility of partial invoicing - for example with reference only to the part of the work already performed - must be agreed in writing;
- intragroup transactions are verified by the Independent Auditors on a spot basis;

- where, at the end of the tax period, year-end adjustments must be made, aligning the criteria for determining the transfer prices adopted in the tax year with the final values to make them consistent with the arm's length principle based on the comparisons and the results of the reference market, the calculations are verified by the *Tax Specialist* together with the external consultants and under the supervision of the *Accounting/Controlling Manager*;
- any discrepancies between the final calculation and the interim invoicing (change notes for transfer pricing adjustments) are settled through the issuance of credit or debit notes by the *Accounting & Financial Statement Unit*, with archiving of the underlying documentation and subsequent checks by the Independent Auditors;
- the preparation of the documentation required by the reference legislation, consisting of the masterfile, which gathers together the information relating to the Group, and the National Documentation that sets out the information relating to the resident companies by the *Accounting & Financial Statement Unit* with the support of external consultants for the setting of the benchmarks (and after agreeing the principles with the Parent Company);
- the indication, within the tax return, of the correct preparation of such documentation;
- the final validation of the masterfile and country-specific document relating to intragroup transactions by the external tax consultant and the verification of the financial statements by the Board of Statutory Auditors and the Independent Auditors.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

All intercompany activities are documented through the conclusion of specific contractual agreements and the recording of transactions in the computer system in use.

From a tax standpoint, traceability and transparency are ensured by the preparation and filing of the masterfile and the National Documentation, as required by art. 26 of Italian Legislative Decree no. 78 of May 31, 2010 converted, with amendments, by art. 1 of Law no. 122 of July 30, 2010.

The general rules for the management of cash flows are followed as regards the registration in the system of personal data, contracts and the subsequent issue of invoices and control of receipts.

Separation of tasks

The segregation of roles is ensured between: *i*) the executive activities entrusted to the *Project Manager*, the *Accounting /Controlling Manager* and the tax consultant in the various phases of the process; *ii*) the control carried out by the *Accounting /Controlling Manager*, the *Legal & Governance Office*, the *Purchasing Office*, the Board of Statutory Auditors and the Independent Auditors, each for the part of within its purview; *iii*) the authorization issued by the Company's attorneys-in-fact in compliance with the signing powers in force.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.12 Preparation of the financial statements and communication to stakeholders and/or third parties of data and information relating to the Company's income statement, balance sheet and financial position

Relevant offenses

Corporate offenses

Tax offenses

Offenses against the Public Administration

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Organized crime offenses

Company or Group roles involved

Finance Office (General Manager of *Finance; Accounting & Financial Statement Unit; Accounting & Financial Statement Manager; Accounting Controlling Manager*)

Board of Statutory Auditors

Auditing Firm

Board of Directors

Shareholders' Meeting

Legal & Governance Office

Regulation of the process and existence of formalized procedures/guidelines:

The activities related to the collection and processing of period-ed accounting data, the preparation of the financial statements, as well as the preparation of the reporting package for the Parent Company are governed by the Manual MN_IG-F-11_001, as well as by Group policies and guidelines according to which:

- the General Manager of *Finance* oversees the preparation of the annual financial statements, together with the *Accounting/Controlling Manager*, and is responsible for preparing suitable processes capable of guaranteeing the correctness and reliability of the data used in this activity;
- at the end of each financial year, the *Accounting/Controlling Unit* carries out the closing operations necessary to prepare the financial statement file. Where necessary, the individual data are verified and shared by the *Controlling /Reporting Unit* with the *Accounting/Controlling Manager*, before being reported to the *Accounting & Financial Statement Unit* for inclusion in the draft financial statements;
- the draft financial statements are prepared by the *Accounting & Financial Statement Unit* on the basis of the records extracted from the IT system in use and the data reported by the various entities involved in the process (in particular, *Controlling/Reporting*, in coordination with the *Accounting Controlling Manager*) according to the established and widespread calendar; the IT system does not allow entries to be made after the closure of the accounting period, to ensure the allocation of entries to the correct accounting period (automatic association of transactions with the reference accounting periods);
- the annual financial statements are prepared in accordance with the International Financial Reporting Standards by the *Accounting & Financial Statement Unit*, under the supervision and control of its Manager who is responsible for ensuring the formal

- correctness of the process; in the event of a deviation from these Standards, clear and reasoned disclosure is given in the financial statements;
- the reported data and financial statements results are shared with the *Accounting Controlling Manager*, who verifies them and authorizes any changes;
- the draft financial statements are subject to further verification by the General Manager of *Finance*;
- the draft financial statements - consisting of the balance sheet, the income statement and the explanatory notes, as well as the report on operations - are approved by the Board of Directors;
- the Board of Statutory Auditors and the Independent Auditors carry out the checks required by law, also concerning the report on operations, and issue the relevant reports at least 15 days before the shareholders' meeting;
- the financial statements, accompanied by the reports of the Board of Statutory Auditors and the Independent Auditors, are approved by the Shareholders' Meeting;
- all accounting documentation and that relating to the preparation of the financial statements are filed with the *Accounting & Financial Statement Unit*;
- the financial statements are filed with the Register of Companies through a specific electronic procedure by the *Legal & Governance Office*.

The General Manager of *Finance* also oversees the drafting of the monthly reporting package (VoKus) for the Parent Company, together with the *Accounting/Controlling Manager*, and is also responsible for preparing suitable processes capable of ensuring the correctness and reliability of the data used in this activity:

- the reporting package is drawn up monthly, through the simulation of the closing process, according to the deadlines set by the calendar defined by the Parent Company;
- the year-end package is subject to audit by the Independent Auditors;
- The Parent Company carries out audits periodically in order to verify the functionality of the process and the correctness of the resulting data.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is implemented through entries into the IT system and the filing of relevant documentation at the *Accounting & Financial Statement Unit*.

In addition, the traceability of the process of defining the calculation of valuation items is ensured through the express indication of the accounting principles applied (and the reasons why, if necessary, different criteria should be chosen).

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities carried out by the *Accounting & Financial Statement Unit*; *ii)* the control entrusted to the *Accounting & Financial Statement Manager*, the *Accounting Controlling Manager*, the General Manager of *Finance*, the Board of Statutory Auditors and the Independent Auditors; *iii)* the approval of the financial statements by the Board of Directors and the Shareholders' Meeting.

Existence of a system of powers of attorney consistent with the organizational responsibilities

assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

The approval of the financial statements is decided by the Shareholders' Meeting.

4.13 Management of tax and social security obligations

Relevant offenses

Tax offenses

Offenses against the Public Administration

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Corporate offenses

Cyber-crimes and unlawful data processing

Organized crime offenses

Company or Group roles involved

Finance Office (General Manager of Finance; Accounting & Financial Statement Unit; Accounting & Financial Statement Manager; Accounting Controlling Manager)

Personnel Management/General Services Unit

Board of Directors

Regulation of the process and existence of formalized procedures/guidelines:

The correctness and reliability of the data necessary to determine current, prepaid and deferred taxes is ensured by compliance with the Policy "*Taxation*" and the operating rules set out in the *Manual MN IG/F- 11_0003 Taxes*, applied under the responsibility of the *Accounting/Controlling Manager*.

These policies and procedures are adopted and updated in accordance with the AUDI/VW M_031 Group Corporate Policy, which describes in detail the responsibilities and methods of communication and collaboration between the parties involved, in order to guarantee order, reliability, effectiveness and cost-effectiveness in carrying out activities in the tax field and ensure compliance with tax legislation and regulatory regulations applicable to the Audi Group.

Specifically, the Corporate Policy sets out:

- the definition, both in Italdesign Giugiaro SpA and in subsidiaries, of internal structures and processes designed in such a way as to allow the orderly and timely submission of all tax returns with the necessary documentation and to reasonably ensure that taxes are figured and reported correctly, in accordance with the law and in accordance with the deadlines, and paid to the competent Authorities in compliance with local tax legislation; the responsibility lies with the General Manager of *Finance*;
- in case of doubts on tax issues and topics (e.g. uncertainty on the application of tax legislation, uncertainty on the interpretation of tax legislation, absence of tax rules) the *Finance Operations & Taxation* Department or the *Audi Tax Department* must be consulted in advance;

- the obligation to cooperate openly with the authorities involved in tax controls ("*Good Corporate Citizenship*"), providing a timely response to audit requests, including the presentation of supporting documents and the required documentation;
- the implementation of an effective tax risk monitoring system under the responsibility of the General Manager of *Finance*;
- the obligation to document the main processes relevant for tax purposes, to trace responsibilities (also including cases of cooperation and involvement of external consultants) and allow the identification of controls within the processes;
- to ensure adequate training of the personnel involved in the management of tax obligations, so that they can carry out their tasks in a correct and efficient manner;
- to ensure that changes to the tax legislation are communicated to all interested parties;
- that for tax advisory services that exceed €50,000 net (current limit), the *Finance* Office must consult with the tax department of the Audi Group and the Volkswagen Group before granting the assignment.

In summary, the activities are carried out in compliance with the following control elements:

- the monitoring of tax deadlines and any new regulations by the *Accounting & Financial Statement* Unit and in particular by a clearly identified *Accounting Specialist*, including using external consultants (in particular, *PwC*), the periodic consultation of institutional sites (e.g. the Revenue Agency and the Customs Agency) and newsletter services, including in particular that provided by Volkswagen Group Italia with the press review taken from "Il Sole24Ore". Refresher training and review of the legislation is guaranteed by the participation of the *Accounting Specialist* in training courses organized by external bodies;
- the collection of the data necessary for the calculation of current, prepaid and deferred taxes by the *Accounting & Financial Statement* Unit with the collaboration of the other corporate entities involved, for the relevant data (where the data cannot be downloaded through the management systems in use); for this purpose, the entities that are required to transmit the data they receive in advance the schedule of deadlines;
- calculation schemes for current, prepaid and deferred taxes are prepared by the *Accounting Specialist* and the *Accounting & Financial Statement* Manager;
- the *Accounting/Controlling* Manager verifies that the data faithfully reflects what is reported in the documentation below and carries out a second level check on the calculation schemes of the returns prepared;
- the calculation forms are sent to the external tax consultant, together with the supporting documentation, for further control and for the compilation of the related tax returns. Any corrections or variations and the positive outcome of the checks are transmitted by the external consultant in writing;
- the signing of the returns by the General Manager of *Finance*;
- the forwarding of the returns to the Revenue Agency by the external tax consultant, who sends the final documents and the relative receipts to the *Finance* Office for filing;
- any tax liabilities, or, in the case of tax credits, concerning income taxes ("*IRES*"), are settled with the Lamborghini Parent Company, according to the deadlines agreed for the National Consolidation, in which the Italian companies of the group participate.

With regard to the tax obligations relating to employees, operating rules are observed according to which:

- the *Personnel Management/General Services* Unit within the *HRO* Office extracts from the presence detection system the data necessary for the preparation of the pay slips and the calculation of the relative functional withholdings;
- the external consultant calculates the substitute tax and the contributions to be paid and compiles the F24 authorizations for the payments; the said consultant also sees to the reconciliation of the taxation with reference to the employees posted abroad;
- the *Personnel Management/General Services* Unit carries out a sample check on what has been prepared and prepared by the external consultant;
- transmission of data to the *Finance Office*, which sees to the payments.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is implemented through the filing at the *Finance* Office of the tax documentation prepared and sent on behalf of the Company. The supporting documentation is stored in the information system together with the communications exchanged with the external consultant. In addition, the traceability of the users who make the accounting entries is ensured through the information system.

For tax obligations relating to Italdesign personnel, the filing is carried out by the *HRO* Office.

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities of calculation of taxes by the *Accounting Specialist* with the support of the *Accounting & Financial Statement* Unit; *ii)* the controls carried out by the *Accounting/Controlling* Manager, the General Manager of *Finance* and the external consultant; and *iii)* the authorization of electronic filing and payment issued by the General Manager of *Finance*, who signs the returns.

With regard to the tax obligations relating to Italdesign personnel, separation is ensured between: *i)* the executive activities carried out by the *Personnel Management/General Services* Unit that collects the necessary data and by the external consultant who processes the pay slips; *ii)* the control carried out by the *Personnel Management/General Services* Unit; *iii)* and the *Finance* Office, which makes the payments.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.14 Management of warehouse and import and export operations

Relevant offenses

Smuggling offenses

Offenses against the Public Administration

Offenses against industry and trade

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Tax offenses

Organized crime offenses (including transnational offenses)

Company or Group roles involved

Finance Office

Logistics and Warehouse Unit

Purchasing Office

Requesting offices

Regulation of the process and existence of formalized procedures/guidelines:

Imports and exports are carried out both within and outside the European Union according to a process governed by *Policy P_021 "Customs, Excise and Foreign Trade Law"*, which provides:

- in the case of imports: for recurring imports or imports linked to projects of particular business importance, the *Purchasing Office*, after concluding the contract with the supplier and when it receives notifications of the shipment of the goods, informs the *Accounting & Financial Statement Unit* which takes action to prepare the filings necessary for the rapid, correct performance of customs operations. For this purpose, the *Finance Office* acquires the necessary information to be included in the filings from the various corporate offices involved;
- where not notified in advance by the *Purchasing Office*, the *Accounting & Financial Statement Unit* is activated when it receives notification from the courier in charge of the shipment that it is arriving at the competent Customs Offices; the *Accounting & Financial Statement Unit* then interacts with the appointed courier, providing the documents necessary for customs clearance and paying any customs charges; once importation has been completed, it notifies the *Logistics & Warehouse Unit* so that it can prepare to receive the goods;
- in the case of exports, the office that needs to carry out the transaction ("applicant") sends to *Logistics & Warehouse Unit*, with a copy to the *Accounting & Financial Statement Unit*, a request by filling out a form defined in accordance with the quality system pursuant to UNI ISO standards, in which all the information relevant for the issuance of the transportation document must be included;
- the *Logistics & Warehouse Unit* prepares the documentation for the sending of samples of modest value to non-EU recipients and forwards them to the *Finance Office* for supervision and signature by the attorneys-in-fact; once the signed documents are received, the *Logistics & Warehouse Unit* provides them to the courier chosen for shipment so that they can make the necessary Customs filings;
- the *Accounting & Financial Statement Unit* prepares all the documentation necessary for customs filings for other types of goods, not managed by the *Logistics & Warehouse Unit* in compliance with customs rules and after agreement with its customs freight forwarder;
- relations with the Customs Office are managed by the *Accounting & Financial Statement Unit* with the support of a specialized customs broker, which prepares and verifies the

correctness of each customs transaction that falls within the purview of the Customs Office in Turin (e.g. completion of customs export bills, import, A.T.A. carnet, temporary exports);

- for the management of hazardous goods (e.g. batteries and paints), an external consultant is contacted (specifically: the company KONSULENZA of Dr. Rolf Dieter Kaiser), who, under his own responsibility, signs the "*ship declaration*" since he is a person with expertise in analytical chemistry, chemical engineering, toxicology and eco-toxicology, essential for the proper management of the transportation of hazardous goods of all hazard classes and all modes of transportation, the classification of hazardous substances/mixtures and the registration of hazardous products/preparations;
- in the case of an inspection by the Customs Agency when a customs filing is made for any type of customs transaction, the official is accompanied on the visit to the goods to be shipped by the *Accounting Specialist* and a representative of the customs broker. The rules that govern the management of each inspection visit are observed, as described in Operating Instruction IO_IGF_0001 "*Investigations by the Public Administration*".

To ensure compliance with customs legislation, an organizational structure based on the clear definition of roles and responsibilities is defined.

- In particular, the Audi Group Customs Office performs a central, global function in all activity that involves relations with the Customs Agency, the application of the excise legislation and the requirements necessary for foreign trade. For Group companies, including IDG, it establishes organizational, procedural and IT standards, monitors compliance and provides assistance. It provides advice on specific customs matters and monitors, including through audits, the level of risk management in customs, excise and foreign trade law;
- IDG's General Manager of *Finance* is responsible for compliance with customs, excise and foreign trade regulations and compliance with the standards required by Group policies. The General Manager of *Finance*, in particular, is responsible for the timely submission of customs filings and excise duties, the necessary supporting documents and managing any audits by Customs (if necessary, with the involvement of external consultants). The General Manager of *Finance*, in agreement with the Audi Group's Customs Office, may delegate these obligations to a local Function, establishing appropriate procedures and organizational controls;
- the *Finance* Office is responsible for managing VAT aspects related to *import/export* operations, entering the related data into the accounts and managing any administrative penalties applied by the competent Authorities.

In addition, according to the control standards set at Group level:

- the *Logistics & Warehouse* Unit and the *Finance* Office are involved from the outset in all transactions and projects involving the application of customs, excise and foreign trade legislation; in this regard, the "*Financial Principles*" Policy provides that all customs transactions require the prior involvement of the *Accounting & Financial Statement* Unit;
- contracts relating to the export or import of goods or support services (i.e. customs agents, consultants) expressly provide for the obligations of the contractor in relation to customs duties, excise duties and foreign trade;

- the contact persons in the *Logistics & Warehouse* Unit are identified after consultation with the Audi Group Customs Office, on the basis of a precise description of the applicable tasks and requirements (including training, education and professional experience) and the scope of the employee's responsibility. This also applies to the inclusion in the organization of specialized external consultants dedicated to the management of customs matters;
- the Audi Group Customs Office is involved before any customs consultancy assignment is granted. The Volkswagen *Taxes and Customs* function is also involved for consulting services with an amount greater than €50,000 net;
- Continuous, adequate qualification of the personnel involved in the management of customs formalities (for example through training activities) must be carried out so that they can carry out their tasks in a correct, efficient manner;
- changes in customs legislation, excise duties and foreign trade are monitored and forwarded to all interested parties;
- specific lists are drawn up in relation to the countries subject to embargo, with provision for cases in which the Audi Customs Office must be involved;
- systems, including computer systems, are implemented to update the aforementioned lists and constantly monitor and keep up-to-date the *Black Lists* relating to specific export restrictions, such as transactions involving certain countries (e.g. Iran, Syria, etc.) and/or to certain parties (in addition to the lists of national sanctions, where present, a systematic check of all recipients of services against the UN, EU and US lists must be carried out);
- processes are implemented, with the involvement of the *Quality, Engineering and Pre-Series & Production* offices, to identify any goods subject to dual-use legislation, in order to allow the allocation of the correct customs codes, correctly fill in the free export filings or submit the application for an export authorization to the Ministry of Economic Development;
- the list of customs codes and tariffs is recorded in the computer systems used and periodically verified (also through consultation of the website of the Customs Agency - TARIC, which is also used to verify the presence of restrictions with respect to the individual codes);
- the preferential or non-preferential origin of the goods is assigned through specific control procedures and is shown on the invoice accompanying the shipment;
- the correspondence between the value stated in the customs filings and the actual value of the transaction is ensured through appropriate supporting documentation;
- acts and transactions before Customs Offices and with freight forwarders may only be carried out by persons with specific powers in accordance with the system of delegated authority and powers of attorney;
- the preparation of customs documentation is the responsibility of the *Finance* Unit together with the *Logistics & Warehouse* Unit and the *Pre-Series & Production* Office for its area of competence (commodity codes or Washington declarations), and of the *Engineering* Office (e.g. dual use), etc.;
- the documentation relating to export transactions is signed by persons with appropriate powers;
- in the event of a dispute and the application of sanctions by the Customs Agency, the *Finance* Department activates a root cause analysis, identifying any corrective actions to be taken to prevent the recurrence of the problem;

- there are adequate systems for storing customs bills and the related "Exit Visas" for the correct closure of exports, together with all the filings submitted and the documentation relating to customs charges by the *Finance Office*. Management of the warehouse is the responsibility of the *Logistics and Warehouse Unit* and includes:
- for goods linked to specific projects: *i*) a bill of materials is drawn up for all the elements, each of which is associated with a unique *QR Code*; *ii*) each incoming product is scanned and recorded in the specific management system; *iii*) the *Logistics and Warehouse Unit* collects the goods from the warehouse, identifies the destination cell of the goods by scanning the relevant *QR code*, distributes the elements in the assembly stations via trolley and enters the new location into the system; *iv*) the assemblers, when using a component taken from the relevant trolley, scan the code of the product taken and this withdrawal is recorded in the system; *v*) at the end of the project, the vehicle may be scanned to determine how many and which elements were used to produce it;
- for the production of one-off models, the goods ordered and placed in the warehouse are recorded through the accompanying delivery note in the ERP computer system;
- in both cases, upon arrival of the goods: *i*) the integrity of the box is verified; *ii*) depending on the type of materials, the *QR Code* is scanned or it is verified that the quantity actually received corresponds to that indicated in the delivery note; *iii*) it is verified that it is not damaged and that the goods do not present evident discrepancies (more precise controls are the responsibility of the *Quality Office*; and *iv*) it is stored in warehouse;
- each picking of the goods from the warehouse is recorded on the system;
- monthly checks are carried out on any mismatch between what is recorded in the system and the goods in the warehouse;
- an annual inventory is taken;
- the *Finance Office* extracts the data entered into the ERP system for the purposes of entry in the accounts;
- as regards the disposal of materials in inventory: *i*) for goods subject to inventory (e.g. paints), the inventory number is reported to the *Finance Office*, which unloads it from the inventory and then proceeds with scrapping; *ii*) for goods linked to projects, where they go unused for a significant period of time (on average, 2-5 years), the relevant *Project Manager* is involved and, after verification, gives authorization for disposal.

The *Logistics Warehouse Unit* also handles the annual reporting to the Group of the container given for use by Italdesign suppliers, who use them for the delivery of materials. All containers are registered within a Group system and annually it must be verified that what is in the system is actually present on Italdesign premises and the data reported to the Group. In the event of container shortages/losses, the related cost is charged to IDG.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The documentation relating to customs formalities is archived by the *Finance Office*, the *Purchasing Office* and the *Logistics and Warehouse Unit*, each for the aspect within its purview.

Separation of tasks

The segregation of tasks for import activities is implemented through the separation between: *i)* agreements with suppliers taken by the *Purchasing Office*, involving the *Finance Office*, where necessary; *ii)* the compilation of the documentation necessary for customs clearance by the *Finance Office*, based on the information provided by the different corporate offices involved and the payment of the fees always due from the *Finance Office*; *iii)* the signing of the documentation by the Company's attorneys-in-fact; and *iv)* the operational activities of receiving the goods entrusted to the *Logistics & Warehouse Unit*.

For export activities, segregation is implemented through the distinction between: *i)* the preparation of the documentation relating to the object of export and necessary for the passage to Customs by the *Logistics & Warehouse Unit* on the basis of the information provided by the office requesting the export; *ii)* the preparation of A.T.A. carnets and the notice to the Customs Agency by the *Finance Office* with the support of a specialized external agency; *iii)* for the management of dangerous goods, the signing of a specific ship declaration by an external consultant meeting adequate requirements; *iv)* the signing of customs filings by individuals with appropriate powers according to the system of delegated authority and powers of attorney; *vi)* the management of relations with the Customs Agency by the *Accounting & Financial Statement Unit* and the *Finance Office*, according to their respective responsibilities.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.15 Personnel selection, recruitment and management

Relevant offenses

Offenses against the Public Administration

Corporate offenses and corruption between private parties

Employment of illegal immigrant third-country citizens

Illegal brokering and exploitation of labor

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Offenses committed in violation of workplace health and safety legislation

Organized crime offenses

Company or Group roles involved

HRO Office (HRO Director; Personnel & Organization Development Unit; Personnel Management Unit)

Manager of the organizational unit concerned

General Manager of Finance

CEO

Parent Company

Regulation of the process and existence of formalized procedures/guidelines:

Personnel selection, recruitment and management activities are defined by Procedure PS_IGS2_0006 and Regulation RE_IGS2_0007 "New personnel recruitment process" and governed by operating rules according to which:

- there is a clear definition of the budget to be allocated to the recruitment of new resources and any exceptions require the prior authorization of the *Finance* Office and *CEO*;
- the Manager of the Office/Unit concerned reports the need for the new hire to the *HRO* Director, filling in the "*Authorization form*" and specifying the required task, the type and duration of the contract, the qualification, classification and timing;
- the form is signed in authorization by the First Level Manager of the Office/Unit concerned, the *HRO* Director and the General Manager of *Finance* for hiring not provided for in the budget; any deviations from the budget or the proposal to move a resource already in the company from one Entity to another require the additional signature of the *CEO*;
- the Parent Company must be notified in advance for the recruitment of first-level hierarchical managers, which it authorizes;
- once the authorization process has been completed, the search and selection process is started. The *Personnel & Organization Development* Unit thus publishes specific announcements on the *Jobways* portal (for applications by employees), on the "*work with us*" page and/or on social networks;
- a first selection takes place through the analysis of *curricula* by the *Personnel & Organization Development* Unit, which draws up a short list of candidates to be invited to the next phase; possible conflict profiles with the Italdesign Code of Conduct are also considered;
- *Head of Personnel & Organization Development* conducts an exploratory interview with the candidate; a second interview, of a technical nature, is carried out by the Manager of the requesting Office/Unit;
- for roles of greater responsibility/professionalism, the participation of the *Manager* of the Unit involved in the inclusion is also required; for managerial roles, the participation of the Director of the Office that requested the hiring is required, as well as that the *CEO* in the case of key roles;
- if the interviews are passed, the *Personnel & Organization Development* Unit conducts a first economic negotiation and formulates the remuneration package;
- for managerial roles, recruitment is subject to the positive outcome of an assessment designed to establish the candidate's skills. The assessment requires the presence of at least three certified observers and a consultant from *Audi Akademie* or other certified company;
- candidates are evaluated according to objective requirements of competence and previous experience;

- no paid assignments are given to employees of a Public Administration who have exercised authoritative powers over the Company or Group Companies over the last three years;
- there are special procedures for the selection of recent graduates, specifically governed by the Selection Procedure;
- the letter of hiring is signed by the *HRO* Director, after explaining the reasons for the choice by the *Personnel & Organization Development* Unit Contact Person who monitored the selection process; the joint signature of the *CEO* is required for the recruitment of management staff;
- the company onboarding phase takes place in compliance with the provisions of Regulation RE_IGS2_0007 "*Onboarding process for new personnel*", under the responsibility of the *Personnel Management* Unit;
- when a new resource is hired, a copy of their identification document and, where necessary, residence permit is acquired, the expiry of which is monitored through the updating of a specific schedule by the *Personnel & Organization* Unit;
- the *HRO* Director creates the digital identity of the new employee by entering it in the company database and delivers the relevant badge to the employee; the authorizations and profiles of the employee are the responsibility of the Manager of the Office/Unit concerned or of the Project Manager, as the data owner, to whom the resource is assigned;
- the employee is informed of the existence and content of the rules of conduct to be followed, including in relation to health and safety in the workplace, and is required to sign the acknowledgment of the Code of Conduct and the Organization, Management and Control Model adopted by Italdesign, in addition to undertaking to comply with its provisions;
- the economic treatment of the new resource is formulated on the basis of the provisions of the internal operating guide and with reference to top management figures in accordance with the standards dictated by the Parent Company;
- the *Personnel Management* Unit ensures compliance with the legislation governing salary schedules, working hours, rest periods, weekly rest, compulsory leave and holidays;
- the planning of training activities for the development and enhancement of skills is managed by the *Personnel & Organization Development* Unit, in compliance with the provisions of Procedure PS_IGS2_0008 "*Training*" and Procedure PS_IGE_0001 "*Development of new skills in the Engineering BU*". All training activities and on-the-job training are properly recorded;
- the planning and organization of training courses on occupational health and safety, the maintenance of qualifications for the use of machinery and, in general, the correct manner of performing work activities are the responsibility of the Safety Officer, who coordinates with the *Personnel & Organization Development* Unit;
- the formulation of specific rules for the management of business assets (PCs, company telephones, etc.);

- The Company has adopted a specific *Policy* with particular reference to the allocation and use of cars in the company fleet, which, in short, provides for: *i)* the preparation of a form for each vehicle to be used in a pool, to be completed by the employee who picks up the car; *ii)* the recording on the card of the date of use, the departure and entry time and the reasons for use; and *iii)* the storage of the forms by the Contact Center, which also keeps the keys of the vehicles;
- the following applies to cars individually assigned to Company's personnel: *i)* the prior identification of the contractual classification levels to which the assignment of a company car corresponds; *ii)* the inclusion of this assignment within the employment contract; *iii)* the keeping of a register of assigned cars; and *iv)* communication regarding the existence of a company policy on the methods of use of cars.

Compulsory recruitment, i.e. persons with disabilities and persons belonging to protected categories, is governed by operational rules according to which:

- the documentation necessary for hiring is prepared by the *HRO* Office, indicating the number of hires to be carried out by virtue of the basis of calculation and the criteria laid down in Italian Law 68/1999 and by virtue of the number of employees of the Company, to which apply the percentage set by law;
- filings with Provincial Offices are signed by persons with adequate powers according to the system of delegated authority and powers of attorney in force;
- the Mandatory Placement Service proposes the candidacies corresponding to the profile sought, which are evaluated in compliance with the ordinary procedures for the selection and recruitment of personnel, as compatible with, and without prejudice to, compliance with the lists of Placement Offices;
- people with disabilities can also be hired by concluding specific agreements with social work cooperatives, to which certain services are outsourced (e.g. digitization and document management) in compliance with internal procedures for the purchase of goods and services;
- in the event of difficulties in identifying candidates, in accordance with the provisions of Italian Law 68/1999, the *HRO* Director assesses whether to enter into agreements with the competent Provincial Offices, setting up a program with recruitment times and methods;
- in the event of special conditions that prevent employment of the full percentage of disabled people, the *HRO* Director assesses whether to request exemption from the obligation to hire, paying an exemption fee to the Regional Fund for the Employment of Disabled People; in the event of recourse to the payment of the exemption fee, the *Personnel Management* Unit determines the amount due and prepares the required documents; the authorization for payment is issued by persons with appropriate powers according to the system of delegated authority and powers of attorney and according to the normal payment process.

The bonus system, applicable to directors, executives and middle managers, is governed by Regulation RE_IG-S_0031 "*Performance evaluation and payment of the individual bonus*" and Regulation RE_IG-S_0030 "*MBO*", in compliance with the following control principles:

- the setting of objectives on the basis of company and individual criteria (personal bonuses

- and company bonuses), both objective and subjective, adequately monitored. The process is governed by internal guidelines and, for management figures, Group procedures;
- the *Personnel & Organization Development* Unit is involved in the preparation of the budget and bonuses;
 - the Resource Manager identified in a hierarchical manner is involved in the evaluation of performance and achievement of objectives;
 - calculation and payments, carried out by the *Personnel Management* Unit.

The activities relating to the beginning of a disciplinary procedure against Italdesign staff:

- are governed by the *HRO* Director in accordance with the provisions of the National Collective Bargaining Agreement applied;
- the Manager of the Unit/another employee reports the conduct of the employee to the *HRO* Office, so that it can assess whether to begin a disciplinary procedure;
- the *Personnel & Organization Development* Unit carries out the relevant checks and, if what is reported is well founded and effectively in conflict with a company rule or legislative provision, prepares the letter of charges in compliance with the provisions of the applicable National Collective Labor Agreement;
- the letter of charges and any subsequent notice of application of a penalty are signed by the *HRO* Director, with the appropriate power of attorney, and by the Manager of the Office/Organizational Unit to which the employee belongs;
- where necessary, the *Personnel & Organization Development* Unit involves external legal consultants in the process, selected in compliance with the general purchasing procedures;
- the documentation is archived by the *Personnel & Organization Development* Unit.

With reference to the reimbursement of expenses, the Company has adopted specific procedures that, in addition to identifying the maximum thresholds for the various types of payments (food, accommodation and travel expenses) provide that:

- reimbursement can only be arranged upon presentation by the worker of an expense report endorsed for approval by the Director of the office identified as the cost center and verified by the *Personnel Management* Unit;
- reimbursement can only be requested by attaching the original supporting documents to the expense report;
- for expenses incurred for dinners, exhibitions, fairs and conferences, documentation that allows the event to be properly defined must also be submitted. In particular, all the names of those who have used the services must be indicated;
- reimbursement takes place through payment via the payroll, with control also carried out by the external consultant who supports the Company in this activity.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The selection process is supported by an IT platform that allows the management of search listings, the extraction of process KPIs, candidate database search, the inclusion of any useful notes for those involved in the various phases of selection, in addition to extraction of a report on the process.

Traceability is also implemented through the filing of all relevant documents (*curricula*, evaluations carried out, documents acquired by the candidate, residence permit, etc.) with the

HRO Office.

The traceability of the activities related to the recruitment of persons belonging to protected categories is ensured by the archival of the agreements and the exemption documentation by the *HRO Office*.

Disciplinary charges and measures and all documents relating to disciplinary procedures (e.g. exchanges of letters) are archived by the *HRO Office*.

The bonus process is traced through the inclusion of specific provisions within the employment contracts, the written assignment of objectives and the preparation of evaluation reports on the achievement of the objectives by the *HRO Office*.

In particular, the objectives and performance evaluation form is archived in electronic format by the *Personnel & Organization Development Unit*.

The use of company cars is traced through the keeping of a register/list for those assigned individually and the compilation of forms for those in pools.

Separation of tasks

The segregation of duties for the selection of staff is implemented by distinguishing between:

i) the executive activities carried out by the *Personnel & Organization Development Unit*; *ii)* control by the Manager of the Office/Organizational Unit concerned; *iii)* the authorization role of the *HRO Director*, the First Level Manager of the Organizational Unit concerned and the General Manager of *Finance* (for out-of-budget entries), the *CEO* (for *out-of-budget* entries or internal transfers) and the Parent Company (for first-level roles).

In the formulation and application of the reward system, there is a separation between: *i)* the executive activities carried out by the first-level *Manager* of the Unit to which the manager belongs; and *ii)* control by the *HRO Office*;

iii) the authorization role of the Director of the Office to which the manager belongs.

For disciplinary proceedings, segregation is implemented through the separation between: *i)* the executive activities carried out by the *HRO Office*; *ii)* the control carried out by the Manager of the Unit to which the employee belongs;

iii) authorization by the *HRO Director*, who signs the letters of charges and penalties.

For the expense reimbursement process, the principle of segregation is implemented through the distinction between: *i)* the executive activities carried out by the individual worker requesting reimbursement; *ii)* the control entrusted to the Director of the cost center, the *Personnel Management Unit* and the external consultant; and *iii)* the authorization by the *Personnel Management Unit* and the *Finance Office*.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.16 Management of relations with corporate bodies

Relevant offenses

Corporate offenses

Tax offenses

Organized crime offenses

Company or Group roles involved

Shareholders' Meeting Board of Directors

Board of Statutory Auditors

Auditing Firm

Accounting / Controlling Manager;

Legal & Governance Office

Regulation of the process and existence of formalized procedures/guidelines

Relations with corporate bodies are maintained according to established practices that permit a transparent exchange of information and ensure compliance with the following controls:

- collaboration in the audits by the Board of Statutory Auditors and the Independent Auditors on the administrative and accounting structure of the Company. In particular, during periodic audits, the Independent Auditors are supported by the *Accounting & Financial Statement Manager* and the Board of Statutory Auditors is supported by the *Accounting/Controlling Manager*;
- access by the Board of Statutory Auditors and the Independent Auditors to company accounts and to all information/documents necessary for evaluations;
- support by the *Legal & Governance Office* in the preparation and collection of documentation to be submitted to the Board of Directors as established in the agenda of the meetings;
- the recording of the meetings of the Board of Directors by the Manager of the *Legal & Governance Office*, who also acts as Secretary of the Board of Directors and is responsible for archiving the minutes and keeping the company books;
- the storage by the Manager of the *Legal & Governance Office* and the Manager of *Accounting/Controlling*, each for the aspect within his or her purview, of all requests for data and information, as well as of any findings, communications or assessments by the Board of Directors and the Board of Statutory Auditors.

The protocol also concerns the communication, execution and minute-taking of the sessions of the Shareholders' Meeting and the Board of Directors, with particular reference to: *i)* the existence of formal rules in the Company's Articles of Association for control of the exercise of voting rights and the collection and exercise of voting proxies; *ii)* the methods of communication and dissemination of the notice of convocation pursuant to the Company's Articles of Association; *iii)* the methods of holding meetings and preparation of the agenda; *iv)* minute-taking.

The process is conducted so as to ensure:

- the documentation to be submitted to the Corporate Bodies is clear, complete, timely and represents the actual economic/financial situation of the Company;
- the persons responsible for preparing the information and documents and delivering them to the Sole Shareholder comply with the times and methods prescribed in applicable legislation;
- the persons responsible for preparing the data and information requested guarantee the completeness, truthfulness, timeliness and correctness of the information and documents provided to the Independent Auditors and the Board of Statutory Auditors;
- collaboration is ensured by the contact persons identified at the various Departments responsible for requests for information/documents.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is implemented through the filing of the documents and corporate deeds over which the corporate bodies can exercise their supervision, as well as the minutes of the meetings of the Board of Directors and the Shareholders' Meeting.

Separation of tasks

The process is carried out in accordance with the principle of separation of tasks between the parties involved and in particular: *i)* between the executive activities carried out by the *Accounting/Controlling Manager*, the *Accounting & Financial Statement Manager* and the *Legal & Governance Office*; *ii)* the control role attributed to the *Legal & Governance Office Manager*; and *iii)* the decision-making activities referred to the Board of Directors, the Board of Statutory Auditors, the Independent Auditors and the Shareholders' Meeting, each for its own area of responsibility.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.17 Transactions on share capital and extraordinary finance transactions

Relevant offenses

Corporate offenses

Offenses of receipt of stolen goods, laundering and use of money, goods or benefits of illegal origin and self-laundering

Tax offenses

Organized crime offenses

Company or Group roles involved

General Manager of *Finance CEO*

Shareholders' Meeting Board of Directors

Legal & Governance Office

Regulation of the process and existence of formalized procedures/guidelines:

The management of activities related to the conclusion of extraordinary transactions is governed by the Group "*Mergers & Acquisitions*" Policy (implemented by Italdesign as P_016 2.0), which lays down the principles, structures and responsibilities for the execution of M&A projects within the Audi Group and also at Italdesign.

The *Policy*, which is implemented locally, describes the guidelines, skills and responsibilities in the individual phases, providing that:

- Audi's M&A department has a control, advisory and supervisory function at the level of individual Group companies;
- only when requested (and documented) by the *Audi Group's M&A* department may the specifications of an M&A project be delegated and executed by the local M&A manager, who coincides with the *Accounting/Controlling Manager* (or by local resources assigned to the project);
- the start of an actual M&A transaction is always preceded by a multi-level approval process;
- the relevant data and facts, such as the business plan, are always verified and validated through due diligence activities assigned to external experts and aimed both at carrying out checks on the counterparty and at assessing the impacts from a tax point of view (also with respect to the possible impact on guarantees) and evaluating the possible need to obtain independent opinions (legal opinions, tax opinions);
- the decision to proceed with the transaction is the responsibility of the Board of Management and the Shareholders' Meeting, after analysis of appropriate documentation on the economic, financial and regulatory impacts of the transaction and timely identification of any situations of conflict of interest. In addition, the preliminary assessment of the General Manager of *Finance* and the *CEO* is required;
- a resolution of the *Board of Management of Audi AG* is necessary to approve and ratify the signing of the contractual documents;
- the non-disclosure of confidential information is guaranteed through the signing of specific *Non Disclosure Agreements*;
- the *Accounting & Financial Statement Unit* and the *Legal & Governance Office* are involved in the preparatory activities, which include the acquisition of data and the preparation of accounting situations and the obligations required by law, including assistance in the drafting of the notarial deed (deed of transfer/ merger, contract of sale of business unit, etc.);
- the General Manager of *Finance* ensures that all impacts on financial performance and financial position of extraordinary transactions are correctly reflected in the accounts in compliance with the provisions of the relevant accounting standards;
- the management of negotiations with credit institutions for the purpose of obtaining any

financing necessary for the transaction is entrusted to persons holding the relevant power as defined by the system of delegated authority and powers of attorney and subject to the authorization of the managers of the centralized cash pooling system;

- all relevant documentation is archived by Audi's M&A Department and by the *Finance Office* to the extent within its purview;
- transactions on share capital are regulated as follows:
 - any distribution of the profits or reserves reported in the financial statements is proposed by the Board of Directors and subject to approval by the Shareholders' Meeting;
 - the feasibility of a transaction with respect to accounting and financial statement data is assessed by the *Accounting/ Controlling Manager* and the General Manager of *Finance*;
 - the Board of Statutory Auditors and the Independent Auditors verify the compliance of the transaction with the law and its adequacy in view of balance sheet items.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The traceability of transactions is implemented through the filing of information documentation and shareholders' resolutions by the *Legal & Governance Office*, as well as the filing of documentation produced and exchanged (with the counterparty and with Audi's M&A department) by the *Finance Office*.

Separation of tasks

In the case of extraordinary transactions, the segregation of duties is implemented through the distinction between: *i)* the identification of the transaction, analysis and collection of information by the General Manager of *Finance* and the *CEO*, with the support of the *Accounting/ Controlling Manager* and the *Legal & Governance Office*; *ii)* decisions regarding transactions are taken by the Board of Directors and the Shareholders' Meeting, following the successful completion of the multi-level authorization process that initiates the transaction; and *iii)* control by the Board of Statutory Auditors and the Independent Auditors.

The segregation of process of managing transactions on share capital is implemented through: *i)* the feasibility analyses carried out by the *Accounting/Controlling Manager* and the General Manager of *Finance*; *ii)* the decision-making role of the Board of Directors and the Shareholders' Meeting; and *iii)* the control activities carried out by the Board of Statutory Auditors and the Independent Auditors.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.18 Management of relations with Public Authorities to obtain/renew authorizations, concessions and licenses, including in the field of environment and safety

Relevant offenses

Offenses against the Public Administration

Corruption between private parties

Cyber-crimes and unlawful data processing

Organized crime offenses

Company or Group roles involved

Health, Safety & Environment Unit

HSE Manager or *Health, Safety & Environment* Manager

Interested office

Manager of the *Legal & Governance* Office

Attorneys-in-fact of the Company

Regulation of the process and existence of formalized procedures/guidelines:

The requirements for obtaining / renewing authorizations, concessions and licenses are managed in accordance with company procedures and the following control elements:

- precise indication of the authorizations relevant and pertinent to Italdesign's facilities in a specific register with an indication of the internal entity responsible for the procedure and the elements to be met;
- preparation of the application to be submitted to the Public Body by the person in charge of the procedure with the possible support of the *Legal & Governance* Office and/or external consultants;
- verification of the documentation prepared by the *Health, Safety & Environment* Manager/Manager of the *Legal & Governance* Officer, depending on domain;
- signing of the request for obtainment/renewal by persons with appropriate powers according to the system of delegated authority and powers of attorney in force;
- preservation of the originals of the authorizations at the Office concerned;
- monitoring of compliance with the requirements set by the Authority by the *Health, Safety & Environment* Unit, including through audit activities.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is implemented through the storage of authorizations and related documentation at the *Health, Safety & Environment* Unit/*Legal & Governance* Office/Office to which the authorization refers, depending on the type of authorization.

Communications and exchange of documents with external consultants who may be appointed to support the Company in the request for authorization or renewal are in writing.

In addition, a specific register is adopted and kept up to date with an indication of the internal party responsible for the procedure and the elements to be met.

The register is kept by the *HSE* Manager.

Separation of tasks

The separation of tasks is ensured through the distinction between: *i)* the executive activities carried out by the staff of the *Health, Safety & Environment* Unit and by the staff of the Office concerned, which prepares the documentation with the possible support of external consultants; *ii)* the controls carried out by the *HSE* Manager and the Head of the *Legal & Governance* Office; *iii)* the authorization role of the Company's attorneys-in-fact, who sign the request for authorization, concession or license in compliance with the system of delegated authority and powers of attorney in force.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

The power to represent the Company and carry out all the deeds and operations necessary to obtain concessions, licenses and authorizations with the Public Administration and public bodies and offices falls to the Managers of the *HRO, Finance; Accounting-Controlling; Quality; Purchasing, Operation; Legal & Governance; HSE and Facilities Management; Assembly and Modelshop; Industrial Design and Public Relations & Communications* Offices/Units, who sign the applications.

4.19 Management of inspections by the Public Administration, certification bodies or customers

Relevant offenses

Offenses against the Public Administration

Corruption between private parties

Offenses of money laundering and use of money, goods or benefits of illegal origin and self-laundering

Tax offenses

Smuggling offenses

Organized crime offenses

Company or Group roles involved

Reception

Head of the Office/Unit involved in the inspection

Legal & Governance Office

Management Committee

Quality Assurance Manager (for Certification Bodies)

Regulation of the process and existence of formalized procedures/guidelines

All inspections, carried out by Public Authorities at Italdesign's offices/plants, are governed by

Operational Instruction IO_IGF_0001 "*Public Administration Investigations*" and in any case by the following controls:

- the inspectors are identified by the *Reception* service;
- the *Receptionist* informs the *Legal & Governance* Office;
- once the scope of verification has been identified, the *Legal & Governance* Office contacts the Manager of the Organizational Unit involved (e.g. the *Accounting / Controlling* Manager for tax audits, the *HRO* Director for any checks on personnel management) who, if not present in the company, identifies a delegate;
- the competent Manager directly supervises the inspection activities and is always supported by at least one other Company resource, where possible related to a different Office/Unit, except in cases where public officials request direct interviews with specifically identified personnel;
- in the case of checks of particular importance, the Manager of the *Legal & Governance* Office also participates in the visit;
- in the case of inspections relating to taxes and duties, even before the conclusion of the inspection the *Legal & Governance* Office informs the relevant tax consultant for support in the management of the inspection visit, in the dialog with the tax authorities and for the production of any useful documents and/or requests, as well as for the evaluation of the possible adherence to the special conciliation procedures, of acceptance of the assessment provided for by the tax regulations as well as for adjusted filings; where possible, the legal consultant is also informed and involved; at the end of the inspection, the Manager of the Office involved verifies the correctness of what is stated in the minutes prepared by the inspectors, requesting that any comments or changes be noted;
- in the event of a document request, the Manager of the Unit involved takes action to find what is requested and performs a check on the completeness and correctness before handing it over to the inspectors;
- at the end of the inspection, the Manager of the Unit involved (and/or those who took part) verifies the correctness of what is stated in the minutes prepared by the inspectors, possibly requesting the addition of comments or changes;
- the minutes are signed by the persons who took part in the verification and in any case by two Company attorneys-in-fact and are filed by the Manager of the Unit involved together with the list of any documents acquired by the Authority;
- the Manager who participated in the activities draws up a report on the outcome of the inspection, describing the inspection carried out and the communications with public entities. This report is forwarded to the *Legal & Governance* Office, OB and *Management Committee*;
- the Manager who followed the inspection monitors over time that any requests for documents or clarifications by the inspectors are fulfilled and, together with any other Offices involved, and in particular together with the *Legal & Governance* Office, verifies that any instructions given are implemented.

The Procedure PS_QMS_0004 "*Second and third party audits*" governs cases of an audit carried out by a Certifying Body at the request of the Company, as well as an audit carried out by the customer, or by the office in charge of the customer, aimed at verifying the compliance of the

quality management system with the customer's specific requirements.

These audits are subject to controls similar to those provided for the investigations carried out by the Public Administration, under the coordination of the *Quality Assurance Manager*.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability is guaranteed through: *i)* the preparation of a report by the Manager who participated in the assessment; *ii)* the compilation, updating and sharing with the *Legal & Governance Office* of a specific register, in which the essential elements of the assessment are noted; and *iii)* the archiving of the documentation (minutes, report and register) within a specific file, at the offices of the Unit involved.

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities carried out by the *Reception* and by the personnel participating in the inspection, as well as by the Manager of the Unit involved; *ii)* the control entrusted to the Manager of the *Legal & Governance Office* and to the *Management Committee*, or to the *Quality Assurance Manager* for the verifications of the Certification Bodies; and *iii)* the signing of the assessment minutes by two attorneys-in-fact of the Company (Manager who took part in the inspection with a joint signature based on the current system of powers of attorney).

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

Specifically, the power to represent the company in relations with public entities and any PA body responsible for the exercise of supervisory, verification and control functions, lies with the Managers of the *HRO, Finance; Accounting- controlling; Quality; Purchasing, Operation; Legal & Governance; HSE and Facilities Management; Assembly and modelshop; Public Relations & Communications and Industrial Design Offices/Units*.

4.20 Management of judicial and out-of-court disputes or arbitration proceedings

Relevant offenses

Offenses against the Public Administration

Offense of inducement not to make statements or to make false statements to the judicial authority

Corruption between private parties

Tax offenses

Organized crime offenses

Company or Group roles involved

Legal & Governance Office

Manager of the Office/Unit involved

CEO

Attorneys-in-fact of the Company

Regulation of the process and existence of formalized procedures/guidelines

The management of proceedings and disputes both in the extrajudicial and judicial phase is governed by shared operating rules, which provide for the following control elements:

- the relationship with the Judicial Authority and its auxiliaries, also in the context of participation in the hearings, is managed, directly or through the appointment of lawyers and external consultants, by the *CEO* or by another person with the proper power of attorney to represent the Company before the Judicial Authority;
- the Managers of the various Company Offices/Units promptly send the *Legal & Governance Office* any notices and/or communications of a judicial nature addressed to them or to the Company, from which it can be inferred that there is or is likely to be a dispute related to business activities;
- similarly, they submit to the *Legal & Governance Office* any matter arising in relations with employees/consultants/suppliers/business partners and third parties in general that could require the initiation of legal action to protect the Company;
- the Manager of the Company Office/Unit directly involved examines the documentation together with the *Legal & Governance Office*, in order to adequately reconstruct the matter and collect any relevant information or documentation;
- assignments to external professionals are granted in writing by attorneys-in-fact with adequate powers according to the system of delegated authority and powers of attorney. The remuneration, fees or commissions of external professionals are determined in a manner commensurate with the services rendered and in accordance with the assignment given, in accordance with the conditions or practices existing on the market, taking into account the professional rates in force;
- for the management of tax disputes, the external legal adviser is informed and involved (in cases of particular complexity and where possible) as early as the tax and duty inspection phase, in order to possibly assist the Company in the management of the inspection visit (including the reporting activity), in the dialog with the Financial Administration and in the production of useful and/or required documents, as well as for the evaluation of any adherence to special conciliation procedures;
- for tax disputes, the *Legal & Governance Office* together with the *Accounting /Controlling Manager* constantly monitors the development of disputes, also for the purpose of timely assessment of the opportunity to reach settlement agreements, as well as, for the purpose of evaluating possible adoption of special conciliation procedures and acceptance of the assessment provided for by tax rules and adjusted filings;

- relations with the external lawyer are managed by the *Legal & Governance Office*;
- the relevant decisions in the case are taken and authorized by the *CEO*;
- the documentation is kept, depending on the subject by the *Legal & Governance Office*, by the *HRO Office* or by the *Finance Office* in a specific archive, so as to prevent subsequent modification and in order to allow the correct traceability of the entire process, as well as to facilitate any subsequent checks;
- An update on the main disputes is provided periodically by the Manager of the *Legal & Governance Office*/General Manager of *Finance HRO Director*, each for the aspect within his or her purview, to the *CEO*, the Oversight Body, the Board of Statutory Auditors and the Independent Auditors;
- the decision on whether to proceed actively to initiate a dispute with third parties/formulate or accept a settlement proposal is taken by the *CEO* on the advice of the Manager of the *Legal & Governance Office*.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

Traceability of the status of proceedings and disputes is implemented through the filing of relevant documentation with the *Legal & Governance Office* and/or with the company office involved (for example, documentation relating to litigation with personnel is filed by the *HRO Office*, while disputes regarding tax aspects are the responsibility of the *Finance Office*).

Separation of tasks

The segregation of tasks in the management of disputes is implemented through the distinction between: *i*) the operational activities of collecting the documentation carried out by the Head of the Office/Unit directly involved and/or by the *Legal & Governance Office*; *ii*) the role of control, evaluation and support in the identification of the choices to be implemented by the *Legal & Governance Manager/General Manager of Finance/HRO Director*; *iii*) the granting of the assignment to external lawyers and/or the signing of settlements by the Company's attorneys-in-fact in compliance with the powers attributed to them; *iv*) the adoption of the relevant decisions by the *CEO*; and *v*) the monitoring by the *CEO*, the Oversight Body, the Board of Statutory Auditors and the Independent Auditors, which are periodically updated on the status of the dispute.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

4.21 Management of workplace safety obligations

Relevant offenses

Offenses committed in violation of workplace health and safety legislation

Employment of illegal immigrant third-country citizens

Illegal brokering and exploitation of labor

Offenses against the Public Administration

Organized crime offenses

Company or Group roles involved

Employer

Delegates and sub-delegates pursuant to art. 16 of Italian Legislative Decree 81/20

Executives and Officer Managers

Health, Safety & Environment (HSE) Unit

Safety Officer (RSPP)

Company Physician (MC)

Worker Safety Representatives (WSR)

First aid and fire-fighting team

Facilities/Maintenance Unit

The management of activities related to the prevention and protection of accidents at work complies with procedures and operating rules developed by the Company in compliance with the provisions of art. 30 of Italian Legislative Decree no. 81/2008, in order to reduce the risk of the occurrence of the crimes of manslaughter and serious and very serious bodily injury.

In this framework and context of the obligations of the Employer provided for by Article 2087 of the Italian Civil Code and Article 29-bis of Italian Law no. 40 of June 5, 2020, converting Decree Law no. 23 of April 8, 2020, in accordance with the operational instructions provided by Confindustria in the *Position Paper* of June 2020 and in the Note "Responsibility of companies for COVID-19", this Special Part also indicates the control measures necessary to deal with the direct risks of committing the crimes of culpable personal injury and manslaughter in violation the accident prevention regulations, for which health emergencies may represent an additional risk factor.

To meet the aforementioned needs, the Employer has set up a special Task Force, chaired by the *HRO* Office, which is responsible for managing pandemic risk through the evaluation and application of specific prevention measures.

The individual work activities at potential risk of commission of an offense in relation to the cases referred to in Article 25-septies of the Decree are identified and assessed in the context of the company's risk assessment documents, prepared in accordance with the relevant legislation and constantly updated in relation to the development of the characteristics of the work activities carried out, the law, the needs of the Company and the best practices applied.

This Special Part identifies and describes the methods, procedure control and operating rules applied by the Company according to the following four phases for the continuous improvement of the measures for the protection of worker health and safety:

1. **PLANNING** - Activities aimed at setting goals consistent with the Policy laid out in the Integrated Quality, Safety and Environment Manual, establishing the processes necessary to achieve them, identifying and assigning adequate resources, and formulating the principles of document management;
2. **IMPLEMENTATION and OPERATION** - Activities aimed at setting up organizational structures and responsibilities, training, information and training methods, consultation and communication, the record management process (documents and data), operational control methods, management of relations with suppliers and emergency management;
3. **CONTROL and CORRECTIVE ACTIONS** - Activities aimed at implementing methods of measuring and monitoring performance, recording and monitoring injuries, incidents, near misses, non-conformities, corrective and preventive actions, reporting methods and methods of carrying out periodic checks;
4. **MANAGEMENT REVIEW** - Activities aimed at the periodic review of the management system that allows the Employer to assess its adequacy in ensuring the achievement of the objectives in this area and setting up adequate programs for continuous improvement.

PLANNING - Activities aimed at setting goals consistent with what is set out in the Company's Integrated Quality, Safety and Environment Manual, establishing the processes necessary to achieve them, identifying and assigning adequate resources and formulating the principles of document management

Policy and goals

Italdesign's Code of Conduct expressly includes occupational safety and health protection among the Company's primary objectives.

This principle is reflected in the Risk Assessment Document, which describes in detail the activities and processes at risk and in which the commitment to protect health and safety in the workplace is expressed, promoting a plan to improve safety levels over time.

It defines the general guidelines and objectives that the Company aims to achieve, providing for the commitment to the prevention of accidents and occupational diseases and the continuous improvement of the management and performance of the occupational health and safety protection system.

Annual and multiannual plans

When determining its annual budget, the Company sets a capital budget for investments and a budget for current expenses, expressly providing for cost items for health, safety and the environment.

The formulation of the aforementioned budgets is the responsibility of the Safety Officer, who submits his or her proposal to the General Manager of *Finance*. After this is done, the budget is submitted to the competent corporate bodies for final approval.

Once approved, the budget is managed independently by the Manager of the Office, without prejudice to compliance with company procedures and the obligation of annual reporting to the Employer.

Changes in the law

The updating of the legislation on health and safety is carried out by the Safety Officer, including through consultation of newsletters (e.g., Unione Industriale Torino) to which the Company subscribes, which report the relevant changes in the law.

The Safety Officer carries out a preliminary analysis and, where he or she considers that the changes in the law are applicable and relevant to Italdesign, prepares and distributes via e-mail an information notice to the internal parties concerned (with particular reference to the holders of delegated and sub-delegated powers pursuant to Italian Legislative Decree 81/2008) and offers his or her support both for correct interpretation and evaluation of the actions to be taken to ensure timely alignment. In the event of a pandemic risk, the Safety Officer and the Managers of the individual Offices are responsible for monitoring the enactment of legislation and guidelines for emergency management, at national, regional and local level, promptly notifying the Employer of any necessary and/or appropriate measures to ensure the health and safety of workers (including the need to update the Risk Assessment or suspend work activities). In addition, monitoring is also carried out by the committees set up by the Employer to deal with the emergency with the task of checking that the Company adopts all the measures required or recommended by the competent Authorities.

IMPLEMENTATION and OPERATION - Activities aimed at setting up organizational structures and responsibilities, training, information and training methods, consultation and communication, the record management process (documents and data), operational control methods, management of relations with suppliers and emergency management

System policy and documentation

The Company has adopted the Risk Assessment Document (DVR), which identifies the specific risks connected to the various company activities and the related prevention tools and the subjects with accident prevention attributions within the company.

The DVR references further documents relating to the safety management system and, in particular, the guidelines and operating instructions introduced for the reduction of the risks identified.

The guidelines and operating instructions adopted by the Company are published on the company intranet and are available to all personnel. The DVR is available to the Managers of Offices.

The DVR is updated continuously and in any case whenever new legislation, new activities, new machinery, changes in time or working methods are introduced, or events or quasi-events that require a review of the prevention measures occur.

Organization and responsibilities

The Employer, pursuant to Italian Legislative Decree 81/2008 and subsequent amendments, has been identified in the person of the Company's CEO, as the person responsible for the organization and the holder of the power to carry out all acts of ordinary and extraordinary administration.

The Employer has appointed the Safety Officer and has also appointed the Company Doctor (MC).

The appointment of such persons is preceded by verification of their possession of the legal requirements for the performance of their respective duties.

Workers' Safety Representatives were elected and the persons in charge of emergency management and first aid were appointed.

The Safety Officer keeps a copy of the aforementioned appointments and monitors their validity, indicating any need for renewal.

The same documentation, in the original, is filed with the *Legal & Governance* Office.

All those involved in health and safety management are named in the DVR and have been adequately trained in accordance with the provisions of the State-Regions Agreement.

In addition, the Company - again in order to clarify the role and responsibilities of individuals in the field of occupational health and safety - has adopted specific procedures for the management of activities to be carried out off company premises, providing that in such cases the Director of the Office that needs to organize an external activity (e.g. vehicle testing) must identify the *Head of Mission*, who assumes responsibility for the organization and management of the activities and personnel involved (corresponds to the figure of the supervisor). The procedures provide for the joint compilation and signing between the *Head of Mission* and the *Manager* Responsible for the Unit to which the individual worker involved belongs of a form with an indication of the data relating to the job and training of the latter as well as the activities to be carried out in the mission.

Function delegation system

On the basis of the corporate organization, pursuant to art. 16 of Legislative Decree 81/2008 the Employer has conferred delegated authority on health and safety in the workplace to its first reports and in particular to:

- i) *Head of Pre Series & Production;*
- ii) *Head of Engineering;*
- iii) *Head of Design;*
- iv) *Head of Quality;*
- v) *Head of HRO;*
- vi) *Head of Business Development.*

According to the complexity of the respective organizations and after agreement with the Employer, the delegates identify their sub-delegates, to whom specific functions are transferred.

The acts of delegation and sub-delegation clearly and precisely define the areas of responsibility of each delegate, while attributing all the powers, including spending, necessary for the effective performance of the responsibilities and tasks transferred.

An adequate *reporting* system is also structured that allows the delegator to supervise the activities carried out by their delegates.

In particular, each Employer's delegate ensures supervision of its sub-delegates through: *i)* an immediate discussion, in the event that particular problems arise for which the delegate requests the support of the delegator; *ii)* the organization of weekly meetings called staff meetings in which the most relevant issues for the Office are discussed and in which the sub-delegates can also report on aspects of workplace health and safety; and *iii)* with a frequency defined by the delegator, the inclusion in the aforementioned meetings of a specific point of discussion on the activities carried out by the sub-delegates pursuant to Italian Legislative Decree 81/2008.

The meetings are recorded in minutes and the contents of this report are used by the delegates to report to the Employer.

The system of delegated powers and sub-delegations is re-evaluated periodically and in any case in the event of organizational or business changes, in order to ensure that there is always a clear identification of the areas of responsibility and that the areas of activity that present the greatest risks are adequately supervised.

Risk Assessment Document

The Company has a Risk Assessment Document prepared by the Employer with the help of the Safety Officer, the Company Doctor and with the involvement of the Workers' Safety Representative.

The Risk Assessment Document is divided into sections, each of which identifies the specific risks associated with the different business areas and different tasks and contains a safety organizational chart that identifies the people who play a role in managing the different occupational health and safety obligations.

The Risk Assessment Document is subject to periodic updating, promoted by the Safety Officer.

In the case of works entrusted to third parties (e.g. plant maintenance, reception, cleaning of the premises), a special Single Interference Risk Assessment Document (DUVRI) is drawn up and Prevention and Protection Service personnel are also called on to participate in assessing interference risks.

The DUVRI is compiled by the Company and the contracting company, exchanged, signed and stored on the contracting portal.

Assignment of tasks and duties and assignment of PPE

The Risk Assessment Document contains sheets describing the various tasks and identifies the personal protection equipment necessary for the correct and safe execution of each work process. The Employer assigns the tasks and tasks on the basis of the psychological attitude and the results of the fitness examinations carried out by the Company Doctor.

The PPE is delivered to individual workers at the time of hiring, with the signing of a specific form, kept by the *Logistics and Warehouse* Unit.

Workers are obliged to use PPE, to check it and to report to their Managers any defects found and any need for replacement.

In the event of an accident, a special form is completed to assess the suitability of the PPE and, if necessary, where a possible causal link emerges between the event and the type/use of PPE, the Safety Officer proceeds to re-evaluate it, proposing the most appropriate changes, where appropriate, including the updating of the Risk Assessment Document.

Emergency Management

The Company has adopted and formalized a separate emergency plan for each property in which its business is conducted and containing instructions for vacating company areas in the event of an emergency.

Evacuation tests are planned and recorded and are carried out at least annually. The test reports are archived at the *Health, Safety & Environment* Unit by the Safety Officer.

Workers have been fitted with the necessary equipment to prevent this risk and have received specific information on how to leave the workplace in case of serious danger.

As regards first aid, there are special kits at the Company containing what is indicated by the Italian Ministerial Decree 388/2003.

Emergency and first aid personnel have attended special courses, as provided for by the relevant legislation, and are included in the training update plan in accordance with PS_IGS2_0008.

In emergency situations of a lasting nature, the organizational activities necessary for prevention are managed by the crisis management committees/task forces established *ad hoc* by the Employer, which take all the measures required or recommended by the competent authorities and identify the specific measures to be implemented at company level, ensuring the adequate involvement of workers (also through the trade union representatives and the Workers' Safety Representative). In pandemic situations:

- the Company regulates the methods of access to the company for workers and external parties, identifying the necessary preliminary controls (such as temperature measurement for incoming personnel and the issuance of self-declarations) and the actions to be implemented according to the results of the controls;
- entry, transit and exit procedures are identified for suppliers, in order to reduce opportunities for contact with employees;
- periodic sanitation of premises, environments, work stations and common areas is ensured;
- work shifts are organized by creating specific groups, reducing as much as possible the opportunities for contact between subjects belonging to different groups.

Fire risk management

The Employer has complied with legal obligations regarding fire prevention by verifying the Company's compliance with the provisions of Italian Presidential Decree 151/2011, preparing the documentation necessary to obtain the Fire Prevention Certificate and carrying out the fire risk assessment.

The renewal process is managed in compliance with the provisions of par. 4.19 "*Management of relations with Public Authorities to obtain/renew authorizations, concessions and licenses, including in the field of environment and safety*". With the support of the Safety Officer and external consultants, the Employer has also:

- provided workers with adequate fire-fighting equipment;
- identified the necessary measures so that workers, in cases of serious danger, can leave the workplace and stay safe;
- ensured that any worker, in the event of serious danger, if unable to contact their competent superior, can take appropriate measures to avoid the consequences of the danger.

Firefighting equipment is periodically inspected by a specialized external company, under the supervision of the Safety Officer.

The fire-fighting team is made up of an adequate number of employees, adequately trained and whose names are circulated within the company, through publication on the company intranet, accessible to all workers.

Consultation and communication

At least annually, the Employer convenes periodic meetings to verify the status of implementation of measures for the prevention and protection against risks and improvement actions. These meetings are attended by the Employer (or its representative), the Safety Officer, the Company Doctor, the Workers' Safety Representative and the company representatives responsible for the matters discussed from time to time.

On these occasions, the Risk Assessment Document is examined and, if necessary, updates are proposed, the selection criteria, the technical characteristics and the effectiveness of the PPE are discussed and adopted, and the information and training of managers, supervisors and workers is planned for the purposes of safety and the protection of their health.

The minutes of the periodic meetings are filed by the Safety Officer.

There is also a trade union committee dedicated to safety that meets on a quarterly basis and in which the RSPP, the *HRO* and the RLS intervene to discuss the possible need to implement the health and safety system.

Information and training

The Manager of the Office, in agreement with the Safety Officer, formulates and updates the training plan for all the personnel employed and constantly monitors the deadlines, in accordance with the provisions of Procedure PS_IGS2_0008.

Workers are provided training and information according to the provisions of the State-Regions Agreement for low risk with reference to work activities via video terminal and high risk for all other tasks.

The Company has established specific training for the use of forklifts/platforms.

The training is provided to the staff of each Office through internal and external teachers and concerns the specific risks identified in the Risk Assessment Document.

The training is provided to new recruits under the terms of the State-Regions Agreement: in these cases it is the *HRO* Office that, at the time of recruitment, arranges courses through an external, qualified supplier following the procurement procedure and with the involvement of the Safety Officer.

The delivery of the courses and participation in them are tracked through Excel files, registers of individual sessions and the corresponding sheets for the collection of signatures.

Supervisors and executives, pursuant to Italian Legislative Decree 81/2008, are identified and receive specific training, at the end of which a written communication is also delivered concerning the role occupied as a result of the *de facto* organization.

The Managers of each Office/Organizational Unit report the presence of a new or different person in charge of security and the need to provide a specific training session to the Safety Officer.

The *HRO* Office also promotes training initiatives for management on employee management strategy, aimed at developing soft skills, including on a relational level.

In the case of workers on secondment to the plants of other Group companies, the Company provides training on the typical risks generally associated with the performance of the tasks for which the worker is seconded. To this end, the Safety Officer is notified by the *HRO* Office and/or the Manager of the person to be seconded of the conclusion of a secondment agreement and, therefore, the need to provide the training obligations for the home company.

Where employees of other Group companies work on secondment at the Company, the Safety Officer includes them in the training plan, treating them like the Company's employees.

Information relating to the PPE to be adopted in the various workplaces in compliance with the provisions of the Authorities is provided by circulating and posting specific information leaflets indicating the requirements to be complied with.

Evaluation and qualification of suppliers

The selection and qualification of suppliers of goods or services relevant to occupational health and safety aspects (e.g. suppliers of PPE, chemicals, machinery, etc.) are the responsibility of the Purchasing Office, which involves the Safety Officer for technical aspects.

For the supply of PPE, the Safety Officer requires the buyer to acquire sample products from each possible supplier which, once a technical check has been carried out, are tested by the workers and the assessments recorded. If technical quality is equal, the equipment that received the best rating from the workers is chosen. On this point, the Safety Officer discusses with the Workers' Safety Representatives.

After the choice has been made, the purchasing process follows the ordinary procedures.

Contracting

In case of assignment of works under contract, the Safety Officer carries out the evaluation of the supplier, acquiring the documentation required by law (art. 26 of Italian Legislative Decree 81/2008).

In particular, the contractors, once selected by the *Purchasing* Office according to company procedures, access a dedicated IT portal which, for each type of contract, lists the information and documents that the contractor must provide before signing the contract (the list of these documents is also reported in the Portal Use Manual).

The computer system automatically reports if there are missing or incomplete documents and, in this case, prevents the procedure from proceeding.

The documents are examined by different Offices, depending on the content to be verified (*HRO* with regard to the Single Contribution Compliance Certificate and, for construction contracts, the document relating to the adequacy of the incidence of labor relative to the individual intervention; *Finance* for the administrative part; *HSE* for risk assessment and *Purchasing* for the evaluation of the technical and professional skills of the contractor).

For each contract, the Interference Risk Assessment Document is prepared and exchanged with the contracting company. The Document is prepared by the Safety Officer considering the specific contracted activity, its risks and the methods of preventing interference.

In the case of works pursuant to Title IV of Italian Legislative Decree 81/2008, the internal manager of the activity, following the indications of the Safety Officer, assesses whether it is necessary to identify an external technician as the Works Manager. The Project Manager carries out all the checks required by art. 89 of Italian Legislative Decree 81/08 and proceeds to appoint the coordinators.

The Operational Safety Plans (OSPs) are drawn up by each executing company. The designated Coordinators draw up the Safety and Coordination Plan (SCP).

Coordination meetings are held in which all the parties involved in the management of health and safety and in the implementation of the work to which the site refers and the related minutes are archived by the internal manager of the activity.

Subcontracting is possible up to the first level and requires written authorization from the *Purchasing* Office, after all the qualification documents have been uploaded and approved by the Safety Officer and *HRO*, *Purchasing* and *Finance* Offices, each for its part.

Determining any safety costs is the responsibility of the Safety Officer and other professionals who may be appointed with reference to the work to be carried out.

The *Legal & Governance* Office provides specialist assistance in the preparation of contracts; in particular, specific clauses are inserted that allow the termination of the relationship or the application of sanctions in case of violation of the Code of Conduct or of the legislation referred to in Italian Legislative Decree 231/2001 and the provisions of Italian Legislative Decree 81/2008 (e.g. failure to bear the declared interference costs, and/or the procedures and regulations adopted by Italdesign in the workplace as well as, in general, in the prescriptions provided for by current legislation to protect the health and safety of workers).

The Safety Officer also identifies adequate tools for monitoring the activities of contractors (for example, through the contractual provision of the possibility of carrying out checks, or an obligation for the contractor to provide certain information, especially with reference to any accidents).

The *Security* Office ensures the correct management of accesses and, in particular, that only workers indicated by previously qualified and authorized companies actually have access to the Company's premises.

Asset Management

Routine maintenance of company assets is ensured by the *Facilities/ Maintenance* Unit or by the offices that use the specific machinery of the department and is planned according to the machinery's use and maintenance manuals.

Where provided for in the purchase contract, maintenance is carried out by the supplier of the machinery/system itself. Otherwise, where maintenance cannot be carried out by internal personnel, the procedure for the selection of an external supplier by the *Purchasing* Office is initiated, in compliance with the qualification rules.

The maintenance of fire-fighting devices (e.g. fire extinguishers) and other equipment/devices directly related to occupational health and safety requirements (e.g. emergency exit doors) is directly supervised by the *Facilities/Maintenance/Health, Safety & Environment* Units through the use of specialized, qualified external suppliers.

The Company ensures a complete, up-to-date inventory of all machinery in use, also relying on external consultants who also issue an opinion on the level of safety of each machine and identify the most appropriate implementation actions.

The documentation relating to each machine is kept by the Unit that makes use of it. In the case of internally constructed machinery, the Safety Officer together with the Unit that owns the machinery starts the activities necessary to obtain the CE certification according to the Machinery Directive.

CONTROL and CORRECTIVE ACTIONS - Activities aimed at implementing methods of measuring and monitoring performance, recording and monitoring injuries, incidents, near misses, non-conformities, corrective and preventive actions, reporting methods and methods of carrying out periodic checks

Surveillance, monitoring and corrective actions

Despite the abolition of the regulatory obligation, the Company maintains an accident register for each establishment, compiled by the *HRO* Office.

Over the years, the Company has introduced various procedures for monitoring accidents, micro-accidents and near misses.

In particular, in the event of an accident, a special form is completed, containing the essential data of the event, also necessary to understand its causal origin.

Where a deficiency in the prevention and protection system is identified, the Safety Officer initiates a project to update the Risk Assessment Document.

If the accident is caused by a violation by the worker of company rules and regulations on occupational health and safety, the Manager of the Office in which the worker operates is informed for the activation of the disciplinary procedure.

The accident report to the competent bodies is made by the *HRO* Office.

Injuries involving workers employed by suppliers/contractors are also subject to monitoring. To this end, the Safety Officer, together with the *Legal & Governance* Office, identifies the most appropriate contractual clauses to be included in the procurement contracts.

Health supervision and medical first aid activities are guaranteed, according to the procedures provided for in the Risk Assessment Document, by the Company Doctor and, to the extent of their competence, by the first aid team.

The Company Doctor is also required to periodically update the workers' health records and inform them of the results of the examinations carried out.

Measurement and monitoring of performance - other data (in addition to accidents and incidents)

The Company Doctor, in agreement with the Prevention and Protection Service and the Workers' Safety Representative, draws up a health surveillance plan. This plan provides that preventive checks be carried out to identify the worker's suitability for carrying out a specific task, as well as periodic checks on the health of the workers.

The documentation relating to this periodic control activity is stored on the premises of the *HRO* Office. The Company Doctor also periodically updates the workers' health records and informs them of the meaning and results of the examinations carried out.

The files are kept in a confidential archive. A copy of the file is given to the employee at the time of termination of the employment relationship with the Company.

The *HRO* Office promptly informs the supervisors of the results of the visits carried out by the Company Doctor with reference to the workers who report to them, as well as of the possible prescription of specific PPE (e.g. hearing protectors).

The Company has also implemented the *Policy P_035 - Occupational Health* formulated by the Audi Group on health protection, including from a psychosocial perspective.

The *Policy* provides for specific reporting channels, the first of which is represented by the Hierarchical Manager, followed by the *HRO* Office, the Company Doctor (who is bound by professional secrecy), a feedback desk managed by an external professional with no connection to corporate bodies (to guarantee independence) and finally the whistleblowing channels.

The *Policy* is published on the intranet and appears as news with each update.

An annual survey of the company's climate is carried out, following which specific improvement actions can be planned.

Measurement and monitoring of performance - cases/disputes

The monitoring of accidents and disputes that may arise from them is the responsibility of the Safety Officer together with the *Legal & Governance Office/HRO* Office for the various aspects within their purview, as well as of the Employer. They also provide for the updating of the Risk Assessment Document where deficiencies or in any case areas of improvement in the prevention system are identified.

Audits

The Safety Officer periodically carries out checks on occupational health and safety, including with regard to the application and effectiveness of the procedures adopted.

The Safety Officer formulates an annual audit plan, which provides for audits in the different Offices/Departments in relation to the activities carried out there. The checks are carried out by the *Health, Safety & Environment* Unit, also using external suppliers, and include a check on the state of the workplaces and the assessment of any changes (e.g. organizational, operational, in the configuration of the work environments, in the equipment and in the machines used).

The verification activity carried out is formalized in specific reports, signed by the head of the relevant Office, who takes charge of the implementation of any corrective actions to which the *Health, Safety & Environment* Unit subsequently returns to carry out checks.

In addition, the Company uses external consultants who, from time to time, are appointed to carry out checks on specific areas and aspects (for example, on the state of the machinery) and who, at the end of their work, issue a report indicating the overall assessment and any suggestions to increase the level of safety.

The implementation of the improvement plan is handed off to the Safety Officer, which involves the Employer's delegates pursuant to Italian Legislative Decree 81/2008 and the Managers of the corporate offices concerned, establishing the timing for the implementation of the interventions.

Management Review

The status of implementation of prevention and protection measures and related improvement actions is discussed in the context of the periodic meeting pursuant to art. 35 of Italian Legislative Decree 81/2008, which examines what has been done in the course of the year on health and safety and presents proposals for the following year.

Additional opportunities for review are represented by the meetings that are periodically organized by the Employer's delegates with their respective sub-delegates.

There is also a trade union committee dedicated to safety that meets on a quarterly basis and in which the Safety Officer, the *HRO* Director and the Workers' Safety Representative participate to discuss the possible need to implement the health and safety system.

The review process leads, where deemed necessary, to the updating of the Risk Assessment Document by the Employer.

4.22 Management of environmental requirements

Relevant offenses

Environmental offenses

Organized crime offenses

Company or Group roles involved

CEO

Delegates and sub-delegates in environmental matters

Health, Safety & Environment Manager (Head of EMS and Safety Officer)

HRO Office

Emergency Team

The Company has identified the sensitive activities in the context of which the offenses referred to in Art. 25-*undecies* of Italian Legislative Decree 231/2001 may be committed in the abstract. Specifically, the following sensitive activities have been identified:

- *Waste generation, temporary storage at the production site and transfer of waste to third parties for transport/disposal/recovery;*
- *Management of plants that generate atmospheric emissions, authorization requirements and emission monitoring;*
- *Management of plants that generate wastewater, authorization requirements and monitoring of discharges;*
- *Management (storage/handling/use) of chemical substances that could result in contamination of soil, subsoil and surface or groundwater;*
- *Communication to Offices in case of a potentially contaminating event;*
- *Management of the process of characterization/safety/reclamation/environmental restoration;*
- *Management of assets containing ozone-depleting substances;*
- *Emergency management.*

The list of activities is updated in relation to changes in the characteristics of the work activities carried out and their environmental risk profile.

The Company promotes and applies operating methods for the continuous improvement of environmental protection measures, in compliance with the provisions of the Code of Conduct and in compliance with the Environmental Regulations of the Industrial Union of Turin which lays down the essential features of the obligations and environmental deadlines for business activities, with particular attention to the obligations and formalities applicable to industrial companies.

In addition, the Company is certified in accordance with the standard UNI EN ISO 14001:2015. The environmental protection system is organized into the following four phases:

1. **PLANNING** - Activities aimed at setting objectives consistent with the general principles underlying the Company's activity, establishing the processes necessary to achieve them, identifying and allocating adequate resources, and formulating document management principles;
2. **IMPLEMENTATION and OPERATION** - Activities aimed at setting up organizational structures and responsibilities, training, information and training methods, consultation and communication, the record management process (documents and data), operational control methods, management of relations with suppliers and emergency management;
3. **CONTROL and CORRECTIVE ACTIONS** - Activities aimed at implementing methods of measuring and monitoring performance, recording and monitoring injuries, incidents, near misses, non-conformities, corrective and preventive actions, reporting methods and methods of carrying out periodic checks;
4. **MANAGEMENT REVIEW** - Activities aimed at implementing methods of measuring and monitoring performance, recording and monitoring injuries, incidents, near misses, non-conformities, corrective and preventive actions, reporting methods and methods of carrying out periodic checks;

Environmental policy

Italdesign has adopted a Company Policy aimed at the reasonable, constant improvement of prevention and protection activities in environmental matters, suited to identifying possible development opportunities while maintaining a high standard of quality in the production it offers. The *Environmental Policy* is adopted by the *CEO* and demonstrates the commitment to create, adopt and maintain an efficient environmental management system, designed to comply with the regulations and improve the performance of the environment as a whole, a common objective for the entire Group.

To ensure maximum dissemination, the *Environmental Policy* Document is circulated to all employees and made available to all through publication on the Company's website.

The Parent Company periodically defines and formalizes its environmental mission, which includes four areas of action relating to climate change, resources, air quality and environmental compliance and requires all Group companies, including Italdesign, to set the same objectives at local level.

In addition, the Code of Conduct adopted by the Company, the principles of which form the basis

of the company's culture, establishes that the environment is a primary good that the Company undertakes to safeguard; to this end, Italdesign plans its activities by seeking a balance between economic initiatives and environmental needs, developing its business in maximum compliance with current environmental regulations.

The Company also promotes behavior and activities aimed at reducing environmental impacts and is committed to constantly adapting its production sites to the applicable best practices.

More specifically, the Company's objectives include:

- the reduction of the environmental impacts of its activities through the optimal use and/or reduction of resources and raw materials used, the adoption of appropriate technical-management procedures, the search for greater energy efficiency and optimization of the waste cycle;
- the assignment of precise management responsibilities for the environment in the business activities involved;
- greater awareness of all employees of individual responsibilities, while providing effective information for an ever-increasing involvement of all people as an active part of the process;
- involvement of customers, suppliers and employees on environmental issues with actions aimed at continuous improvement;
- assessment of the environmental risks of new processes and modifications of existing plants.

Identification and assessment of environmental aspects

The Company has established, implemented and maintains a management procedure for:

- identifying the direct and indirect environmental aspects of the activities and products within the scope set for the environmental management system;
- determining the aspects which have or may have a significant impact on the environment (significant environmental aspects).

The assessment of environmental aspects and their impacts is promoted by the *CEO* with the involvement of the *Health, Safety & Environment Manager* and delegates in environmental matters (who are also responsible for reporting any new risks) and is reviewed periodically based on regulatory changes and company operational changes.

The organizational system implemented provides for delegates to keep environmental documentation with the help of the *Health, Safety & Environment Manager*, which includes documents relating to the analysis of the risks inherent in the activities carried out by the Company and the measures adopted to deal with the identified environmental impacts; in particular, the Risk Assessment Document indicates activities with an environmental impact (emissions, thermal systems, water discharges, waste, noise pollution, etc.) and is periodically updated.

Regulatory and authorization requirements

The update in relation to regulatory changes in environmental matters and the filing of related documentation are managed by the *Health, Safety & Environment Manager* in compliance with the provisions of the Procedure "Assessment and dissemination of legislative requirements".

The applicable regulatory provisions are collected and updated through:

- the purchase of updated editions of codes, laws and regulations of particular relevance to the Company;
- the collection and archiving of changes and updates to the laws and regulations in force, through the communication thereof to the Company by legal advisors;
- the search for new laws and regulations through the continuous monitoring and consultation of communications received through specialized magazines and the Industrial Union of Turin;
- discussion with the environmental managers of the other Italian companies of the Group and with the Group itself.

The Manager the Office, with the support of the *Health, Safety & Environment Manager*, verifies the applicable regulatory requirements, maintains a register with a timetable of the expected obligations, including with reference to the maintenance and renewal of the authorizations relating to the office for which he/she is responsible, and ensures full compliance with the obligations required by Italian Legislative Decree 152/2006 and Italian Presidential Decree 59/2013.

Roles and responsibilities for the implementation of regulatory and authorization requirements are formally defined.

Objectives, goals and programs

The objectives and targets are defined taking into account the Code of Conduct, best practices and the results of the assessment of risks and environmental impacts, as well as considering the objectives set by the Group with its mission.

More precisely, in establishing and reviewing environmental objectives and targets, the Company takes into account the following aspects:

- regulatory requirements;
- significant environmental aspects;
- the available technological options;
- financial needs;
- operational needs;
- commercial needs;
- stakeholders' views.

Interventions are planned by the Manager of the Office with the support of the *Health, Safety & Environment Manager* who, in agreement with the *CEO*, may delegate interventions with a value not exceeding €50,000 that have high technical complexity profiles. The Manager of the Office, within its remit, is also responsible for identifying for each objective of the Environmental Policy and the timing of implementation. The planning is submitted to the *CEO* to initiate the investment approval process, where necessary.

The *Health, Safety & Environment Manager* monitors the progress of the individual actions. In addition, even beyond the objectives and, therefore, the planned investments, if necessary, the Company acts promptly to resolve any situations that, if not managed, could result in a risk or, in any case, a worsening of the EMS or call into question the achievement of the objectives. Again, each delegate has an appropriate spending budget.

Roles and responsibilities

The Company ensures the availability of the necessary resources and defines roles and responsibilities in an effective manner to ensure the correct management of environmental impacts. Resources which include dedicated staff and specialist skills, organizational infrastructures, technologies and financial resources. In order to facilitate effective environmental management, the company structure is formulated, documented and communicated through the "Company Organizational Chart".

As the person responsible for the implementation of environmental legislation, the *CEO* has identified as his delegates:

- *Head of Engineering;*
- *Head of Pre-Series & Production;*
- *Head of Quality;*
- *Head of HRO.*

All environmental tasks and responsibilities originally incumbent on the *CEO* are transferred to each delegate, with particular reference to the personnel working for them, the plants and machinery and the areas of their competence. The perimeters of the delegated powers can thus be said to have been clearly identified.

Each delegate is expressly granted the right to sub-delegate, by agreement with the *CEO*, specific activities and responsibilities within the scope of the delegation to one or more of their direct reports, Unit Managers.

The acts of delegation and sub-delegation clearly and precisely define the areas of responsibility of each delegate, while attributing all the powers, including spending, necessary for the effective performance of the responsibilities and tasks transferred.

In addition, the *Health, Safety & Environment Manager* is always involved in the evaluation and management of choices and processes that may have an environmental impact and offers support and specialist advice to the various corporate bodies.

To empower each employee with regard to their active role in ensuring compliance with environmental regulations and the achievement of the objectives of the EMS, the *HRO* Office ensures that each employee's *job description* always contains an express reference to environmental matters.

Training in environmental matters

The training processes of employees vary according to the different skills required by the various tasks.

In any case, the Company ensures that all those performing tasks that may have one or more significant environmental impacts have acquired the necessary competence through appropriate education, training or experience, and keeps the relevant records.

The procedure "*PS_HSE_0009_Training Management*" is established, implemented and maintained. It defines the criteria and the means whereby personnel (whose work may have a significant impact on the environment) are appropriately trained, prepared and informed.

In summary, the *Health, Safety & Environment Manager*, with the support of the *HRO Office*, ensures and guarantees the adequate information and training for all those do work for Italdesign through:

- circulation of the Policy and environmental objectives to all employees and circulation of the Company's internal contact points to contact in the event of doubts or problems in the environmental field;
- publication of the relevant documentation on the Company's intranet, accessible to all employees;
- provision, as part of the training provided for executives, supervisors and workers, of specific modules relating to the management of environmental risks.

In particular, the *Health, Safety & Environment Manager*, in coordination with the *HRO Office* and the delegates in environmental matters, annually proposes a training plan, identifying the training initiatives to be provided, the reason they must be implemented and the personnel who must be involved in view of the various areas and tasks.

The Training Plan and its implementation are evaluated during the annual review.

Communications

In relation to its environmental aspects and Environmental Management System, the Company has adopted the Procedure "*PS_HSE_0002_Internal and external communications management*" the implementation of which ensures internal communication between the various levels and corporate bodies.

The Company adopts channels for the internal circulation of environmental information that vary in relation to the content of the information and the number of recipients (e.g. communications attached to payslips, written communications, meetings, posting of notices on the company notice board, training courses).

The specific identification of the most suitable tool for achieving the best disclosure of information is the responsibility of the *Health, Safety & Environment Manager* with the involvement of the *HRO Office* and delegates on environmental matters.

In addition, the training courses for workers, supervisors and managers organized by the Company also illustrate the ways in which each worker can make reports and/or suggestions or propose observations that allow the environmental management system to be improved.

Communication regarding all emergency situations and the rules to be observed (including the possible suspension of activities) is handled by the *HSE Office* with the authorization of the *Health, Safety & Environment Manager*.

Archiving of documentation

The *Health, Safety & Environment Manager* is responsible for archiving the documents concerning the environmental risks that occur in the performance of the Company's activities and, in general, the relevant documents in environmental matters, reviewing and updating them, where necessary. These documents are made available on the company intranet.

The documentation relating to environmental management includes, but is not limited to:

- regulations, concessions, authorizations and communications with the authorities and control bodies;
- measurement and technical reports;
- supplier certifications;
- reports from external organizations;
- EMS documents;
- safety data sheets for plants, products, etc.

Operational Control_ Managing waste

The Company has adopted and observes the Procedure "*PS_HSE_0013_Waste management*" which ensures proper waste management by providing for a series of specific controls to mitigate the characteristic risk factors, implemented under the responsibility of the Delegates and with the support and coordination of the *Health, Safety & Environment Manager*, such as:

- the formal definition of roles and responsibilities, authorization powers, controls to be carried out and procedures for archiving the documentation;
- the adoption of specific procedures that identify the methods to be followed for the classification of waste or scrap from processing into by-products or waste, specifying roles and responsibilities, the methods of storage, accounting and recording, classification and identification of the destination, ensuring full control over the material used by the company offices (in particular with regard to production);
- the identification of the waste, its classification and the recording of its movement on the appropriate registers;
- the storage and temporary deposit of waste according to its specific nature and for homogeneous groups in the appropriate areas, with the supervision of persons expressly appointed for this purpose; to this end, the Company has adopted GL_ENVIRONMENT_0001 - Waste management, which, accompanied by the attachments, identify and circumscribe, for each plant, waste disposal areas;
- segregation, packaging and labeling for the identification of hazardous waste containers;
- the transfer, to authorized companies only, in accordance with current national and regional regulations, of waste for disposal and transportation; to this end, specific procedures for the selection and qualification of suppliers are observed and kept up to date;
- verification of the completion of all parts of the transportation identification form, the waste register and any other documentation and the archiving thereof;

- verification of the obligations inherent in the traceability information system, according to the methods provided for by law;
- verification of the authorization of the means of transport of waste, as well as the correspondence of the data contained in the authorization documents.

At all the plants waste collection areas are identified and organized with containers suitable for separate collection - including for waste deriving from industrial activities - marked with specific signs.

The proper management and sorting of waste is the subject of particular in-depth research in the field of communication and training.

Operational control_ Atmospheric emissions

The Company ensures the correct management of plants and activities that generate emissions into the atmosphere in order to ensure compliance with applicable emission limits.

In particular, the *Health, Safety & Environment Manager*, using the resources of its Office and, where appropriate, external consultants, ensures:

- the identification of the points of emission into the atmosphere (point and diffuse) active within the activities carried out by the organization;
- the timely identification of the need to activate new points of emission into the atmosphere/modify existing emissions so that any necessary authorization requests/modifications may be prepared; the implementation of the requirements of the applicable authorization acts, with particular regard to the frequency and methods of emission monitoring and periodic verification of compliance with the requirements;
- the conduct of emission monitoring in accordance with the applicable authorization acts, including sampling and analysis methodologies and techniques;
- the verification of the results of the monitoring of atmospheric emissions, comparison with the applicable emission limits and archiving of the internal communication documentation of the results;
- the implementation of the necessary measures, in the event warning thresholds or emission limits are exceeded, to ensure the timely return to within the thresholds or limits;
- calibration and maintenance of measurement instruments;
- the traceability of all activities related to the management of atmospheric emissions.

It is then up to the individual environmental delegates to ensure the maintenance of the systems/activities that generate/treat emissions into the atmosphere (e.g. operation of emission abatement systems, maintenance plans, verification of the efficiency of the systems) in order to avoid malfunctions/failures/human errors that may cause failure to observe warning thresholds or emission limits.

Operational control_Waste water

The Company ensures the correct management of plants and activities that generate wastewater in order to ensure that water is discharged in compliance with applicable regulatory and authorization requirements. In particular, the *Health, Safety & Environment Manager*, using the resources of its Office and, where appropriate, external consultants, ensures:

- the identification of waste water discharge points, with particular regard to industrial waste water;
- the timely identification of the need to activate new wastewater discharge points/modify existing discharge points so that the necessary authorization request/modification is prepared;
- the request, modification and/or renewal of authorizations for the discharge of waste water, with particular regard to: *i*) verification of the time necessary to obtain the authorizations; *ii*) verification of the expiry of the authorizations; *iii*) preparation of the documentation necessary for the authorization process; and *iv*) internal communication to the functions concerned of the progress of the authorization process and the obtaining of the authorizations;
- the implementation of the requirements laid down in the applicable authorization acts, with particular regard to the frequency and methods of monitoring the quality of discharged industrial waters (hazardous substances) and periodic verification of compliance with those requirements;
- monitoring of waste water discharged (hazardous substances) in compliance with the provisions of the applicable authorization acts, including sampling and analysis methods and techniques;
- verification of the results of the monitoring of the waste water discharged (hazardous substances), comparison with the applicable limits, archiving of documentation and internal communication of the results;
- the operation and maintenance of the plants/activities that generate/treat waste water (e.g. operation of purification plants, maintenance plans, verification of the efficiency of the plants) in order to avoid malfunctions/failures/human errors that may cause failure to observe warning thresholds or discharge limits;
- the implementation of the necessary measures, in the event warning thresholds or discharge limits are exceeded, to ensure the timely return to within the thresholds or limits;
- calibration and maintenance of measurement instruments;
- the traceability of all activities relating to the management of water discharge.

Operational control - Ozone-depleting substances

The Company ensures the acquisition, installation, use, maintenance and/or disposal of plants

containing ozone-depleting substances in accordance with current regulatory requirements. Specifically, roles, responsibilities and operating methods are formulated for:

- the identification of all the systems/machinery/equipment/devices potentially containing ozone-depleting substances (e.g. air conditioning and refrigeration systems, heat pumps, fire-fighting systems) used in the context of the activities carried out and registration of the type and quantities of the substances contained therein (e.g. CFCs, Halon, HCFCs, HBFCs);
- verification that the substances present are not among those for which there are prohibitions/restrictions on use and possible disposal of the assets and/or substitution of the prohibited substances;
- periodic updating of the inventory of the aforementioned assets;
- the formulation of scheduled maintenance plans (e.g. verification of gas leaks) of the aforementioned assets in compliance with current legislation (semi-annual/annual checks according to the quantities of gas contained, use of gas leak detection instruments compliant with the requirements);
- traceability of all activities related to the management of assets containing ozone-depleting substances.

Emergency preparedness and response

The Company has identified and formalized the measures necessary for the management of environmental emergencies (e.g. spills of hazardous chemical substances on the ground, operational accidents that may cause overruns of limits on emissions into the atmosphere and water discharges).

Specifically, the measures have been identified according to the following principles:

- prevent and contain environmental damage and also allow the safety of individuals in the event of any emergency situation;
- identify potential emergency situations and potential accidents in order to prevent them
- identify the activities to be implemented in the event that, despite the prevention carried out, an emergency situation and/or an accident arises;
- deal with the emergency from the outset to contain the effects, injuries and possible illnesses arising and quickly bring the situation back to normal operating conditions;
- plan the actions necessary to protect people both inside and outside production units.

Consistently, on the basis of the analyses thus carried out, the Company has taken steps including, but not limited to:

- the training of management personnel and specific training on the Emergency Management Procedure for operating personnel;
- the verification of existing plant adoptions, planning, where necessary, the improvement or introduction of new alarm or safety systems with the aim of reducing the probability of the event occurring and, in any case, containing them as much as possible;
- information, education and training of personnel (theoretical course on prevention fire prevention, first aid measures, classification and labeling of chemicals, handling of chemicals, handling of loads, etc.);

- emergency evacuation drills testing emergency procedures at least once a year.

Waste transporters and disposers/analysis laboratories/third parties carrying out environmentally relevant activities

The procedures for the procurement of services in force govern the selection of waste transporters/disposers, including checks on the existence and validity of the registrations/communications/authorizations required by the regulations for waste management activities.

In particular, the procedures followed, the implementation of which is ensured by the *Purchasing Office*, provide for the initial qualification and periodic requalification of waste recoverers/disposers/intermediaries/transporters for the verification of compliance with the regulatory requirements applicable to them and their environmental performance through: *i)* acquisition of the full copy of registrations/communications/authorizations, all documentation demonstrating compliance with administrative requirements and copies of all certification certificates according to international standards; *ii)* initial and periodic verification of the documentation received (e.g. registration in the National Register of Environmental Managers, verification of authorized EWC codes, verification of the means authorized for each type of waste); *iii)* definition of a list of recoverers, disposers, intermediaries, qualified transporters; *iv)* monitoring (e.g. computer software) of the deadlines for registrations/communications/authorizations; *v)* formulation of contractual clauses that require the intermediary to provide, in addition to the documents certifying its authorization, the registrations/authorizations relating to the transporters used and the plants for which the waste will be destined; *vi)* inclusion of specific clauses with which the supplier certifies that it is familiar with the Code of Conduct adopted by the Company and undertakes to comply with it, with provisions for penalties in case of violation; and *vii)* traceability of all activities related to the selection process for waste collectors/disposers/intermediaries/transporters and subsequent award of contracts.

Surveillance and measurement

The *Health, Safety & Environment Manager* ensures the planned verification of environmental performance and related indicators, monitoring the performance of the applicable operational controls and compliance with the organization's environmental objectives and goals; the results of the controls carried out are archived as evidence of the prevention activities.

The results of the monitoring carried out on the performance, in relation to the various environmental matrices, are subject to evaluation by the *Health, Safety & Environment Manager*, the *CEO* and the Delegates on environmental matters as part of periodic reporting on the delegated activities and responsibilities.

Internal audits/reporting

The Company has formulated the criteria and operating methods followed for the management (planning, preparation, execution, documentation and conclusion) of internal audits.

In particular, the Procedure "*PS_HSE_0006_System Audit*" indicates:

- the responsibilities and requirements for planning and conducting the audits, for reporting the results and for keeping the related records;
- the determination of the criteria, field of application, frequency and methodology of the audit;

- the selection of the Auditors and the conduct of the audits ensure the impartiality and objectivity of the audit process.

The annual audit program is proposed by the *Health, Safety & Environment Manager* and implemented by the HSE Office, using external auditors, if necessary.

At the end of the inquiry, the *Audit Group* analyses the data and information collected and draws up the final report, signaling any non-compliance/observations found.

The minutes are kept by the *Health, Safety & Environment Manager*.

Non-conformity, corrective actions and preventive actions

The Company applies the Procedure "*PS_HSE_0007_NC and CA Management*", which sets out how to implement and maintain the procedures to detect and manage non-conformities and to take corrective actions. The procedures lay down the requirements for:

- reacting to non-conformities and taking action to keep them under control and correct them, addressing the consequences, including mitigation of negative environmental impacts;
- assessing the need for actions to eliminate the causes of nonconformities so that they do not recur and do not occur elsewhere (reviewing the nonconformities, determining the causes, determining whether similar nonconformities exist or could occur);
- implementing any necessary action;
- reviewing the effectiveness of any corrective action taken;
- making changes to the EMS, if necessary.

A problem or non-conformity may arise:

- during the performance of audits (of customers, bodies responsible for Official Control, Health Authorities, Certification Bodies, internal, etc.);
- during the normal course of work, when irregularities occur, inherent both to the product and to the activities or process and related documentation (repetitive non-conformities);
- following complaints from customers or interested parties;
- following reports of other functions involved in the implementation of the EMS;
- following the Management Review.

The *Health, Safety & Environment Manager*, through the forms provided for this purpose, records the categories of non-conformities found during the verification activities as well as the methods of managing them.

The time needed to close the corrective actions is agreed with the Manager of the Office where the verification was carried out, ensuring compliance with the provisions of Procedure PS_HSE_0007 and considering the incidence of the non-compliance found with respect to the effectiveness of the organizational system for environmental compliance.

The Managers of the individual Offices/Units, insofar as they are responsible, are required to implement the corrective measures identified.

During the reporting/reviewing process for the CEO, the *Health, Safety & Environment Manager* presents and discusses the results obtained in the application of verification activities, with evidence of the major critical issues encountered and the effectiveness of the activities

implemented to resolve them.

Review

Periodically (at least annually) the Management reviews the Environmental Management System, as provided for by Procedure PS_HSE_0014 "Management Review".

Reviews include:

- the status of actions deriving from previous management reviews;
- changes in external and internal factors relevant for the Environmental Management System, in the needs and expectations of stakeholders (including compliance obligations), their respective significant environmental aspects and risks and opportunities;
- the degree of achievement of environmental objectives;
- information on the organization's environmental performance, including non-conformity trends, corrective actions, monitoring, measurement, compliance with its conformity obligations and opportunities for continuous improvement.

The environmental delegates participate in the review activities (along with the other Directors and Managers of relevant processes, if in possession of useful data and information).

In particular, deviations from the guidelines and objectives set are analyzed in order to assess the effectiveness of the management system and identify the changes to be made to ensure its improvement and greater effectiveness.

Following the checks, the new objectives are set, any opportunities for improvement are identified and the necessary resources are formulated to achieve the goals.

In addition, each Environmental Delegate is responsible for periodic reporting on the activities carried out in implementation of the delegation to the CEO, while also supervising the work of his or her its sub-delegates.

Reporting and dialog are appropriately recorded in writing in order to ensure the traceability of the process.

Finally, the Company ensures the extraordinary review of the Environmental Management System whenever environmental non-conformities of particular severity and scope emerge, or significant changes occur in the organizational structure and company activities.

4.23 Use and management of IT resources

Relevant offenses

Cyber-crimes

Offenses related to copyright infringement

Offenses of market abuse

Organized crime offenses

Company or Group roles involved

Information Technology (IT) Unit

IT Manager

Group CERT
System Administrator
HRO Office
Manager of the Office-Unit/*Process Owner*

Regulation of the process and existence of formalized procedures/guidelines

Italdesign has obtained certification according to the *ISO/IEC 27001 standard* (Information Technology - Security Techniques - Information Security Management Systems - Requirements) which lays down the requirements for setting up and managing an information security management system and includes aspects related to logical, physical and organizational security. In this context, Italdesign has adopted and observes the following Guidelines:

- Guidelines for management
- Safety Guidelines for External Companies
- Personnel Safety Guidelines
- Information Security Organization Security Guidelines
- Safety Guidelines for System Operators and Administrators
- Developer Safety Guidelines

Security Policies

The security of company IT systems and devices is a fundamental element of Italdesign's management system and of the entire Audi/VW Group and as such represents an important point of reference for the implementation and continuous improvement of business processes in a scenario of international competition.

Therefore, the Company has adopted an "*Information Security Policy*" document that sets out the main objectives, strategies and responsibilities needed to ensure the security of IT systems and their use.

The fundamental objectives that Italdesign sets for itself in the management of IT resources are as follows:

- **Confidentiality**: Ensuring that given data is protected against improper access and is used exclusively by authorized persons. Confidential information is protected both in the transmission phase and in the storage phase, so that the information is accessible only to those who are authorized to know it;
- **Integrity**: Ensuring that all data Company data is actually what was originally entered into the IT system and has only been modified in a legitimate manner. The information is processed so that it cannot be tampered with or modified by unauthorized parties;
- **Availability**: Ensuring the availability of data relating to Italdesign's activity according to the requirements of continuity of the processes and in compliance with the rules that require its historical conservation;
- **Verifiability**: access to sensitive information is registered and verified;
- **Authentication**: unique identification when accessing information.

Security organization for internal users

Access to the network, tools, applications and company data takes place in a controlled manner with secure, unambiguous identification of the user by means of credentials, as well as profiling of the user to establish access rights and the operations the user may perform.

The assignment of user accounts to employees/collaborators and their profiling is based on principles of necessity in order to assign only the necessary authorizations to perform the corporate tasks for which the user is responsible and only for the time required to perform them. According to specific company procedures, when there is a new hire or a change of duties that requires a change in the privileges of a user profile or a request by an employee, indicating an operational change, the *IT Office* creates/modifies the digital identity of the user and the relative authorizations on the indication of the Manager of the Office/Unit to which the employee belongs, or of the Project Manager to whom the employee is assigned and who acts as data owner.

Specific identification devices (such as smartcards and SecurID cards) assigned to internal resources in a personal, properly recorded manner are also adopted.

Employee user profiles do not include system administrator functions and are used after entering unique, individual credentials (username and password, subject to periodic modification). The *IT Office* monitors the status of the activation of the profiles over time and the inactive and unused accounts are blocked and disabled.

The Company also has strict restrictions on the use of devices and applications (including on mobile devices) and access to the Internet for internal users. According to consolidated operating rules, staff must in fact make an express request for access to the Internet or the use of a *device*, authorized by their Director, documenting that they need to do so for work requirements. This does not apply where this requirement is already connected to the job as defined during the hiring/internal rotation phase.

As for Web browsing, the Company has a system of general blocks for specific sites established by Italdesign and/or the Volkswagen Group.

The firewall is managed by experienced systems engineers from the Technical ICT team, who have a complete list of blocked sites. All employees are adequately informed of the rules and principles governing the company's use of IT systems and devices. In particular, new recruits are instructed on the correct use of computer systems during *Induction Day*, organized on a monthly basis, whereas awareness campaigns are periodically organized for employees and collaborators.

At any time, employees can consult the relevant policies and procedures through the company intranet, including the "*Personnel Security Guidelines*", which also describes the rules for use of company computers, e-mail and portable PCs and devices.

Security organization for external users

In general, external parties may only request access to the Internet, protected by a password, as an intranet guest.

Where, however, the performance of the activity entrusted to them requires access to company IT systems, this can only be enabled by the *IT Office*, after verifying the actual need together with the Manager of the Office/Unit involved.

In this case, the *IT Office* provides for the activation of *ad hoc* profiles with limited access to the network server, based on the services that the external party must perform for the Company.

Classification and control of assets

Company assets (hardware and software) are delivered to employees upon the issue of a delivery form, duly signed and stored at the HRO Office.

With regard to the installation and control of the use of software licenses, the *IT Office* - after having identified the business needs - identifies the most suitable technological solutions and starts the purchasing process in compliance with the business procedures that govern the search for and qualification of the supplier, managed by the Purchasing Office.

New software can only be installed by *IT Office* users with system administrator privileges, whereas users with a standard business profile cannot do so. New or modified programs may only be used on existing systems if previously tested successfully and approved by information holders and system operators.

The staff of the *IT Office* promotes the monitoring of the status of the installation of licenses and carries out checks of correspondence between the installed software and the license registry.

With regard to the management of data and information, the Company has defined the organizational structure of the parties with prerogatives pursuant to Italian Legislative Decree 196/2003 (Personal Data Protection Code), as amended by EU Regulation 679/2016 and Italian Legislative Decree no. 101/2018 implementing the Regulation.

Physical and environmental safety

According to consolidated operating rules, the staff at the *Reception* offices identifies the visitor and advises the employees affected by the visit who accompany the visitor/guest during their stay at the company premises.

All access by external personnel is recorded in a special computer log kept at the *Reception*.

Physical security measures are adopted for all company areas, which establish the protection tools most suited to the type and destination of the premises (e.g. burglar alarms and video surveillance systems).

The server is hosted in special rooms, to which only authorized operating personnel are allowed access.

Cyber-security: data protection and incident resolution

In order to prevent data and document damage as well as to prevent external intrusions into the Company's computer system, the Company has a complete antivirus solution to protect against malware, spyware and emerging online threats.

This system allows constant monitoring of the progress of attempts by third parties, or through viruses, to exploit one or more vulnerabilities in order to obtain unauthorized access to the systems or affect their operation.

Specifically, periodic reports are generated by the system indicating the events detected and the computer on which they occurred.

This allows the *IT Office* to plan the actions necessary to block threats according to the times and methods set out in company procedures and to manage operationally the security incidents that occur and that are recognized as such.

The *IT Office* is supported by the Group CERT, which coordinates security incidents globally for all Audi - Volkswagen Group companies.

The person responsible for the entire antivirus management and incident handling process is the *Chief Information Security Officer (CISO)*.

The Company uses automated saving procedures, carried out through management systems that daily make a copy of the data present in the systems and save them on external units. For this purpose, the data must be stored on the assigned network storage devices and not on the local hard drive as automatic backup of the data is only ensured in this manner. External units are deposited in the equipment room on a weekly basis.

Logs are activated and recorded according to the various types of services and systems used: the SAP system makes it possible to monitor access logs and the operations carried out.

The log checks are carried out by the IT Office as part of the periodic technical checks.

Audits

Verification of the effectiveness and efficiency of IT systems and equipment is promoted by the *IT* Office with the support of external consultants, where necessary. In addition, the management of IT resources and information is also audited by the Parent Company.

Human Resources and Security

As part of the recruitment procedures for new resources, the ability to use IT resources is also evaluated during the selection interviews: this evaluation is carried out with reference to the role that the candidate will fill.

The staff of the *IT* Office informs all employees of any changes to the IT security rules through communications on the intranet, e-mail or training courses promoted in agreement with the *HRO* Office. In the event of termination of the employment relationship of an employee, he or she is obliged to return all the equipment received and the *IT* Office, upon the report of *HRO*, removes the related rights of access to information and IT resources.

Documents with electronic or digital signature and access to third party portals

The management of documents with qualified or digital signatures (such as, but not limited to, smart cards, pseudo-random number generators, certified e-mail, etc.) is allowed only by persons expressly authorized to do so, in compliance with the powers of attorney and the powers conferred on them.

Similar principles govern the use of corporate accounts for access to computer portals managed by public bodies (e.g. for personnel obligations or tax practices): only expressly delegated parties can perform these operations, through the use of username and passwords that they undertake not to disclose.

Encryption

Network infrastructure communications are supported by cryptographic checks.

Cryptographic keys are protected from modification and deletion and are replaced if unauthorized persons gain access to them. The number of persons with access to the keys is kept as low as possible and such persons are recorded in a list.

The need to protect company data and information from unlawful acquisition by third parties also results in the prohibition of using cloud computing tools, accessing streaming transmission sites and making video calls and videoconferences with systems that are not protected and not authorized by the *IT* Office.

Security in the acquisition, development and maintenance of information systems

The *IT* Office promotes corrective and evolutionary maintenance on the intranet and network systems with the support of specialized suppliers.

Special non-disclosure clauses are included in contracts with external consultants and/or technicians. Software development or customization takes place after carrying out testing activities in separate environments with the identification of safety requirements calibrated based on the functions and uses of the technological solution to be developed.

Traceability and ex-post verifiability of transactions through adequate documentary/electronic media

The Company uses automated saving procedures, carried out through management systems that daily make a copy of the data present in the systems and save them on external units. Logs are activated and recorded according to the various types of services and systems used: the system in use makes it possible to monitor access logs and the operations carried out.

Separation of tasks

The segregation of duties is implemented through the distinction between: *i)* the executive activities carried out by the users, the *IT* Office and the *HRO* Office; *ii)* the controls carried out by the *IT* Manager and the Group CERT; and *iii)* the authorization role of the System Administrator and the Manager of the Office/*Process Owner* on which the resource depends for the definition of the profiles to be activated.

Existence of a system of powers of attorney consistent with the organizational responsibilities assigned. Those involved in the activity operate within the scope of their duties based on the role played within the company organization and in compliance with the system of powers of attorney and internal delegated powers in force.

Assignments as System Administrator are formalized.

5. INFORMATION FLOWS TO THE OVERSIGHT BODY

With reference to the sensitive activities reported in this Special Part, in addition to the information flows provided for in the General Part of this Model, the Oversight Body must be sent the further information provided for in the "*summary diagram of information flows*", approved and updated by the OB itself. In any case, the type and frequency of the information to be sent to the Oversight Body are agreed by the OB with the respective Managers, who adhere to the agreed procedures and timescales.