

ORGANISATION, MANAGEMENT AND CONTROL MODEL

in accordance with
Italian Legislative Decree no. 231 of 8 June 2001

Approved by the Board of Directors at its meeting on 13 June 2024



Luna Rossa Challenge S.r.l.

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GENERAL PART

— Italian Legislative Decree no. 231 of 8 June 2001

1.1. The cornerstones of the legislation

Decree 231 regulates the administrative liability of legal persons, companies and associations, including those without legal personality (also referred to as "Entities") in the event of the commission or attempted commission of certain types of offences or administrative offences in the interest or to the advantage of the Entity by:

- Senior Persons;
- Subordinate Persons.

Decree 231 aimed to bring national legislation on the liability of legal persons into line with a number of international conventions to which Italy had long since acceded, such as the Brussels Convention of 26 July 1995 on the protection of the European Communities' financial interests, the Convention also signed in Brussels on 26 May 1997 on the fight against corruption involving public officials of the European Communities or Member States, and the OECD Convention of 17 December 1997 on combating bribery of foreign public officials in international business transactions.

Such liability, despite being defined by the legislator as "administrative", has characteristics of criminal liability, since it derives from a criminal offence, is ascertained with the guarantees of criminal proceedings and entails the application of particularly afflictive sanctions (up to and including permanent disqualification from carrying on the business).

The Entity's liability under the Decree is autonomous and, as such, is additional to the criminal liability of the

natural person who materially committed the offence. The provisions of the Decree do not apply to the State, territorial public bodies, other non-economic public bodies, and bodies that perform functions of constitutional importance.

1.2. Nature of the liability

With reference to the nature of administrative liability under the Decree, the Explanatory Report on the Decree itself emphasises that it "gave rise to a tertium genus that combines the essential features of the criminal and administrative legal systems in an attempt to reconcile the objectives of preventive effectiveness with those, even more inescapable, of maximum protection".

Decree 231, in fact, introduced into our legal system a form of "administrative" liability of entities - in deference to the dictates of Article 27(1) of the Constitution according to which "Criminal liability is personal" - but with numerous points of contact with "criminal" type liability¹.

1.3. Criteria for the attribution of liability

The commission of one of the predicate offences constitutes only one of the conditions for the applicability of the rules laid down in the Decree.

There are, in fact, further conditions relating to the manner in which the offence is attributed to the entity, which, depending on their nature, can be split into objective and subjective type criteria.

The criteria of objective nature require that:

- the offence was committed by a person functionally linked to the entity;

¹ In this sense, see - among the most significant - Articles 2, 8 and 34 of Decree 231 whereby the first reaffirms the principle of legality typical of criminal law, the second affirms the autonomy of the Entity's liability with respect to the ascertainment of liability of the natural person perpetrator of the offence, and the third establishes that such liability, dependent on the commission of an offence, is ascertained in the context of criminal proceedings and is, therefore, assisted by the guarantees of criminal proceedings. Consider, moreover, the afflictive nature of the sanctions applicable to the entity.

- the offence was committed in the interest or to the advantage of the Entity.

The perpetrators of the offence from which the Entity may derive liability may be:

- **a - Senior Persons;**
- **b - Subordinate Persons.**

In particular, the category of Senior Persons may include directors, general managers, and legal representatives, but also, for example, heads of branch offices, division directors or plant managers. All persons delegated by the directors to exercise management or direction of the company or its branch offices are also considered to be Senior Persons.

The category of Subordinate Persons includes all those who are subject to the direction and supervision of senior persons and who, in substance, implement - in the interest of the Entity - the decisions taken by senior management. All employees of the Entity, and all those acting in the name, on behalf or in the interest of the Entity, such as, by way of example, Collaborators and Consultants, may fall into this category.

In order for the Entity's liability to arise, the offence must then have been committed in the interest or to the advantage of the Entity itself.

The Entity is not liable if the offence was committed in the exclusive interest of the perpetrator or of third parties.

The attribution criteria of subjective nature relate to the profile of the Entity's culpability. The Entity's liability exists if adequate standards of sound management and control relating to its organisation and the performance of its activities have not been adopted or have not been complied with. The Entity's guilt, and thus the possibility of a formal charge against it, depends on the establishment of an incorrect business policy or structural deficits in the company organisation that failed to prevent the commission of one of the predicate offences.

In fact, the Decree excludes the Entity's liability if, prior to the offence being committed, the Entity adopted and effectively implemented a Model capable of preventing the commission of offences of the nature committed.

The 231 Model operates as an exemption both if the predicate offence was committed by a Senior Person and if it was committed by a Subordinate Person. However, for offences committed by Senior Persons, the Decree introduces a kind of presumption of liability of the Entity, since it provides for the exclusion of its liability only if the Entity proves that:

- the Board of Directors adopted and effectively implemented, prior to the commission of the offence, a Model capable of preventing offences of the nature committed;
- the task of supervising the operation of and compliance with the Model and ensuring that it is updated was entrusted to a Supervisory Body;
- the persons committed the offence by fraudulently circumventing the Model;
- the Supervisory Body did not fail to or did not inadequately carry out its duty of supervision.

For offences committed by Subordinate Persons, the Entity is liable only if it is proven that "the commission of the offence was made possible by the failure to comply with management or supervisory obligations" that typically fall upon senior management.

Also in this case, however, the adoption and effective implementation of the Model, prior to the commission of the offence, excludes non-compliance with management or supervisory obligations and exempts the Entity from liability.

The adoption and effective implementation of the Model, while not constituting a legal obligation, is therefore the only tool available to the Entity to prove its extraneousness to the offences and, ultimately, to obtain the exemption from liability established by the Decree.

1.4. The "predicate" administrative offences and crimes

The Decree initially provided for liability only for offences committed against the Public Administration and its assets. The relevant unlawful behaviours have gradually been expanded and can currently be summarised in the following families of so-called

"circumstances" (for details of the articles pertaining to each family of offences, see the text of Decree 231):

- OFFENCES AGAINST THE PUBLIC ADMINISTRATION (Articles 24 and 25 of the Decree)
- CYBER CRIMES AND UNLAWFUL DATA PROCESSING (Article 24-bis of the Decree)
- ORGANISED CRIME (Article 24-ter of the Decree)
- CRIMES OF FORGERY OF CURRENCY, PUBLIC CREDIT CARDS, TAX STAMPS AND INSTRUMENTS OR SIGNS OF RECOGNITION (Article 25-bis of the Decree)
- OFFENCES AGAINST INDUSTRY AND TRADE (Article 25-bis.1 of the Decree)
- CORPORATE OFFENCES (Article 25-ter of the Decree)
- OFFENCES OF TERRORISM OR SUBVERSION OF DEMOCRATIC ORDER (Article 25-quater of the Decree)
- PRACTICE OF FEMALE GENITAL MUTILATION (Article 25-quater.1 of the Decree);
- OFFENCES AGAINST THE INDIVIDUAL (Article 25-quinquies of the Decree)
- MARKET ABUSE OFFENCES (Article 25-sexies of the Decree)
- TRANSNATIONAL OFFENCES (Article 10 of Italian Law no. 146 of 16 March 2006)
- OFFENCES OF MANSLAUGHTER OR GRIEVOUS OR VERY GRIEVOUS INJURIES COMMITTED IN VIOLATION OF OCCUPATIONAL HEALTH AND

SAFETY PROVISIONS (Article 25-septies of the Decree)

- OFFENCES OF RECEIVING, LAUNDERING, USING MONEY, GOODS OR BENEFITS OF ILLICIT ORIGIN, AS WELL AS SELF-LAUNDERING (Article 25-octies of the Decree)
- OFFENCES RELATING TO NON-CASH PAYMENT MEANS (Article 25-octies.1 of the Decree)
- OFFENCES IN VIOLATION OF COPYRIGHT (Article 25-novies of the Decree)
- INDUCEMENT NOT TO MAKE STATEMENTS OR TO MAKE FALSE STATEMENTS TO THE JUDICIAL AUTHORITIES (Article 25-decies of the Decree)
- ENVIRONMENTAL CRIMES (Article 25-undecies of the Decree)
- EMPLOYMENT OF THIRD-COUNTRY NATIONALS WHOSE STAY IS IRREGULAR (Article 25-duodecies of the Decree)
- RACISM AND XENOPHOBIA (Article 25-terdecies of the Decree)
- FRAUD IN SPORTS COMPETITIONS, ILLEGAL GAMING OR BETTING AND GAMBLING USING ILLEGAL DEVICES (Article 25-quaterdecies of the Decree)
- TRANSNATIONAL OFFENCES (Italian Law no. 146/2006)²
- TAX OFFENCES (Article 25-quinquiesdecies of the Decree)
- SMUGGLING (Article 25-sexiesdecies of the Decree)

² The changes to the circumstances of offences envisaged by the Decree were made by the following Italian legislative acts: Decree Law no. 350 of 25 September 2001, which introduced Article 25-bis "Counterfeiting money, public credit cards and revenue stamps", later amended and renamed "Crimes of forgery of currency, public credit cards, tax stamps and instruments or signs of recognition" by Law no. 99 of 23 July 2009; Legislative Decree no. 61 of 11 April 2002, which introduced Article 25-ter "Corporate Offences", subsequently amended by Law no. 262 of 28 December 2005, by Law no. 190 of 6 November 2012, by Law no. 69 of 30 May 2015, and by Legislative Decree no. 38 of 15 March 2017; Law no. 7 of 14 January 2003, which introduced Article 25-quater "Crimes for the purpose of terrorism or subversion of the democratic order"; Law no. 228 of 11 August 2003, which introduced Article 25-quinquies "Offences against the individual", later amended by Law no. 199 of 29 October 2016; Law no. 62 of 18 April 2005, which introduced Article 25-sexies "Market abuse"; Law no. 7 of 9 January 2006, which introduced Article 25-quater.1 "Practice of female genital mutilation"; Law no. 146 of 16 March 2006, which provides for the liability of entities

- OFFENCES AGAINST CULTURAL HERITAGE (Article 25-septedecies of the Decree);
- LAUNDERING OF CULTURAL AND LANDSCAPE HERITAGE (Article 25-duodevices of the Decree)

1.5. The sanction system under the Decree

The Decree establishes an articulated sanction regime against Entities, consisting of i) pecuniary sanctions, ii) disqualification sanctions, iii) confiscation of the price or profit of the offence, iv) publication of the conviction.

Pecuniary sanctions are applied whenever the Entity's liability is ascertained and they are determined by the criminal court through a system based on "quotas": the criminal court establishes the amount of the pecuniary sanctions within a minimum and a maximum of quotas indicated by the legislator for each predicate offence as well as the value to be attributed to them. This mechanism ensures the effectiveness of the sanction in relation to the specific case: on one hand, the judge establishes the number of quotas, taking into account the severity of the offence, the degree of the Entity's

liability, and the actions taken to eliminate or mitigate the consequences of the offence and to prevent the commission of further offences; on the other hand, he sets the amount of the quota based on the Entity's economic and asset conditions (Article 11 of the Decree).

Disqualification sanctions may be applied for certain types of offence for which they are expressly established and for the most serious cases, and provided that one of the following conditions is met:

- **a** - the Entity derived a significant profit from the commission of the offence and the offence was committed by Senior Persons or by Subordinate Persons when, in the latter case, the commission of the offence was influenced or facilitated by serious organisational deficiencies;
- **b** - in case of repeated offences³.

They take the form of a ban on carrying on business activities, the suspension and revocation of authorisations, licences or concessions functional to the commission of the offence, a ban on contracting with the Public Administration (except to obtain the performance of a public service), exclusion from

for transnational offences; Law no. 123 of 3 August 2007, which introduced Article 25-septies "Manslaughter and grievous or very grievous bodily harm, committed in violation of the rules on accidents in the workplace and occupational health and safety", later amended and renamed "Manslaughter or grievous or very grievous bodily harm, committed in violation of the rules on occupational health and safety" by Legislative Decree no. 81 of 9 April 2008; Legislative Decree no. 231 of 21 November 2007, which introduced Article 25-octies "Receiving, laundering and using money, goods or utilities of unlawful origin", later expanded and renamed "Receiving, laundering, using money, goods or benefits of illicit origin, as well as self-laundering" by Law no. 186 of 15 December 2014; Law no. 48 of 18 March 2008, which introduced Article 24-bis "Cyber crimes and unlawful data processing"; Law no. 94 of 15 July 2009, which introduced Article 24-ter "Organised crime"; Law no. 99/2009 - already mentioned - which introduced Article 25-bis.1 "Offences against industry and trade" and Article 25-novies "Offences in violation of copyright"; Law no. 116 of 3 August 2009, which introduced Article 25-novies (later renumbered Article 25-decies by Legislative Decree no. 121 of 7 July 2011) "Inducement not to make statements or to make false statements to the Judicial Authorities"; Legislative Decree no. 121/2011 - already mentioned - which introduced Article 25-undecies "Environmental offences", later amended by Law no. 68 of 22 May 2015; Legislative Decree no. 109 of 16 July 2012, which introduced Article 25-duodecies "Employment of third-country nationals whose stay is irregular", later amended by Law no. 161 of 17 October 2017; Law no. 190/2012 - already mentioned - which amended Article 25; Law no. 167 of 20 November 2017, which introduced Article 25-terdecies "Racism and xenophobia"; Law no. 3 of 9 January 2019, which amended Article 25³; Law no. 39 of 3 May 2019, which introduced Article 25-quaterdecies "Fraud in sports competitions, illegal gaming or betting and gambling using illegal devices"; Decree Law no. 124 of 26 October 2019, converted by Law no. 157 of 19 December 2019, which introduced Article 25-quinquiesdecies "Tax offences"; Legislative Decree no. 75 of 14 July 2020, which amended Articles 24, 25 and 25-quinquiesdecies and introduced Article 25-sexiesdecies "Smuggling".

³ Article 13(1)(a) and (b) of the Decree. In this regard, see also Article 20 of the Decree, pursuant to which "A repeated offence occurs when the entity, already definitively convicted at least once for an offence, commits another offence in the five years following the definitive conviction". Concerning the relationship between the aforementioned rules, see De Marzo, op. cit. 1315: "Alternatively, with respect to the requirements of letter a) [of Article 13, ed.], letter b) identifies, as a prerequisite for the application of the disqualification sanctions expressly provided for by the legislator, the repeated commission of offences. Pursuant to Article 20, a repeated offence occurs when the entity, already definitively convicted at least once for an offence, commits another offence in the five years following the definitive conviction. In this case, the commission of the offences despite the intervention of a conviction that has now irrevocably sanctioned the previous breach of law, demonstrates the indicated propensity or tolerance towards the commission of offences, without there being any need to dwell on the extent of the profit made and the analysis of the organisational models adopted. What emerges in any event is the awareness that the ordinary pecuniary sanctioning apparatus (and possibly also disqualification, if the conditions set out in Article 13(1)(a) and (b) have already been ascertained in previous offences) has been unable to act as an effective deterrent with respect to an action that disregards the fundamental canon of legality".

facilitations, financing, contributions or subsidies and the possible revocation of those granted, and a ban on advertising goods or services.

Disqualification sanctions shall not be applied (or shall be revoked, if already applied as a precautionary measure) if the Entity, prior to the declaration of the opening of the first instance hearing, has:

- compensated the damage or repaired it;
- eliminated the harmful or dangerous consequences of the offence (or, at least, endeavoured to do so);
- made available to the Judicial Authorities, for confiscation, the profit from the offence;
- eliminated the organisational deficiencies that led to the offence by adopting organisational models suitable to prevent the commission of new offences.

Confiscation consists of the acquisition of the price or profit of the offence by the State or the acquisition of sums of money, goods or other utilities of equivalent value to the price or profit of the offence: it does not, however, cover that part of the price or profit of the offence that can be returned to the injured party. Confiscation is always ordered with the conviction ruling.

Finally, **publication of the conviction ruling** may be imposed when a disqualification sanction is imposed on the Entity. It is effected by posting in the municipality where the Entity has its head office and by publication on the website of the Ministry of Justice.

1.6. The conditions for exemption from administrative liability

The Decree attributes exonerating value to 231 Models adopted by Entities to prevent crimes and administrative offences relevant for the purposes of the aforementioned legislation.

If the crime or administrative offence is committed by a Senior Person, it is not liable if it proves:

- the effective and preventive adoption (prior to the commission of the offence) of a Model capable of preventing the offence committed;
- the establishment of a Supervisory Body, endowed with autonomous powers of initiative and control, which has been delegated the task of supervising the operation of and compliance with the 231 Model, as well as its periodic updating;
- the fraudulent circumvention of the Model in the commission of the offence;
- that the Supervisory Body did not fail to or did not inadequately carry out its duty of supervision.

The legislator has also indicated the requirements that Models must meet. In particular, they must:

- identify the activities in the context of which the predicate offences envisaged by the Decree may be committed;
- establish specific protocols aimed at planning the formation and implementation of the Entity's decisions in relation to the offences to be prevented;
- identify methods through which financial resources suitable to prevent the commission of these offences are to be managed;
- impose obligations to inform the Body in charge of overseeing the functioning of and compliance with the Models;
- introduce a disciplinary system suitable for sanctioning any non-compliance with the measures indicated in the 231 Model.

Where, on the other hand, the offence is committed by Subordinate Persons, the Entity is liable if the commission of the offence was made possible by a failure to comply with management and supervision obligations. However, no failure may be attributed to the Entity if the latter, prior to the offence being committed, adopted and effectively implemented an

organisation model capable of preventing offences of the nature committed.

The Entity is also not liable if the Senior Persons or Subordinate Persons acted solely in their own interest or in the interest of third parties.

1.7. Changes in the Entity

Articles 28-33 of the Decree regulate the impact on the Entity's financial liability of changes connected with the transformation, merger, demerger and transfer of a company⁴.

In the event of a transformation, (in line with the nature of this institution, which implies a simple change in the type of company, without extinguishing the original legal entity) the Entity's liability for offences committed prior to the date on which the transformation took place remains unaffected (Article 28 of the Decree).

In the event of a merger, the Entity resulting from the merger (including by incorporation) is liable for the offences for which the Entities participating in the merger were liable (Article 29 of the Decree).

Article 30 of the Decree provides that, in the case of a partial demerger, the demerged company remains liable for offences committed prior to the date on which the demerger took place. The entities benefiting from the demerger (whether total or partial) are jointly and severally liable to pay the pecuniary sanctions owed by the demerged entity for offences committed prior to the date on which the demerger took place, up

to the actual value of the net assets transferred to the individual entity.

This limitation does not apply to beneficiary companies to which the business branch in which the offence was committed has been transferred, even only in part.

Disqualification sanctions relating to offences committed prior to the date on which the demerger took place apply to the entities to which the business branch in which the offence was committed remained or was transferred, even in part.

If the merger or demerger took place before the conclusion of the trial to ascertain the liability of the Entity, the judge, in deciding the pecuniary sanction, shall take into account the economic and asset conditions of the original Entity and not those of the merged Entity.

In the event of a disqualification sanction, the entity that will be held liable following the merger or demerger may ask the court to convert the disqualification sanction into a pecuniary sanction, provided that (i) the organisational fault that made it possible for the offence to be committed has been eliminated, and (ii) the entity has compensated the damage and made available (for confiscation) the part of any profit that was made. Article 32 of the Decree allows the judge to take into account convictions already handed down to the merging entities or the demerged Entity in order to ascertain repeated offences, pursuant to Article 20 of the Decree, in relation to the offences of the merged Entity or the beneficiary of the demerger, with regard to offences

4 The legislature took into account two opposing requirements: on one hand, to prevent such operations from constituting a means of easily circumventing the administrative liability of the Entity and, on the other, not to penalise reorganisation measures that do not have evasive intentions. The Explanatory Report to the Decree states "The general criterion followed in this respect was that of regulating the fate of pecuniary sanctions in accordance with the principles laid down by the Italian Civil Code with regard to the generality of the other debts of the original entity, while maintaining, conversely, the connection of disqualification sanctions with the branch of activity within the scope of which the offence was committed".

5 Article 32 of Italian Legislative Decree no. 231/2001: "Relevance of the merger or demerger for the purposes of repeated offences - 1. In cases of liability of the entity resulting from the merger or benefiting from the demerger for offences committed after the date on which the merger or demerger took place, the judge may consider repeated offences, in accordance with Article 20, also in relation to convictions pronounced against the merging entities or the demerged entity for offences committed prior to that date. 2. In so doing, the court shall take into account the nature of the infringements and the activity in the context of which they were committed as well as the characteristics of the merger or demerger. 3. With regard to the entities benefiting from the demerger, repeated offences may be ascertained, pursuant to paragraphs 1 and 2, only if the business branch in which the offence for which the demerged entity was convicted was transferred to it, even in part. The Explanatory Report to Italian Legislative Decree no. 231/2001 clarifies that "Repeated offences, in such a case, are not automatically ascertained, but are subject to discretionary assessment by the judge, in relation to the specific circumstances. With regard to the entities benefiting from the demerger, they may also only be recognised when the entity to which the business branch in which the previous offence was committed has been transferred, even in part".

committed later. Uniform rules (Article 33 of the Decree) are laid down for cases of sale and transfer of a business; the transferee, in the event of transfer of the business in which the offence was committed, is jointly and severally liable to pay the pecuniary sanction imposed on the transferor, with the following limitations:

- i - the benefit of prior enforcement of the transferor is not affected;
- ii - the transferee's liability is limited to the value of the business transferred and the pecuniary sanctions recorded by the mandatory accounting records or due for administrative offences of which it had knowledge.

Conversely, disqualification sanctions imposed on the transferor do not extend to the transferee.

1.8. Offences committed abroad

The Entity may be held liable in Italy for offences - covered by the Decree itself - committed abroad (Article 4 of the Decree).

The prerequisites on which the Entity's liability for offences committed abroad is based are:

- i - the offence must be committed by a person functionally linked to the Entity, pursuant to Article 5(1) of the Decree;
- ii - the Entity must have its main office in the territory of the Italian State;

- iii - the Entity can only be held liable in the cases and under the conditions laid down in Articles 7, 8, 9 and 10 of the Italian Criminal Code (in cases where the law provides that the offender - a natural person - is punished at the request of the Justice Minister, proceedings are brought against the Entity only if the request is also made against the Entity itself) and, also in accordance with the principle of legality laid down in Article 2 of the Decree, only in respect of offences for which its liability is established by an ad hoc legislative provision;
- iv - if the cases and conditions provided for in the aforementioned articles of the criminal code exist, the State of the place where the act was committed shall not prosecute the Entity.

1.9. Procedure for ascertaining the offence

Liability for administrative offences arising from a criminal offence shall be ascertained in criminal proceedings. In this regard, Article 36 of the Decree establishes "The jurisdiction to hear administrative offences committed by the entity is held by the criminal court having jurisdiction for offences from which they arose. The provisions on the composition of the court and the related procedural provisions relating to crimes from which administrative offences arise shall apply in the proceedings for ascertaining the entity's administrative offence".

7 Article 33 of Italian Legislative Decree no. 231/2001: "Transfer of business. - 1. In the event of the transfer of the business in whose activity the offence was committed, the transferee is jointly and severally liable, subject to the benefit of prior exoneration of the transferring entity and within the limits of the value of the business, to pay the pecuniary penalty. 2. The transferee's obligation is limited to pecuniary sanctions recorded by the mandatory accounting records, or due for administrative offences of which it had knowledge. 3. The provisions of this Article shall also apply in the case of contribution of a business". On this point, the Explanatory Report to Italian Legislative Decree no. 231/2001 clarifies: "It is understood that even these operations are susceptible to manoeuvres to evade liability: and, nevertheless, the opposing needs of protection of trust and security of legal traffic are more significant than these, given that we are dealing with hypotheses of succession by particular title which leave the identity (and liability) of the transferor or the contributor unchanged". Article 7 of the Criminal Code: "Offences committed abroad - Any citizen or foreigner who commits any of the following offences on foreign soil is punishable under Italian law: 1) offences against the personality of the Italian State; 2) offences of counterfeiting the seal of the State and using such a counterfeit seal; 3) offences of counterfeiting money that is legal tender in the State territory, or Italian revenue stamps or public credit cards; 4) offences committed by public officials in service of the State, abusing their powers or violating the duties inherent in their functions; 5) any other offence for which special legal provisions or international conventions establish the applicability of Italian criminal law". Art. 8 of the Criminal Code: "Political offence committed abroad - A citizen or a foreigner who commits a political offence on foreign soil that is not included among those indicated in number 1 of the previous article is punished according to Italian law, at the request of the Justice Minister. In the case of an offence punishable on complaint by the injured party, a complaint is required in addition to the request. For the purposes of criminal law, a political offence is any offence which offends a political interest of the State or a political right of the citizen. A common offence determined, in whole or in part, by political motives is also considered a political offence." Art. 9 of the Criminal Code: "Common offence of the citizen abroad - A citizen who, beyond the cases

Another rule, inspired by reasons of effectiveness, homogeneity and procedural economy, is that of the mandatory joinder of proceedings: the proceedings against the Entity shall remain joined, as far as possible, to the criminal proceedings brought against the natural person who committed the predicate offence giving rise to the Entity's liability (Article 38 of the Decree). This rule is counterbalanced by the wording of Article 38(2) of the Decree, which, on the other hand, regulates the cases in which the administrative offence is prosecuted separately. The Entity shall take part in the criminal proceedings through its own legal representative, unless the latter is accused of the offence from which the administrative offence may arise; if the legal representative fails to appear, the Entity, having appeared, shall be represented by its defence counsel (Article 39(1) and (4) of the Decree).

1.10. Codes of conduct drawn up by the associations representing entities

In preparing this Model, the Company was inspired by:

- Confindustria Guidelines for the construction of the organisation, management and control model pursuant to Legislative Decree no. 231/2001, in the latest version approved in June 2021 and declared suitable by the Ministry of Justice for achieving the purpose set out in Article 6(3) of the Decree.

The key points identified by the Guidelines for the construction of the Models can be summarised as follows:

- identification of risk areas, aimed at ascertaining in which area/sector of the company the predicate offences may be committed;
- establishment of a control system capable of preventing the risks through the adoption of specific procedures;
- establishment of an adequate sanction system for violation of the provisions of the Code of Ethics and the procedures laid down in the Model;
- identification of the requirements of the Supervisory Body, which can be summarised as follows:
 - autonomy and independence,
 - professionalism,
 - continuity of action.
- reporting obligations to the Supervisory Body;
- possibility, within corporate groups, of organisational solutions that centralise at the parent company the functions provided for

indicated in the two previous articles, commits on foreign soil an offence for which Italian law establishes life imprisonment, or imprisonment for no less than a minimum of three years, is punished according to the same law, provided he is on State territory. If it is a crime for which a punishment restricting personal liberty of a lesser duration is prescribed, the offender shall be punished at the request of the Justice Minister or at the request or complaint of the injured party. In the cases provided for in the preceding provisions, if it is an offence committed to the detriment of the European Communities, a foreign State or a foreigner, the guilty party is punished at the request of the Justice Minister, provided that his extradition has not been granted, or has not been accepted by the Government of the State where he committed the offence." Art. 10 of the Criminal Code: "Common offence of the foreigner abroad - A foreigner who, beyond the cases indicated in Articles 7 and 8, commits on foreign soil, to the detriment of the State or of a citizen, a crime for which Italian law establishes life imprisonment, or imprisonment of not less than a minimum of one year, is punishable according to the same law, provided that he is on State territory, and there is a request from the Justice Minister, or a request or complaint from the injured party. If the offence is committed to the detriment of the European Communities by a foreign State or a foreigner, the offender is punished according to Italian law, at the request of the Justice Minister, provided that: 1) he is in the State territory; 2) it is an offence for which the penalty is life imprisonment or imprisonment of not less than a minimum of three years; 3) his extradition has not been granted, or has not been accepted by the Government of the State where he committed the crime, or by the Government of the State to which he belongs".

8 Art. 38(2) of Italian Legislative Decree no. 231/2001: "Separate proceedings are brought for the administrative offence committed by the entity only when: a) proceedings have been ordered to be suspended pursuant to Article 71 of the Code of Criminal Procedure [suspension of proceedings due to incapacity of the defendant, ed.]; b) proceedings have been finalised with the abbreviated trial or with the application of the penalty pursuant to Article 444 of the Code of Criminal Procedure [application of the plea bargain, ed.], or the criminal decree of conviction has been issued; c) compliance with the procedural provisions makes it necessary." For the sake of completeness, reference should also be made to Article 37 of Legislative Decree no. 231/2001, pursuant to which "No action shall be taken to ascertain the administrative offence committed by the entity when criminal proceedings cannot be commenced or continued against the perpetrator of the offence due to lack of admissibility" (i.e. those provided for under Title III of Book V of the Code of Criminal Procedure: complaint, application for proceedings, request for proceedings or authorisation to proceed, referred to, respectively, in Articles 336, 341, 342, 343 of the Code of Criminal Procedure).

in Decree 231, provided that the following conditions are met:

- each subsidiary has its own Supervisory Body with all relevant powers and responsibilities (subject to the possibility of assigning this function directly to the management body of the subsidiary, if it is small in size);
- the Supervisory Body established at the subsidiary may, in the performance of its task of supervising the operation of and compliance with the model, make use of the resources allocated to the analogous body of the parent company, on the basis of a predefined contractual relationship with it;
- the members of the parent company's Supervisory Body, when carrying out checks at other group companies, take on the role of external professionals who perform their activities in the interest of the subsidiary, reporting directly to the latter's Supervisory Body, with the confidentiality constraints of an external consultant.

In order to provide a useful tool adapted to the evolving legislation, the Guidelines are being continuously updated.

The decision not to adapt the Model to some of the indications of the aforementioned Guidelines does not affect its validity. The individual Model, in fact, having to be drafted with reference to the specific situation in place at the company, may well deviate from the aforementioned Guidelines which, by their very nature, are of general nature.

— 2. The Governance model and Organisational Structure of Luna Rossa Challenge S.r.l.

2.1. Luna Rossa Challenge S.r.l.

Luna Rossa Challenge S.r.l. (hereinafter also "Luna Rossa" or the "Company") is a Prada Group company, wholly owned by the holding company, Prada S.p.A..

Luna Rossa mainly manages services for the organisation, coordination and promotion of sporting events - especially sailing events - including the America's Cup. It also provides design, construction, storage, sale and rental services for boats of all types; rental services, purchase and sale of berths; and management services for its own and third-party public establishments.

The Company was established in 2011.

2.2. Institutional structure

— Shareholders' Meeting

The shareholders' meeting is convened by the Administrative Body and is chaired by the Chairperson of the Board of Directors or the Sole Director. The shareholders' meeting is duly constituted with the presence of as many shareholders as represent at least half of the share capital and resolves with the favourable vote of the shareholders representing the majority of the capital present, or, in the cases of Art. 2479, par. 2 no. 4 and 5 of the Italian Civil Code, with the favourable vote of the shareholders representing at least half of the share capital.

— Board of Directors

Pursuant to Art. 13 of the Articles of Association, the Company is administered by a Sole Director, who need not be a shareholder, or by several Directors. Directors hold office indefinitely and in any case until removal or resignation, or for a period of time determined by their appointment,

and they may be re-elected. Pursuant to Article 17 of the Articles of Association, the Board of Directors is vested with the broadest powers for the administration and ordinary and extraordinary management of the Company, with the power to perform all acts it deems appropriate to implement and achieve the corporate purposes, excluding only those that the law and the Articles of Association strictly reserve to the shareholders.

The directors are responsible for the general representation of the Company before third parties and in court. If a Board of Directors is appointed, the representation of the Company is vested in the Chairperson and, within the limits of the delegation, the Managing Director

Representation of the Company is also vested in the directors, general managers, agents and attorneys within the limits of the powers determined by the Administrative Body in the deed of appointment.

— **Board of Statutory Auditors**

The business management is supervised by a collegiate body.

The Board of Statutory Auditors consists of three standing auditors and two alternate auditors. The auditors hold office for three financial years and are eligible for re-election.

The requirements, functions and responsibilities of the control body are regulated by law.

The Board of Statutory Auditors has the functions provided for in Article 2403 of the Italian Civil Code and performs the statutory audit of the accounts.

2.3. The Company's governance instruments

The governance instruments that ensure the functioning of Luna Rossa, developed internally, can be summarised as follows:

— **Articles of Association** - an instrument that, in accordance with the provisions of the law in

force, contains various provisions on corporate governance aimed at ensuring the proper performance of the management activities.

— **System of delegations and powers of attorney** - instrument that establishes, through the assignment of specific powers of attorney, the powers to represent or commit the Company and, through delegations, the responsibilities. As far as is relevant for the purposes of the Decree, the Company: i) constantly updates the relevant prospectus following amendments and/or additions to the delegations of powers; ii) periodically assesses the possibility of revising the system by establishing, in some cases, joint signatures of two attorneys or in combination with a Manager/Officer of the Company in order to further strengthen the system of controls; iii) implements and maintains a formalised information flow towards all functions, in order to ensure timely communication of powers and related changes. This flow is also sent, where necessary, to third parties such as credit institutions.

— **Organisation Chart and Service Orders** - instruments aimed at defining and communicating the organisational structure of the Company, the allocation of key responsibilities and also the identification of persons to whom these responsibilities are entrusted.

— **System of Procedures** - regulatory system designed to regulate the relevant processes of the Company in a clear and effective manner.

— **Prada Group's Code of Ethics** - document that sets out the ethical and behavioural principles that the Prada Group recognises as its own and with which it requires compliance by all those who work to achieve the Company's objectives.

2.4. Organisational structure

The organisational structure of Luna Rossa is reflected in the organisational chart, as well as in the set of other corporate organisational tools (e.g. Service Orders, regulations, procedures, policies) that contribute to the composition of the Company's so-called "Regulatory System" and in which the tasks, areas, responsibilities

of the different Departments/Functions of the Company are defined.

Activities entrusted by Luna Rossa to Group companies or third parties are regulated in practice by specific service contracts. Among other things, these contracts must provide for a commitment to comply with the principles of organisation, management and control suitable for preventing the commission of offences under the Decree by third parties.

— 3. Luna Rossa S.r.l. 231 Model

The adoption of a Model, in addition to being a condition exempting the Company from administrative liability with specific reference to the offences referred to in the Decree, is an act of social responsibility.

The Company, attentive to the need to ensure conditions of transparency and fairness in the conduct of its business activities, by resolution of the Board of Directors of 13 June 2024, took the opportunity to launch a project to prepare the 231 Model.

The opportunity was taken by the Company in order to:

- prepare the 231 Model in line with the governance and organisational structure of the Company;
- prepare the 231 Model in relation to the offences provided for in the Decree, also with specific reference to the types of offences recently introduced.

Therefore, a process was initiated (hereinafter, the “Project”) which, making the most of the experience gained, would ensure the 231 Model was:

- compliant with the requirements of the Decree and its subsequent supplements;
- consistent with the principles of its governance culture and with the indications contained in the Guidelines of reference (Confindustria Guidelines).

3.1. Recipients of the Model

The principles and provisions of this Model must be complied with by the members of the Board of Directors, the Supervisory Body and the Board of Statutory Auditors, by Employees, Consultants, Collaborators, as well as by all those who act under the direction or supervision of senior management within the scope of their assigned tasks and functions. The persons thus identified are hereinafter referred to as “Recipients”.

3.2. Purpose of the Model

The purpose of the Model is to construct a structured and organic system of rules and control activities, also to be carried out in a preventive manner (ex ante control), aimed at preventing the commission of the different types of crimes and administrative offences relevant for the purposes of the Decree.

By identifying the “activities at risk” and consequently establishing procedures for such activities, the Model has the following aims:

- to raise the awareness of those who work, in various capacities, with the Company (e.g. employees, collaborators, consultants, suppliers), requiring them, within the limits of the activities carried out in the interest of Luna Rossa, to adopt correct and transparent conduct, in line with the ethical values that inspire it in the pursuit of its corporate purpose and such as to prevent the risk of commission of the offences contemplated in the Decree;
- to reiterate that all unlawful conduct is strongly condemned by the Company, even when inspired by a misunderstood social interest and even if the Company was apparently in a position to benefit from it, in the knowledge that compliance with the applicable rules and regulations guarantees the creation of sustainable and long-term value for the Company and its stakeholders;
- to determine, in all those who work for the Company in the “areas of activities at risk”, or are subject to the direction or supervision of the latter, the awareness that they must comply with

the company rules and that they may incur, in the event of a violation of those rules, criminal sanctions, which may be imposed on them, and administrative sanctions, which may be imposed on the company;

- to establish and/or strengthen controls that enable Luna Rossa to prevent or promptly react to prevent the commission of offences by Senior Persons and Subordinate Persons that entail the administrative liability of the Company;
- to enable the Company, through close control and monitoring of the “activities at risk” and through the implementation of ad hoc tools, to intervene promptly to prevent or counteract the commission of offences;
- to guarantee its integrity by adopting the fulfilments expressly established by Article 6 of the Decree;
- to improve effectiveness and transparency in the management of the business activities;
- to determine complete awareness in all Recipients that the commission of any offence is strongly condemned and contrary - not only to the provisions of the law - but also to the ethical principles of the Company, as well as to the Company’s own interests, even when it might seemingly be gaining an advantage.

3.3. The Luna Rossa Challenge S.r.l. Project to define its own 231 Model

The methodology chosen to carry out the Project, in terms of organisation, definition of operating methods, structuring in phases, and allocation of responsibilities between the different corporate structures, was developed in order to guarantee the quality and authority of the results. In this context, Luna Rossa made use of external consultants who provided methodological, technical and operational support in the various project phases aimed at preparing this 231 Model.

The methodologies followed and the criteria adopted in the various stages of the Project are outlined below:

Initiation of the Project - Preliminary Analysis:

in this phase, the processes and activities in the scope of which the offences referred to in the Decree may be committed were identified (i.e. such processes and activities commonly referred to as “sensitive”). Such identification was preceded by the analysis, mainly documentary, of the Company’s corporate and organisational structure, which facilitated the initial identification of the sensitive processes/activities and of the structures responsible for such processes/activities.

Identification of key officers and performance of interviews (Risk Assessment):

the purpose of this phase was to identify the resources with in-depth knowledge of the sensitive processes/activities and the control mechanisms currently in place (hereinafter, “key officers”), completing and providing further information on the preliminary inventory of sensitive processes/activities, as well as of the Departments/Functions and persons involved. The analysis was carried out through structured interviews with the key officers, also aimed at identifying for each sensitive activity the management processes and control tools in place, with particular attention to the elements of compliance and preventive controls established to protect them. At this stage, therefore, a map was created of the activities that, in view of their specific contents, could be exposed to the potential commission of the offences indicated in the Decree.

Mapping of sensitive processes and identification of the status of controls to guard against “231 risks” (Gap Analysis):

this phase was intended to pursue the objective of establishing, for each process/sensitive activity, control protocols suitable for preventing the commission of the offences referred to in the Decree (so-called “Gap Analysis”). At the end of these activities, the implementation of an improvement/enhancement action plan was initiated, with the definition of time frames and those responsible for implementation within the organisation.

Preparation of the 231 Model: in this final phase, the objective was to proceed with preparing Luna

Rossa's Model in all its components. For the purpose of preparing the Model in question, the Guidelines of reference were taken into account, along with the peculiar aspects of the Company in order to define a Model suited to the Company's specific operational and organisational situation.

3.4. The content of the 231 Model

The document relating to the Model has:

- i - the General Part, which describes the regulatory framework of reference and the Company's governance, as well as the elements/tools characterising the Luna Rossa Model and necessary for its effective implementation. More specifically, the General Part contains the description of the following areas:
 - relevant regulatory framework;
 - governance system and organisational structure of the Company;
 - methodology adopted for the identification and mapping of sensitive processes/activities, gap analysis and drafting of the Model;
 - characteristics of the Company's Supervisory Body, specifying, inter alia, its composition, appointment, duration, functions and powers, information flows;
 - training and communication activities aimed at ensuring awareness of the measures and provisions of the Model;
 - sanction system that applies in the event of non-compliance with the measures indicated in the Model;
- ii - the Special Parts, aimed at supplementing the contents of the General Part with a description of:
 - the types of offences referred to in the Decree which the Company has decided to consider in its Model as they could potentially be committed within Luna Rossa;

- the sensitive processes/activities, with respect to the offences referred to in the previous point, present in Luna Rossa and the related control protocols.

3.5. Relationship between the 231 Model and the Code of Ethics

In addition to the control tools envisaged by Decree 231, the parent company Prada S.p.A. has adopted a Code of Ethics, an expression of a corporate context where the primary objective is to satisfy, in the best possible way, the needs and expectations of the stakeholders (e.g. employees, customers, consultants, suppliers) of the Prada S.p.A. Group.

The purpose of the Code of Ethics is, among other things, to promote and uphold a high standard of professionalism and to ensure the proper functioning, reliability and reputation of the group companies.

The Code of Ethics is addressed to the corporate bodies and their members, to management, employees, external collaborators, consultants and collaborators in any capacity whatsoever, to agents, proxies, and any other person with whom the Prada Group companies come into contact in the course of their business.

The Code of Ethics must therefore be considered a fundamental appendix to the 231 Model, being a document aimed at affirming a principle of self-regulation for the purpose of preventing offences and substantiating a culture of legality.

The Code of Ethics, in fact, indicates the values and requirements that underpin the entity's business policy and is intended to inform the individual conduct of employees and regular partners.

3.6. Offences relevant to the Company

The adoption of the 231 Model as a tool capable of guiding the conduct of those operating within Luna Rossa and promoting at all company levels conduct based on principles of legality and fairness has a positive impact on the prevention of any crime or offence envisaged by the legal system.

However, in view of the analysis of the corporate context, the activities carried out by the Company and the areas potentially subject to the risk of offence, it has been decided that the offences forming the subject of the individual Special Parts - to which reference should be made for their exact identification - are considered relevant, i.e. they can be configured in the context of the Company's operations and are therefore specifically examined in the 231 Model.

3.7. Adoption, updating and supplementation of the 231 Model

The Board of Directors is exclusively responsible for adopting, updating and supplementing the 231 Model.

The Supervisory Body, within the scope of the powers conferred on it in accordance with Article 6(1)(b) and Article 7(4)(a) of the Decree, retains, in any case, precise duties and powers with regard to the oversight, development and promotion of the constant updating of the Model.

To this end, it makes observations and proposals, concerning the organisation and the control system, to the relevant corporate structures or, in cases of particular importance, to the Administrative Body.

The Supervisory Body has the duty to report in writing to the Administrative Body promptly, and at least in its half-yearly report, any facts, circumstances or organisational deficiencies found during its supervisory activities that highlight the need or opportunity to amend or supplement the Model.

The Model must, in any case, be the subject of a specific update by resolution of the Board of Directors, also upon proposal of the Supervisory Body, and in any case always after hearing from the Supervisory Body itself, should the need for an update emerge. Such a need arises, for example, whenever there are:

- violations or circumventions of the requirements of the Model that have demonstrated its ineffectiveness or inconsistency for the purposes of preventing the offences sanctioned under the Decree;
- significant changes in the organisational structure of the Company and/or the way in which it carries

out its business activities (e.g. following the acquisition of a business branch);

- changes in the relevant regulatory framework which affect the Company (e.g. introduction of new types of offences relevant under the Decree);
- significant deficiencies found in the control system in the course of the supervisory activities.

Once approved, the changes and instructions for their immediate implementation are communicated to the Supervisory Body. The competent corporate structures are responsible for making the same operational changes and ensuring the correct communication of their contents.

The operating procedures adopted to implement the 231 Model are modified by the competent Departments/Functions if they prove to be ineffective for the purposes of the proper implementation of the provisions of that Model. The competent Departments/Functions also take care of any changes or additions to the operating procedures necessary to implement any revisions of the 231 Model.

The Supervisory Body is constantly informed of the updating and implementation of new operating procedures.

— 4. Supervisory Body

Article 6 of the Decree provides that the Entity may be exonerated from liability resulting from the commission of the indicated offences if the management body has, *inter alia*, “entrusted the task of supervising the functioning of and compliance with the model and of keeping it up to date to a body of the Entity endowed with autonomous powers of initiative and control”.

The task of continuously supervising the dissemination and effective implementation of the 231 Model and compliance with the same by the recipients, as well as proposing its updating in order to improve its efficiency in preventing crimes and offences, is entrusted to this body set up internally by the Company.

The entrusting of the aforementioned tasks to a body endowed with autonomous powers of initiative and control, together with the correct and effective performance thereof, thus represents an indispensable prerequisite for exemption from liability under the Decree.

4.1. Requirements of the SB

The members of the Supervisory Body must meet the following requirements:

AUTONOMY AND INDEPENDENCE

The Body must remain extraneous from any form of interference and pressure from senior management and not be in any way involved in the exercise of operational activities and management decisions. The Supervisory Body must not be in a situation of conflict of interest; no operational tasks that could undermine its autonomy must be assigned to the Body as a whole or even to its individual members.

The requirement of autonomy and independence must also be seen as the absence of kinship ties and hierarchical dependency relationships with senior management of the Company or with persons holding operational powers within the same.

In order to guarantee autonomy and independence, the Supervisory Body must also meet the requirements of good repute set out in Articles 2382 and 2399 of the Italian Civil Code

It is essential for the Supervisory Body to have a hierarchical position that is as high as possible, being accountable for its actions exclusively to the Board of Directors, which may, however, only dismiss it or change its composition in certain strictly predetermined cases.

COMPETENCE AND PROFESSIONALISM

The connotation of professionalism must refer, as also specified by the Confindustria Guidelines, to the “set of tools and techniques”⁹.

The Supervisory Body must be composed of persons endowed with specific skills in the specialist techniques typical of those who perform “inspection” activities, but also consultancy skills in analysing control systems and legal expertise, particularly in the criminal area, necessary to perform the activity of the Supervisory Body effectively, in order to ensure the presence of adequate professionalisms in the performance of the relevant functions.

Where necessary, the Supervisory Body may also make use of external consultants for the performance of the technical operations needed to carry out the control function. In this case, the consultants must always report the results of their work to the Supervisory Body¹⁰.

⁹ Confindustria, Guidelines. In particular, these are techniques that can be used:

- preventively, to adopt - when designing the organisation model and making subsequent amendments - the most appropriate measures to prevent, with reasonable certainty, the commission of the offences in question;
- currently, in order to verify that daily behaviours actually comply with the codified ones;
- after-the-fact, to ascertain how an offence of this kind could have occurred and who committed it.

¹⁰ “This approach makes it possible to combine the principle of accountability reserved by the law to the body within the entity with the greater specific professionalisms of external consultants, thus making the activity of the Body more effective and penetrating”. Thus, with reference to the possibility of establishing an *ad hoc* Supervisory Body (an alternative possibility to assigning the role of Supervisory Body to the Internal Control Committee or the internal auditing function), Confindustria, Guidelines.

EFFECTIVENESS

The Supervisory Body must effectively exercise the powers conferred upon it by the Board of Directors: for this purpose, the Body keeps track of all control activities carried out internally.

CONTINUITY OF ACTION

The Supervisory Body must ensure the continuity of the supervisory activity of the Model, with the necessary powers of investigation, intervention and expenditure.

Furthermore, the Body must ensure the Model is implemented and constantly updated. In order to achieve these objectives, the Body must be structured within the company, so as to ensure the continuity of the supervisory activities.

Taking into account the specific nature of its powers, as well as the specific professional content required, the Body, in performing its tasks, will be assisted from time to time by the heads of the various functions concerned.

As indicated above, the Body is granted all powers necessary to perform its functions, including freedom of initiative within the entity, as well as a specific allocation of expenditure within a predetermined budget.

The criteria for the functioning of the Body and the specific attributions of powers and responsibilities, in addition to the aforementioned spending power, are decided by the Board of Directors.

GROUND FOR INELIGIBILITY

There are two specific grounds for ineligibility or disqualification of the members of the Supervisory Body, so as to ensure that it remains impartial and retains its integrity, namely: a) the existence of a conflict of interest, of any nature whatsoever, with the supervisory function; b) having been definitively convicted of any of the offences provided for in the Decree, as well as of any other intentional offence whose nature is such as to render the person unfit to hold the office of member of the Supervisory Body.

4.2. Composition, appointment, duration

The Decree does not provide indications as to the composition of the Supervisory Body.

The Company has opted for a solution that, taking into account the purposes pursued by the law, is suitable to ensure, in relation to its size and organisational complexity, the effectiveness of the controls for which the Supervisory Body is responsible, identifying this Body as a Collegiate Body composed of persons identified by virtue of their professional skills and personal characteristics, such as supervisory ability, independence of judgment and moral integrity.

In the selection of the members, the only relevant criteria are those pertaining to the specific professionalism and competence required to perform the functions of the Body, integrity and absolute autonomy and independence with respect to the Company itself, elements that are made known to the Board of Directors, which appoints them on the basis of the curricula of the selected candidates.

The Supervisory Body remains in office for the term set by the Board of Directors that appointed it and remains in office until a new Body is appointed. The members of the Supervisory Body may be re-elected.

4.3. Functions and powers of the SB

The Supervisory Body is entrusted with the following tasks, based on the indications of the Decree:

- supervise compliance with the requirements of the Model by directors, representatives, employees, collaborators and in general by all those who work in the name and on behalf of the company;
- verify the adequacy and updating of the Model.

These duties consist of a number of specific tasks briefly listed below:

- establish the reporting criteria in its favour for the purpose of identifying and regularly monitoring “risk areas” and “sensitive processes”;
- verify the preparation, due retention and effectiveness of the required documentation;
- conduct checks of the company’s business activities, in conjunction with the relevant operational management in charge of the function, triggering the control procedures;
- carry out periodic checks on specific transactions or acts concluded within the “areas of activities at risk”;
- promote the dissemination and understanding of the Model, through training and education activities;
- identify, collect, process and store all information relevant to compliance with the Model;
- define with the Board of Directors the tools for implementing the Model and periodically check their adequacy;
- conduct internal audits on violations of the Model;
- submit requests for the imposition of sanctions against those responsible for any violations of the Model.

It is also the task of the Supervisory Body:

- **a** - to verify periodically - with the support of the other responsible company departments - the system of delegations in force, recommending the appropriate changes if the management authority and/or qualification is not included in the authority granted;
- **b** - carry out periodic verification activity on the Model, aimed at assessing its functioning and updating;
- **c** - deal with the creation of a database (hard copy or electronic) concerning the controls carried out, training and information activities, and relevant documentation pursuant to the Decree.

The Supervisory Body is therefore vested with the following powers and entrusted the following duties:

- **Know the Model and assess its suitability to prevent the offences indicated in the Decree**
Upon taking office, the members of the Supervisory Body must carry out an analysis of the Model, expressing an opinion on its suitability to prevent the commission of the offences indicated in the Decree. However, the mere change in the structure and/or composition of the Supervisory Body, in the absence of specific requirements to adapt or update the Model, does not require renewed approval of the latter.
- **Disseminate knowledge of the Model**
The Body shall promote all initiatives necessary for the dissemination and knowledge of the Model.
- **Monitor risk areas**
The Supervisory Body must carry out targeted periodic checks on specific operations or acts performed within the areas at risk.
- **Establish a confidential reporting system**
The Supervisory Body shall collect, process and store all relevant information in order to ascertain the effectiveness and adequacy of the Model.
- **Check and ensure that the Model is updated.**

The Supervisory Body shall carry out periodic checks on the functionality and up-to-dateness of the Model, assessing, periodically or when the need arises, the need to update it.

4.4. Information flows from and to the Supervisory Body

4.4.1. Reporting activity of the Supervisory Body

In order to guarantee its full autonomy and independence in performing its functions, the Supervisory Body communicates directly with the Company’s Board of Directors and the Board of Statutory Auditors.

In particular, the Supervisory Body reports to the Board of Directors and the Board of Statutory Auditors on the implementation of the Model, the results of the supervisory activity carried out and any appropriate action to implement the Model:

- continuously to the Board of Directors and, at least once a year, by means of a written report illustrating the following specific information;
 - a summary of the activities and controls carried out by the SB during the year;
 - any discrepancies between the operating procedures implementing the provisions of the Model;
 - any new areas of commission of offences under the Decree;
 - reports received concerning possible violations of the Model and/or the Code of Ethics and the results of the checks concerning such reports;
 - disciplinary procedures and any sanctions applied to the Company, meaning only those relating to activities at risk for the purposes of the Decree;
 - general assessment of the Model, with possible proposals for additions and improvements in form and content, on its effective functioning;
 - changes to the relevant regulatory framework, if any;
 - a summary of the relevant facts, disciplinary sanctions applied and significant changes made to the Model of the subsidiaries;
 - statement of expenses incurred.
- periodically to the Board of Statutory Auditors, or at its request;
- occasionally to the Board of Statutory Auditors, in cases of alleged violations by senior management or by the Board of Directors, being able to receive requests for information or clarifications

from the Board of Statutory Auditors.

Without prejudice to the terms indicated above, the Board of Directors, the Chairperson and the Board of Statutory Auditors retain the right to convene the SB at any time which, in turn, may ask, through the relevant functions or parties, to report to the aforementioned bodies whenever deemed appropriate.

4.4.2. Information flow to the SB

Article 6(2) (D) of the Decree, in identifying the multiple conditions for the entity to be exempt from liability, also provides for “obligations to report to the body responsible for supervising the functioning of and compliance with the models”.

The provision of such information flows, which enable the Supervisory Body to be regularly and continuously updated on the Company’s management and operations, constitutes an essential element for the Body to be able to fulfil its task of monitoring the effective implementation of the Model.

The Supervisory Body ensures the utmost confidentiality of any news, information and reports, under penalty of revocation of its mandate, without prejudice to requirements relating to the conduct of investigations if the support of consultants external to the SB or other corporate structures is required.

All information and reports referred to in this Model shall be stored by the Supervisory Body in a special computerised and hard copy archive, in compliance with the provisions contained in Decree no. 196/2003 (Privacy) and Regulation EU 2016/679 (GDPR): the records of the Supervisory Body shall be kept in separate and locked cabinets, accessible only to its members or persons authorised by it, and only for reasons connected to the performance of the tasks outlined above.

The recipients of the Model may send the relevant information flows to the Supervisory Body of Luna Rossa Challenge S.r.l. via the appropriate email address: organismo.vigilanza@lunarossachallenge.com.

— a - System of delegations and powers of attorney

The Supervisory Body must be provided with constantly updated documents relating to the

system of powers of attorney and delegations in force at the Company.

b - Information flows of corporate functions

The Model, as expressly provided for in the Decree, must establish reporting obligations towards the Supervisory Body.

In particular, the corporate bodies must report to the Supervisory Body, in accordance with their responsibilities, any circumstance or information relevant to the Decree and the effective implementation of the model.

Information concerning the following aspects must mandatorily be sent to the Supervisory Body:

- measures and/or information concerning the existence of criminal proceedings, even against unknown persons, relating to facts of interest to the Company;
- measures and/or information concerning the existence of significant administrative proceedings or civil disputes relating to requests or initiatives by independent administrative authorities, the tax authority, local administrations and the Public Administration, concerning contracts, requests for and/or management of public financing;
- requests for legal assistance submitted to the Company by personnel in the event of criminal or civil proceedings against them;
- reports prepared by the heads of company departments/functions as part of their supervisory activities, which reveal facts that are relevant to compliance with the Model.

c - Whistleblowing reports

The Prada Group has adopted a policy for the process of receiving and processing reports of unlawful conduct (so-called whistleblowing reports) and the procedures for managing the related investigation. The procedure adopted by

the Prada Group applies to all Group companies, personnel of Group companies, stakeholders and other third parties who witness an offence or irregularity referable to Prada Group personnel.

The management of reports and the related data processing is carried out by the Group's holding company, Prada S.p.A., also on behalf of the other Group companies, in compliance with the applicable legal provisions, especially on the protection of personal data¹¹.

The Whistleblowing channel can be used to report issues only relating to:

- violations of the Prada Group's Code of Ethics and its founding values;
- violations of laws and regulations;
- violations of measures of the authorities;
- violations of the 231 Model and company procedures;
- violations of human rights;
- conduct that causes damage or harm, even if only in terms of image, to the Prada Group.

The process of handling reports by the Group's Ethics Committee consists of four steps:

- receipt of the report;
- preliminary assessment;
- investigation;
- closing of reports.

The Prada Group has made available a variety of channels, alternative to each other, in order to ensure the effectiveness of the reporting process and provide indiscriminate access to those who wish to report.

¹¹ This refers, in particular, to Regulation EU 2016/679 (GDPR)

The report can be sent via:

- IT platform accessible from the website www.pradagroup.com and from the corporate intranet;
- email, to whistleblowing@pradagroup.com;
- ordinary mail, to the address Prada S.p.A. Via Antonio Fogazzaro no. 28, 20135 Milan (FAO Internal Audit Department).

The above channels are monitored by Prada S.p.A.'s Internal Audit Department.

In addition, reports may be sent by email to the Company's Supervisory Body (organismo.vigilanza@lunarossachallenge.com), which ensures that they are forwarded to the Group's Ethics Committee¹².

An anonymous report may be made, although the Prada Group encourages named reports for the benefit of speed and efficiency of investigations.

For reports concerning Italian Legislative Decree no. 231/2001, the Internal Audit Director of Prada S.p.A. (or a member of the Ethics Committee) submits the results of the preliminary investigation to the Supervisory Body of Luna Rossa before the final closure of the same, in order to gather any further requests for investigation.

The Ethics Committee proceeds, after hearing the opinion of the Luna Rossa Supervisory Body for those within the scope of 231/2001, to close the report by classifying it as "well-founded" or "unfounded" and "with action" or "without action".

Finally, information flows between the Administration and Control Bodies and Luna Rossa's Supervisory Body are activated.

All Prada Group personnel involved in managing the reports are bound to guarantee confidentiality on the existence of such reports,

their contents and the identity of the persons involved.

The whistleblower is protected from the moment the report is received: in fact, the Prada Group guarantees the confidentiality of his or her identity in compliance with legal provisions.

The Prada Group prohibits and sanctions any form of retaliation or discrimination against the whistleblower and against anyone who has cooperated in the investigation of the reported facts, regardless of whether or not the report is well-founded.

The confidentiality guarantees set out in the Whistleblowing Procedure also protect the reported person.

— 5. Personnel communication and training

In accordance with the Decree, the Company has defined a communication and training plan aimed at ensuring the correct dissemination and knowledge of the Model and the rules of conduct contained therein, for employees already present in the company and those to be hired, with different degrees of in-depth analysis depending on the different level of involvement of the same in activities at risk. The information and training system is supervised and supplemented by the Supervisory Body, in cooperation with Prada SpA's Human Resources Department. In relation to the communication of the Model, the Company has scheduled training meetings with senior persons to illustrate the Decree and the Model adopted, and has prepared specific online training for all personnel aimed at disseminating knowledge of the regulations set out in the Decree and their impact on company operations. Moreover, the Prada Group's Code of Ethics is published on the corporate Intranet and on the website www.pradagroup.com, so as to ensure its widespread dissemination to all Recipients.

12 The Ethics Committee consists of five departments: Audit, Security, Legal, CSR and HR.

The initial communication and periodic training activities for company personnel are documented by the Supervisory Body, as well as by Human Resources of Prada SpA.

— 6. Disciplinary System

6.1. Introduction

The Sanction System is intended to implement the provisions of Decree 231 and aims to introduce a disciplinary system capable of penalising non-compliance with the measures indicated in the Model adopted by the Company. In fact, Article 6(II) of the Decree includes, among the elements of which the Model is composed, the adoption by the entity of a disciplinary system capable of sanctioning non-compliance with the measures indicated by the Model itself.

The principles contained in the Model and the rules/procedures of conduct referring to it form, in fact, a set of rules which all members of the corporate bodies, employees of Luna Rossa - including managers - as well as external consultants and all those who have contractual relationships with Luna Rossa, must observe. Violation of the provisions set out in the Model will therefore be sanctioned in accordance with the general principles indicated herein.

First of all, all employees of Luna Rossa, as identified by Article 2094 of the Italian Civil Code, must be considered subject to the disciplinary system, including, therefore, workers belonging to the management category.

In particular, reorganisation measures may be adopted against managers pursuant to Article 2103 of the Italian Civil Code, as well as, where appropriate, termination of the employment relationship pursuant to Articles 2118 and 2119 of that Code.

With regard to persons having collaboration relationships pursuant to Article 2222 of the Italian Civil Code (self-employed workers) or Article 409 of the Italian Civil Code (semi-subordinate workers), who provide their services in favour of the Company and, in general, with regard to external consultants, as well as all those who have contractual relationships with Luna Rossa, the contract may even be terminated.

6.2. Disciplinary offences and sanction criteria

“Disciplinary offence” means any conduct in conflict with the rules of the Model. The disciplinary system will be applicable in the event that violations of the Model are ascertained, regardless of the initiation or outcome of any criminal proceedings.

The severity of the breach will be assessed according to:

- the intentional nature of the conduct or degree of negligence, imprudence or incompetence, with regard also to the foreseeability of the event;
- the overall conduct of the perpetrator, also with reference to previous infringements;
- the duties performed and the functional position held by the perpetrator.

By way of example, the following behaviours constitute a violation:

- **1** - non-compliance, including through omissions and possibly in conjunction with others, with the general rules of conduct and procedures set out in the Code of Ethics and the Model;
- **2** - omitted and/or irregular drafting of the documentation required by the procedures and protocols;
- **3** - violation or avoidance of the control systems envisaged by the Model, carried out in any way, including the removal, destruction or alteration of documentation relating to procedures, as well as obstruction of controls and any other hindrance to the persons and bodies in charge of control functions;
- **4** - lack of supervision by hierarchical superiors of the conduct of their subordinates with regard to the correct and effective application of the principles contained in the Model;
- **5** - any other conduct, commission or omission, which harms or endangers the interest of Luna

Rossa in the effective and correct implementation of the Model.

Pursuant to Article 6(2bis)(d) (recently introduced by Italian Law no. 291 of 30/11/2017), violations of the measures aimed at protecting persons reporting unlawful conduct or violations of the Model (whistleblowing), or abuses of the same, carried out by those who, with intent or gross negligence, make allegations that turn out to be completely unfounded, are also punishable.

The Supervisory Body shall be informed both of violations and of any sanctions applied as a consequence thereof.

The exercise of disciplinary power against employees - to be carried out in compliance with Art. 7 of Italian Law 300/1970 and applicable collective agreements - is incumbent on the bodies and/or internal functions of Luna Rossa that have, or have been conferred with, the exercise of such power.

6.3. Disciplinary sanctions against non-managerial employees (supervisors, clerks and labourers)

Violation of the law, the provisions of the Code of Ethics and the requirements of this Model committed by employees of the Company, as well as, in general, the performance of behaviours that may expose Luna Rossa to the application of the sanctions established by the Decree, may determine, based on the illustrated criteria, the application of conservative or expulsion sanctions, in compliance with the limits set out in Art. 2106 of the Italian Civil Code and Articles 7 and 18 of Italian Law 300/1970 as also regulated by the National Collective Labour Agreement for the Trade and Tertiary Sector.

6.4. Managerial employees

In light of the trust that characterises the employment relationship with managers, the violation of the provisions of the law, the Code of Ethics and the rules set forth in this Model committed by managers as well as, in general, the performance of behaviours that may expose the Company to the application of the

administrative sanctions envisaged by the Decree, may lead to the application of the measures set forth in the collective labour agreement for the category applied to managerial employees in the particular case, in compliance with Articles 2118 and 2119 of the Italian Civil Code, as well as Art. 7 of Italian Law 300/1970. Ascertainment of any violations, as well as inadequate supervision and failure to provide timely information to the Supervisory Body, may also result in precautionary suspension from work for employees with managerial status, without prejudice to the manager's right to remuneration, as well as the assignment to different tasks in compliance with Article 2103 of the Italian Civil Code.

6.5. Directors

The position of the Directors is of the utmost delicacy; in the event of conduct in breach of the provisions of the Model by one of the Directors, the Supervisory Body will inform the entire Board of Directors and the Board of Statutory Auditors. It will then be up to the Board of Directors to assess the situation and take the measures deemed appropriate, in compliance with the regulations in force.

6.6. Self-employed workers, external consultants and partners

Contracts entered into by Luna Rossa with self-employed workers, external consultants and partners must contain a specific declaration that they are aware of the existence of the Code of Ethics and the Model and an obligation to comply with the latter, or, if the party is foreign or does business abroad, to comply with international and local laws on preventing risks that could cause Luna Rossa to be liable as the result of the commission of offences. Contracts with the above persons must contain a specific withdrawal and/or termination clause associated with non-compliance with such obligations, with the Company retaining the right to compensation for damages incurred as a result of such conduct, including damages caused by the application of the sanctions established by the Decree.