

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

GENERAL PART

LAND HOLDING CO. S.R.L.

REGISTER

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1. THE REGULATORY FRAMEWORK: THE LEGISLATIVE DECREE N. 231/2001

The framework of Administrative liability of Legal entities

The Legislative Decree no. 231, dated June 8, 2001, in implementation of the delegated legislation no. 300 dated September 29, 2000, introduced in Italy the “*the administrative liability of legal persons, companies and associations without legal personality*” (hereinafter referred to as “**Decree no. 231/01**” or the “**Decree**”), which is part of a broad process of legislation to combat corruption and adapting Italian legislation on liability of legal persons to some specific International Conventions previously signed by Italy.

The Decree no. 231/01 sets, therefore, an administrative liability framework (comparable substantially to criminal liability), on legal persons (hereinafter referred to as the “**Entity/entities**”), which shall be added to the responsibility of the individual (better identified below) that committed the offence and that aims to involve, within the punishment of the same, the Entities in whose interest or advantage that offence was committed. This administrative liability is univocally applicable to those crimes listed exhaustively in this Decree.

The Individuals subject to the Decree no. 231/01

The subjects that may determine the liability of the Entity, by committing a crime in the interest or in advantage of the latter, are listed below:

- (i) individuals who hold apical positions (representative, administrative or managerial position in the Entity or in one of its organizational units having financial and functional independence, or individuals who are responsible, effectively, for the management and control: hereinafter referred to as “**Apical Subjects**”);
- (ii) individuals subordinate to the management or supervision of one of the Apical Subjects (hereinafter referred to as “**Subordinates**”).

In this regard, it should be noted that it is not mandatory for the Subordinates to have an employment relationship with the Entity, whereas should be included in this notion also those “*workers who, although they are not strictly “employees” of the entity, have a relationship with it that suggests a supervisory obligation by the senior management of the entity: e.g. intermediaries, semi-subordinate workers in general, suppliers, consultants, and collaborators, etc.*”.

In fact, according to the prevailing doctrinal address, are significant for the purposes of the administrative liability of the Entity those situations where a particular task should be entrusted to external collaborators, required to run it under the direction or control of Apical Subjects.

The Entity is not liable (Article 5, paragraph 2 of the Decree) if the aforementioned subjects acted in the exclusive interest of their own or of third parties. In any case, their behavior shall be related to that “organic” relationship for which the individual's acts may be attributed to the Entity.

The Presumed Crimes

The Decree provides the following types of crimes (hereinafter referred to as “**Presumed crimes**”)

- **Crimes against public administration** (Article. 24 and 25 of the Decree no. 231/01);
- **Computer crimes and illegal processing of data** (Article 24-bis);
- **Organized crimes** (Article 24-ter)
- **Crimes of forging money, public credit notes, revenue stamps and instruments or identity marks** (Article 25-bis);

- **Crimes against to industry and trade** (Article 25-*bis 1*);
- **Corporate crimes** (Article 25-*ter*);
- **Crimes connected to terrorism or subversion of democracy** (the Article 25-*quarter*);
- **Mutilation of female genital organs** (Article 25-*quater.1*);
- **Crimes against individual personality** (Article 25-*quinquies*);
- **Market abuse** (Article 25-*sexies*);
- **Manslaughter or severe personal injuries committed in violation of occupational health and safety provisions** (Article 25-*septies*);
- **Receiving, laundering and using money, goods or profits from illegal activities, or self-laundering** (Article 25-*octies*);
- **Crimes relating to non-cash payment instruments** (article 25-*octies.1* of the Decree);
- **Crimes connected with copyright infringement** (Article 25-*novies*);
- **Inducing individuals into not making statements or into making false statements to judicial authorities** (Article 25-*decies*);
- **Environmental crimes** (Article 25-*undecies*);
- **Transnational crimes** provided by the Law no. 146 dated March 16, 2006 “*Ratification and implementation of the Convention and Protocols of the United Nations Convention against Transnational Organized Crime*”;
- **Crime for the employment of third-country nationals whose stay is irregular and treats of persons** (Article 25-*duodecies*);
- **Racism and xenophobia** (Article 25-*terdecies*);
- **Fraud in sports competitions, abuse of gambling or betting and gambling exercised by means of prohibited devices** (article 25-*quaterdecies* of the Decree);
- **Transnational crimes** provided by the Law no. 146 dated March 16, 2006 “*Ratification and implementation of the Convention and Protocols of the United Nations Convention against Transnational Organized Crime*”;
- **Tax offences** (Article 25-*quinquiesdecies*);
- **Smuggling** (Article 25-*sexiesdecies* of the Decree).
- **Crimes against cultural heritage**(article 25-*septiesdecies* of the Decree);
- **Money laundering of cultural property and wreckage and looting of cultural and landscape property** (article 25-*duodevicies* of the Decree).

It should be noted that the institution can respond to the commission of the **aforementioned crimes** even in the form of the **attempt**.

Sanctions provided by the Decree

The Decree no. 231/01 provides the following types of sanctions applicable to the Entities recipients of the law:

- a) pecuniary administrative sanctions;
- b) disqualification sanctions;
- c) confiscation of the price or of profit of the offence;
- d) publication of the sentence

- a) **The pecuniary administrative sanction**, governed by Articles 10 and subsequent of the Decree, constitutes the "basic" sanction of a necessary application, the payment of which is borne by the Entity with its assets or with the common fund.

The Legislator adopted an innovative criterion of the sanction proportioning, attributing to the Judge the obligation to proceed to two different and subsequent appreciation operations. This entails a greater adjustment of the sanction to the seriousness of the facts and the economic conditions of the Entity.

The first assessment requires the Judge to determine the number of units (in any case no less than a hundred and no more than a thousand) taking into account:

- seriousness of the offence;
- degree of liability of the Entity;
- actions taken to eliminate or mitigate the consequences of the fact and to prevent the perpetration of additional offences.

During the second evaluation, the Judge determines, within the minimum and maximum values pre-determined in relation to the sanctioned offenses, the value of each unit, from a minimum of € 258,00 to a maximum of € 1.549,00.

- b) The following **disqualification sanctions** are provided by the Decree and can only be imposed for specific offences:

- disqualification from carrying out the activity in question;
- suspension or cancellation of the authorizations, licences or concessions required for commissioning the offence;
- prohibition from contracting with the public administration, except for obtaining a public service;
- exclusion from subsidies, funding, contributions or grants and the eventual revocation of those already awarded;
- prohibition from publicising goods or services.

For the disqualification sanctions to be imposed, it is necessary to have at least one of the conditions provided by the Article 13 of the Decree no. 231/01, namely:

- *“the entity has gained from the offense a significant profit and the crime was committed by individuals holding apical positions or by individuals under the others direction when, in this case, the commission of the crime has been determined or facilitated by serious organizational shortcomings”*; or
- *“in case of reiteration of the offenses”*.

Furthermore, the disqualification sanctions can be required by the Public Minister and applied to the Entity by the Judge as a precautionary measure when:

- when there are serious indications of the Entity's liability in the commission of an administrative offense depending on a crime;
- there are reasonable and specific elements that make concrete believe the risk that are committed offences of the same nature as that for which to proceed;
- the Entity has gained from the offense a significant profit.

In any case, no disqualification sanctions are applied when the offense has been committed in the prevailing interest of the author or third parties and the organization has obtained a minimum or no advantage, namely the financial damage caused is particularly slight.

The Legislator has stated that the ban on the activity has a residual nature compared to other disqualification sanctions.

- c) According to the Article 19 of the Decree no. 231/01, it is always ordered, through a conviction sentence, the **confiscation** - including their equivalent- of the price (money or other economic benefit given or promised to induce or cause another party to commit the offence) or profit (economic benefit immediately derived by the entity) except for the portion that can be returned to the plaintiff, without jeopardising the rights acquired in good faith by third parties.
- d) The **publication of the conviction sentence** in one or more newspapers, as an abstract or as a whole, can be ordered by the Judge, with its posting in the municipality where the Entity has its head offices, when a disqualification sanction is applied.

Attempted crimes

In the case of commission in the form of an attempt of the crimes provided by the Decree, the pecuniary (in terms of amount) and disqualifications sanctions (in terms of times) are reduced from a third to a half, while the imposition of sanctions is excluded in where the Entity voluntarily stopped the action or the event (Article 26 of the Decree).

Exemption conditions

The Articles 6 and 7 of the Decree provides specific forms of exemption from administrative liability of the Entity for crimes committed in the interest of in advantage of the latter either by Apical Subjects, or by Subordinates.

In particular, article 6 of the Decree establishes that for offences committed by Apical Subjects, the Entity is not liable if it can prove that:

- a) the steering body adopted and effectively implemented organizational, management and control models, prior to the offence, that could prevent those types of crimes from being repeated (hereinafter referred to as the “**Model**”);
- b) the task of overseeing the functioning of and compliance with the Model has been assigned to a body of the Entity (hereinafter referred to as “**Surveillance Body**” or “**SB**”), with autonomous initiative and control powers;
- c) the persons committed the offence by fraudulently avoiding the Model;
- d) there was not failure to provide or insufficient oversight form the Surveillance Body.

With reference to the Subordinates, the Article 7 of the Decree provides the exemption from administrative liability if the Entity demonstrates that, prior to the commission of the offence, it had adopted and effectively implemented a suitable Model for preventing crimes like that.

However, the exemption of the Entity's liability is not determined by the mere adoption of the Model, but by its effective execution to be realized by implementing all the protocols and controls necessary to limit the risk of committing the offenses the Body intends to avoid.

In particular, with reference to the features of the Model, the Decree expressly provides at Article 6, paragraph 2, the following preparatory steps for proper implementation of the Model itself:

- a) identifying the activities including the possibility of crime commission therein;
- b) providing for specific protocols to plan the making and implementation of the decisions of the Entity in relation to the crimes to be prevented;
- c) identifying the ways in which financial resources are managed to prevent the commission of such crimes;
- d) provision of information obligations to the SB;
- e) the introduction of a disciplinary system capable of sanctioning non-compliance with the provisions of the Model.

The Guidelines of the Category Associations

The preparation of this Model is based on the Guidelines for drafting the Organizational, Management and Control Models pursuant to the Decree no. 231/01, approved by Confindustria on March 7, 2002 and subsequently updated on March 2014 (hereinafter referred to as “Guidelines”).

2. HISTORY AND BUSINESS OF LAND HOLDING CO.S.R.L.

Land Holding Co. S.r.l. is a company whose purpose is to carry out, directly or indirectly, through wholly or partly owned or controlled companies, real estate activities, such as, by way of example, the exercise of property rights, the possession and the holding of immovable property sites in Arzachena and Olbia (Sardinia), as well as the obtaining of authorizations, the development, the financing, the mortgaging, the selling, the leasing or any other transactions relating to the above assets.

The Company has a Board of Directors and the President of the Board, and to those who deputise for it is assigned the relevant representation powers. At the date of approval of this Model, the Company does not have an organizational structure and, consequently, there is no staff at its disposal.

The operation management of the business activities is carried out by Sardegna Resorts S.r.l. according to a specific service contract (intercompany contract) stipulated between the parties.

3. THE 231 MODEL OF LAND HOLDING CO. S.R.L.

Land Holding, aware of the importance of corporate values, together with the fundamental principles of fairness and professional loyalty, as well as the transparent competition on the market from all those who work there, deemed appropriate to adopt its Model with the resolution of the Council of Administration (hereinafter referred to as “BoD”) on May 23, 2016, and updated on September 11, 2017.

In addition, the BoD of Land Holding, in accordance with the Decree, has established an SB responsible for overseeing the operation, effectiveness and compliance of the Model, as well as updating it.

3.1 The purpose of the Model

The Model drawn up by Land Holding has the purpose to:

- provide a system of prevention and control aimed at reducing the risk of commission of offenses, relevant for the purposes of the Decree, related to its activities;
- make all those who work in the name and on behalf of Land Holding, especially those engaged in the “areas at risk”, aware on the possibility to incur, in the event of a violation of the provisions contained therein, in an offense punishable by sanctions, on a criminal and administrative level, not only personally, but also against the Company;
- inform all third parties that operate with Land Holding that the violation of the prescriptions contained in the Model will result in termination of the contractual relationship.

Furthermore, the Model of Land Holding Co. S.r.l. aims at preventing situations of conflict of interest (such as, but not limited to, conflict of interest with representatives of the Public Administration, suppliers, employees of subsidiaries and or affiliated companies, with related parties, etc.), which, in addition to being in conflict with laws and ethical principles, are detrimental to corporate image and integrity.

The Recipients of the requirements contained in the Model – Apical Subjects and third parties as defined hereunder (hereinafter “**Recipients**”) are required to use their professional skills for the achievement of corporate interest, by avoiding any situation and by refraining from any activity that may directly or indirectly oppose to it a – direct or indirect – personal interest or that may interfere negatively with the ability to conduct their own responsibilities and functions in an impartial and objective manner.

The Recipients undertake not to exploit their position to pursue their own (family or economic or personal) interests in contravention of a company's interest.

The Management of the Company is required to avoid and report conflicts of interest between personal and family economic activities and the tasks within the Company. In particular, it is required to report any specific situations and activities in which they or, to the extent of their knowledge, their relatives or kindred within the second degree or cohabitants in fact, have economic and financial interests (owner or shareholder) with suppliers, customers, competitors, third parties, or relevant parent companies.

Any conflict of interests situation, whether potential or just apparent, of kinship or any form of coincidence, of any third party with which the Company has any relationship, must be compulsorily, promptly and in detail communicated in accordance with the company's provisions.

3.2 The drafting of the Model

The Company, which - on first-time adoption of the model - had already undertaken a survey of its business, conducted again, with the support of a leading consulting firm, an in-depth analysis of the same, in order to identify the “areas at risk” within the Company.

According also to the provision included in the Guidelines, the construction of the Model is structured in the following phases:

- (i) preliminary analysis of the reference Company documentation in order to identify and / or update offenses relevant for the Company according to the Decree;
- (ii) identifying and/or updating of the areas of activities and business processes deemed at “risk” or “instrumental” to the crimes commission (hereinafter referred to as “Areas at Risk of Crime”), intended as organizational frameworks or processes in which theoretically could

materialize the commission of presumed crimes, of the “sensitive activities”, namely those from which may arise the risk of committing the offenses provided by the Decree;

(iii) definition, by way of hypothesis, of the main possible ways of committing the Presumed Crimes within each Special Part;

(iv) conducting interviews with the company subjects of Land Holding, aimed at detecting and identifying the Entity's control system to prevent the commission of the Presumed Crimes.

The outcomes of this activity are collected and formalized in a specific document, which forms the Model, named “**LH_D.Lgs.231_Mappa delle Aree a Rischio**”.

On the basis of these activities, it was possible to identify any areas for controls improvement (*gap analysis*) and to draw up the plan for strengthening the internal control system relevant for the provisions of the Decree.

Furthermore, within the drafting of the Model it was taken into account the relationship between Land Holding and Sardegna Resorts S.r.l. which according to an intercompany agreement provides to Land Holding different services (e.g. legal services, IT services, services relating to assets, administrative-financial services, etc.), as well as the specific organizational structure of the Company.

The updating of the Model takes into account the specific operation and organizational peculiarities of the Company .

In particular, the Model has been drafted according to:

- a) the provisions of the Decree no. 231/01;
- b) the Confindustria guidelines and further updating.
- c) the most recent laws on the criminal liability of entities.

3.2.1 The concept of acceptable risk

In the drafting of a Model, the concept of acceptable risk cannot be overlooked. In order to comply with the provisions introduced by the Decree no. 231/01, it is essential to establish a threshold which limits the quantity and quality of the tools to be adopted in order for preventing the crime commission. With particular reference to the sanction mechanism introduced by the Decree, the threshold of acceptability is represented by the effective implementation of an appropriate preventive system that cannot be circumvented, if not intentionally, or, in order to exclude the administrative liability of the Entity, the people who committed the crime acted fraudulently by evading the Model and the controls adopted by the Company.

3.2.2 The structure of the Model and the Presumed Crimes relevant for its drafting

Land Holding has intended to set up a Model that takes into account its peculiar reality and organizational structure, consistent with its own government system and able to enhance existing controls.

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

- affect the internal operation of the Company and the ways in which it relates to the outside;
- regulate the diligent management of a system of control of the Areas at Risk of Crime, aimed at preventing the commission, or attempted commission, of the crimes provided by the Decree.

The Model of Land Holding consists of a “**General Part**”, of “**Special Parties**”, divided according to the various categories of administrative offenses provided by Decree deemed relevant to the Company's business activity and of the “**Annex 1**”, in which are listed the crimes included in the Decree 231/01 and the relevant applicable sanctions.

This General Part describes the essential components of the Model, with particular reference to the SB, the training of the apical subjects on the 231 Model and to the Decree 231/01, the dissemination and communication of the Model to third parties, the disciplinary system and the measures to be taken in case of non-compliance to it.

The Special Sections, duly described according to the specific operational and organisational peculiarities of the Company, contain:

- the types of crimes deemed at risk;
- the general rules of behavior;
- the Areas at Risk detected;
- the business subjects involved;
- the relevant activities for each Areas at Risk of Crime;
- the types of crimes for each Area at Risk of Crime;
- the preventive controls.

The Model is made of the following Special Parts:

- Special Part A, relating to crimes against Public Administration;
- Special Part B, relating to computer crimes and illegal processing of data;
- Special Part C, relating to national and international organized crimes;
- Special Part D, relating to corporate crimes;
- Special Part D1, relating to corruption among private parties;
- Special Part E, relating to crimes connected to terrorism or subversion of democracy;
- Special Part F, relating to receiving, laundering and using money, goods or profits from illegal activities, or self-laundering;
- Special Part G, relating to inducing individuals into not making statements or into making false statements to judicial authorities;
- Special Part H, relating to environmental crimes;
- Special Part I, relating to tax crimes;
- Special Part L, relating to crimes against cultural heritage.

In view of the number of offenses currently constituting the administrative responsibility of the Entities under the Decree, the Model has been updated through a “*risk based*” approach, with regard to the cases considered to be of greater importance, whose commission was concretely and not abstractly conceivable.

3.2.3 The adoption of the Model and its updating

The adoption of the Model is delegated by the Decree itself to the jurisdiction of the governing body (and in particular to the BoD), which is also given the task to integrate and update the Model.

Land Holding has adopted a first version of its model on May 23, 2016.

Subsequently, the Company also for the introduction of further offences under the Decree no. 231/01, proceeded to update its own model, taking into account:

- the Company's organizational change;

- the evolution of the case law and legal literature;
- the practice of the Italian companies in relation to models;
- the evolution of the regulatory framework.

The model shall not be considered as a static document, but instead is designed with a view to continuously updating it as the needs to adjust it may come out over time. In fact, it is subject to constant updating and improvement.

Land Holding, with a view to updating and continuous improvement of its Model according to the suggestions of the SB, decided to start a Project aimed at:

- transpose the organizational changes occurred with respect to the first date of adoption of the Model on May 23, 2016;
- align the Model to the recent regulatory changes introduced in the Decree.

In the process of updating, Land Holding has verified that the Model is aligned to the latest case law on the matter and that it transposes the most accredited doctrinal guidelines, taking also into account the best existing applicative practices.

3.3 The Components of the Model

3.3.1 Code of Ethics of Land Holding S.r.l.

The adoption of a code of conduct as a tool for *governance* constitutes an essential reference point to ensure high *standards* of conduct and then, fully implement the prevention of offences referred to in the Decree. The adoption of the Code of Ethics is also a prerequisite for the effective functioning of the Model established in Land Holding.

Therefore, Land Holding has considered appropriate to adopt and implement a Code of Ethics aimed at enunciating the precepts to be observed in performing its activities. The Company and anyone acting in the name and on its behalf, are inspired in achieving their goals in accordance to the values of transparency, fairness and ethics.

The above Code of Ethics should be, anyway, read and applied jointly, even for disciplinary purposes and with this Model, of which is an integral part.

Violations of the Code of Ethics in relation to the themes related to the Model will be reported directly to the SB and may lead to sanctioning, disciplinary or contractual consequences depending on the qualifications of the individual who committed the violation.

3.3.2 Organizational system

Land Holding is a Company governed by a BoD currently composed of five members.

The BoD is vested with the broadest powers for the ordinary and extraordinary management of the Company, without exception, with all faculties for the implementation and the achievement of corporate goals.

Therefore, it can contract every kind of obligation and perform any act of patrimonial disposition without any limitations, falling within its competence all by law not expressly reserved to the resolutions of the Shareholders' meeting.

The Company has also appointed a Board of Auditors consisting of three members and two alternates.

3.3.3 The Organizational Structure on environmental matters

Land Holding considers environmental protection and sustainable development a priority objective of their business. For this reason, Land Holding has identified environmental liabilities, conferring powers of organization, management and control with regard to the protection of the environment in respect of the provisions.

3.3.4 Financial resources management system

The Article 6, paragraph 2, letter c of the Decree, states that the Models are required to provide for the modalities of management of the financial resources necessary to prevent the commission of crimes. The reason underlying this provision is to be found in the fact that many offences relevant to the discipline in question, may be made through the Company financial resources.

The process of management of the financial resources of Land Holding is based on the following principles:

- the separation of roles in key stages of the process;
- the traceability of documents and authorization levels associated to individual operations;
- the monitoring on the proper execution of the various phases of the process;
- request for payment arrangement specifically formalized;
- authorization of the competent company subject;
- checking the correspondence between good received and good ordered;
- verification of payment;
- invoice check;
- accounting record;
- the documentation of the checks performed.

3.3.5 Outsourced processes

With particular reference to processes, or parts of the process, outsourced from Land Holding to other companies, have been formally defined the criteria for the selection of subjects to whom entrust the outsourcing of operations, the delegations of management and the modalities through which Land Holding gives these assignments and monitors their proper execution.

3.3.6 Authorization and signature powers

The powers are allocated in accordance with the organizational structure of Land Holding. The tasks and responsibilities defined within are ensured in compliance with the provisions set by the Organizational, Management and Control Model pursuant to Decree no. 231/01 of Land Holding and by its Code of Ethics.

The company subject which have been conferred powers is therefore empowered to exercise them within their own area of expertise. The signatory powers are awarded for the fulfilment of the assignment given.

The powers may have representative value with respect to those operations or statements/acts without direct economic value.

3.3.7 Communication and training

The Model takes into account the particular business of Land Holding and is a valuable tool of awareness and information for the “**Recipients**”.

This is set with the aim for the Recipients to follow in performing of their activities, correct and transparent behaviors in line with the ethical and social values that inspire the Company in pursuit of its purpose and such anyway to prevent the risk of committing the offences prescribed by the Decree.

The aim of Land Holding is to ensure proper knowledge by the Recipients on contents of the Decree and the obligations arising from it.

Land Holding also provides for the dissemination of the Model to subjects dealing with the Company through relationships materializing through a professional service, non-subordinated, either occasional or continuous (hereinafter referred to as the “**Third parties**”).

In particular, such Third Parties receive suitable information in relation to the Model adopted by Land Holding in accordance with the Decree.

4. SURVEILLANCE BODY

4.1 Characteristics of the Surveillance Body

As a further requirement for the liability exemption provided by Article 6, paragraph 1, letter b, of the Decree no.231/01, Land Holding has established a body of the Company with autonomous powers of initiative and check, which is given the task of supervising the functioning and compliance with the Model (hereinafter referred to as “SB” or “Surveillance Body”). The SB has its own internal rules governing the main aspects and methods of exercising its action.

With specific regard to the scheduling of meetings, the regulation explicitly provides for the frequency of such meetings, or the need to meet whenever it is deemed appropriate by the Chairman of the SB and/or the concrete needs related to the performance of its activities may require it.

Finally, in accordance with the provisions of the Decree no. 231/01 (articles 6 and 7), as well as with the instructions contained in the Confindustria Guidelines, the characteristics of the SB, in order to ensure effective and efficient implementation of the Model, must be:

- a) autonomy and independence;
- b) professionalism;
- c) continuity of action.

Autonomy and independence

The requirements of autonomy and independence are important to ensure that the SB is not directly involved in the management activities that constitute the object of its control activities and, therefore, is not subject to influence or interference by the governing body.

Professionalism

The SB must have technical and professional skills adequate to the tasks is expected to perform. These features, combined with the independence, ensure the objectivity of judgement.

To this end, the members of the SB must have the knowledge and experience necessary to ensure

collectively, within the limits established by the Model, safe and effective operation control and supervision for all the business procedures under surveillance, with the opportunity, where appropriate, to be supported for special needs by experts, though specific consulting engagement assigned by the Company.

Continuity of action

The SB shall:

- perform continuously the necessary supervisory activities on the Model with adequate commitment and necessary investigative powers;
- be a structure referable to the Company, in order to ensure the necessary continuity in the supervisory activities.

To ensure the effective existence of the requirements described above, these individuals must have, in addition to the professional skills described, the formal subjective requirements further ensure the autonomy and independence provided by the task (e.g. honorability, absence of conflicts of interests and of relationships with corporate bodies and with the top management, etc.).

4.2 Appointment and Composition of the Surveillance Body

The Board of Directors of Land Holding decides the number and qualifications of the members of the SB of the Company.

The BoD has appointed a collective body composed of three members external to the Company, identified among individuals with expertise and experience in matters relating to the duties assigned to the SB.

The Chair of the SB is exclusively reserved, upon appointment by the BoD, to a member external to the Company.

This composition ensures the autonomy in the audit initiative from all forms of interference and/or influence by any members of the organization, while ensuring sufficient continuity of action and, overall, meets the requirement of professionalism in relation to the various categories of Presumed Crimes, as suggested by the Guidelines of Confindustria.

The appointment of the SB is, then, communicated to each member and from the latter accepted. This assignment is subsequently communicated by the BoD to the CEO, through the dissemination of a Company press release describing powers, duties, responsibilities of the SB, as well as its placement within the Company organizational structure and the purpose of its establishment. External member of the SB receive compensation for the performance of the assignment.

4.3 Duration of the assignment and causes of termination

In order to ensure the effective and consistent implementation of the Model, as well as the continuity of action, the duration of the assignment of the SB is in 3 (three) years, renewable if necessary through resolution of the BoD.

The termination of the SB can occur for any of the following causes:

- expiration of the assignment;
- withdrawal of the SB by the BoD.

The withdrawal of the SB can be arranged only for just cause and this shall be limited to the following assumptions:

- serious negligence in performing the tasks assigned;
- the company's involvement in a proceeding, criminal or civil, relating to a failure or insufficient supervision, even negligent.

Outside of the assumptions relating the whole SB, the termination of the assignment of a single member can occur:

- as a result of resignation of the assignment, formalized through written communication sent to the BoD;
- if for one of the reasons for decadence mentioned in section 4.4. occurs;
- as a result of withdrawal by the Board.

The withdrawal of the single member of the SB can be arranged only for just cause and this shall be limited, in addition to the assumptions above referred to the whole Body, by way of example, to the following assumptions:

- in case the component is definitively sentenced for a crime included in the Decree no. 231/01;
- in case of the violation of the obligation of confidentiality provided for members of the SB.

The withdrawal of the SB and of each member is arranged through BoD resolution, approved unanimously, after consulting the Board of Statutory Auditors, from which the BoD can disagree only with proper motivation.

Upon expiration, withdrawal or resignation, the BoD appoints without delay the new member of the SB. Until the date of acceptance of the assignment by the new member, the duties of the SB are performed by the members in charge.

4.4 Cases of ineligibility and of decadence

Constitute reasons for ineligibility and/or decadence from being member of the SB:

- a) Conflicts of interest, even potential, with the Company that affect its independence;
- b) the interdiction, the disqualification, the final conviction, for one of the offences provided by the Decree or, anyway, to a penalty imposing the disqualification from holding public office, even temporarily, or the inability to exercise executive offices;
- c) the public employment relations at central or local governments in the three years before the appointment as member of the SB (unless otherwise determined by the BoD);
- d) the existence of relations of kinship, marriage or affinity within the fourth degree with members of the BoD or of the Board of Statutory Auditors of the Company, as well as with the same members of the parent company or with third parties responsible for the audit activities;
- e) the existence of financial relationships between the member and the Company such as to compromise the independence of the member itself;
- f) being shareholder of the Company or of the Group Company, even indirectly or through a participation above 5% of the share capital;
- g) being a member facing criminal proceedings, under the procedures provided by the Criminal Procedure Code, with reference to one of the offences (committed or tempted) provided by Articles 24 and following of the Decree; for this purpose, are instantly and automatically incorporated into this Model any amendments and/or additions of the types of crimes

envisaged by the Decree;

- h) being the recipient of personal precautionary measures, compulsive or prohibiting, for one of the offences (committed or tempted) provided by Articles 24 and following of the Decree;
- i) being convicted by judgment, even not final, to a penalty imposing disqualification from holding public office, even temporarily, or disqualification from the headquarters of legal entities and companies; the bargain sentence shall be considered equivalent to a conviction;
- j) being convicted by judgment, even not final, to imprisonment not less than six months or for one of the crimes provided by the RD no. 267 dated March 16, 1942, or for an offence against the public administration, against public faith, against property, against public economics or taxation; the bargain sentence shall be considered equivalent to a conviction;
- k) being convicted by judgment, even not final, for one of the offences provided by the Title XI, Book V of the Civil Code; the bargain sentence shall be considered equivalent to a conviction;
- l) being member of the SB in a Company against whom were applied sanctions provided by Article 9 of the Decree;
- m) being subjected finally to one of the preventive measures provided by Article 10, paragraph 3, Law no. 575 dated May 31, 1965, as replaced by Article 3 of the Law no. 55 dated March 19, 1990, and further amendments;
- n) being a member of the Company or of Group companies, even indirectly or with a participation exceeding 5% of the share capital;
- o) being absent, without just cause, at least three meetings of the SB.

In case during the assignment occur a cause for decadence, the Member of the SB is obliged to immediately inform the BoD.

4.5 Functions, duties and powers of the Supervisory Board

The function of the SB is, in general, to:

- spread with the utmost effectiveness and operation the Model within the Company;
- overseeing the effective implementation of the Model in relation to the various types of crimes taken into consideration;
- check the effectiveness of the Model and the adequacy thereof, namely its ability to prevent the commission of the relevant offences and highlight their eventual effective realization;
- verify and deepen the legislation underlying the Model in order to adapt it to the legislative evolution;
- identify and propose to the BoD updating and amendments to the Model itself in relation to changing legislation or to changing needs or business conditions;
- verify that the proposed updating and amendments made by the BoD have actually been encompassed in the Model, within the surveillance activities;
- promote and monitor all activities of information to the Recipients deemed necessary or appropriate, and to promote and monitor the implementation of training initiatives aimed at providing understanding and awareness of the Model and of the procedures related thereto, in order to enhance the control culture and ethical values within the Company;
- verify with the appropriate timeliness, even through the provision of appropriate suggestions, the requests for clarification and/or counseling from the administrative and control bodies, if associated with and/or connected to the Model.

Within the function above described, the SB has the following tasks:

- periodically checking the map of Areas at Risk of Crimes and the adequacy of control points, in order to adapt them to changes of activity and/or company structure.
- periodically performing targeted checks and inspections on specific operations or acts, put in place within the Areas at Risk of Crimes;
- collecting, processing and storing relevant information in order to comply with the Model and updating the list of information to be transmitted to the same SB;
- conducting internal investigations to ascertain the alleged violations of the requirements of this Model brought to the attention of the SB through specific reports or emerged during the surveillance activity performed by the latter;
- carry out checks and inspections, if necessary also through sampling methods, concerning, by way of example, the use of standard clauses, the adoption of procedures, the effectiveness of controls, the consistency of the system of powers in force, in order to verify the actual adoption and implementation of the Model pursuant to the Legislative Decree 231/01.

To perform the functions and duties listed above, the following powers are attributed to the SB:

- accessing in a broad and widespread way to information and business documents, without any needs of prior consent and/or permission;
- performing checks and inspections, without prior notice;
- relying on the support and cooperation of the different corporate structures and bodies that might be interested or involved in the control activities;
- assigning specific consulting and assistance engagements to professionals also external to the Company.

4.6 Resources of the Surveillance body

The BoD allocates human and financial resources to the SB deemed appropriate for carrying out the assignment. In detail, the SB has autonomous spending powers that can be exercised within the limits of the annual budget assigned to it by the Board of Directors. If the Supervisory Body considers that the assigned annual budget is insufficient or insufficient to perform particular work activities (in addition to those already planned and planned), the same body must inform the Board of Directors in order to seek and share the most appropriate needs emerged.

Furthermore, the Supervisory Body also has the right to stipulate, modify and / or resolve professional engagement with third parties having the necessary skills for the efficient execution of the assignment.

4.7 The functioning of the Surveillance Body

4.7.1 Meetings

The SB shall meet at least once every three months and, in any case, whenever the need arises and/or opportunity.

The SB may be convened, at any time, by the BoD.

The meetings shall be convened by the President of the SB through notice containing the agenda. In the absence of convocation, the meeting shall be deemed validly convened when are present, even when connected to video/tele conference, all members of the SB.

4.7.2 Validity of the resolutions

The meetings of the SB are valid with the presence of a majority of the members and shall be chaired by the President.

SB meetings may be held via telecommunication means, with attendees located in different places, contiguous or distant, connected through audio/video/teleconference means, as long as they are compliant to the collegial approach and the principles of good faith and equal treatment of members of the SB.

Each Member of the Body shall be required to declare the latter any conflict of interest with the object of the resolution or the debate, with obligation to abstain from voting. The declaration is acknowledged in the meeting minutes.

4.7.3 Meeting minutes and Documentation

The content of the meetings and the decisions taken are recorded in minutes drawn up in writing. The minutes must contain the names of meeting attendees and of the President, the agenda and any relevant additions, the decisions and explanations of vote.

The minutes shall be valid if signed off by the President, the meeting Secretary and signed off at margin on each page.

Any information and report provided by the Model 231 is kept by the Body in hard copy and /or electronic archive.

4.8 Information flows of the Surveillance Body

4.8.1 Reporting obligations to the Surveillance Body

The Article 6, paragraph 2, lett. d) of the Decree no. 231/01, provides within the Model the reporting obligations to the SB called to supervising the operation and compliance of the Model within the Company.

The obligation of structured information flows is considered as mean for the SB to:

- a) concretely verify the practical effectiveness of the Model;
- b) perform any subsequent investigations on the reasons that made or contributed to the occurrence of the offences provided by the Decree no.231/01;
- c) improve its controls planning activities.

The reporting obligation is intended to the CEO and to the BoD as a top body of the Company.

The reporting obligations do not entail for the SB a timely and systematic check of all the events represented in documents and records sent to the SB itself by the CEO, the BoD, the “third recipients” of the 231 Model, but only of those events that could fall under liability perimeter provided by the Decree no.231/01. Shall be promptly and mandatorily reported to the SB the information:

- that may have bearing on violations of the Model including, but not limited to:
 - the measures and/or news from judicial police bodies, or from any other authority, on conducting investigations involving Land Holding, or members of the corporate bodies in relation to any offences provided by the Decree;

- the reports eventually prepared by responsible of other bodies (for example, Auditors) within the framework of their monitoring activities and from which could emerge facts, acts, events or omissions deemed critical with respect to the observance of the Decree;
 - the requests for legal assistance made by the CEO upon initiation of legal proceedings against them and in relation to the offences provided by the Decree, except express prohibition of the judicial authority;
 - the news related to disciplinary proceedings and to any penalties imposed or the storage of these provisions with the relevant reasons, if they are related to offences or infringements of the behavior or procedural rules of the Model;
 - the existence of any conflicts of interest between one of the Recipients of the Model and the Company;
 - any omissions or falsifications in accounting or book-keeping that underpin the accounting records;
 - any significant deviations from the *budget* or spending abnormalities emerged during the final accounting;
 - the commissions of inquiry or internal reports/communications proving liability for the offence provided by the Decree;
 - violations of health and safety regulations at the workplace, taking into account the absence of an organizational structure and a dedicated operating office;
 - any measures taken by the Judicial Authority or other Authorities on environmental matters, from which may result an actual or potential violation of environmental regulations and/or permissions that govern business activity;
- relating to the Company activities, which may be relevant with regard to the performance by the SB of the tasks assigned, including, but not limited to:
- the organizational changes;
 - any changes, or detected deficiencies, in the corporate and organizational structure;
 - the updates to the system of delegations and powers;
 - the periodic reporting on the state of progress of the training activities on the Decree no. 231/01;
 - the decisions on request, provision and use of public funds;
 - the changes in the Areas at Risk of Crime or potentially at risk;
 - copy of the minutes of the BoD meetings and of the Shareholders' meetings, in case such minutes include relevant information related to the Legislative Decree no.231/01;
 -
 - any communications of the external auditors on aspects which may indicate deficiencies in the internal control system, censurable facts, observations on the Company's financial statements;
 - the statements of accuracy and completeness of the information contained in the external communications not relating to the financial statements of the Company;
 - copy of the minutes of the Board of Statutory Auditors meetings, in case such minutes include relevant information related to the Legislative Decree no.231/01;
 - the outcomes of the check and monitoring activities on the environmental requirements performed by the Company;
 - any inspection reports issued by Public Bodies and/or control Authorities.
- The Company adopts specific dedicated reporting channels in order to ensure confidentiality and

shall facilitate the flow of information and reports to the SB. In particular, the information flow must be submitted via e-mail to odvlandholding@smeraldaholding.com or directly by writing down to the SB at the company's headquarters.

4.8.2 The whistleblowings

The whistleblowings must be made by the recipients of the Organizational, Management and Control Model ex Decree no. 231/01 for the protection of the integrity of the company, in case they have become aware of illegal conducts, which are significant under the legislative decree 231/01, or of violations of the aforementioned Model ex Decree no. 231/01, based on accurate and agreed facts.

Such whistleblowings can be received by the SB of the Company through an message sent to the appropriate email address XXX or by writing to the following address: Supervisory Board of Land Holding Co. S.r.l. – Casa Il Ginepro, 1/a – 07021 Porto Cervo (OT) with stamping on the envelope the word “CONFIDENTIAL”.

4.8.3 The whistleblowings of the “whistleblowers”

As required by Law no. 179 of 30 November 2017, which introduced the so-called “whistleblowing” into the provisions of Legislative Decree no. 231/01, the Company adopts all necessary measures to ensure that in regards with the information flows coming from whistleblowers, as defined in the art. 5 par. 1 of the Legislative Decree no. 231/01 (senior manager and individuals subject to management and supervision of top managers), who comply with the criteria set by the relevant legislation:

- a) one or more channels that allow to submit, for the protection of the integrity of the Entity, detailed reports of illegal conduct, which are significant under the Legislative Decree 231/01 and based on accurate and agreed facts, or of violations of the Model, of which they have become aware by reason of the duties performed; such channels ensure, in the management of the whistleblowing, the confidentiality of the identity of the reporting subject;
- b) at least one alternative reporting channel suitable to ensure, by computerised procedures, the confidentiality of the identity of the reporting subject;
- c) the prohibition of any act of retaliation or discrimination, direct or indirect, against the reporting subject for reasons directly or indirectly related to the whistleblowing;
- d) that the disciplinary system (better described below) provides for sanctions against those who violate the measures of protection of the reporting individual, as well as those who make whistleblowing with intentional or serious negligence that turn out to be unfounded.

The adoption of discriminatory measures against the reporting individuals may be reported to the National Labour Inspectorate, for measures within its competence, not only by the reporting subject, but also by the unions indicated by the same.

In accordance with the provisions of the legislation, following a whistleblowing, the reporting person can not be sanctioned, demoted, dismissed, transferred or be passive of any other disciplinary sanction having direct or indirect negative effects on his working condition and all the actions eventually taken in this sense shall be considered null.

It is the employer's responsibility, in the event of disputes related to the imposition of disciplinary

sanctions, or to demotions, dismissals, transfers, or placing the reporter in other organisational measure having a negative effect, direct or indirect, on working conditions, following the submission of the whistleblowing, to demonstrate that such measures are based on reasons unrelated to the whistleblowing itself.

It is specified that, in the hypothesis of reporting or denouncing made in the forms and within the limits of the law, the pursuit of the interest in the integrity of the entity, as well as in the prevention and repression of embezzlement, constitutes just cause for the disclosure of information covered by the obligation of secrecy as per articles 326, 622 and 623 of the Penal Code and article 2105 of the Civil Code (except where the obligation of professional secrecy is imposed to anyone who has become aware of the information as a result of a relationship of professional consultancy or assistance with the entity, company or individual concerned).

When news and documents that are communicated to the body responsible for receiving them are subject to business, professional or official secrecy, disclosure in ways that go beyond the purposes of eliminating the offence and, in particular, disclosure outside the communication channel specifically set up for this purpose, constitutes a violation of the relative obligation of secrecy.

The Company, in accordance with the provisions of the legislation on whistleblowing, has activated a dedicated channel for receiving alerts by ensuring the confidentiality of the reporting person; the whistleblowing can be sent at the following address: <https://whistleblowing.smeraldaholding.com>, reachable from the website <http://www.smeraldaholding.com>, in the section Governance “Whistleblowings” that is accessible only to the members of the SB.

4.8.4 Management of whistleblowing

The SB evaluates all the whistleblowings received for the provisions of the two preceding paragraphs and determines what possible initiatives, possibly hearing the author of the whistleblowings and/or the person responsible for the alleged violation and / or any other individual it deems useful, providing written reasons for any conclusion reached.

In particular, the whistleblowings received through the channels mentioned above are managed by the SB, which assesses them in order to:

- verify that it falls within the competence of the SB;
- verify that it is sufficiently detailed for it to be further examined.

In the event that the whistleblowing has the above characteristics, the SB starts the activities of investigation, if not, provides for the archiving of the whistleblowing, with a brief explanatory note.

In particular:

- Preparatory activity: the SB evaluates the whistleblowing at its own discretion and under its own responsibility in order to assess the need to carry out specific investigations to ascertain the facts reported there. This need is determined on the basis of the following elements: (i) information provided with the whistleblowing; (ii) current procedures in force relating to the reported facts; (iii) previous whistleblowings/checks having the same purpose and already examined.
- Filing/pursuit: in the event that the SB deems not necessary to carry out further checks, it draws up a brief explanatory note of the analyses carried out and archives the whistleblowing. If, on the other hand, it deems necessary to proceed with further investigations, it starts with tailor made checks (investigation activities), possibly in a confidential manner, depending on the subject of the whistleblowing.
- Investigation activities: the investigation activity that may follow the whistleblowing is

carried out with the support of the relevant functions or external subjects and in compliance with all applicable rules for the protection of both the reporting subject and of any subjects involved in the checks.

- Corrective measures: if the investigation deems appropriate to perform a corrective action, the SB requests its implementation.

The SB establishes a register of whistleblowings, containing an indication of the reports received, the relevant individuals in charge of them, as well as any penalties imposed against them.

All the above activities must be properly minuted by the SB. The relevant reports are kept by the SB, together with the alarm log, specially set up and containing an indication of reports received.

4.8.5 Reporting obligations for the Surveillance Body

The SB shall report on the implementation of the Model and upon the occurrence of any issues.

In particular, the SB has the responsibility to the BoD for:

- communicating any issues on the activities, if deemed relevant;
- reporting, on an annual basis, on the implementation of the Model, on the control and monitoring activities performed and on the outcomes thereof.

The SB is obliged to report periodically, on an annual basis, on its activities either to the BoD or to the Board of Statutory Auditors; always, on an annual basis, is required to prepare the plan of the activities scheduled for the next year.

The SB will meet with these bodies to report on the operation of the Model or on specific situations. The meetings with the corporate bodies which the SB reports must be recorded. A copy of such minutes shall be kept respectively by the SB and by the corporate bodies from time to time involved. Notwithstanding the above, the SB may also report, considering the individual circumstances:

- (i) the results of its findings to the CEO and the BoD in case from the activities emerge any aspects of improvement. In such cases it will be necessary for the SB to obtain an action plan, with relevant timing, for the implementation of activities capable of improvement as well as the result of such implementation;
- (ii) to the BoD and to the Board of Statutory Auditors behaviors/actions not in line with the Model in order to:
 - a) collect from the BoD all elements to make any communications to the structures competent for evaluation and application of disciplinary measures;
 - b) provide guidelines for the removal of deficiencies in order to avoid a repetition of the occurrence.

The Body, finally, has the obligation to immediately report to the Board of Statutory Auditors in case of violation relating to members of the BoD.

5. SYSTEM OF SANCTIONS

5.1 General principles

In order to ensure the effectiveness of the Model is provided for a specific system of sanctions pursuant to the Decree no.231/01, which operates in case of violation of the provisions of the Model itself, the Code of Ethics and the procedures.

The violation of the rules of conduct and of the measures foreseen in the Model, the Code of Ethics and the relevant procedures, by anyone who is in a contractual relationship with Land Holding (i.e. directors, managers, external collaborators, etc.), constitutes a failure to fulfil the obligations arising from the contractual relationship, in accordance with Article 1218 of the Civil Code. More specifically, failure to follow the rules and the provisions contained in the Model, in the Code of Ethics and in the relevant procedures, affects, by itself, the trusting relationship with Land Holding and leads to the material termination of the relationship. This also in accordance with the principles of timeliness and immediacy of the complaint and of the imposition of sanctions, in accordance with the laws in force.

In addition, in the event that any persons with whom the Company is contractually in contact (regardless of the formal nature of the relationship) violate the rules and provisions of the Model, the Code of Ethics and relevant procedures, shall be imposed contractual penalties provided by the disciplinary system, whose general principles should be considered, on legal and contract terms, part of contractual agreements in place with the involved stakeholders.

The application of the sanctions described in the sanctioning system is independent on the outcome of any criminal proceedings, since the rules of conduct imposed by the Model, the Code of Ethics and the relevant procedures are performed by Land Holding independently and regardless of the type of crimes provided by the Decree no.231/01.

For the assessment of the effectiveness and suitability of the Model to prevent offences provided by the Decree, the Model identifies the sanctions and behaviors that may favor the commission of crimes.

The sanctions are divided by degrees, depending on the different degree of danger that the conduct may arise with respect to the commission of crimes.

5.2 Definition of “Infringement” for the purposes of the operation of the present System of Sanctions

By way of example and without limitation constitutes “Infringement” of the Model, of the Code of Ethics and of the relevant procedures:

- the implementation of actions or behaviors, not compliant with the law and the requirements contained in the Model itself, in the Code of Ethics and in the relevant procedures, from which may result a situation of mere risk of committing one of the offences provided by the Decree no. 231/01;
- the omission of actions or behaviors provided by the Model, by the Code of Ethics and by the relevant procedures, from which may result a situation of mere risk of committing one of the offences provided by the Decree no. 231/01;
- the violation of the protection measures of the subjects that carry out the reports referred to in p. 4.8.2 and p. 4.8.3 of the Model, as well as the execution, with intentional *fault and serious misconduct*, of reports that prove to be unfounded

5.3 Criteria for the imposition of sanctions

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

- subjective element of conduct (fraud, guilt);
- commission of other infringement in the previous two years (repeated offence);

- relevance of the obligations infringed;
- potential of damage for Land Holding and of the possible application of the sanctions provided by the Decree and any subsequent amendments or additions;
- level of responsibility relating to compliance with laws, regulations, orders or associated disciplines to the job position held by the individual concerned;
- existence of aggravating or mitigating circumstances, with particular reference to previous performed by the recipient of the Model and to any previous disciplinary proceedings;
- any possible sharing of responsibility with third parties who have competed in determining the Infringement;
- any collaborative behavior following the contestation of the Infringement.

In case through a single act more infringements have been committed, punished with different sanctions, only the most severe sanction will be applied.

In any case, disciplinary sanctions shall be imposed to employees in accordance with Article 7 of the Law 300/70 (hereinafter referred to as “**Workers Statute**”) and all other regulatory and contractual provisions exiting on the matter.

5.4 Directors

Failure to follow the forecast indicated in the Model, in the Code of Ethics and the relevant procedures by one or more Directors implies the application of sanctions in accordance with the principles of proportionality and effectiveness, also taking into account the trusting nature of the relationship.

In case of Infringement of the Model by one or more of the Directors of Land Holding, the SB shall inform without delay the BoD and the Board of Statutory Auditors of the Company for the appropriate evaluations and measures.

The BoD, the Board of Statutory Auditors and the Shareholders’ Meeting, within the limits of their competence provided by law and/or Statute, will take on the most suitable and appropriate initiatives to find and punish the alleged violation.

In addition to the sanctions provided by law, the sanctions to be imposed will be chosen among the following:

- Written reprimand and notice to punctually comply with the Model, the Code of Ethics and the relevant procedures in case of minor infringement, through action or omission, also in conjunction, of the provisions indicated in the Model and of the procedures for its implementation, including the violation of the arrangements for managing financial resources identified in the Model itself and in procedures for its implementation;
- Suspension from the office up to three months, in case of severe infringement of the Model or of the procedures for its implementation, including the violation of the arrangements for managing financial resources identified in the Model itself and in procedures for its implementation (for example, circumventing the controls implemented by the SB; unjustified impediment or hindrance to the SB and the bodies in charge for the implementation of the procedures of the Model for accessing the information and documentation; subtraction, destruction and/or alteration -even partial- of the documentation required by the procedures for the implementation of the Model);
- Withdrawal from the office in the event of one or more infringements of the Model of such seriousness to irreparably affect the trusting relationship established with the Company and

to not allow the continuation, even temporary, of the relationship. It is intended that this violation represents just cause for dismissal and as such shall be accepted by each Director on duty *pro tempore*.

In assessing the extent of the infringement will be taken into account the suitability of the behavior, put in place in infringement of the provisions of the Model, of the Code of Ethics and of the procedures, to determine the practical application from Land Holding of the sanctions provided by the Decree no. 231/01.

It remains without prejudice to any liability actions and/or claims for damages if from this concrete behavior result damages against Land Holding.

5.5 Statutory Auditors

In case of Infringement of the Model from one or more members of the Board of Statutory Auditors, the SB shall inform the BoD and the Board of Statutory Auditors, and upon request of the Chairman of the BoD will be convened the Shareholders' meeting to adopt the appropriate measures.

5.6 Third Parties

In case of Infringement of the Model from Third Parties, the Company, depending on the seriousness of the violation: (i) shall recall the involved subjects to the strict compliance of the provisions therein; or (ii) shall be entitled, depending on the different types of contract, to withdraw from the relationship in place for just cause or to terminate the contract in case of failure from the above mentioned subjects.

To this end, Land Holding has foreseen the inclusion of specific clauses in these contracts providing: **(a)** the disclosure to Third Parties of the adoption of the Model and of the Code of Ethics of Land Holding, which they claim to have read, pledging to respect its contents and not to put in place behaviors that may result in a violation of the law, of the Model, or in the commission of any of the presumed crimes; **(b)** the right for the Company to withdraw from relationship or to terminate the contract (with or without penalties), in case of non-compliance to those obligations.

5.7 The process of application of sanctions

The procedure for application of sanctions starts from the reception by the Company bodies from time to time involved and indicated below, of the communication through which the SB reports the actual infringement of the Model, of the Code of Ethics and of the procedures.

In particular, in all cases where the SB receives a report or acquires, during its supervisory activities, the elements from which may arise the danger of Infringement of the Model, of the Code of Ethics and of the procedures, has the obligation to carry out investigations and inspections falling within its duties and deemed necessary.

Once the verification and control activity is finished, the SB evaluates, on the basis of the collected evidence, if it actually occurred a sanctionable Infringement of the Model, of the Code of ethics and of the procedures. If so, reports the Infringement to the Chairman of the BoD; if not, sends the report to the CEO so that it can assess the possible relevance of conduct with respect to other applicable laws or regulations.