



ORGANISATION, MANAGEMENT, AND CONTROL MODEL ADOPTED BY PAGANI S.P.A.

Approved by the board of directors on 28/04/2022





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I.

Italian legislative decree n. 231 dated 8 June 2001, regarding liability, under administrative law, of legal persons, companies, and associations, including those without legal personality

1.1 Liability of legal persons pursuant to administrative law

Italian legislative decree n. 231 dated 8 June 2001, which implemented Italian delegated law n. 300 dated 29 September 2000, introduced “Provisions for liability, under administrative law, of legal persons, companies and associations, including those without legal personality” (hereinafter also referred to, for the sake of brevity, as “**Italian legislative decree n. 231/2001**” or the “**Decree**”); the said legislative decree falls within an extensive legislative process to combat corruption and adapts Italian legislation concerning liability of legal persons to certain international conventions signed by Italy before this.

Italian legislative decree n. 231/2001 therefore establishes a regime of liability pursuant to administrative law (equivalent in substance to criminal liability), which is attributable to legal persons (hereinafter also referred to, for the sake of brevity, as the “**Entity/Entities**”) in addition to the liability of the natural person¹, i.e. the individual (as better described below) who actually committed the offence and which aims to open up the punishment for such offence to include the entities in whose interest or to whose advantage the offence was committed. This administrative law liability only applies in the event of the qualifying offences listed in the aforesaid Italian legislative decree n. 231/2001.

Article 4 of the Decree also specifies that in some cases and under the conditions provided for in articles 7, 8, 9, and 10 of the Italian Criminal Code, Entities whose main headquarters are located in Italian territory can be found liable under administrative law for offences committed abroad by natural persons (as better specified below) if the State where the offence was committed does not take action against such Entities.

1.2 Persons to whom or which Italian legislative decree n. 231/2001 applies

An Entity can be found liable if any of the following parties commits any offence in the interest or to the advantage thereof:

- (i) natural persons who hold senior management positions, i.e. with representative, administrative, or managerial duties within the Entity or one of its organisational units which are financially and functionally independent, or persons involved in a de facto manner in the Entity's management and control (hereinafter referred to, for the sake of brevity, as the “**Senior management persons**”),
- (ii) Natural persons under the management or supervision of one of the Senior Management Persons (hereinafter referred to, for the sake of brevity, as the “**Junior Persons**”).

In this regard, it is worth noting that Junior Persons do not have to have a formal employment relationship with the Entity as this term also includes “workers who, although not “employees” of the Entity, have a relationship which one could reasonably believe involves a duty of supervision by the senior management of the Entity: for example, agents, partners in joint ventures, quasi-employees in general, distributors, suppliers, consultants, and independent contractors”².

Indeed, according to prevailing legal theory, those situations in which a particular task is assigned to independent contractors who are required to carry it out under the guidance or control of Senior Management Persons are deemed material for the purposes of the Entity's liability under administrative law.

However, it must be reiterated that, by express legislative provision (article 5.2 of the Decree), the Entity is not liable if the aforesaid parties acted exclusively in their own interest or in the interest of third parties. In any case, their conduct must be referable to the “organic” relationship envisaged as a result of which conduct by a natural person can be attributed to the Entity.

1. Article 1 of Italian Legislative Decree n. 231/2001 limited the scope of the parties to whom or which the legislation applies to the “entities with legal personality and companies and associations, including those without legal personality”. Given this, the legislation applies to:

- entities subject to private law, or entities with legal personality and associations, including those without legal personality;
- entities subject to public law, or entities subject to public law but without public powers (also known as “state-controlled companies”);
- entities subject to both public and private law (also known as “public-private partnerships”)

However, the following are exempt: the State, local authorities (regional, provincial, city, town, and mountain community councils), not-for profit public entities, and, in general, all entities that serve constitutionally important purposes, such as Italy's Chamber of Deputies, Senate of the Republic, Constitutional Court, General Secretariat of the Presidency of the Republic, the Superior Council of the Judiciary, etc.).

2. Citation from Assonime (association for public limited companies) circular n. 68 dated 19 November 2002.



1.3 Predicate Offences

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

- (i) Offences against public administration authorities (articles 24 and 25 of Italian legislative decree n. 231/2001), introduced by the Decree and subsequently amended by Italian law n.190 dated 6 November 2012 and by Italian law n. 69 dated 27 May 2015;
- (ii) Computer crimes and unlawful data processing, introduced by article 7 of Italian law n. 48 dated 18 March 2008, and added to Italian legislative decree n. 231/2001 under article 24-bis;
- (iii) Organised crime offences, introduced by article 2.29 of Italian law n. 94 dated 15 July 2009 and added to Italian legislative decree n. 231/2001 under article 24-ter, and subsequently by Italian law n. 69 dated 27 May 2015 and by Italian law n.236/2016;
- (iv) Offences relating to the counterfeiting of coins, public credit notes, duty stamps, identification instruments, and distinctive signs, introduced by article 6 of Italian law n. 406 dated 23 November 2001, added to Italian legislative decree n. 231/2001 under article 25-bis, and subsequently supplemented by article 15.7.a) of Italian law n. 99 dated 23 July 2009;
- (v) Offences against industry and commerce, introduced by article 15.7.b) of Italian law n. 99 dated 23 July 2009, and added to Italian legislative decree n. 231/2001 under article 25-bis.1;
- (vi) Corporate offences, introduced by Italian legislative decree n. 61 dated 11 April 2002, added to Italian legislative decree n. 231/2001 under article 25-ter, and subsequently supplemented by Italian law n. 190 dated 6 November 2012 and amended by Italian law n. 69 dated 27 May 2015;
- (vii) Offences committed with terrorist intent or with the intention to subvert democracy, introduced by Italian law n. 7 dated 14 January 2003, and added to Italian legislative decree n. 231/2001 under article 25-quater;
- (viii) Female genital mutilation, introduced by Italian law n. 7 dated 9 January 2006 and added to Italian legislative decree n. 231/2001 under art. 25-quater.1;
- (ix) Offences against the person, introduced by Italian law n. 11 August 2003, n. 228, added to Italian legislative decree n. 231/2001 under article 25-quinquies, and subsequently amended by Italian law n. 199 dated 29 October 2016;
- (x) Market abuse offences, provided for by Italian law n. 62 dated 18 April 2005, added to Italian legislative decree n. 231/2001 under article 25-sexies and to the Italian Consolidated Law on Finance under article 187-quinquies “Liability of an Entity”;
- (xi) Crimes including manslaughter or serious or grave injury, committed by breaching accident-prevention or health and safety at work provisions, introduced by Italian law n. 123 dated 3 August 2007, and added to Italian legislative decree n. 231/2001 under article 25-septies;
- (xii) Offences consisting of receipt of stolen goods, money laundering, use of money, goods, or benefits of illegal origin, and self-laundering, introduced by Italian legislative decree n. 231 dated 21 November 2007, added to Italian legislative decree n. 231/2001 under article 25-octies, and subsequently supplemented by Italian law n. 186 dated 15 December 2014, which introduced provisions for self-laundering (art. 648-ter.1 of the Italian Criminal Code);
- (xiii) Copyright infringement offences, introduced by article 15.7.c) of Italian law n. 99 dated 23 July 2009, and added to Italian legislative decree n. 231/2001 under article 25-novies;
- (xiv) Offence consisting of Incitement to withhold statements or to make false statements before judicial authorities, introduced by art. 4 of Italian law n. 116 dated 3 August 2009, and added to Italian legislative decree n. 231/2001 under article 25-decies³;
- (xv) Environmental offences, introduced by Italian legislative decree n. 121 dated 7 July 2011, added to Italian legislative decree n. 231/2001 under article 25-undecies, and subsequently amended by Italian law n. 68 dated 22 May 2015;
- (xvi) Transnational offences, introduced by Italian law n. 146 dated 16 March 2006 titled “*Law to transpose the United Nations Convention and Protocols against transnational organised crime*” and subsequently amended by Italian law n. 69 dated 27 May 2015;
- (xvii) Offence consisting of employment of illegal immigrants, introduced by Italian legislative decree n. 109 dated 16 July 2012, providing for the “*Implementation of Directive 2009/52/EC which introduces minimum standards on sanctions and measures against employers that employ citizens from third countries who are residing in Italy illegally*”, and added to Italian legislative decree n. 231/2001 under article 25-duodecies;
- (xviii) Racial and xenophobic crimes, introduced by article 5 of the European Law and added to Italian legislative decree n. 231/2001 under article 25-terdecies;
- (xix) Offences relating to extortion, undue incitement to give or promise benefits, and bribery, introduced by Italian legislative decree n. 75/2020 and added to Italian legislative decree n. 231/2001 under article 25;

3. Originally 25-novies and thus renumbered by Italian Legislative Decree 121/2011.



- (xx) Smuggling offences, introduced by Italian legislative decree n. 75/2020 and added to Italian legislative decree n. 231/2001 under article 25-*sexiesdecies*;
- (xxi) Offences against cultural heritage, introduced by Italian bill n. 893-B and added to Italian legislative decree n. 231/2001 under article 25-*septiesdecies*;
- (xxii) Offences relating to fraud in sports competitions, illegal gambling or betting and gambling carried out by means of prohibited devices, introduced by Italian law n.39/2019 and added to Italian legislative decree n. 231/2001 under article 25-*quaterdecies*;
- (xxiii) Offences relating to means of payment other than cash, introduced by Italian legislative decree n. 184/2021 implementing Directive 2019/713/EU on the fight against fraud and falsification of means of payment other than cash and added to Italian legislative decree n. 231/2001 under article 25-*octies*.1;
- (xxiv) Offences relating to undue receipt of funds, fraud against the State or a public authority, or with the intention of obtaining public funds, computer fraud against the State or a public authority, introduced by Italian legislative decree n. 75 dated 14 July 2020 and added to Italian legislative decree n. 231/2001 under article 24;
- (xxv) Offences envisaged in the Italian law governing the quality of olive oil known as the "Save Oil Law" and which provides for the liability of entities for administrative law offences committed as a result of a criminal offence, introduced by Italian law n. 9 dated 14 January 2013 and added to Italian legislative decree n. 231/2001;
- (xxvi) Tax offences, introduced by Italian law n. 157/2019 and added to Italian legislative decree n. 231/2001 under article 25-*quinquedecies*;
- (xxvii) Offences relating to the recycling of cultural heritage and the destruction and looting of cultural and landscape heritage sites, introduced by Italian Bill n. 893-B and added to Italian legislative decree n. 231/2001 under article 25-*duodevices*.

1.4. The penalties provided for by the Decree

Italian legislative decree n. 231/2001 provides for the following types of penalties, which are applicable to the entities envisaged therein:

- (a) pecuniary penalties envisaged for administrative law offences;
- (b) disqualification measures;
- (c) confiscation of the price paid or the profit resulting from the offence;
- (d) publication of the ruling.

(a) **The pecuniary penalty** envisaged in articles 10 et seq. of the Decree is the first-level penalty that must be applied, and the Entity is required to pay the penalty using either equity or its mutual fund.

Lawmakers have adopted an innovative approach to determining the amount of the penalty, within which the courts are required to make two different, consecutive assessments. This allows greater capacity to adapt the penalty to the gravity of the offence and to the Entity's financial situation. The first assessment involves establishing a number of points to apply (which must be between one hundred and one thousand)⁴ taking into account the following factors:

- the gravity of the matter;
- the degree of liability of the Entity;
- the activity carried out to eliminate or mitigate the consequences of the matter and to prevent the commission of further offences.

In the second assessment, the court establishes the amount to be attributed per point, applying the minimums and maximums established according to the offence (from a minimum of €258.00 to a maximum of € 1,549.00). This amount is established "on the basis of the Entity's financial situation in order to ensure the effectiveness of the penalty" (articles 10 and 11.2, Italian legislative decree n. 231/2001).

As stated in section 5.1. of the Report on the Decree, "As for the methods of ascertaining the Entity's financial situation, the court may make use of the financial statements or other records which can provide a true and fair view of the situation. In some cases, the assessment can also take the size of the Entity and its position on the market into consideration. The court will necessarily have to delve, with the help of expert witnesses, deep into the company's business circumstances, in order to draw out information relating to its solidity in terms of performance, cash flow, and equity".

Article 12 of Italian legislative decree n. 231/2001 provides for a series of cases in which the financial penalty is reduced. These are outlined schematically in the following table, with specification of the reduction applicable and the conditions in which the reduction is applied.

4. With reference to market abuse offences, point 2 of article 25-*sexies* of Italian Legislative Decree n. 231/2001 stipulates that: "If the Entity makes significant gains or profit following the offences set out in point 1, the penalty may be increased by up to ten times such gains or profit".



Reduction	Requirements
1/2 (and on no account exceeding €103,291.00)	- The party who committed the offence was acting in their own overriding interest or of that of third parties <u>and</u> the Entity did not gain an advantage or only an insignificant advantage from it; <u>or</u> - the monetary damage caused is particularly minor.
from 1/3 to 1/2	[Before the opening statement of the first-instance court hearing] - The Entity has fully compensated the damage and has remedied the harmful or dangerous consequences of the offence or has, in any case, taken effective action to do so; <u>or</u> - an organisational model suitable to prevent offences of the type that occurred has been adopted and made operational.
from 1/2 to 2/3	[Before the opening statement of the first-instance court hearing] - The Entity has fully compensated the damage and has remedied the harmful or dangerous consequences of the offence or has, in any case, taken effective action to do so; <u>and</u> - an organisational model suitable to prevent offences of the type that occurred has been adopted and made operational.

(b) The following **disqualification measures** are provided for by the Decree and only apply to certain expressly specified offences:

- ban on engaging in the business carried out by the company;
- suspension or revocation of permits, licenses, or concessions which were instrumental to the commission of the offence;
- ban on dealings with the public administration authorities, except to obtain public services;
- exclusion from concessions, loans, aids, and subsidies, and/or possibility of revocation of those already granted;
- ban on advertising goods or services.

For disqualification penalties to be imposed, at least one of the conditions referred to in Article 13 of Italian legislative decree n. 231/2001 must be met, namely:

- "the Entity gained a significant profit from the offence and the offence was committed by persons in senior positions or by persons under the management of others when, in this case, commission of the offence was determined or facilitated by serious organisational shortcomings"; or
- "in the event of repetition of the offence"⁵.

Furthermore, disqualification penalties can also be requested by the public prosecution department and applied to the Entity by the court as an interim measure, when:

- there is serious reason to believe that the Entity is liable for an administrative offence resulting from a criminal offence;
- specific, well-founded information emerges that makes it reasonable to believe that there is a real risk that offences of the same nature as the one in the case in hand will be committed;
- the Entity has made a significant profit.

In any case, disqualification penalties are not applied when the offence was committed in the prevailing interest of the perpetrator or third parties and the Entity obtained very little or no advantage from it, or the financial damage caused was particularly minor.

The application of disqualification penalties is also excluded in the event that the Entity has implemented the reparatory measures envisaged by Article 17 of Italian legislative decree n. 231/2001 and, more precisely, when the following conditions are met:

- "the Entity has fully compensated the damage and has remedied the harmful or dangerous consequences of the offence or has, in any case, taken effective action to do so";
- "the Entity has remedied the organisational shortcomings that led to the offence by adopting and implementing organisational models which are suitable to prevent a recurrence of the same kind of offence";
- "the Entity has handed over (for confiscation purposes) the profit obtained".

5. Pursuant to article 20 of Italian Legislative Decree n. 231/2001, "repetition occurs when an Entity which has already received at least one final conviction for an offence resulting from a criminal offence, commits another in the five years following the said final conviction".



The disqualification penalties have a term of no less than three months and no more than two years and the choice of the measure to apply and the term thereof is made by the court on the basis of the criteria stated earlier for establishing the amount of the pecuniary penalty, *"taking into account the suitability of each penalty to prevent offences of the kind committed"* (art. 14 of Italian legislative decree n. 231/2001).

Lawmakers then took care to clarify that the ban on engaging in the business carried out by the company remains in place after the other disqualifying penalties have reached term.

(c) Pursuant to article 19 of Italian legislative decree n. 231/2001, the conviction ruling always envisages **confiscation** (either of the said sum or of equivalent assets of the same worth) of the price (money or other economic gain either given or promised to persuade or cause someone to commit the offence) or of the profit (immediate economic gain) from the offence, except the part thereof that can be paid to the injured party, without prejudice to the rights acquired by good-faith third parties.

(d) **The publication of the conviction ruling** in one or more newspapers, either in abbreviated form or in full, may also be ordered by the court, together with its posting in the town or city where the Entity has its head office when a disqualifying penalty is applied. The ruling is published by the competent court with costs borne by the Entity.

1.5 Attempted offences

In the event of attempt to commit any of the Predicate Offences envisaged by the Decree, the pecuniary penalties (in terms of amount) and disqualifying penalties (in terms of time) are reduced by an amount ranging from one third to one half, while the application of penalties is precluded if the Entity voluntarily takes steps to prevent the action or event taking place (article 26 of the Decree).

1.6 Exempt conduct

Articles 6 and 7 of Italian legislative decree n. 231/2001 provide for specific forms of exemption from liability of the Entity, under administrative law, for offences committed in the interest or to the advantage thereof by either Senior Management Persons or Junior Persons (as defined above in section 1.2).

More specifically, in the case of offences committed by Senior Management Persons, article 6 of the Decree provides for exemption if the Entity demonstrates that:

- a) before the offence was committed, the governing body had adopted and effectively implemented an organisation and management model suitable to prevent the kind of offence that occurred being committed (hereinafter referred to, for the sake of brevity, as the **"Model"**);
- b) the task of supervising the implementation of and compliance with the Model, as well as ensuring it is updated, has been entrusted to a body within the Entity (hereinafter referred to, for the sake of brevity, as the **"Supervisory Body"** or the **"SB"**), with independent initiative and control powers;
- c) the persons who committed the offence acted fraudulently by circumventing the Model;
- d) the supervisory body had either failed to carry out or insufficiently carried out its supervisory activities.

As regards the Junior Persons, article 7 of the Decree provides for their exemption from liability in the event that, before the commission of the offence, the Entity had adopted and effectively implemented a Model designed to prevent offences of the kind that occurred.

However, the Entity's exemption from liability does not result from simply adopting the Model, but rather from the effective implementation of the Model, which must be achieved by putting in place all the protocols and safeguards needed to limit the risk of the offences which the Entity intends to prevent being committed. More specifically, with reference to the characteristics of the Model, the Decree sets out expressly, in article 6.2, the preparatory steps necessary to ensure correct implementation of the Model, namely:

- a) identification of activities in which there is the possibility that offences may be committed;
- b) preparation of specific protocols for the decision-making process and the implementation of the Entity's decisions in relation to the offences to be prevented;
- c) definition of procedures for managing financial resources suitable to prevent the commission of such offences;
- d) definition of disclosure requirements for the Supervisory Body;
- e) introduction of a disciplinary system to penalise non-compliance with the measures specified in the Model.



1.7 The Guidelines

The delegated lawmakers made express provision for the Models to be devised based on codes of conduct drawn up by trade associations representing the sectors in question, which have been sent to the Italian Ministry of Justice which, working with the competent ministries, can comment, within 30 days, on the suitability of these models to prevent offences.

This Model has been created according to the Guidelines for the construction of organisation, management, and control models pursuant to Italian legislative decree n. 231/2001, approved by Confindustria on 7 March 2002 and subsequently updated (hereinafter referred to as simply the “**Guidelines**”).

According to the Guidelines, the key steps to be taken when developing the Model can be summarised as follows:

- identification of areas at risk, in order to establish the corporate areas/sectors in which offences could be committed;
- preparation of a control system to reduce risks through the adoption of specific protocols. To support this, the coordinated set of organisational frameworks, activities, and operating rules applied (with guidance from the senior management) by the middle management and consultants is helpful and provides reasonable certainty as to the achievement of the objectives included in a good internal control system. The most relevant components of the preventive control system proposed by the Guidelines issued by the Confindustria trade association are, with regards to the prevention of intentional offences:

- the Code of Ethics;
- the organisational system;
- manual and IT procedures;
- authorisation powers and signing authority;
- control and management systems;
- dissemination to personnel and their training.

With reference to unintentional offences (concerning health and safety at work and - albeit after the Guidelines were issued - the majority of environmental offences), Confindustria identified the following key components:

- the Code of Ethics (or conduct) with reference to the offences considered;
- the organisational framework,
- education and training,
- communication and engagement,
- operations management,
- the safety monitoring system.

The control system must be based on the following principles:

- verifiability, documentability, consistency, and congruence of each action;
- segregation of duties (no individual is solely responsible for managing all the stages of a process);
- control documentation;
- introduction of an appropriate penalty system for breaches of the rules and protocols envisaged by the Model;
- establishment of a Supervisory Body meeting the following main requirements:
 - independence,
 - professionalism,
 - continuity of action;
 - obligation by the company departments, in particular those identified as most “at risk of an offence”, to provide information to the Supervisory Body, both on a structured basis (periodic disclosures required as part of the implementation of the Model) and to report anomalies or outliers in the available information.



II. This Model

2.1 Pagani S.p.A.

Pagani S.p.A. (hereinafter referred to, for the sake of brevity, as “**Pagani**” or the “**Company**”), was founded in San Cesario sul Panaro (MO) in 1991 by Horacio Pagani an expert in design with specialist expertise in the automotive industry. Originally trading under the name Modena Design, the Company was created in response to growing demand for design and engineering services in addition to model, mould, and prototype construction services.

The unique strength of Pagani S.p.A. has always been its ability to experience design as a combination of art and technology.

Pagani S.p.A. specialises in the design and construction of prototypes and has significant expertise in the use and processing of advanced composite materials for the production of limited edition cars.

Today Pagani S.p.A. offers the following services:

- Design and engineering for GT/city cars
- Design and engineering for racing cars
- Construction of models (wood/epoxy wood primer/modelling board)
- Chassis and bodywork engineering
- Construction of style templates
- Construction of prototypes for presentation, habitability, reliability, analysis and testing
- Design and construction of moulds made of composite materials
- Research and development of new materials
- Form, feasibility, and functionality studies
- Construction of parts made of advanced composite materials
- Management and organisation of tours inside the Pagani Museum
- Sale of merchandising

2.2 This Model

2.2.1 The purposes of the Model

Following identification of the areas of possible risk within the company based on the activities carried out (i.e. where the possibility of offences being committed is considered to be higher), the purpose of the Model prepared by the Company is to:

- set up a prevention and control system to reduce the risk of offences relating to corporate activities;
- make all those who operate in the name and on behalf of the Company, and in particular those engaged in the “areas of activity at risk”, aware of the possibility of committing, in the event of breach of the provisions contained therein, an offence punishable with penalties, provided for by criminal and administrative law, resulting in the liability not only of the person who committed the offence but also of the Company;
- to inform all those who work with the Company that breach of the provisions contained in the Model will result in the application of appropriate penalties or the termination of the contractual relationship;
- confirm that the Company does not tolerate unlawful conduct of any kind, regardless of the purpose thereof, and that, in any case, such conduct (even if the Company was apparently in a position to gain an advantage from it) is contrary to the principles underlying the way in which the Company’s does business.

2.2.2 The construction of the Model

Also based on the information contained in the applicable Guidelines, the construction of the Model (and the subsequent drafting of this document) comprised the following steps:

- (i) preliminary examination of the Company’s context through analysis of the relevant corporate documentation and interviews with the Company’s managers who are knowledgeable of its framework and activities, in order to outline the organisation and activities carried out by the various organisational units/company departments, as well as the processes underlying the activities and how they are actually implemented;



- (ii) identification of the areas of activity and corporate processes “at risk” or which - solely with regards to offences against public administration authorities - are “instrumental” to the commission of offences, identifying these areas on the basis of the aforesaid preliminary examination of the Company’s context (hereinafter referred to jointly, for the sake of brevity, as the “**Areas at Risk of Offence**”);
- (iii) hypothetical description of the main ways in which the Predicate Offences could be committed within the individual Areas at Risk of Offence;
- (iv) audit of the control system in place with a view to identifying the components designed to prevent the commission of Predicate Offences.

2.2.3 The concept of acceptable risk

When preparing an organisation and management model of this kind, the concept of acceptable risk must not be overlooked. Indeed, in order to comply with the provisions introduced by Italian legislative decree n. 231/2001, it is vital to set a threshold in order to limit the number and kind of tools that must be used in order to prevent an offence being committed. With specific reference to the penalty mechanism introduced by the Decree, the risk level becomes acceptable upon effective implementation of an appropriate preventive system which cannot be bypassed unintentionally or - in order to preclude the Entity from liability under administrative law - the people who committed the offence acted fraudulently by circumventing the Model and the controls put in place by the Company.

2.2.4 The structure of the Model and the Predicate Offences deemed material for its construction

The Company intended to develop a Model that would take into account its own individual context, would be aligned with its governance system, and would enhance existing controls and bodies.

The Model, therefore, embraces a consistent set of principles, rules, and provisions that:

- concern the Company’s internal operations and the ways in which it relates with the outside;
- govern diligent management of a control system focusing on Areas at Risk of Offence designed to prevent the commission, or attempted commission, of the offences set out in the Decree.

More specifically, the Pagani Model consists of a “**General part**”, which sets out the fundamental principles of the Model, and a “**Special Part**”, which is in turn divided into Sections based on the different kinds of offences provided for by Italian legislative decree n.231/2001.

For each kind of Predicate Offence, the Special Part contains a brief description of the offences that may result in liability, under administrative law, of the Company, specification of the Areas at Risk of Offence, and a description of the main rules of conduct adopted by the Company and with which the Parties to whom/which the Model applies (as defined below) must comply in order to prevent such offences being committed.

Furthermore, given the number of envisaged offences which result in liability of the Entities pursuant to the Decree, some were not deemed material for the purposes of the construction of this Model, as it was felt that the risk of such offences was only conceivable in theory, not in practice. More specifically, following careful assessment of the activity actually carried out by Pagani and its history, the following offences were considered immaterial:

- Female genital mutilation (Art. 25-*quarter*.1 of Italian legislative decree n. 231/01);
- Market abuse (Art. 25-*sexies* of Italian Legislative Decree n. 231/01);
- Smuggling offences (Art. 25-*sexiesdecies* of Italian legislative decree n. 231/01);
- Offences against cultural heritage (Art. 25-*septiesdecies* of Italian legislative decree n. 231/01);
- Offences relating to fraud in sports competitions, illegal gambling or betting and gambling carried out by means of prohibited devices (Art. 25-*quaterdecies* of Italian legislative decree n. 231/01);
- Offences relating to undue receipt of funds, fraud against the State or a public authority, or with the intention of obtaining public funds, computer fraud against the State or a public authority (Art. 24 of Italian legislative decree n. 231/01);
- Offences pursuant to the Italian law known as the “Save Oil” Law, envisaging liability of entities for administrative offences resulting from a criminal offence (Art. 12 of Italian Law n. 9/2013).
- Offences relating to the recycling of cultural heritage and the destruction and looting of cultural and landscape heritage sites (Art. 25-*duo-decies*).

For further details, please refer to Annex 1 – **Risk Assessment**.

In any case, the ethical principles on which the Company’s Model and its governance structure are based are aimed, in general, at preventing even those kinds of offences which, as immaterial, are not specifically provided for in the Special Part of this Model.



2.2.5. The adoption of the Model

The Decree envisages that adoption of the Model falls within the scope of competence of the governing body (in this case, the board of directors), which is also assigned the task of supplementing the Model with further sections in the Special Part in the event that new kinds of qualifying Predicate Offences are added to Italian legislative decree n. 231/2001.

2.3 The documents connected to the Model

The following documents are part and parcel of the Model:

- the code of ethics setting out all of Pagani's rights, duties, and responsibilities to the Parties to whom/which the Model applies (hereinafter referred to, for the sake of brevity, as the "**Code of Ethics**");
- the disciplinary system and related penalty mechanism to be applied in the event of breach of the Model (hereinafter referred to, for the sake of brevity, as the "**Penalty System**");
- the system of delegations of authority and powers of attorney, as well as all documents describing and assigning responsibilities and/or tasks to those who work within the Entity in Areas at Risk of Offence (i.e. staff organisation charts, corporate instructions, job descriptions, function charts, etc.);
- the system of procedures, protocols, and internal controls designed to ensure an appropriate level of transparency and access to information concerning the decision-making and financial processes, as well as the conduct that must be adopted by the Parties to whom/which the Model applies that operate in the Areas at Risk of Offence (hereinafter the aforesaid system of delegations of authority and powers of attorney and likewise the procedures, protocols, and internal controls stated above will be referred to jointly, for the sake of brevity, as the "**Procedures**").

It follows that the term Model must mean not only this document, but also all further documents and procedures subsequently adopted in accordance with the provisions thereof and pursuing the purposes stated in the Model.

2.4 Management of financial resources

In addition to the documents stated in section 2.3 and taking into account that, pursuant to article 6.c) of Italian legislative decree n. 231/2001 the Model must also specify the methods for managing financial resources which are suitable to prevent the offences, the Company has also adopted specific protocols based on the principles and conduct to adopt in activities concerning the management of these resources.

2.5 Dissemination of the Model

2.5.1 Parties to whom/which the model applies

This Model takes into account the Company's particular business context and provides a valid awareness and information tool for the Senior Management Persons and the Junior Persons (hereinafter referred to, for the sake of brevity, as the "**Parties to whom/which the Model applies**").

This is intended to ensure that, when engaging in their activities, the Parties to whom/which the Model applies conduct themselves in a fair, transparent manner and in line with the ethical and social values on the basis of which the Company pursues its corporate purpose and, in any case, so as to prevent the risk of the offences provided for by the Decree being committed.

In any case, the appropriate departments within the Company ensure the principles and rules of conduct contained in the Pagani Model and Code of Ethics are all incorporated into the Company's procedures.

2.5.2 Training and information for staff

It is Pagani's objective to guarantee that the Parties to whom/which the Model applies have a full and correct understanding of the contents of the Decree and the obligations deriving from it.

In order to ensure effective implementation of this Model, training and information for the Parties to whom/which the Model applies is managed by the Human Resources department, working closely with the Supervisory Body and with the managers of the other departments involved, in each case, in the application of the Model.



The main methods for providing the training and information activities (which are also required to comply with the provisions of the Decree) concern the provision of specific information at the time of hiring and the further activities deemed necessary to guarantee correct application of the provisions of the Decree. More specifically, the following activities are provided:

- Initial disclosure: all the Company's resources are informed that the Model has been adopted. New hires are given the Code of Ethics and the General Part of the Model adopted by Pagani. They are also asked to sign a form acknowledging that they are aware that the Model is available on the company intranet and undertake to comply with the aforesaid legislative provisions. Furthermore, the Senior Management Persons and/or Junior Persons that operate in the Areas at Risk of Offence are provided with an information notice about the Section(s) of the Special Part which concern(s) their area;
- Specific training activity: this continuous training activity is compulsory and is provided using IT tools and procedures (update emails, company intranet, self-assessments), as well as periodic training and skill refreshing meetings and seminars. This activity differs, in terms of content and provision methods, according to the status of the Parties to whom/which the Model applies, the level of risk of the area in which they operate, and whether or not they have powers to represent the Company.

In order to guarantee effective dissemination of the Model and awareness among personnel of the contents of the Decree and the obligations deriving from its implementation, a specific dedicated section has been added to the company intranet (in which all the documents making up the Model can be found). This section is updated, as and when necessary, by the respective internal department working in coordination with or under instructions from the Supervisory Body.

2.5.3 Information to third parties and dissemination of the Model

Pagani also provides for the dissemination of the Model to people who have working relationships with the Company other than employees, and likewise those who have consultancy relationships, agency relationships, sales representation relationships, and other relationships which take the form of a professional service which can in no way be deemed an employment relationship, on either a continuous or casual basis (including parties that act for suppliers and partners, including temporary business associations and joint ventures) (hereinafter referred to, for the sake of brevity, as the "Third Parties").

More specifically, the company departments involved on each occasion, provide third parties in general and the service companies with which they come into contact with appropriate information concerning Pagani's adoption of the Model pursuant to Italian legislative decree n. 231/2001. The Company also invites Third Parties to read the contents of the Code of Ethics and the General Part of the Model available on its website.

The respective contractual documents contain specific clauses to inform Third Parties that Pagani has adopted the Model. The said parties are required to declare they have read them and are aware of the consequences of failure to comply with the notions contained in the General Part of the Model and in the Code of Ethics and to undertake not to commit - and to ensure their own senior managers and the persons below them refrain from committing - any of the Predicate Offences.



III.

Elements of the governance model and general organisational framework of Pagani

3.1 The Company's governance model

Pagani is a public limited company managed by a board of five directors, including non-shareholders, as decided by shareholders' resolution.

The directors remain in office for three financial years (or for any shorter term established by the shareholders upon their appointment) and their term of office expires on the date of the shareholders' meeting called to approve the financial statements for the previous financial year of their office.

The board of directors is vested with fullest powers for the Company's ordinary and extraordinary management, without exception, and with all the powers required to pursue the Company's corporate purpose.

The board can therefore undertake any type of obligation and dispose of any of the Company's assets, without limitations of any kind, as it is responsible for any matter which, by Italian law, does not need to be put expressly to a shareholders' resolution.

The board of directors may appoint an executive committee, determining the number of members and the operating rules and/or one or more managing directors, also establishing the contents of this delegation of authority, the limits thereto, and the methods for exercising the authority.

The board of directors can delegate all those powers that can be delegated by Italian law to the chair, the deputy chair, the managing directors, the executive committee, and one or more directors.

The board of directors may appoint one or more general managers as well as special attorneys for certain activities or categories of activities, establishing their duties, responsibilities and powers, including power to represent the Company, in compliance with the limitations envisaged by law.

Within the limits of their powers, the chair, the deputy chair, the managing directors, and the executive committee may also grant special powers of attorney to third parties for certain kinds of activities linked to ordinary administration, as well as for certain special administration activities.

The chair and a managing director have separate authority to represent the Company before third parties and in court, with the power to bring action, file complaints and applications before judicial and administrative authorities at all levels of judgment and to file for revision or for appeals before the court of cassation.

The board of directors, represented solely by the chair or the managing directors if necessary, reports promptly and at least quarterly to the board of auditors on the activities carried out and on the most significant transactions in terms of performs, cash flow, or equity made by the Company or its subsidiaries, including any atypical or unusual transactions or related-party transactions; more specifically, it reports on transactions in which the directors have an interest, on their own behalf or on behalf of Third Parties, or parties who or which are influenced by the entity that manages and coordinates the Company.

3.2 The Pagani S.p.A. internal control system

Pagani has adopted the following tools of a general nature, which are also designed to be used for planning decision-making and implementation within the Company (also in relation to the offences to be prevented):

- the ethical principles on which the Company bases its conduct in addition to the contents of the Code of Ethics;
- the system of authorisations and powers of attorney;
- documents and provisions concerning the Company's hierarchical, functional, and organisational framework;
- the internal control system and therefore the structure of the Company's procedures;
- procedures relating to the administrative, accounting and reporting system;
- company communications and circulars addressed to staff;
- compulsory, differentiated, and appropriate training for all staff;
- the Penalty System envisaged in the national collective bargaining agreement;
- the body of national and foreign legislation applicable.



3.3 General principles of control in all Areas at Risk of Offence

In addition to the specific controls described in each Section of the Special Part of this Model, the Company has implemented specific general controls which are applicable in all Areas at Risk of Offence.

More specifically, these include:

- **Transparency:** each transaction/agreement/action must be justifiable, verifiable, consistent, and proportionate;
- **Segregation of duties/Powers:** no single person is entirely responsible for an entire process or can be vested with unlimited powers; power to grant authorisations and signing authority must be established consistently with assigned organisational responsibilities;
- **Adequacy of internal rules:** the set of internal rules must be consistent with the Company's operations and the level of organisational complexity and must guarantee the necessary safeguards to prevent the offences envisaged by the Decree;
- **Traceability/Documentability:** every transaction/agreement/action, as well as the ensuing audit and control activities, must be documented and the documentation must be duly filed.



IV. The Supervisory Body

4.1 Characteristics of the Supervisory Body

According to the provisions of Italian legislative decree n. 231/2001 (articles 6 and 7), as well as the provisions of the Confindustria Guidelines, in order to ensure effective and efficient implementation of the Model, the Supervisory Body must meet the following characteristics:

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

(a) Independence

The independence requirements is fundamental so that the SB is not directly involved in the activities which it is supposed to oversee and, therefore, is not influenced by or exposed to interference from the governing body.

These requirements can be obtained by guaranteeing the Supervisory Body the highest possible hierarchical position and ensuring it reports directly to the highest level of management within the Company, i.e. to the board of directors as a whole. For the purposes of independence, it is also essential that the SB is not assigned any operational tasks, as these would undermine the objectivity of its judgment when carrying out checks concerning conduct and the effectiveness of the Model.

(b) Professionalism

The SB must have appropriate technical and professional skills for the duties it is called upon to perform. These characteristics, combined with the required independence, guarantee objectivity of judgment.⁶

(c) Continuity of action

The Supervisory Body must:

- carry out the activities necessary for oversight of the Model continuously, with due commitment and with the necessary investigatory powers;
- be established within the Company, so as to guarantee due continuity in its supervisory activity.

To ensure the requirements described above are effectively met, in addition to the professional skills described, these parties should also meet the formal requirements of a personal nature that further guarantee the independence required for the assignment (e.g. integrity, no conflicts of interest or kinship with members of corporate bodies or senior management, etc.).

4.2 Appointment of the Supervisory Body

Simultaneously with the adoption of this Model, the board of directors of Pagani S.p.A. has appointed Giorgio Rusticali as the sole member of the SB as it is felt that he meets the requirements provided by the Decree and the Guidelines.

More precisely, the choice to appoint Mr Rusticali as the sole member of the SB is intended to guarantee compliance of this body with the aforesaid requirements, namely independence, professionalism, and continuity of action.

Finally, given the size of the Company, a single-member Supervisory Body is perfectly capable of fulfilling the duties delegated to it by the Decree and the Guidelines⁷.

6. These duties include (among other things): risk analysis and assessment; risk containment measures (organisational procedures, mechanisms for cross-checking the various duties performed, etc.); flow charting for procedures and processes for identifying weak points, interviews and administration/analysis of questionnaires; fraud detection methods; etc. The Supervisory Body must have authority to perform inspections (to ascertain how an offence of the kind in question could have occurred and who committed it), as well as an advisory role (in order to adopt - when designing the Model and making subsequent amendments - the most suitable measures to prevent, with reasonable certainty, the said offences) or, again, on an ongoing basis, to verify that daily conduct actually complies with the conduct envisaged in the code) and legal expertise. Italian Legislative Decree n. 231/2001 contains criminal law provisions and since the activity of the Supervisory Body is designed to prevent the commission of criminal offences, it is essential for the body to have full understanding (which can be ensured through the use of company resources or external consulting) of how these offences are structured and how they can be committed.

7. Legal theory, case law, and practice have unanimously underlined the need to ensure the number of members of the SB is chosen in relation to the size of the company. "Therefore, in small enterprises (...) a single-member body could very well fulfil the duties assigned to the Body" (Confindustria – Guidelines for the construction of Organisation, Management, and Control Models pursuant to Italian Legislative Decree n. 231/2001, page 32; on the same matter, see also Sandro Bartolomucci, *Corporate Governance e responsabilità delle persone giuridiche* [Corporate governance and liability of legal persons], Ipsoa, 2004).



4.3 Term of appointment and reasons for termination

The Supervisory Body remains in office for the term stated in the appointment document and can be re-appointed.

The appointment may be terminated for any of the following reasons:

- expiry of the appointment;
- revocation of the SB by the board of directors;
- resignation of a member (formalised through specific written notice sent to the board of directors);
- in the event of one of the causes of forfeiture specified in section 4.4 below.

Revocation of the Supervisory Body may only be ordered for just cause, which includes, for example, the following events:

- the member is involved in criminal proceedings concerning the commission of an offence;
- established breach of the duties of confidentiality imposed on the SB;
- gross negligence when carrying out the duties connected with the appointment;
- involvement of the Company in criminal or civil law proceedings connected to omission of or insufficient supervision, even unintentional.

Revocation is decided with a board of directors' resolution subject to the binding opinion of the Company's board of auditors.

In the event of expiry, revocation, or resignation, the board of directors will appoint the new member of the Supervisory Body without delay, while the outgoing member remains in office until replaced.

4.4 Causes of ineligibility and forfeiture

The following constitute reasons for ineligibility and/or forfeiture of the member of the Supervisory Body:

- a) disqualification, incapacity, insolvency or, in any case, any criminal conviction, even if not final, for any of the offences provided for by the Decree or, in any case, any penalty resulting in disqualification, even temporary, from public offices or the lack of capacity to hold a managerial role;
- b) existence of relationships of marriage or kinship (whether by lineage or affinity) within the fourth degree with members of the board of directors of the Company or the board of auditors of the Company, or with the external parties assigned to conduct the statutory audit;
- c) the existence of financial relationships between the member and the Company which undermine the said member's independence.

If a cause for forfeiture should occur during the term of the appointment, the member of the Supervisory Body is required to inform the board of directors thereof immediately.

4.5 Duties, tasks, and powers of the Supervisory Body

In compliance with the provisions of the Decree and the Guidelines, the Supervisory Body has, in general, the following duties:

- supervising effective implementation of the Model in relation to the different kinds of offences contemplated therein;
- checking the effectiveness of the Model and whether it is actually able to prevent the offences in question being committed;
- identifying and suggesting updates and modifications to the Model to the board of directors based on changes to legislation or in the Company's needs or conditions;
- checking that the updates and modifications formulated by the Board of Directors are actually incorporated into the Model.

As part of these duties, the SB is required to carry out the following tasks:

- periodically checking the map of the Areas at Risk of Offence and verifying whether the check points are appropriate to ensure they are adapted following changes in the Company's business and/or structure. For this purpose, the Parties to whom/which the Model applies, as better described in the special parts of the Model, must inform the SB of any situations which could expose Pagani to the risk of an offence being committed. All notifications must be made in writing and sent to the appropriate email address set up by the SB;
- periodically carrying out, on the basis of a previously established plan of activities for the SB, targeted checks and inspections on certain transactions or specific activities within the Areas at Risk of Offence;
- collecting, processing, and storing the information (including the reports stated in the following section) relevant to compliance with the Model, as well as updating the list of compulsory information that must be provided to the Supervisory Body;



- conducting internal investigations to establish alleged breaches of the provisions of this Model brought to the attention of the Supervisory Body in specific reports or which emerged during its supervisory activity;
- checking that the aspects envisaged in the Model concerning the different kinds of offences (standard clauses and procedures and related checks, system of delegations of authority, etc.) are effectively adopted and implemented and meet the requirements of compliance with Italian legislative decree n. 231/2001 and suggesting, where this is not the case, remedial action and updates.

In order to perform the duties and tasks stated above, the SB is vested with the following powers:

- full access, at all levels, to the various company documents and, more specifically, to those concerning relationships of a contractual and non-contractual nature established by the Company with third parties;
- power to seek assistance and cooperation from the various company departments and bodies either concerned by or involved in control activities;
- power to assign specific consulting and assistance tasks to professionals, including those operating outside the Company.

4.6 Resources of the Supervisory Body

The board of directors assigns the SB the human and financial resources deemed appropriate to allow it to perform the assignment. More specifically, the Supervisory Body is granted independent spending authority, as well as the right to grant, amend, and/or terminate professional appointments to third parties with the specific skills necessary to ensure due and proper performance of the assignment.

4.7 Information flows to and from the Supervisory Body

4.7.1 Disclosure requirements to the Supervisory Body

In order to facilitate the oversight of the effectiveness of the Model, the Supervisory Body must be informed, through specific reports by the Parties to whom/which the Model applies (and, where appropriate, by Third Parties) of any events that could lead to Pagani's liability pursuant to Italian legislative decree n. 231/2001.

The information flows to the SB are divided into reports of misconduct or breaches of this Model and specific compulsory disclosures.

As required by art. 6 c. 2-bis of Italian legislative decree n.231/01⁸, the **Parties to whom/which the Model applies**, which are specified in art. 5.1.a) and art. 5.1.b) of the Decree as follows:

- parties which perform representative, administrative, or managerial duties within the Entity or one of its organisational units which are financially and functionally independent, or parties involved in the Entity's management and control (even in the event of de facto exercise of powers within the Entity);
- parties under the management or supervision of any of the parties stated in the previous point;

presentano a tutela dell'integrità dell'ente, delle segnalazioni circostanziate di condotte illecite, rilevanti ai sensi del D. Lgs. 231/2001 e fondate su elementi di fatto precisi e concordanti, o aventi ad oggetto la violazione del presente Modello, di cui siano venuti a conoscenza in ragione delle funzioni svolte.

In addition to aforesaid reports concerning breaches of a general nature, certain compulsory information must be provided promptly to the SB, namely information concerning:

- measures and/or notices from criminal investigations divisions, or any other authority, concerning investigations involving Pagani or members of the corporate bodies;
- reports drafted by the heads of other bodies (for example, the board of auditors) as part of their supervisory activities from which circumstances, actions, events or omissions may emerge which are of a critical nature with respect to compliance with the provisions of Italian legislative decree n. 231/2001;
- notices relating to disciplinary proceedings - as well as any penalties imposed or measures to close proceedings with the reasons therefor - if linked to offences or breach of the rules of conduct or procedure envisaged in the Model;
- inquiries or internal reports/disclosures revealing liability for the offences stated in Italian legislative decree n. 231/2001;
- organisational changes;

8. Introduced by what is also known as the Italian Whistleblowing law dated 15 November 2017.



- updates to the system of delegations of authority and powers;
- particularly significant transactions carried out within the Areas at Risk of Offence;
- changes in Areas at Risk of Offence or which are potentially at risk;
- any notifications from the board of auditors regarding aspects that may indicate shortcomings in the internal control system or censurable conduct, or which include comments on the Company's financial statements;
- a statement as to the truth and complete nature of the information contained in company disclosures;
- a copy of the minutes of the board of directors' and board of auditors' meetings.

The Company adopts specific dedicated information channels (dedicated telephone lines or ad hoc mail boxes) in order to guarantee the aforesaid confidentiality and facilitate the flow of reports and information to the Body.

The Company has furthermore adopted two additional reporting channels, as required by art. 6.2-bis of Italian legislative decree n. 231/2001, which guarantees (through IT and other methods) confidentiality concerning the identity of the party who makes the reports. These channels include:

1. Online forms filled out by the reporting party on the company intranet.
The report may be addressed to either the HR department or the Company's management team, with the Supervisory Body copied in for information purposes.
2. Two physical mailboxes installed on the Company's site, one for the Head of the HR department and the other for the Company's management team.

The SB examines the reports received with discretion and responsibility. These assessment activities may include hearing the person who made the report and/or the person claimed to be responsible for the alleged breach, and providing written reasons for any decision, made independently, not to proceed. In any case, parties who report their concerns in good faith will be protected against any form of retaliation or penalisation and will be guaranteed the utmost confidentiality, without prejudice to legal obligations and the need to protect the Company or any persons accused either wrongfully or in bad faith.

Regarding this matter, the Company bans any retaliation or discrimination, whether committed directly or indirectly, against the reporting party for reasons relating (directly or indirectly) to the concerns reported.

In any case, any measures of a retaliatory or discriminatory nature against the reporting party, or the dismissal thereof, for reasons linked either directly or indirectly to the report are invalid.

4.7.2 Disclosure requirements by the Supervisory Body

Given that responsibility for adopting and effectively implementing the Model lies with the Company's board of directors, the Supervisory Body reports on the implementation of the Model and any critical issues which may arise.

More specifically, the Supervisory Body's responsibilities to the board of directors include:

- a) notifying the board, at the beginning of each financial year, of the plan of activities it intends to carry out in order to perform the assigned tasks. This plan must be approved by the board of directors;
- b) providing the board with regular updates on how the progress of the plan and whether any changes have been made to it;
- c) promptly informing the board of any significant issues which may arise concerning the activities;
- d) reporting, at least every six months, on the implementation of the Model.

The SB will be required to provide periodical reports on its activities not only to the board of directors but also to the board of auditors.

The Body may request a meeting with the aforesaid bodies to report on the functioning of the Model or specific situations. Meetings with the corporate bodies to which the SB reports must be minuted. A copy of these minutes will be kept by the SB and by the bodies involved on each occasion.

Without prejudice to the above, the Supervisory Body may also disclose the following information, depending on the individual circumstances:

- (i) the results of its investigations to the managers of the functions and/or processes if aspects amenable to improvement arise from the activities. In this case, the Supervisory Body will need to obtain an action plan from the process managers, including a timeframe for implementation of the improvements as well as the results of the improvements implemented;
- (ii) reports on misconduct or actions not in line with the Model to the board of directors and the board of auditors in order to:
 - a) acquire all the information needed from the board of directors so that the board can inform the departments responsible for assessing such matters and in order to apply disciplinary penalties;
 - b) give guidance to eliminate the shortcomings in order to prevent the event recurring.

Finally, the Body is required to inform the board of auditors immediately if the breach concerns members of the board of directors.



V.

Penalty system for non-compliance with this Model and the rules and provisions referred to herein

5.1 Main principles

Pagani acknowledges and declares that preparation of an appropriate Penalty System to address breaches of the rules contained in the Model, in the Annexes, and in the Procedures is a key condition to ensure the effectiveness of the Model.

Indeed, on this matter, article 6.2.e) of the Decree stipulates that organisation and management models must “*introduce a disciplinary system suitable to penalise failure to comply with the measures stated in the model*”.

The application of disciplinary penalties is unconnected to the outcome of any criminal proceedings, as the rules of conduct imposed by the Model and the Procedures are adopted by the Company entirely independently, regardless of the type of offences contemplated in Italian legislative decree n. 231/2001 that may ensue from the breaches in question.

More precisely, non-compliance with the rules contained in the Model and in the Procedures undermines the trust-based relationship that exists with the Company and will result in disciplinary action regardless of whether or not criminal proceedings are brought (in cases where the breach constitutes a criminal offence). Any disciplinary action and the imposition of penalties will also comply with the principles of timeliness envisaged by laws in force.

What is more, the Company also provides for penalties against anyone found to have breached the measures to protect the reporting party (as described in section 4.7 of this document), as well as anyone who, acting either intentionally or with gross negligence, makes reports that turn out to be unfounded.

5.2 Definition of “Breach” for the purposes of application of this Penalty System

For purely general, illustrative purposes, “Breaches” of this Model and the related Procedures consist of:

- actions or conduct that goes against the law and the provisions contained in the Model and in the related Procedures and leads to a situation in which there is merely a risk of one of the offences contemplated by Italian legislative decree n. 231/2001 being committed;
- omission of actions or conduct prescribed in the Model and in the related Procedures which leads to a situation in which there is merely a risk of one of the offences contemplated by Italian legislative decree n. 231/2001 being committed.

5.3 Penalties for employees

5.3.1 Employees in non-executive level positions

Conduct by employees which breaches the rules contained in this Model and in the Company’s Procedures constitutes a *disciplinary offence*.

As regards the kind of penalties that can be imposed on the said employees, these include those envisaged by the **national collective labour agreement** for workers employed in small and medium-sized enterprises within the metalworking and engineering industry and in the installation of plants and systems (hereinafter referred to, for the sake of brevity, as the “**NCLA**”), in compliance with the procedures established by article 7 of Italian law n. 300 dated 1970 (hereinafter referred to, for the sake of brevity, as the “**Workers’ Statute**”) and any applicable special regulations.

Depending on its severity, a Breach by employees (pursuant to section 5.2 of this Model) may result in the following measures, which are established according to the proportionality principle and on the basis of the ‘penalty for breach’ principle, and, in any case, in the ways and forms established by applicable legislation.

In any case, except as stated in the Disciplinary System in use at Pagani S.p.A., the following disciplinary measures may be imposed:

- a) Verbal reprimand;
- b) Written reprimand;
- c) Fine amounting to no more than three hours of global remuneration;
- d) Suspension from work with loss of pay for no more than three days;
- e) Dismissal.



The Disciplinary System is constantly monitored by the Supervisory Body and the Human Resources department.

5.3.2 Senior management

In the event of: (a) Breach pursuant to section 5.2, or (b) conduct, when carrying out activities in the Areas at Risk of Offence, that goes against the provisions of the aforesaid documents, by any senior managers, the most appropriate disciplinary measures will be imposed on those responsible, in accordance with the provisions of the national collective labour agreement for seniors managers.

5.4 Directors

In the event of breach of the rules set out above in section 5.2. by one or more of Pagani's directors, the Supervisory Body will promptly inform the Company's board of directors and board of auditors, seeking the appropriate assessments and measures.

In the event of prosecution of one or more of directors charged with the offence resulting in liability of the Company under administrative law, the chair of the board of directors of Pagani (or, in lieu thereof, the other director) is required to call a shareholders' meeting to resolve on the revocation of the appointment thereof.

5.5 Auditors

In the event of Breach of the rules set out above in section 5.2. by one or more members of the board of auditors, the Supervisory Body will inform the board of directors and the board of auditors thereof and, at the request of the chair of the board of directors, a shareholders' meeting will be called to ensure appropriate measures are taken.

5.6 Third parties: independent contractors, agents, and external consultants

In the event of Breach of the rules set out above in section 5.2. by independent contractors, agents, or consultants outside the company, or more generally, by third parties, depending on the severity of the Breach, the Company will either: (i) issue the parties concerned with a reminder to comply strictly with the provisions set out herein; or (ii) be entitled, depending on the kind of agreement in place, to withdraw from the existing relationship for just cause or to terminate the agreement due to non-fulfilment by the aforesaid parties.

To this end, the Company has provided for the inclusion of specific clauses in the said agreements which provide for the following: **(a)** that third parties are duly informed of the adoption of the Model and the Code of Ethics by Pagani through the respective notice, whose contents they declare they have read and undertake to comply with, likewise undertaking not to engage in conduct that could lead to a breach of the law or the Model or to any of the Predicate Offences being committed; **(b)** that the Company will be entitled to withdraw from the relationship or terminate the agreement (with or without the application of penalties) in the event of failure to fulfil these obligations.

5.7 Register

The Company keeps a register of all those who have committed a Breach pursuant to section 5.2. The Company may not establish new contractual relationships with any parties on this register.