



**ORGANISATION, MANAGEMENT AND  
CONTROL MODEL**

**OF**

***PAGANI AUTOMOBILI SPA***

## **GENERAL PART**

## GENERAL PART

### TABLE OF CONTENTS

<b>1. LEGISLATIVE DECREE OF 8 JUNE 2001 NO. 231 ON THE REGULATION OF ADMINISTRATIVE RESPONSIBILITIES OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS, EVEN WITHOUT LEGAL PERSONALITY.....</b>	<b>5</b>
1.1 Administrative responsibilities of Legal Persons.....	5
1.2 Persons subject to Legislative Decree no. 231 of 2001.....	5
1.3 Predicate Crimes.....	6
1.4 Penalties envisaged by the Decree.....	7
1.5 Attempted offences .....	11
1.6 Exempting Conduct .....	11
1.7 Guidelines .....	12
<b>2. THIS MODEL .....</b>	<b>14</b>
2.1 Pagani Automobili S.p.A.....	14
2.2 This Model.....	14
2.2.1 Purposes of the Model.....	14
2.2.2 Preparation of the Model.....	15
2.2.3 The concept of acceptable risk.....	15
2.2.4 The structure of the Model and the Predicate Crimes relevant to its preparation.....	15
2.2.5 Adoption of the Model.....	16
2.3 Documents connected with the Model.....	16
2.4 Management of financial resources .....	17
2.5 Disseminating the Model .....	17
2.5.1 Recipients.....	17
2.5.2 Staff Training and Information .....	17
2.5.3 Information to Third parties and dissemination of the Model .....	18
<b>3. ELEMENTS OF THE PAGANI <i>GOVERNANCE</i> MODEL AND GENERAL ORGANIZATIONAL STRUCTURE .....</b>	<b>20</b>
3.1. The Company's <i>governance</i> Model.....	20
3.2. The Pagani Automobili SpA internal control system.....	21
3.3. General principles of control in all Areas at Risk of Crime.....	21
<b>4. THE SUPERVISORY BODY.....</b>	<b>23</b>
4.1 Characteristics of the Supervisory Body .....	23
4.2 Identification of the Supervisory Body .....	24
4.3 Office term and causes for termination .....	24
4.4 Cases of ineligibility and forfeiture .....	25
4.5 Functions, tasks and powers of the Supervisory Body.....	25
4.6 Resources of the Supervisory Body.....	26
4.7 Supervisory Body information flows .....	26
4.7.1 Information obligations with regard to the Supervisory Body.....	26
4.7.2 Information obligations of the Supervisory Body.....	28
<b>5. PENALTY SYSTEM APPLICABLE IN THE EVENT OF FAILURE TO OBSERVE THIS MODEL AND THE REGULATIONS-PROVISIONS CONTAINED HEREIN.....</b>	<b>29</b>

<b>5.1</b>	<b>General principles .....</b>	<b>29</b>
<b>5.2</b>	<b>Definition of "Violation" for the purposes of implementing the present Penalty System .....</b>	<b>30</b>
<b>5.3</b>	<b>Penalties for employees .....</b>	<b>30</b>
5.3.1	Employees in non-managerial positions .....	30
5.3.2	Managers .....	31
<b>5.4</b>	<b>Directors .....</b>	<b>31</b>
<b>5.5</b>	<b>Auditors .....</b>	<b>31</b>
<b>5.6</b>	<b>Third parties: collaborators, agents and external consultants .....</b>	<b>32</b>
<b>5.7</b>	<b>Records .....</b>	<b>32</b>

**1. LEGISLATIVE DECREE OF 8 JUNE 2001 NO. 231 ON THE REGULATION OF ADMINISTRATIVE RESPONSIBILITIES OF LEGAL PERSONS, COMPANIES AND ASSOCIATIONS, EVEN WITHOUT LEGAL PERSONALITY**

**1.1 Administrative responsibilities of Legal Persons**

Legislative Decree no. 231 of 8 June 2001, enforcing Enabling Act No. 300 dated 29 September 2000, introduced in Italy the “*Regulation of administrative responsibilities of legal persons, companies and associations, even without legal personality*” (in short also **Leg. Decree no. 231 of 2001**” or the “**Decree**”), which is part of a broad legislative process against corruption and adapts Italian law on the liability of legal persons to some International Conventions previously signed by Italy.

Leg. Decree no. 231 of 2001 therefore sets out a system of administrative responsibilities (which is in fact comparable to criminal liability) that involves legal persons <sup>1</sup>(hereinafter the “**Entity/Entities**”) and that adds to the liability of the natural person (as identified below) who materially committed the unlawful act. The Decree actually seeks to include, in punishing that person, the Entities in whose interest or benefit the offence in question was committed. This administrative liability exists solely for the offences listed exhaustively in the same Legislative Decree no. 231 of 2001.

Article 4 of the Decree specifies further that in some cases and under the conditions laid down in articles 7, 8, 9 and 10 of the Criminal Procedure Code, Entities whose main headquarters is within the State are also liable for offences committed abroad by natural persons (as defined below), provided that prosecution is not brought by the State against the Entity in the place where the act is committed.

**1.2 Persons subject to Legislative Decree no. 231 of 2001**

Persons who can give rise to liability of the Entity by committing an offence in its interest or to its advantage are listed below:

- (i) natural persons holding senior management positions (representation, administration or management of the Entity or one of its organisational units with financial and functional autonomy or who exercise de facto management and control; hereinafter, “**Senior Managers**”),
- (ii) natural persons under the direction or supervision of one of the senior managers (hereinafter, “**Subordinates**”).

---

<sup>1</sup>Article 1 of Legislative Decree no. 231 of 2001 delimited the sphere of those for whom the legislation was intended to “*entities with legal personality, companies and associations with or without legal personality*”. In light of this, the legislation applies to:

- private entities, i.e. entities with legal personality and associations “with or without” legal personality;
- public entities, i.e. entities with public liability but without public powers (so-called “economic public entities”);
- entities with mixed public/private liability (so-called “mixed companies”).

However, the list of recipients does not include: the State, territorial public bodies (Regions, Provinces, Municipalities and mountain communities), non-economic public bodies and, in general, all bodies performing constitutionally significant functions (the Chamber of Deputies, Senate of the Republic, Constitutional Court, General Secretariat of the Presidency of the Republic, C.S.M., etc.).

It should be noted in this regard that Subordinates are not necessarily employees of the Entity, as this concept also includes "*those providers of work who, although not "employees" of the entity, have a relationship with it sufficient to consider the existence of an obligation of supervision by the entity's senior management: for example, agents, partners in joint-venture operations, so-called quasi-employees in general, distributors, suppliers and consultants*"<sup>2</sup>.

According to prevailing doctrinal opinion, situations where a particular assignment is entrusted to external partners, who are required to perform it under the direction or control of Senior Managers, are of relevance to the entity's administrative liability.

It should be noted, however, that the Entity is not liable, by express legal provision (article 5, paragraph 2, of the Decree) if the above persons have acted solely in their own interest or that of third parties. In any case, their conduct must be related to that "organic" relationship by which the acts of the natural person can be attributed to the Entity.

### **1.3 Predicate Crimes**

The Decree cites the following types of offence (hereinafter, "**Predicate Crimes**"):

- (i) crimes against Public Administration (articles 24 and 25 of Legislative Decree no. 231 of 2001), introduced by the Decree and subsequently modified by Law 190 of 6 November 2012 and Law 69 of 27 May 2015;
- (ii) computer crimes and illegal data processing, introduced by article 7 of Law no. 48 of 18 March 2008, from which article 24-*bis* was included in Legislative Decree no. 231 of 2001;
- (iii) organised crime offences, introduced by article 2, paragraph 29, of Law no. 94 of 15 July 2009, from which article 24-*ter* of Law no. 69 of 27 May 2015 and Law no. 236 of 2016 was added to Legislative Decree no. 231 of 2001;
- (iv) crimes regarding forgery of money, public credit instruments, revenue stamps and distinctive signs and instruments, introduced by article 6 of Law no. 406 of 23 November 2001, which added article 25- *bis* to Legislative Decree no. 231 of 2001, subsequently supplemented by article 15, paragraph 7(a), of Law No. 99 of 23 July 2009;
- (v) crimes against industry and trade, introduced by article 15, paragraph 7(b), of Law no. 99 of 23 July 2009, which added article 25- *bis.1* to Legislative Decree no. 231 of 2001;
- (vi) corporate crimes, introduced by Legislative Decree no. 61 of 11 April 2002, which added article 25-*ter* to Legislative Decree no. 231 of 2001, subsequently supplemented by Law no. 190 of 6 November 2012 and amended by Law 69 of 27 May 2015;
- (vii) crimes committed for the purposes of terrorism and subversion of democracy,

---

<sup>2</sup>Thus textually: Assonime Circular Letter no. 68 of 19 November 2002.

introduced by Law no. 7 of 14 January 2003, which added article 25-*quater* to Legislative Decree no. 231 of 2001;

- (viii) female genital mutilation practices, introduced by Law no. 7 of 09 January 2006, which added article 25-*quater*.1 to Legislative Decree no. 231 of 2001;
- (ix) crimes against the individual, introduced by Law no. 228 of 11 August 2003, which added article 25-*quinquies* to Legislative Decree no. 231 of 2001, subsequently amended by Law 199 of 29 October 2016;
- (x) market abuse, imposed by Law no. 62 of 18 April 2005, which added article 25-*sexies* to Legislative Decree no. 231 of 2001 and article 187-*quinquies*, “*Liability of the entity*”, to the Consolidated Finance Act (TUF);
- (xi) manslaughter or serious or very serious personal injury through negligence, committed in breach of the rules on occupational health and safety, introduced by Law no. 123 of 3 August 2007, which added article 25-*septies* to Legislative Decree no. 231 of 2001;
- (xii) receiving, laundering and using money, goods or benefits of unlawful origin, as well as self-laundering, introduced by Legislative Decree no. 231 of 21 November 2007, which added article 25-*octies* to Legislative Decree no. 231 of 2001, subsequently supplemented by Law 186 of 15 December 2014, which introduced the case of self-laundering (art.648-ter.1 Italian Criminal Code);
- (xiii) copyright infringement and related crimes, introduced by article 15, paragraph 7(c), of Law no. 99 of 23 July 2009, which added article 25-*novies* to Legislative Decree no. 231 of 2001;
- (xiv) inducement to refrain from making statements or to make false statements to the legal authorities, introduced by article 4 of Law no. 116 of 3 August 2009, which added article 25-*decies*<sup>3</sup> to Legislative Decree no. 231 of 2001;
- (xv) environmental crimes, introduced by Legislative Decree no. 121 of 7 July 2011, which added article 25-*undecies* to Legislative Decree no. 231 of 2001, subsequently amended by Law 68 of 22 May 2015;
- (xvi) transnational crimes, introduced by Law no 146 law of 16 March 2006, “*Law to ratify and implement the United Nations Convention and Protocols against transnational organised crime*” ” and subsequently amended by Law 69 of 27 May 2015;
- (xvii) crime of employment of illegally staying third-country nationals, introduced by Legislative Decree no. 109 of 16 July 2012, “*implementing Directive 2009/52/EC which introduced minimum standards on penalties and measures against employers of illegally staying third-country nationals*”, and which added article 25-*duodecies* to Legislative Decree no. 231 of 2001.
- (xviii) the crime of racism and xenophobia, introduced by article 5 of the European Law to Legislative Decree no. 231 of 2001 in article 25-*terdecies*.

#### **1.4 Penalties envisaged by the Decree**

Legislative Decree no. 231 of 2001 establishes the following penalties applicable to the

---

<sup>3</sup> It was originally 25-*novies* and was thus renumbered by Legislative Decree 121/2011.

entities to which legislation is addressed:

- (a) administrative fines;
- (b) restrictive penalties;
- (c) confiscation of the price or profit of the offence;
- (d) publication of judgement.

**(a) An administrative fine**, regulated by articles 10 and following of the Decree, is the “basic” penalty that must be applied, and must be paid directly by the Entity with its own resources or a mutual fund.

The Legislator has adopted an innovative criterion for proportioning the penalty, requiring the Judge to conduct two different and successive assessments. This entails greater adjustment of the penalty to the gravity of the offence and the economic conditions of the Entity.

The first assessment requires the Judge to determine the number of shares (in any case, not less than one hundred or more than one thousand) <sup>4</sup> taking the following into account:

- the severity of the act;
- the degree of the Entity’s liability;
- the steps taken to eliminate or reduce the consequences of the act or to prevent further violations from being committed.

During the second assessment, the Judge determines the amount of each penalty within the minimum and maximum amounts predetermined for the punishable offences, from a minimum of EUR 258.00 to a maximum of EUR 1,549.00. This amount is established “*on the basis of the entity’s economic conditions and its assets in order to ensure that the penalty is effective*” (articles 10 and 11, paragraph 2, Legislative Decree no. 231 of 2001).

As stated in point 5.1. of the Decree Report, “*With regard to the methods of assessing the entity’s economic and financial conditions, the judge may make use of financial statements or other documents that provide an accurate picture of these conditions. In some cases, evidence could also be provided by considering the size of the entity and its position on the market. (...) The judge cannot avoid becoming immersed in the affairs of the business, with the help of consultants, in order to access information regarding the entity’s economic and financial soundness and its assets*”.

Article 12 of Legislative Decree no. 231 of 2001 envisages a series of cases in which the fine is reduced. These are schematically summarized in the table below, showing the reduction made and the conditions for application of the reduction.

---

<sup>4</sup>With reference to the *market abuse*, the second paragraph of article 25-*sexies* of Legislative Decree no. 231 of 2001 states that: “*If the product or profit gained by the Entity from the perpetration of the offences referred to in paragraph 1 is a substantial amount, the penalty can be increased up to ten times the said product or profit*”.



Reduction	Conditions
<p>1/2 (and may not exceed EUR 103,291.00)</p>	<ul style="list-style-type: none"> <li>• The offender has committed the offence mainly in his/her own interest or the interest of third parties <i>and</i> the Entity has not gained any advantage from the offence, or gained a minimal advantage;</li> <li><i>and namely</i></li> <li>• the financial damage caused is negligible.</li> </ul>
<p>from 1/3 to 1/2</p>	<p>[<u>Before</u> the opening statement of the first instance hearing]</p> <ul style="list-style-type: none"> <li>• The Entity has fully paid compensation for the damage and has eliminated the damaging or dangerous consequences of the offence, or it has endeavoured to do so;</li> <li><i>and namely</i></li> <li>• a suitable organisational model has been created and adopted to prevent other similar offences from being committed.</li> </ul>
<p>from 1/2 to 2/3</p>	<p>[<u>Before</u> the opening statement of the first instance hearing]</p> <ul style="list-style-type: none"> <li>• The Entity has fully paid compensation for the damage and has eliminated the damaging or dangerous consequences of the offence, or it has endeavoured to do so;</li> <li><i>and</i></li> <li>• a suitable organisational model has been created and adopted to prevent other similar offences from being committed.</li> </ul>

**(b)** The following **disqualification penalties** are established by the Decree and are applied solely in relation to crimes for which the following are expressly required:

- prohibition from conducting the business activity;
- suspension or cancellation of the authorizations, licenses or concessions used to commit the offence;
- prohibition to enter into contracts with the Public Administration, except in the case of using a public service;
- exclusion from benefits, financing, grants or subsidies and/or the cancellation of any of these already granted;
- prohibition to advertise goods or services.

In order for disqualification penalties to be imposed, at least one of the conditions referred to in article 13 of Legislative Decree no. 231 of 2001 must be present, namely:

- “the entity has gained a significant profit from the crime and the crime has been committed by a person

*in a senior position or by persons subject to the supervision of others, in which case the perpetration of the offence has been determined or facilitated by serious organizational shortcomings*”; and namely

- *“where the unlawful acts have been performed more than once”*<sup>5</sup>.

In addition, disqualification penalties can also be requested by the Public Prosecutor and applied to the Entity by the Judge as a precautionary measure when:

- there are serious grounds for believing the Entity to be liable for an administrative offence related to a crime;
- specific proven elements emerge that indicate the presence of a real danger of offences similar to that being prosecuted occurring;
- the Entity has gained a significantly large profit.

In any case, disqualification penalties are not applied when the offence is committed in the prevailing interest of the person in question or of third parties and the Entity has gained little or no benefit from it, or if the financial damage caused is negligible.

The application of disqualification penalties is also ruled out by the fact that the Entity has put in place the remedial actions envisaged in article 17 of Legislative Decree no. 231 of 2001, specifically, when the following conditions are met:

- *“the Entity has fully paid compensation for the damage and has eliminated the damaging or dangerous consequences of the offence, or it has efficiently endeavoured to do so”*;
- *“the entity has eliminated the organizational shortcomings giving rise to the offence by adopting and implementing organizational models capable of preventing offences of the type previously occurring”*;
- *“the entity has made the profits obtained available for confiscation”*.

The disqualification penalties have a duration of not less than three months and not more than two years, and the choice of the measure to apply and its duration is made by the Judge based on the criteria indicated above for the proportioning of fines, *“taking into consideration the likelihood of each specific penalty preventing unlawful acts of the type occurring”* (art. 14, Legislative Decree. no. 231 of 2001).

The Legislator then specifies that the disqualification from conducting business has a residual nature with regard to the other disqualification penalties.

**(c)** In accordance with article 19 of Legislative Decree no. 231 of 2001, the sentence always includes **confiscation** - also in equivalent terms - of the amount (money or other economic benefits given or promised to persuade or cause another individual to commit the offence) or profit (immediate economic benefit obtained) from the offence, with the exception of any portion that can be restored to the damaged party and without prejudice to the rights acquired by third parties in good faith.

---

<sup>5</sup>Pursuant to article 20 of Legislative Decree no. 231 of 2001, *“repetition occurs when the entity, having already been sentenced at least once for illicit conduct related to a crime, commits a further crime in the five years following the sentence”*.

**(d) Publication of the decision** in one or several newspapers, either in abridge form or in its entirety, may be indicated by the Judge, together with the posting of a notice in the municipality where the Entity has its headquarters, when a disqualification penalty is applied. The decision is published by the clerk of court's office and costs are paid by the Entity.

### **1.5 Attempted offences**

In the case of attempts to commit the predicate crimes covered by the Decree, the fines (in terms of amount) and disqualification penalties (in terms of time) will be reduced from one third to one half, whereas penalties may not be imposed in cases where the Entity voluntarily prevents the action from being committed or the event from taking place (article 26 of the Decree).

### **1.6 Exempting Conduct**

Articles 6 and 7 of Legislative Decree no. 231 of 2001, provide specific forms of exemption of the Entity from administrative liability for offences committed in its interest or to its advantage either by Senior Managers or by Subordinates (as defined in paragraph 1.2 above).

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

- a) prior to commission of the act, the management body had adopted and effectively implemented an organizational and management model designed to prevent the types of crime committed (hereinafter, the "**Model**");
- b) the task of supervising the functioning and observance of the Model and of making any updates to the Model has been entrusted to an Entity's Body (hereinafter, the "**Supervisory Body**" or "**SB**"), with its own powers of initiative and control;
- c) the persons who committed the offence acted by fraudulently circumventing the Model;
- d) there was omitted or insufficient supervision by the Supervisory Body.

With regard to Subordinates, article 7 of the Decree grants exemption from liability in the case where, prior to commission of the crime, the Entity had adopted and effectively implemented a Model designed to prevent the type of crime committed.

However, the Entity's exemption from liability is not determined merely by adoption of the Model but by its actual execution, through implementation of all the procedures and controls necessary to limit the risk of commission of the offences that the Company seeks to prevent. In particular, with regard to the characteristics of the Model, the Decree expressly provides, in Article 6, paragraph 2, the following preparatory stages for proper implementation of the Model:

- a) identification of activities where the possibility of offences being committed exists;

- b) provision of specific procedures for planning the formulation and implementation of the Entity's decisions regarding the offences to be prevented;
- c) identification of the methods to manage the financial resources suitable to prevent such offences from being committed;
- d) provision of obligations to disclose information to the Supervisory Body;
- e) introduction of a disciplinary system with the related penalties for non-compliance with the Model's measures.

## **1.7 Guidelines**

At the express indication of the delegated legislator, Models can be adopted based on codes of conduct drafted by representative trade associations and submitted to the Ministry of Justice, which, together with the competent Ministries, can make observations within 30 days on the suitability of the Models to prevent the crimes.

The preparation of this Model is based on the Guidelines for the Development of Organization, Management and Control Models pursuant to Legislative Decree no. 231 of 2001, approved by Confindustria on 7 March 2002 and subsequently updated (hereinafter referred to as the "**Guidelines**").

The process indicated by the Guidelines for preparing the Model can be summarised in the following key points:

- identification of areas at risk, aimed at establishing the company areas/sectors where offences might be committed;
- preparation of a control system to reduce risks through the adoption of specific procedures. This should be supported by a coordinated system of organizational structures, activities and operational rules applied - upon the indication of senior management - by *management* and consultants, with the aim of providing reasonable security in relation to achieving the purposes of a good internal control system.

The most important components of the preventive control system proposed by the Confindustria Guidelines regarding the prevention of intentional offences, are:

- the Code of Ethics;
- the organisational system;
- manual and computerised procedures;
- powers of authorisation and signature;
- management and control system;
- communication with the staff and their training.

In the case of negligent offences (committed in breach of the rules applicable to health and safety in the workplace and - even if following enforcement of the Guidelines - most of Environmental offences), the major components highlighted by Confindustria are:

- the Code of Ethics (or behavioural code) with regard to the offences considered;
- the organisational structure,
- training;

- communication and involvement;
- operational management;
- safety monitoring system.

The control system must be based on the following principles:

- all transactions must be verifiable, documented, compliant and appropriate;
  - segregation of duties (no-one can manage all stages of a system independently);
  - control documents;
  - introduction of an appropriate disciplinary system to apply penalties for violation of the rules and procedures provided by the Model;
  - identification of a Supervisory Body with the following main attributes:
    - autonomy and independence,
    - professionalism,
    - continuity of action;
- obligation of company departments, particularly those indicated as most “at risk of crime”, to provide information to the Supervisory Body on a structured basis (periodic reporting in accordance with the Model) and to report any irregularities or anomalies found in the information available.

## **2. THIS MODEL**

### **2.1 Pagani Automobili S.p.A.**

Pagani Automobili S.p.A. (hereinafter, “**Pagani**” or the “**Company**”), began in San Cesario sul Panaro (MO) in 1991 as Modena Design through the work of its founder, Horacio Pagani, an expert in design applied to the automotive industry, to meet the growing demand for design and engineering services and the building of models, moulds and prototypes.

The particular trait of Modena Design (now Pagani Automobili) has always been its understanding of design as a combination of art and technology.

Pagani Automobili S.p.A. is a company specialized in the design and construction of prototypes, with particular skills in the use and processing of advanced composite materials for the production of limited series vehicles.

Today, Pagani Automobili can provide:

- Design and engineering of motor vehicles (GT/City cars)
- Design and engineering of racing cars
- Model building (wood/epowood/ureol)
- Chassis and bodywork engineering
- Construction of style models
- Construction of presentation, liveability, reliability, analysis and test prototypes
- Design and construction of moulds with composite materials
- Research and development into new materials
- Shape, feasibility and functionality studies
- Construction of parts using advanced compounds.

### **2.2 This Model**

#### 2.2.1 Purposes of the Model

The Model prepared by the Company based on the indication of areas of possible risk in its business activity, where the possibility of crimes being committed is considered highest, has the following objectives:

- to establish a prevention and control system to reduce the risk of crimes being committed in connection with company activities;
- to make all those who operate in the name and on behalf of Pagani, particularly those in the "areas at risk", aware that by violating the provisions it contains they could be committing an illegal offence for which not only they but also the company could be held liable under criminal and administrative law;
- to inform all those who work with the Company that violation of the provisions of the Model will result in the application of penalties or termination of their contractual relationships;
- to confirm that Pagani does not tolerate unlawful behaviour of any kind,

irrespective of the purpose, and that such behaviour (even in cases where the Company may apparently benefit from it) is in any case contrary to the core principles of the Company's business activity.

### 2.2.2 Preparation of the Model

On the basis of the indications contained in the Guidelines, the preparation of the Model (and the subsequent drafting of this document) is divided into the stages described below:

- (i) preliminary examination of the business environment through analysis of the relevant corporate documents and interviews with Pagani managers acquainted with its structure and activities, in order to define the organization and the activities performed by the various organizational units/corporate departments, as well as the company processes into which the activities are divided and their concrete and effective implementation;
- (ii) indication of areas of activity and company processes "at risk" or – for crimes against Public Administration – "instrumental" in the commission of crimes, made on the basis of the aforementioned preliminary examination of the business environment (hereinafter, cumulatively referred to as "**Areas at Risk of Crime**");
- (iii) hypothetical description of the main possible ways of committing Predicate Crimes within the individual Areas at Risk of Crime;
- (iv) survey and indication of the entity's control system for preventing the commission of the Predicate Offences.

### 2.2.3 The concept of acceptable risk

In the preparation of an Organization and Management Model such as this, the concept of tolerable risk cannot be neglected. For compliance with the provisions introduced by Legislative Decree no. 231 of 2001, it is essential to establish a threshold in order to limit the quantity and quality of prevention tools to be adopted in order to prevent the commission of the offence. With specific reference to the penalty system introduced by the Decree, the acceptance threshold is represented by the effective implementation of an adequate preventive system that can only be circumvented deliberately, i.e. in order to exclude the entity's administrative liability, the persons who committed the offence acted by fraudulently circumventing the Model and the controls adopted by the Company.

### 2.2.4 The structure of the Model and the Predicate Crimes relevant to its preparation

The Company intends to prepare a Model that takes account of its particular business situation, is in line with its governance system and can enhance the existing controls and bodies.

The Model is therefore a coherent set of principles, rules and regulations that:

- affect the internal operation of the Company and the ways in which it relates with the exterior;
- regulate the diligent management of a system for controlling the Areas at Risk of Crime, aimed at preventing the commission or attempted commission of the offences

specified in the Decree.

In particular, the Pagani Model consists of a "**General Part**", which contains its key principles, and a "**Special Part**", divided in turn into Sections on the various categories of offences covered by Legislative Decree no. 231 of 2001.

The Special Part contains - for each category of predicate crimes - a brief description of offences that may be a source of administrative liability for the Company, an indication of the identified Areas at Risk of Crime and a description of the main rules of conduct implemented by the Company, which Recipients of the Model (as defined below) must follow in order to prevent the commission of such offences.

Considering the number of types of crimes that currently give rise to the administrative liability of Entities pursuant to the Decree, some of them were not deemed relevant to this Model, as the risk of commission of these crimes was considered merely abstract and not realistically feasible. In particular, after careful evaluation of the specific activities conducted by Pagani and of its history, the following cases were considered irrelevant:

- Crimes of female genital mutilation practices (Art. 25-quarter.1 Legislative Decree 231/01);
- Crimes of market abuse (Art. 25-sexies Legislative Decree 231/01).

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

In any case, the core ethical principles of the Company's Model and its structure of *governance* are generally intended to also prevent those types of offences which, due to their irrelevance, are not specifically regulated in the Special Part of this Model.

#### 2.2.5 Adoption of the Model

The adoption of this Model is entrusted by the Decree to the competence of the governing body (in particular, the Board of Directors), which is also assigned the task of completing the Model with additional Sections in the Special Part for other types of Predicate Crimes newly introduced into Legislative Decree no. 231 of 2001.

### **2.3 Documents connected with the Model**

The following documents form an integral and essential part of Model:

- the code of ethics, containing all Pagani's rights, duties and responsibilities towards the recipients of the Model (hereinafter, the "**Code of Ethics**");
- the disciplinary system and system of penalties to be applied in the case of violation of the Model (hereinafter, the "**Penalty System**");
- the system of proxies and powers of attorney, and any relevant documents that



describe and assign responsibilities and/or tasks to those who operate within the Entity in the Areas at Risk of Crime, (*i.e.* organizational charts, service orders, *job descriptions*, qualification profiles, function charts, etc.);

- a system of procedures, protocols and internal controls for the purpose of ensuring the adequate transparency and disclosure of the decision-making and financial processes, as well as the conduct to be adopted by the recipients of this Model operating in Areas at Risk of Crime. (Hereinafter, the system of proxies and powers of attorney, procedures, protocols and internal controls mentioned above are collectively referred to as the “**Procedures**”)

It follows that the term Model refers not only to this document, but also to all further documents and Procedures adopted in accordance with its provisions and stated purposes.

## **2.4 Management of financial resources**

Without prejudice to paragraph 2.3 above, bearing in mind that pursuant to article 6(c) of Legislative Decree no. 231 of 2001, the Model is also required to indicate suitable procedures for the management of financial resources in order to prevent the commission of crimes, the Company has adopted specific protocols containing the principles and conduct to be adopted in the management of these resources.

## **2.5 Disseminating the Model**

### 2.5.1 Recipients

This Model takes into account Pagani’s particular business environment and is a valuable awareness-raising and information tool for Senior Managers and Subordinates (hereinafter, the “**Recipients**”).

This is so that the Recipients may adopt proper and transparent conduct in the performance of their tasks, in line with the ethical and social values to which the Company aspires in the pursuit of its corporate purpose, in order to prevent the risk of commission of the crimes specified by the Decree.

In any case, the relevant company departments shall ensure that the principles and rules of conduct contained in the Model and the Code of Ethics are assimilated into the Company Procedures.

### 2.5.2 Staff Training and Information

Pagani aims to ensure that the Recipients have a proper understanding of the content of the Decree and the obligations arising from it.

To ensure the effective implementation of this Model, the training and information for the Recipients shall be organized by the Human Resources Department, in close coordination with the Supervisory Body and the heads of other corporate departments involved at any given time in the application of the Model.

The main methods for conducting the training/information activities necessary for compliance with the provisions contained in the Decree involve specific information given at the start of employment and additional activities deemed necessary to ensure the correct application of the provisions laid down in the Decree. In detail, these include:

- an initial communication. In this regard, the adoption of this Model shall be communicated to all resources in the Company. New employees will be given the Pagani Code of Ethics and the Model - General Part. They shall also sign a form in which they acknowledge that the Model is available on the corporate *intranet* and undertake to observe the contents of the cited regulations. In addition, Senior Managers and/or Subordinates operating in Areas at Risk of Crime shall receive information on the Section(s) of the Special Part concerning their respective Areas;
- a specific training activity. This “continuous” training activity is mandatory and conducted through electronic tools and procedures (*e-mail* updates, corporate *intranet* and self-assessment tools), as well as periodic meetings and seminars for training and updates. This activity is differentiated, in its content and methods of delivery, according to the qualifications of the Recipients, the risk level of the area where they operate and whether or not they have powers to represent the company.

In order to ensure the effective dissemination of the Model and the staff information on the content of the Decree and the obligations deriving from its implementation, a special section has been set up in the corporate *intranet* (where all the documents comprising the Model are available). The section is dedicated to this subject and regularly updated by the relevant internal department, in coordination with or upon the recommendation of the Supervisory Body.

### 2.5.3 Information to Third parties and dissemination of the Model

Pagani also distributes the Model to people with various relationships with the company, such as external collaborators, consultants, agents, marketing representatives and others providing freelance professional services, whether continuous or occasional (including individuals who act on behalf of suppliers and *partners* and in the form of temporary association of companies as well as *joint-ventures*) (hereinafter, “**Third Parties**”).

In particular, the corporate departments involved at any given time shall provide Third Parties in general and the *service* companies with whom they come into contact with appropriate information regarding Pagani’s adoption of the Model pursuant to Legislative Decree no. 231 of 2001. In addition, the Company invites Third Parties to view the

contents of the Code of Ethics and the General Part of the Model on its *website*.

Specific clauses shall be included in the respective contractual texts notifying Third Parties of Pagani's adoption of the Model, in which they shall acknowledge having viewed and understood the consequences of failure to comply with the precepts contained in the General Part of the Model and the Code of Ethics, and undertake to ensure that neither they nor their senior managers and subordinates commit any of the Predicate Crimes.

### **3. ELEMENTS OF THE PAGANI GOVERNANCE MODEL AND GENERAL ORGANIZATIONAL STRUCTURE**

#### **3.1. The Company's *governance* Model**

Pagani is a joint-stock company managed by a Board of Directors composed of 5 members, including non-shareholders, as agreed by the Shareholders' Meeting.

The Directors remain in office for three financial years, or for a lesser period established by the Shareholders' Meeting upon nomination, with their term expiring on the date of the Shareholders' Meeting called to approve the financial statements for their last financial year in office.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company, without exception, and with all powers for implementation and achievement of the corporate purposes.

It can therefore incur any type of obligation and perform any transfer of assets without limitation, being within its competence everything which by law is not expressly reserved to resolutions of the Shareholders' Meeting.

The Board of Directors may appoint an Executive Committee, determining the number of its members and its rules of operation, and/or one or more Managing Directors, determining the content, limits and procedures for the exercise of their powers.

The Board of Directors may delegate all powers that may be granted by law to the President, the Vice President, the Managing Directors, the Executive Committee and to one or more Directors.

The Board of Directors may appoint one or more General Managers as well as proxies for specific acts or categories of acts, determining their duties, responsibilities and powers, including representation, in compliance with legal limitations.

Within the limits of their powers, the President, Vice President, CEOs and Executive Committee may issue special authorizations to Third Parties for acts of ordinary administration, as well as for certain acts of extraordinary administration.

The Chairman and one Managing Director are authorized severally to represent the Company before Third Parties and in court, with the right to bring legal actions, lawsuits and judicial and administrative proceedings for all levels of jurisdiction and also for revocation or cassation cases.

The Board of Directors, also through the Chairman or the Managing Directors, shall make timely reports, at least on a quarterly basis, to the Board of Auditors on the business conducted and on significant economic, financial and asset transactions made by the

Company or its subsidiaries, including atypical or unusual transactions and those with related parties; in particular, it shall report on transactions in which the directors have an interest, on their own account or that of Third Parties, or that are influenced by the party performing the management and coordination activities.

### **3.2. The Pagani Automobili SpA internal control system**

Pagani has adopted the following general tools for planning the development and implementation of the Company's decisions (also in relation to the offences to be prevented):

- the Company's core ethical principles, based also on the provisions of the Code of Ethics;
- the system of proxies and powers of attorney;
- the documentation and provisions regarding the corporate and organizational hierarchical-functional structure;
- the internal control system, and therefore the structure of corporate procedures;
- the procedures governing the administrative, accounting and *reporting* system;
- corporate communications and memoranda addressed to the staff;
- adequate and differentiated mandatory training for all the staff;
- the penalty system provided in the NATIONAL COLLECTIVE LABOUR AGREEMENTS;
- the national and foreign legal and regulatory "*corpus*" when applicable.

### **3.3. General principles of control in all Areas at Risk of Crime**

In addition to the specific controls described in each Section of the Special Part of this model, the Company has also implemented specific general controls applicable in all Areas at a Risk of Crime.

Specifically, this entails the following:

- **Transparency:** each operation/transaction/action must be justifiable, verifiable, consistent and appropriate;
- **Segregation of duties/powers:** no-one can manage an entire process independently and be entrusted with unlimited powers; powers of authorization and signature must be defined in a manner consistent with the organizational responsibilities assigned;
- **Adequacy of the internal rules:** the body of corporate rules must be consistent with the operations carried out and the level of organizational complexity, and must provide the necessary controls to prevent the commission of the offences referred to in the Decree;

- **Traceability/Documentability:** every operation/transaction/action and the respective verification activities must be documented and the documentation must be properly filed.

## **4. THE SUPERVISORY BODY**

### **4.1 Characteristics of the Supervisory Body**

In accordance with the provisions of Legislative Decree no. 231 of 2001 (articles 6 and 7) and the information contained in the Confindustria Guidelines, the Supervisory Body must have the following characteristics in order to ensure effective and efficient implementation of the Model:

- (a) autonomy and independence;
- (b) professionalism;
- (c) operational continuity.

#### Autonomy and independence

The requirements of autonomy and independence are essential so that the SB has no direct involvement in the operational/management activities it monitors and is, thus, not subjected to conditioning or interference by the managing body.

These requirements may be fulfilled by ensuring that the Supervisory Body has the highest hierarchical position possible, and by providing a *reporting* activity to the highest corporate operational management, or to the Board of Directors as a whole. For the purposes of independence, it is also essential that the SB is not assigned operational tasks, which would compromise its objectivity of judgement with regard to verification of conduct and the effectiveness of the Model.

#### Professionalism

The SB must possess appropriate technical and professional expertise for the functions it is called on to perform. These characteristics, combined with independence, ensure its objectivity of judgement<sup>6</sup>.

#### Operational continuity

The Supervisory Body must:

- continuously perform the activities necessary for supervision of the Model, with appropriate commitment and the necessary powers of investigation;
- be a structure related to the Company, so as to ensure the necessary continuity of its supervisory activities.

---

<sup>6</sup> This is particularly in regard to: risk analysis and assessment techniques; risk containment measures (organizational procedures, task segregation mechanisms, etc.); *flow charting* of procedures and processes for the identification of weak points and interview and questionnaire preparation techniques; fraud detection methods; etc. The Supervisory Body must have inspection skills (to determine how an offence of the type in question could have occurred and who committed it); consulting skills (to adopt the most appropriate measures to prevent the commission of the crimes, with reasonable certainty, when designing of the Model and the subsequent amendments, and then routinely, in order to verify that daily conduct effectively complies with the codified measures) and legal skills. Legislative Decree no. 231 of 2001 regulates criminal offences and as the purpose of the Supervisory Body's activity is to prevent the commission of the crimes, knowledge of their structure and methods of perpetration is essential (and may be acquired through the use of corporate resources or external consultants).

To ensure the effective fulfilment of the above requirements, in addition to the professional expertise described, these individuals should also possess the formal subjective qualities that further ensure the autonomy and independence required for the task (e.g. integrity, freedom from conflicts of interest and kinship ties with the governing bodies and the top management, etc.).

## **4.2 Identification of the Supervisory Body**

Together with the adoption of this Model, the Pagani Automobili SpA Board of Directors has appointed Giorgio Rusticali as a member of the SB, believing him to meet the requirements laid down in the Decree and Guidelines.

More precisely, the decision to name Giorgio Rusticali as a member of the SB is for the purpose of ensuring the body's compliance with the requirements of autonomy, independence, professionalism and continuity of action indicated above.

Finally, given the small size of the Company, the single-member composition of the Supervisory Body may well ensure the functions entrusted by the Decree and Guidelines to this body<sup>7</sup>.

## **4.3 Office term and causes for termination**

The Supervisory Body holds office for the term indicated in the appointment deed and may be renewed.

The office of the SB may be terminated for one of the following causes:

- expiry of the office term;
- revocation of the Body by the Board of Directors;
- resignation of a member, formalized by a specific written communication sent to the Board of Directors;
- occurrence of one of the grounds for forfeiture referred to in section 4.4.

The suspension of the SB can be ordered only for just causes, such as the following examples:

- involvement of the member in a criminal trial concerning the committing of a crime;
- violation of the obligation of confidentiality required of the Supervisory Body;
- gross negligence in fulfilling the duties connected with the appointment;

---

<sup>7</sup>Theory, case law and practice unanimously highlight the need to choose this type of composition for the SB, also in relation to the size of the company. "Therefore, in small organizations (...) single-member composition may well ensure the functions assigned to the Body" (Confindustria – Guidelines for the preparation of Organization, Management and Control Models pursuant to Legislative Decree no. 231/2001, page 32; in the same sense, see also Sandro Bartolomucci, *Corporate Governance e responsabilità delle persone giuridiche*, Ipsoa, 2004).



- the Company's possible involvement in criminal or civil proceedings concerning lack of or insufficient supervision, including negligence;

The suspension is ordered by a resolution of the Board of Directors, subject to the binding opinion of the Company's Board of Statutory Auditors.

In the case of termination, suspension or resignation, the Board of Directors shall name the new member of the SB without delay, with the outgoing member remaining in office until the replacement.

#### **4.4 Cases of ineligibility and forfeiture**

The following are grounds for ineligibility and/or forfeiture of the member of the SB:

- a) disqualification, incapacitation, bankruptcy or criminal conviction, even if the sentence is not yet final, for one of the offences covered by the Decree or, otherwise, for a sentence involving disqualification, even temporary, from public office or incapacity to hold management positions;
- b) the existence of ties of kinship, marriage or affinity within the fourth degree with members of the Board of Directors or the Company's Board of Auditors, or with persons appointed as external auditors;
- c) the existence of relationships of a financial nature between the member and the Company that could compromise the member's independence.

If a cause for forfeiture should arise during the course of the appointment, the member of the Supervisory Body shall immediately inform the Board of Directors.

#### **4.5 Functions, tasks and powers of the Supervisory Body**

In accordance with the indications given by the Decree and the Guidelines, the function of the Supervisory Body generally consists in:

- supervising the effective implementation of the Model in relation to the different types of offences envisaged by it;
- verifying the effectiveness of the Model and its real capacity to prevent the commission of the offences in question;
- indicating updates and changes to the Model and proposing them to the Board of Directors, in response to changes in the legislation or changed corporate needs or conditions;
- ensuring that proposed updates and changes formulated by the Board of Directors are effectively integrated into the Model.

As part of the above-described function, the SB is responsible for the following duties:

- periodically checking the map of Areas at Risk of Crime and the suitability of the

control points in order to enable their adaptation to changes in the company's activity and/or structure. For this purpose, the recipients of the Model, as described in greater detail in its special parts, must inform the SB of any situations that could expose Pagani to the risk of crime. All communications must be made in writing and sent to the special e-mail address provided by the SB;

- periodically conducting targeted checks and inspections of specific operations or acts conducted in the Areas at Risk of Crime, based on a previously established SB activity plan;
- collecting, processing and storing information (including the reports referred to in the paragraph below) relevant to compliance with the Model, as well as updating the list of information to be sent to the SB;
- conducting internal investigations to verify alleged violations of the provisions of this Model that are brought to the attention of the SB by specific reports or have emerged during the supervisory activities;
- verifying that the elements provided in the Model for the different types of crimes (*standard* clauses, procedures and controls, the proxy system, etc.) are effectively adopted and implemented and that they correspond to the needs of compliance with Legislative Decree no. 231 of 2001 and, if otherwise, proposing corrective actions and updates.

For the performance of the above functions and duties, the SB is vested with the following powers:

- broad and comprehensive access to the various corporate documents, particularly those concerning contractual and other relations established by the Company with Third Parties;
- to avail of the support and co-operation of the various corporate structures and corporate bodies interested or involved in the control activities;
- to appoint professionals, both internal and external to the Company, to specific tasks of consultation and assistance.

#### **4.6 Resources of the Supervisory Body**

The Board of Directors shall grant the SB the human and financial resources deemed appropriate for the purposes of carrying out the assigned task. In particular, the Supervisory Body is given autonomous spending power and the authority to stipulate, change and/or terminate professional appointments of Third Parties with the specific expertise necessary for the best execution of the task.

#### **4.7 Supervisory Body information flows**

##### **4.7.1 Information obligations with regard to the Supervisory Body**

To facilitate its supervision of the effectiveness of the Model, the SB must be informed, through special reports from the Recipients (or from Third Parties, where appropriate), regarding events that could result in Pagani being held liable under Legislative Decree no. 231 of 2001.

The information flows to the SB are divided into reports of illicit conduct or violations of this Model and specific mandatory information.

As provided for by article 6 c. 2-*bis* of Legislative Decree 231/01<sup>8</sup>, **the recipients of the Model** identified by art. 5 c. 1(a) and (b) of the same Decree as:

- persons entrusted with the representation, administration or management of the entity or of one of its organizational units with financial and organizational autonomy, as well as individuals who exercise de facto management and control of it;
- persons subject to the direction or supervision of one of the parties referred to in the first point.

to safeguard the entity's integrity, shall present detailed reports of illegal conduct, relevant pursuant to Legislative Decree. 231/2001 and based on accurate and consistent elements of fact, or concerning violations of this Model that have come to their attention due to the functions they perform.

In addition to the reports concerning general violations described above, information on the following must be sent mandatorily and promptly to the SB:

- provisions and/or notifications from criminal investigation departments, or any other authorities, regarding the progress of investigations that may involve Pagani or the members of its corporate bodies;
- any reports prepared by the heads of other bodies (e.g., the Board of Auditors) as part of their control activities which may refer to facts, acts, events or omissions of a critical nature in relation to compliance with Legislative Decree no. 231 of 2001;
- news regarding disciplinary proceedings or penalties imposed, or the dismissal of such proceedings with the specific reasons, if this is connected with the commission of crimes or violation of the rules of conduct or procedures of the Model;
- committees of inquiry or internal reports/communications which indicate liability for allegations of crime pursuant to Legislative Decree no. 231 of 2001;
- organizational changes;
- updates to the system of proxies and powers;
- particularly significant operations carried out within the Areas at Risk of Crime;
- changes in Areas at Risk of Crime or potentially at risk;
- any communications from the Board of Auditors on matters regarding shortcomings in the internal control system, misconduct or comments on the Company's financial statements;
- the declaration of truthfulness and completeness of the information contained in

---

<sup>8</sup> Introduced by the so-called "Whistleblowing Draft Law" of 15 November 2017.

- corporate communications;
- the copy of the minutes of the meetings of the Board of Directors and that of the Statutory Auditors.

The Company shall adopt specific information channels (dedicated telephone lines or *mail boxes* created *ad hoc*) to ensure the confidentiality mentioned above and facilitate the flow of reports and information to the Body.

The Company has also adopted two additional reporting channels, as required by article 6. paragraph 2-*bis* of Legislative Decree 231 of 2001, that ensure confidentiality regarding the identity of the reporting party, through computerized and other methods. These channels are:

1. An online form filled in by the reporting party on the corporate intranet.  
The recipients of the report can be either the HR department or Company Management, with a copy to the SB.
2. Two mailboxes installed on the company's premises, one addressed to the Head of the HR Department and the other to the Company Management.

The SB shall assess the reports received with discretion and responsibility. To this end, it may hear the author of the report and/or the alleged offender, explaining in writing the reason for any decision not to proceed. In any case, reporting parties acting in good faith shall be protected against any form of retaliation or penalization and ensured the greatest confidentiality, without prejudice to legal obligations and the need to protect the company or persons charged erroneously or in bad faith.

For this purpose, the Company has established the prohibition of acts of retaliation or discrimination, whether direct or indirect, against the reporting party, for reasons connected directly or indirectly to the report.

In any case, any retaliatory or discriminatory measures or dismissal of the reporting party for reasons directly or indirectly connected with the report shall be void.

#### 4.7.2 Information obligations of the Supervisory Body

Given that responsibility for the adoption and effective implementation of the Model lies with the Company's Board of Directors, the SB shall refer to it regarding the implementation of the Model and the occurrence of any problems.

In particular, the Supervisory Body has responsibility to the Board of Directors for:

- a) communicating the plan of the activities it intends to conduct in order to fulfil its assigned tasks, at the start of each financial year. This plan shall be approved by the Board of Directors;
- b) periodically reporting the progress of the program, together with any changes made to it;
- c) communicating any problems related to the activities where relevant;
- d) submitting a report, at least once every six months, on the implementation of the model.

In addition to the Board of Directors, the SB shall also be required to report periodically to the Board of Auditors on its activities.

The Body may request to be present at the meetings of the above bodies to report on the functioning of the Model or on specific situations. The meetings with the corporate bodies at which the SB reports must be recorded. Copies of the minutes shall be kept by the SB and by the bodies involved on each occasion.

Without prejudice to the above, the Supervisory Body may also communicate, depending on the individual circumstances:

- (i) the results of its own findings to the heads of the departments and/or processes if the activities bring to light aspects requiring improvement. In this case, the SB must obtain a plan of action from the heads of the processes, with a relevant timeframe for the implementation of improvements to the activities, as well as the result of the implementation;
- (ii) report to the Board of Directors and the Board of Auditors any conduct/actions that are not compliant with the Model in order to:
  - a) obtain from the Board of Directors all the elements for communications to the relevant bodies for assessment and the application of disciplinary sanctions;
  - b) give directions for the removal of the shortcomings in order to prevent the recurrence of the fact.

Finally, the Body is obliged to immediately inform the Board of Auditors if the violation concerns members of the Board of Directors.

## **5. PENALTY SYSTEM APPLICABLE IN THE EVENT OF FAILURE TO OBSERVE THIS MODEL AND THE REGULATIONS-PROVISIONS CONTAINED HEREIN**

### **5.1 General principles**

Pagani acknowledges and states that the preparation of an adequate system of penalties for violation of the rules contained in the Model, the relevant Annexes and the Procedures is an essential condition for ensuring the effectiveness of the Model.

In this regard, article 6, paragraph 2(e) of the Decree provides that organizational and management models must "*introduce a disciplinary system to punish non-compliance with the measures indicated in the model*".

The application of disciplinary penalties does not depend on the outcome of any criminal proceedings, as the rules of conduct imposed by the Model and the Procedures are assumed by the Company independently and regardless of the type of offences covered by Legislative Decree no. 231 of 2001 to which the violations in question may relate.

More precisely, non-observance of the rules contained in the Model and in the Procedures by itself undermines the relationship of trust with the Company and results in disciplinary actions, regardless of the introduction of criminal proceedings in cases where the violation constitutes a crime. This is also in compliance with the principles of timeliness and immediacy of disciplinary disputes and the imposition of penalties, in accordance with current law.

The Company, moreover, imposes sanctions against anyone who violates the measures to protect the reporting party (as described in paragraph 4.7 of this document), as well as those who, intentionally or with gross negligence, make reports that turn out to be unfounded.

## **5.2 Definition of "Violation" for the purposes of implementing the present Penalty System**

By way of general example, "**Violation**" of this Model and the related Procedures consists in:

- the implementation of actions or conduct not in conformity with the law and the provisions contained in the Model and related Procedures, resulting in a situation of mere risk of committing one of the offences contemplated by Legislative Decree no. 231 of 2001;
- the omission of actions or conduct prescribed in the Model and related Procedures leading to a situation of mere risk of committing one of the offences contemplated by Legislative Decree no. 231 of 2001.

## **5.3 Penalties for employees**

### 5.3.1 Employees in non-managerial positions

The conduct adopted by employees in violation of the rules contained in this Model and in the Company Procedures are defined as *disciplinary offences*.

With reference to the types of penalties imposed for such employees, they are part of those laid down in the national collective bargaining agreement for workers in small and medium

mechanical engineering facilities and in plant installation (hereinafter, the “**CCNL**”), in accordance with the procedures laid down in article 7 of Law no. 300 of 1970 (hereinafter, the “**Workers’ statute**”) and any applicable special regulations.

According to the seriousness of the infringement, the violation by the employee, pursuant to paragraph 5.2 of this Model, can give rise to the following provisions, which are established in accordance with the principles of proportionality, as well as criteria of correlation between the offence and the penalty, while complying with the form and manner envisaged by current law.

In all cases, except where otherwise stated in the disciplinary system used by Pagani Automobili, the employee shall be subject to the following disciplinary provisions:

- a) Verbal warning;
- b) Written warning;
- c) Fine not exceeding the pay for 3 hours of work in total;
- d) Suspension from work and remuneration for a period not exceeding three days;
- e) Dismissal.

The disciplinary system is constantly monitored by the Supervisory Body and the Human Resources Department.

#### 5.3.2 Managers

In the event of: (a) Violation pursuant to paragraph 5.2. above, or (b) adoption by managers, while engaged in activities in Areas at Risk of Crime, of conduct that does not comply with the provisions of the documents referred to above; those responsible will be subjected to the most suitable measures foreseen by the National Collective Employment Contract for Industrial Executives.

#### **5.4 Directors**

In the case of violation of the rules referred to in paragraph 5.2. above by one or more of the Pagani Directors, the Supervisory Body shall immediately inform the Board of Directors and the Statutory Auditors of the Company for the appropriate assessments and measures.

In the event that an indictment has been filed against one or more of the Directors as alleged perpetrators of a crime for which the Company may have administrative liability, the Chairman of the Pagani Board of Directors (or the other Board member on his behalf) must convoke the Shareholders' Meeting to decide on the suspension of their mandate.

#### **5.5 Auditors**

In the case of violation of the rules referred to in paragraph 5.2. above by one or more

members of the Board of Statutory Auditors, the Supervisory Body shall inform the Board of Directors and the Board of Auditors and, at the request of the Chairman of the Board of Directors, the Shareholders' Meeting shall be convened in order to adopt the appropriate measures.

#### **5.6 Third parties: collaborators, agents and external consultants**

In the case of violation of the rules referred to in paragraph 5.2. above by external collaborators, agents or consultants, or by Third Parties in general, depending on the severity of the violation, the Company shall: (i) warn these parties that the foregoing provisions must be strictly complied with; or (ii) have just cause, depending on the type of agreement, to withdraw from or terminate the contract for breach by these parties.

To this end, Pagani has provided for the addition of specific contractual clauses that include: (a) notification to the third parties of Pagani's adoption of the Model and Code of Ethics, which they themselves shall declare to have read, agreeing to abide by their contents and refrain from conduct that could cause a violation of the law or the Model, or the commission of any of the Predicate Crimes; (b) the right by the Company to withdraw from the relationship or terminate the contract (with or without the application of penalties) in the case of non-compliance with those obligations.

#### **5.7 Records**

The company shall keep a register of all those who have committed a violation, pursuant to paragraph 5.2. above. The establishment of new contractual relations with those listed in this register shall be prohibited.