KRYALOS
SOCIETÀ DI GESTIONE DEL RISPARMIO

ORGANIZATION, MANAGEMENT AND CONTROL MODEL pursuant to Legislative Decree no. 231 of 2001

Adopted by the Board of Directors of Kryalos SGR S.p.A. on 21.12.2017 and amended on 31.5.2018, 25.6.2019, 30.1.2020 and 7.5.2020.

[Courtesy translation]

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ATTACHMENTS

1. Code of Ethics
2. Disciplinary System
3. Safeguard clause
4. Diagram of the Heads of Functions responsible for at-risk areas

DEFINITIONS

Kryalos: Kryalos SGR S.p.A. (hereinafter the "**Company**" or "**Kryalos**"), with registered office at Via Cordusio no. 1, Milan (Italy), share capital € 1,000,000.00 fully paid up, registered under no. 88 of the SGR (Asset Management Companies) Register held by the Bank of Italy pursuant to Legislative Decree no. 58 of 1998, Economic and Administrative Index (REA) MI – 1795611, Fiscal Code and VAT no. 05083780964 – website: www.kryalossgr.com;

Kryalos Investments S.r.l.: single member of Kryalos SGR S.p.A., with registered office at Via Cordusio no. 1, Milan (Italy) Fiscal Code and VAT no. 08691990967.

Safeguard Clause: the standard clause (attached to this Model) which is the instrument for enforcement of the Model.

Code of Ethics: the code of conduct adopted by the Company.

Consultants: individuals hired from outside the Company who, due to their professional skills, provide services for or on behalf of the Company on the basis of a mandate or other professional arrangement.

Decree or Legislative Decree 231/2001: Legislative Decree no. 231 of 8 June 2001 as amended.

Confindustria Guidelines: the guidance document issued by Confindustria (approved on 7 March 2002 and updated in March 2014) for the preparation of the organization, management and control models specified in the Decree.

Model or Organizational Model: this organization, management and control model adopted pursuant to Legislative Decree no. 231 of 2001.

Supervisory Body or SB: body provided for in article 6 of the Decree, responsible for monitoring the implementation of and compliance with the organizational model and for its updates.

Top management: persons serving as representatives, or holding administrative or senior executive positions within the Company or one of its units with financial and functional autonomy, as well as persons acting as the de facto managers or supervisors of the Company.

Subordinates: persons under the direction or supervision of Top Management.

Partner: natural or legal persons with which the Company has negotiated any form of cooperation regulated by contract.

SUMMARY

Introduction

Kryalos is aware of the need to ensure fairness and transparency in conducting business and other activities, in order to protect its position and corporate image, the expectations of its shareholders and the work of its employees and collaborators.

In compliance with company policy, Kryalos has formalized the Organizational Model required by Legislative Decree no. 231/2001.
Accordingly, the Company launched a project to analyze the organizational, management and control tools it employs, in order to determine whether the existing rules of conduct and procedures are consistent with the objectives set out in the Decree.

The Model and principles set out therein govern the conduct of the Corporate bodies (i.e. the Board of Directors, the Board of Statutory Auditors and their members), employees, collaborators, consultants, suppliers, customers and, more in general, all those who, in any capacity, are involved in sensitive activities on behalf of or in the interest of the Company (hereinafter the "**Recipients**").

The Model was formally adopted by the Company's Board of Directors on 21 December 2017, for the purposes of implementing the principles of sound management laid down in the Decree.

Purpose of the Organization, Management and Control Model

The Model adopted by Kryalos aims to represent the system of operational and behavioral rules that regulate the Company's activities, as well as the additional controls implemented by the Company to prevent the commission of the different types of offenses covered in the Decree.

Kryalos conducts its business in strict compliance with all applicable laws and regulations.

By adopting the Model, the Company intends to pursue the objective of ensuring the widest possible dissemination of the culture of compliance among its employees and those involved with the company.

In particular, this document aims to:

- inform all individuals working, in the name of or on behalf of the Company, in at-risk areas (areas where offences might be committed) and in areas that play an instrumental role in

committing the offenses set out in the Decree, of the consequences of a criminal or noncriminal nature, that may result from the violation of the aforementioned laws and regulations, for both the individual and the Company;

- emphasize the fact that individuals engaging in these forms of unlawful conduct will be punished by the Company as such actions are against the law and the ethical principles that Kryalos seeks to follow in the performance of its mission;
- enable the Company, by constantly monitoring areas considered to be at risk or play an instrumental role in the commission of an offense, to take swift action to prevent or impede the commission of offenses.

Document structure

The Model adopted by Kryalos is divided into three Sections:

- section one contains a general description of the regulations in the Decree;
- section two concerns the General Part of the Model specifically adopted by the Company;
- section three concerns the Special Part of the Model specifically adopted by the Company.

The following documents are an integral part of the Model:

1. Code of Ethics;
2. Disciplinary system;
3. “Safeguard” clause;
4. Diagram of the Head of Functions responsible for at-risk areas;
5. Information flows to the Supervisory Body;
6. Prevention protocols.

Recipients of the document

The document is intended for all persons within the corporate organization of Kryalos who:

- serve as representatives, or hold administrative or senior executive positions within the Company or one of its units with financial and functional autonomy, as well as persons acting as the de facto managers or supervisors of the Company;
- are under the direction or supervision of one of the persons referred to in the point above.

Section I – Legislative Decree no. 231 of 2001

1.1 The administrative liability of legal entities

Legislative Decree no. 231/2001 was issued on 8 June 2001, pursuant to the enabling provisions of Article 11 of Law no. 300 of 29 September 2000. The purpose of this decree was to harmonize domestic provisions on the liability of legal entities with certain international conventions previously signed by Italy, including the Brussels Convention of 26 July 1995 (on the protection of the financial interests of the EU) and the Brussels Convention of 26 May 1997 (on the campaign against corruption involving officials of the European Community or Member States), and the OECD Convention of December 17, 1997 (on the campaign against corruption of foreign public officials in financial and international transactions).

Legislative Decree no. 231/2001, which lays down the "Provisions on the administrative liability of legal persons, companies and associations, including those without legal personality", introduced into the Italian legal order an administrative liability regime applying to entities for a series of offences committed in the interest of or to the advantage of an entity by its directors, employees and collaborators.

This new form of liability of entities is generally of a "mixed" nature. It is unique because it is a type of liability that combines the essential aspects of the criminal system with the administrative system. Based on the Decree, the entity is punished with an administrative penalty where it is liable for an administrative offense, but the penalty system is based on criminal proceedings: the competent Authority disputing the offense is the Public Prosecutor's Office, while the criminal court Judge is responsible for imposing the penalty.

The administrative liability of the entity is distinct and independent from that of the individual who commits the offense, even if the perpetrator of the offence has not been identified, or if the offense has been discharged for a cause other than amnesty (article 8 of the Decree). In any case, the liability of the entity is always added and never substituted for that of the individual who perpetrated the offence.

The scope of the Decree is very broad and covers all legal entities, companies, associations even non-legal entities, public for-profit entities, private sector concessionaires of a public service. The legislation does not apply to the State, local governments, non-profit public bodies, and bodies which perform constitutional functions such as political parties and trade unions (article 1 of the Decree).

The Decree does not make reference to entities not established in Italy, However, case-law has established, in this regard, under the principle of territoriality, the existence of jurisdiction of the Italian courts for offenses committed by foreign entities in Italy[1].

1.2. Offenses that determine the administrative liability of the Entity

The Entity may be held accountable only for those offences – known as predicate offenses – laid down in the Decree or by any law that came into force before the offence was committed.

As of the date of approval of this document, the predicate offenses in this category are:

- crimes against public administration (arts. 24 and 25);
- computer crimes and unlawful data processing (art. 24 *bis*);
- organized crime (art. 24 *ter*);
- counterfeiting of money, in public credit cards, duty stamps and identification instruments or marks (art. 25 *bis*);
- crimes against industry and commerce (art. 25 *bis*[1]);
- corporate offences (art. 25 *ter*);
- crimes of terrorism and subversion of democratic order (art. 25 *quater*);
- female genital mutilation practices (art. 25 *quarter*[1]);
- crimes against the individual (art. 25 *quinquies*);
- market abuse (art. 25 *sexies*);
- wrongful death or injury or grievous bodily harm, committed in violation of the rules on workplace health and safety (art. 25 *septies*);
- crimes of receiving, laundering and use of money, goods or assets of illicit origin and self laundering (art. 25 *octies*);
- offences related to copyright infringement (art. 25 *novies*);
- inducement to withhold statements or to make false statements to judicial authorities (art. 25 *decies*);
- environmental crimes (art. 25 *undecies*);
- employment of illegally staying third-country nationals (art. 25 *duodecies*);
- cross-border crimes (art. 10, Law no. 146 of 16 March 2006)[2].

[1] See order of the examining Magistrate (GIP) of the Court of Milan ord. 27 April 2004.

[2] Changes to the types of offence provided for by the Decree have taken place on the basis of the following legislation: Decree Law 25 September 2001, no. 350, which introduced art. 25 *bis* «Counterfeiting of money, in public credit cards,

1.3 Criteria for attributing administrative liability to an Entity. Exemption from liability following the adoption of the Organization, Management and Control model

An offense attributable to an Entity based on Legislative Decree no. 231/2001 does not constitute vicarious liability, in accordance with Article 2049 of the Italian Civil Code on liability for offences committed by an employee or appointees, or the provisions laid down in Article 197 of the Italian Criminal Code.

The Entity is punished for its own liability. Its liability is grounded on the possibility of extending a reprimand directly to it, in accordance with Art. 27 of the Constitution, for the fact that the offence is to be considered as facilitated by a misleading corporate policy or, in any case, the result of organizational negligence.

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and duty stamps», subsequently extended and amended to «Counterfeiting of money, in public credit cards, duty stamps and identification instruments or marks » by Law 23 July 2009, no. 99; Legislative Decree 11 April 2002, no. 61, which introduced art. 25 *ter* «Corporate Offences»; Law 14 January 2003, no. 7, which introduced art. 25 *quater* «Crimes of terrorism and subversion of democratic order»; Law 11 August 2003, no. 228, which introduced art. 25 *quinquies* «Crimes against the individual»; Law 18 April 2005, no. 62, which introduced art. 25 sexies «Market abuse»; Law 9 January 2006, no. 7, which introduced art. 25 *quater* «Female genital mutilation practices»; Law 16 March 2006, no. 146, which provides for the liability of entities for cross-border crimes; Law 3 August 2007, no. 123, which introduced art. 25 *septies* «Manslaughter or serious or very serious injury, committed violating accident prevention and health and safety in the workplace rules», subsequently amended to «Wrongful death or injury or grievous bodily harm, committed in violation of the rules on workplace health and safety» by Legislative Decree 9 April 2008, no. 81; Legislative Decree 21 November 2007, no. 231, which introduced art. 25 *octies* «Crimes of receiving, laundering and use of money, goods or assets of illicit origin and self laundering»; Law 18 March 2008, no. 48, which introduced art. 24 *bis* «Computer crimes and unlawful processing of data»; Law 15 July 2009, no. 94 which introduced art. 24 ter «Organized crime»; Law 99/2009 – mentioned above – which introduced art. 25 *bis*.1 «Offences against industry and commerce» and art. 25 *novies* «Offences related to copyright infringement»; Law 3 August 2009, no. 116 which introduced art. 25 *novies* (hereinafter renumbered art. 25-decies by Legislative Decree 7 July 2011, no. 121) «Inducement to withhold statements or to make false statements to judicial authorities»; Legislative Decree 121/2011 – mentioned above – which introduced art. 25 *undecies* «Environmental crimes»; Legislative Decree 16 July 2012, no. 109, which introduced art. 25 *duodecies* «employment of illegally staying third-country nationals»; Law 6 November 2012, no. 190, which amended articles 25 and 25 *ter*; Law 186/2014, which provided for self-laundering as a predicate offence for the purposes of the entities' administrative liability, including the new article 648 *ter* of the Italian Criminal Code to art. 25 *octies* of Legislative Decree 231/2001. Law 68/2015 amended art. 25 *undecies* of Legislative Decree 231/2001, introducing new environmental crimes. Law 69/2015, published in the Official Gazette no. 124 of 30 May 2015 "*Provisions on crimes against the public administration, mafia-type associations and false accounting*", has stiffened penalties for the crimes against the public administration, affecting, moreover, "*false company statements*" as per art. 2621 of the Italian Civil Code and "false company statements of listed companies" as per art. 2622 of the Italian Civil Code.

As effectively observed by the Joint Divisions, the liability of an Entity is grounded, therefore, on guilt in a normative sense, based on the obligations of these types of organizations to adopt the necessary measures to prevent the perpetration of certain offences, by adopting organizational and operational types of actions based on a “Model” that identifies the risks and outlines the measures to counter them. Therefore, the Entity is at fault for failing to fulfill this obligation[3].

Legislative Decree no. 231/2001 expressly provides, in arts. 6 and 7, for exemption from administrative liability for offences committed to one’s own advantage and/or interest if the Entity has adopted and effectively implemented organization, management and control models which are capable of preventing the offences introduced by the Decree.
An adequate organization is the only tool capable of shielding an entity from "liability” and, as a result thereof, preventing the imposition of penalties.

In the case of committing one of the predicate offences, the Entity is punishable pursuant to Legislative Decree no. 231/2001 only when it meets additional specific requirements. The criteria for the imputation of liability to the Entity are divided into “objective” and “subjective” criteria.

The first objective condition is that the offense was committed by a person connected to the Entity by a formal relationship.
In this regard, a distinction is made between:

- parties in a “top management position”, i.e. individuals holding positions of representation, assistance and management of the Entity, including, but not limited to the legal representative, the director, the manager of an independent organizational unit, as well as people who manage, even if only de facto, the Entity. These are people who have the power to make decisions in the name of and on behalf of the Entity. The category also includes all people delegated by the directors to perform management or direction activities of the Entity or its separate branches;
- “subordinate” parties, i.e. all persons who are subject to the direction and supervision of top management. This category includes employees and collaborators and those persons who, although not members of staff, perform duties under the direction and control of top management. External parties include, in addition to collaborators, promoters and consultants who are appointed by the Entity to carry out activities in its name, as well as

[3] See Criminal Court of Cassation, Joint Sections, 24.4.2014 no. 38343, the ThyssenKrupp judgement.

representatives who are not employees of the Entity, who act in the name of, on behalf of or in the interest of the Entity.

The second objective condition for the entity to be liable is that the offence must be committed in the interest or benefit of the Entity.

"Interest" exists when the perpetrator of the offence acted with the intent to benefit the Entity, regardless of whether that goal was actually achieved.
"Benefit" exists when the Entity obtained – or could obtain – a positive result from the offense, whether financial or of another nature[4].
The liability of the Entity exists not only when it has obtained an immediate financial advantage from committing of the offense, but also in the case that, even in the absence of such an outcome, the event was motivated in the interest of the Entity.

As regards the subjective criteria attributing the offence to the Entity, these relate to the preventive instruments it has used to prevent the perpetration of one of the offences envisaged by the Decree within the context of its business activities.
The Decree provides for the exclusion from liability only if the Entity demonstrates that:

- the governing body has adopted and effectively implemented, prior to the commission of the act, organizational and management models that are suitable for preventing the kind of offence that occurred;
- the task of overseeing the functioning and observance of the models and their updating has been entrusted to a Supervisory Body of the Entity with independent powers of initiative and control;
- there was no omission or insufficient supervision by the aforementioned body.

The above conditions must occur jointly for liability of the Entity to be excluded.

Despite the fact that the Model provides grounds for exemption from liability, whether the predicate offence was committed by a person in a top management position or by a person in a subordinate

[4] According to the Court of Cassation (Criminal Cass. 20 December 2005, no. 3615), the concepts of interest and advantage should not be understood as a single concept, but dissociated, the distinction being clear between what could be understood as a possible gain arising from the unlawful act and an advantage clearly obtained thanks to the outcome of the crime. A similar opinion was also pronounced by the Court of Milan (ruling of 20 December 2004), according to which it is sufficient for the sole purpose of the criminal conduct to be the pursuit of a given benefit, irrespective of whether this has actually be obtained.

position, the mechanism envisaged by the Decree with regard to the burden of proof is much more severe for the entity when the offence was committed by a person in a top management position.
In the latter case, in fact, it is the Entity that must provide proof that the individual committed the crime fraudulently circumventing the Model.

In the event of crimes committed by a person in a subordinate position, the Entity may be held liable only if it is established that the offense was made possible through a breach of obligations of management or supervision.
In this case, the Entity is at fault: the company indirectly allowed the offense to be committed, by failing to supervise the activities and actions of those at risk of committing a predicate offense.
However, this liability is excluded if, prior to the commission of the offence, the Entity implemented an Organization, Management and Control Model capable of preventing offences similar to the type that occurred.

1.4 Effectiveness and adequacy of the Model

The Model functions as grounds for exemption from liability if it is:

- effective, or reasonably capable of preventing the offence or offences committed;
- effectively implemented, or its contents are applied in the corporate procedures and in the internal control system.

As regards the effectiveness of the Model, the Decree requires that its contents include, as a minimum:

- identification of the activities of the Entity, within in which offenses may be committed;
- specific protocols for planning the development and implementation of the Entity's decisions, in relation to the crimes to be prevented;
- identification of the management methods of financial resources in order to prevent the commission of crimes;
- the introduction of a disciplinary system designed to punish any failure to comply with the measures specified in the Model;
- obligations to provide information to the Supervisory Body;
- suitable measures, taking into account the nature and the size of the organization, as well as the type of activity carried out, are provided to ensure that business is conducted in compliance with the law and to enable discovery and prompt elimination of risk situations.

Under the Decree, the Model must be periodically reviewed and updated, both in the event of a significant violation of its provisions, and in the event of significant changes in the organization or activities of the Entity.

1.5 Offences committed abroad

As per art. 4 of the Decree, the Entity may be held liable in Italy for offenses committed abroad.

Legislative Decree no. 231/2001, however, subordinates this possibility, together with the objective and subjective conditions already addressed, to the following conditions:

- the general conditions of admissibility laid down in articles 7, 8, 9 and 10 of the Italian Criminal Code exist to allow prosecution in Italy for an offence committed abroad;
- the Entity's head office is located in Italy;
- the State where the offence was committed is not taking action to prosecute the Entity.

1.6 Penalties applicable to the Entity

The penalty system provided for by Legislative Decree no. 231/2001 (arts. 9 et seq.) includes four types of penalties, which the Entity may be subjected to, if convicted, under the terms of the Decree:

- fine: this penalty is applied if the court deems the Entity liable. It is calculated using a quota-based system, the number and amount of which is determined by the judge.
  The number of quotas, applied between a minimum and a maximum that varies depending on the case, the seriousness of the offence, the degree of liability of the Entity, the measures taken to eliminate or mitigate the consequences of the offence or to prevent other unlawful acts from being committed; the amount of the individual quota ranges between a minimum of €258.00 to a maximum of €1,549.00, depending on the economic and financial conditions of the Entity;

- disqualification: this penalty is applied, in addition to financial penalties (fines) only in the event of offences for which disqualification is expressly provided, where at least one of the following conditions is met:
  - the Entity obtains significant profit from the offence and the offence is committed by top management or otherwise by a subordinate when commission of the offence is caused or facilitated by severe organizational shortcomings;
  - in the event of repeated unlawful acts.

  The disqualification penalties provided for by the Decree are:
  - ban from conducting business activities;

- suspension or cancellation of authorizations, licenses or concessions serving to commit the unlawful act;
- prohibition on entering into contracts with the public administration, unless done so to obtain public services;
- exclusion from benefits, loans, contributions or subsidies and possible cancellation of those already granted;
- prohibition on publicizing goods or services.

Only exceptionally applied with permanent effect, disqualification applies to the specific activity conducted by the Entity to which the offence relates for a period of time ranging from three months to two years, except for the circumstances provided for by article 25, paragraph 5 of Law no. 3/2019, which establishes that, if an entity is convicted of an offence arising from these crimes against the public administration (pursuant to articles 317, 319 *bis*, 319 *ter*, paragraphs I and II, 319 *quater*, 321, 322, paragraphs II and IV of the Italian Criminal Code), the disqualification may not be less than four years nor more than seven years if the crime was committed by a member of top management, and it may not be less than two years nor more than four years if it was committed by a person under the direction/supervision of a member of top management (except in the specific extenuating circumstances pursuant to article 25, paragraph 5).

These can also be applied as a precautionary measure, before the verdict, before a sentence has been reached, at the request of the Public Prosecutor, if there is serious evidence of the Entity's liability and there are substantial and specific elements that suggest that there is a real risk of offenses of the same type as the ones in the proceedings may be committed again;

- confiscation: following conviction, an order is always made for confiscation of the price or profit from the offence, or of goods or other valuables of equivalent value.

  The profit of the crime has been defined by the United Chambers of the Court of Cassation as the economic advantage of direct and immediate causal origin from the offense, "*net of any actual use obtained by the damaged party within the bilateral relationship with the Entity*"[5].

  The United Chambers also specified that this definition should exclude any type of business parameter for which the profit cannot be identified with the net profit made by the Entity (except in the case provided for by law, of receivership of the Entity);

- publication of the sentence: may be ordered when disqualification penalties are applied to the Entity.

[5] Penal Court of Cassation, Joint Sections, 27 March 2008, no. 26654.

This measure consists of the publication of the sentence once, as an excerpt or in whole at the expense of the Entity, in one or more newspapers indicated by the court in the sentence and is also displayed in the Municipality where the Entity has its head office.

Administrative penalties are time-barred five years after the date on which the offence is committed.

The definitive sentence against the Entity is entered in the national register of administrative sanctions for offences.

1.6.1 Disqualification measures applicable to asset management companies (SGRs)

Italian Legislative Decree no. 197 of 9 July 2004, implementing Directive 2001/24/EC on the reorganization and winding up of credit institutions, establishes that the disqualification contemplated under art. 9, paragraph 2, letters a) and b) of Italian Legislative Decree no. 231/2001 (ban from conducting business and the suspension or cancellation of authorizations, licenses or concessions), against a bank or a stock brokerage firm or an asset management company or a SIVAV, are enforced not by the Public Prosecutor, but rather by the Bank of Italy or CONSOB (art. 9, para 3 of Legislative Decree no. 197 of 2004).

The above provision, in relation to the aforementioned entities, also excludes the application of the disqualification measures during the interlocutory stage, and also the provision that allows for receivership as a precautionary measure or as a final sanction (Article 8 paragraph 4 of Legislative Decree no. 197 of 2004). This is an exception, provided for collective entities with a strong public presence, characterized by a specific regulation of the sector and by being subject to several supervisory and control bodies (CONSOB and the Bank of Italy).

1.7 Events modifying an Entity

The Decree governs the rules on liability of the institution in the case of modifying events, or in the case of transformation, merger, demerger and assignment of a business.

Should the Entity be transformed, it remains liable for offences committed prior to the date on which the transformation took effect. The new Entity will therefore be the recipient of the sanctions applicable to the original Entity, for acts committed before the transformation.

In case of a merger, the merged entity, even if by incorporation, is liable for offenses for which the entities that have participated in the operation were liable. If the merger occurs before final judgment of finding liability is given, the court must take into account the economic conditions of the original entity and not those of the merged entity.

As regards demergers, the entity which was spun off remains liable for offences committed prior to the date on which the demerger became effective. The Entities benefiting from the demerger are obliged, jointly and severally, to pay fines due by the Entity which is demerged up to the value of the shareholders' equity transferred to each individual Entity, unless the Entity has also transferred part of the business branch within which the offence was committed; disqualification measures apply to the entity (or entities) which have retained or have received the business branch within which the offence was committed.

If the demerger took place before final judgement of a finding of liability is given, the court must take into account the economic conditions of the original entity and not those of the one resulting from the merger.

In the event of sale or transfer of the company under which the crime was committed, subject to benefit of prior examination of the transferor, the transferee is jointly liable with the transferor entity to pay the fine within the limits of the value of the transferred company and the extent of the financial penalties which are found from the mandatory accounting records, or of which the transferee was aware.

1.8 The Confindustria Guidelines

Article 6, paragraph 3, of Legislative Decree no. 231/2001 establishes that "*the organizational and management models may be adopted, by guaranteeing that the requirements set out in paragraph 2 are met, on the basis of codes of conduct drawn up by the associations representing the bodies, notified to the Ministry of Justice which, in concert with the competent ministries, may, within thirty days, draw up observations on the suitability of models designed to prevent offences*".

The Company, in developing and managing the Organizational Model for the prevention of the risk of offences being committed followed, first and foremost, the Confindustria Guidelines (hereinafter the "**Guidelines**"), in the versions from time to time published.

The Model was developed using the 2014 edition of the Guidelines.

The Guidelines explain the steps that the Company should take to implement an Organization, Management and Control Model that comply with the requirements of the Decree. These steps include:

- mapping at-risk areas in the company: after identifying the types of offences affecting the

Company, identification of the activities within which those offences could be committed, also taking into consideration the possible ways that unlawful acts could be carried out within the specific business activities;

- preparing specific protocols designed to assist in making and implementing Company decisions concerning crimes to prevent.

The components of a preventive control system that must be implemented to ensure the effectiveness of the model are:

- a Code of Ethics, which defines the ethical principles to apply in relation to conduct that could constitute the offences set out in the Decree;
- an organizational framework, which defines the hierarchy of positions in the company and the responsibilities for carrying out activities;
- an authorization framework, which attributes internal authorization powers and signing powers for external purposes in line with the organizational framework adopted;
- operating procedures that regulate the main activities of the company such as, in particular, the management of financial resources;
- a management control system able to promptly identify critical situations;
- a staff communication and training system to ensure the effective implementation of the Model;
- the identification of a Supervisory Body, vested with powers to act on its own initiative and conduct monitoring, with the task of overseeing the operation and compliance with the Model and updating the Model any time significant infringements occur or when changes are made to the organization or business activities;
- specific reporting obligations towards the Supervisory Body on the main company-related issues and in particular on those activities considered to be at risk;
- specific reporting obligations of the Supervisory Body towards top management and the regulatory bodies;
- a suitable disciplinary system to punish noncompliance with the measures set out in the Model.

According to the Guidelines, the above components must be integrated into a system that meets a series of monitoring principles, including:

- each operation, transaction, action must be verifiable, documented, coherent and consistent: each operation must be supported by adequate documentation which can be used at any time to verify the characteristics and reasons of the operation, and identify the person who

authorized, performed, recorded and checked the operation;

- no one can be allowed to manage a whole process independently: the system must ensure that the principle of separation of duties is applied, so that authorization to perform and operation is given by a person other than the person executing, records or controls the operation;
- documentation of the controls is required: the control system must provide for documenting, also through preparing reports, carrying out checks.

The Company has prepared the Model taking into account not only the provisions set out in Legislative Decree no. 231/2001, but also the principles laid down in the Guidelines. In consideration of the fact that each Model should be prepared bearing in mind the particularities and unique features of the Company, there may be some specific parts of the Model that deviate from the Guidelines, which are of a general character, due to the need to ensure the effective implementation of the provisions laid down in the Decree.

1.9 Additional regulatory references useful for implementing the Model

Given the nature and activities carried out by the Company, the Model was implemented also taking into consideration the following regulatory references:

- Legislative Decree no. 58 of 24 February 1998, “Consolidated Law on Finance”, as subsequently amended, most recently by Legislative Decree no. 129 of 2017;
- Regulation on collective asset management, as subsequently amended, most recently by Bank of Italy Provision of 23 December 2016;
- Regulation on the organization and procedures of intermediaries who provide investment services or collective investment management services of 29 October 2007, as subsequently amended by joint deeds of the Bank of Italy/CONSOB of 19 January 2015;
- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMs). The transposition of the AIFMD, initiated with the amendments to the Consolidated Law on Finance (TUF) by Legislative Decree no. 44 of 2014, was completed with measures by the Ministry of Economy and Finance, the Bank of Italy and CONSOB;
- Commission delegated regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision;

- Decree no. 30 of 5 March 2015 of the Ministry of Economy and Finance, implementing article 39 of Legislative Decree no. 58 of 24 February 1998 (TUF) concerning the identification of the general criteria with which Italian collective investment undertakings shall comply;
- Assogestioni Guidelines.

Section II – The Organization, Management and Control Model of Kryalos SGR S.P.A. – General Section

2.1 The Company and its corporate purpose

On 2 April 2015, Kryalos Investments S.r.l. notified the Bank of Italy of its intention to acquire the entire share capital of Henderson Global Investors SGR S.p.A., a company established on 16 December 2005.
The Bank of Italy sent notice to Kryalos Investments S.r.l. and to Henderson SGR S.p.A. on 3 July 2015, (prot. n. 0730348/15) issuing the authorization to acquire the entire share capital of Henderson SGR S.p.A.
On 31 July 2015, the purchase of all of Henderson SGR's share capital was completed and, on the same date, it was renamed *Kryalos Società di gestione del risparmio per Azioni* or, in brief, Kryalos SGR S.p.A.

The duration of the Company shall be until 31 December 2050, unless terminated earlier or extended by resolution of the Special Meeting of Shareholders.

Pursuant to art. 3 of the Articles of Association, the corporate purpose of the SGR is "*[…] established to provide asset management services through the promotion, creation, organization and management of mutual funds, for investments in both immovable property and by means of investment in financial instruments, receivables and other movable or immovable assets. The Company may also perform any operation strictly necessary for the furtherance of the corporate purpose, as well as, in accordance with applicable regulations in force at the time, issued by the Supervisory and Control Authorities, perform related and instrumental activities, provide consultancy services, also for real estate, place directly or at other premises, and offer abroad, units of own or third-party collective investment undertakings, as well as acquire holdings in banks, asset management companies (SGRs), 'harmonized' management companies, investment firms, intermediaries pursuant to Title V of Legislative Decree no. 385 of 1 September 1993, IMEL, other companies that carry out financial activities, insurance companies or entities, whose sole corporate purpose is to perform activities related to and instrumental to its business, with registered office in Italy or abroad*".

The Company is authorized to provide the Asset Management Services laid down in art. 33 of Legislative Decree no. 58/1998 and, in accordance with current implementing regulations, and its

purpose is to provide asset management services through the creation, promotion, and organization of mutual funds through the institutions, the promotion and organization, of mutual funds, for the purpose of investment in financial instruments, receivables and other movable or immovable assets, the administration of dealings with participants, as well as the management of the assets of own or third-party mutual funds.

Furthermore, the Company may carry out any operation strictly necessary for the furtherance of the corporate purpose, and consistent with current regulations laid down by the Supervisory and Control Authorities.

2.1.1 The Company's Governance Model

The Board of Directors is responsible for strategic supervision of the asset management company (the "SGR").

The Board of Directors is currently composed of five members, four of which are non-executive and two are independent.

The Board of Statutory Auditors consists of three standing members and two substitute auditors.

Following a resolution passed by the Board of Directors on 15 February 2016, the Company established a Remuneration Committee composed of three non-executive directors, two of which are independent.

The Board of Directors has delegated some of its powers to the Chief Executive Officer.

The Chief Executive Officer is, first and foremost, responsible for implementing the company policies and the company risk management system policies, determined by the Board of Directors.

The operational areas of the company are as follows:

- Fund Management Area
- Transaction Area
- Real Estate Advisory Area
- Retail Advisory Area
- Finance & Administration Area
- Development Management Area
- Corporate & Legal Affairs Area.

The Company's Corporate Governance system is covered extensively in the "Report on the organizational structure". This report is prepared by the Company on an annual basis in compliance

with the provisions laid down in Bank of Italy regulation dated 19 January 2015. It is also summarized in the Organization Chart, which together with other corporate documents, in particular the corporate procedures, contribute to the composition of Kryalos's "internal regulations", where the tasks and areas of responsibility of the functions and organizational units of the Company are defined.

2.1.2 The system for delegating power and authority

Kryalos's system of powers is based on the fundamental criteria of formal identification and clarity, communication and separation of roles, allocation of responsibility, identification of the hierarchical structure and operational activities.

The existing organizational tools (e.g. organizational charts, organizational communications, procedures) are based on the following general principles:

- awareness within the organizational structure;
- a clear description of reporting lines.

The framework of the system for delegating power and authority is based on the following rules:

- duties and responsibilities must be clearly and appropriately allocated;
- checks on the exercise of delegated powers must be performed on a regular basis;
- the grid and limits of any "flow down" type delegations must be properly documented;
- the officer must have spending powers in line with their assigned functions.

Furthermore, delegations:

- are consistent with the position held by the delegated party, avoiding potential misalignments between the position held at the Company and the delegated powers;
- specifically, and unequivocally define the powers of the delegated party and the party to whom the delegated party reports hierarchically;
- assign management powers consistent with the corporate objectives.

In accordance with the Articles of Association, the Board of Directors is vested with all powers of ordinary and extraordinary management of the Company, with the exception of those reserved by law to the General Meeting of Members.

The Board of Directors is the body responsible for granting and approving the delegation of powers and signing authority, assigned in accordance with the established organizational and management responsibilities, with detailed information on the expenditure approval thresholds.

To enable the performance of ordinary business activities, the Board of Directors has also defined the scope of decision-making and spending powers granted to the Heads of the various Organizational Structures, in line with the organizational and management responsibilities granted to them, within pre-set limits.

Powers and authorities are formally communicated to individual recipients with clear information on the power/authority granted and the limits within which the delegated party is entitled to exercise the power granted.

The degree of autonomy, the power of representation and the expenditure limits granted to individuals who have been delegated powers and authorities within the company are always identified and established in a manner that is consistent with the hierarchical level of the recipient of the power or authority and are within the limits strictly necessary to perform the delegated tasks and duties.

The powers granted are periodically updated based on organizational changes in the Company's structure.

Checks are carried out on compliance with the delegated powers by the Compliance Department and the Audit Department as part of their controls.

2.2 Adoption of an Organization, Management and Control Model by Kryalos

The Board of Directors of the Company, aware of the need to ensure fairness and transparency in the conduct of its business and corporate affairs, to protect Kryalos's position and corporate image, approved a project for analyzing the organization, management and control tools, in order to determine whether the guiding principles of corporate conduct are in line with the objectives of the Decree and, if need be, to adapt its conduct to the aforementioned objectives.

This initiative was undertaken based on the firm belief that the adoption of a Model in line with the requirements of the Decree may not only be a valid awareness-enhancement tool for all those working for and on behalf of the Company, but also a means to prevent the risk of the offenses laid down in Legislative Decree no. 231/2001 from being committed.

In this context, by adopting the Model, the Company, aware that some of its activities are exposed to the risk of some offenses that may subject the company to administrative liability, intends on taking all necessary measures to prevent them.

Among the various aims of the Model, one is to instill in the company bodies, employees, collaborator, suppliers and consultants, along with any other party working in the name of or on behalf of Kryalos:

- respect for the ethical principles, operating methods, procedures and, generally speaking, this Model;
- awareness of the social value of the Model in order to prevent the risk of commission of offences;
- awareness that violating the prescriptions contained in the Model will result in the application of specific penalties

2.2.1 The operating procedures followed for the development of the Model

In accordance with the provisions of the Decree, Kryalos sought to define a Model in line with the indications provided by trade associations. The first step was to identify the actual situations where, due to their nature, predicate offences could be committed and then to analyze and monitor these areas.

The various phases of the work performed to identify the at-risk areas and the consequent identification of the current system of measures and controls at the Company to prevent unlawful acts are described below.

The first phase was to analyze the existing organization and control structure, in order to assess its adequacy with respect to the provisions of Legislative Decree no. 231/2001.
This phase involved collecting and analyzing documentation to identify the people within the organization to contact and involve in the subsequent phases of the project.
Upon completion of the above operations, the scope of the subjective conditions of the Decree was defined.
During the second phase, concerning the mapping of offense risks, the risk profile of the Company was defined, in terms of "at-risk" areas in the company and the possible ways in which offences could be committed, in reference to the offenses covered in the Decree.

This phase involved the following activities:

- defining the “sensitive” corporate areas;

- defining, for each "sensitive" corporate area, the associated types of offences, based on interviews with the contact persons in each business area as well as an analysis of company documentation;
- organizing and summarizing the information collected into a standard outline used for the subsequent planning of the steps to be taken.

Once the second phase was completed, the information needed to assess the Company's risk profile was collected and shared. In particular, a list was prepared providing an overview of the "sensitive" corporate areas where the offences covered in the Decree could be committed, along with information, for each area, on the company functions involved and the associated types of offences.

The third phase, concerning an Assessment of the Control System for monitoring at-risk areas, involved evaluating the capacity of the existing Control System to offer protection against the risks identified in the second phase, to meet the requirements laid down in the regulatory framework, in order to prioritize the actions to be taken should any gaps be identified.

In the above phase, the Company provided for:

- evaluating, for each at-risk activity, the alignment of the existing organization and control structure with the requirements laid down in the relevant regulations:
    - the existence, effectiveness and efficiency of the system of controls;
    - the adequacy of the existing system for the delegation of powers and authority;
    - the existence and adequacy of the disciplinary system;
- highlighting residual risks;
- sharing the situations found with the persons responsible for managing the identified activities;
- expressing an opinion (qualitative) on the priorities for the subsequent design of the control system to monitor at-risk activities.

Moreover, a Code of Ethics was prepared together with the Model. The Code of Conduct contains a set of rules regarding ethics and conduct that all company bodies, the CEO, employees, collaborators, suppliers and consultants must abide by.

In view of the fact that under article 6, paragraph 2, letter e) of Legislative Decree no. 231/2001 the company must "*introduce a disciplinary system to punish noncompliance with the measures set out in the Model*", a Disciplinary System was introduced to punish those who violate the rules and

provisions introduced with the regulation in question.

Exemption from administrative liability also requires that a Supervisory Body be established, vested with powers to act on its own initiative and conduct monitoring, ensuring the Model is kept updated.

2.2.2 The Protocols and Procedures adopted by Kryalos

The identification of at-risk areas made it possible to identify the control mechanisms in place at the Company, as well as the specific activities for which it was necessary to identify specific decision, management and control protocols that can provide valid support in preventing the perpetration of offences.

In developing the Decision-making Protocols, measures were taken to ensure:

- the separation of duties through the correct distribution of the responsibilities and the definition of adequate authorization levels;
- the existence of rules of conduct designed to ensure that company business is conducted in compliance with the laws and regulations and the integrity of the company's assets;
- the development of procedures regarding sensitive activities in order to define the methods and timing for carrying them out, traceability of the documents, operations and transactions, objective decision-making processes;
- the existence and documentation of control and oversight activities.

The protocols were developed with the objective to establish rules of conduct and operating procedures to be complied with by the Company, with reference to the performance of at-risk activities.

The Protocols were established in relation to each of the main at-risk areas identified.
Furthermore, appropriate Procedures have been adopted to clarify and explain the scope of application of the general principles as well as to facilitate monitoring of compliance thereto.

The Company will bring its conduct into line with the contents of the aforementioned protocols and procedures and, when deemed appropriate, will issue specific internal regulations, service orders, implementing the individual provisions in detail.

The Protocols and Procedures are an integral part of the Model.

2.2.3 Updating of the Model

The Model must be promptly amended or supplemented, by resolution of the Board of Directors, also if proposed by the Supervisory Body, when the following circumstances occur:

- significant changes in the regulatory framework, in the Company's organizational structure or in its activities;
- violations or circumvention of provisions contained in the Model, that have proved the ineffectiveness of the Model to prevent offences.

For these purposes, the SB receives information and reports from the Board of Directors concerning changes made in the company's organizational framework, in the procedures and in the Company's organizational and management methods.

When amendments of a purely formal nature are necessary, such as clarifications or explanations of text, the administrative bodies may make them on their own, after consulting with the Supervisory Body.

Any events that make it necessary to change or update the Model must be reported to the SB, in writing, to the administrative bodies, so that they can take decisions within their sphere of competence.

In case of changes relating to the Company's corporate structure, the administrative bodies will promptly inform the SB for the purpose of updating the Model, as well as to obtain an opinion on whether there is a need for the Company to adopt other operating procedures due to the changes made.

2.2.4 Recipients of the Model

The rules contained in this Model apply to all those who perform, also on a de facto basis, management, administration, direction and control activities for the Company or on its behalf, to employees, as well as consultants, collaborators and, in general, all third-parties acting on behalf of Kryalos within activities found to be at-risk of offences being committed.

The parties to whom the Model is addressed, the so-called Recipients, are therefore required to strictly comply with all provisions, also in fulfilling their duties of loyalty, fairness and due diligence arising from the legal relationships.

2.2.5 The Disciplinary System

The effective implementation of the Model requires that an adequate penalty system is in place; this

system plays a central role in the framework of Legislative Decree no. 231/2001.

An essential condition for the Company to exercise disciplinary authority is the ability to punish any violation by workers (including subordinates, senior officers or mere collaborators), irrespective of whether or not said behavior represents an offence giving rise to criminal proceedings.

A fundamental requirement of the disciplinary measures is that the punishment is commensurate with the violation committed, which must be assessed on the basis of two criteria:

- the seriousness of the violation;
- the type of relationship in place with the person responsible for the unlawful act (employee, subcontractor, executive), taking into account the specific legal and contractual regulations in place.

Therefore, the Company adopts a Disciplinary System designed to punish those who violate the rules and provisions contained in this Model.

2.3 The Supervisory Body

For the purpose of exemption from administrative liability, Article 6, paragraph 1 of the Decree requires that an internal body (i.e. “Supervisory Body”) be set up within the company, vested with powers to act on its own initiative and conduct monitoring, to guarantee the updating of the Model.

In particular, the Supervisory Body must fulfil the following requirements:

- autonomy and independence, necessary to ensure that the Body is not directly involved in the management activities subject to its supervision.
- the professional qualifications required for the performance of the specific functions granted to them;
- continuity of action, which allows the Supervisory Body to:
    - monitor, with the necessary investigatory powers, that the Model is complied with on an ongoing basis;
    - handle the implementation of Model and ensure constant updating;
    - serve as a constant point of reference for all employees of the Company.

2.3.1 Composition and appointment

In accordance with the provisions laid down in art. 6, para 1, letter b) of Legislative Decree no. 231/2001, Kryalos decided to appoint a body comprised of three standing members.

The members of the SB must possess and maintain, during their term of office, the specific professional skills, competence, experience required by law, and must not find themselves in a position that could lead to conflicts of interest or joint interest with respect to the functions to carry out.

The Board of Directors is solely responsible for appointing the Supervisory Body.
This is the most appropriate solution because it:

- ensures the autonomy and independence required of the Supervisory Body;
- allows a direct connection with top management, the Board of Statutory Auditors and with the Board of Directors.

The Supervisory Body, in conducting its supervisory and control activities, relies on the competence and professional skills of the organizational unit responsible for the Risk Management Function.

For specific tasks, the Supervisory Body may also collaborate with other organizational units, such as:

- the organizational unit responsible for the Internal Audit Function;
- the organizational unit responsible for human resources (e.g. for staff training, disciplinary procedures);
- the organizational unit responsible for the administration and financial function (e.g. for controlling cash flows).

To that end, specific tools must be prepared that ensure adequate reporting to and from the Supervisory Body.

The Supervisory Body has an internal regulation, designed to ensure the correct performance of the activities within its competence.

The Company's Board of Directors establishes, for its term of office, the annual remuneration of the Supervisory Body.

The Supervisory Body remains in office for three years and may be re-elected.

The appointments of the Supervisory Body may be revoked at any time for just cause and/or on

justified grounds by the Board of Directors of the Company. In the event of revocation, the Board of Directors will promptly replace the removed board, in compliance with the aforementioned rules on appointment and composition.

Individual members of the SB may be removed or replaced before their term of office is up only for just cause or on justified grounds. Examples include:

- voluntary resignation by a member of the Body;
- incapacity due to natural causes;
- a member no longer meets the integrity requirements set out below in par. 2.3.2;
- failure to attend, without good reason, two or more meetings, even if not consecutive, over a period of twelve months;
- failure of the SB to inform the Administrative body about the dismissal of one of its members.

2.3.2 Causes of ineligibility, removal and suspension

The members of the Supervisory Body must fulfil the integrity requirements laid down in article 13 of Legislative Decree no. 58 of 1998.

In particular, those who are in the conditions envisaged by Article 2382 of the Italian Civil Code cannot be appointed as a member of the SB, nor can those who have been convicted and sentenced with a final judgement, even if issued under art. 444 et. seq., and even in the case of a suspended sentence, for one of the following offences:

1) any of the crimes provided for under Royal Decree no. 267 of 1942 (governing bankruptcy, arrangement with creditors and receivership), when punished with imprisonment for a period of not less than one year;
2) any of the offences under the rules on banking, finance, securities and insurance, and the rules governing markets, securities and payment instruments, when punished with imprisonment for a period of not less than one year;
3) any crime against the public administration, against public confidence, public assets or public economy, for tax avoidance, when punished by imprisonment of not less than one year;
4) any offence committed with criminal intent, when punished by imprisonment for a period of not less than 2 years;
5) any of the offences covered by Title XI of Book V of the Civil Code as reformulated in Legislative Decree. no. 61 of 2002 (i.e. regulation on corporate offences);
6) any conviction involving disqualification, even if temporary, from holding any public office, or temporary disqualification from holding directorships in legal entities and companies;

7) one or more of the offences specifically covered in the Decree, even if the actual penalty imposed is less serious than those mentioned in the points above.

Furthermore, the following persons cannot be appointed as members of the Supervisory Body:

8) persons having held positions as members of supervisory body at companies for which the penalties provided under art. 9 of the Decree have been applied;
9) persons whom one of the measures set out in Legislative Decree no. 159 of 2011 has been applied as a final sentence ("Code of anti-mafia legislation and protection measures, as well as the new provisions on anti-mafia documentation, pursuant to articles 1 and 2 of Law no. 36 of 13 August 2010, i.e. the Anti-Mafia Code);
10) persons who have received accessory administrative sanctions provided for in article 187 quater of Legislative Decree no. 58/1998 (crimes committed in listed companies).

The individual member of the Supervisory Body will be removed from office if they no longer meet one of the above requirements, or in cases where, after appointment, they find themselves:

- in one of the situations covered under article 2399 of the Italian Civil Code;
- convicted by a final judgement (including those laid down in art. 4 of the Code of Criminal Procedure) for one of the offences listed in numbers 1, 2, 3, 4, 5, 6 and 7 of the conditions of ineligibility indicated above;
- in the situation where, after appointment, they are found to have served as member of the Supervisory Body of a company against which the penalties laid down in article 9 of the Decree relating to unlawful administrative acts committed while in office, have been applied.

The following circumstances constitute grounds for suspension of a member of the Supervisory Body:

- non-final conviction of one of the offences listed in points 1 to 7 of the conditions of ineligibility specified above;
- the application, on request of the parties, of one of the penalties listed in points 1 to 7 of the aforementioned conditions of ineligibility;
- a precautionary measure has been applied;
- the provisional application of one of the precautionary measures provided for in the so-called Anti-Mafia Code.

In the event of suspension, the Board of Directors of the Company is promptly convened to assess the reasons for suspension and then decide whether to reinstate the member of the Supervisory

Body or to remove the member from office.
In the latter case, the BoD will appoint a new member of the Supervisory Body.

2.3.3 Functions and powers

The institutional duties of the Supervisory Body are expressly defined by the legislator in article 6, paragraph 1, letter b) of the Decree and may be expressed as follows:

- to oversee the operation and observance of the Model;
- to take care of updating the Model.

However, it should be noted that the updating of the Model, the actual implementation of any changes made to the model, falls under the exclusive competence of the Board of Directors which, according to art. 6, paragraph 1 letter a) of the Decree, is ultimately the party directly responsible for the adoption and effective implementation of the Model.

To ensure the full effectiveness of their work, the Supervisory Body must have free access to all relevant company documents for verification of the correct functioning of the Model.

Moreover, the Supervisory Body is allocated an annual budget, established by resolution of the Board of the Directors. This allows the body to carry out its duties in full autonomy, without limitations resulting from a lack of adequate financial resources.

The Supervisory Body is assigned the following tasks and powers:

- to oversee the operation and observance of the Model;
- to verify whether the Model is actually suitable to prevent the commission of the offences referred to in Legislative Decree no. 231/2001;
- to analyze whether the requirements of soundness and functionality of the Model are maintained over time;
- to develop and promote, jointly with the organizational units concerned, the regular updating of the Model and the related system for monitoring its implementation, suggesting, as necessary, any corrections and adjustments needed to the administrative body;
- to ensure the appropriate information flows under their responsibility to and from the Board of Directors and the Board of Statutory Auditors;
- to request and obtain information and documentation of any type to and from each level and sector of the Company;
- to carry out checks and inspections in order to establish any violations of the Model;

- to develop a monitoring program, in line with the principles contained in the Model, within the various sectors of activity;
- to ensure the implementation of the monitoring program also by scheduling activities;
- to ensure that reports are prepared on the results of the operations carried out;
- to ensure that the identification, mapping and classification of at-risk areas system for the purpose of supervision is updated on a regular basis;
- to provide clarifications concerning the meaning and application of the provisions contained in the Model;
- to prepare an effective internal communication system to allow the transmission and collection of information relevant for the purpose of Legislative Decree 231/01, ensuring protection and confidentiality for the reporting party;
- to support the activation of any necessary disciplinary procedures.

In carrying out these tasks, the Supervisory Body is assisted by the organizational unit responsible for the Risk Management Function, but may also be assisted by other organizational units at Kryalos for specific tasks.

The other aspects on the functioning of the Supervisory Body are covered in its specific Regulation.

2.3.4 Reporting

Under article 6, paragraph 2, letter d) of the Decree, the Model must provide for reporting obligations to and from the SB, in order to allow the aforementioned body to effectively fulfill its obligation to monitor compliance and for the correct implementation of the Model.

The obligation to ensure an adequate information flow is therefore bi-directional; initiating with the SB providing information to the Board of Directors which then informs the corporate bodies of the monitoring activities carried out and any critical issues found. At the same time, this obligation applies to Functions responsible for managing sensitive processes. These Functions must keep the SB constantly informed on the state of implementation of the Model, the Procedures and any critical issues identified.

The bi-directional information flows described makes it easier for the SB to ascertain and reconstruct any cases that led to a violation of the provisions laid down in the Model, the Code of Ethics or, in more serious cases, that allowed for the occurrence of offences.

Whistleblowers in good faith will be protected against any form of retaliation, discrimination or penalty and the identity of those making reports will remain confidential, unless otherwise provided for by law.

In addition to reports relating to violation of a general nature, information relating to the following matters is immediately sent to the Supervisory Body:

- measures and/or information from the judicial police or any other authority, from which it may be inferred that investigations are being conducted, even against unknown persons, for the offences indicated in Legislative Decree no. 231/2001, that could directly or indirectly involve the Company and Recipients of the model; requests for legal assistance from personnel in the case of legal proceedings initiated against them in relation to any offence committed in the performance of their work;
- reports prepared by the heads of organizational units and company departments in the ambit of their control activities, which indicate facts, acts, events or omissions with critical profiles relating to compliance with the terms of Legislative Decree no. 231/2001.

All information, notifications and reports required by the Model are retained by the Supervisory Body in a specific archive.

2.3.4.1 Reporting by the Head of Functions to the Supervisory Body

The company has adopted a specific “Information Flows to the Supervisory Body” procedure to govern the information that all SGR personnel must send to the Supervisory Body.
In order to improve the flow of information to the Supervisory Body, a specific communication channel in the form of a dedicated email account has been set up – odv@kryalossgr.com – where any reports may be sent and which only members of the Supervisory Body may access.

In order to create a comprehensive system for the ongoing management of information flows to the SB, the Head of the Risk Management Function, who is a member of the SB, checks that the information with the Head of Functions, as identified in the “Diagram of the Head of Functions responsible for at-risk areas” attached to the Model, is properly sent on a quarterly basis.

As specifically indicated in the procedure governing information flows to the SB, the Heads of the Functions must notify the SB of any information that could be related to violations, or even potential violations, of the Model, such as:

- detailed reports of illegal conduct or violations of the Organization Model that are relevant pursuant to Legislative Decree no. 231/2001 based on precise, consistent facts;

- any orders received by a superior and considered to be in conflict with the law, internal regulations and/or the Model;
- any requests for or offers of money or other benefits (including gifts) from public officials or public service representatives;
- any omissions, negligence or falsifications in the bookkeeping or in the retention of the underlying accounting records;
- orders and/or information from judicial police bodies or from any other authority, indicating that investigations are underway, including those of unknown persons, relating to the offences indicated in Legislative Decree no. 231/2001, that could involve, even indirectly, the Company, its employees or members of the corporate bodies; pending disciplinary proceedings, any penalties imposed, or reasons for dismissal of the proceedings.

The aforementioned Heads of Functions are required to promptly inform the SB on any possible violations of the Model, the Code of Ethics, the Protocols and Procedures.

2.3.4.2 Reporting by the Supervisory Body to the Board of Directors

Information obtained by the SB as described in the previous paragraph, are then reported by the SB to the Board of Directors and other corporate bodies.

In this respect, the obligations for reporting to the Board of Directors may be:

- continuous, in any circumstance in which the SB deems it necessary and/or appropriate in fulfilling the obligations under the Decree, providing any information relevant and/or useful for the proper performance of its duties and reporting any violation of the Model which is regarded as having sufficient grounds and they have learned about indirectly or discovered on its own;
- periodic, through a written report, prepared on an annual basis, which must indicate:
    - all activities carried out during the period, with particular reference to controls;
    - any reports received by Employees and/or third-parties relating to alleged violations of the Model or Code of Ethics;
    - any critical issues coming to light in relation to conduct or events within the company, and in terms of the Model's effectiveness;
    - the necessary and/or appropriate corrective measures and improvements to the Model and their state of progress;
    - the assessment of conduct not in line with the Model or the Code of Ethics and any disciplinary actions proposed;

- the identification of organizational and procedural shortcomings that could expose the Company to the risk of the offences laid down in the Decree being committed;
- the poor or lack of collaboration by the Heads of Functions in performing their duties;
- a statement of expenses incurred;
- any changes in regulatory requirements resulting in the need to update the Model;
- any information deemed useful for the purpose of making urgent decisions;
- the activities scheduled but not performed due to justified reasons of time and/or lack of resources.

The SB also has specific obligations for reporting to shareholders in all cases considered necessary such as, for example, in cases where violations made by the Board of Directors are discovered.

Meetings with the Corporate Bodies to which the SB reports must be recorded in minutes; a copy of the minutes is retained by the Supervisory Body.

2.4 The whistleblowing system

The whistleblowing system is used to guarantee the anonymity of whistleblowers and the confidentiality of reports of violations of laws, regulations, policies, standards or company procedures, as detailed below, making it easier for whistleblowers to report misconduct so that the company may benefit from such reports and promptly intercept wrongdoing to remedy and correct it. To this end, Kryalos provides the addresses of email accounts set up specifically to receive reports of acts or omissions by anyone in the Company, in relationships with the same or on its behalf that constitute or could constitute a violation of or an inducement to violate laws and regulations, the rules established in the Model, the principles endorsed in the Code of Ethics, the internal control principles or company policies, standards and procedures.
This is without prejudice to any legal obligations, particularly the obligation of reporting offences to the Judicial or Supervisory Authorities or obligations related to personal data and privacy.

2.4.1 Applicable legislation

The whistleblowing system was designed in accordance with the applicable legislation, which is described below.

Legislative Decree no. 231/2001

Law no. 179 of 30 November 2017 extended to private companies the regulations that were already applicable to the public sector under Law no. 190/2012 regarding the reporting of illegal conduct and serious irregularities in the workplace and the protection of whistleblowers.

Specifically, article 2 of the aforementioned Law no. 179/2017 (titled "*Protection of employees or workers reporting crimes in the private sector*") amended Legislative Decree no. 231/2001, to insert, in article 6 (titled "*Members of top management and the organisation models of the entity*") a new provision that expands the scope of the organization and management model pursuant to the Decree to include the measures for filing and handling reports of illegal conduct subject to Legislative Decree no. 231/2001 and violations of the Model, as well as whistleblower protections.
Pursuant to article 6, paragraph 2-*bis*, letter a) of the Decree, these reports are made by:
a) persons serving as representatives, or holding administrative or senior executive positions within the Company or one of its units with financial and functional autonomy, as well as persons acting as the de facto managers or supervisors of the Company;
b) persons under the direction or supervision of one of the people indicated in letter a).

Anti-money laundering

Article 48 of Legislative Decree no. 231/2007, as amended by article 2 of Legislative Decree no. 90/2017, requires that entities subject to the legislation adopt internal whistleblowing procedures for potential or actual violations of anti-money laundering and terrorism financing regulations.
Pursuant to the aforementioned legislation, these reports are made by employees of the entities subject to the legislation or by people in comparable positions.

TUF

Legislative Decree no. 129 of 3 August 2017, which transposed into Italian law Directive 2014/65/EU ("MiFID II"), introduced a unified regulation for whistleblowing systems in the financial sector by inserting articles 4-*undecies and* 4-*duodecies* in the TUF (the Italian consolidated finance act).
Article 4-*undecies* of the TUF (titled "*Internal whistleblowing systems*"), recently implemented with the Bank of Italy's regulation of 5 December 2019 (see art. 39 and Annex 4), requires intermediaries to adopt specific internal whistleblowing procedures for conduct or events that could constitute violations of the regulations applicable to the intermediaries' activities or violations of Regulation (EU) no. 596/2014 (i.e., internal whistleblowing procedures).
Article 4-*duodecies* of the TUF (titled "*Procedure for whistleblowing to the Supervisory Authorities*") provides for whistleblowing reports addressed directly to the relevant Supervisory Authority (i.e., external whistleblowing procedures). Specifically, pursuant to this legislation, the Bank of Italy and Consob receive, each for its respective area, reports of violations of the TUF regulations and EU directives that are directly applicable in the same areas covered by the TUF.
Pursuant to the aforementioned legislation, these reports are made by the people identified by article 1, paragraph 1, letter i-*ter* of the TUF, which defines the intermediary's «*personnel*» as « *employees*

and those who in any case work on the basis of arrangements that determine their inclusion in the business organisation, even if such arrangements are not subordinated employment relationships».
Within Kryalos, this category of subordinated workers includes people who perform coordinated and ongoing services and other contract workers, interns and temporary staff.
Furthermore, Consob receives whistleblowing reports concerning violations of Regulation (EU) no. 596/2014 from anyone who submits them.
For the purposes of the above, the aforementioned Supervisory Authorities have set up specific communication channels to enable personnel of intermediaries to send whistleblowing reports directly to them:

- Consob has set up a telephone number 06 8411099 (Monday through Friday from 11 am to 12 pm and 5 pm to 6 pm) and an email account whistleblowing@consob.it;
- The Bank of Italy has set up an email account whistleblowing-vigilanza@bancaditalia.it and published its address: Banca d'Italia, via Nazionale, no. 91 – 00184 Rome, to the attention of Dipartimento Vigilanza bancaria e finanziaria – Servizio CRE – Divisione SRE ("confidential" must be written on the envelope) where reports may be sent by post.

2.4.2 Whistleblowing system officer

The whistleblowing system officer (the "**WSO**") ensures that the whistleblowing procedure is properly followed and immediately notifies the Company Boards directly of the information in significant reports.
Whistleblowing reports concerning the following matters are considered significant and, as such, must be immediately reported to the Company Boards by the WSO:

- events that could constitute crimes, offences or irregularities;
- actions that could damage the Company's assets and/or reputation;
- actions that could be harmful to the health and/or safety of the Company's employees and/or environment;
- actions in breach of the Code of Ethics and/or other provisions and/or internal procedures against which disciplinary action may be taken.

The WSO may not report hierarchically or functionally to the person implicated in the whistleblowing report nor may the WSO be implicated in the whistleblowing report or have a potential interest in connection with the report that could compromise their impartiality and independent judgement. If the person implicated in the whistleblowing report is the WSO, the whistleblower may address the report to the "back-up WSO".
The back-up WSO is the SB and the Chairman of the Board of Statutory Auditors.
In compliance with personal data protection regulations, the WSO prepares an annual report on the

correct functioning of the whistleblowing system, which contains the aggregate information on the results of the activities performed following the receipt of any reports. The Company Boards approve this report and it is made available to Company personnel.

2.4.3 Content of whistleblowing reports

Reports must be made in good faith.

They must relate to significant violations of Legislative Decree no. 231/2001, breaches of the Model or conduct or events that could constitute violations of anti-money laundering or anti-terrorism financing regulations, the TUF regulations, EU directives that directly apply in the same areas covered by the TUF, Regulation (EU) no. 596/2014 and other regulations applicable to the Company's activities.

Therefore, reports that refer to strictly personal situations are not considered whistleblowing reports and will not be examined by the WSO.

To file a whistleblowing report, the whistleblower need not have proof of the violation. However, the whistleblower must have sufficiently detailed information that reasonably justifies sending the report.

To be considered detailed, a report must contain the following information, if it is known:

- a clear and complete description of the events subject to the report;
- details on the time when and the place where the events occurred;
- the economic extent of the violation;
- the whistleblower's general information;
- general information and/or other items to help identify the person responsible for the reported events;
- indication of any other people who could report on the events subject to the report and/or documents that could confirm the veracity of the events;
- any information and/or proof that could constitute valid evidence of the reported events;
- any of the whistleblower's personal interests in connection with the report.

2.4.4 Email address for sending whistleblowing reports

A person who suspects that a violation has occurred or could occur may file a report with the WSO by sending an email to odv@kryalossgr.com.

If the whistleblower believes that the WSO has a conflict of interest with the report, the whistleblower may address the report to another recipient, i.e., the Chairman of the Board of Directors, by sending an email to whistleblowing_backup@kryalossgr.com.

As instructed by the WSO, the Risk Management Function updates a whistleblowing report log with information relating to such reports and their status. Only the WSO may access the confidential

information in the log. Any personal data will be processed in compliance with current data protection legislation (Legislative Decree no. 196/2003 and Regulation EU no. 2016/679) and retained for the amount of time strictly necessary to handle the report.

2.4.5 Management of whistleblowing reports

The WSO conducts a preliminary, impartial and confidential analysis of the reports received to verify their veracity and reliability. If the results of this analysis are negative, the WSO will dismiss the report, documenting the reasons for this decision.

Generic reports will not be considered. If the WSO believes that the report is merely a personal grievance or relates to events that have already been reported and/or that Kryalos is already aware of, the WSO will dismiss the report.

The WSO may ask the whistleblower to provide additional clarifications. If the information provided is still insufficient, the WSO will dismiss the report.

Once the veracity and reliability of the report are confirmed, if the report relates to one of the following legislative contexts, the WSO promptly informs the relevant people (as long as they are not implicated in the report), omitting the whistleblower's information to protect their privacy. In particular:

- Anti-money laundering: the WSO informs the Head of Anti-Money Laundering by writing to whistleblowing_aml@kryalossgr.com;
- TUF, market abuse and other regulations applicable to the Company's activities: the WSO informs the Head of Compliance by writing to whistleblowing_compliance@kryalossgr.com.

Furthermore, in this stage of the process, the WSO may:

- conduct assessments/investigations with the support, where deemed appropriate, of the relevant Company units or resources from outside the Company (e.g., consultants, forensic experts, technical experts and private investigators), in any case ensuring that the whistleblower's identity remains confidential;
- provide the concerned Functions with the necessary instructions (e.g., legal action, suspension/cancellation of suppliers from the supplier list, application of new rules, processes and procedures, start of disciplinary proceedings);
- consider, with the involvement of the relevant Functions and top management, any action to protect the Company's interests;
- discontinue the preliminary investigation at any time if, in the course of such investigation, the report is found to be untrue;
- interview the person implicated in the report, if this is deemed appropriate on the basis of the findings of the preliminary checks, protecting the whistleblower's anonymity at all times.

At the end of this assessment stage, if the report is found to be true, the WSO informs the CEO,

proposing a specific action plan, and submits the findings of the investigation of the whistleblowing report to the Human Resources & Organization Area in order for disciplinary action to be taken against the wrongdoer.
If the report is found to be true, Kryalos takes any disciplinary action deemed appropriate, along with measures to protect the Company.
In no circumstances does the WSO participate in decisions concerning the actions to be taken, which fall under the exclusive responsibility of the relevant Functions or Company Boards.

2.4.6 Communications to the whistleblower and the person implicated by the report

The WSO informs the whistleblower on how the report was handled within 1 month of its receipt, using the same communication channel that the whistleblower originally used to file the report.
If the WSO believes that the report is true and reliable – within 15 days of completing the assessment – using the odv@kryalossgr.com email account, the WSO informs the person implicated in the report, giving them the opportunity to respond.
Using the same email account, the WSO provides updates on developments in the procedure to both the whistleblower and the person implicated by the report.

2.4.7 Whistleblower protection

Kryalos does not tolerate threats, discrimination, retaliation or misconduct of any kind against whistleblowers as a result of their reports or against anyone who has cooperated in investigating the veracity of such reports.
The Company reserves the right to take the appropriate action against anyone who acts or threatens to act against those who have filed whistleblowing reports in accordance with this procedure.
If several people are jointly responsible for the wrongdoing, the whistleblower may receive preferential treatment with respect to the others, insofar as this is permitted under the applicable regulations. The person who has committed or was involved in the violation subject to the report is not exempt from any disciplinary action solely because they reported their own or others' misconduct in accordance with this procedure. However, the fact that they reported it may be considered in the determination of the disciplinary action to be taken against them.
Without prejudice to the rules applicable to investigations or proceedings commenced by the Judicial Authorities in connection with the events subject to the whistleblowing report, the Company guarantees the confidentiality of the whistleblower's personal data and the confidentiality of the information received by all parties involved in the procedure and – except for cases of liability for slander or defamation or for slander or defamation pursuant to article 2043 of the Italian Civil Code – ensures that the filing of a whistleblowing report in accordance with this procedures does not, in

and of itself, constitute breach of the obligations arising from the employment contract.
Any reports made in the pursuit of the Company's administrative integrity and to prevent and suppress embezzlement constitute just cause for the disclosure of information otherwise subject to the secrecy obligation pursuant to articles 326, 622 and 623 of the Italian Criminal Code and article 2105 of the Italian Civil Code.
The whistleblower's identity is exempt from the legal requirement whereby the person charged has the right to know, *inter alia*, the origin of the personal data (see article 7, paragraph 2 of Legislative Decree no. 196/2003, repealed and superseded by article 15 of Regulation EU 2016/679), which may be revealed solely with their explicit consent or when such knowledge is indispensable for the defence of the person implicated.
The disciplinary action indicated in the Organization Model also applies to anyone who violates the whistleblower protections in place.

2.4.8 Protection of the person implicated by the report

During the assessment and investigation of possible wrongdoing, the individuals implicated in the reports may be involved in or notified of such activities. However, in no case will proceedings begin based solely on the report before its content has been seriously investigated. Proceedings could begin on the basis of additional evidence that arises and that has been verified following the report.
During the analysis of the report, pending the assessment of any liability, the person implicated is protected by maintaining the confidentiality of their personal data, without prejudice to the rules applicable to investigations or proceedings commenced by the Judicial Authorities in connection with the events indicated in the report.

2.4.9 Whistleblower's responsibilities

The whistleblower is responsible for filing reports in good faith and in accordance with the stated spirit of this procedure: reports will not be considered if they are clearly false and/or entirely untrue, opportunistic and/or made solely to damage the person implicated or people in any case affected by the claims made in the report.
The disciplinary action indicated in the Organization Model also applies to those who maliciously or negligently file reports that are found to be untrue or who file reports that are found to be in bad faith and/or with merely defamatory intent (which may be confirmed by the report's lack of veracity).

2.4.10 Internal information

All Kryalos personnel receive clear, precise and complete information on the whistleblowing system in order to encourage its use and the spread of a culture of compliance.

2.4.11 Update of the whistleblowing system

This procedure is updated periodically for continuous compliance with the applicable legislation and to reflect the Company's actual operations and the experience gained over time.

2.5 Corporate bodies responsible for updating and adapting the Model

The Board of Directors is responsible for updating the Model any time changes and/or additions are made by the legislator of the list of predicate offences contained in Legislative Decree no. 231/2001. It is also responsible for adapting the Model, in relation to changes to the organizational structure and operation procedures, and based on the results of checks.

The Supervisory Body, on the other hand, takes care of developing and promoting the updating of the Model. To this end, it may make observations and proposals, relating to the organization and control system, to the relevant organizational units or, in particular circumstances, directly to the Board of Directors.

The SB also promptly provides for implementing the changes to the Model approved by the Board of Directors and arranges for said changes to be disclosed within the Company and, where necessary, outside the company. The SB prepares a specific report to inform the Board of Directors of the results of the steps taken, in accordance with the resolution approving the update and/or adaptation of the Model.

To ensure that changes in the Model are made as quickly and smoothly as possible, and to minimize inconsistencies between the operational processes, on the one hand, and the provisions laid down, on the other hand, the Board of Directors has entrusted the Supervisory Body with the task of implementing changes relating to aspects of a purely descriptive nature to the Model on a regular basis. Aspects of a purely descriptive nature include issues relating to the adoption of decisions taken by the Board of Directors in the Model on matters that do not directly concern the Model, or taken by delegated corporate bodies or by Directors with delegated powers (e.g. changes to/introduction of processes and procedures, issuing new regulations, etc.).
Lastly, also as part of the annual report, the Supervisory Body may submit to the Board of Directors a proposal on the changes to be made to the Model, so that the Board of Directors can pass a resolution, which falls within its exclusive competence.

2.6 Dissemination of the Model

In order to ensure the effective implementation of the Model adopted, Kryalos is committed to ensuring adequate dissemination of its contents and the principles contained therein, inside and outside of the organization.

The goal of the Company, in other words, is to extend awareness of the Model not only to its employees, but also to persons who are involved in the corporate organization on an occasional and/or temporary basis, who act, in this context, on behalf of and under the supervision of the company's bodies.

Although these communication activities have different characteristics, depending on the recipient, information relating to the contents and principles of the Model must, in any event, be complete, timely, accurate, accessible and continuous in order to ensure that the various Recipients are well informed and have full knowledge of the company rules and regulations they are required to comply with.

Kryalos is therefore committed to taking all the necessary steps to raise awareness and disseminate, without delay, the Model and its attachments.

2.6.1 Initial communication to the Recipients

All employees and other parties who have working relationships with the Company governed by contractual agreements shall be informed on the contents and principles of the Model.

Employees may access and consult the Model, as well as its attachments, directly via the company's intranet. Notice is also given to new hires on the adoption of the Model, which is made available to them on the company's intranet.

For members of the corporate bodies, instead, a copy of the full version of the document illustrating the Model is made available. The members are required to sign a statement declaring that they are familiar with the contents of the Model.

Suitable communication tools will be adopted to inform Recipients of any changes made to the Model.

2.6.2 Training

For the effective implementation of the Model, the general objective of the Company is to ensure

that all Recipients are familiar with and follow the rules of conduct contained therein.

Recipients are required to gain an understanding of the objectives of fairness and transparency that the company intends to pursue with the Model, and the manner in which it intends on pursuing them. An objective of particular significance is represented by the need to guarantee effective knowledge of the provisions laid down in the Model by persons involved in activities at risk. This applies to both the current resources of Company, as well as future resources.

The Company informs its employees that they are required, on the one hand, to be familiar with the principles and contents laid down in the Model and, on the other hand, to contribute, in relation to their position and responsibilities within the Company, to the practical implementation of the Model, also by reporting any shortcomings.

The Supervisory Body, in close coordination and in agreement with the Board of Directors, shall assess the possibility of providing training sessions on administrative liability for offences pursuant to Legislative Decree no. 231/2001, defining, primarily, the content of the courses and the training delivery methods.
Participation in these training programs shall be mandatory, documented through signing an attendance sheet, as well as communicated to the Supervisory Body by sending it a list of the names of those attending.

2.6.3 Information for consultants, suppliers and external collaborators and the signing of the "Safeguard" Clause

Consultants, suppliers and collaborators of the Company are informed, at the start of the employment relationship, of the content of the Model and its attachments, and agree to perform their services in compliance with the Code of Ethics, the Model and, more in general, the principles established in the Decree, through the signing of a so-called Safeguard Clause.