



**Acreal Bank**

## **Organisation, Management and Control Model**

**pursuant to articles 6 and 7 of Italian Legislative Decree no. 231 of 8 June 2001  
"Regulations on the administrative liability of legal entities, companies and associations,  
even without legal personality, in accordance with art. 11 of Italian Law no. 300 of 29  
September 2000"**

### **General Part**

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## 1. DEFINITIONS

The definitions of the conventional terms used in this document are provided below.

**“Sensitive Activities”**: activities which, considering their specific content, may be exposed to the potential commission of the offences established in regulations and referred to in Italian Legislative Decree no. 231/2001;

**“Bank”** and/or **“Parent Company”**: Aareal Bank AG, Wiesbaden, Paulinenstrasse 15, Germany;

**“Code of Conduct”**: the specific document that formalises the foundational values and general principles of conduct in force within the Aareal Bank Group;

**“Employees”** (or **“Personnel”**): parties with an employment relationship, including executives, as well as parties working at the bank under staff leasing agreements (“temporary workers”);

**“Addressees”**: pursuant to art. 5 of Italian Legislative Decree no. 231/2001, all parties with representation, administration and management or management and control (also de facto) functions at the Branch, and employees. The Model also applies, within the limits of the relationship in force, to everyone who, although they may not be employed by the Branch, work under its mandate or on its behalf or are in any event linked to it by significant legal relations in terms of crime prevention (contractors, consultants or other third parties linked by a contractual relationship other than an employment agreement);

**“Divisions”**: the organisational structures of the Branch, described in more detail in the Paragraph “Branch Organisational Structure”;

**“Italian Legislative Decree no. 231/2001”** or **“Decree”** or **“Decree 231”**: Italian Legislative Decree no. 231 of 8 June 2001 (Regulations on the administrative liability of legal entities, companies and associations, even without legal personality, in accordance with art. 11 of Italian Law no. 300 of 29 September 2000) as amended;

**“Group”**: the Aareal Bank Group, understood as the Bank and all of its subsidiaries in Italy and abroad;

**“Guidelines”**: guidelines for the construction of organisation, management and control models pursuant to Italian Legislative Decree no. 231/2001 issued by the trade associations (Italian Banking Association, Association of Foreign Banks in Italy, Italian Manufacturers’ Federation);

**“Organisation, Management and Control Model”** or **“Model”**: the organisation, management and control model adopted by the Bank for the Branch in compliance with Italian Legislative Decree no. 231/2001;



“**Supervisory Body**” or “**Body**”: the body in charge of supervising the functioning of and compliance with the Model and the Code of Ethics, as well as their updating, pursuant to art. 6 of Italian Legislative Decree 231/2001;

“**Management Body**”: Board of Directors, Aareal Bank AG, Wiesbaden, Germany;

“**Public Administration**” or “**Public Institution**”: for example, regional and non-regional public institutions (state, region, province, municipality, chamber of commerce, local health authority, labour inspectorate, etc.); institutions established and governed by state law; companies wholly or predominantly owned by the state; companies controlled by companies wholly or predominantly owned by the state; public service concession holders;

“**Legal Representative**” or “**General Manager**”: Legal Representative of the Branch;

“**Top Management**”: the people with representation, administration or management functions or who exercise, including de facto, Branch management and control (art. 5, paragraph 1, Italian Legislative Decree no. 231/2001);

“**Subordinates**”: refers to the parties subject to the management or supervision of the Top Management, who must execute, in a subordinated position and otherwise, the directives of the Top Management or who are subject to their supervision.

“**Branch**”: Aareal Bank AG - Rome Branch, a permanent establishment of Aareal Bank AG, with registered office in Germany, Wiesbaden, Paulinenstrasse 15.



## 2. SUBJECTIVE AREA OF APPLICATION OF THE MODEL OF AAREAL BANK AG - ROME BRANCH

Before describing the main content of this General Part, it is appropriate to specify the criteria based on which the parties to whom this Organisation, Management and Control Model (also referred to as “**Model**”) applies have been identified and classified.

In particular, a three-part division has been established which distinguishes among:

- Addressees, parties in relation to whom observance of the Model is ensured through the reference to and any exercise of powers characterising the employment relationship or substantially similar powers;
- Other Addressees, for whom observance of the Model is required at the time of appointment;
- Third Parties, or those linked to the Branch by contractual relationships other than employment, in relation to whom dedicated clauses have been signed to ensure observance of the Model (e.g., Consultants, Suppliers, Business Partners).



### 3. ITALIAN LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

#### 3.1 The introduction of administrative liability resulting from an offence

In execution of the mandate granted by the Parliament by Italian Law no. 300 of 29 September 2000, on 8 June 2001 the Italian legislature issued Italian Legislative Decree no. 231/2001 (also referred to as “**Decree**”) containing “*Regulations on the administrative liability of legal entities, companies and associations, also without legal personality*”.

Therefore, Italian law on the matter of the liability of legal entities was brought into compliance with certain International Agreements previously signed by the Italian government: Brussels Convention of 26 July 1995 on the protection of financial interests; Brussels Convention of 26 May 1997 on the fight against corruption of public officials of the European Community and of the Member States; OECD Convention of 17 December 1997, on the fight against corruption of foreign public officials in economic and international transactions. By Italian Law no. 146/2006, the legislature ratified the United Nations Convention and Protocols against Transnational Organised Crime adopted by the General Assembly on 15 November 2000 and 31 May 2001.

Until the issue of the Decree, regulations did not permit a company to appear in the role of defendant in criminal proceedings.

With the introduction of the Decree, the principle according to which “*societas delinquere non potest*” was annulled, and a type of liability similar to criminal liability was introduced for entities (hereinafter, also referred to collectively as “**Entities**” and individually as “**Entity**”), which works alongside the liability of the natural person who acted as the material perpetrator of the offence.

#### 3.2. The objective prerequisites of administrative liability resulting from an offence.

Art. 5 of the Decree identifies the *objective criteria of the charge*, setting forth three conditions in the presence of which the offence committed by the natural person may be linked to the entity:

- i.* the agents must be natural persons in a management or subordinate position;
- ii.* the offence must be committed in the interest or for the advantage of the entity;
- iii.* the agents should not have acted in the exclusive interest of themselves or of third parties.

The natural persons whose criminal behaviour results in the liability of Entities are identified in art. 5, paragraph 1 of the Decree which - based on the theory of “guilt by association” - establishes that the Entity is liable for offences committed in its interest or for its advantage:

- a) by persons who represent, administer or direct the entity or one of its organisational units vested with financial and functional autonomy, as well as by persons who exercise the management and control, also de facto;
- b) by persons subject to the management or supervision of one of the parties set forth in letter a).

With regard to the parties pursuant to letter a), the legislature is not interested in whether the management position is held “formally”; rather, it is sufficient that the functions exercised, even “de facto”, are effectively management and control functions (both must be exercised, as specified by the Ministerial Report to the Decree). In addition, in accordance with the Decree, the Entity may be held



liable even if the perpetrator of the offence has not been identified, but is surely classified in the category of parties pursuant to points a) and b) of art. 5 of the Decree, or the offence is no longer punishable with respect to the offending natural person for a reason other than amnesty.

The “*interest*” of the Entity always presupposes an *ex ante* verification of the criminal conduct of the natural person, while the “*advantage*”, which may be achieved by the Entity even if the natural person has not acted in its interest, always requires an *ex post* verification.

“Interest” and “advantage” each have a specific and autonomous significance, as it can well be the case that conduct based on interest may indeed not be advantageous a posteriori (the regulatory assumption of the commission of offences “*in its interest or for its advantage*” is not “two for one”, because the terms regard legally different concepts, as it is possible to identify an interest upstream due to unlawful gain, as a result of the offence, from an advantage objectively achieved with the commission of the offence, although not envisioned *ex ante*, so that the interest and the advantage are in real concurrence: amongst many, see. Cass. Crim., Sect. II, 30.01.2006, no. 3615).

The Entity does not bear liability, on the other hand, if the people associated with it - either in a management position or others - acted in the exclusive interest of themselves or of third parties.

The Entity’s liability must also be excluded “*if it in any event receives an advantage from the unlawful conduct enacted by the natural person, if it is found that the offender acted “in the exclusive interest of him or herself or of third parties [...] in that case, in fact, there would be a “chance” advantage, and as such not attributable to the desire of the entity*” (Cass. Crim., Sect. VI, no. 32627 of 2 October 2006).

The reference is to all of those situations in which, evidently, the offence committed by the natural person is in no way associated with the Entity, as it was not committed even in part in its interest (in that case, the Judge is not required to verify whether the Entity obtained an advantage or not). On the other hand, if the perpetrator of the offence committed the offence in the “prevalent” interest of his or herself or of third parties and the Entity has received no advantage or a minimum advantage, the entity’s liability will in any event apply, without prejudice to the attenuating factor with special effect, set forth by art. 12, paragraph 1, letter a) of the Decree (i.e., the financial penalty is reduced by half and cannot in any event be greater than € 103,291.00).

### 3.3. The subjective prerequisites of administrative liability resulting from an offence.

Articles 6 and 7 of the Decree identify the *subjective criteria of the charge*, establishing specific forms of exemption from the administrative liability of the Entity, since, for administrative liability resulting from an offence to apply, it is not sufficient for the offence to be objectively connected with the entity, but it also must be possible to formulate a judgement of criticism with respect to the entity.

In that sense, according to art. 6, paragraph 1 of the Decree, if Top Management figures are charged with the offence, the Entity is not deemed liable if it can be proved that:

- before the deed was committed, it adopted and implemented a Model that was suitable for preventing one of the Predicate Offences of the type that occurred;
- it appointed an independent body with autonomous powers to supervise the functioning and observance of the Model and handle its updating (hereinafter, the “**Supervisory Body**” or “**SB**” or “**Body**”);



- The Predicate Offence was committed by fraudulently evading the measures established in the Model;
- the SB did not fail to or insufficiently supervise.

For Subordinates, the adoption and effective implementation of the Model means that the Entity shall be liable only if the commission of the Predicate Offence was made possible due to non-compliance with management and supervision obligations (joint provisions pursuant to paragraphs 1 and 2 of art. 7 of the Decree). Unlike what is set forth for an offence committed by a person in a top management position, in this case, the prosecutor bears the burden of proving the failure to adopt and ineffective implementation of the models.

Lastly, it should be noted that, under art. 23 of the Decree, the Entity can also be held liable in the case of:

- ✓ failure to observe bans or if a ban or a preventive prohibition measure has been applied, pursuant to the Decree, the entity violates the inherent obligations or prohibitions;
- ✓ offences committed abroad by a person functionally linked to the entity, provided that the State of the place where the offence was committed does not take action with respect to such offences.

### 3.4. Offences entailing the administrative liability of Entities

However, the administrative liability of the Entity is not “linked” to the commission of any offence. It may arise only in relation to those criminal offences expressly referred to in the Decree and in Italian Law no. 146/2006.

Indeed, in compliance with the legality principle pursuant to art. 2 of the Decree, for the Entity to be considered liable, only specific types of so called “predicate” offences are identified as significant (hereinafter, also referred to as “**Predicate Offences**”), which, when committed, can result in direct liability attributed to the Entity.

Originally, the Decree listed only offences against the Public Administration and against property committed to the detriment of the State or of another public institution as those the commission of which resulted in the administrative liability of Entities (articles 24 and 25 of Decree 231).

Subsequently, the list of predicate offences resulting in the administrative liability of Entities expanded significantly (the latest additions to the list of predicate offences were those made due to the entry into force of Italian Law no. 186/2014 - which introduced the crime of “self-laundering” - and Italian Law no. 68/2015 - which introduced new types of significant environmental crime pursuant to Italian Legislative Decree no. 231/2001).

Currently, the predicate offences of the administrative liability of Entities are associated with the categories listed in the table below.





Rif. D.L-gs 231/2001	Categoria di reato
Art. 24	Indebita percezione di erogazioni, truffa in danno dello Stato o di un ente pubblico o per il conseguimento di erogazioni pubbliche e frode informatica in danno dello Stato o di un ente pubblico
Art. 24 bis	Delitti informatici e trattamento illecito di dati
Art. 24 ter	Delitti di criminalità organizzata
Art. 25	Concussione, induzione indebita a dare o promettere altra utilità e corruzione
Art. 25 bis	Falsità in monete, in carte di pubblico credito, in valori di bollo e in strumenti o segni di riconoscimento
Art. 25 bis.1.	Delitti contro l'industria e il commercio
Art. 25 ter	Reati societari
Art. 25 quater	Reati con finalità di terrorismo o di eversione dell'ordine democratico previsti dal codice penale e dalle leggi speciali
Art. 25 quater.1	Pratiche di mutilazione degli organi genitali femminili
Art. 25 quinquies	Delitti contro la personalità individuale
Art. 25 sexies	Reati di abuso di mercato
Art. 25 septies	Reati di omicidio colposo e lesioni colpose gravi o gravissime, commessi con violazione delle norme antinfortunistiche e sulla tutela dell'igiene e della salute sul lavoro
Art. 25 octies	Ricettazione, riciclaggio e impiego di denaro, beni o utilità di provenienza illecita, nonché autoriciclaggio
Art. 25 novies	Delitti in materia di violazione del diritto d'autore
Art. 25 decies	Induzione a non rendere dichiarazioni o a rendere dichiarazioni mendaci all'autorità giudiziaria
Art. 25 undecies	Reati ambientali
Art. 25 duodecies	Impiego di cittadini di paesi terzi il cui soggiorno è irregolare
L. n. 146/2006	Reati transnazionali

Ref. Leg. Dec. 231/2001 - Offence category

Art. 24 - Undue receipt of funds, Fraud against the State or a public institution or for the purpose obtaining public funds and cyberfraud to the detriment of the State or a public institution

Art. 24 bis - Cybercrime and unlawful data processing

Art. 24 ter - Organised crime

Art. 25 - Extortion, Undue enticement to give or promise other benefits and corruption

Art. 25 bis - Counterfeiting currency, public paper, revenue stamps and instruments or distinctive signs

Art. 25 bis.1. - Crimes against business and commerce

Art. 25 ter - Corporate offences

Art. 25 quater - Crimes for the purpose of terrorism or subversion of democracy set forth in the Criminal Code and special laws

Art. 25 quater.1. - Mutilation of the female genital organs

Art. 25 quinquies - Offences against the individual

Art. 25 sexies - Market abuse

Art. 25 septies - Crimes of negligent homicide and serious or very serious injuries committed with the violation of accident prevention regulations and occupational health and safety protection regulations

Art. 25 octies - Receiving stolen goods, money laundering and using ill gotten money, goods or benefits as well as self-laundering

Art. 25 novies - Copyright violation offences

Art. 25 decies - Persuasion to not make statements, or to make false statements, to the judicial authority

Art. 25 undecies - Environmental crimes

Art. 25 duodecies - Employing illegally staying third-country nationals

Law no. 146/2006 - Transnational offences

This being said, it is worth noting that under art. 26 of the Decree, the Entity is deemed liable for the offences specified above (with the exception of the case pursuant to art. 25 septies of the Decree) even if they were only attempted.

Attempted offences take place when deeds are carried out which are suitable, and unambiguously intended, to commit a crime, but the action is not completed or the event does not take place (see art. 56 of the Criminal Code).

In the event of the attempted commission of the offences specified in Chapter I of the Decree (articles 24 to 25 duodecies, with the exception of art. 25 septies of Decree 231), the fines (as regards amount) and, if applicable, the bans (in terms of duration) are reduced by from one-third to half (see art. 26, paragraph 2 of Italian Legislative Decree no. 231/2001).

The imposition of penalties is instead precluded when the entity voluntarily prevents the completion of the action or the realisation of the event (see art. 26, paragraph 2 of Italian Legislative Decree no. 231/2001).

In that circumstance, the exclusion of penalties is justified due to the omission of all relationships of association between the entity and the parties who act in its name or on its behalf.



In addition, **Annex 1** includes a detailed list of the predicate offences in force at the time of approval of this document. This list, as an integral part of the Model, will be updated if necessary in compliance with what is set forth in Chapter 15 below of this General Part.

### 3.5 Penalties established by the Decree

Should the persons pursuant to art. 5 of the Decree commit one of the Predicate Offences, the Entity may be subject to several highly detrimental penalties.

Pursuant to art. 9 of the Decree, the following types of penalties (referred to as administrative) are applicable:

- fines (arts. 10-12): these always apply for each administrative offence and are punitive, not compensatory, in nature. Only the entity bears liability for the payment of the fine with its assets or with the joint fund. The sanctions are calculated based on a system “*of quotas, in a number no less than one hundred and no more than one thousand*”, the number of which is determined by the judge based on the seriousness of the offence and the degree of liability of the entity, and the activity carried out by the entity to eliminate or attenuate the consequences of the unlawful action and to prevent the commission of additional offences; each individual quota ranges from a minimum of € 258.23 to a maximum of € 1,549.37. The amount of each quota is determined by the Judge by taking into consideration the entity’s economic and financial conditions; the amount of the fine is therefore determined based on the multiplication of the first factor (number of quotas) by the second (amount of the quota);
- bans (articles 13-17): these apply only in the cases in which they are expressly required and are (art. 9, paragraph 2):
  - ✓ the prohibition against carrying on business;
  - ✓ the suspension or withdrawal of authorisations, licences or concessions functional to the commission of the offence;
  - ✓ the prohibition against contracting with the Public Administration, unless to obtain public services; this prohibition may also be limited to specific types of contract or specific administrations;
  - ✓ the exclusion from facilitations, loans, contributions or subsidies and the possible withdrawal of those already granted;
  - ✓ the prohibition against advertising goods or services.

Bans limit or condition business activities, and in the most serious cases paralyse the entity (prohibition against carrying on business); they are also meant to prevent conduct associated with the commission of offences. Indeed, art. 45 of Decree 231 establishes the application of the bans specified in art. 9, paragraph 2 on a precautionary basis when there is serious evidence that the entity is liable for an administrative offence resulting from an offence and there are grounds and specific elements pointing to a concrete danger that offences of the same nature as that for which proceedings are being brought may be committed.

These penalties apply in the cases expressly set forth in Decree 231 when at least one of the following conditions is met:



- ✓ the entity has received significant profit from the offence and the offence was committed by parties in top management positions or parties subject to the management of others and, in this case, the commission of the offence was caused or facilitated by serious organisational gaps;
- ✓ if the offences are reiterated.

Bans have a term of at least three months and at most two years; in derogation of these time guidelines, it is possible for bans to be applied permanently in the most serious situations described in art. 16 of Decree 231;

- confiscation (art. 19): this is an autonomous and mandatory penalty that applies with the criminal conviction against the entity, and regards the price or the profit of the offence (except for the part that may be returned to the injured party), or, if this is not possible, amounts of money or other benefits with a value equivalent to the price or the profit of the offence; the entitlements acquired from the third party in good faith are excluded. The purpose is to prevent the entity from exploiting unlawful conduct for the purpose of “gain”; with regard to the meaning of “profit”, considering the relevant impact that confiscation may have on the entity’s assets, legal theory and case law have expressed different and varying orientations due to the newness of the matter with reference to the “confiscation penalty” set forth in Decree 231. Art. 53 of Decree 231 establishes the possibility to order precautionary confiscation in order to confiscate assets of the entity which constitute the price or the profit of the offence if legal conditions are satisfied; the procedure set forth in articles 321 et seq. of the Code of Criminal Procedure applies with regard to precautionary confiscation;
- publication of the ruling (art. 18): this may be ordered when a ban is applied against the entity. Publication takes place at the expense of the entity, and is carried out by the court clerk; the purpose is to make the general public aware of the criminal conviction.

### 3.6 Interim measures

Decree 231 allows for the possibility of applying the bans set forth in art. 9, paragraph 2 to the Entity on a precautionary basis as well.

Interim measures meet the need for procedural precaution, as they are applicable in the course of proceedings against a party who is being investigated or is the defendant, but who has not yet been criminally convicted. For this reason, interim measures may be ordered, at the request of the Public Prosecutor, when specific conditions are met.

Art. 45 of the Decree specifies the prerequisites for the application of interim measures, subjecting the application of such measures to the existence of “serious evidence of culpability” with respect to the liability of the entity, thereby following the provision set forth in art. 273, paragraph 1 of the Code of Criminal Procedure.

The assessment of serious evidence relating to the applicability of interim measures pursuant to art. 45 of the Decree must take into consideration:

- ✓ the complex type of administrative offence with which the entity may be charged;
- ✓ the relationship of dependence with the predicate offence;
- ✓ the existence of the interest of or advantage for the entity.



The procedure for applying interim measures is modelled on that outlined by the Code of Criminal Procedure, although with certain derogations. The Judge responsible for ordering this measure, at the request of the Public Prosecutor, is the presiding Judge or, in the preliminary investigations phase, the Judge for Preliminary Investigations. The application order is that set forth in art. 292 of the Code of Criminal Procedure, a rule expressly referred to in art. 45 of Decree 231.

After receiving the request from the Public Prosecutor, the Judge will schedule an ad hoc hearing in chambers to discuss the application of the measure; that hearing is attended by the Public Prosecutor as well as the entity and its defence attorney which, before the hearing, may access the files of the Public Prosecutor and view the elements on which the application is based.

### 3.7. Regulations on offences committed abroad and offences committed in Italy by entities with corporate headquarters abroad

Art. 4 of Italian Legislative Decree 231/2001 governs the situations in which entities with corporate headquarters in Italy may be deemed liable for offences committed abroad.

The regulation establishes that the Italian Judge may proceed against the entity if it will be responsible for deciding on the liability of the perpetrator of the offence. In these cases, the perpetrator of the offence committed abroad will need to fulfil the conditions set forth in articles 7, 8, 9 and 10 of the Criminal Code, specifically referred to in art. 4, which:

- by making reference to articles 7-10 of the Criminal Code, sets the initial conditions that must be met for the entity to be held liable for offences committed abroad;
- requires the entity to have its corporate headquarters in Italy;
- establishes that, if the law requires the request of the Ministry of Justice to proceed against the natural person, this request must be formulated with respect to the entity as well;
- contains a particularly significant clause that rules out bringing proceedings against the legal entity if the State of the place in which the offence was committed has decided to bring proceedings against the company.

On the other hand, art. 4 makes no mention of the opposite case, with respect to offences committed in Italy by companies with corporate headquarters abroad.

However, it is not possible to state that Italy lacks jurisdiction in this case just because the legislature fails to make mention of this matter. Indeed, in that case it can be deduced that Italy has jurisdiction based on the set of provisions of Decree 231, particularly art. 36 of the Decree, according to which the Criminal Judge qualified to take cognisance of the predicate offence is likewise qualified to take cognisance of the administrative offence of the entity, as the competence to decide on that offence is based on the place where the predicate offence took place.

The scope of Italian jurisdiction, also in relation to the administrative offence, is therefore delimited by what is set forth in general in art. 6 of the Criminal Code, which establishes that *“the offence is deemed committed in the territory of Italy when the action or omission which constitutes it took place entirely or partly therein, or if the event and the consequence of the action or omission took place therein”*.

As a result, the moment at which a foreign entity, in the case in question a bank, decides to carry on business in Italy, it is required to comply with Italian regulatory provisions, as, for foreign entities,



there can be no type of “self-exclusion” from local regulations in clear contrast with art. 3 of the Criminal Code. Arguing in that sense, in application of the principle of the obligatory nature of criminal law pursuant to art. 3 of the Criminal Code, a bank with corporate headquarters abroad (as, in general, a foreign entity) which decides to carry on business in Italy, whether or not it has branches within the Italian territory, is required to comply with Italian regulatory provisions.

Specifically with regard to “branches”, the Consolidated Banking Act establishes that a “branch” refers to an office lacking legal personality that constitutes a part of a bank and directly carries out, all or in part, the activities of the bank. This definition easily includes both branches of Italian banks and those of foreign banks (EU and non-EU). Civil case law, which has dealt with the legal formalisation of the activities of branches, tends to recognise them as “agents” pursuant to art. 2203, paragraph 2 of the Italian Civil Code, so that such activity must be attributed to the legal entity, of which the branches are simply an offshoot.

Aside from issues linked to statutory qualification, there is no doubt that the commission of predicate offences of the administrative liability of entities by a branch exposes the entity to the correlated liability, as, pursuant to art. 5, paragraph 1, letter a) of Decree 231, the branch constitutes an “*organisational unit with financial and functional autonomy*”, and as a result can be subject to the provisions of Decree 231.

As a result, offences committed by persons who hold management positions or are employees in the branch expose the entity to the corresponding liability.

Therefore, the Italian Criminal Judge has jurisdiction over the administrative offence resulting, for example, from a crime of corruption, if the provision of the funds to the Public Official - taking place via the crediting of the relative sums of money to foreign accounts - was preceded by a corruptive agreement concluded in the Italian territory; or the administrative offence resulting from a crime of money laundering committed through the replacement of ill-gotten gains, if such transaction was carried out with the involvement of the Italian branch; or, a crime of market manipulation, if the investment order - placed by the desk of the “parent” company located abroad - generated a considerable alteration in the price of a financial instrument placed on the Italian market.

### 3.8. Banking activity and “special characteristics” of the penalty system

Italian Legislative Decree no. 197 of 9 July 2004 (adopted in implementation of Directive 2001/24/EC on the reorganisation and winding up of credit institutions) establishes that the bans pursuant to art. 9, paragraph 2, letters a) and b) of Italian Legislative Decree no. 231/2001 (therefore, a temporary prohibition against carrying on business and the suspension or withdrawal of authorisations, licences or concessions), imposed by a definitive ruling against a bank or a stock brokerage firm or an asset management company or a SIVAV, are enforced, once the terms for the conversion of the penalties have passed, not by the Public Prosecutor (as set forth in art. 77 of Decree 231), but rather by the Bank of Italy or Consob, which may propose or adopt, each within the scope of its own responsibilities, the deeds set forth respectively in title IV of Italian Legislative Decree no. 385 of 1993 (“Consolidated Banking Act”) or title IV of part II of Italian Legislative Decree no. 58 of 1993 (“Consolidated Finance Act”).



As a result of the above, with respect to credit institutions and companies that in any event manage assets, the responsibility for enforcing the bans specified above is assigned to the bodies responsible for supervision and control over those activities.

Italian Legislative Decree no. 197/2004 also excludes the possibility for bans pursuant to art. 9, paragraph 2, letters a) and b) of Italian Legislative Decree no. 231/2001 to be applied on a precautionary basis against the above-mentioned entities. Lastly, the above-mentioned decree specifies that placement under special administration is not possible, either as a preventive measure or as a final sanction.

### 3.9 Impacts of Italian Legislative Decree 231/2001 on the banking system

For banks, the Supervisory Authority has created an integrated system of controls that permeates all company activities and involves a range of parties. The continuously updated Internal Control System (also referred to as “ICS”), which has been implemented for years now, has enabled the banks to equip themselves with excellent organisational standards, in line with the principle of sound management, which constitutes, although in a broader sense, what Italian Legislative Decree no. 231/2001 intends to affirm in the legal system.

Within each bank, a system of rules, procedures and organisational structures is therefore in place in order to ensure compliance with company strategies and the maintenance of company process effectiveness and efficiency; the safeguarding of the value of assets and protection from losses; the reliability and integrity of accounting and management information; the compliance of transactions with the law, with supervisory regulations and with policies, plans, regulations and internal procedures.

To this end, banks must ensure the necessary separation amongst operating and control functions and avoid conflicts of interest in the assignment of responsibilities; be capable of identifying, measuring and adequately monitoring all risks assumed or that may be assumed in the various operating segments; establish control activities at each level of operations; provide for reliable information systems that can promptly report irregularities found in control activities; enable the registration of each operating event with an adequate degree of detail.

Each bank carries out monitoring to prevent risks associated with fraud and lack of loyalty by employees and those deriving from the bank’s involvement in money laundering transactions; monitoring of activities which may entail the risk of losses resulting from errors or inadequacies in internal processes, human resources and systems or deriving from external events. These principles are shared throughout the company and regard the preparation of financial statements, expense items, incoming and outgoing cash flows, the reliability of all financial and operating information, so that all activities are compliant with the reference accounting standards, laws, regulations, Supervisory regulations and the articles of association.

As set forth in the Italian Banking Association Guidelines (see herein, Paragraph 4, BENCHMARKS: GUIDELINES PREPARED BY THE TRADE ASSOCIATIONS), a similar network of controls and audits, along with the formalisation of procedures for activities and decision-making processes, constitutes a system capable in and of itself of being used to prevent the commission of offences, including those pursuant to Italian Legislative Decree no. 231/2001.



However, this does not mean that banks do not need to check the “strength” of the existing system in light of what is laid out by the legislative decree and, when necessary, supplement it. Indeed, while the control system in force in banks is a valid instrument for the management of company risk in many regards more strictly associated with their operations, it must necessarily be updated and implemented in order to prevent the occurrence of the predicate offences that result in liability pursuant to Italian Legislative Decree no. 231/2001.

In other words, due to the specific characteristics of the regulations regarding administrative liability resulting from an offence pursuant to Italian Legislative Decree no. 231/2001, the rules and procedures in force within banks (set forth in service orders, internal provisions, company regulations, corporate governance codes, codes of ethics, disciplinary codes) should be aligned with the requirements of the Decree, so as to establish a system which - being characterised by more stringent rules of conduct, accompanied by a precise system of controls (dual signatures, separation of duties, security systems for access to data and other company information, etc.) and continuous flows of information - may be circumvented only fraudulently.

### 3.10 Prerequisites and purposes of the adoption and implementation of an Organisation, Management and Control Model

In general, the procedures for constructing a valid Model are identified in art. 6 of the Decree which, in paragraph 2, establishes that Models must meet the following requirements:

- ✓ identify the activities within the scope of which the Predicate Offences may be committed;
- ✓ set out specific protocols to plan the definition and implementation of the Entity's decisions in relation to the Predicate Offences to be prevented;
- ✓ identify financial resource management procedures which are suitable for preventing the Predicate Offences;
- ✓ provide for information obligations with respect to the SB;
- ✓ introduce a disciplinary system suitable for penalising the failure to comply with the measures set forth in the Model (also referred to as the “**Disciplinary System**”).

Paragraphs 3 and 4 of art. 7 of the Decree also set forth that:

- ✓ the Model must set out measures suitable for guaranteeing that activities are carried out in compliance with law, and for discovering at-risk situations in a timely fashion, taking into consideration the type of business carried out as well as the nature and size of the organisation;
- ✓ for the Model to be implemented effectively, routine controls must be carried out and the Model must be amended if significant violations of legal precepts are discovered or if significant changes are made to the organisation or regulations; the existence of a suitable Disciplinary System also assumes relevance.

In addition, specifically with reference to the Model’s effectiveness at preventing (unintentional) occupational health and safety offences, art. 30 of Italian Legislative Decree no. 81/2008 establishes that “*the organisation and management Model suitable to exclude the administrative liability of legal entities, companies and associations, including without legal personality pursuant to Italian*



*Legislative Decree no. 231 of 8 June 2001, must be adopted and effectively implemented, ensuring a company system for the fulfilment of all legal obligations relating to:*

- ✓ *compliance with legal technical/structural standards relating to equipment, plants, work environments and chemical, physical and biological agents;*
- ✓ *risk assessment activities and the resulting development of prevention and protection measures;*
- ✓ *organisational activities, such as emergencies, first aid, tender management, periodic safety meetings, consultations of the workers' safety representatives;*
- ✓ *health surveillance activities;*
- ✓ *worker information and training activities;*
- ✓ *supervisory activities with regard to compliance with safe working procedures and instructions by workers;*
- ✓ *the acquisition of documents and certifications required by law;*
- ✓ *periodic checks regarding the application and effectiveness of the procedures adopted”.*

*Also according to art. 30: “The organisation and management Model must include suitable systems for recording the fact that activities have taken place. The Organisational model must in any event establish, as required based on the nature and size of the organisation and the type of business carried out, a breakdown of functions which provides for the technical skills and powers necessary to check, assess, manage and control risk, as well as a suitable disciplinary system for penalising failure to comply with the measures laid out in the Model. The Organisational model must also have a suitable system for checking the implementation of the Model and the maintenance over time of the suitability of the measures adopted. The review and any change of the Organisation model must be adopted when significant violations of regulations relating to accident prevention and occupational hygiene are discovered, or during changes in the organisation and in activities relating to scientific and technological progress”.*

The law also establishes that, on first-time application, company organisational models defined in compliance with the UNI-INAIL guidelines for an occupational health and safety management system of 28 September 2001 or the British Standard OHSAS 18001:2007 are presumed to be compliant with the requirements pursuant to this article as regards the corresponding parts.

It is therefore evident that, although not required by law, the adoption and effective implementation of a suitable Model is a necessary prerequisite for Entities in order to benefit from the exemption set forth by the Legislator.

#### **4. BENCHMARKS: GUIDELINES PREPARED BY THE TRADE ASSOCIATIONS**

##### **4.1. ITALIAN MANUFACTURERS' FEDERATION Guidelines**

In paragraph 3 of art. 6 of the Decree, the legislature establishes that the Model may be adopted on the basis of codes of conduct prepared by the trade associations representing the Entities and disclosed to the Ministry of Justice, which may formulate observations.

The first Association to prepare guidelines for the construction of models was the Italian Manufacturers' Federation which, on 7 March 2002, issued its “*Guidelines for the construction of organisation, management and control models pursuant to Italian Legislative Decree no. 231/2001*”





(hereinafter the “**Confindustria Guidelines**”), subsequently amended and updated in May 2004, March 2008 and, most recently, in March 2014.

The update of the Guidelines, which regarded the general part as well as the appendix relating to the individual offences (“case studies”), was meant to provide instructions on measures suitable for preventing the commission of the predicate offences set forth in March 2014.

The Confindustria Guidelines for the construction of Models provide associations and businesses - which do not necessarily have to be members of the Association - with methodological instructions on how to prepare an organisational model suitable for preventing the commission of the offences specified in the Decree.

The instructions in that document, which is also recognised as valid by the Decree, may be schematised in accordance with the following fundamental points:

- ✓ identification of at-risk areas, aiming to verify in which company area/segment the commission of the offences envisaged in Italian Legislative Decree no. 231/2001 is possible;
- ✓ identification of the methods for committing the offences;
- ✓ execution of the risk assessment;
- ✓ identification of control points in order to mitigate the risk of crimes;
- ✓ gap analysis.

The most significant components of the Confindustria control system are:

- ✓ code of ethics and conduct;
- ✓ organisational system;
- ✓ manual and IT procedures;
- ✓ authorisation and signing powers;
- ✓ control and management systems;
- ✓ personnel communications and training.

These components must be guided by the following principles:

- ✓ verifiability, documentability, consistency and coherence of each transaction;
- ✓ application of the principle of the separation of functions (no one can independently manage an entire process);
- ✓ documentation of controls;
- ✓ establishment of an adequate penalty system for the violation of the procedures envisaged by the model;
- ✓ identification of supervisory body requirements, which may be summarised as follows:
  - autonomy and independence;
  - professionalism;
  - continuity of action.
- ✓ creation of information flows from and to the Supervisory Body.

In any event, it should be highlighted that failure to comply with specific points of the Guidelines does not compromise in and of itself the validity of the Model as these are general indications which must be adapted to the specific reality of the Entity in which they will be applied.

Indeed, each Model should be developed in light of the characteristics of the relevant business. The crime risk of each company is strictly associated with the economic sector, the organisational complexity - not only in terms of size - of the business and the geographical area in which it operates.



This means that the Model may not exactly comply with the “Guidelines” - as they are general and merely indicative in nature.

After all, according to the Supreme Court of Cassation, “*Paragraph 3 of art. 6 mentioned previously establishes that organisation and management models may (not must) be adopted on the basis of codes of conduct prepared by representative associations but, naturally, there is no regulatory delegation to such associations and no reference per relationem to such codes which, therefore, may certainly be used as a template, as a basis for preparing the model actually to be adopted which, however, must then be adapted to the company in which it is to be implemented. The fact that these codes of conduct are disclosed to the Ministry of Justice which, in concert with other competent ministries, may formulate observations, certainly is not enough to give those models the blessing of irreproachability, almost as if the judge were bound to a sort of company and/or ministerial ipse dixit, in the sense of privatising the regulation to be prepared to avoid the commission of offences*” (Cass. Crim., Sect. V, ruling 18 December 2013, no. 4677, Impregilo).

#### 4.2. ITALIAN BANKING ASSOCIATION (ABI) Guidelines

The Italian Banking Association (also referred to as “**ABI**”) also issued its own “Guidelines for the adoption of organisational models on the administrative liability of banks” (also referred to as the “**ABI Guidelines**”) in 2002, with a subsequent update in 2004, defining the fundamental elements which, within credit institutions, contribute to defining an organisation and management model compliant with the provisions of Italian Legislative Decree no. 231/2001.

In particular, the ABI Guidelines list and describe the fundamental components of an organisational model suitable for preventing the offences pursuant to Italian Legislative Decree no. 231/2001 as follows:

- identification of the activities within the scope of which the offences may be committed;
- setting out rules to plan the definition and implementation of decisions in relation to the offences to be prevented and identification of financial resource management procedures; Code of Conduct and policies;
- appointment of an internal control body with the duty of supervising the functioning of and compliance with the organisation and management model adopted by the company and handling its updating;
- providing for information obligations with respect to the control body;
- definition of a disciplinary system to penalise failure to comply with the organisational model and the rules of conduct set forth;
- disclosure and dissemination of the organisational model adopted;
- personnel training on the administrative liability of entities and on the components of the model adopted.

In light of the instructions provided in the ABI Guidelines, Banks - in general - are exposed to the risk that the following categories of offences may be committed:

- “**general**” offences, which are not connected - if not as a result of a “random” relationship - with the carrying out of banking business. “general” offences, which are not connected, if not as a result of a random relationship, with the carrying out of banking business and therefore



are not associated with specific areas of activity. This category of offences may include, for example but not limited to:

- occupational health and safety crimes;
- environmental crimes;
- copyright violations;
- crimes of terrorism and subversion of democracy;
- offences against the individual;
- the offence of employing illegally staying third-country nationals;
- crimes of racism and xenophobia

These types of offence are not associated with specific areas of activity; in relation to these types, according to the instructions provided in the ABI Guidelines, general organisational models are deemed sufficient, which refer to principles of fairness and morality in the conduct of banking operators;

- **“specific” offences**, which may risk taking place due to the specific activities of the Bank. for these risks, it may be necessary to check the control systems relating to specific risk areas in order to bring them into line with the requirements of the Decree. This category includes, for example but not limited to:

- Corporate offences;
- Market abuse;
- Organised crime;
- Money laundering.

### **4.3. AIBE Guidelines**

The “*Guidelines of the Association of Foreign Banks in Italy for the adoption of Organisation, Management and Control Models pursuant to Italian Legislative Decree no. 231/2001*” (also referred to as the “**AIBE Guidelines**”), issued in 2009, constitute an additional reference. They provide information based on best practices, as a supplement to the Italian Banking Association Guidelines, with a particular focus on the specific characteristics of the structure and operating procedures of members with respect to Italian banks, taking care to distinguish between situations in which the foreign bank operates through a branch or when it operates under the freedom to provide services regime (“cross-border”).

In particular, the AIBE Guidelines provide information on aspects which require the specific nature of foreign banks in Italy to be taken into consideration as well as the procedures whereby they carry on their business, in order to properly apply the provisions of the Decree. In that sense, the Guidelines act as a supplement to the ABI Guidelines, which, as they address Italian banks, do not consider any circumstances characterising branches of foreign banks.

According to the instructions provided by the trade association in question, in preparing their Models, foreign banks should describe the structure and operating procedures of their Italian branches, noting systematic internal relations as well as information flows with the foreign decision-making and management centre of the parent company and/or the applicable group.



In this way, the mapping of activities that may result in the commission of predicate offences entailing the administrative liability of entities also concerns structures, functions and decision-making bodies outside the Italian branch which, in any event, must comply with the provisions of the Decree.

In identifying areas at risk of offences and instrumental areas, foreign banks are therefore asked to identify and map all activities carried out by the Italian branch autonomously, as well as by the Italian branch with the support of foreign functions and, lastly, those that may be carried out by the foreign office without the involvement of the Italian branch, which are potentially capable - in accordance with the provisions of art. 6 of the Criminal Code - of resulting in a risk profile for the commission of offences in Italy.

In that regard, the essential elements of the oversight mechanisms intended to prevent the risk of offences must supplement the group's existing procedures and policies in order to cover the risk of offences in Italy, involving in particular the branch structure. With respect to cross-border activities carried out directly by the foreign bank through its officers, there is the issue of verifying in what form and to what extent to extend precautionary organisational oversight intended to prevent the risk of the commission of offences and, in particular, if and how to involve the branch structure in such oversight as, otherwise, it would be excluded.

## 5. THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF AAREAL BANK AG - ROME BRANCH

### 5.1 The purposes of this Model

The purpose of this Model is to represent, alongside the documentation to which it makes reference, the system of operating and conduct rules governing Branch activities, as well as the additional control elements that it has put into place in order to prevent the crimes and administrative offences contemplated by the Decree.

By adopting the Model, the Branch intends to pursue the following goals:

- reaffirming that conduct that may result in the types of offences set forth in the Decree is punished, also when carried out in its interest or for its advantage, in that it is contrary to legal provisions as well as the ethical and social principles underlying Branch activities;
- spreading awareness that the violation of the Decree, the prescriptions laid out in the Model and the principles of the Code of Ethics may result in the application of penalties (both financial and bans), which may also be borne by the Branch;
- preventing and/or promptly combating the commission of relevant offences pursuant to the Decree.

### 5.2 Construction and adoption of the Model

Also on the basis of the instructions set forth in industry Guidelines (Italian Manufacturers' Federation, Italian Banking Association and Association of Foreign Banks in Italy), a Working Group was established consisting of resources from the Branch and supported by external professionals with specific skills in the relevant areas and subject to reference regulations.

The purpose of this Working Group was to map the risk areas, as well as identify and assess risks relating to the types of offence subject to the regulation and the relative Internal Control System.



In particular, this Model was drafted by following the steps described below:

- a) preliminary examination of the corporate context by examining relevant documentation;
- b) identification of the areas of activity and company processes that are at “risk” or instrumental to the commission of offences (also referred to as “**Areas at Risk of Offences**”), on the basis of a preliminary examination of the company context pursuant to letter a) above, as well as by having interviews with informed parties within the corporate structure in order to identify and specify the organisation of and the activities carried out by the various corporate functions, as well as the corporate processes into which the activities are broken down and their concrete and effective implementation. Therefore, mapping has been created of all **activities carried out**: (i) by the Italian Branch **autonomously**, (ii) as well as by the Italian Branch with the **support of Parent Company functions** (iii) and, lastly, those that may **be carried out by the Parent Company without the involvement of the Italian Branch**, which are potentially capable of resulting in a risk profile for the commission of offences in Italy;
- c) identification of the main risk factors for each risk area, as well as the reporting, analysis and assessment of the adequacy of existing company controls;
- d) identification of points for improvement in the Internal Control System;
- e) adjustment of the Internal Control System in order to reduce the risks identified to an acceptable level.

In particular, based on an examination of the documentation provided by the Branch, the Working Group has identified the types of offence that may take place in the running of business activities, making sure to draw a distinction for each type of predicate offence depending on the “**risk of occurrence**” of each of them within the context of the company (“**high**” - “**medium**” - “**low**” risk), as detailed below.

### **High risk**

Based on the results of the Risk Assessment, considering the specific activities carried out by the Branch, it has been assessed that the following categories of offence have a “high” risk of occurrence:

- = Art. 25 *ter* - Corporate offences, limited to the case pursuant to art. 2638 of the Italian Civil Code “*Hindering the exercise of the functions of the Public Supervisory Authorities*”;
- = Art. 25 *octies* - Offences of receiving stolen goods, money laundering and using ill gotten money, goods or benefits as well as self-laundering;
- = Art. 25 *sexies* - Market abuse.

### **“Medium Risk”**

The types of predicate offences specified below have been found to have a “medium” degree of risk of occurrence:

- = Arts. 24 and 25 - Offences against the Public Administration, only for the cases of corruption set forth in and punished under arts. 318, 319, 319 *bis*, 319 *ter*, 321 and 322 of the Criminal Code;
- = Art. 25 *ter* - Corporate offences, limited to the case of “corruption between private parties” and of “incitement of corruption between private parties”, pursuant to artt. 2635 and 2635 *bis* and of “insider trading” pursuant to art. 2637 of the Italian Civil Code;



- Art. 25 *septies* - Negligent homicide and serious or very serious injuries committed with the violation of occupational health and safety protection regulations, limited to the case pursuant to art. 590 of the Criminal Code “Negligent personal injuries”.

### **“Low Risk”**

The types of predicate offences specified below have been found to have a “low” degree of risk of occurrence:

- Arts. 24 and 25 - Offences against the Public Administration, in relation to the following types of offence: (i) Embezzlement and Undue receipt of funds to the detriment of the state, pursuant to arts. 316 *bis* and 316 *ter* of the Criminal Code; (ii) Fraud against the State or another public institution, Aggravated fraud for the purpose obtaining public funds and cyberfraud, pursuant to arts. 640, 640 *bis* and 640 *ter* of the Criminal Code; (iii) Extortion and Undue enticement to give or promise benefits, pursuant to arts. 317 and 319 *quater* of the Criminal Code;
- Art. 25 *ter* - Corporate offences, in relation to the following types of offence: (i) False corporate communications of listed companies, pursuant to art. 2622 of the Italian Civil Code; (ii) Obstructed control, pursuant to art. 2625 of the Italian Civil Code; (iii) Unlawful influence on the shareholders meeting, pursuant to art. 2636 of the Italian Civil Code;
- Art. 24 *ter* - Organised crime, specifically with regard to only the types of offence pursuant to arts. 416 and 416 *bis* of the Criminal Code;
- Art. 25 *quater* - Crimes for the purpose of terrorism or subversion of democracy, limited to the cases set forth in arts. 270 *bis* and 270 *sexies* of the Criminal Code, 2 Convention of New York, 1 Decree Law 15.12.1979, converted with amendments into Law no. 15 of 6.2.1980;
- Transnational offences pursuant to art. 10 of Law no. 146/2006, limited only to the offences set forth in articles 377 *bis*, 416, 416 *bis* and 291 *quater* of Italian Presidential Decree 43/1973;
- Art. 25 *septies* - Offences of “negligent homicide and serious or very serious injuries, committed with the violation of occupational health and safety protection regulations”, limited to the case pursuant to art. 590 of the Criminal Code “Negligent homicide”;
- Art. 25 *decies* - Persuasion to not make statements, or to make false statements, to the judicial authority;
- Art. 24 *bis* - Cyber crimes, limited to the types of offence pursuant to arts. 491 *bis*, 615 *ter*, 615 *quater*, 635 *bis*, 635 *ter*, 635 *quater* and 635 *quinquies* of the Criminal Code;
- Art. 25 *bis* - Crimes of counterfeiting currency, public paper, revenue stamps and instruments or distinctive signs, limited to the offence of “Use of counterfeit currency received in good faith” set forth in art. 457 of the Criminal Code;
- Art. 25 *novies* - Crimes in violation of copyright, limited to the types of offence set forth in arts. 171 *bis* and 174 *quinquies*, Italian Law 633/1941;
- Art. 25 *undecies* - Environmental crimes, limited to the offences set forth in arts. 137, 256, 258, paragraph 4, second sentence, 259, paragraph 1, 260 paragraphs 1 and 2, 260 *bis*, paragraphs 6, 7, second and third sentences, 8, Italian Legislative Decree no. 152/2006;

### **Inapplicable predicate offences**

The following types of offence have been deemed inapplicable to the business situation of the Branch:

- Art. 25 *bis.1* - Crimes against business and commerce;
- Art. 25 *quater* 1 - Mutilation of the female genital organs;



- Art. 25 *quinquies* - Offences against the individual.

These **types** of offence have been deemed **inapplicable** in consideration of the current structure of the Branch, the activities it currently carries out and the types of offence specified. In any event, the Branch is committed to continuously monitoring its activities in relation to the above-mentioned offences as well as with regard to any regulatory expansion of Decree 231.

Subsequently, by carrying out interviews with Branch staff, the Working Group inventoried and specifically mapped the company activities (“risk mapping”).

When this activity was completed, the Working Group defined a list of areas at risk of offences, i.e., those segments of the Branch and/or company processes with respect to which, in light of the mapping, there is an abstract **risk of the commission** of offences, amongst those specified in the Decree, abstractly associated with the type of activity carried out by the Branch. In addition, “instrumental areas” have also been identified (with regard to offences against the Public Administration and corruption between private parties), i.e., areas which, through the management of financial instruments and/or alternative means, may support the commission of offences in at-risk areas.

In particular, *two types of at-risk activity* were detected in light of the mapping, i.e.:

- “*specific*” *at-risk activities*, with respect to the activity carried out by each Division of the Branch;
- *transversal at-risk activities*, with respect to the activities carried out by the individual Divisions.

The Working Group therefore mapped and analysed the as-is situation of the existing organisational system and company controls, structured into a complex series of oversight mechanisms adopted at Branch and Bank level, in order to check whether it is suitable to prevent the specific offences set forth by the Decree in the areas of company activity identified as at risk.

With reference to Italian Law no. 123/2007, which introduced liability for certain types of offence associated with the violation of occupational health and safety regulations, the organisational structure was subjected to a specific analysis which, as suggested by the Confindustria Guidelines, covered the entire corporate structure as, with reference to the crimes of negligent homicide and serious or very serious injuries committed with the violation of occupational health and safety protection regulations, it is not possible to exclude any area of activity beforehand, as this type of offence may, indeed, impact anyone within the company. On a preliminary basis, the Working Group gathered and analysed relevant documentation in terms of occupational health and safety - including Risk Assessment Documents, etc. - to gain an understanding of the Branch’s organisational structure and the areas relating to occupational health and safety, as well as to define activities in the sites subject to analysis.

The Working Group also checked legal and similar requirements applicable to activities as well as the workplaces and job assignments.



### 5.3 The Branch's Internal Control System and 231 controls

In compliance with the regulatory principles laid out by the Supervisory Authority, the Branch operates based on a system of rules, procedures and organisational structures which ensure, inter alia, the compliance of transactions carried out with the law, with supervisory regulations and with internal policies, plans, regulations and procedures.

In particular, the Branch conducts continuous monitoring to prevent risks associated with fraud and lack of loyalty by employees and those deriving from the bank's involvement in money laundering transactions. This control activity is applied throughout the company and, in detail, regards the preparation of financial statements, expense items, incoming and outgoing cash flows and the reliability of all financial and operating information.

In this context, the underlying structure of the Branch's internal control system consists of:

- the legal and regulatory framework applicable to the Branch, including that of the industry in which it operates, with which it rigorously complies;
- the Code of Conduct of the Aareal Bank Group;
- the existing system of delegations and powers of attorney;
- the hierarchical/functional structure (see the company organisational chart);
- internal procedures governing operations and defining levels of control and authorisation procedures;
- the implementation of integrated information systems oriented towards the separation of functions, as well as a high degree of process standardisation and the protection of process information, with reference to management systems as well as internal control systems.

In addition, at the organisational level, the Branch has a Compliance - AML/Fraud and Data Protection Manager who supervises the verification of precise compliance with regulations and internal and group directives, also coordinating with the respective Parent Company functions.

While this network of controls and verifications is a valid instrument for the management of company risk in many regards more strictly associated with Branch operations, it must necessarily be supplemented by the internal control principles outlined by the Model as well as constant information flows in order to prevent the occurrence of the predicate offences that result in liability pursuant to Italian Legislative Decree no. 231/2001.

### 5.4. The structure of the Model

This Model has a “**General Part**” and a “**Special Part**”.

- a) The “**General Part**” describes the governance model and the organisational and internal control systems adopted by the Branch, manual and IT procedures integrated within the main management systems of the Administrative area, the duties of the Supervisory Body, applicable penalties in the event of violations and, in general, the principles, logic and structure of the Model.





- b) The “**Special Part**” contains a description of the structure of predicate offences resulting in the liability of entities, a list of the areas at risk and generic controls, as well as the mapping of the areas at risk of offences identified on the basis of the organisational structure and the corporate activities carried out. In addition, the Special Part includes a list of the behavioural principles and organisational oversight mechanisms defined by the Branch for the purpose of prevention.

## 6. THE BRANCH AND ITS ACTIVITY

Aareal Bank AG - Rome Branch (the “**Branch**”) is a permanent establishment of Aareal Bank AG (the “**Bank**”), a joint-stock company with registered office in Germany, Wiesbaden, Paulinenstrasse 15.

### 6.1. The Branch’s activities

The Branch operates as a market unit of the Bank in the territory of Italy in the banking and financial services sector, offering structured finance solutions in the real estate sector.

In this context, the Branch’s activities follow the policies and directives of the Bank which dictates, in terms of risk localisation and profiles, its market policy. By disbursing mortgages for financing purposes, the Branch supports high-profile real estate transactions throughout Italy.

As regards the specialised real estate finance sector (shopping centres, logistics and hotels), the Branch relies on the specific skills, at central level, of teams specialised in the hospitality, retail and logistics sectors. The Branch also acts as an interface amongst international market participants - such as investors, management companies, real estate investment funds and developers - which are typically identified and managed by the Bank and Italian companies operating in the real estate segment.

The main products it offers include:

- Loans for the spin-off of real estate portfolios;
- Loans for development and renovation projects (although development projects regard only existing positions, as the Bank’s focus no longer includes granting new loans for development projects);
- Structuring of complex real estate acquisition transactions.

The main guarantees requested for real estate loans are first charge mortgages on the real estate financed or guarantees (or pledges) of receivables deriving from lease agreements on the same properties.

## 7. THE ORGANISATIONAL STRUCTURE AND THE INTERNAL CONTROL SYSTEM OF THE BRANCH

The Branch’s organisational structure is designed to guarantee the separation of roles, duties and responsibilities amongst the different functions and, on the other hand, the most efficiency possible, with the precise definition of the duties of each company area and the associated responsibilities.

Indeed, the Branch has developed a detailed Organisational chart which outlines its entire organisational structure.



In principle, the Branch's Organisational chart reflects the same division into business segments as that used by the Bank.

Like the Bank, the Branch guarantees a clear separation between "the market" and credit management. This is achieved by creating two distinct departments, as well as by diversifying the hierarchical and functional lines of reporting for each of the two departments.

In addition, within the Branch's Organisational chart, it is possible to identify the departments closely linked with its core business, as well as the departments that provide support by carrying out transversal activities (Administration and Finance, HR, Compliance).

The General Manager/Legal Director, located at the top of the organisational chart, also acts as Compliance manager, Anti-Money Laundering Officer and Data Protection manager.

By examining the Organisational chart, it is possible to identify:

- the areas into which the company activities are broken down;
- the hierarchical relationships of the individual company entities;
- the parties that operate in the individual areas and their relative organisational roles.

## 8. HEALTH AND SAFETY ORGANISATIONAL STRUCTURE

In compliance with the provisions of the Confindustria Guidelines, the Branch's organisational structure complies with prevention regulations in force with a view to eliminating or, alternatively, reducing and therefore managing workplace risks for the staff.

The Branch has drafted a Risk Assessment Document for the registered office and has prepared an appropriate occupational health and safety organisational structure, which clearly and formally identifies those responsible for occupational health and safety.

## 9. SYSTEM OF DELEGATIONS AND POWERS OF ATTORNEY

The Branch's Manual, inter alia, outlines and governs the system of delegations and powers of attorney currently in force within Aareal Bank AG - Rome Branch.

In detail, the list of people with signing powers in relation to the activities carried out by Aareal Bank AG - Rome Branch is available on the local network unit (List of signatures Rome Branch).

In particular, the Branch has identified two different groups of legal representatives (A and B) who can act on its behalf with respect to third parties.

In general, the principle of "dual signatures" applies, based on which each deed with external relevance, as well as any management deed (with the sole exception of the sale and purchase of properties and land), must be signed by two legal representatives.

Category A legal representatives may sign with legal representatives of the same category and with category B legal representatives. Category B legal representatives may sign only with category A legal representatives.

In specific cases and - in any event - closely linked with the tasks and activities carried out by each employee, employees may be authorised at the individual transaction level to execute specific external legal transactions or to represent the bank along with another authorised individual. For this purpose,



special powers of attorney are granted on a case by case basis, with a specification of the individual transactions for which the authorisation is valid.

When issued, powers of attorney are always formalised via notarial deeds and disclosed to the addressee to ensure full knowledge and acceptance. In addition, powers of attorney with external relevance are also registered with the competent Company Register Office.

Each of these deeds of delegation or power of attorney provides the following information:

- ✓ delegating party and source of his or her power to delegate or grant power of attorney;
- ✓ delegated party, with explicit reference to the function assigned and the link between the delegations and powers of attorney granted and the organisational position held by the delegated party;
- ✓ subject, consisting of a list of types of activities and deeds for which the delegation/power of attorney is granted. These activities and deeds are always functional to and/or closely correlated with the responsibilities and functions of the delegated party;
- ✓ value limits within which the delegated party may exercise the power granted. This value limit is determined based on the delegate's role and position within the company organisation.

In attributing the powers granted in a power of attorney, typically the general rule is taken into account according to which the same delegate may not, for the same transaction:

- ✓ authorise a commitment and provide authorisation for payment,
- ✓ commit and provide authorisation for payment,
- ✓ commit and pay/collect,
- ✓ provide authorisation for payment and pay/collect.

In addition, in accordance with internal control principles:

- ✓ Delegates, regardless of the delegations granted to them, may not authorise a commitment or confer a note for payment on their behalf, or exercise a power if they have a direct or indirect personal interest in the resulting transaction;
- ✓ deeds of authorisation for commitment and of commitment for the same transaction are distinct and must normally be executed by different and independent individuals;
- ✓ there must always be at least two people in the commitment process (from the preparation of the commitment - the initial request - to the commitment itself). If the requesting party and the holder of commitment authorisation power are the same person, the request must be formally approved by the authority at the higher hierarchical level, even if the amount in question is below the commitment authorisation threshold of this manager.

## 10. MANUAL AND IT PROCEDURES

### 10.1. The organisational solutions adopted by the Branch

In order to guarantee the full compliance of its operations with Italian legal and regulatory provisions, the Branch has a series of internal policies and procedures to govern operations, which are integrated with the Group's guidelines and policies.



In general, the internal procedures and practices adopted by the Branch are inspired by the following **principles**:

- the definition and implementation of entity decisions must be inspired by the utmost transparency and approval by multiple parties;
- technical/operating functions must be kept separate from accounting and control functions;
- internal procedures, when possible, must also be characterised by a separation of roles, particularly with reference to the exercise of control functions, which must remain separate from decision-making and operational functions;
- process traceability must be guaranteed;
- the principle of transparency must be respected, consisting of the visibility of procedures within the company and the entire set of rules governing them, as well as the duty of communication and notification of relevant decisions amongst the various corporate functions.

The Branch aims to implement integrated information systems oriented towards the separation of functions, a high degree of process standardisation and the protection of process information, with reference to management and accounting systems as well as systems supporting operating activities associated with the business.

## 11 MANAGEMENT CONTROL AND CASH FLOWS

The management control system (also referred to as “Management Control”) of the Branch provides mechanisms for the annual audit of resource management, which must guarantee expense verifiability and traceability as well as the efficiency and cost effectiveness of business activities, in order to achieve the following objectives:

- ✓ defining in a clear, systematic and understandable manner the resources (monetary and otherwise) available to the individual sectors and functions and the scope within which such resources may be used, by planning and defining the budget;
- ✓ reporting any variances with respect to the budget based on actual monthly reporting, analysing the relative causes and reporting the assessment results to the appropriate hierarchical levels for the required adjustments;
- ✓ preparing interim forecast statements in which initial planning defined in the budget is revised based on the variances detected in the actual-budget analysis.

## 12. CODE OF ETHICS

### **Relationship between the Organisation, Management and Control Model and the Code of Conduct of the Aareal Bank Group**

An essential element of the preventive control system is the adoption of a Code of Ethics, an instrument adopted independently and to be applied generally in order to express the principles of "corporate ethics" that the entity recognises as its own and with which all employees are called to comply.



The Branch, which is committed to carrying out its activities legally, has adopted as its Code of Ethics the “**Code of Conduct**” defined by the Aareal Bank Group, whereby the latter lays out guidelines for legal compliance and ethical conduct at all of its Branches and organisations.

The Model and the Code of Conduct are closely correlated and should be seen as the expression of a single body of rules adopted by the Branch to promote high moral principles of integrity, honesty and transparency, in which Aareal Bank believes and based on which it intends to carry out its activities.

In particular, the Model, the provisions of which are in any event consistent and compliant with the ethical principles set forth in the documents mentioned above, more specifically meets the needs expressed by the Decree and therefore is meant to prevent the commission of the types of offence contemplated by Italian Legislative Decree no. 231/2001.

In any case, the ethics-related documentation affirms principles suitable for preventing the unlawful behaviours pursuant to Italian Legislative Decree no. 231/2001, and therefore assumes relevance for the purposes of the Model as well and is complementary to it.

The Aareal Bank Group Code of Conduct is a general instrument which establishes the behaviours that the Group intends to promote, disseminate, comply with and ensure others comply with in carrying out the corporate activities of its Branches, to protect its reputation and image in the market.

The Code of Conduct, which should be referred to for more detailed information, expresses the “*ideal social contract*” of the company with its stakeholders and defines the ethical criteria adopted in balancing the expectations and interests of the various types of stakeholders.

The Code of Conduct complies with the principles laid out in the Confindustria Guidelines and contains the fundamental Group principles and guidelines relating to the conduct to be adopted in the internal and external relations of Group Branches. For the purpose of Decree 231, it is highlighted that such principles aim, inter alia, to prevent the commission of offences within the Italian Branch - whether or not they are contemplated by the Decree - as well as conduct that is not aligned with the ethical expectations of the Aareal Bank Group.

### 13. THE DISCIPLINARY SYSTEM

The Branch considers compliance with the Model to be essential.

On the assumption that the violation of the rules and measures imposed by the Branch to prevent the offences set forth in Decree 231 harms the relationship of trust established with it, and in compliance with art. 6, paragraph 2, letter e) of Decree 231, the Branch has implemented the penalty system it adopted in May 2003, which is also to be applied in the case of failure to comply with the rules established in the Model.

Referring to the specific document, to be considered an integral part of this Model, it is noted that the Disciplinary System prepared for the purposes of this Model, operates in compliance with current regulations and collective bargaining and is established on the basis of the independence and autonomy of disciplinary judgment.



In this regard, it should be noted that the disciplinary assessment of the conduct of persons who - in any capacity - operate on behalf of the Branch is carried out by the Branch itself, without prejudice, of course, to any subsequent control by the judicial authority, and to the subsequent application of disciplinary sanctions. The rules of conduct imposed by the Model are, in fact, adopted by the Branch in full autonomy and independently of the criminal offence committed.

Attempts and, in particular, acts or omissions unambiguously aimed at violating the rules and regulations established by the Branch are also punished, even if the action does not take place or the event does not occur for any reason whatsoever.

#### 14. TRAINING, COMMUNICATION AND DISSEMINATION OF THE MODEL

##### 14.1 Communication and involvement regarding the Model and the associated Protocols

As the Branch is aware of the importance that informational and training aspects assume for the purpose of prevention, it promotes the broadest dissemination, inside and outside the company, of the principles and provisions set forth in the Model and in the associated Protocols.

From this perspective, the Branch has defined communication and training programmes to guarantee disclosure to the Addressees of the principles set forth in the Decree and the resulting obligations, as well as the requirements of the Model.

Informational activities concerning Model content and principles, which vary based on the Addressees involved, are intended to be comprehensive, prompt, accurate and continuous, to enable Addressees to gain full awareness of the company provisions with which they are required to comply.

The Branch has adopted the following instruments to ensure effective communication of the Model:

- the content and principles of the Model and the associated protocols, which employees are required to be familiar with, are brought to their attention by providing them with a full copy of the relative documents, as well as by posting them on the intranet of the individual Divisions operating in Italy;
- a copy of the Model along with the associated protocols is provided and/or made available to all parties engaging in contractually governed relationships with the company and which are involved in carrying out sensitive activities, with a particular focus on the extent to which they are subject to management or supervision. In this case, contracts and letters of engagement set forth clauses requiring “*no violations of the Organisation, Management and Control Model adopted by the Branch*”;
- employees are able to contact the Supervisory Body to ask for clarification on the behaviours to be adopted to comply with the principles set forth in the Model adopted by the Branch.

The SB documents these communications as well as all certifications that the Model has been disclosed and the relative declarations of commitment.

The Branch will not enter into or continue any relationship with parties who do not intend to commit to comply with the principles of the Organisation, Management and Control Model (the latter limited to any applicable aspects on a case by case basis).



## 14.2 Training and instruction on the Model and the associated Protocols

In addition to the activities connected with informing addressees, the Branch is responsible for providing periodic and continuous personnel training.

In turn, the SB must promote and monitor the Branch's implementation of initiatives aiming to favour adequate awareness and knowledge of the Model and the associated Protocols in order to increase the culture of ethical behaviour and control within the Branch.

In particular, the Model's principles must be described to company resources during dedicated mandatory training events (e.g., courses, seminars, questionnaires, etc.), the execution procedures of which are established in specific Training Plans implemented by the Branch.

Courses and other training initiatives on Model principles must be differentiated on the basis of the role and responsibilities of the resources involved, i.e., by providing more intense training with a greater degree of detail for top management personnel categorised as such based on the Decree, as well as for parties operating in areas of "direct risk" pursuant to the Model.

In particular, the content of training sessions must include a section on Decree 231 and on the administrative liability of entities (regulatory sources, offences, penalties against natural persons and the company and exemptions) and a specific part on the Organisation, Management and Control Model adopted by the Parent Company for the Branch (reference principles for the adoption of organisation, management and control models pursuant to Decree 231, General Part and Special Parts of the Model).

Evidence and adequate documentation must be kept of active participation in training courses.

## 15. Supervisory Body

### 15.1 Composition and appointment

The Branch Legal Representative/General Manager appoints the Supervisory Body.

The Body remains in office for three financial years or for the shorter period of time established at the time of appointment, but in any event for no less than one year.

The individuals to be appointed as members of the Supervisory Body are required to meet subjective eligibility requirements (see below).

Any remuneration due to Supervisory Body members is established at the time of appointment.

The Supervisory Body may make use of a budget assigned to meet all needs associated with the proper performance of its duties (e.g., specialised advisory services, travel, etc.), in any event in accordance with company procedures.



## 15.2 Regulation

The SB is responsible for preparing its own internal document governing the aspects of and concrete methods for carrying out its tasks, including the system for its organisation and functioning.

In particular, the following aspects, *inter alia*, should be governed by the internal regulation:

- the type of audit and supervisory activities carried out by the SB;
- the type of activities connected with Model updating;
- activities connected with the fulfilment of Model Addressee information and training responsibilities;
- the management of information flows from and to the SB;
- information flows to the Legal Representative/General Manager and the Bank;
- the functioning and internal organisation of the SB (e.g., the calling of SB meetings and decision-making, etc.).

In addition, it is appropriate to require all Supervisory Body activities to be documented in writing and for minutes to be taken at all meetings or inspections in which it participates. The minutes are retained in hard copy and electronic format in the SB archives.

## 15.3 Departure from office

Departure from office due to expiry of the term is effective from the moment at which the new Supervisory Body is formed.

Departure from office may also take place due to resignation, forfeiture, removal or death.

Members of the Supervisory Body who resign from office are required to notify the Legal Representative/General Manager and the Supervisory Body itself in writing so they may be promptly replaced.

Members of the Supervisory Body forfeit their office in the event of intervening failure to meet requirements to hold that position (for example, prohibition, inability, bankruptcy, handing down of a punishment entailing the prohibition against holding public offices or if they are declared guilty of the offences set forth in Decree 231 and, in general, in the event of incapacity and incompatibility, conflict of interests. etc.).

Members of the Supervisory Body may be removed for just cause. For example, just cause applies in the event of failure to meet the obligations set forth for each Supervisory Body member, unjustified absence from three or more Supervisory Body meetings, the existence of a conflict of interests, impossibility to carry out Supervisory Body member activities, etc.

In addition, any termination of the working relationship between the internal member of the Supervisory Body and the Branch normally entails removal of the departing individual from office. The Supervisory Body may submit a justified request to the Legal Representative/General Manager asking for the removal from office of a member of the Supervisory Body.

In the event of resignation, forfeiture, removal or death, the Legal Representative/General Manager will replace the Supervisory Body member who has left office. Members appointed in this manner





remain in office for the remaining term of the Supervisory Body.

#### 15.4 Requirements

In compliance with the provisions of art. 6, paragraph 1 of Decree 231, the Supervisory Body is responsible for supervising the functioning and observance of the Organisation, Management and Control Model and handling its updating, and is vested with autonomous powers of initiative and control.

The control body must meet the following requirements to effectively perform the above-mentioned functions:

- **autonomy and independence**, as:
  - the control activities carried out by the SB are not subject to any form of interference and/or conditioning by parties within the Branch or the Bank;
  - it reports directly to the Branch's top management;
  - it is not attributed any operational duties, and also does not participate in operational decision-making or activities, in order to protect and ensure its objective judgement;
  - it has adequate financial resources to properly carry out its activities;
  - the internal functioning rules of the Supervisory Body are defined and adopted by the body itself;
- **professionalism**, as the professionals present within the Supervisory Body must provide it with a set of skills in the areas of control system inspection activities and analysis, as well as law; to that end, the Supervisory Body also has the right to rely on company functions and internal resources, in addition to external consultants;
- **continuity of action**, as the Supervisory Body is an ad hoc body dedicated exclusively to the supervision of the functioning and observance of the Model;
- **integrity and absence of conflict of interests**.

The Legal Representative/General Manager assesses: (i) the continuing fulfilment of the above-mentioned requirements and conditions of operational efficiency of the Supervisory Body, (ii) whether members of the Supervisory Body meet the subjective requirements of integrity and skill and (iii) whether they have any conflicts of interests, in order to further ensure the autonomy and independence of the Supervisory Body.

#### 15.5 Functions, activities and powers of the Supervisory Body

In compliance with the provisions of art. 6, paragraph 1 of Decree 231, the SB is responsible for supervising the functioning and observance of the Model and handling its updating.

In general, therefore, the SB has the following duties:

- verification and supervision with respect to the Model, i.e.:
  - ✓ verifying the adequacy of the Model to prevent the occurrence of unlawful behaviours, as well as to detect them should they occur;
  - ✓ verifying the effectiveness of the Model, i.e., the consistency between actual behaviours and those formally established in the Model;
  - ✓ carrying out analyses on the continuing fulfilment over time of the requirements of Model robustness and functionality;
- updating of the Model, i.e.:



- ✓ working to ensure that the Legal Representative/General Manager handles the updating of the Model, and proposing adjustments if necessary to improve its suitability and effectiveness;
- information and training on the Model, i.e.:
  - ✓ promoting and monitoring initiatives meant to favour dissemination of the Model to all parties required to respect its provisions;
  - ✓ promoting and monitoring initiatives, including courses and communications, aiming to favour adequate knowledge of the Model by all Addressees;
  - ✓ assessing requests for clarification and/or advice from company functions or resources, or from the administrative and control bodies, if connected and/or associated with the Model;
- management of information flows from and to the SB, i.e.:
  - ✓ ensuring the precise fulfilment by the parties concerned of all reporting activities inherent in compliance with the Model;
  - ✓ examining and evaluating all information and/or reporting received and associated with compliance with the Model, including as regards any violations thereof;
  - ✓ informing the competent bodies, specified below, with respect to the activity carried out, the relative results and planned activities;
  - ✓ reporting to the competent bodies, so they may take the appropriate measures, any Model violations and the responsible parties, proposing the penalty deemed most appropriate with regard to the actual situation;
  - ✓ in the event of controls by institutional parties, including the Public Authorities, providing the necessary informational support to inspection bodies;
- follow-up activities, i.e., verifying the implementation and effective functioning of the solutions proposed.

To complete the tasks it has been assigned, the SB is vested with all powers necessary to ensure precise and efficient supervision of the functioning and observance of the Model.

Also through the resources available to it, the SB is entitled to, for example:

- carry out, including with no advance notice, all audits and inspections deemed appropriate to properly carry out its duties;
- arrange for, if necessary, interviews with resources who can provide indications or useful information on the performance of company activities or any malfunctioning or violations of the Model;
- make use of adequate financial resources to meet all needs associated with the proper completion of its duties;
- rely, under its direct supervision and responsibility, on the support of all Branch and Bank structures or external consultants, on the basis, as regards the relationship with them, of company guidelines and procedures and after having them sign adequate confidentiality agreements.

In particular, to carry out its tasks and functions, it relies on the structural and systematic cooperation of certain Functions with a specific role within the Branch's governance system (i.e., Internal Audit, internal operational risk control functions, legal, compliance, human resources, etc.).

The Supervisory Body is required to report the results of its activities to the Legal Representative/General Manager of the Branch.



In particular, the SB reports on violations of the Model detected in view of the imposition of the relative penalties and, when cases take place that bring to light serious critical issues in the Model, it presents proposals for amendments or additions.

The Supervisory Body prepares an informational report for the Legal Representative/General Manager at least once per year on the supervisory activity carried out and on the results of that activity, as well as on the implementation of the Organisation, Management and Control Model within the Branch.

The Supervisory Body may report directly to the Bank Control Functions (Parent Company) in the event of specific critical issues relevant for the purposes of Italian Legislative Decree no. 231/2001 regarding the Legal Representative/General Manager.

The Supervisory Body's activities cannot be objected to by any company body, structure or function without prejudice, in any event, to the obligation of the Legal Representative/General Manager to supervise the adequacy of the Supervisory Body and its actions, as he is in any event responsible for the functioning and effectiveness of the Model adopted for the Italian Branch.

To carry out the supervisory functions it has been assigned, the Supervisory Body may make use of adequate financial resources and has the right to rely - under its direct supervision and responsibility - on the support of internal company structures and, if necessary, on external consultants in compliance with the applicable company procedures.

The Supervisory Body is responsible for the governance of its internal functioning. It must define in a specific regulation the aspects relating to carrying out supervisory functions, including determining the frequency of controls, identifying analysis criteria and procedures, taking minutes at meetings, governing information flows, and so on.

## 15.6 Information flows involving the Supervisory Body

### Information flows and reports to the Supervisory Body

The Supervisory Body, as the body responsible for supervising the functioning and the compliance with the Model, is the addressee of:

- a) information flows (hereinafter also referred to as "*Information flows*"), periodic or *ad hoc* (upon occurrence of the event), addressed by those responsible for the sensitive activities contemplated in the Model and having as their object:
  - i. information relating to sensitive activities for which it is responsible;
  - ii. information relating to the activities of the Branch, including, without limitation: information relating to organisational changes or changes in current company procedures; updates to the system of powers and proxies; any communications from the independent auditors concerning aspects that may indicate a lack of internal controls; decisions relating to the application for, disbursement and use of public funds; periodic reports on health and safety at work, as well as all data relating to accidents at work occurring at the sites of the Branch; the annual report prepared by the Branch pursuant to Chapter 7, Section VII of Bank of



Italy Circular no. 231/2001, as well as any other information that may be

relevant to the Company's business. 263 of 2006 (as updated on 2 July 2013); the results of any internal audit activities aimed at verifying the actual compliance with the Model and Code of Conduct adopted by the Aareal Bank Group;

- iii. a detailed indication of any proposed amendments to the prevention protocols, particularly in the event of changes in the performance of activities identified by the Model as sensitive;
- iv. any suggestions/additions in order to strengthen the Model adopted pursuant to the Decree.

The purpose of the information flows addressed to the Supervisory Body is to facilitate and improve its control planning activities and does not require it to carry out systematic and timely checks on all the phenomena represented.

- b) detailed reports of significant illegal conduct pursuant to the Decree (hereinafter referred to as Reports only), timely and on an occasional basis ( upon the occurrence of the event) concerning any violation, real or suspected, that may result in:
  - i. fraud or mismanagement;
  - ii. corruption;
  - iii. criminal offence;
  - iv. violation of any law, regulation or policy and procedures issued by the branch or more generally by the parent company;
  - v. violations, even potential, of the Model, including, without limitation:
    - o any orders received from the supervisor and considered to be in conflict with the law, internal regulations or the Model;
    - o any requests or offers of money, gifts (in violation of company rules and procedures) or other benefits coming from, or destined to, public officials or persons in charge of a public service;
    - o any omissions, negligence or counterfeiting in book-keeping or in storing the documentation on which accounting records are based;
    - o measures and/or information from the judicial police or any other authority indicating that investigations are being carried out involving, even indirectly, the branch or its employees;
    - o breaches of provisions of art. 41 of Legislative Decree no. 231/2007 ;

any reports, not promptly detected by the competent functions, concerning both deficiencies or inadequacies of the places, work equipment, or protective devices made available to the Branch, and any other dangerous situation related to health and safety at work.



## 16. CHANNELS OF COMMUNICATION AND PROTECTION OF REPORTERS

The Branch, in order to allow both the so-called "top management" and the so-called "subordinates" to address the Reports and Information Flows to the Supervisory Body, has activated the following communication channels:

- e-mail: to the following address: **odv231aareal@legalmail.it**
- internal mail: on plain paper or by filling in the appropriate form addressed to the attention of the Secretariat of the Supervisory Body, at the address of the Branch.

For further details regarding the subject of reports to the Supervisory Body and the way in which they are managed, please refer to the content of the Internal Organisational Note, to be considered as an integral part of the Model.

In addition, Aareal Bank AG has adopted a specific "Prevention of White-Collar Crime" procedure - also applicable to the Branch - for employees or persons in a comparable position to report potential or actual violations of, amongst other things, the provisions laid down on the prevention of money laundering and the financing of terrorism and anti-corruption. Reports made pursuant to the above procedure must be addressed to the Group Compliance and Money Laundering Manager (Head Office Compliance ), who is also responsible for managing the reports, with the support of the Fraud Prevention Committee.

For further details on these reports and their handling, please refer to the contents of the "Prevention of White-Collar Crime" procedure, to be considered as an integral part of the Model.

Finally, at Group level, a so-called whistleblowing ethical alert system has been implemented to guarantee the confidentiality of the identity of the whistleblower using IT methods.

All the above mentioned reporting systems, without prejudice to any legal obligations, guarantee the protection of the rights of the Branch and of persons accused erroneously or in bad faith:

- the protection of the confidentiality of the identity of the reporter and the alleged infringer. To this end, the Supervisory Body and/or company departments that may be involved in the management of reports are required to:
  - o disclose the identity of the whistleblower only with the prior written consent of this latter or when knowledge of the identity of the whistleblower is essential for the defence of the whistleblower,
  - o separate the identification data of the reporter from the content of the report, so that the report can be processed anonymously and the subsequent association of the report with the identity of the reporter is possible only when strictly required;
- the protection of the reporter against retaliatory, discriminatory or otherwise unfair conduct as a result of the report. To this end, any direct or indirect act of retaliation or discrimination, including a change of duties pursuant to Article 2103 of the Italian Civil Code, against the reporter for reasons directly or indirectly related to the report is prohibited. Furthermore, the adoption of discriminatory measures against the persons making the above reports may be reported to the National Labour Inspectorate, for measures within its competence.



## 17. REPORTING TO THE GENERAL MANAGER

In any case, the Supervisory Body:

- in case of particular needs or in case of urgency, it reports at any time to the General Manager of the Branch, who takes the most appropriate decisions;
- report in writing to the General Manager of the Branch on the activity carried out and on its outcome, providing also a forecast of the general lines of action for the following period, highlighting, in particular, the objectives and priorities of controls, the activities to perform, expenditure and resource budgets, and estimated timescales;
- report directly to CD Compliance in the event that the report concerns a conduct adopted by the General Manager.

Finally, it should be noted that the Supervisory Body may report to the Legal Representative/General Manager of the Branch at any time it deems appropriate. In the case of meetings, minutes are always drawn up.

## 18. UPDATING OF THE MODEL

The SB is also responsible for reporting the need to update the Model. Updating is required, for example, as a result of changes in organisational structures or operating processes, significant violations of the Model and new legislation.

Communications and training on Model updates must follow the procedures required for approval.