

**ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL  
PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001  
OF FOOT LOCKER ITALY S.R.L.**

<b>#</b>	<b>Version</b>	<b>Date</b>
1	2020-1	May 2020

**OUR VISION IS TO BE THE LEADING GLOBAL RETAILER OF ATHLETICALLY INSPIRED SHOES AND APPAREL.**

Our core values are:



**INTEGRITY**

*act honestly, ethically and honorably*

**LEADERSHIP**

*respect, inspire, develop and empower*

**SERVICE**

*satisfy our customers every time*

**TEAMWORK**

*collaborate, trust, support, commit*

**INNOVATION**

*be a student of the business to initiate and foster new ideas*

**Dear Stakeholders:**

@FootLocker, “**Love the Game**” is one phrase that is part of our company ethos. Starting with our associates in stores around the world, associates in regional offices, distribution and financial service centres and headquarters facilities - our entire team loves the game of retail, and we play to win. We are passionate about our own job responsibilities, our own team’s goals, and the objectives of the corporation. This passion, guided by our seven core values or “**Rules of the Game**”, continually moves us towards the goal “*to inspire and empower youth culture*”. Foot Locker’s foundation and culture is built on fundamental ethical values. As we continue to focus on executing our key strategies and building on our strengths, it is very important to play by the rules and embrace our core values.

We must never jeopardize our own or our company’s reputation by acting in a manner that is inconsistent with our core values. This means we must never compromise our ethical and legal standards in order to meet financial objectives or realize personal gain.

On top of the rules and regulations in place within the Foot Locker group, within Italy we deal with a specific set of compliance legislation. The Italian compliance legislation is referred to as the Legislative Decree 231/2001, or, simply put, “**Law 231**”. Foot Locker Italy believes adhering to Law 231 further ensures we maintain our core values.

One important element of Law 231 is that Foot Locker Italy implements a Compliance Program. Foot Locker Italy has implemented this Law 231 Compliance Program in 2010.

One key element of the Compliance Program is to implement the organisational, management and control model (the “**Model**”) as provided by Law 231. Foot Locker Italy believes this Model is good for all stakeholders in and outside the company. It sets clear rules as to what we expect and how to comply with the law.

Therefore, the Model is applicable to all individuals working for Foot Locker Italy, either being management, employees or external parties working for Foot Locker Italy.

We urge you to read the Model carefully and ask any questions you might have after reading the Model.

Sincerely,

The Board of Directors  
Foot Locker Italy

## 1 SPEAK UP; YOU ARE ALSO RESPONSIBLE!

1. Understanding and adhering to the Law 231 Compliance Program of Foot Locker Italy is essential to maintain the highest standards of ethical conduct.
2. We are all responsible for reporting concerns when we see or suspect violations of the Model, the company policies, our Code of Business Conduct or the law. Within Foot Locker Italy, if you see or suspect a violation, SPEAK UP.
3. Even if we do not know all the facts, or the wrong doing is not directed at us, but we witness it, we have an obligation to Foot Locker Italy to report these concerns. Failing to report a known or suspected violation may also be deemed a violation of our Code of Business Conduct and Compliance Model.
4. Foot Locker Italy encourages every stakeholder to ask questions or to report any issues/concerns related to behaviour that may be inappropriate or contrary to our values. Foot Locker Italy has many ways of asking questions and reporting issues/concerns. The ways are:
  - a. The direct supervisor
  - b. A member of the management team of Foot Locker Italy
  - c. The Organismo di Vigilanza
    - The members are Mr. Marco Romanelli, Mrs. Giulia Ziveri, Mrs. Marinella Zola and Mr. Ivar Oosterveld.
    - e-mail: [modello231@footlocker.com](mailto:modello231@footlocker.com)
  - d. A Human Resources representative
    - Check the "Fair Employment Practice-poster" in the stores for contact details.
  - e. The Legal Department of Foot Locker Europe B.V.
    - Call or write to one of the legal counsels, or e-mail: [legaleurope@footlocker.com](mailto:legaleurope@footlocker.com).
  - f. Foot Locker, Inc.'s General Counsel
    - Mail Address: 330 West 34th Street, New York, New York 10001
    - Telephone: +1-212-720-4477
    - e-mail: [generalcounsel@footlocker.com](mailto:generalcounsel@footlocker.com)
  - g. The Company's Audit Committee
    - Mail Address: c/o General Counsel 330 West 34th Street, New York, New York 10001
    - Place your concern in a sealed envelope marked "**confidential**", your concern will be reviewed by the General Counsel and forwarded to the Audit Committee.
    - If you prefer to have the concern sent directly and confidentially to the Audit Committee, enclose it in an inner-sealed envelope directed to the "**Chair of the Audit Committee**" and it will be delivered unopened to the Chair of the Committee.
  - h. Code of Business Conduct Helpline

You can contact the Helpline via phone at 1-866-839-5112 (for the U.S. and Canada) or on the web at <http://footlocker.ethicspoint.com> (international dialing numbers can also be found here). The Code of Business Conduct Helpline is managed by an independent third-party and is available 24/7 in multiple languages.
5. **Please note:** Foot Locker Italy has **Zero Tolerance for Retaliation**. Every stakeholder should feel comfortable raising concerns without fear of retaliation. Foot Locker Italy does not tolerate retaliation for making a good faith report, for asking questions or for cooperating in an investigation—even if the concern turns out to be unfounded.

## 2 REGULATORY FRAMEWORK

### 1. The Law

1. In Italy, a law was introduced in 2001. This law is called Legislative Decree No. 231 of 8 June 2001 (we will refer to this law simply as “**Law 231**”). Law 231 introduced corporate administrative liability deriving from crimes which combine administrative responsibility of companies with the criminal responsibility of the individual who committed the offence.
2. The major novelty introduced by Law 231 is the principle imposing direct liability of all companies for certain crimes committed in their own interest or advantage by their directors, top managers, or employees, provided that specific conditions are met.
3. The company’s liability is in addition to the criminal liability of the individuals that materially committed the crime.
4. Although defined as an “administrative liability”, the company’s liability is, de facto, a criminal liability. Under Law 231, in particular, companies may be directly liable when individuals:
  - a. Who hold representative, administrative, or executive positions in the company or in any of its branches granted with financial and organizational autonomy, or who de facto manage it; or
  - b. Who are subject to the direction and supervision of one of the persons under (a), regardless of the legal qualification of their role or employment status (employees as well as contractors, suppliers or consultants are included),commit one or more crimes listed in Law 231, to the advantage of the company. The company can only be exempted from liability if it adopted and effectively implemented an adequate Law 231 Compliance Program before the crime was committed.

### 2. Criminal Offences Contemplated by Law 231

1. Since the introduction of Law 231 in 2001, the Italian legislator has constantly widened the scope of the application of Law 231. The legislator has expanded the list of relevant crimes, which currently include the following:
  - a. Crimes against Public Administration, including bribery, undue inducement, trafficking in illicit influences and corruption;
  - b. Computer crimes and illegal data processing;
  - c. Crimes involving coins offences, forgery of public papers, duty stamps and means and/or marks of recognition;
  - d. Corporate crimes (which also include “private corruption”);
  - e. Terrorism or subversion of democratic order crimes;
  - f. Female genital mutilation;
  - g. Crimes against the individual, child sexual abuse and child pornography, also via the internet;
  - h. Insider trading and market manipulation;
  - i. Transnational crimes;
  - j. Manslaughter and grievous bodily harm committed by violations of the provision on health and safety in the workplace;
  - k. Money laundering;
  - l. Organized crime activities;
  - m. Crimes against trade and industry;
  - n. Crimes related to copyright violations;
  - o. Offences consisting in inducement to refuse to render statements or to render false statements to Judicial Authorities;
  - p. Environmental crimes;

- q. Employment of illegally staying third-country nationals;
- r. Aiding the illegal entry of foreigners in Italy;
- s. Racist and xenophobic offences;
- t. Offences of fraud in sporting competitions, abusive gambling and betting;
- u. Tax crimes; and
- v. Failure to comply with sanctions given.

### 3. Liability of foreign entities

1. Under Law 231 and the Code of Italian Criminal Procedure, companies which have headquarters in Italy are also liable in relation to crimes committed abroad, if no prosecution against the company has been initiated in the foreign state in which the relevant crime was committed.
2. Law 231 does not provide specific provisions in relation to foreign companies. However, some case law determined that Law 231 could also be applicable to foreign companies which operate in Italy, regardless of the fact they have an office in Italy, being sufficient that they run business in Italy.
3. In the case of a multinational group having a holding company abroad and a subsidiary in Italy, it is possible that, if a representative of the foreign holding company commits a crime in the interest or for the benefit of the Italian subsidiary, the foreign controlling company will be held liable as well.

### 4. Criminal liability under Law 231

1. The company's responsibility is determined in criminal court. The determination is established by checking whether:
  - a. The offence committed by the individual was for the benefit of the company, and
  - b. A working Law 231 Compliance Program has been implemented.
2. The Court reaches its decision based on *ex ante* evaluation. This means that the Court places itself in the company's position at the time when the crime was committed. The Court tests if the compliance program was suitable to prevent that crime at that moment in time.

### 5. Sanctions

1. If a company is found liable under Law 231, the company may be subject to any combination of the following sanctions:
  - a. Monetary fine with a minimum of EUR 25,822 up to a maximum of EUR 1,549,370 (in case of a plurality of crimes, up to EUR 4,500,000);
  - b. Seizure of the profits resulting from the crime;
  - c. Publication of the Court's decision; and/or
  - d. Disqualifying sanctions (so-called "**blacklisting**"). Blacklisting has considerable impact on the company. Blacklisting includes, among other things, disqualification from performing part or all of its business, suspension or revocation of authorizations, permits, licenses or concessions, exclusion and revocation from benefits, public loans and contributions, and prohibition against advertising goods or services offered by the corporation. These sanctions can also be applied as precautionary measures with immediate effect.

### 6. Attempts to commit offences

1. If there is a case of attempt to commit an offence as listed under Law 231, the financial sanctions and disqualification sanctions as mentioned above are applicable as well, however reduced by a percentage between 30% to 50% of the penalty amounts listed above.

2. There will be no sanctions if the company involved voluntarily stopped the action being carried out. This means that the company will break all business relations with the individuals who committed a crime, regardless if they acted for themselves or for the company.

## 7. Exemptions from Liability

1. A company is not liable, when:
  - a. The individuals who committed the crime acted solely in their own interest or on behalf of third parties and not in the interest of the company; or
  - b. The company has adopted effective and specific internal compliance measures.
2. In order for a valid defence that the company has adopted effective and specific internal compliance will only be upheld if the company proves:
  - a. The company established and implemented an effective tailored internal controls systems for the purposes of preventing offences;
  - b. This internal control system is implemented before any offence was committed; and
  - c. A supervisory body (the so-called "**Organismo di Vigilanza**", further referred to as the "**OdV**") is present with independent initiative and inspection powers.
3. **Be aware:** if a crime is committed by directors or top managers of the company, the proof of the company's innocence is difficult to establish. In addition to the above mentioned points (see points 1-3), the company must demonstrate both that:
  - a. The individual committing the offence acted fraudulently by circumventing the internal control system; and
  - b. There was no lack of surveillance of OdV.

## 8. The Law 231 Compliance Program

1. Law 231 exempts the company from liability if it can demonstrate that the company has adopted and effectively implemented a Law 231 Compliance Program before the crime was committed. A Law 231 Compliance Program must be tailored to the specific structure, business and characteristics of the company. There is no strict template available on the details of the structure and content of any such program.

## 9. Template guidelines for incorporating a Law 231 Compliance Program

1. The main association representing more than 150.000 manufacturing and service companies in Italy ("**Confindustria**") has prepared "*Guidelines for drafting organisational, management and control models in accordance with Legislative Decree 231/2001*" (the "**Guidelines**").
2. The Model of Foot Locker Italy is based on the Guidelines of Confindustria including its updates, which are approved by the Ministry of Justice.
3. In any case, possible differences from the above mentioned Guidelines shall not nullify the validity of this Model, as it perfectly corresponds to business reality and corporate structures.
4. The Guidelines suggest that a company uses risk assessments and risk management processes and allow for the following four phases when defining the model:
  - a. Identify risk areas (i.e. assess the business environment in which the specific activity might trigger the offences as provided by Law 231);
  - b. Planning control systems (provide for specific protocols regulating the company's decision making process);

- c. Adopting general instruments, and specifically a Code of Business Conduct and a disciplinary system; and
  - d. Identifying selection criteria for the OdV.
5. Foot Locker Italy has adopted and updated its own Model based on these Guidelines.
6. It is clear that a Law 231 Compliance Program must meet the following eight requirements in order to be qualified as adequate:
- a. **Risk Analysis**  
The company must identify the areas in which it is most likely that crimes will be committed by the board of directors, managers or employees.
  - b. **Appropriate Procedures**  
The company must establish appropriate procedures in relation to the company's activities at risk.
  - c. **System of Internal Controls**  
The company must establish a system of internal controls and must monitor the employees' compliance with these procedures.
  - d. **Continuous Updating**  
The company must ensure the Law 231 Compliance Program itself will be updated on a continuous basis, based on changes in the law, but also on changes within the company's processes.
  - e. **Manage Financial Resources in Safest Way**  
The company must identify the safest way to manage financial resources in order to avoid such crimes being committed or make the criminal risks as low as possible.
  - f. **Training**  
Training is one of the corner stones of the Law 231 Compliance Program. Therefore, the Law 231 Compliance Program is compulsory for all managers and employees and the company must provide regular training to its employees operating in the risky areas.
  - g. **Supervisory Board ("Organismo di Vigilanza" or "OdV")**  
The company must set up a supervisory body properly vested with independent initiative and inspection powers.
  - h. **Disciplinary Measures**  
The company must introduce disciplinary measures to sanction non-compliance by its employees.



### 3 GENERAL ORGANISATIONAL & GOVERNANCE STRUCTURE OF THE COMPANY

#### 1. Short explanation of the Corporate Governance Model

1. Foot Locker Italy is an Italian limited liability company owned by Foot Locker Europe B.V. for 99% and by Foot Locker Netherlands B.V. for 1%.
2. The corporate objectives of Foot Locker Italy are to import, distribute, trade as well as sell through retail and warehouse, either in Italy or abroad, of athletic and lifestyle apparel and sports footwear, goods and accessories.
3. The articles of association state that the company can be represented by:
  - a. A sole director;
  - b. A Board of Directors composed of two to seven members; and
  - c. Two or more directors with powers to be exercised jointly or severally or by majority.
4. By shareholders resolution of 3 June 2008, the shareholders decided that Foot Locker Italy is represented by:
  - a. Three managing directors with full powers of ordinary and extraordinary administration; and
  - b. Each director with joint and several powers to represent the company, except for those powers that are reserved by law for the shareholders.
5. Foot Locker Italy has a Board of Statutory Auditors. The Board of Statutory Auditors
  - a. Monitors the compliance with the applicable laws and its articles of association. The Board of Statutory Auditors also supervises the actions of management;
  - b. Has three permanent members and two alternate members. These members are elected by the shareholders; and
  - c. Is required to meet at least once every 90 days.
6. The Independent Auditors are entrusted with the financial oversight of the company. The shareholders select the Independent Auditors from a list of companies registered in a special register maintained by the "*Commissione Nazionale per le Società e la Borsa*" ("**Consob**") and appoint the Independent Auditors.
7. General or specific proxies may be granted to persons who deal with third parties such as authorities, suppliers or consultants: only people entitled with a legally valid power of attorney may negotiate towards third parties in the interest of Foot Locker Italy.

#### 2. Organisational structure

1. Foot Locker Italy is part of a global company ultimately listed on the New York Stock Exchange. The European head office is situated in Vianen, the Netherlands. Therefore, some duties are carried out at European and sometimes even at American level.
2. Please find below a short description of the different departments within Foot Locker Italy that carry out services. The Regional Team of Foot Locker Italy consists of the:
  - a. Regional Vice President;
  - b. Regional Administrative Assistant;
  - c. District Managers;
  - d. Human Resources department;
  - e. Real Estate Director & Real Estate Administrative Assistant;
  - f. Project Manager, Construction;

- g. Finance: Field Auditors, Payroll Operations team & Business Analyst-Expense Control;
  - h. Facility Services Representative;
  - i. Administrative Staff (Operations assistants); and
  - j. VM Specialist.
3. The Regional Vice President is responsible for all store operations in Italy. The District Managers report to the Regional Vice President. A District Manager is responsible for all store activities in their district, especially sales and personnel. Each district is composed of around 15 to 20 stores.
4. The Italian Operations Team is composed of:
- a. Store Manager;
  - b. Assistant Store Manager;
  - c. Full Time Sales Associates;
  - d. Part-time Sales Associates; and
  - e. Interns.
5. Human Resources cover the areas of salaries and benefits, recruitment, induction, training and awards system management. They ensure that employment policy and practices are fair and equitable in regard to the individual employees and the employment laws of the country. Human Resources are responsible for the hiring of protected categories of employees and for the management of the checks and inspections done by competent public bodies.
6. The Real Estate Director is responsible for store-related contracts and store opening/closing procedures, including assessments regarding new stores and the level of rent and lease costs. The Project Manager Construction is responsible for the construction/build out of the stores and the Facility Services Representative is responsible for maintenance.

### **3. Foot Locker Europe**

1. The European head office located in Vianen, the Netherlands provides various services to Foot Locker Italy on the basis of intercompany agreements. These services are, but not limited to:
- a. Finance: Accounts Payable / Expense Capital Team/ Procurement;
  - b. HR & Training;
  - c. Payroll;
  - d. Loss Prevention;
  - e. Legal;
  - f. IS&T;
  - g. Real Estate/Construction/Facilities;
  - h. Marketing & VM;
  - i. Product; and
  - j. Central Operations.

## 4 STRUCTURE OF THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

### 1. Introduction

1. Foot Locker Italy decided to implement the Law 231 Compliance Program in 2010.
2. In 2010, Foot Locker Italy ensured that the Model complied with the provisions of Law 231 and that it was coherent with policies, procedures and controls already present in the corporate governance model of Foot Locker Italy.
3. The project consisted of the following four steps:  
Step 1 - Identification of risk areas;  
Step 2 - Gap Analysis and Action Plan;  
Step 3 - Design of the Organisational Model; and  
Step 4 - Continuous Updating of the Model.  
We will further explain each step below.

#### ***Step 1. Identification of risk areas ("As-is-analysis")***

4. Foot Locker Italy engaged an external consultant to assist with implementing the Law 231 Compliance Program.
5. Foot Locker Italy held meetings with its management in order to introduce the structure of the Law 231 Compliance Program.
6. One required step under the Law 231 Compliance Program is to identify the processes and the activities in which the crimes listed in Law 231 can be committed. These activities and company's processes are defined as "**sensitive activities / sensitive processes**".
7. Foot Locker Italy has investigated its structure in order to better understand the Company's organisation. The analysis of the organisation, of the organisational chart and of the roles and responsibilities within Foot Locker Italy led to a first identification of the sensitive processes/activities and a preliminary identification of the departments/positions in charge of said processes/activities.
8. Foot Locker Italy interviewed key officers of the company, in order to understand and identify the control systems in place in relation to sensitive activities and assess whether the system is able to meet the requirements provided by Law 231 (the "**As-is-analysis**").
9. Following the above, Foot Locker Italy drafted a preliminary map highlighting the sensitive activities and the functions involved.

#### ***Step 2. Gap analysis and Action plan***

10. Following the "**As-is-analysis**", Foot Locker Italy identified gaps between Law 231 and the actual processes and activities in place (the "**Gap-analysis**").
11. Foot Locker Italy then defined specific action plans to address these gaps.

### ***Step 3. Design of the Organisational Model***

12. Starting point for the design of the Model for Foot Locker Italy are the suggested principles by Confidustria, namely:
  - a. Existence of procedures/formalised guidelines;
  - b. Traceability of the activities by means of paper documentation or electronic archives;
  - c. Segregation of duties; and
  - d. Implementation and existence of adequate proxies respectively powers of attorney to sign.
13. Foot Locker Italy drafted its Model in compliance with Law 231 and took into account the characteristics of its business in coherence with its internal controls system and its ability to assess controls already in place.
14. The Model therefore represents a combination of principles, rules and statements aiming to:
  - a. Control and change internal functioning of the company in line with the Law 231 Compliance Program, to ensure transparency;
  - b. Set principles and values to conduct its business relationships with the outside world;
  - c. Create a more efficient management of the control system concerning sensitive activities in order to prevent the commission of- or the attempts to commit crimes as listed in Law 231, either by the management or by the individuals supervised by the management; and
  - d. Set a disciplinary system suitable to make internal rules effective.

### ***Step 4. Continuous Updating of the Model***

15. Foot Locker Italy continuously updates its Model based on changes in the law, interviews with management and employees, findings through internal and external audits and interviews.
16. The approval of the Model and any changes and/or additions to it are the right of the Board of Directors of Foot Locker Italy. Changes and/or additions might be necessary based on:
  - a. Significant violations of the Model;
  - b. Changes to the company structure or its operating procedures;
  - c. Regulatory changes; and
  - d. Audit results.However, in order to allow the continuously and promptly update of the Model, the Board of Directors delegates the Supervisory Body to make the necessary changes, provided that such changes do not involve amendments in the risk assessment or internal controls, such as updating the description of the company activities or of the internal roles or updating the references and referral to other existing company documentation: in such cases, the Supervisory Body informs and transmits the updated text of the Model to the Managing Director, who will approve it and will request the ratification by the Board of Directors at the first useful meeting.
17. Foot Locker Italy has made a major revision of the Model and performed a full risk assessment and gap analysis in 2017.

## **2. Audit standards and internal controls system**

1. Internal Controls is a process executed by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The internal controls system is a set of "tools" designed to provide a reasonable assurance of the achievement of performance targets, the reliability of financial information, compliance with the laws and regulations and the Protection of Company Property Self-Regulatory Code of the Italian Stock Market, harmonised with the definition given by COSO. The COSO is the Committee of Sponsoring Organizations of the Treadway Commission - joint initiative of five

private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

2. Based on the COSO *Internal Control – Integrated Framework*, there are five components and 17 principles of internal control which serve as criteria for determining whether an entity’s internal controls are “effective”. We will further explain the components and principles below:

**Component 1 - Control environment.**

The control environment is the set of standards, processes and structures that provide the basis for carrying out internal control across the organization. The Board of Directors and Senior Management establish the “*tone at the top*” regarding the importance of internal control, including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises:

- a. The entity demonstrates commitment to integrity and ethical values;
- b. The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal control;
- c. Management establishes - with Board oversight - structures, reporting lines and appropriate authorities and responsibilities in the pursuit of objectives;
- d. The organization demonstrates a commitment to attract, develop and retain competent individuals in alignment with objectives; and
- e. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

**Component 2 - Risk assessment.**

Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives and forms the basis for determining how risks will be managed.

- a. The entity establishes suitable objectives related to operations, reporting and compliance;
- b. There is sufficient clarity to enable the identification and assessment of risks relating to these objectives;
- c. The entity considers the potential for fraud in assessing risks to the achievement of objectives; and
- d. The entity identifies and assesses changes that may render internal control ineffective.

**Component 3 - Control activities.**

These are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews.

- a. The entity selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels;
- b. The entity selects and develops general control activities over technology to support the achievement of objectives; and
- c. The entity deploys control activities through policies that establish what is expected and procedures that put policies into action.

**Component 4 - Information and communication.**

Information (computer systems, reporting flows, process/activity indicators) enables both company management and operational staff to carry out internal control responsibilities to support the achievement of objectives. Communication is the process of providing, sharing and obtaining necessary information.

- a. The entity obtains or generates and uses relevant quality information to support the functioning of internal control;

- b. The entity internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control; and
- c. The entity communicates with external parties regarding matters affecting the functioning of internal control.

**Component 5 - Monitoring.**

This process verifies the quality and the results of the internal control system over time. The process must be monitored and modifications made as necessary.

- a. The entity selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning; and
- b. The entity evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including Senior Management and the Board of Directors, as appropriate.
- c. The components of the internal controls system are used as a reference for the preparation of the Model's benchmark auditing standards.
- d. Principles and control standards specified in the Model and in the Code of Business Conduct are also applicable to those who, even not employed by Foot Locker Italy, act on behalf of it or in partnership with it (hereinafter "Partner"): these subjects, due to specific contractual clauses, are required to use diligence and respect of all rules in relationships with Foot Locker Italy, in order to prevent the committing, even attempted, of 231 crimes.

## 5 FOOT LOCKER ITALY SUPERVISORY BODY ("ORGANISMO DI VIGILANZA")

### 1. Set up of the Supervisory Body

1. Under the Law 231 Compliance Program, it is mandatory to install a Supervisory Body (the "OdV"). The OdV must supervise the operation, revision and monitoring of the Model.
2. In 2010, the Board of Directors of Foot Locker Italy has installed an OdV.
3. The OdV remains in office as long as defined in the appointment issued by the Board of Directors.
4. The OdV must meet the requirements of independence, autonomy and honourability. This must be verified on an annual basis by the Board of Directors. In order to ensure this, the OdV must consist of at least one external member.
5. The OdV members must satisfy competence, independence and continuity of action requirements as indicated in the Guidelines of Confindustria and, in particular:
  - a. Professionalism, as the OdV has specific competences in legal and economic matters, in risk analysis and assessment techniques;
  - b. Autonomy, as the OdV has initiative and control powers free from any interference or conditioning. Besides, it has no decision-making and operative powers concerning the Company's activity; and
  - c. Continuity of action, as, due to the support of the employees, the OdV aims at ensuring control on the effective, actual and constant implementation of the Model adopted. The OdV may also use third parties and Foot Locker Europe's employees in order to perform controls, checks or audits.
6. In order to become a member of the OdV, the following rules apply:
  - a. In case of dismissal, the dismissed OdV member shall leave office one month after the dismissal is announced.
  - b. OdV members declare that they do not meet any of the following grounds for ineligibility:
    - 1) parentage, marriage or affinity within the 4<sup>th</sup> degree of kinship with members of the Board of Directors, individuals who are representatives, directors or managers of the company or of one of its departments that has financial and functional independence, or with individuals who are responsible for managing or controlling the company, statutory auditors of Foot Locker Italy and of the external auditing company as well as any other parties according to law;
    - 2) conflicts of interest – even potential ones – with Foot Locker Italy or with subsidiaries, compromising the independence thereof;
    - 3) executive director office held during the three business years before appointment as member of the OdV, in companies subject to bankruptcy, forced liquidation or similar procedures;
    - 4) civil service in central or local government during the three years before appointment as member of the OdV;
    - 5) judgment, even if not yet final, or application of the sanction on request (so-called "**plea bargain**"), in Italy or abroad, for the violations relevant to administrative liability of bodies;
    - 6) judgment, even if not yet final, or "plea bargain" for a sentence implying the disqualification of legal persons and undertakings, even temporary, from holding public office, or temporary disqualification from holding management office; and
    - 7) pending trial for application of a preventive measure, or issue of a sequestration order or an order for application of a personal or real preventive measure.



7. Should any of the above grounds for ineligibility become applicable to any member of the OdV, this member must report this immediately to the other members of the OdV and, once the Board of Directors decides to dismiss this member, the member in question shall be automatically removed from office.
8. The Board of Directors may revoke any or part of the duties and/or powers of the OdV for reasons of just cause. As example there is a situation of just cause if:
  - a. By (final) judgement it has been ruled that the OdV fails to provide (or provides insufficient) supervision;
  - b. There is a situation of gross negligence in the performance of duties by the OdV; and
  - c. Eligibility requirements by the OdV are continuously not met.
9. The OdV has a duty to file all information and reports described in the Model. Data and information kept on file may only be made available to third parties with authorisation from the OdV.

## **2. Functions, powers and budget of the OdV**

1. The OdV carries out its duties with autonomous powers of initiative and control and holds no management or decision-making responsibilities in relation to Foot Locker Italy's activities.
2. The OdV governs its own operations through its Bylaws.
3. The tasks of the OdV are to:
  - a. Propose to the Board of Directors the amendments to be fulfilled in the risk assessment files and in the Model;
  - b. Coordinate the performance of all scheduled and unscheduled audits on the Model's implementation, take notice of the reports following such audits and provide directives for the relevant departments;
  - c. Approve the annual schedule of supervisory activities within Foot Locker Italy; and
  - d. Oversee reporting to and from the company representative and legal bodies and recipients of the Model.
4. The OdV has unlimited access to corporate information for investigation, analysis and control activities in accordance with the regulations in force. Any Company department, employee and/or member of Company bodies is subject to an obligation to provide all information in case of any request by the OdV, or in case of relevant events or circumstances, for the performance of the activities falling within the field of competence of the OdV.
5. The OdV shall maintain the confidentiality of all information of which it may gain knowledge in the performance of its duties.
6. The OdV is allocated an annual budget, established by the Board of Directors based on a proposal submitted by the OdV.
7. The OdV has the duty to report on the implementation of the Model, any critical aspects that may arise and on the outcome of activities completed in the performance of its duties. The reporting occurs as follows:
  - a. Ongoing, to the Managing Director who informs the Board of Directors in the context of pertinent and attributed powers and responsibilities;
  - b. Periodic, to the Board of Statutory Auditors and to the Board of Directors;

- c. Immediately to the Board of Statutory Auditors, after informing the Managing Director, on:
  - 1) critical aspects in the correct application of the Model;
  - 2) events which may be related to the types of offence described in Law 231;
  - 3) significant changes in company structure, proxies and organizational chart;
  - 4) any aspects which may indicate deficiencies in controls;
  - 5) any conduct not in line with the Model;
  - 6) proceedings brought by investigative police departments or any other authorities tasked with conducting investigations or proceedings, including where the subject is unknown, which may involve the Company;
  - 7) requests for legal assistance from employees in the event of criminal proceedings brought against them for crimes described in the Special Sections of the Model;
  - 8) disciplinary proceedings for violations of the Model, filing procedures and any sanctions imposed;
  - 9) entry into or renewal of intra-group contracts; and
  - 10) issuance and updates of organisational documents (e.g. policies, procedures, service orders).
- d. Immediate, brief reports to FL Italy managers on any changes in Law 231; and
- e. Annually, a written report on the activities it has carried out, for example on specific audits and checks completed and their results, any eventual updating of the mapping of sensitive processes, etc.

### 3. Reporting to the OdV

1. **Important notice.** All recipients of the Model and any other stakeholder must inform the OdV, preferably in writing, on all useful information. Useful information is, but is not limited to:
  - a. Critical aspects in the correct application of the Model;
  - b. Events which may be related to the types of offence described in Law 231;
  - c. Significant changes in company structure, proxies and organizational chart;
  - d. Any aspects which may indicate deficiencies in controls;
  - e. Any conduct not in line with the Model;
  - f. Proceedings brought by investigative police departments or any other authorities tasked with conducting investigations or proceedings, including where the subject is unknown, which may involve the Company;
  - g. Requests for legal assistance from employees in the event of criminal proceedings brought against them for crimes described in the Special Sections of the Model;
  - h. Disciplinary proceedings for violations of the Model, filing procedures and any sanctions imposed;
  - i. entry into or renewal of intra-group contracts; and
  - j. Issuance and updates of organisational documents (e.g. policies, procedures, service orders).
2. **Important notice.** For communication, please use the email address of the OdV: [modello231@footlocker.com](mailto:modello231@footlocker.com).
3. **Important notice:** individuals who report such information in good faith are protected against any form of reprisal, discrimination or penalisation and the confidentiality of the individual in question is assured, without in any way affecting any legal obligations or the protection of Foot Locker Italy itself or of persons accused wrongly or in bad faith.
4. Furthermore, employees indicated by the OdV periodically send towards the OdV specific reports according to an agreed set of information.
5. **Important notice:** Violation of OdV reporting obligations constitutes a violation of the Model and shall be penalised according to the disciplinary system.

## 6 DISCIPLINARY SYSTEM

### 1. Function of the disciplinary system

1. Law 231 states that a company must introduce a suitable disciplinary system for sanctioning any failure to respect the measures indicated in the Model (and specifically also on non-compliance with the Code of Business Conduct). The disciplinary system must have a deterrent effect and should function independently from any eventual criminal proceedings carried out by the Judicial Authorities.
2. It is clear that the type and nature of such sanctions shall comply with the procedures set forth in the Workers' Statute, taking into account the intentionality of the conduct, degree of negligence, general behaviour of the worker, the worker's duties and position and any previous disciplinary procedures.
3. Foot Locker Italy has a disciplinary code in line with the applicable Collective Bargaining Agreement. As it is the obligation of Foot Locker Italy to inform its employees of the existence of the disciplinary system, the disciplinary code is placed within every premise where works are carried out.
4. The disciplinary procedure is managed by the Human Resources Department. The Human Resources Department shall issue reports to and update the OdV on any disciplinary procedures. It is required to inform the OdV at the beginning of the disciplinary procedure.
5. The disciplinary code is updated by the Human Resources Department if and when needed.

### 2. Summary of the disciplinary system

1. In case of violations of the provisions of the Model, Law 231, the collective agreement, the individual contract, or the corporate policies, this may result in one of the following measures, of course in relation to the magnitude of the deficiencies and circumstances of the specific case at hand:
  - a. **Verbal reference.**  
In case of a minor offence, or breach of a provision of, or engaging in behaviour not compliant with the Model, which objectively exposes the integrity of Foot Locker Italy.
  - b. **Written warning.**  
In case of an habitual minor offence, or breach of a provision of, or engaging in behaviour not compliant with the Model, which objectively exposes the integrity of Foot Locker Italy.
  - c. **Fines not exceeding the amount of 4 hours of normal pay.**  
In case of an offence, or breach of a provision of, or engaging in behaviour not compliant with the Model, which objectively exposes the integrity of Foot Locker Italy and requires a more serious remediation than under a and b.
  - d. **Suspension from work and fines not exceeding the amount of 10 days of normal pay.**  
In case a person commits at least four times in one solar year an offence, or breach of a provision of, or engaging in behaviour not compliant with the Model, which objectively exposes the integrity of Foot Locker Italy and requires a more serious remediation than under c. An example of such violation is an employee who works in a sensitive area and engages in behaviour, which is unequivocally conducive to the commission of a crime pursuant to the Decree.
  - e. **Dismissal without prior notice and with other legal consequences.**  
In case of a serious offence, or breach of a provision of, or engaging in behaviour not compliant with the Model, which objectively exposes the integrity of Foot Locker Italy and causes serious damage to Foot Locker Italy (i.e. a legal proceeding towards the company, its directors, managers or employees).

2. Within Foot Locker Italy, for certain groups, there are specific rules when they violate the Model. These rules per group are explained below:
  - a. **Disciplinary measures for executives (“dirigenti”).** If a violation of the Model is committed by one or more Executives, Foot Locker Italy shall adopt the most appropriate measure in conformity with the applicable regulations. If an employee violates internal rules due to a lack of controlling by the executive entitled to supervise his/her activity, that executive will be subject to a disciplinary measure based on the seriousness of the failure in supervising activities. Should the violation of the Model be regarded as a justified reason, the consequent disciplinary sanction will be the termination of the employment relationship.
  - b. **Measures for the Board of Directors.** The OdV promptly informs the Board of Statutory Auditors and other Directors of any violation of the Model committed by one or more members of the Board of Directors.

The Board of Directors in cooperation with the Board of Statutory Auditors subsequently carries out all necessary investigations also with the support of external experts (if necessary) and, following consultation with the Board of Statutory Auditors, promptly applies the relevant measures, which may include convening a Shareholders' Meeting to adopt the most appropriate legal measures.
  - c. **Measures for the Board of Statutory Auditors.** The OdV informs the Board of Statutory Auditors and the Board of Directors of any violation of the Model committed by one or more members of the Board of Statutory Auditors. The Board of Statutory Auditors subsequently carries out all necessary investigations and, if necessary, having consulted with the Board of Directors, convenes the Shareholders' Meeting to adopt the relevant provisions.
  - d. **Disciplinary measures for Partners.** Violation of the Model and of the Code of Business Conduct by a third party contractually associated with the Company shall be treated according to the specific clauses of the respective agreement. Foot Locker Italy reserves its rights to terminate the agreement, without prejudice to its right to seek compensation for damages.
3. Any application of the aforementioned sanctions shall be subject to the dispute procedure provided for in the disciplinary code.

## 7 TRAINING AND COMMUNICATION PRINCIPLES

1. Under the Law 231 Compliance Program, training & communication is one of the critical/important pillars and an essential condition precedent for a successful Law 231 Compliance Program. Therefore, Foot Locker Italy undertakes to:
  - a. Fully inform all recipients of the Model and stakeholders of the principles of the Model and of the Code of Business Conduct;
  - b. Create awareness of the Model and of the Code of Business Conduct by all recipients of the Model in order to have these recipients understand it; and
  - c. Regularly provide trainings and communication on the Law 231 Compliance Program and on the Model: contents, length and details are set considering the recipients, their role and operations and their involvement in sensitive activities.
2. Communication and training are the responsibility of the respective departments, e.g. by the Human Resources-, the Health & Safety- and the Legal Department. The respective departments shall regularly inform the OdV on the different trainings and communications provided.
3. The communication of the Model and of the Code of Business Conduct is done online on the Foot Locker website.
4. All training courses and informational sessions are compulsory, so the lack of attendance to these activities will be considered and fined according to the disciplinary system.
5. Further trainings and communications to the different recipients are clarified below:
  - a. **Directors.**

Specific training courses and information meetings are addressed to Directors and Managers in top positions.
  - b. **Employees.**
    - 1) when they are hired, all employees are provided with a physical copy of the Model and the Code of Business Conduct, together with the relevant procedures, which the employees are expected to follow. Every person must sign a declaration of acknowledgement and observance of the principles contained therein;
    - 2) regular trainings are undertaken by Foot Locker Italy, both in person and through newsletters; and
    - 3) in-person or online courses may be arranged with a certificate of participant attendance.
  - c. **Other recipients.**

Third parties can access a copy of the Model and the Code of Business Conduct via the Foot Locker website ([www.footlocker-international.com/our-core-values/](http://www.footlocker-international.com/our-core-values/)).

## 8 IDENTIFICATION OF THE SENSITIVE AREAS

Based on the risk analysis carried out externally and internally, the currently existing sensitive processes relate to:

1. Computer Crimes and unlawful data processing;
2. Organized Crime;
3. Bribery, undue inducement, and corruption both in the public and private sector;
4. Forgery of money, credit cards, revenue stamps, identification instruments, or signs of recognition;
5. Crimes against industry and commerce;
6. Corporate crimes;
7. Transnational Crimes;
8. Health & Safety at Work - death or grievous bodily harm;
9. Infringement of copyrights;
10. Crimes in dealing with Public Authorities; and
11. Environmental crimes.

The risks related to violation of the other listed crime categories are deemed to be irrelevant. We will further explain each sensitive process under the aforementioned categories below.

### 1. Computer Crimes and unlawful data processing

1. The assessment showed that the sensitive areas within Foot Locker Italy can be in the following areas:
  - a. Manipulate the IT-system to report less clocked hours, pay less salary and overtime in order to get bigger bonuses;
  - b. Access and use of the internet;
  - c. Management of the corporate e-mails;
  - d. Access to the Company's database;
  - e. Manipulate sales data to show higher or lower turnover figures; and
  - f. Communication via electronic means to social security bodies and other public authorities in relation to the management of the personnel and any other relationship.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. IS&T User Access Recertification;
  - b. Time Tracking Policy;
  - c. Information Security Policy;
  - d. Privacy Policies;
  - e. Data Loss Prevention Policy;
  - f. Code of Business Conduct; and
  - g. SOX controls in sales audits.With this set of policies and procedures, Foot Locker Italy minimizes the risk of committing said crimes.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls:
  - a. Each employee shall keep with due care the IT instruments given to the same and use them only for purposes related to the job functions carried out by the same employee. The employee signs the mobile device policy.
  - b. The access to the IT instruments is protected by passwords, which are changed on fixed periodical basis; each employee shall choose a password that is not easily identifiable, change it at the requested deadlines and not disclose it, except if so required by law. For remote access a multifactor login is required.

- c. Internet can be used only as a support to the job activities carried out and it is not permitted to browse on websites having contents not related to the job activities and in particular on those that may damage the image of the company (pornographic, racial websites, etc.). Certain websites are blocked due to content.
- d. The communication via the Company's e-mail address shall be in compliance with Foot Locker's policies and shall not allow disclosure of confidential information of the Company.
- e. All IT instruments shall not be used to widespread, recuperate or store any data having discriminatory contents, political purposes or any other purpose that is illegal or against the policies or the interests of the Company.
- f. With respect to the access to the database and the processing of the relevant data, pursuant to the legislative decree no. 196/2003, the Company:
  - 1) identified the owner of the data processing system;
  - 2) identified the data processing activities carried out within Foot Locker Italy, including the nature of the relevant data, the categories of involved interests and the structure (office, function etc.) in charge of each data processing activity;
  - 3) identified the legal ground and purpose of the data processing system and assessed the necessity, proportionality and subsidiarity of the data processing measures;
  - 4) provided for the distribution of the roles and responsibilities, taking care also of training activities for the employees involved;
  - 5) carried out the relevant risk analysis;
  - 6) adopted all measures to ensure integrity and availability of the data;
  - 7) identified criteria and modalities for the restoration of the data in case of destruction or damages; and
  - 8) defined procedures to ensure controls.
- g. All communications via IT devices to the authorities will be done only by those employees in charge of such communication. Access to the company's PEC mail is only given to those employees that have been identified as needing access to communicate with authorities.

## **2. Organized crime**

1. The assessment showed that the sensitive areas within Foot Locker Italy can be the following:
  - a. Creating a partnership within a store or district through which organized crime activities are developed;
  - b. Real Estate contracting;
  - c. Collusion between District Manager and Store Managers to work off-the-clock; and
  - d. Purchasing of goods and services, specifically waste collection & disposal.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Financial controls on rent valuation existence & accuracy;
  - b. Vendor Standards Manual;
  - c. Global Sourcing Guidelines;
  - d. Procurement Policy (bidding process);
  - e. Contract Administration Policy;
  - f. Code of Business Conduct;
  - g. Anti-Corruption Policy; and
  - h. Time sheet signature by both the employee and the Store Manager.

With this set of policies and procedures, Foot Locker Italy minimizes the risk of committing said crimes.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Select external consultants or partners on objective criteria, e.g. necessity, professionalism or economy and according to its internal procedures;

- b. Enter into any obligation via written contracts, clearly stipulating the tasks assigned, indicating the exact delivery terms and amounts due, clear and precise powers of attorney if needed;
- c. Pay any amount under contract in complete transparency and document it for *ex post* auditing; and
- d. Have a system of segregation of duties, meaning that one individual cannot be entirely responsible for a sensitive process.

### **3. Bribery, undue inducement and corruption, both in the public and private sector**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Inspections by public authorities (administrative, tax, social security, health & safety, environment, etc.);
  - b. Social security data processing of employees; and
  - c. Requesting permits for the properties Foot Locker Italy leases.
  
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Code of Business Conduct;
  - b. CAR-approval procedure;
  - c. Anti-Corruption Policy;
  - d. PeopleSoft AP vendor maintenance SOX controls;
  - e. Specific controls in place, e.g. mandatory partner rotation every seven years with our external auditor, annual review of invoices paid throughout the year by our internal auditors (E&Y), and segregation of duties as the Internal Controls Team reports into the Audit Committee and not into local management;
  - f. Manual wires policy;
  - g. Invoice & PO Approval Policy;
  - h. Budget versus Actuals Review Process; and
  - i. Verification of arrangement with brokers and landlords in the leasing array.
  
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby:
  - a. It is prohibited to:
    - 1) offer, or consent to, or receive gifts, sponsorships, (promises of) money, or any type of goods from officials of the Public Administration or any party associated with the Public Administration;
    - 2) offer, or consent to, or receive gifts, sponsorships, (promises of) money, or any type of goods in violation of the provisions of the Code of Business Conduct;
    - 3) have direct relationships or facilitate or encourage indirect relationships with officials of the Public Administration in order to obtain improper favors or benefits in violation of any regulation or law;
    - 4) hire associates on the basis of referrals by officials of the Public Administration, or any party associated with the Public Administration; and
    - 5) make false or incomplete statements, or induce into error national or community-level public bodies, in order to obtain public grants, funds or contributions;
  - b. Foot Locker Italy will:
    - 1) only pay out expense requests of its employees based on substantiated evidence and in accordance with its policies;
    - 2) select external consultants or partners on objective criteria, e.g. necessity, professionalism or economy and according to its internal procedures;
    - 3) use grants, funding or concessions received from national or community-level public bodies solely for the purpose for which it was provided for;



- 4) enter into any obligation via written contracts, clearly stipulating the tasks assigned indicating the exact delivery terms and amounts due, clear and precise powers of attorney if needed (at arm's length);
- 5) pay any amount under contract in complete transparency, and document it for *ex post* auditing;
- 6) have a system of segregation of duties, meaning that one individual cannot be entirely responsible for a sensitive process; and
- 7) promptly inform the OdV of all inspections carried out by public entities.

**4. Forgery of money, credit cards, revenue stamps, identification instruments, or signs of recognition**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Cash management and receiving and making payments with false money; and
  - b. Procurement of goods which are sold as real, but are actually counterfeit.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. SOX procedures and controls in banking, store sales, inventory and capital purchases;
  - b. Procurement Procedure;
  - c. Contract Administration Policy;
  - d. Cash Handling and Disposing Procedure;
  - e. Global Sourcing Guidelines;
  - f. Code of Business Conduct;
  - g. Anti-Corruption Policy;
  - h. Vendor Standards Manual; and
  - i. Operations Manual.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Not enter into relations with individuals who are known or suspected to belong to criminal organisations;
  - b. Only enter into relations with any third party, including the Public Authorities, in writing, transparent and at arms' length; and
  - c. Strictly adhere to regulations in force concerning the use of ready cash pursuant to Legislative Decree 231/07 and subsequent amendments. More specifically, the transfer of ready cash in values of EUR 1,000 (one thousand) or greater is prohibited.

**5. Crimes against industry and commerce**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Procurement of goods which are sold as real, but are actually counterfeit.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Procurement Procedure;
  - b. Contract Administration Policy;
  - c. Cash Handling and Disposing Procedure;
  - d. Global Sourcing Guidelines;
  - e. Vendor Standards Manual; and
  - f. Operations Manual.

3. The main rules of thumb in order to minimize the risks of Foot Locker Italy committing the relevant crimes are the following:
  - a. Respect the rules regarding the protection of marks, patents, distinctive signs and industrial designs;
  - b. Do not engage in conduct aimed at hindering the normal functioning of economic and commercial activities of competitors;
  - c. Do not falsely reproduce or in any way counterfeit marks, distinctive signs, patents, industrial designs or models owned by third parties or use, for any reason, marks, distinctive signs, patents, industrial designs or models that have been counterfeited by third parties;
  - d. Do not import for sale, hold for sale or in any way put into circulation products with marks or distinctive signs that have been counterfeited or altered; and
  - e. Provide regular competition law trainings for relevant stakeholders.

## **6. Corporate crimes**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Preparation of (false) communications to the shareholders and the market about the company's financial position and results of operations (separate and consolidated financial statements);
  - b. Management of relations and controls carried out by the shareholders, the board of statutory auditors and the independent auditors; and
  - c. Management of conflicts of interest.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Code of Business Conduct;
  - b. Anti-Corruption Policy;
  - c. Foot Locker Retention Policy, Business Records Guidelines;
  - d. Set ICFR process, internal audit team, operational reviews;
  - e. Appoint external Board of Statutory Auditors;
  - f. Communication and Social Media Policy; and
  - g. Foot Locker Italy's Articles of Association.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Behave in a correct, transparent and cooperative manner, in compliance with the law and corporate procedures, when performing all activities directed towards the preparation of the financial statements and the other corporate reports, in order to provide shareholders and third parties with a true and fair view of the Company's economic, equity and financial position. In particular, it is forbidden to provide or transmit, for the drawing up and presentation of financial statements, reports and prospectuses or other corporate disclosures, false, incomplete or untrue information on the Company's economic, equity and financial position and/or omit data and information related to the same;
  - b. Strictly comply with all legal provisions on the protection and proper use of share capital, in order to avoid jeopardising creditors' liens and those of third parties in general. In particular it is strictly forbidden to operate:
    - 1) return contributions to the shareholder or release him/her from the obligation to provide contributions, except for cases of legitimate reduction of share capital;
    - 2) share profits or interim profits that have not actually been achieved or that by law are allocated to reserve;
    - 3) acquire or subscribe shares of the Company or of subsidiaries, other than the cases provided by law, with damage to share capital;
    - 4) perform share capital reductions, mergers or de-mergers, in breach of legal provisions to protect creditors, causing damage to said creditors; and

- 5) implement fictitious increase of share capital, assigning shares for a value lower than their nominal value;
- c. Ensure the regular functioning of the Company and of its corporate bodies, guaranteeing and facilitating all forms of internal control over corporate management as provided by law, as well as allowing shareholders' meeting resolutions to be passed in a free and correct manner;
- d. Provide the shareholders and third parties with true and correct information about the financial position and results of operations of the company and its subsidiaries; specifically, the following is forbidden:
  - 1) representation or communication for processing and inclusion in financial statements, reports or other corporate communications of false or misleading data or data that does not reflect the real financial position and results of operations of the company and its subsidiaries; and
  - 2) omission of data and information required by law on the financial position and results of operations of the company and its subsidiaries;
- e. In order not to affect the guarantees for creditors and third parties in general, all the regulations put in place by the law protecting the integrity and effectiveness of share capital shall be rigidly complied with; specifically, the following is forbidden:
  - 1) the return of contributions to shareholders or freeing them from the obligation to make them, except in the case of the legitimate reduction of share capital;
  - 2) the allocation of profits or interim dividends on profits not yet earned or to be allocated by law to the reserves;
  - 3) the purchase or subscription of shares of the company or its subsidiaries except in the cases provided for by law, damaging the integrity of the share capital;
  - 4) the reduction of share capital, mergers or demergers, violating the legal regulations protecting creditors and thereby damaging them; and
  - 5) fictitious capital formation, granting shares below par value for share capital increases;
- f. The correct working of the company and its bodies shall be guaranteed, ensuring and facilitating all internal controls over its running as provided for by law, and the unforced and correct passing of resolutions by the shareholders; specifically, the following is forbidden:
  - 1) conduct that materially impedes, by hiding documents or using other fraudulent means, or that hinders the carrying out of controls and audit procedures by the board of statutory auditors or independent auditors; and
  - 2) determination or influencing resolutions taken by the shareholders, undertaking simulated or fraudulent acts aimed at impeding the regular taking of resolutions;
- g. The (draft) financial statements and audit report shall be made available to all members of the board of directors, with documented receipt, before the meeting held to approve them; and
- h. Any engagement given or to be given to the independent auditors or to a company related to them, other than that for the audit of the financial statements, shall be communicated to the OdV.

## **7. Transnational Crimes**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Cash management and receiving and making payments with false money;
  - b. Having persons provide false testimonies; and
  - c. Preparation of (false) communications to the shareholders and the market about the company's financial position and results of operations (separate and consolidated financial statements).
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Code of Business Conduct;
  - b. Anti-Corruption Policy;
  - c. Foot Locker Retention Policy, Business Records Guidelines;
  - d. Set ICFR process, internal audit team, operational reviews;
  - e. Appoint external board of statutory auditors;

- f. Cash Handling and Disposing Procedure; and
  - g. Operations Manual.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
- a. Not enter into relations with individuals who are known or suspected to belong to criminal organisations;
  - b. Only enter into relations with any third party, including the Public Authorities, in writing, transparent and at arms' length;
  - c. Strictly adhere to regulations in force concerning the use of ready cash pursuant to Legislative Decree 231/07 and subsequent amendments. More specifically, the transfer of ready cash in values of EUR 3,000 or greater is prohibited;
  - d. Maintain clear records of all (threatening) litigations;
  - e. Behave in a correct, transparent and cooperative manner, in compliance with the law and corporate procedures, when performing all activities directed towards the preparation of the financial statements and the other corporate reports, in order to provide shareholders and third parties with a true and fair view of the Company's economic, equity and financial position. In particular, it is forbidden to provide or transmit for the drawing up and presentation of financial statements, reports and prospectuses or other corporate disclosures, false, incomplete or untrue information on the Company's economic, equity and financial position and/or omit data and information related to the same; and
  - f. The (draft) financial statements and audit report shall be made available to all members of the board of directors, with documented receipt, before the meeting held to approve them.

## **8. Health & Safety at Work – death or grievous bodily harm**

- 1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Accidents at work leading to death or (grievous) bodily harm for our employees, suppliers and customers.
- 2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. HI&RA process; and
  - b. E-learning H&S induction course.
- 3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls in order to minimize the risks of Foot Locker Italy committing the relevant crimes is the implementation of a control system based on the provisions of Article 30 of Legislative Decree 81/08, whereby Foot Locker Italy will:
  - a. Comply with the legal technical/structural standards concerning equipment, systems, products, and workplaces;
  - b. Assess and constant monitor risks and the consequent establishment of prevention and protection measures;
  - c. Organize activities such as emergencies, first aid, contract management, periodic safety meetings, MWS consultations;
  - d. Inform and train employees;
  - e. Periodically verify the application of procedures adopted;
  - f. Check the technical-professional suitability of the subcontractors or consultants depending on the work to be outsourced;
  - g. Adopt suitable measures to prevent fires and evacuations of the workplace, also in case of serious, immediate danger, which include:
    - 1) carrying out and documentation of regular evacuation drills;

- 2) definition and adoption of suitable measures to cope with risk situations, especially including the preparation and regular updating of the safety and emergency plan, which shall include instructions and procedures to be followed in the case of emergencies; and
- 3) regular updating of the book of plant and fire-fighting equipment controls;
- h. Obtain and file the necessary certificates for each location (the fire prevention/basement authorizations, etc.);
- i. Prepare and update an internal health plan by the appointed doctor to ensure the adoption of the measures necessary to ensure employees' health and physical-psychological wellbeing and to schedule medical check-ups;
- j. Schedule and hold at least one meeting per year to be attended by:
  - 1) the Employer or its representative;
  - 2) the Prevention and Protection Manager;
  - 3) the Doctor, if appointed; and
  - 4) the Employees' Safety Representative; and
- k. Ensure ordinary and extraordinary maintenance of the safety devices (e.g., fireproof doors, fire extinguishers); in addition, the work environments, systems, and equipment shall be subjected to ordinary scheduled maintenance, especially the safety devices, as per the manufacturers' instructions.

## **9. Infringement of copyrights**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Play pirated music and show videos in our stores;
  - b. Use of illegal software to avoid paying the license; and
  - c. Third-party marketing agencies using pirated audio/video materials for the campaigns.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Information Security Policy;
  - b. Procurement Policy;
  - c. Contract Administration Policy; and
  - d. Video Service Agreement.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Respect the rules regarding the protection of copyright;
  - b. Do not reproduce, distribute, sell or place on sale works of third parties or place into circulation in Italy items produced overseas in violation of Italian law; and
  - c. Do not show in public or in any way broadcast via television or radio, videos or music in any format, including phonograms or videos of cinematographic or audio visual musical works without authorization from S.I.A.E. or with a mark of counterfeiting or alteration.

## **10. Crimes in dealing with Public Authorities**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Having persons provide false testimonies.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Important Notices Procedure;
  - b. Anti-Corruption Policy; and
  - c. Code of Business Conduct.

3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Have any litigation run via the Legal Department, which will engage local external lawyer to litigate; and
  - b. Keep track of all (threatening) Litigations in a detailed manner.

#### **11. Environmental crimes**

1. The assessment shows that the sensitive areas within Foot Locker Italy can be the following:
  - a. Incorrect waste disposal; and
  - b. Purchasing goods for resale that do not comply with the environmental law.
2. Foot Locker Italy has adopted the following procedures in order to minimize the risk of Foot Locker Italy committing the relevant crimes:
  - a. Operations Manual;
  - b. Global Sourcing Guidelines;
  - c. Procurement Procedure;
  - d. Contract Administration Policy;
  - e. Vendor Standards Manual; and
  - f. Waste Management Procedure.
3. In addition to the above, Foot Locker Italy has identified the following general conduct principles/rules and preventive controls, whereby Foot Locker Italy will:
  - a. Identify the follow general conduct principles/rules in order to reduce the risk of crimes being committed in the environmental field:
    - 1) promoting among all employees a sense of responsibility towards the environment;
    - 2) carrying out training activities, in particular for the employees having roles and functions subject to the environmental risks;
    - 3) identifying roles and responsibilities in relation to the management of the environmental activities, in particular with respect to the management of the aforementioned sensible processes and the relevant procedures;
    - 4) providing incentives and sanctions in case of violations of the environmental procedures;
    - 5) adopting all measures necessary to prevent fortuitous emissions of materials or energy and to avoid any waste of energy; and
    - 6) verifying that all authorizations, permits, requirements are valid and in force;
  - b. With respect to waste management, define procedures in order to:
    - 1) identify and classify the waste materials produced by the activities of Foot Locker Italy;
    - 2) reduce the waste to be disposed of by recuperating and re-using the waste materials;
    - 3) duly manage registers, forms, annual declarations, and other technical and operating prescriptions relating to the deposit, identification and movement of the waste materials; and
    - 4) duly manage the transportation and disposal of waste material, identifying transportation and disposal companies having all requirements provided for by the applicable legislation.