



## **ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL**

**pursuant to Legislative Decree No. 231 of 8 June 2001**

**- General Section -**

Revision n. 5

***Approved by the Board of Directors on 11/07/2014***

*The English version is a translation of the Italian official document: "Modello di organizzazione, gestione e controllo"*

*For any conflict or discrepancies between the two texts the Italian version shall prevail*



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## 1. DEFINITIONS

<b>Areas at risk</b>	the areas of activity of Isotta Fraschini Motori S.p.A. in which the risk of the commission of the offences is more concrete.
<b>Company</b>	Isotta Fraschini Motori S.p.A. . or in abbreviated form IFM,with registered Offices in: Viale F. de Blasio, Z.I., 70123 Bari,, Italy.
<b>Corporate Bodies</b>	the bodies, and the persons who form them, charged by the Articles of Association with management, administration and control of the Company.
<b>Directives</b>	instructions issued by the Top Management and codified in the Organisational Manual.
<b>External Collaborators</b>	all third parties who have contractual relationships with Isotta Fraschini Motori S.p.A.
<b>Functions</b>	individual entities with a specific fundamental role and tasks.
<b>Guidelines</b>	the Guidelines adopted by Confindustria (Italian Manufacturing Companies Association) on 7 March 2002, expanded on 3 October 2002, with the “Supplementary appendix on corporate offences”, and subsequently updated on 31 March 2008, about the preparation of Organisational, Management and Control Models pursuant to Article 6, paragraph 3, of Legislative Decree No. 231/2001.
<b>Legislative Decree No. 231 of 2001 or Decree</b>	the Legislative Decree No. 231 of 8 June 2001, as amended and expanded (see description in paragraph 2.1).
<b>Model</b>	Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001, or in abbreviated form Organisational Model.
<b>Offences</b>	the offences governed by the rules established by Legislative Decree No. 231/2001.
<b>Oversight Board</b>	the Company’s internal body responsible for supervising the functioning of and the respect for the Model and its updating (the Italian translation of Organismo di Vigilanza).
<b>Partners</b>	the contractual counterparties of Isotta Fraschini Motori S.p.A , whether these are natural persons or legal entities that “cooperate” or collaborate with the Company in the context of Sensitive Processes.

**Procedures/Policies**

binding descriptions of the steps of a process, with the sequence of activities, the associated competencies and responsibilities and the documents and tools to be used.

**Public Administration**

the Public Administration and, in regard to offences against the Public Administration, public Officials and public Service providers.

**Recipients**

the entities to which the Model is addressed (such as the Company Entities, company functions, employees, external collaborators, Partners, etc.).

**Sensitive Processes**

these are the operating activities in the context of which there is a risk that the Offences may be committed.

## 2. GENERAL ASPECTS OF THE MODEL

### 2.1 Legislative Decree No. 231/2001

Promulgated to introduce “Rules regulating the administrative liability for legal entities, companies and associations including those which are not corporate bodies” (collectively referred to as “entities”), the Legislative Decree No. 231 dated 8 June 2001 brought the Italian legal framework governing corporate liability into compliance with a number of international treaties, to which Italy had already signed up, and in particular with:

- the Brussels Convention, dated 26 July 1995 on the protection of the European Community's financial interests;
- the Brussels Convention, dated 26 May 1997 on the fight against corruption involving public officials of the European Community or officials of Member States of the European Union;
- the OECD Convention, dated 17 December 1997 on combating bribery of foreign public officials in international business transactions.

The administrative liability for legal entities arises, first and foremost, from an offence committed *on the entity's behalf*, and that is to say, with the intention of securing gain for the company, although this form of liability also applies in the event the entity is found to have indirectly benefitted (economically or otherwise) from the offence, even if the latter was not committed for the sole purpose of securing gain for the company. Conversely, no entity may be held administrative liable for any offence committed with the intention of securing gain solely for the perpetrator or a third party unrelated to the entity which, in such circumstances, could in no way be linked to the offence in question.

The Decree in fact endowed the Italian legal system with a regulatory framework exposing entities to administrative liability — equivalent, in almost all respects, to criminal liability — for certain offences committed, either on their behalf, or otherwise in a manner that secured them some benefit or gain, by:

- individuals who are representatives, directors or managers of the company or of one of its organisational unit that has financial and functional independence, or by individuals who are responsible, even if only de facto, for managing or controlling the company (**individuals in apical positions or “apicals”**);
- individuals who are managed or supervised by an individual in an apical position (**subordinates**).

An entity charged with one or more of the offences contemplated in Legislative Decree No. 231/2001 as further amended and updated, may incur penalties of varying severity, depending on the seriousness of the underlying offences, including:

- **disqualifications/suspensions**, such as compulsory administration or oversight by the Court, the revocation of public licences or authorisations, disqualification from participating in public-sector procurement procedures;
- **fin**es;
- **confiscation** of the proceeds of the criminal offence or offences;
- **publication** of the Court decision.

The administrative liability for legal entities is distinct and separate from, albeit contingent to, the personal criminal liability of the individual who materially committed the offence or offences in question, and both these types of liability are assessed during the same criminal trial. Furthermore, under the Decree, an entity may seek exemption from administrative liability by demonstrating, at trial, that it had adopted and effectively implemented an Organisational and Control Model suited to preventing the commission of the above criminal offences, and such offences were committed by fraudulently circumventing the Principles and Policies established by the Model.

## 2.2 Purposes of the Model Pursuant to Legislative Decree No. 231 of 2001

Isotta Fraschini Motori S.p.A decided to adopt the Model, which is voluntary and not mandatory under law, as a significant opportunity to take “proactive” measures to prevent the commission of the criminal offences. The Model, in line with the Company’s Code of Conduct, lays down rules and procedures to be followed by all Recipients, i.e. all the individuals and entities, including Employees, members of the Company’s governing and control Bodies, external Consultants and Partners, that undertake activities for or on behalf of the Company, within the framework of Sensitive Processes, and that is to say, those areas of business operations featuring risks of the commission of the offences resulting in administrative liability within the meaning of Legislative Decree No. 231/2001.

The Oversight Board is tasked with ensuring constant surveillance of the implementation of the Model, through overall monitoring focusing especially on the ongoing effectiveness and appropriateness of the Model over time.

## 2.3 Recipients of the Model

As noted above, the Model is to be followed by each and every individual involved in undertaking activities identified as featuring risks of the commission of the criminal offences in question, and that is to say, by all employees, as well as third parties engaged in business relations with IFM . Compliance with the provisions set forth in the Model is, accordingly, binding on all executive and managerial staff acting for or on behalf of the Company, as well as on all employees to be trained and informed with reference to the provisions of the Model, in accordance with the procedures set forth below (paragraph 3.3.6).

All external consultants, collaborators and business partners must be expressly contractually bound, under penalty of termination of all relationships with IFM , to comply with the principles set forth in the Code of Conduct, as well as, where possible, with specific procedures governing activities they undertake in favour of the Company.

## 2.4 Confindustria Guidelines

As provided for in Article 6, paragraph 3 of Legislative Decree No. 231/2001, this Model was drawn up taking into account the codes of conduct recommended by trade associations, and more specifically, the Guidelines published by Confindustria on 7 March 2002, extended on 3 October 2002, with the “Supplementary Appendix on corporate offences” (hereinafter the “Guidelines”), and updated on 31 March 2008.

As a matter of fact, the Italian Justice Ministry approved the said Guidelines on 9 April 2008, underlining that the update was to be considered “on the overall, adequate for the purpose and appropriate for attaining the objective established in Article 6 of the Decree<sup>1</sup>”.

The procedure recommended in the Guidelines for drawing up the Model may be broken down in the following main steps:

- identification of areas at risk, with a view to assessing which corporate areas/sectors are at risk to the commission of the offences;
- setting up of a control system, capable of reducing the risks through the adoption of specific protocols. This should be supported by a coordinated system of organisational structures, of operative rules and activities to be applied by management and company personnel aimed at achieving, with reasonable likelihood, the goals of a good internal control system.

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<sup>1</sup> Article 6 of Legislative Decree No. 231/2001, paragraph 3: “The organisational and management models may be adopted, by guaranteeing that the requirements set out in paragraph 2 are met, on the basis of codes of conduct drawn up by the associations representing the bodies, notified to the Ministry of Justice which, in concert with the competent ministries, may, within thirty days, draw up observations on the suitability of models designed to prevent offences”.

The most significant components of the preventive control system identified by Confindustria are listed below:

- Code of Ethics / Code of Conduct;
- organisational framework;
- manual and IT procedures;
- power of signature and delegated authorities system;
- control and management framework;
- training and information to personnel.

Furthermore, the preventive control system must conform with the following principles:

- suitability to verification, traceability to documentation, consistency and congruity of each transaction;
- separation of duties (no individual may manage autonomously all the stages of a process);
- documentation of controls;
- setting up of an adequate disciplinary system for the violation of the rules and procedures provided by the Model;
- setting up of an Oversight Board whose the main requirements are: autonomy and independence, professionalism, continuous action;
- duty of the company's functions, and in particular those identified as being most "at risk", to provide information to the Oversight Board, both on a systematic basis and "at event", and to report any irregularities or anomalies which may arise from the available information (this latter reporting obligation extended to all employees, without regard to hierarchical reporting lines).

It is understood that whilst the Guidelines are, by definition, generic in scope and nature, the Model reflects the Company's actual operating conditions.

## 2.5 Structure, development and objectives of the Model

IFM - Isotta Fraschini Motori S.p.A (belonging to Fincantieri Group), has implemented an Organisational Model. The Model consists of this **General Section**, in which the Model's functions and principles are illustrated and its essential components are identified and regulated: the preventive control system, the disciplinary system and penalty mechanisms, the Oversight Board and Model's updates over time.

This structure has been chosen in order to facilitate possible future updates<sup>2</sup> which will influence the Special Section only.

The Organisational Model of IFM represents an instrument to extend the principles that inspire the Model to the various parties with whom the Company deals.

In fact, it represents the channel through which:

- all Recipients of the Model are made aware of the need for thorough observance of the principles expressed by the Model and disciplinary penalties arising from the violation thereof;
- IFM severely condemns all forms of unlawful behaviour as they are contrary not only to the law, but also to the ethical principles to which the Company intends to adhere in the conduct of its company's activities;
- information are provided regarding the severe consequences that may ensue for the Company (and thus, indirectly, for all stakeholders) from the levying of fines or the

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<sup>2</sup> The updates may relate to the possible inclusion of new Offences or new illicit behaviours, whereas the Model shall retain a structure and guiding function that are to remain unchanged both as regards the principles it establishes and the protocols it outlines.



imposition of prohibitions envisaged by the Decree and the possibility that such penalties may also be ordered on a precautionary basis;

- the Company is permitted constant control and thorough supervision of activities, so as to be in a position to intervene in a timely manner if risk profiles arise and, where necessary, to apply the disciplinary measures established by the Model.

In addition, a **Special Section** has been prepared, with its own function and objectives, indications regarding individual types of offences deemed material — to the hypothetical risk of commission to which the Company is potentially exposed, — the associated control objectives and principles of conduct, related information flows and the related attached risk matrix.

## 2.6 Methodology used in preparing the Model

Article 6, paragraph II, letter a) of the Legislative Decree No. 231/2001 expressly states that an entity's organisational and management Model must "identify the activities in the context of which offences may be committed." Consequently, the identification of company processes "sensitive" to the perpetration of the violations specified in the above article represented the point of departure for the drafting of the Organisational Model. A thorough review was therefore conducted of the activities performed by the Company, as well as of its organisational structures, in order to identify the "risks of offences" within the various sectors of activity.

In developing the Model, the first step taken by IFM was to identify the "risks" to which the Company must focus its attention, i.e. to identify those offences (among those indicated in Legislative Decree No. 231/2001, as extended) that could be committed within the context of the activities performed by the Company. In parallel to this analysis, a map was drawn up of each of the company area affected by the potential offence scenarios. In other words, a connection was established between the particular offences envisaged by the Decree and the sectors and persons of the Company that, due to their activities, functions performed and the powers associated, could precisely engage in that unlawful conduct. Once the "risks" and the critical areas had been identified, a map was drawn up of the possible practical methods of commission of the criminal violations in such areas. The resulting list is not to be regarded as exhaustive of all situations that may occur; rather, it is to be updated from time to time, according to the spirit of Legislative Decree No. 231/2001, on the basis of experience and legal doctrine. This process of analysis and classification, which resulted in the preparation of the tables and comments presented in the Special Section, has been reviewed in light of the system of preventive controls implemented by the Company, the salient features of which are examined in the following chapter.

The aim was thus to adapt the Model to suit the specific operating areas and organisational structures of IFM in regards to risks of offence considered as concretely realisable.

The process of preparing the Model was thus divided into various phases, which were carried out in accordance with the fundamental principles of the documentation and verifiability of activities, so as to permit an understanding and reconstruction of all planning activity conducted, as well as compliance with the requirements of Legislative Decree No. 231/2001.

Beginning with an analysis of company documents (manuals, procedures, main processes, organisational chart, power of signature and delegated authorities system, operational instructions, risk assessment document, etc.) and a review of regulations applicable to the business sector, the conduct of interviews and conversations with the manager in charge of the various business units and functions resulted in the identification and registration of the contracts, behaviours and processes (potentially) susceptible to commission of the Offences.

The following is a brief description of the process phases of the process of identifying areas at risk, which then formed the basis for the preparation of the Model.

*- Company mapping of areas at risk of offences*

The preparation and implementation of a preventive Model is closely tied to effective, accurate mapping of offence-risks on the basis of processes and sub-processes of each function and business unit. This was followed by a detailed analysis of each activity specifically aimed at verifying both the concrete operating conditions and the distribution of competencies, focusing attention on risk factors, their impact and any critical issue of the occurrence thereof.

The purpose of this phase is analysing the company context to identify in which area and/or segment of activity and under which conditions there is a (potential) possibility of commission of the Offences.

*- Identification of sensitive processes (“as-is” analysis)*

The identification of Sensitive Processes has been implemented, as mentioned above, through a prior examination of company documentation (main existing procedures, power of signature and delegated authorities system, etc.), as well as through a series of interviews with key figures within the company structure, with the precise aim of identifying Sensitive Processes and the control systems and/or procedures already in place in regard to such Sensitive Processes.

This analysis has taken into account all activities that may involve, theoretically, contact or interaction between certain company personnel and, for example, subjects that may qualify as public officials or public service providers; moreover considering, as mentioned above, other company activities that may influence the commission of corporate offences or, more generally, of the Offences.

*- Creation of the gap analysis*

On the basis of the actual situation (existing controls and procedures for sensitive processes) and the provisions and aims of Legislative Decree No. 231/2001, the critical issues for the prevention of offence-risk have been identified; actions have then been planned with the aim of improving or implementing current internal procedures and organisational requirements, essential to establishing a specific organisational, management and control Model.

*- Preparation of the Organisational Model*

As mentioned above, the Model consists of a General Section and a Special Section, prepared for the various categories of offences envisaged by Legislative Decree No. 231/2001, as well as by Annexes such as documents concerning or presenting the company's structure, specific reports, etc.

The fundamental steps following the development of the Model may be identified as follows:

- preparation of adequate control and prevention activities for the commission of the offences envisaged by the Decree (see chapter 3 on the preventive control system);
- subsequent review of company conduct in particularly sensitive areas through the monitoring based on specific reports;
- the creation of a Code of Conduct;
- diffusion and participation of all levels of the company in implementing the rules of conduct and established procedures;
- attribution to the Oversight Board of specific duties to oversee the effective, proper functioning of the Model and any subsequent periodic update thereof.

### 3. DESCRIPTION OF PREVENTIVE CONTROL SYSTEM

#### 3.1 Participants in control process

Within IFM — with respect to the subjects governed by Legislative Decree No. 231/2001, as amended and extended — responsibility for control, monitoring and supervision activities is schematically distributed as follows:

Corporate Bodies and Functions	Cost-effectiveness (efficiency and effectiveness of management)	Reliability of the information system and internal control	Compliance with laws and regulations
TOP MANAGEMENT (Board of Directors, top managers)	✓	✓	✓
BOARD OF STATUTORY AUDITORS		✓	✓
MANAGEMENT CONTROL (Group)	✓	✓	✓
INTERNAL AUDITING (Group)	✓	✓	✓
QUALITY ASSURANCE		✓	✓
SAFETY AND HEALTH PROTECTION			✓
<b>External Bodies</b>			
INDEPENDENT AUDITORS		✓	✓
PUBLIC ENTITIES OF SURVEILLANCE FOR SAFETY AND HEALTH PROTECTION (e.g., INAIL, health authorities, etc.)			✓

#### 3.2 Control principles

The control principles followed by the Group and applied in the components of the internal control system are:

- ***“All operations, transactions and actions must be verifiable, documented, consistent and appropriate”***

All transactions must be supported by adequate documentation on which the competent company departments may proceed at any time to perform controls that attest to the characteristics of the justification of the transaction and identify who has authorised, undertaken, recorded and verified that transaction.

- ***“Nobody may be independently in charge of an entire process”***

The control system in place within the Company assures the application of the principle of the separation of duties, according to which authorisation for the execution of a transaction must be under the responsibility of a person other than the person who actually executes, records or controls that transaction. In addition, under the preventive control system:

- no one is granted unlimited powers;
- powers of signature and delegated authorities are clearly defined and known within the organisation;
- powers of signature and delegated authorities are consistent with the assigned organisational responsibilities.

- **“Documentation of controls”**

The performance of controls, including management supervision, in accordance with the assigned responsibilities, must always be documented (possibly through the preparation of minutes).

### **3.3 The components of the preventive control system**

The components of the preventive control system, identified by the Company to ensure the efficacy of the Model in accordance with the indicated “control principles”, without prejudice to any subsequent adaptations and/or updates, are the following.

#### **3.3.1 Code of Conduct and Model**

The Code of Conduct represents a set of mandatory principles for all recipients of the Model.

The Code of Conduct adopted by IFM establishes, in respect of the Legislative Decree No. 231/2001, as extended, the general rules of conduct that all those who work within the Company, without distinctions or exceptions, and those with whom explicit contractual relationships are maintained, are required to observe and have observed in the context of their functions and responsibilities.

Any actions taken by employees in violation of the Code of Conduct do not bind the Company in any manner, and the Company may undertake all actions, from disciplinary actions to those of the competent authority, to protect and safeguard its interests.

It is appropriate to specify that:

- the Code of Conduct represents an instrument adopted on a voluntary basis and applicable at a general level to the Company with the aim of embodying a series of ethics principles that the Company recognises as its own and for which it intends to address the attention of its employees and all those who cooperate with the Company;
- on the other hand, the Model responds to specific prescriptions of the Decree, aimed at preventing the commission of particular types of offences due to actions that, taken in the Company’s interest or to the Company’s benefit, may result in administrative liability on the basis of the provisions of the Decree.

The Code of Conduct states principles of conduct suited to preventing the unlawful behaviour disclosed in the Decree and, consequently, formally represents an additional component of the Model.

The Code of Conduct is included in the Company’s Intranet system, to which all employees have access, and in the Company’s website, where it is also available in English, so that it may be consulted, as appropriate, by third parties that engage in business with IFM .

#### **3.3.2 Organisation for the assignment of responsibilities and bonus policies**

The Company’s organisation is represented in the Organisational Manual prepared and updated by the Organisation. The Organisational Manual, available in the company intranet system to which all employees have access, consists of Service Orders, Guidelines, Directives, Rules and Procedures, Organisational Charts and Notices. The Organisational Charts reflect the assignment of responsibilities and hierarchical reporting lines announced through Service Orders issued by the Chief Executive Officer and, for the respective organisational structures, by the Head of Business Units. The Guidelines, Directives, Rules and Procedures describe, within the scope of the respective processes and/or sub-processes, the tasks of each function and specify its relationships with other departments — relationships which are always formalized and characterised by the confrontation between the separation of functions and duties. The employee bonus system is consistent with the aim of guiding the activities of operating and managerial

personnel towards the efficient achievement of company objectives. Objectives (performance targets) are pursued, shared and accepted at each level.

### **3.3.3 Manual and IT control procedures (in particular with regard to the financial area)**

Company information technology systems are based on the integrated SAP system. The control steps inherent in SAP govern the sequential performance of activities, ensuring the separation of the tasks and functions of those who provide input to the system and guaranteeing the consistency of the data and information with the company organisational system. The required manual/electronic signatures ensure that transactions are supervised and authorised. Management and control of the authorisation profiles for each SAP module are attributed to the supervisor of each functional area (key user), and responsibility for technical solutions is assigned to the individual IT Contact Personnel reporting to the Information Technology Department and, where necessary, to the System Administrators. Access and authorisations are attributed to individual users in relation to their organisational tasks and “personal” access passwords are changed quarterly (system lock-out). Authorisations in sensitive areas are periodically monitored to detect any critical issues.

All financial management operations (collections, payments, bank guarantees, loans, financial instruments, etc.) undertaken by the Finance function or the departments expressly authorised to perform these tasks pass through bank current accounts registered in the name of the Company and are recorded in the SAP accounting module. Payment instructions must be undertaken by the signatures of the President of the Company or by the combined signatures of authorised persons. In any event, the principles of transparency, verifiability and inherence to company activity must always be safeguarded.

All invoices received correspond to goods provided or services rendered supported according to company standards (bill of materials, work in progress statement, approval of requesting entity for services received), and are submitted for payment by Administrative Departments after reviewing the associated orders/contracts issued by the responsible functions (Purchasing and other Departments authorised to perform this task).

Control procedures of accounting situation are periodically conducted with reference to clients, suppliers, legal counsel, attorneys, agents, advisors and intermediaries. All of these entities may be inquired for additional information.

Cash balances and movements are periodically checked in adherence to the principle of the separation of duties and responsibilities.

Expenses incurred with company credit cards and entertainment expenses must be authorised, documented and inherent to company activity.

### **3.3.4 Powers of signature and delegated authorities system**

The Company engages in dealings with external entities, solely through employees expressly authorised to do so. Power of signature and delegated authorities system is consistent with the defined organisational and managerial responsibilities and must be expressly indicated in powers of attorney and brought to the attention of third parties.

Precise responsibilities, limits and conditions of approval are identified for the various types of activities and/or expenses related to company activity.

Public Administration’s employees are engaged, where necessary, in accordance with applicable legislation, and dealings with representatives of Public Administrations are oriented towards the utmost collaboration and fairness, as well as are characterised by high standards of authorisation, traceability and monitoring/control.

### **3.3.5 Existing management control systems and risk management**

The management control system of the company is based on the SAP module that allows the recognition of the job order costs. In particular, the research activities are subdivided in two main groups, i.e.: national-funded or foreign-funded research.

From a general point of view, each project manager, according to the Company's management and organisation structures, has the task to:

- ensures the operational planning of the assigned activities;
- collects from other Company entities all the useful information about: costs, incomes and financial commitments, maintaining the contacts with the top management of the Company and with the referent people of the parent company;
- promotes the development of effective control systems and procedures and ensures its dissemination and use within the Company. Furthermore, provides the top management proper reports that illustrate the trend of the activities, highlighting and commenting the most significant discrepancies.

For this reasons, each project manager sets up proper schemes and evaluation indexes allowing the adoption of accurate and quick decision-making alternatives in order to take under control the effective development of activities. This control is anyway based on the systematic use of *risk assessment* procedures within each process and function.

### **3.3.6 Principles for personnel recruitment, training and communication**

The human resource recruitment, hiring and career progression process is conducted in full accordance with provisions of law and applicable contractual agreements and is characterised by transparency, objectivity and traceability.

Training and communication are key tools to spread the knowledge of the Model and of the Code of Conduct adopted by the Company, both constituting essential elements of the regulatory framework that all employees are required to know, to observe and to implement during their activities.

For this purpose IFM , with the support provided by the parent company, has set up a training and information catalogue addressed to all personnel, customized on the recipients and areas at risks pursuant to Legislative Decree No. 231/2001.

#### **COMMUNICATION**

- During the recruitment procedures, the Human Resources function gives information to the new employees about the Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001 and the Code of Conduct; a copy of both documents are delivered the first day of employment.
- A specific area in the company intranet site, dedicated to Legislative Decree No. 231/2001 and the Code of Conduct, is available and updated on an ongoing basis, including the related news and a presentation about the administrative liability for legal entities pursuant to Legislative Decree No. 231/2001.
- A copy of both the Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001 and the Code of Conduct are posted on all the corporate bulletin boards, to widen the knowledge to all personnel.

Communication is implemented through the organisational instruments consisting of the company Intranet and the Internet website, Service Orders, Procedures, and Notices and other tools such as authorisation powers, hierarchical reporting lines, procedures, information flows and all other aspects that contribute to granting transparency to daily operations. Such instruments ensure an effective, authoritative (i.e., issued at an adequate level), clear and detailed communication subject to periodic updates and reiterations.

## TRAINING

IFM has decided to use the training framework of Fincantieri, specially tailored to ensure the education and updating of personnel with reference to the Legislative Decree No. 231/2001, to the related regulatory requirements to be complied by all employees and, in general, to the behavioural consequences resulting from the adoption of the Organizational Model.

The training sessions, provided by the Human Resources Department, include:

- education and updating courses related to Legislative Decree No. 231/2001 for all personnel, (e-learning);
- specific modules related to Legislative Decree No. 231/2001, part of the institutional training for new employees and middle management;
- advanced seminars on the Legislative Decree No. 231/2001 addressed to specific target personnel such as Managers and Company Attorneys.

Training sessions are mandatory; the participation to courses is traced and recorded by the Human Resources Department.

IFM also promotes knowledge and observance of its Code of Conduct and the Model among its commercial and financial partners, advisors, collaborators in various capacities, clients and suppliers, to which such documents are rendered available through the website of the Company.

#### 4. THE DISCIPLINARY SYSTEM AND MEASURES PERTAINING TO THE MODEL ADOPTED

To be effective, the Model must be enforced through an adequate disciplinary system aimed at imposing penalties for breaches of the Model's provisions. In such regard, Article 6, paragraph 2, subparagraph (e) of the Decree provides that Organisational and Management Models must "introduce a disciplinary system suited to sanctioning non-compliance with the procedures specified in the Model."

Without prejudice to the provisions of collective labour agreements, where applicable, for the intents and purposes of the disciplinary system pertaining to the Model, all actions or behaviour in violation of the law or the requirements set forth in the Model itself or in the procedures entrenched in the same, shall be deemed misconduct resulting in subject to disciplinary measures, provided that the said action or conduct entails the commission of one or more of the criminal offences contemplated in Legislative Decree No. 231/2001. Since all the Company rules and procedures are attendant to the Model the term "violation of the Model" must be intended also to include any procedural breach whatsoever that exposes the Company even to the merest risk of the commission of one or more of the above criminal offences. Disciplinary measures may be imposed regardless of whether or not criminal charges are brought or dismissed, given that the rules of conduct entrenched in the Model and related procedures have been adopted by IFM in exercise of its managerial and entrepreneurial independence and autonomy, and irrespective of the type of offence that may or may not have been committed through violations of the Model.

Any and all disciplinary sanctions imposed in individual cases must be proportionate to and commensurate with the alleged violation. Towards such end, the following general criteria must be taken into account:

- type of the alleged violation;
- concrete circumstances in which the violation was committed;
- the way in which the violation was committed;
- seriousness of the violation or the resulting risk, taking also into account the perpetrator's intention or state of mind at the time of the violation (wilful misconduct or negligence, and in the latter case, whether arising from carelessness, recklessness or lack of skill, considering the context of the extent to which the violation was foreseeable or otherwise);
- the entity of potential damage occurred to IFM in the event of imposition of the penalties contemplated in Legislative Decree No. 231/2001, as further amended and extended;
- level of hierarchical and/or technical responsibility;
- whether the misconduct entails more than one violation of the Model;
- whether the violation was committed with the complicity of other employees and whether the latter are to share responsibility for the violation;
- aggravating and mitigating circumstances, especially job performance and disciplinary record over the previous two years (repeated violations).

One of the Model's strengths lies in the reference to the disciplinary system implemented within IFM pursuant to the "**Norme per l'applicazione delle sanzioni disciplinari**" ("Rules for the imposition of disciplinary measures") which are also fully applicable to violations of the Code of Conduct. Given the breach of the Company's trust that non-compliance with the rules and provisions set forth in the Model and related procedures entails, all violations of the latter must be deemed to warrant the commencement of disciplinary proceedings, regardless of whether or not criminal charges are brought, or the outcome of any criminal trial that may be held in respect of said violations.

As a result, the Model and related procedures, as well as the Code of Conduct, must be considered binding on all employees through the general information initiatives.

Disciplinary proceedings within the Company need not necessarily to coincide with any criminal trial in respect of the same misconduct, given that employees responded to the Company for violations of the Code of Conduct and internal procedures, regardless of whether or not the said violations also constitute criminal offences.



With regard to the type of disciplinary measures imposable, it must, first and foremost, be borne in mind that in taking disciplinary action against its employees, IFM has undertaken to comply with the procedures set forth in article 7 of the Workers' Charter (Statuto dei Lavoratori) and/or applicable statutory and contractual provisions, and to apply the principle of correlation which requires the type and category of disciplinary action to be commensurate with the type and category of the violation ("Principle of correlation").

#### 4.1 Employees<sup>3</sup>

In accordance with the provisions of the Title "Relationships within the Company" of the National Collective-Bargaining Labour Agreement for the Metalworking Industry, it is specified that:

- a) any and all employees who breach the Code of Conduct and/or who, whilst undertaking operations within areas at risk to the commission of one or more offences giving rise to administrative liability, commit a procedural or material violation of the Model, shall be deemed, for the intents and purposes of the aforesaid "Principle of correlation" to have engaged in misconduct categorised as "missed execution of orders" given by the Company, punishable by: VERBAL WARNING, WRITTEN REPRIMAND, FINE, SUSPENSION FROM WORK AND PAY;
- b) any and all employees who breach the Code of Conduct and/or who, whilst undertaking operations within areas at risk to the commission of one or more offences giving rise to administrative liability, commit a material violation of the Model which, albeit not of the same seriousness as the violations contemplated in point (c) below, nevertheless potentially exposes the Company to an objective risk of the commission of one or more of the aforesaid offences, shall be deemed, for the intents and purposes of the aforesaid "Principle of correlation" to have engaged in misconduct determining "a breach of the Company's trust", punishable by TERMINATION BY NOTICE;
- c) any and all employees who breach the Code of Conduct and/or who, whilst undertaking operations within areas at risk to the commission of one or more offences giving rise to administrative liability, commit a material violation of the Model, thereby placing the Company at risk to the imposition of one or more penalties contemplated in the Decree, shall be deemed, for the intents and purposes of the aforesaid "Principle of correlation" to have engaged in significant misconduct potentially entailing serious monetary losses, reputational harm and other prejudice to the Company, as well as potentially constituting a criminal offence under law", punishable by SUMMARY TERMINATION. The Company may also proceed with summary termination in the event of misconduct so serious as to preclude the continuation of the employment relationship even on a temporary basis, such as, by way of mere example and without limitation: 1) breach of the Company's trust through the violation and/or fraudulent circumvention of one or more of the Model's procedures and provisions regulating relationships with external third-parties, with the unequivocal intention of committing one or more of the offences contemplated in Legislative Decree No. 231/2001, as further amended; 2) breach and/or circumvention of the internal control system through the removal, destruction or alteration of procedural documents or otherwise, by obstructing checks and controls, concealing and/or hindering access to information, etc.

#### 4.2 Senior managers ("Dirigenti")

In the event of procedural, and within areas at risk to the commission of one or more of the offences giving rise to administrative liability, material violations of the Model at executive level, the Company reserves the right to impose the disciplinary measures it deems fit, in accordance with the provisions of Article 7 of the Workers' Charter (Statuto dei Lavoratori) and the National Collective-Bargaining Labour Agreement for Senior managers in the Industrial sector.

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<sup>3</sup> All employees excluding senior managers.

More specifically, pursuant to and solely for the intents and purposes of the combined provisions of Articles 5, paragraph (b), and 7 of Legislative Decree No. 231/2001, subject to the procedure contemplated in Article 7 of the Workers' Charter, the disciplinary measures specified in this paragraph may be imposed on senior managers who engage in misconduct involving:

- the violation of one or more of the procedures and requirements entrenched in the Model aimed at ensuring the ongoing conduct of business operations in accordance with law, and/or identifying and timely containing risks of the commission of one or more of the offences contemplated in Legislative Decree No. 231/2001;
- breach and/or circumvention of the internal control system through the removal, destruction or alteration of procedural documents or, otherwise, by obstructing checks and controls or hindering access to information and documents by the relevant personnel and bodies;
- non-compliance with reporting obligations towards the Oversight Board and/or hierarchical or functional superiors, in respect of procedural and material violations of the Model.

The aforesaid misconduct on the part of senior managers shall attract the imposition of the disciplinary measures specified below, subject to the procedure contemplated in Article 7 of Workers' Charter:

- in the event of a non-serious violation of one or more procedural or behavioural rules set out in the Model, the senior manager shall receive a WRITTEN WARNING to comply with the Model, which represents the necessary condition for a trust relationship with the Company;
- TERMINATION BY NOTICE shall be applied in the event of a serious violation of one or more provisions of the Model, such as to represent a significant default;
- where the violation of one or more provisions of the Model is as serious as to irreparably compromise the trust relationship, thus preventing the possibility of any continuation, even temporary, of the employment, the senior manager shall incur in SUMMARY TERMINATION.

### **4.3 Directors (members of the Board)**

Should one or more of IFM 's Directors be found to have breached the Code of Conduct and/or the Model, the Oversight Board shall promptly report such finding to the entire Board of Directors and to the Board of Statutory Auditors. The Board of Directors shall then investigate the matter and, after hearing the opinion of the Board of Statutory Auditors, proceed with such action as it deems fit in its sole discretion, including, without limitation, the calling of a Shareholders' Meeting for the adoption of resolutions in such regard. Where applicable, the Board of Statutory Auditors shall report any and all the irregularities uncovered to the CONSOB (the public authority responsible for regulating the Italian securities markets).

### **4.4 Members of the Board of Statutory Auditors**

Should one or more members of IFM 's Board of Statutory Auditors be found to have breached the Code of Conduct and/or the Model, the Oversight Board shall promptly report such finding to the entire Board of Statutory Auditors and to the Board of Directors. The Board of Directors shall proceed as it deems fit in its sole discretion, after having heard the remaining members of the Board of Statutory Auditors.

### **4.5 External collaborators and Partners**

Without prejudice to any and all applicable statutory and contractual provisions, IFM reserves the right to terminate any ongoing relationships with external consultants, suppliers or other contractual counterparties that commit procedural and/or material violations of the Model or otherwise expose the Company to administrative liability pursuant to Legislative Decree No. 231/2001, and where appropriate, to report the related wrongdoing to the relevant authorities.

## 5. THE OVERSIGHT BOARD

### 5.1 Tasks of the Oversight Board

In detail, the activities that the Oversight Board is called upon to perform, including on the basis of the indications presented in Articles 6 and 7 of Legislative Decree No. 231/2001, may be summarised as follows:

- supervision of the efficacy of the Model, which takes the form of reviewing the coherence between the actual behaviours and the Model as implemented;
- ability to generally prevent undesirable behaviours;
- analysis of the maintenance over time of the requirements of the solidity and functionality of the Model;
- responsibility for the required dynamic updates to the Model, where the analyses conducted render it necessary to make corrections and adjustments. Such responsibility is normally expressed in two separate, but integrated steps:
  - submission of proposals for updating the Model to company bodies/functions capable of concretely implementing them within the Company. Depending on the type and scope of intervention, proposals are directed towards the functions Human Resources and Organisation, Administration, etc., or, in some especially significant cases, to the Board of Directors;
  - follow-ups, i.e. reviews of the implementation and effective functionality of the solutions proposed;
- monitoring of the efficacy of internal procedures and rules for Corporate Governance;
- examination of any reports from supervisory bodies or employees and audit procedures deemed necessary.

In addition, the Oversight Board may aid the company appropriate functions in promoting initiatives aimed at disseminating knowledge of the Model and reporting the need for measures in presence of violations of the Model and/or the Code of Conduct.

### 5.2 Requirements of the Oversight Board

Considering the specific nature of the tasks that have been assigned to it, the provisions of the Decree and the indications presented in the Guidelines issued by Confindustria, the choice of the internal body endowed with autonomous powers of initiative and control has been made so as to ensure that the Oversight Board meets the requirements of autonomy, independence, professionalism and continuous action that the Decree imposes for this delicate function.

In particular, also considering the above guidelines, the foregoing requirements may be qualified as follows:

- **Autonomy and independence:** these qualities are ensured by the position of the Oversight Board in the company organizational structure, where the Board is independent from other company Bodies and reports directly to the Board of Directors; furthermore the Oversight Board has no operational assignment.
- **Professionalism:** the Oversight Board member possesses technical-professional skills adequate to perform their functions, using, if necessary, internal and external experts. In order to perform its activity, the Oversight Board relies on the Internal Auditing of the parent company support as well as on any corporate functions to collect information on Company's operations.
- **Continuous action:** the mode and timing of performing its activities provided by the "Rules and Procedures for the Oversight Board" ("Regolamento dell'Organismo di Vigilanza"), constitute elements that guarantee the adequate continuity in the supervising activity.

### 5.3 Composition, term, non eligibility and causes of termination

In view of the prevailing trends and of the adoption of the Code of Conduct, in relation to the organisational structure of IFM within the framework of Fincantieri Group, in accordance with the provisions of Article 6, letter b, of Legislative Decree No. 231/2001, the duties of the Oversight Board of IFM – constituted in the form of monocratic entity – are outsourced to an external professional with proven competence in the field of accounting control. The Oversight Board, as so defined, operationally uses the resources allocated in the Parent Company or, alternatively, external resources (consultants), on the basis, in both cases, of a predefined contract.

The Oversight Board remains in charge for 3 (three) years, equivalent to the financial years.

Reasons for non eligibility and/or termination of the member of the Oversight Board are:

- a) parentage, marriage or affinity within the 4th degree of kinship or personal relationship with:
  - members of the Board of Directors,
  - individuals who are representatives, directors or managers of the company or of one of its organizational unit that has financial and functional independence, or
  - individuals who are responsible for managing or controlling the company, statutory and external auditors of the Company as well as any other parties according to law;
- b) conflicts of interest – even potential ones – with the Company or with subsidiaries, compromising the independence thereof;
- c) direct or indirect shareholdings allowing the exercise of a significant influence on the Company or on subsidiaries;
- d) the office of executive director office in companies subject to bankruptcy, forced liquidation or similar procedures held during the three business years before appointment as member of the Oversight Board;
- e) public official in central or local government during the three years before appointment as member of the Oversight Board;
- f) judgment, even not become final, or application of the sanction on request (so-called “plea bargaining”), in Italy or abroad, for the violations relevant to administrative liability of legal entities;
- g) judgment, even not become final, or “plea bargaining” for a sentence implying legal persons’ and undertakings’ disqualification, even temporary, from holding public offices, or temporary disqualification from holding management offices.

Should one of the above-mentioned reasons for replacement or addition or non eligibility and/or removal be applicable to one member, he/she shall immediately inform the other members of the Oversight Board, and automatically be removed from his/her office. The Oversight Board shall inform the Chairman and the Chief Executive Officer about this, for the submittal of the replacement proposal to the Board of Directors pursuant to this paragraph.

In special cases, the Board of Directors may order – after hearing the opinion of the Board of Statutory Auditors – the suspension of the functions and/or the revocation of powers of the Oversight Board and the appointment of an interim body.

Reasons for suspension or revocation are:

- Oversight Board’s failure to provide supervision or insufficient supervision arising out of a judgment, even not become final, pronounced towards the Company pursuant to Legislative Decree no. 231 of 2001, or arising out of a plea bargain judgment;

- serious default to the functions and/or powers of the Oversight Board.

The Oversight Board acts according to the “Rules and Procedures for the Oversight Board” (“Regolamento dell’Organismo di Vigilanza”), which is adopted autonomously by the Oversight Board itself and submitted to the Board of Directors for information purposes.

#### 5.4 Relations with corporate structures, information flows and reporting

In order to exercise its duties under the law, the Oversight Board activates initiatives deemed suited to implementing effective monitoring of the application of the Model, of the Code of Conduct and, generally, of company procedures in all environments deemed sensitive pursuant to Legislative Decree No. 231/2001.

While performing its activities, the Oversight Board has access without any limitation to Company information for investigation, analysis and control. As an example, the initiatives of the Oversight Board may take the form of requests of information to Company personnel either only in presence of significant events or on a continuous periodic basis, through the request of structured information by type or/and by company function. The exercise of such initiatives and the structure of the periodic information requested to the various company functions are generally governed by specific rules that provide behavioural guidelines in the various areas, sensitive to Legislative Decree No. 231/2001.

The Oversight Board has free access to all company functions and may request that they provide all information, data and knowledge deemed useful to the performance of the tasks attributed to the Oversight Board pursuant to Legislative Decree No. 231/2001. To that end, it meets with the Heads of company structures and requests appropriate periodical “reporting updates” concerning sensitive company activities pursuant to the Model in accordance with Legislative Decree No. 231/2001.

Audits are conducted at an operational level with the support of the Legal and Auditing corporate functions, as well as on external consultants in specific cases.

The Oversight Board receives reports regarding presumed violations of the Code of Conduct and the Organisational Model from members of Company Bodies, Function Heads, employees, external collaborators, suppliers and clients, in evident or anonymous form. The Oversight Board decides whether to conduct further inquiries or to proceed to file the report, supplying adequate grounds for its decision.

The Oversight Board receives, evaluates and archives the declarations of responsibility and absence of conflicts of interest to be signed by the Directors and all Company Attorneys.

The Oversight Board reports to the Board of Directors if the situation observed involves the company structure; to both the Board of Directors and the Board of Statutory Auditors, if company top management, members of the Board of Directors or Board of Statutory Auditors are involved.

At the end of each financial year, the Oversight Board prepares a report on the activity performed, which it submits to the Board of Directors and to the Board of Statutory Auditors. The Oversight Board exchanges information with the Board of Statutory Auditors and interfaces with the Chairman of the Board of Directors and the Chief Executive Officer.

The relevant company functions are required to submit to the Oversight Board the following information:

- the existence of legal measures and/or all notices originating by law enforcement bodies, or any other authority, both judicial or administrative that involve the Company or its individuals in apical positions and from which may be result that investigations are being conducted, even towards unknown persons, for the offences disclosed by Legislative Decree No. 231/2001, without prejudice to the confidentiality and secrecy obligations imposed by law;
- requests for legal assistance submitted by senior managers and/or employees in relation to which the Public Prosecutor’s office proceeds for the offences included within Legislative Decree No. 231/2001.

The following addresses may be used for the above-mentioned “reports” and all other internal or external or spontaneous notices to the Oversight Board:

**E\_mail address:**                    [OdV@IFM.it](mailto:OdV@IFM.it)

The confidentiality of the sources and the information that may come into possession of the Oversight Board, without prejudice to the obligations according to law, shall be guaranteed. In addition, no retaliation shall be taken (disciplinary actions or others) when any employee:

- has conducted in good faith actions to report events or circumstances pertaining the respect of this Model or the anti-corruption rules or any other related law;
- has refused to perform actions contrary to this Model or to the anti-corruption rules, even if in consequence of such refusal there have been negative consequences to the business of the Company.

## 6. UPDATING OF THE MODEL

Due to the complexity of the Company's organisation, the Oversight Board plays an important role of propulsion, proposition and constructive criticism inasmuch as it assesses and determines in practise the changes to be made to the Model, formulating adequate proposals to the Board of Directors, where necessary, as a consequence of:

- legislative changes with reference to the regulations on the administrative liability for legal entities;
- significant changes in the organisational structure or business activities of the Company;
- significant violations of the Model and/or outcomes from audits on the Model effectiveness, or from public companies experience within the sector concerned.

In detail, the Oversight Board is tasked with:

- conducting surveys of company activity in order to update the map of sensitive areas;
- coordinating with the head of the function for personnel training programmes;
- interpreting relevant legislation governing the crimes provided in the Decree, as well as any guidelines prepared, including the update of pre-existing guidelines, and verifying the adequacy of the internal control system in relation to legislative and guidelines prescriptions;
- verifying the need to update the Model.

Update activity is functional to maintaining the efficacy of the Model over time.