

SECTION 01 A

GENERAL PART A

LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

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1. INTRODUCTION

RWM ITALIA S.p.A. seeks to operate in accordance with ethical principles as well as internal rules and procedures designed in particular to ensure that the carrying on of its business, the attainment of its corporate purpose and the growth of the Company all take place in compliance with applicable law.

To that end RWM ITALIA S.p.A. has adopted a Code of Ethics, aimed at setting out the ethical principles that the Company acknowledges as its own and demands compliance with, and an organisational, management and controls model for the prevention of crimes in keeping with Legislative Decree No. 231 of 8 June 2001 (hereinafter the “Decree”) and the Guidelines laid down by Confindustria, the Confederation of Italian Industry.

Those steps were taken with the conviction that they can constitute a valid means of heightening awareness among company organs, employees and all other stakeholders (customers, suppliers, partners, etc.) that they must behave in a correct and linear way that is such as to prevent the risk of commission of the offences contemplated by the Decree.

2. THE ADMINISTRATIVE LIABILITY OF BODIES ENDOWED WITH LEGAL PERSONALITY

In implementing article 11 of Law No. 300/2000, the Decree introduces criminal liability for bodies endowed with legal personality, and hence also joint stock companies.

Pursuant to article 5 of the Decree, bodies endowed with legal personality are directly liable for certain crimes committed under Italian law in their interests or to their benefit¹:

- (i) by individuals who occupy positions whereby they represent, manage or direct a company or one of its organisational units that enjoy financial and operating independence as well as by individuals who manage and oversee the company, including on a de facto basis (so-called ‘top-ranking individuals’), or
- (ii) by individuals subject to the direction or oversight of one of the persons mentioned in the preceding subparagraph (i) (so-called ‘subordinates’).

The liability of the body is separate from and in addition to that of the natural person who materially commits the crime.

The wording of the legislation implicitly exonerates the body if the said individuals have acted exclusively in their own interests or those of third parties.

¹ From the outset it is worth highlighting that the interest-benefit combination is difficult to reconcile with the negligent conduct introduced by article 25-*septies*. Both the concepts of interest and benefit would seem to lend themselves much more to attributing wilful misconduct committed within a body to it while it would appear rather more problematic to claim such concepts are effectively able to tie negligent conduct to the body.

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3. THE EXONERATION FUNCTION OF ORGANISATIONAL MODELS.

3.1 Crimes committed by top-ranking individuals

With reference to crimes committed in the interests or to the benefit of the body by top-ranking individuals, article 6 of the Decree provides for a specific form of exoneration if the company itself demonstrates:

- (i) that prior to the commission of the crime the board of directors had adopted and efficaciously implemented an organisational, management and controls model suited to preventing commission of crimes of the type that have occurred;
- (ii) that an organ within the body itself has been appointed, endowed with independent powers of initiative and audit, to oversee the functioning and observance of the model and to revise it as required;
- (iii) that the crimes were committed by fraudulently circumventing the model;
- (iv) that there was not a lack of or insufficient supervision by the above mentioned organ.

3.2 Crimes committed by subordinates

With reference to crimes committed in the interests or to the benefit of the body by subordinates, article 7 of the Decree provides that the body is liable for such crimes if their commission was made possible as a result of non-compliance with managerial and oversight obligations.

Similarly to what was specified in 2.1 above, the article in question excludes liability if prior to the commission of the crime the body had adopted and efficaciously implemented an organisational, management and controls model suited to preventing commission of crimes of the type that have occurred.

4. THE CONSTITUENT ELEMENTS REQUIRED BY THE DECREE FOR ORGANISATIONAL, MANAGEMENT AND CONTROLS MODELS

Article 6.2 of the Decree provides that an organisational, management and controls model will be considered efficacious if it fulfils the following requirements:

- (i) identifies the areas of activity within which there is a risk that crimes envisaged by the Decree could be committed;
- (ii) makes provision for specific procedures aimed at making and implementing the decisions of the company in relation to the offences to be prevented;
- (iii) devises a system of managing financial resources that is capable of preventing the commission of the crimes;
- (iv) provides for reporting obligations to the organ appointed to check the functioning and observance of the models;
- (v) introduces a disciplinary system suited to punishing non-compliance with the measures specified in the model.

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5. METHOD OF IMPLEMENTATION OF ORGANISATIONAL, MANAGEMENT AND CONTROLS MODELS

In order to ensure that the organisational, management and controls model achieves its preventative function, the Decree provides that the body must efficaciously implement the model.

In particular, articles 7.3 and 7.4 provide that a model is implemented:

- (i) through the adoption of measures suited to guaranteeing that business is conducted in compliance with law and capable of mapping and eliminating situations of risk;
- (ii) through periodic checking of the model and modification thereof if significant breaches of the rules are discovered or if changes in the body's organisation or business occur;
- (iii) through a disciplinary system suited to punishing non-compliance with the measures specified in the model itself.

6. ATTEMPTED CRIMES

Pursuant to article 26 of the Decree administrative liability on the part of the body arises also in cases where top-ranking individuals or subordinates attempt to commit a crime (within the meaning of article 56 of the Criminal Code) in the interests or to the benefit of the body.

In short, liability is imposed whenever the relevant persons engage in conduct aptly directly in an unequivocal manner towards the commission of a crime but the offence is not actually perpetrated because "the action is not completed or the event does not take place".

Liability is excluded when the body voluntarily impedes the completion of the action or the materialisation of the event.

7. CRIMES COMMITTED ABROAD

Article 4 of the Decree governing crimes committed abroad does not exclude the direct liability of the body if three conditions are met:

- (i) the body has its main headquarters in Italy;
- (ii) no proceedings have been taken by the foreign country against the body for the matter;
- (iii) the individual who materially committed the crime is functionally linked to the body pursuant to article 5.1 of the Decree.

As for natural persons, the provisions of articles 7, 8, 9 and 10 of the Criminal Code apply.

8. THE TYPES OF CRIME

Consistent with the principle of legality² direct criminal liability can be attributed to a body solely in respect of the crimes set out in the Decree.

In particular, the rules on administrative liability apply to the following types of crimes: (a) crimes committed in dealings with Public Authorities, (b) crimes involving the counterfeiting of money, public debt securities, stamps, watermarked paper and distinctive signs, (c) some corporate crimes,

² Expressly provided for in article 4 of the Decree.

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(d) crimes involving terrorist aims or overthrow of the democratic order, (e) crimes against human personality, (f) crimes of insider trading and market manipulation, (g) transnational crimes, (h) some crimes committed through violation of occupational health and safety rules, (i) receiving, money laundering and use of money, property or valuables of illicit origin, (j) computer and unlawful data processing crimes, (k) organised crime offences, (l) crimes against industry and commerce, (m) copyright infringement crimes, (n) crimes against the administration of justice and (o) environmental crimes.

Specifically, the following are crimes that are relevant for the purposes of the Decree, explained in detail in Schedule I to this General Part of the Model:

- Article 24 of the Decree refers to the crimes of:
 - fraud perpetrated against the State, other public body or the European Union;
 - computer fraud to the detriment of the State or other public body;
 - embezzlement to the detriment of the State or the European Union;
 - unlawful receipt of funding to the detriment of the State or the European Union;
 - aggravated fraud designed to obtain public funds.

- Article 25 of the Decree refers to the crimes of:
 - extortion by public officials;
 - bribery with regard to official acts;
 - bribery with regard to acts contrary to official duties;
 - bribery with regard to the administration of justice;
 - bribery of persons charged with a public service;
 - instigation to commit bribery;
 - embezzlement, extortion by public officials, bribery and instigation to commit corruption involving members of EU institutions, EU officials and foreign officials.

- Article 25-*bis* of the Decree refers to:
 - the crimes of counterfeiting money, public debt securities, stamps, watermarked paper and distinctive signs (article 6 of Law No. 409 of 23 November 2001).

The latter include:

 - the forgery of banknotes and coins and the putting into circulation and introduction of counterfeit money into State by means of concerted action;
 - the alteration of banknotes and coins;
 - the putting into circulation and introduction of counterfeit money into State without concerted action;
 - the forgery of stamps and the introduction into the State, acquisition, holding and putting into circulation of counterfeit stamps;

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- the forging of watermarked paper used for the manufacture of public debt securities or stamps;
 - the manufacture or possession of watermarked paper or equipment designed to forge banknotes, stamps or watermarked paper;
 - the use of counterfeit or altered stamps;
 - the forgery, alteration or use of marks and distinctive signs or patents, models or designs;
 - the introduction into the State of and trade in falsely marked products.
- Article 25-ter of the Decree refers to:
- corporate crimes committed in the interests of companies.
- The latter include:
- fraudulent corporate communications;
 - fraudulent corporate communications to the detriment of the company, the shareholders or the creditors;
 - fraudulent misrepresentation in a prospectus;
 - fraudulent misrepresentation in the reports or communications of an auditing firm (a crime that in reality is no longer relevant for the purposes of Legislative Decree No. 231/2001);
 - regulatory obstruction;
 - fictitious formation of corporate capital;
 - unlawful return of assets originally transferred in return for equity;
 - illegal distribution of profits and reserves;
 - unlawful transactions concerning shares or quotas in the capital of a company or that of its parent;
 - transactions to detriment of creditors;
 - illegal distribution of company property by liquidators;
 - undue influence on shareholders' meetings;
 - market manipulation;
 - obstruction of the exercise by public supervisory authorities of their functions;
 - non-disclosure of conflicts of interest in the cases provided for in article 2629-bis of the Civil Code.
- Article 25-quater of the Decree refers to:
- crimes involving terrorist aims or overthrow of the democratic order.
- Article 25-quinquies of the Decree refers to:
- crimes against human personality.
- The latter include:
- reduction into or maintenance in a state of slavery or servitude;
 - child prostitution;

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- child pornography;
- possession of pornographic material;
- virtual pornography;
- tourism designed to exploit child prostitution;
- human trafficking;
- purchase and sale of slaves.

Law No. 7 of 9 January 2006 subsequently inserted article 25-*quater*, paragraph 1, that extends the range of underlying crimes to “female genital mutilation”.

➤ Article 25-*sexies* of the Decree refers to:

- the crimes of insider trading and market manipulation.

The law ratifying and implementing the United Nations Convention against Transnational Organized Crime and the Protocols Thereto adopted by the General Assembly on 15 November 2000 and 31 May 2001 has inserted (final paragraph of article 10) transnational crimes with effect from 12 April 2006.

The latter include:

- criminal association;
- mafia-type association;
- criminal association for the purposes of engaging in the contraband of foreign manufactured tobacco;
- criminal association for the purposes of illegally trafficking in narcotic or psychotropic substances;
- provisions against illegal immigration;
- instigation to not make statements or to make false statements to the judicial authorities;
- personal aiding and abetting.

It should be noted that the commission of a “transnational” crime is relevant only if the offence is one punishable by a term of imprisonment whose maximum term is not shorter than four years, involves an organised criminal group and:

- a) is committed in more than one State; or
- b) is committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State; or
- c) is committed in one State but involves an organised criminal group that engages in criminal activities in more than one State; or
- d) is committed in a State but has substantial effects in another State.

➤ Article 25-*septies* of the Decree refers to:

- the crimes of manslaughter and the negligent causation of serious or very serious personal injuries in connection with the violation of occupational health and safety rules.

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➤ Article 25-*octies* of the Decree refers to:

- the crime set forth in article 63.III of Legislative Decree No. 231/07 transposing Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC.

The latter include:

- receiving;
- money laundering;
- use of money, property or valuables of illicit origin.

In this regard it should be stressed that subparagraph f) of article 64 of the above mentioned legislative decree has repealed paragraphs 5 and 6 of article 10 of Law No. 146/06. Therefore, with effect from the entry into force of the legislative decree in question, transnationality is no longer a constituent element of the crimes under articles 648-*bis* and 648-*ter* (money laundering and use of money, property or valuables of illicit origin).

➤ Article 24-*bis* of the Decree refers to:

- the computer and unlawful data processing crimes introduced by article 7 of Law No. 48 of 18 March 2008.

The latter include:

- illegal access to computer or electronic systems;
- illegal interception, hindering or interruption of computer or electronic communications;
- installation of equipment designed to intercept, hinder or interrupt computer or electronic communications;
- damaging of computer information, data and software;
- damaging of computer information, data and software used by the State or another public body or in any case of public utility;
- damaging of computer or electronic systems;
- damaging of computer or electronic systems of public utility;
- illegal possession and dissemination of access credentials to computer or electronic systems;
- circulation of equipment, devices or software for the purposes of damaging or interrupting computer or electronic systems;
- falsification in relation to computerised documents;
- computer fraud by persons responsible for certifying digital signatures.

➤ Article 24-*ter* of the Decree refers to:

- the organised crime offences introduced by article 2 of Law No. 94 of 15 July 2009.

The latter include:

- the crimes of criminal association for the purposes of reducing persons to or maintaining them in a state of slavery, human trafficking, the purchase and sale of slaves and the crimes involving violation of the provisions on illegal immigration;

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- mafia-type criminal association, including foreign;
 - mafia-type agreements concerning political elections;
 - kidnapping for ransom;
 - criminal association for the purposes of illegally trafficking in narcotic or psychotropic substances;
 - criminal association;
 - crimes involving manufacturing and trafficking in weapons of war, explosives and illegal weapons.
- Article 25-*bis.*, paragraph 1, of the Decree refers to:
- the crimes against industry and commerce introduced by article 15 of Law No. 99 of 23 July 2009.
- The latter include:
- infringement of freedom of industry or commerce;
 - unfair competition combined with threats and violence;
 - fraud against national industries;
 - fraud in the conduct of commerce;
 - sale of non-genuine foodstuffs as genuine;
 - sale of industrial products with deceptive signs;
 - manufacturing of and trading in goods made through usurping the intellectual property rights of others;
 - forgery of geographic indications or denominations of origin of agricultural products.
- Article 25-*nonies* of the Decree refers to:
- copyright infringement crimes introduced by article 15 of Law No. 9 of 23 July 2009.
- The latter include:
- crimes involving the infringement of copyright and neighbouring rights.
- Article 25-*decies* of the Decree refers to:
- the crimes against the administration of justice introduced by article 4 of Law No. 116 of 3 August 2009.
- The latter include:
- instigation to not make statements or to make false statements to the judicial authorities.
- Article 25-*undecies* of the Decree refers to:
- the environmental crimes set out in Legislative Decree No. 121 of 7 July 2011, and specifically:

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- unauthorised dumping, emission or immission of hazardous substances or ionising radiation (article 137, paragraphs 2, 3, 5, 11 and 13, of Legislative Decree No. 152/2006);
- unauthorised waste management (article 256, paragraphs 1.a), 1.b), 3, 5 and 6, of Legislative Decree No. 152/2006);
- non-compliance with the conditions for authorisations, registrations and notices concerning waste management (article 256.4 of Legislative Decree No. 152/2006);
- contamination of the soil, subsoil, surface water or ground water that has occurred as a result of exceeding the risk threshold concentrations (article 257, paragraphs 1 and 2, of Legislative Decree No. 152/2006);
- transportation of waste without the prescribed legal documentation (article 258.4 of Legislative Decree No. 152/2006);
- shipment of waste consisting of the illegal traffic of waste under article 26 of Regulation (EEC) No. 259 of 1 February 1993 and shipment of the waste listed in Annex II to the said Regulation in breach of the provisions of subparagraphs a), b) and c) of Article 1(3) of that same Regulation (article 259.1 of Legislative Decree No. 152/2006);
- organised activities for the illegal traffic of waste (article 260, paragraphs 1 and 2, of Legislative Decree No. 152/2006);
- violation of the rules governing the computerised waste traceability control system “SISTR1” (article 260-*bis* of Legislative Decree No. 152/2006)³;
- violation of emission and air quality limit values in connection with the running of a plant (article 279.5 of Legislative Decree No. 152/2006);
- trade in, transportation or possession of certain protected fauna or flora (articles 1.1, 1.2; 2.1, 2.2 and 6.4 of Law No. 150/1992);
- forgery of CITES certificates in relation to endangered species (article 3-*bis*.1 of Law No. 150/1992);
- use of substances that are harmful to the ozone layer and the environment (article 3.6 of Legislative Decree No. 549/1993);
- intentional and negligent pollution caused by ships (articles 8.1, 8.2, 9.1 and 9.2 of Legislative Decree No. 202/2007);
- killing or possession of specimens of protected wild fauna or flora species (article 727-*bis* of the Criminal Code);
- destruction or deterioration of a habitat within a protected site (article 733-*bis* of the Criminal Code).

Reference should be made to Schedule 1 to this Model for a description of the single crimes relevant for the purposes of the Decree.

9. THE SANCTIONS

A company found liable is punished through fines, a ban or disqualification of some sort, confiscation of the price or profit of the crime and publication of the judgment. Fines are always imposed and their amount is not predetermined but are calculated on a case by case basis in

³ Article 260-*bis* of Legislative Decree No. 152/2006 as amended by Legislative Decree No. 205 of 3 December 2010 and Legislative Decree No. 121 of 7 July 2011.

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accordance with a system of units of liability and on the basis of two criteria, namely, the gravity of the wrongdoing and the economic situation of the company.

A ban, the most detrimental sanction for a company, can be imposed solely for the crimes that expressly envisage such (for example, corporate crimes are excluded) and, in any case, only if at least one of the following conditions are fulfilled: (a) the body made a substantial profit as a result of the crime and the offence was committed by top-ranking individuals or subordinates in circumstances where the commission of the crime came about as a result of or was facilitated by serious organisational shortcomings; (b) the administrative wrongdoing was repeated.

The judgment establishing liability always orders confiscation of the price or profit of the crime.

Publication of the judgment may be ordered if a ban is imposed.

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SECTION 01 B

GENERAL PART B

ADOPTION OF THE ORGANISATIONAL, MANAGEMENT AND CONTROLS MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

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1. THE COMPANY: ORGANISATIONAL STRUCTURE

RWM ITALIA S.p.A. (hereinafter also referred to as “RWM ITALIA” or the “Company”), a member of the international RHEINMETALL DEFENCE group, was formed on 12 January 2010 by its sole shareholder RHEINMETALL ITALIA S.p.A.

Pursuant to its articles of association RWM ITALIA S.p.A. has as its corporate object: the development, manufacturing of and trade in munitions, explosives and other defence systems, including their components and loading; the design, realisation, construction and sale of plant and equipment, facilities, machines and associated components intended for defence and for the explosives industry; the transfer of know-how and technology relating to the said products; the development, manufacturing of and trade in explosives for civil use, including accessories and components.

The Company has its registered office at Via Industriale 8/d in Ghedi (BS), which is where it also carries on the business of designing, purchasing and selling explosive products. Elsewhere in Ghedi at Via Fogazzaro 28, RWM ITALIA S.p.A. has a manufacturing/commercial facility for the manufacturing and testing of inert materials.

On 1 December 2010 the Company acquired (by deed drawn up by the notary Francesco Lesandrelli on that same date bearing file no. 98913 and register no. 32942) a manufacturing facility located in the Matt’è Conti district of Domusnovas (Cagliari) from SEI – Società Esplosivi Industriali S.p.A., a company that carries on business in the industrial explosives and a member of the international E.P.C. – Explosifs Produits Chimiques group. That facility produces explosive material, mechanical items and inert material. In particular, the business carried on in Domusnovas (Cagliari) essentially consists of: (i) the production of steel items to be filled with explosive products; (ii) the mixing of substances of various types and characteristics in order to obtain a variety of explosives; (iii) the packaging of the explosives in various forms and sizes depending on their final use.

The corporate governance system adopted by RWM ITALIA S.p.A. is based on the fundamental role played by the Board of Directors, vested with all routine and special powers of management except for those that the law reserves exclusively to the shareholders in general meeting.

The Board of Directors currently has three members, one of whom has been appointed as Managing Director.

Further to specific powers of attorney the Managing Director has been appointed General Manager of the Company, with the broadest authority in relation to all management matters. Power to legally represent the Company has been granted to the Managing Director, who has sole signing authority.

In his capacity as Chief Financial Officer a member of the Board of Directors has also been appointed as an attorney-in-fact, with power to bind the Company in relation to single transactions whose amount does not exceed 50,000 euros.

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In accordance with law and the articles of association, an auditing firm has been appointed to audit the accounts. The Board of Statutory Auditors exercises the functions reserved to it by law and the articles of association.

Currently, as part of an ongoing corporate reorganisation, the following Company Functions have been established:

1. “**Sales, Contracts, Programmes and Customer Care**” (management of the process of the sale of explosives, signing of contracts and management of their performance).
2. “**Design, Research and Development**” (drafting of technical documentation, development of projects, feasibility studies and building of prototypes).
3. “**Procurement, Supply Management and Budgeting**” (procurement of products and/or services; issuing of purchase orders to suppliers on special purpose lists and management of relations with suppliers and sub-suppliers).
4. “**Incoming Acceptance and Testing**” (checking of acceptance of incoming materials and management of testing procedures).
5. “**Production**” (checking of the feasibility of technical projects and the installation and operation of production plant, issuing of the production schedule on the basis of the availability of materials, means and personnel, monitoring of the single production phases in order to ensure that the entire production cycle is carried out in line with the process specifications and that during the handling of explosive material all active and passive safety measures have been adopted, and management of production controls and testing).
6. “**Quality and Environment**” (drafting and updating of the Quality Manual in light of changes in the law or the Company’s organisation, checking of quality standards of the purchased or sold products/services, auditing and assessment of results, management of complaints and cooperation with the relevant functions in personnel training matters).
7. “**Inventory, Handling, Transport and Shipping**” (storage and transportation of material in accordance with international and national regulations and company rules, verification and checking of incoming material and finished products during loading, unloading and segregation, management of inventory accounting and public safety registers, and handling of matters in connection with the issuance and renewal of transportation licences).
8. “**General Secretariat**” (administrative support services).
9. “**Safety**” (assessment and management of workplace health and safety risks and environmental risks).
10. “**Administration, Finance and Auditing**” (management of financial resources, preparation of financial statements, planning and auditing of financial flows, and management of relations with credit institutions).
11. “**Security**” (organisation and management of classified information).
12. “**Public Safety Licences and Significant Risk Management, Law No. 185/1990**” (checking that business is conducted in a manner that is fully compliant with the Public Safety

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Consolidated Law (TULPS), Legislative Decree No. 334/1999, Legislative Decree No. 238/2005 and special legislation governing explosives and management of the internal administrative procedures for the obtaining of all the authorisations necessary to conduct business activities).

13. “**Design and Maintenance of Buildings, Plant and Machinery**” (management of the design and direction of works for new, modified or expanded buildings, plant and machinery as well as maintenance of existing facilities in full operating order so as to ensure their proper functioning).
14. “**Human Resources**” (enhancement and optimisation of human resources, ensuring that their size and skills are appropriate for the attainment of business objectives and further ensuring compliance with all relevant labour and social security laws and regulations).
15. “**IT Systems**” (management of the data processing centre, maintenance of personal computers and internal/external networks, efficient management, development and updating of IT systems).

2. OBJECTIVES OF THE ADOPTION OF THE ORGANISATIONAL MODEL

Pursuant to the Decree the adoption of one or more organisational models is optional.

The Company felt it best to adopt an organisational, management and controls model aimed at preventing (to the extent possible) and timely eliminating the risk of commission under Italian law of the crimes envisaged by the Decree.

To that end the Company has adopted an organisational, management and controls model (hereinafter the “231 Organisational Model”, “231 Model” or “Model”), whose addressees are the Company’s organs, top-ranking individuals and subordinates. The Company has entrusted oversight of the Model itself to an internal body specifically formed for that purpose and endowed with the necessary autonomy, independence and professionalism.

In adopting the 231 Organisational Model, the Company has sought to adapt its own rules, procedures and organisational measures having regard to the provisions of Legislative Decree No. 231 of 8 June 2001 on the basis of the Code of Ethics and this 231 Model.

The **Code of Ethics** aims to ensure that the Company conducts itself in an ethical manner by introducing a body of rules of behaviour compliance with which is an indispensable requisite for attaining the Company’s own corporate mission.

The **General Part** of the 231 Organisational Model explains the objectives pursued by the Company in adopting the 231 Model, the addressees of the latter, the procedure followed, the functional link with the Code of Ethics, the functions and structure of the internal body in charge of overseeing the functioning and observance of the models, reporting obligations towards that body and disciplinary sanctions.

The **Special Part** of the 231 Organisational Model sets out the principles, the rules of behaviour, the protocols and the company procedures governing the making and implementation of company decisions regarding the crimes to be prevented and the systems of controls adopted to that end after

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having mapped the activities, decision-making and operational contexts, functions and company organs at risk of commission of the crimes envisaged by the Decree.

As mentioned above the Company has seen fit to equip itself with a structured and thorough system of organisational and management tools aimed at:

1. imbuing operations with a sense of legality, propriety and professional ethics;
2. timely preventing and possibly eliminating the risk of commission of the crimes envisaged by the Decree, through a proceduralisation of the activities exposed to a risk of crime, continuous monitoring and the adoption of a disciplinary system;
3. ensuring that all those who operate in the Company's interests are fully aware that they could well find themselves committing a crime whose perpetration would in any event be contrary to the Company's interests and ethical principles;
4. protecting company reputation and value, understood as the interests of all stakeholders in the business including employees, creditors and public authorities;
5. creating a new culture of ethics and accountability.

3. CONFINDUSTRIA GUIDELINES

By virtue of article 6.3 of the Decree, the Company drafted the Model in accordance with the "Guidelines for the construction of organisational, management and controls models under Legislative Decree No. 231/2001" approved by Confindustria on 7 March 2002 as amended.

In particular, the operating steps recommended by Confindustria for the implementation of an organisational model pursuant to of the Decree essentially consist of:

- identification of the areas of activities where crimes could be committed and analysis of the potential risks;
- preparation and adaptation of a system of controls capable of preventing the risks through the adoption of special protocols, a system that must be:
 - a) divided into the following components: (i) code of ethics; (ii) organisational system; (iii) manual and computerised procedures; (iv) authorising and signing powers; (v) management and controls systems; and (vi) personnel information and training;
 - b) informed by the following principles: (i) verifiability, documentability, consistency and appropriateness of each transaction; (ii) application of the principle of segregation of functions; (iii) documentation of the applicable controls; (iv) provision for an adequate disciplinary system for violation of the rules of the code of ethics and the procedures envisaged by the model; (v) appointment of a supervisory body endowed with independence, autonomy, skills and continuity of action; (vi) provision of procedures for the management of financial resources; and (vii) provision for information flows to the supervisory body.

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4. ADDRESSEES OF THE ORGANISATIONAL MODEL

The rules contained in the Model apply to the following within their respective remits: a) company organs; b) individuals who exercise, including on a de facto basis, functions of (i) representation, (ii) management, (iii) direction or (iv) management and oversight of the Company itself or one of its organisational units that enjoy financial and operating independence (top-ranking individuals); c) individuals subject to the direction or oversight of the above (subordinates).

Therefore, they are rules that apply (respectively depending on remit and obviously on the basis of importance and selective application considering the areas at risk from time to time affected by the specific risks) to the Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors, the Company's employees and all those who, though not belonging to the Company, operate under a mandate from it or are tied to the Company by various forms of work contracts.

Contracts have also been signed to ensure that outsiders (suppliers, consultants and partners) who entertain relations with the Company comply in that context with the principles of the Decree, the Organisational Model and the Code of Ethics.

5. PROCEDURE FOR THE ADOPTION OF THE ORGANISATIONAL MODEL – DOCUMENTS AND RESOLUTIONS PASSED BY COMPANY ORGANS

5.1 Analysis conducted with a view to adopting the Organisational Model

The drafting and adoption of the 231 Organisational Model, understood as the system of rules, procedures, behaviour, information flows, controls and sanctions aimed at preventing the crimes envisaged by the Decree, entails – with input from members of company organs – the carrying out of some phases in keeping with the provisions of the Confindustria Guidelines:

- (i) identification of the areas of the Company at risk from the commission of the said crimes and analysis of the potential risks
- (ii) identification of the corporate areas affected having regard to the Company's organisational and operating structure and the system governing the delegation of power;
- (iii) analysis of already existing operating procedures, practice and systems of controls, with reference also to the system of delegating powers and authority;
- (iv) finalisation – on the basis of the findings made – of the general principles that must underpin the conduct of all those who represent the company as well as the Code of Ethics;
- (v) finalisation of the rules governing the Supervisory Body and the disciplinary system and sanctions as well as the further body of rules concerning dissemination of the Model and the training of the Company's employees and other workers;
- (vi) identification and finalisation of the rules of behaviour, operating procedures, practice and systems of controls, including with reference to their implementation and their progressive revision consistent with the dictates of the Decree and developments in the business context.

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6. FUNCTION AND THE STRUCTURE OF THE ORGANISATIONAL MODEL

6.1 Function and structure of the Model

The function of the Organisational Model is to equip the Company with a set of internal rules suited to preventing, under Italian law, the commission in its interests and to its benefit of the crimes referred to in the Decree by individuals who occupy positions whereby they represent, manage or direct a company or one of its organisational units that enjoy financial and operating independence, or who manage and oversee the company, including on a de facto basis, or by subordinates. This in order to be exempt from the administrative liability imposed by the said Decree as a consequence of the commission of the above mentioned crimes.

The Company's Organisational Model - of which the Code of Ethics is an integral and material part – essentially consists of a structured and comprehensive system of internal, procedural, control and disciplinary mechanisms apt to preventing or reducing the chances of commission of the crimes referred to in the Decree and addressed to company organs, top-ranking individuals and subordinates. Therefore, the Model adopted is unitary in nature in the sense of applicable to both categories of persons⁴.

Thus the system of rules is structured not on the basis of the single company figures involved (which would entail two different models) but having regard to the various areas of company activities at risk of commission of the crimes envisaged by the Decree itself. And this is the case, logically and consistently, also as regards the Supervisory Body for the Model. That approach, coherent with the legislation, translates into greater overall efficiency of the system of internal rules and, with reference to subordinates, the adoption of more rigorous measures than those actually required by law.

In particular, in furtherance of the aims in question the Company – also in light of the provisions of article 6.2 of the Decree – has an Organisational Model suited to:

- reiterating and clarifying the principles and rules, including business ethics, that must be adhered to in the conduct of business in order to prevent the commission, even just once, of the crimes envisaged by the Decree;
- heightening company functions' awareness of the need to observe those principles;
- ensuring, including through specific information and training, that all those who work in areas 'at risk' are perfectly aware that they could be held personally liable from a criminal standpoint and cause the Company to be held administratively liable in the event of a breach of the rules set out in the Model itself;

⁴ Although the law (see articles 6 and 7 of Legislative Decree No. 231/01) postulates the construction and implementation of various organisational, management and controls models, one for top-ranking individuals and another for subordinates, it is also true that: (i) the nature of the crimes does not always allow one to distinguish between criminal conduct whose perpetration differs depending on whether top-ranking individuals or subordinates are involved and (ii) decision-making processes in a company tend to be unitary and in any event hierarchically and functionally structured without it being directly or immediately relevant whether the persons concerned belong to one category or the other.

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- guaranteeing that decision-making and implementation processes are transparent and traceable so as to make it impossible for anybody to circumvent the system other than fraudulently;
- implementing specific processes for the correct management of financial resources, which in the majority of cases constitute the means necessary for the commission of crimes;
- implementing binding internal controls that limit as much as possible the opportunity for making inappropriate or arbitrary decisions, enabling the Company to constantly engage in effective monitoring;
- introducing a disciplinary system for breach of the rules contained in the Model itself;
- appointing an internal supervisory body to check and ensure that the Model is working efficiently and correctly and, where necessary, to revise the Model and impose sanctions in cases of breach;
- ensuring that relations with suppliers, consultants and other contracting parties incorporate contractual arrangements aimed at guaranteeing that those relations are informed by conduct consistent with the aims of the Decree.

6.2 Structure of the Model

The Organisational Model thus constitutes an organisational tool of absolute importance within the Company's business architecture and consists of a series of elements underpinned by multiple sources.

It is divided into the Code of Ethics, the General Part of the Model and the Special Part of the Model.

The Company's Code of Ethics adopted by the Board of Directors is available to all of the addressees of the Model.

The General Part of the Organisational Model consists of various elements.

With a view to explaining the objectives pursued by the Company and how the Model works, Chapters A and B set out the legal basis for the Model and the procedure that led to its adoption. This also for the purposes of demonstrating that functionally and structurally the Model adopted by the Company is consistent with the organisational paradigm laid down by law. Therefore, the multiple regulatory sources of the Model can be considered as an integral part of the said chapters, namely: (i) the articles of association provisions underpinning the Model itself and, in particular, the functions and liability of the company organs and internal bodies concerned; (ii) the resolutions and other acts adopted by company organs on foot of those said provisions.

Chapter C sets out the rules on the structure and functioning of the Supervisory Body for the Model referred to in article 6.1.b) of Legislative Decree No. 231/2001, including those governing relations with company organs. Likewise in this case an integral part of the said chapter are the resolutions adopted on the matter by the Board of Directors as well as the rules and resolutions on organisational and planning matters adopted by the Supervisory Body itself in the carrying out of its own functions.

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Chapters D, E and F set out the rules aimed at guaranteeing the implementation, the effectiveness, observance and adequacy of the Model itself and hence concerning company information and training, information flows to and from the Supervisory Body and the disciplinary and contractual sanctions envisaged for cases of breach of the rules of business organisation and behaviour. In particular, Chapter F sets out the disciplinary system for directors, executives, employees and other company workers, formally adopted by the Company itself to that end. An integral part of the said chapters are the resolutions of the Board of Directors and the general decisions of the Supervisory Body adopted in that context in furtherance of their functions.

The Special Part also consists of various elements concerning (i) the specific types of crimes contemplated by the Decree and considered relevant in terms of the prevention and oversight to be carried out in implementing the 231 Model and (ii) the company functions affected.

In that way – as required by article 6.2.a) the Legislative Decree No. 231/01 and on the basis of a mapping of the company areas at risk of commission of the crimes from time to time considered by the Company (Schedule 2 to the Organisational Model) – the controls, the rules of organisation and behaviour and the internal procedures to be implemented in the company functions affected by the areas at risk are identified.

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SECTION 01 C

GENERAL PART C

THE SUPERVISORY BODY

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1. INTRODUCTION

As mentioned before articles 5 and 6 of the Decree provide for an exemption from administrative liability for a company for crimes committed in the interests or to the benefit of the latter:

- by top-ranking individuals if: (i) prior to the commission of the crime the company had adopted and efficaciously implemented a suitable organisational model; (ii) an organ within the company itself has been appointed, endowed with independent powers of initiative and audit, to oversee the functioning and observance of the model and to revise it as required; (iii) there was not a lack of or insufficient supervision regarding observance of the rules constituting the organisational model; and (iv) the crimes were committed by fraudulently circumventing those rules;
- by subordinates, although in this case the exemption is subject solely to the adoption and efficacious implementation, prior to the commission of the crime, of an organisational model suited to preventing commission of crimes of the type that occurred and exhibiting the more simple features indicated in article 7 of the Decree.

In both cases, it is essential that there be implementation and oversight of the functioning and observance of the Model itself.

Solely for crimes committed by top-ranking individuals does the Decree expressly provide that those tasks be entrusted to “an organ within the body”, “endowed with independent powers of initiative and audit” and the recipient of adequate information flows from the company’s organs and internal functions. It is correct to suppose that in order to properly carry out its duties the organ in question must not be vested with incompatible company functions and must be functionally independent of those it has to check.

Consistent with the unitary nature of the Organisational Model and for reasons of efficiency in terms of carrying out the tasks of implementing and overseeing the Model, the Company has appointed a single “organ” inside it to perform those functions as regards both top-ranking individuals and subordinates. Similar functions have been attributed to that same organ as regards the Code of Ethics, it too an element of the Organisational Model.

Those options (a single organ inside the company) are in keeping with the Confindustria Guidelines. The Company then maintained that the features of functional autonomy, independence, professionalism and continuity of action in implementing and overseeing the 231 Model are more characteristic of a multi-member entity, such as to lend greater authority to the organ in question, make it less susceptible to conditioning, enable wider professional skills to be drawn upon, ensure more effective action and in any event allow for dialogue and mutual supervision, all of which would be difficult to achieve in the case of a single-member entity or in the case where the functions were vested in just one person only. Again that choice is in keeping with the indications contained in the Confindustria Guidelines.

Law No. 183 of 12 November 2011 (so-called ‘Stability Act 2012’) introduced the possibility, in the context of the liability of legal persons stemming from the commission of crimes, to attribute the functions of the supervisory body to the board of statutory auditors (article 6.4-*bis* of Legislative Decree No. 231/2001: “in companies the board of statutory auditors, the supervisory board or management controls committee may undertake the functions of the supervisory body referred to in paragraph 1.b”).

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However, the Company has chosen not to entrust the said functions directly and entirely to the Board of Statutory Auditors, maintaining that it would be best to establish an *ad hoc* multi-member body within the corporate structure and endowed with the functional autonomy, independence, professionalism and continuity of action required to assure compliance with the provisions of the Decree⁵.

In particular, the articles of association (see article 25) provide that in adopting and implementing the Organisational Model pursuant to Legislative Decree No. 231/01, Board of Directors must adhere to the following rules.

- 1) The Supervisory Body referred to in article 6.1 of Legislative Decree No. 231/01 must be a multi-member entity consisting of the Chairman of the Board of Statutory Auditors or one of the other regular statutory auditors as well as an external professional with adequate experience concerning the special legislation that regulates the Company's activities at risk of commission of the crimes envisaged by the Decree and who does not do work for the Company incompatible with the position held. The member of the Board of Statutory Auditors is made a member of the Supervisory Body by resolution of the Board of Directors and with the approval of the Shareholders' General Meeting. The external professional is appointed by the Board of Directors after consulting with the Board of Statutory Auditors and with the approval of the Shareholders' General Meeting.
- 2) The following cannot be appointed as members of the Supervisory Board and, if elected, forfeit that office:
 - (i) those who find themselves in any of the situations covered by article 2382 of the Civil Code;
 - (ii) the spouse or relatives through birth or marriage up to the fourth degree of the directors of the Company as well as the directors or the spouse or relatives through birth or marriage up to the fourth degree of the directors of the Company's subsidiaries, parents or affiliates;
 - (iii) those who entertain or have recently entertained economic, professional or business relations with the Company of an importance that could compromise their independence of judgment;
 - (iv) those who have been convicted, including as a result of a plea bargain and even though the conviction is not yet final, for any of the crimes envisaged by the Decree.
- 3) Members of the Supervisory Body hold office for three years and may be reappointed. Decisions regarding the remuneration, if any, to be paid to the members of the Supervisory Body are made by the Board of Directors after consulting with the Board of Statutory Auditors and with the approval of the Shareholders' General Meeting, at the time of appointment and with reference to the entire period of the term of office. Members of the Supervisory Body are entitled to reimbursed the expenses incurred in the performance of that office.

⁵ All in line with the third paragraph of article 2328 of the Civil Code (the articles of association contain "the rules relating to the functioning of the company"), the third paragraph of article 2381 of the Civil Code ("the board of directors evaluates the adequacy of the organisational, administrative and accounting structure of the company"), subparagraph 5 of the first paragraph of article 2364 of the Civil Code ("the ordinary shareholders' meeting ... resolves on the authorisations that may be required by the articles of association for the carrying out of the acts of the directors") and article 6.1.a) of Legislative Decree No. 231/2001 ("the management organ" adopts and implements "organisational, management and controls models").

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- 4) The appointment may be terminated by the Board of Directors after consulting with Board of Statutory Auditors and with the approval of the Shareholders' General Meeting solely for just cause. Cessation of office as a statutory auditor leads to cessation of office as member of the Supervisory Body.
- 5) The Supervisory Body may inspect and make copies of company books in relation to issues falling within its remit.
- 6) The Board of Directors may adopt further rules aimed at ensuring – within the limits of law and the articles of association – the integrity, professionalism, independence, autonomy and continuity of action of the Supervisory Body pursuant to Legislative Decree No. 231/01.

Therefore, it was decided that it would be best to:

- have a multi-member body consisting of two individuals: (i) a member of the Board of Statutory Auditors and (ii) an external professional with adequate experience concerning the special legislation that regulates the Company's activities;
- make provision for specific integrity, professionalism and independence requirements for the members of the said body, including in addition to what is stated in the articles of association;
- provide that members may be dismissed solely for just cause subject to authorisation from the Shareholders' General Meeting, so as to act as a corrective against dependency on company organs;
- ensure that the said body is independent and has operating autonomy subject to a need to liaise with company organs and functions;
- ensure that the said body has adequate information gathering, inspection and reporting powers and is appropriately funded including on the basis of a specific budget to that end;
- ensure that the said body is adequately staffed and may avail of the services of external consultants and independent advisors.

In keeping with the indications contained in the Confindustria Guidelines, the Company felt that it was best to set up an ad hoc internal body and to provide that its members would be the Chairman of the Board of Statutory Auditors or a regular statutory auditor and an external professional with adequate experience.

In light of the structure and functions attributed to it, it was decided to name the said body "Supervisory Body of the 231 Organisational Model", also referred to as "Supervisory Body of the Model" or "SB" for short.

2. ESTABLISHMENT OF THE SUPERVISORY BODY

Further to article 6.1.a) of the Decree the "management organ" must take the initiative and decide in connection with the adoption of an organisational model in line with the indications set forth in the Decree itself. At the same time it is necessary to safeguard the autonomy and the independence of the Supervisory Body of the Model vis-à-vis that very management organ and coordinate its functions with those of the company organs.

To that end the Company introduced some specific provisions within the context of the Model, designed to satisfy that dual need, as explained hereunder.

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3. COMPOSITION OF THE SUPERVISORY BODY. APPOINTMENT, CESSATION OF OFFICE AND REPLACEMENT OF ITS MEMBERS.

By way of implementation of the provisions of the Decree and in accordance with the articles of association, the supervisory body referred to in articles 6 and 7 of Legislative Decree No. 231/2001 has been established and is called “Supervisory Body of the 231 Model”, also referred to as “Supervisory Body of the Organisational Model” or “SB” for short. The Supervisory Body of the Model also performs the functions of Supervisory Body for the observance and implementation of the Code of Ethics of the Company.

The Supervisory Body of the Model is a multi-member entity and consists of:

- the Chairman or other regular member of the Company’s Board of Statutory Auditors;
- an external professional with consolidated experience and specific expertise in the laws and regulations that regulate the activities inherent in RWM Italia S.p.A.’s corporate object.

The member of the Supervisory Body chosen from among the Board of Statutory Auditors is nominated and appointed by resolution of the Board of Directors and with the approval of the Shareholders’ General Meeting. The external professional is appointed by the Board of Directors after consulting with Board of Statutory Auditors and with the approval of the Shareholders’ General Meeting.

The following cannot be appointed as members of the Supervisory Board and, if elected, forfeit that office:

- (i) those who find themselves in any of the situations covered by article 2382 of the Civil Code;
- (ii) the spouse or relatives through birth or marriage up to the fourth degree of the directors of the Company as well as the directors or the spouse or relatives through birth or marriage up to the fourth degree of the directors of the Company’s subsidiaries, parents or affiliates;
- (iii) those who entertain or have recently entertained economic, professional or business relations with the Company of an importance that could compromise their independence of judgment;
- (iv) those who have interests, on their own account or for third parties, that in concrete terms conflict with those of the Company;
- (v) those who have been convicted, including as a result of a plea bargain and even though the conviction is not yet final, for any of the crimes envisaged by the Decree;
- (vi) those who have been subject to preventative measures pursuant to Law No. 1423 of 27 December 1956 (Preventative measures against persons who pose a danger to public security and morality) or Law No. 575 of 31 May 1965 (Provisions against mafia-type organisations, including foreign ones), without prejudice to the effects of any rehabilitation;
- (vii) those who have been sentenced, even though the conviction is not yet final and the sentence has been suspended, without prejudice to the effects of any rehabilitation: (a) to custody for a term of not less than one year for one of the crimes under Royal Decree No. 267 of 16 March 1942 – Rules on bankruptcy, composition with creditors, administration and compulsory administrative liquidation; (b) to custody for a term of not less than one year for a crime against the public administration, against public confidence, against property, against public order, against the public economy or for a tax offence; (c) to imprisonment for a term of not less than one year for any crime committed with criminal intent;
- (viii) those who have been a member of the supervisory body of a company on which sanctions under article 9 of the Decree have been imposed; and

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- (ix) those on whom, in final terms, one of the preventative measures under article 10, paragraph 3, of Law No. 575 of 31 May 1965 (as replaced by article 3 of Law No. 55 of 19 March 1990 as amended) have been imposed.

The appointments take effect following their acceptance, communicated in writing by the individuals concerned.

Fulfilment of the above mentioned integrity and professionalism requirements must be adequately proved before the appointment formally takes effect. The individuals concerned must also provide the Company with a declaration attesting to fulfilment of the said requirements and those pertaining to independence.

The Supervisory Body selects one of its number to be the Chairman. The Chairman is responsible for convening meetings, setting the agenda and coordinating the proceedings thereat. The Chairman also represents the Supervisory Body as against third parties and performs all of the other functions expressly delegated to him.

The members of the Supervisory Body of the Model hold office for three years and may be reappointed. Subject to first consulting with the Board of Statutory Auditors, the Board of Directors decides on remuneration and reimbursement of expense associated the office, at the time of appointment and with reference to the entire period of the term of office. The resolution of the Board of Directors determining the remuneration of the member of the Supervisory Body designated from among the members of the Board of Statutory Auditors must be approved by the Shareholders' General Meeting.

The appointment may be terminated by the Board of Directors after consulting with Board of Statutory Auditors and with the approval of the Shareholders' General Meeting solely for just cause.

Cessation of office as a statutory auditor leads to cessation of office as member of the Supervisory Body.

In all cases of cessation of office, the outgoing member is promptly replaced in accordance with the preceding provisions. The term of office of the incoming member expires at the same time as that of the other member already in office.

The Supervisory Body adopts internal regulations governing its own functions, with special reference to the scheduling of its work, the recording of minutes of its meetings, relations with company organs and the preparation and transmission to the latter of periodic reports.

4. FUNCTIONS OF THE SUPERVISORY BODY

The Supervisory Body of the Model is attributed the functions specified in the General Part and the Special Part of the Model and, in any event, any other function vested by law in the Supervisory Body under the Decree.

In particular, the Supervisory Body of the Model is granted independent powers of initiative and audit in relation to the implementation, observance, adequacy and revision of the Model itself, in conformity with the provisions set forth hereunder.

The Supervisory Body of the Model also performs the functions vested in it under the Code of Ethics, coordinating them with its other functions relating to the Model. Within the context of the exercise of functions under the Code of Ethics, the provisions of the Model apply in so far as they are compatible.

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On the basis of an annual budget set by the Board of Directors having regard to the needs and proposals communicated by the Supervisory Board itself, the Board of Directors guarantees that the Supervisory Body has adequate financial funding and may in the course of the performance of its functions, continuously and with fully autonomy, obtain assistance from employees and other workers of the Company.

At the reasoned request of the Supervisory Body of the Model in connection with one or more issues pertaining to its functions, the Board of Directors may be convened by the competent company organ in accordance with the Company's articles of association.

At the reasoned request of the Supervisory Body of the Model in connection with one or more issues pertaining to its functions but falling within the remit of the shareholders, the Shareholders' General Meeting may be convened by the competent company organ.

In the exercise of its functions, the Supervisory Body:

- coordinates with the company organs and heads of the company functions from time to time involved; the members of the Supervisory Body may also attend meetings of the company organs in relation to matters pertinent to the 231 Model;
- may avail of the services of external consultants subject to observing company confidentiality and related activities;
- may require and obtain access to records and documents relating to the personnel and activities of the Company in the areas at risk of commission of the crimes contemplated by the Decree in the manner set out in the Model and without the need for prior consent;
- may carry out inspections, controls and checks relating to the personnel and activities of the Company in the areas at risk of commission of the crimes contemplated by the Decree in the manner set out in the Model;
- may inspect and make copies of company books in relation to issues falling within its remit;
- store the documentation in connection with the exercise of its functions in a special purpose database and adopt specific computerised procedures.

The members of the Supervisory Body of the Model are bound by the strictest confidentiality in the exercise of their functions and in relation to the information that comes into their possession.

Apart from cases where such is mandated by judicial or administrative authorities, the Supervisory Body may not communicate the content of the Organisational Model to persons other than its addressees without prior authorisation from the Board of Directors or, in the case of delegation, the Executive Director.

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SECTION 01 D

GENERAL PART D

IMPLEMENTATION, OBSERVANCE, ADEQUACY AND REVISION OF THE ORGANISATIONAL MODEL

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1. THE FUNCTIONS OF THE SUPERVISORY BODY REGARDING THE IMPLEMENTATION, OBSERVANCE, ADEQUACY AND REVISION OF THE ORGANISATIONAL MODEL.

A condition for exempting the Company from administrative liability under the Decree is that the Company have:

- a) efficaciously implemented an organisational, management and controls model suited to preventing commission of the crimes in question;
- b) entrusted an organ within the Company itself endowed with independent powers of initiative and audit to oversee the functioning and observance of the model and to revise it as required.

For the Model to be really efficacious, it is thus necessary that:

- a) the Model be implemented through constant regulatory activities;
- b) a suitable disciplinary system be established;
- c) that the Supervisory Body be tasked with continuous oversight and feedback regarding:
 - the observance by the single addressees of the rules and procedures constituting the Model and more in general consistency of behaviour with the Model itself;
 - the adequacy of the Model, in other words, its capacity to prevent commission of the crimes;
 - the advisability of making changes to and updating the Model itself.

2. IMPLEMENTATION OF THE ORGANISATIONAL MODEL

The Supervisory Body is granted the widest powers of initiative and oversight in relation to the efficacious implementation of the Model.

In particular, the Supervisory Body:

- a) may make proposals for the adoption of instructions to implement the company rules and procedures set out in the Special Part of the Model as well as notes, clarification and recommendations concerning implementation of the Model;
- b) in close cooperation with the Company, arranges to publicise and disseminate the Model in company circles through promoting and monitoring specific initiatives aimed at ensuring knowledge and understanding of the Model itself;
- c) responds to requests for information and clarification coming from the addressees of the Model;
- d) in close cooperation with the Company, arranges for personnel training structured at different company levels, including through organising courses, seminars and periodic briefings, at which attendance is compulsory (save for legitimate impediment) and will be checked and where participants will be tested on their learning;

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- e) prepares an annual “Organisational Model Implementation Plan”, submitting it for evaluation to the Board of Directors or the Executive Director as the case may be and informing the Board of Statutory Auditors.

The aforementioned Plan will concern in particular: (i) promoting controls by the heads of relevant company or group functions; (ii) planning checks on the implementation, observance, adequacy and revision of the Organisational Model, including as a result of proposals having been made on that matter (iii) planning of further analysis, monitoring and in-depth examination of the Model, including in light of a progressive implementation of the rules and procedures for controls adopted and to be adopted in the matter.

The Supervisory Body monitors the execution of the “Organisational Model Implementation Plan”, reporting to company organs in the manner and timeframe laid down in the Model.

The controls envisaged by the plan serve to: a) ensure that operating procedures fulfil the requirements of the Model; b) identify the areas that require corrective action and/or improvements and check the effectiveness of corrective action; c) develop a controls culture within the Company, so as also to be better prepared for inspections by others who in various guises are tasked with conducting audits.

The Supervisory Body plans and manages audits availing of the cooperation of suitably qualified personnel from other company functions not involved in the activities being audited or the services of external consultants.

Special controls not included in the "Organisational Model Implementation Plan", are planned in the case of changes in the company organisation or to given processes, suspected violations of the Model, reports of non-compliance or whenever the Supervisory Body arranges for ad hoc controls.

3. OBSERVANCE OF THE ORGANISATIONAL MODEL

In conformity with what is set out below the Supervisory Body is tasked with checking that the single addressees of the Model observe its provisions.

In particular, in conformity with the provisions of the Model and taking into account the content of the “Organisational Model Implementation Plan”, the 231 Supervisory Body:

- a) takes the most appropriate steps with a view to detecting violations or attempted violations of the provisions of the Model, periodically checking single acts and/or transactions, reporting to the Board of Directors and the Shareholders’ General Meeting, where deemed useful or necessary;
- b) encourages the heads of the various business areas to conduct checks in their respective spheres as to whether the provisions of the Model are being observed (so-called ‘line controls’);
- c) exercises the functions vested in it within the context of the disciplinary system described in Chapter F below.

The 231 Supervisory Body is not granted any functions or decision-making or injunctive powers in relation to the carrying out of the respective activities by the addressees of the Model.

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4. ADEQUACY AND REVISION OF THE ORGANISATIONAL MODEL

The Supervisory Body is granted the broadest powers of imitative and oversight regarding the adequacy of the Organisational Model and its revision, taking into account relevant matters in that regard and, in particular, those specified in the Confindustria Guidelines.

In particular, bearing in mind also the content of the “Organisational Model Implementation Plan”, the Supervisory Body:

- a) maps the business activities in order to update, where necessary, the areas at risk of commission of the crimes listed in the Decree;
- b) periodically checks that the various elements of the Organisational Model are adequate, up-to-date and consistent with effective business reality, the current regulatory framework and the trade association guidelines issued from time to time, also taking into account whatever violations of the Model may have been detected in the past;
- c) on the basis of its periodic mapping, submits proposals for updating and revising the Model to the Board of Directors;
- d) reports to the Board of Directors on any initiatives adopted in relation to the adequacy and revision of the Model.

The Board of Directors, directly or through persons to whom it has delegated power in this respect, promotes the revision of the Organisational Model on an annual basis, making all of the corrections and additions that are essential or useful to ensuring that the Model complies with the provisions of Legislative Decree No. 231/2001, informing the Supervisory Body accordingly. Any such revision can be done, upon the recommendation of the Supervisory Body, also at other times if rendered necessary by substantial changes in company organisation or the regulatory framework (for example, introduction of new crimes under Legislative Decree No. 231/01 and/or changes to legislative/regulatory provisions governing the activities covered by the corporate object).

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SECTION 01 E

GENERAL PART E

INFORMATION FLOWS - DISSEMINATION OF THE ORGANISATIONAL MODEL AND PERSONNEL TRAINING

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1. INFORMATION FLOWS TOWARDS THE BOARD OF DIRECTORS

The Supervisory Body reports to the Managing Director on a continuous basis regarding the exercise of its functions, in the manner laid down in the Model itself.

Moreover, the Supervisory Body, on request and in any event at least every six months, submits a written report to the Board of Directors and the Board of Statutory Auditors concerning: (i) the implementation and effectiveness of the Model; (ii) the exercise of its functions vis-à-vis executives, employees, other workers and all of the other addressees of the Model and, in particular, regarding the observance by the latter of the Model itself; and (iii) the adequacy and revision of the Model.

2. INFORMATION FLOWS TOWARDS THE SUPERVISORY BODY

- Article 6.2.d) of the Decree provides that among the “needs that must be satisfied by” a suitable organisational model is the express listing by the latter of the “information obligations owed to the body in charge of overseeing the functioning and observance” of the model itself.

Those information obligations are evidently an essential tool to facilitate oversight of the implementation, observance and adequacy of the Model and, where crimes have been committed, the ex post facto detection of the causes that made it possible to perpetrate those crimes.

The members of company organs, executives, employees and other workers of the Company are bound by the information obligations in question and likewise any temporary agency workers at the Company and in any event all those obliged to observe the Model.

Those persons must promptly inform the Supervisory Body not only what is specified in the single operating procedures set forth in the Special Part of the Model but also what is specifically prescribed by the Supervisory Body.

- In the exercise of its functions the Supervisory Body may, also generally, require executives, employees and other workers to furnish it, including periodically, with information and documents, setting the relevant procedures therefor.

Upon the proposal of the Supervisory Body, the Company may also adopt a specific set of internal regulations (the “Information Flows Regulations”), subject to revision at least once every six months, governing how the following *inter alia* are to be communicated to the Supervisory Body: (i) decisions concerning applications for and the disbursement and use of public funds; (ii) decisions concerning applications for or the renewal of the authorisations and licences envisaged by the Public Safety Consolidated Law; (iii) periodic notices and summary statements on occupational health and safety and associated initiatives and obligations; (iv) periodic communications regarding the Company’s compliance with special legislation governing munitions, explosives and other defence systems. Likewise, the Board of Directors, including through persons to whom it has delegated power in this respect, upon a reasoned request from the Supervisory Body, furnishes the latter, information, records and documentation relating to the carrying out of its duties that have a bearing on the functions of the Supervisory Body itself.

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The Board of Directors, or other company function delegated by it or the Managing Director, arranges in any case to furnish the Supervisory Body details of the system of delegation and powers of attorney as amended from time to time as well as all of the organisational rules and/or those pertaining to the management of company functions and personnel.

Moreover, the following are communicated to the Supervisory Body on a continuous basis:

- a) the plans for the implementation of the Organisational Models adopted by the Company in relation to the Model itself;
 - b) the plans and findings of the checks and audits conducted within the Company by the relevant organs and functions in relation to events and activities of pertinence to the Organisational Model;
 - c) the analysis concerning risk assessment and mapping of activities and processes for organisational model purposes conducted by company organs or relevant functions;
 - d) any compliance analysis conducted by company organs or relevant functions in relation to events and activities of pertinence to the Organisational Model;
 - e) details of any disciplinary proceedings commenced for violation of the Model, including decisions to impose sanctions or drop the case, and associated reasons without prejudice to the Supervisory Body's powers pursuant Section 01 F below;
 - f) the appointment of any new top-ranking individuals;
 - g) significant turnover situations;
 - h) organisational changes.
3. The persons obliged to observe the provisions of the Model, the "Information Flow Regulations" any other rules laid down by the Supervisory Body must inform the latter and their direct hierarchical superior and/or direct functional superior of:
- a) decisions and/or information coming from the judicial police or other authorities from which one can deduce that an investigation is being carried out, including against unknown persons, for suspected crimes envisaged by Legislative Decree No. 231/2001, which directly or indirectly relate to the Company;
 - b) requests for legal assistance made by members of company organs, executives or employees in the event that proceedings are instituted in respect of crimes envisaged by the Decree, which directly or indirectly relate to the Company;
 - c) violations or alleged violations of the Model;
 - d) conduct that leads one to reasonably suppose that a crime envisaged by the Decree has been committed in the interests of or to the benefit of the Company or that an attempt to commit such a crime has been made;
 - e) any other circumstance pertaining to business activities that expose the Company to a concrete risk that a crime envisaged by the Decree could be committed in the interests of or to the benefit of the Company or that an attempt to commit such a crime could be made;

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- f) any inspections, audits or visits made at the behest of public authorities or any other body with jurisdiction over the Company and the associated litigation.

The company organs and the single directors must notify the Supervisory Body of violations or alleged violations of the provisions of the Model and conduct that leads one to suppose that one or more members of a company organ has committed or attempted to commit a crime envisaged by Legislative Decree No. 231/2001.

The persons obliged to make such notification may also provide the Supervisory Body with indications and suggestions on the implementation, adequacy and revision of the Organisational Model.

4. In line with article 6.2.d) of Legislative Decree No. 231/2001 all reports and notifications must be made in writing (including by e-mail) addressed to the Supervisory Body and not be anonymous. Specific information channels have been established to facilitate the flow of information towards the Supervisory Body.

The Supervisory Body collects and assesses all of the above mentioned reports, including those coming from third parties that entertain relations with the Company. At its discretion the Supervisory Body considers what the best course of action is based on the reports received.

All correspondence and reports are kept by the Supervisory Body in a special purpose database, which only it has access to.

The Supervisory Body acts in a way that protects the whistleblowers against any form of retaliation, discrimination or penalisation, without prejudice to statutory obligations and protection of the rights of the Company and third parties, guaranteeing their anonymity and the confidentiality of the reported matters and interviewing the whistleblowers themselves if deemed appropriate.

In the event of malicious unfounded reports, the persons responsible for making them may have disciplinary action taken against them under the Organisational Model.

3. DISSEMINATION OF THE ORGANISATIONAL MODEL AND PERSONNEL TRAINING

The communication of the Organisational Model and the training of personnel are fundamental requirements for the Company for the implementation of the Model itself.

It is the Company's objective to guarantee the proper divulgation and knowledge of the Organisational Model among current and future human resources in the Company, to varying degrees depending on how involved the personnel in question are in the activities at risk.

The Organisational Model is communicated to all the human resources in the Company, including through posting it on notice boards, and subsequently to newly hired personnel. Any updates and changes are likewise communicated. To that end a space has been created on the company network dedicated to the matter and any developments.

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RWM ITALIA S.p.A. undertakes to foster knowledge and understanding of the Model by both top-ranking individuals and employees through special purpose training courses, diversified according to the level, position and role of the persons concerned. Courses that are extended from time to time to newly hired personnel. In particular, the Company undertakes to organise training within one year after approval of the Model without prejudice to any other timeframe that may be deemed appropriate, including on the recommendation of the Supervisory Body. The structure and the scheduling of the courses, seminars and other initiatives are approved by the Supervisory Body further to a proposal made by the relevant company function. Participation at courses is compulsory. Adequate records of attendance and the information given must be kept.

The training courses must have the following minimum content and objectives, to be adapted taking into account the specific organisational needs of the Company and the levels of the addressees: (i) describe the Model and the Code of Ethics of the Company and illustrate the contents in depth; (ii) explain the system of reporting and information flows envisaged by the Model; (iii) explain the system of rules and procedures introduced through the Model and, in particular, the protocols and safeguards implemented within the Company; (iv) foster the exchange of information on areas at risk of the Company and the control system; and (v) explain the ethical behaviour required by the Company and also what is required from suppliers. All initiatives adopted must be adequately recorded.

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SECTION 01 F

GENERAL PART F

THE DISCIPLINARY SYSTEM

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1. THE DISCIPLINARY SYSTEM UNDER ARTICLES 6 AND 7 OF THE DECREE

1.1 General principles

Pursuant to articles 6.2.(e) and 7.4.(b) of the Decree, the efficacious implementation of the Organisational Model as a whole requires the Company to adopt a disciplinary system apt to punish failure to observe the rules contained in the Model and in the Code of Ethics.

The present system is thus designed to punish a failure to observe the rules contained in the Code of Ethics and the procedures and rules set forth in the Organisational Model adopted by the Company. It constitutes an integral part of the Model and, pursuant to article 2106 of the Civil Code, supplements the applicable national collective bargaining agreements (metal and chemical workers) for matters not addressed therein and limited to the cases governed herein

The imposition of disciplinary sanctions for breach of the rules contained in the Code of Ethics and the procedures and/or rules set forth in the Model is irrespective of the commencement of and outcome to any criminal proceedings for the commission of one or more of the crimes envisaged by the Decree as amended.

1.2 Addressees

This disciplinary system is divided into Sections depending on the addressees' job description and employment category under article 2095 of the Civil Code as well as on the independent contractor or quasi-independent contractor nature of the relationship with the addressees themselves. Therefore, the system covers:

- a) the individuals who occupy positions whereby they represent, manage or direct the Company or who manage and oversee the Company, such as members of the Board of Directors and Attorneys-in-Fact (so-called 'top-ranking individuals');
- b) the individuals subject to the direction or oversight of one of the persons mentioned above (so-called 'subordinates') and the individuals referred to in the Fourth Section (so-called 'external collaborators').

1.3 General criteria for imposing sanctions

1. In cases of a finding of non-compliance with or breach of the Organisational Model, the type and size of the specific will be proportionate to the gravity of the infringement and in any event will depend on the following general criteria:
 - a) mental element (wilful misconduct or negligence, with the latter covering imprudence, carelessness or incompetence also in light of how foreseeable or not the event was);
 - b) importance of the breached obligations;
 - c) gravity of the danger created;
 - d) extent of the loss, if any, caused to the Company as a result of application of sanctions under the Decree as amended;
 - e) level of hierarchical and/or technical responsibility;

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- f) existence of aggravating or attenuating circumstances, with special reference to the offender's previous job performance and disciplinary record in the past two years;
 - g) possible shared responsibility with other workers who contributed to the infringement.
2. Should one action give rise to a number of infringements attracting different sanctions, the heaviest sanction will be imposed.
 3. Recidivism within a 2-year period automatically leads to the imposition of the heaviest sanction of the type envisaged.
 4. The principles of timeliness and immediacy call for the imposition of disciplinary sanctions irrespective of the outcome to possible criminal proceedings.

2. FIRST SECTION – NON-EXECUTIVES

2.1 Scope of application

In view of the entry into force of article 25-*septies* of Legislative Decree No. 231/2001 (headed “manslaughter and the negligent causation of serious or very serious personal injuries in connection with the violation of occupational health and safety rules”, initially inserted by article 9 of Law No. 123 of 3 August 2007 and subsequently replaced by article 300 of Legislative Decree No. 81 of 9 April 2008), this disciplinary system also covers relevant behaviour in the matter of occupational health and safety.

Therefore, pursuant to the combined provisions of article 5.b) and 7 of the Decree, without prejudice to the need to inform the individual concerned in advance of the charges and subject to observance of the procedure set forth in article 7 of Law No. 300 of 20 May 1970 (so-called ‘Workers’ Statute’), the sanctions provided for in this Section are imposed on non-executive employees (*quadri* and *impiegati*) of the Company who engage in wrongdoing for disciplinary purposes consisting of:

- a) failure to observe the procedures and/or rules of the Model designed to ensure that activities are performed in accordance with law and to detect and timely eliminate situations of risk, pursuant to the Decree;
- b) violation and/or circumvention of internal controls systems committed through removing, destroying or altering the documentation of the procedure or through hindering controls or access to the information and the documentation by persons in charge including the Supervisory Body;
- c) non-compliance with the rules contained in the Code of Ethics;
- d) breach of an obligation to provide information to the Supervisory Body and/or direct hierarchical superior;
- e) failure to supervise, in one's capacity as “hierarchical supervisor”, compliance with the procedures and rules of the Model by one's functional subordinates and to check the latter's conduct within the areas at risk of crime and, in any case, within the context of the carrying out of activities that are instrumental to operating processes at risk of the commission of crime;

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- f) failure to inform, in one's capacity as "functional supervisor", one's hierarchical superior and/or the Supervisory Body of breaches of the procedures and rules of the Model by those who report to one functionally;
- g) breach of behavioural obligations in the matter of occupational health and safety laid down by law (article 20 of Legislative Decree No. 81 of 9 April 2008), regulation and/or company rules.

2.2 Sanctions

Non-compliance with the procedures and rules contained in this Section, depending on the gravity of the infringement, is punished through the following disciplinary measures:

- a) verbal warning;
- b) written reprimand;
- c) fine;
- d) suspension from work without pay up to the maximum limits provided for in the applicable national collective bargaining agreement;
- e) dismissal with notice;
- a) dismissal without notice.

Should the above employees hold a power of attorney authorising them to represent the Company as against third parties, the imposition of a sanction heavier than a fine will automatically lead to revocation of the power of attorney.

2.2.1 Verbal warning

A verbal warning is given in the following cases:

- a) culpable violation of the procedures and rules listed in subparagraphs a) to f) of 2.1 above and/or procedural errors due to negligence by the worker that have external consequences;
- b) recidivism within two years as regards violations of the procedures and rules referred to in the preceding subparagraph a) that do not have external consequences.

2.2.1 Written reprimand

A written reprimand will be issued in the case of recidivism within two years as regards culpable violations of the procedures and rules listed in subparagraphs a) to f) of 2.1 above and/or procedural errors due to negligence by the worker that have external consequences.

2.2.3 Fine

Other than in cases of recidivism in the commission of infringements that can lead to the issuing of a written reprimand, a fine may be imposed in cases where, by reason of the level of hierarchical or technical responsibility involved or the existence of aggravating circumstances, the culpable and/or negligent behaviour could compromise, even just potentially, the efficacy of the Model. Such behaviour includes but is not limited to:

- 1) breach of an obligation to provide information to the Supervisory Body and/or direct hierarchical or functional superior;

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- 2) repeated non-compliance with the requirements of the procedures and rules specified in the Model in cases where they concerned or concern a relationship and/or proceedings in which one of the parties is a Public Authority.

2.2.4 Suspension from work and pay

Other than in cases of recidivism in the commission of infringements that can lead to the imposition of a fine, suspension from work and pay will be ordered in cases of violations of the procedures and/or rules listed in subparagraphs a) to g) of 2.1 above that are such as to expose the Company to a risk of sanctions and liability.

By way of example only, suspension from work and pay will be ordered in the following cases:

- 1) non-compliance with the provisions governing signing authority and the system of delegation of powers in connection with acts and documents concerning activities with company organs;
- 2) failure to monitor, in one's capacity as hierarchical or functional superior, compliance with the procedures and rules of the Model by one's functional subordinates and to check the latter's conduct within the areas at risk of crime and, in any case, within the context of the carrying out of activities that are instrumental to operating processes at risk of the commission of crime;
- 3) malicious unfounded reports concerning violations of the Model and the Code of Ethics;
- 4) breach of occupational health and safety instructions given by the employer for individual protection purposes or inappropriate use of means of protection or failure to participate in training programmes and/or drills organised by the employer.

2.2.5 Dismissal with notice

Dismissal with notice will occur in cases of grave violations of the procedures and/or rules listed in subparagraphs a) to g) of 2.1 above that have external consequences committed during the carrying out of activities in the areas at risk of crime identified in the Special Part of the Model.

2.2.6 Dismissal without notice

Dismissal without notice will occur for infringements that are so grave as to not permit the continuation of the employment relationship, not even on a provisional basis (so-called 'just cause'), including but not limited to:

- 1) violations of the procedures and/or rules of the Model, including the Code of Ethics that have external consequences and/or fraudulent circumvention committed through behaviour that is unequivocally aimed at perpetrating a crime from among those envisaged by the Decree, irrespective of whether or not the crime is actually consummated, such as to undermine the fiduciary relationship with the employer.
- 2) violation and/or circumvention of internal controls systems committed through removing, destroying or altering the documentation of the procedure or through hindering controls or access to the information and the documentation by persons in charge including the Supervisory Body, in a manner that is such as to prevent transparency and verifiability;
- 3) breach of occupational health and safety instructions given by the employer for collective protection purposes.

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2.3 Contractual clause for non-executives seconded to the Company

Relations with non-executives seconded to the Company are also to be governed by clauses to the following effect:

“Mr./Ms. declares that he/she is aware of the provisions of the Code of Ethics and the Organisational Model pursuant to Legislative Decree No. 231/2001 of RWM ITALIA S.p.A., which have been delivered to him/her, and undertakes to comply with them.

Consequently, Mr./Ms. is aware that any non-compliance with the provisions contained in subparagraphs a) to g) of paragraph 2.1 of the First Section of Chapter F of the Organisational Model of the Company will be notified in writing by RWM ITALIA S.p.A. to the secondee’s own employer so as to enable the latter to exercise its disciplinary power, without prejudice to the fact that RWM ITALIA S.p.A. shall in all cases be entitled to request and obtain the termination of the secondment”.

2.4 Establishment of infringement and power to impose sanctions

- The power (i) to establish the infringements committed by non-executives, including on secondment, and (ii) to impose sanctions solely on non-seconded employees is exercised by the Managing Director of RWM ITALIA S.p.A. in accordance with law, the applicable collective bargaining agreement and the provisions of the Model and the Code of Ethics subject to informing the Supervisory Body in advance.
- The Supervisory Body assists and supports the Managing Director in the performance of the above functions and furthermore informs the Managing Director of any violations committed by non-executives that it has come to know of through the exercise of the powers of inspection and control vested in it.

3. SECOND SECTION - EXECUTIVES

3.1 Scope of application

Therefore, pursuant to the combined provisions of articles 5.b) and 7 of the Decree and, limited to those rules, subject to observance of the procedure set forth in article 7 of Law No. 300 of 20 May 1970, the sanctions provided for in this Section are imposed on executives (*dirigenti*) who engage in wrongdoing for disciplinary purposes consisting of:

- a) failure to observe the procedures and/or rules of the Model designed to ensure that activities are performed in accordance with law and to detect and timely eliminate situations of risk, pursuant to Legislative Decree No. 231/2001;
- b) violation and/or circumvention of internal controls systems committed through removing, destroying or altering the documentation of the procedure or through hindering controls or access to the information and the documentation by persons in charge including the Supervisory Body;
- c) non-compliance with the rules contained in the Code of Ethics;
- d) breach of an obligation to provide information to the Supervisory Body and/or direct hierarchical or functional superior;

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- e) failure to supervise, check and monitor in one's capacity as "hierarchical supervisor", compliance with the procedures and rules of the Model by one's functional subordinates and to check the latter's conduct within the areas at risk of crime;
- f) failure to inform, in one's capacity as "functional supervisor", one's hierarchical superior and/or the Supervisory Body of breaches of the procedures and rules of the Model by those who report to one functionally;
- g) breach of behavioural obligations in the matter of occupational health and safety laid down by law (article 20 of Legislative Decree No. 81 of 9 April 2008), regulation and/or company rules and/or failure to check observance of those laws, regulations and company rules.

3.2 Sanctions

Non-compliance with the procedures and rules contained in subparagraphs a) to g) of 3.1 above, depending on the gravity of the infringement and in view of the special fiduciary nature of the employment relationship, may warrant dismissal with notice (so-called 'justifiable reason') and, in the gravest cases, dismissal without notice (so-called 'just cause') of the executive, to be carried out in accordance with law and the applicable national collective bargaining agreement.

Should the executive hold a power of attorney authorising them to represent the Company as against third parties, dismissal will automatically lead to revocation of the power of attorney.

3.3 Contractual clause for executives seconded to the Company

Relations with executives seconded to the Company are also to be governed by clauses to the following effect:

"Mr./Ms. declares that he/she is aware of the provisions of the Code of Ethics and the Organisational Model pursuant to Legislative Decree No. 231/2001 of RWM ITALIA S.p.A., which have been delivered to him/her, and undertakes to comply with them.

Consequently, Mr./Ms. is aware that any non-compliance with the provisions contained in subparagraphs a) to g) of paragraph 3.1 of the Second Section of Chapter F of the Organisational Model of the Company will be notified in writing by RWM ITALIA S.p.A. to the secondee's own employer so as to enable the latter to exercise its disciplinary power, without prejudice to the fact that RWM ITALIA S.p.A. shall in all cases be entitled to request and obtain the termination of the secondment".

3.4 Establishment of infringement and power to impose sanctions

- The power to establish the infringements committed by executives, including on secondment, and to impose sanctions is exercised by the Managing Director of RWM ITALIA S.p.A. in accordance with law, the applicable collective bargaining agreement and the provisions of the Model, the Code of Ethics and internal regulations subject to informing the Supervisory Body in advance.
- The Supervisory Body assists and supports the Managing Director in the performance of the above functions and furthermore informs the Managing Director of any violations committed by executives that it has come to know of through the exercise of the powers of inspection and control vested in it.

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- Independently of the imposition of sanctions, the Company retains the right to sue the executives for breach of duty and claim damages.

4. THIRD SECTION – TOP-RANKING INDIVIDUALS

4.1 Top-ranking individuals – Scope of application

For the purposes of the Decree, in the Company’s current organisational structure, the following are “top-ranking individuals” in as much as they occupy positions whereby they represent, manage or direct the Company or manage and oversee it:

- the Chairman of the Board of Directors;
- the Directors;
- the Managing Director;
- the Attorneys-in-Fact.

Pursuant to the combined provisions of articles 5.a) and 6 of the Decree, the sanctions provided for in this Section are imposed on “top-ranking individuals” (*soggetti apicali*) in the following cases:

- a) failure to observe the procedures and/or rules contained in the Model regarding training and implementation of the decisions of the Company and the rules contained in the Code of Ethics, including violation of the provisions governing signing authority and the system of delegation of powers and violation of the measures governing the management of financial resources;
- b) violation and/or circumvention of internal controls systems committed through removing, destroying or altering the documentation of the procedure or through hindering controls or access to the information and the documentation by persons in charge including the Supervisory Body;
- c) violation of the information obligations envisaged by the Model vis-à-vis the Supervisory Body and/or of the company organs; breach, in the exercise of hierarchical powers and within the limits of delegated powers, of the obligation to supervise and monitor the behaviour of direct subordinates, by which is meant solely those who, directly and immediately reporting to the top-ranking individual, operate within the context of areas at risk of crime.

4.1.1 Sanctions

Depending on the gravity of the infringement committed by the members of the Board of Directors, that organ – after consulting with the Supervisory Body – takes the most appropriate steps, including reserving to itself the matters falling within the scope of the delegated powers, modifying or revoking the delegated powers and calling the Shareholders’ General Meeting for the purposes of taking action pursuant to articles 2383 and 2393 of the Civil Code in the most serious cases.

As regards Attorneys-in-Fact, depending on the gravity of the infringement committed, the Board of Directors, takes the most appropriate steps including modifying or revoking the delegated powers and, in the most serious cases, terminating the appointment, without prejudice to any other disciplinary action that may be taken on the basis of the employment relationship that there

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may be between the individual Attorney-i-Fact and the Company subject to observing the procedures provided for by law and collective bargaining agreements.

4.1.2 Top-ranking individuals under Legislative Decree No. 81/2008 and sanctions

Solely for the purposes of Legislative Decree No. 81/2008 on occupational health and safety, top-ranking individuals are deemed to include those who are the “employer” within the meaning of article 2.b) of the said Legislative Decree No. 81/2008.

Should those individuals commit violations of occupational health and safety laws, regulations and/or other company rules or fail to supervise observance of the said laws, regulations and/or other company rules, the heaviest dismissal-type sanctions from among those listed in the First Section and Second Section above may be imposed on them depending on which category those individuals belong to.

4.1.3 Top-ranking individuals holding a number of positions

Should a top-ranking individual also be an employee, the sanction in this Third Section will apply for violations committed in the person’s capacity as a top-ranking individual without prejudice to any other disciplinary action that may be taken on the basis of the employment relationship that there may be with the Company subject to observing the procedures provided for by law and collective bargaining agreements.

Should violations of the procedures and/or rules contained in the Model be committed by a top-ranking individual in the context of their managerial duties, dismissal will entail – subject to adopting the necessary resolutions – revocation of their delegated powers and cessation of office.

5. FOURTH SECTION – ‘CONTRACTUAL’ SANCTIONS ON THIRD PARTIES

5.1 Scope of application

Up to now just disciplinary sanctions have been considered, in other words, sanctions that can be imposed by the Company on individuals, including top-ranking ones, tied to it by a hierarchical relationship.

The ‘sanctions’ that can be imposed on third parties like collaborators, consultants, temporary agency workers, brokers, mandate holders, representatives, agents, intermediaries, appointees, customers and suppliers are by contrast contractual in nature. This is because the latter are tied to the Company not by a hierarchical relationship but a contractual one.

Therefore, the action that can be taken against third parties who violate the rules of the Code of Ethics and the procedures and rules of the Model in connection with their contract consists of being able to terminate the contract as of right pursuant to article 1456 of the Civil Code or cancel the contract with or without notice in conformity with the terms of the contract itself subject to notifying the Supervisory Body in advance.

Further sanctions may also be agreed within the context of single contracts.

The foregoing is without prejudice to the Company’s right to damages for any loss suffered.

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5.2 Infringements

- a) Violations of the procedures and/or rules in connection with the contract that have external consequences and/or fraudulent circumvention thereof committed through behaviour that is unequivocally aimed at perpetrating a crime from among those envisaged by the Decree, irrespective of whether or not the crime is actually consummated.
- b) Violation and/or circumvention of internal controls systems committed through removing, destroying or altering the documentation of the procedure or through hindering controls or access to the information and the documentation by persons in charge including the Supervisory Body.
- c) Lack of, incomplete or untrue documentation of the contractual activities undertaken that is such as to prevent transparency and verifiability of those activities.
- d) Violation, including through acts of omission, of the laws, regulations and company rules on occupational health and safety.

5.3 Contractual clauses

It follows from the above that the agreements with third parties that are tied to the Company by a contractual relationship, especially those with collaborators, including project-related workers, consultants and temporary agency workers, must include clauses to the following effect:

- **COLLABORATOR/CONSULTANT**

“The collaborator/consultant declares that he/she is aware of the provisions of the Code of Ethics and the Organisational Model pursuant to Legislative Decree No. 231/2001 of RWM ITALIA S.p.A., which have been delivered to him/her, and undertakes to comply with them.

Consequently, the collaborator/consultant is aware that any non-compliance with the provisions contained in the Fourth Section of the Disciplinary System that is an integral part of the Model will constitute a material breach of contract and will entitle RWM ITALIA S.p.A. to terminate this contract as of right with immediate effect pursuant to and for the purposes of article 1456 of the Civil Code without prejudice to damages in respect of any loss that may have been caused to RWM ITALIA S.p.A.”.

- **TEMPORARY AGENCY WORKER**

“Mr./Ms. [.....] declares that he/she is aware of the provisions of the Code of Ethics and the Organisational Model pursuant to Legislative Decree No. 231/2001 of RWM ITALIA S.p.A., which have been delivered to him/her, and undertakes to comply with them.

Consequently, Mr./Ms. is aware that any non-compliance with the provisions contained in the Fourth Section of Chapter F of the General Part of the Model will constitute grave misconduct and will entitle RWM ITALIA S.p.A. to have him/her replaced without prejudice to damages in respect of any loss that may have been caused to the Company itself.”.

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