

# ORGANIZATION, MANAGEMENT and CONTROL MODEL

Legislative Decree June 8, 2001 no. 231

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Approved by the Board of Directors of AC Boilers S.p.A. during the meeting held on March 24, 2017

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## **1. Definitions**

**Corporate Governance:** Corporate Governance or Internal Control System is a set of rules (laws, regulations, corporate procedures, and so on) regulating the corporate management. The CG includes also the relations among the various parties involved (stakeholders) and the purposes for which the company is managed.

The main parties are shareholders, management and Board of Directors.

**Sensitive Activities:** Step in a process indicating risk-prone activities.

**Code of Ethics (CE):** Code of Conduct adopted in performing its activities and business. The Code uses as guidelines corporate laws, regulations and protocols. The CE establishes for all employees, administrators, partners and suppliers the basic rules of behaviour based on fairness, honesty, transparency and confidentiality, and respect and protection of environment, as well as health and safety of workers and of the community within which the Enterprise operates.

**Compliance:** It is the compliance of corporate business with laws, regulations, procedures and codes of conduct. The *Corporate Compliance* is a preventive action aiming at preventing the risk of non-compliance of the company with laws and regulations, suggesting appropriate corrections, if any misalignment is found.

**Consultants:** Individuals acting in name of/on behalf of the Company, under a contract of professional collaboration.

**Employees:** Employees of the Company, whose relationship is regulated by a temporary or permanent employment contract.

**Legislative Decree No. 231/2001:** Legislative Decree No. 231/2001 establishes the administrative liability of Institutions for crimes committed by directors, executives and/or employees to their own advantage.

It is therefore addressed to: Institutions with legal personality, companies with legal personality and associations even with no legal personality. Exceptions are the State, local Authorities and Institutions with constitutional functions. The company's liability is excluded in case the individual has committed the crime to his/her own advantage or for the benefit of third parties. The Decree provides also that each company can not incur in administrative offence adopting and respecting the corporate Organization and Management Model and establishing a Supervisory Body which effectively implements the compliance with the Model.

**Legal Person:** It is an organized group of persons and goods to which legal system gives legal capacity (ability of a person to have rights and obligations) making it a legal entity.

**Entity:** It indicates the Legal Company and private organizations which haven't been recognized and are legal persons (the so-called authorities, such as political parties and trade unions).

The same is applied to public organization without legal personality, but which are part of a broader Public Body with some autonomy. When the system attributes to institutions having no legal personality a certain fiscal autonomy, they can be considered as legal subjects.

**Types of offences:** It is the type of crime identified by Legislative Decree 231/2001 and subsequent amendments and/or amendments "not applicable to the State, to local Authorities and to any other public and non-economic institution playing significant constitutional roles".

**Insider Trading:** Anglo-Saxon term indicating the illegal practice of using confidential information or not yet released to the market in order to perform speculative transactions on the Stock Exchange, thus making profit illicitly in stock sale. The Insider Trading is prohibited and regulated by Law No. 157/1992 and subsequent amendments.

**Guidelines (GL):** Confindustria Guidelines provide the guidelines that a Company may use for creating its own Model. The GL are approved in advance by the Ministry of Justice. The first issue of GL was on 7th March 2002; updated on March 31st 2008.

**Organization and Management Model (MO):** The Organization and Management Model includes:

- a Code of Ethics which is the code of conduct adopted by the Company that, by listing the ethical principles, is also a foreword to the Model;
- an organization chart indicating Management and executives in top position and all the other individuals as subordinated (employees and contractors);
- a risk analysis (through process mapping and analysis of each risk-prone area, identifying offices and functions which direct the business activities);

- a formulation of binding corporate instructions (procedures identifying tasks, liabilities and related controls);
- the identification of a Supervisory Body (SB) monitoring the Model application;
- the identification and planning of preventive control (audit plans);
- the identification of a disciplinary system for non-compliance of the CE and of the Model.

**OHSAS 18001:** Regulation that supports companies in planning goals and policies for Workers' Safety and Health (Italian SSL) according to regulations in force and on the basis of dangers and risks likely to be present in the workplace.

**Corporate Bodies:** Board of Directors, Board of Statutory Auditors.

**Supervisory Body (SB):** Body of a company, appointed by the Board of Directors and endowed with powers of initiative and control which is entrusted with the task of supervising implementation and compliance with the CE and the Model and its updating and diffusion (pursuant to Legislative Decree 231/2001 and GL).

**Special Section:** Guide, part of the Organizational Model, on crimes pursuant to Legislative Decree 231/2001 and on potential risk-prone business areas at the time of adoption of the present Organization Model.

**Staff:** Employees, members of the Board of Directors, members of the Board of Statutory Auditors, members of SB.

**Attorneys:** Persons to whom the Company has granted powers for management purposes; they have commitments for the Company with any third parties.

**Public Administration (PA):** The P.A. consists of public and/or private bodies dealing with public services, public enterprises and public law bodies which have to operate, in relation to the scope of activities, performing public functions.

**Public official (Article 357 Criminal Code.):** according to criminal regulation, public officials are subjects exercising a legislative, judicial or administrative function. Administrative function is regulated by public law and authorization acts and is characterized by the expression of government will or authorization and certification power. Broadly speaking the concept of Public Body or Public Official also includes subjects (and consequently individuals belonging to them) that carry out public utilities (Enel, Telecom, Municipal Utilities, and so on) even though regulated by private law.

**Crimes:** Types of crimes described in Legislative Decree 231/2001 and subsequent amendments.

**Reg. CE 761/01 EMAS:** It stands for *Environmental Management and Audit Scheme*, or "Eco-Management System and Eco-Environmental Audit".

**Risks:** The combination of the probability of an event and its consequences. Business processes aim at managing in an integrated way the risks and their analysis must be referred to a general model of risk business which must be detailed and personalized according to the specific company. Generally speaking, the most recurrent risks can be classified into management risks (contractual commitments), strategic risks (organizational structure, joint ventures, alliances, etc.), financial risks (fiscal management, money laundering, payments, etc.) and external risks (laws and regulations, competition, etc.).

**SA 8000:** SA 8000 norm (Social Accountability) is an International standard, developed in 1997 by the American institution SAI, which contains the social requirements of organizations that voluntarily provide an ethic guarantee of its "supply chain" and production cycle. SA 8000 is based on ILO conventions, the universal Declaration of Human Rights and on United Nations Conventions.

**Apical subjects:** All those individuals who represent, administrate and manage the Company or one of its companies endowed with financial and functional autonomy as well as individuals who manage and control the Company.

**Stakeholders:** All those individuals who work in cooperation with the company. Among these Shareholders, Employees and Partners, Customers, Suppliers, Lenders, Competitors, the State, Public Authorities and the community.

**UNI EN ISO 14001:** The norm is an International standard which specifies the requirements for an environmental management system. It is issued by an independent body that verifies the concrete commitment to minimize the environmental impact of processes, products and services, certifying the reliability of the applied Environment Management System with the brand ISO 14001.

## **2. Introduction**

In year 2004 AC Boilers S.p.A., formerly Ansaldo Caldaie, voluntarily agreed upon what established by Italian Legislative Decree no. 231 of June 8, 2001, by adopting the Code of Ethics and the Organization, Management and Control Model (hereinafter the Model).

In 2008 the Model has been broadly reviewed both to implement what already legislated and to be adapted to AC Boilers S.p.A.'s organization changes, aiming at strengthening the governance system, submitting to careful audit the identification of risk-prone areas.

During the years 2011 and 2014 the Model has been updated with the introduction of new crimes in accordance with the law 231 and with the changes of the organizational structure adopted by the Company.

The Organization Model is divided into a General Part, which defines criteria and methods, and a Special Part, which gives an overview of the different types of criminal offences and relevant Protocols, aimed to regulating the performance of risk-prone activities, as well as the regulations designed to plan decisions in relation to single offences to be prevented.

AC Boilers S.p.A. undertakes to an opportune update of the Model in case any deficiency has been pointed out (even partial ones) that might affect an effective risk prevention, or in case of any noticeable change or modification of regulative system, corporate structure and company organization.

The task of monitoring operation and compliance of the aforesaid Model and its updating has been assigned to a Supervisory Board, appointed by the Board of Directors, whose constitution is announced after the nomination.

The Chairman

### **3. Overview of the Legislative Decree and Relevant Regulations**

The Legislative Decree no. 231 of June 8, 2001 introduced into Italian regulation an administrative liability system (basically comparable to criminal liability) at the expense of juridical persons to be added to the responsibility of the person who committed the offences and willing to involve into penalty also entities (Companies and institutions).

The Administrative liability of the Entity for one of the Crimes provided by the Decree is added to the criminal or administrative liability of the person who is the offender. The liability of the entity exists even if the offender has not been identified or if the offence itself has been extinguished for a reason different than amnesty.

The entity cannot be held responsible for any offence, but only for the commission of offences and administrative violations envisaged by the decree, as shown in its original formulation and subsequent amendments, and laws that expressly refer to the decree.

The liability of the Entity arises when an offence has been committed to advantage the Entity itself, without being necessary the effective and concrete achievement of the goal.

The offence should have been made by one or more qualified individuals, belonging to one of the following who categories:

- The "apical" individuals, people who are representatives, directors or managers within the Entity or within one of its units with financial and functional autonomy, such as for example, Legal Representative, Administrator, General Director or the Director of a branch;
- The "subordinate" individuals under the supervision of one of apical subjects, who may not coincide with the employees).

For Crimes committed by "apical" individuals, the decree establishes a presumption regarding the liability of the Entity, since it provides for the exclusion of its liability if it shows that the management has adopted and efficiently implemented, before the commission of the offence, organization and management models apt to prevent Crimes of the same kind of the one occurred.

For crimes committed by "subordinate" individuals, the Entity may be held liable only if it is established that "the offence was possible for a non-fulfilment of obligations required by management and supervision".



Crimes provided by the Legislative Decree are the following:

**Art. 24:** "Illegal receipt of funds, fraud against the State or public body"

**Art. 24-bis:** "Cybercrimes and unlawful data processing"

**Art. 24-ter:** "Organized crimes"

**Art. 25:** "Bribery and extortion"

**Art. 25-bis:** "Crimes of counterfeiting currency"

**Art. 25-bis-1:** "Crimes against industry and trade"

**Art. 25-ter:** "Corporate crimes"

**Art. 25-quarter:** "Crimes of terrorism and subversion of democracy"

**Art. 25-quater-1:** "Practice of female genital mutilation"

**Art. 25-quinquies:** "Crimes against the individual"

**Art. 25-sexies:** "Offences of market abuse"

**Art. 25-septies:** "Manslaughter and negligent injury committed in violation of safety and occupational health regulations"

**Art. 25-octies:** "Crimes of receiving stolen goods, money laundering and illegal use of utilities of illegal origin, as well as self-laundering"

**Art. 25-novies:** "Offences related to infringement of copyright"

**Art. 25-decies:** "Inducement not to make statements or to make false statements to the court"

**Art. 25-undecies:** "Environmental Crimes"

**Art. 25-duodecies:** "Use of workers without residence permit"

**Law n. 9, 2013** *Legal entities's liability for violation of administrative rules deriving from crimes*

**Law March 16, 2006 no. 146** "Transnational crimes"

- Criminal association;
- Mafia-type association;
- Criminal association oriented to the smuggling of foreign tobacco;
- Association oriented to illicit traffic in drugs;
- Measures against illegal immigration;
- Inducement not to make any statements or false statements to judicial authority
- Personal abetting.

The assumptions of crimes listed above have been included in the Special Section which is an integral part of the Model.

The Entity may be held responsible, in Italy, for some crimes committed abroad, provided that the Authorities of the Country where the crime has been committed do not proceed against it.

The Lawmaker, in order to provide "effective, adequate and dissuasive" sanctions, has established two main types of penalties: financial and disqualifying sanctions.

Financial sanctions are determined by the Court through a system based on "dues". Each crime requires a minimum and a maximum of shares, whose value is established by the Court, taking into account "economic and

financial conditions" of the entity, thus ensuring the effectiveness of the sanction.

The quantum of penalties may change from a minimum amount equal to Euro 25,822.00 up to Euro 1,549,000.00 approximately.

Disqualifying sanctions are applied **in addition** to financial sanctions, they can be temporary but may occasionally be applied with full effect and may provide:

- 1) temporary or permanent interdiction from the activity;
- 2) suspension or revocation of permits or licenses which could be functional to the commission of crimes;
- 3) prohibition of contracting with Public Administration, except for the performance of public services;
- 4) exclusion from benefits, loans, grants or subventions and possible revocation of those already granted;
- 5) temporary or permanent prohibition of advertising goods or services.

In addition to financial and disqualifying sanctions, the DECREE provides for two more penalties:

- confiscation, consisting in the acquisition by the State of the price or profit deriving from the offence;
- publication of the conviction at the entity's expenses.

The Articles 6 and 7 of the Decree provide for specific exemptions from administrative liability if the Company demonstrates that:

- the subject acted in his own interest or in the interest of third parties (not in the interest of the Company);
- or**
1. the managing body has adopted and effectively implemented, prior to the commission of the crime, proper management and control to prevent the perpetration of crimes (provided for by Legislative Decree 231/01);
  2. the task of supervising operation and compliance with models and the data updating has been assigned to a Supervisory Body appointed by the Company and endowed with autonomous powers;
  3. individuals who committed the crime evading the organization and management model;
  4. there has been omitted (or insufficient) supervision by a Supervisory Body.

The Company shall therefore have adopted and implemented proper organization and management models in order to prevent any crime provided for in the Legislative Decree 231/01.

These models, to be designed to prevent the risk of crimes, must meet the following requirements:

- identify the activities within which crimes may be committed;
- provide specific protocols, namely organizational and procedural elements, aiming at planning the implementation of the Company's decisions in relation to crimes to be prevented (powers and proxy system, authorization procedures, operational procedures);
- identify the procedures for the management of financial resources in order to prevent the commission of crimes;
- provide information to Supervisory Body;
- adopt a suitable disciplinary system for punishing the non-compliance with the measures provided by Organization and Management Model.

#### **4. Features and use of Organizational Model**

The Company intends to operate according to ethical principles in performing its activities, pursuing the social purpose and the growth of the Company and of the Group, in compliance with laws in force.

To this purpose it has a Code of Ethics aiming at defining the principles of ethical business which the Company recognizes as its own and requires observance. The Company is also sensible to the expectations of its shareholders as regards fairness and business transparency and is aware, in order to ensure these conditions, of the possibility of introducing an Organization and Management *Model* in its internal auditing system for crimes prevention, taking into account the provisions of the Decree and the Guidelines drawn up by Confindustria.

This initiative, together with the adoption of the Code of Ethics, was taken to increase awareness of all employees of the Company and of other individuals interested in it (Customers, Suppliers, Partners, external contractors, and so on), in order to ensure correct behaviours aiming at preventing the risk of the offences specified in the Decree.

Using the Organization and Management Model the Company will pursue the following purposes:

1. prevent the risk of committing crimes;
2. raise awareness in those who act on behalf of the company in order to ensure that every activity is characterized by principles of transparency, fairness and compliance with procedures (internal audit);
3. raise the awareness of the risk of proper sanctions in case of non compliance with the provisions herein mentioned;
4. stress that the Company considers unjustifiable any conduct contrary to legal provisions and to ethical principles on which the Company is based.

Milestones of the Model are:

- identification of risk-prone areas/processes;
- definition of an internal regulatory system aiming at planning the implementation of the Company's decisions in relation to risks/crimes to be prevented through:
  - a Code of Ethics laying down general guidelines;
  - a system of delegations of functions and proxies to sign corporate documents, ensuring a clear representation of training process and of implementation of decisions;
- establishment of a coherent organizational structure designed to monitor a fair conduct and ensure a clear assignment of tasks by applying a proper separation of functions;
- identification of management processes and control of financial resources within activities exposed to risk of offence;
- assignment to Supervisory Body of monitoring operations and compliance with the Organization and Management Model and propose its updating;

- pursuant to Legislative Decree – Articles 6 and 7 - the construction of a Disciplinary System for violations of rules of conduct provided by the Code of Ethics and the Organization and Management Model regardless the penal trial.

This Organization and Management Model consists of a first part in which legislative references are mentioned, a second part in which the Company is identified as a corporate structure and a third part in which the main features of Organization Model are described, with particular reference to Supervisory Body, staff training and the diffusion of the Model within the Corporate context, disciplinary system and identified risky areas and finally a last part where possible crimes to be committed within the Company are analyzed.

The Organization and Management Model is associated with the Operation Manual which sets rules, procedures or operational requirements adopted for each kind of offence.

## **5. AC Boilers S.p.A.**

### **5.1 The Company**

The Company operates directly, also through partnership on its respective markets.

The Company By-Laws lists in details the activities of the Company object, all complying with regulations, restrictions and prohibitions provided for by laws in force.

It can also work with its Clients through Temporary Group of Enterprises, Joint Venture, Partnership Agreement, Consortium and other partnerships. The Company undertakes to apply to such Entities the present Organization Model and to communicate it to its Partners. It also strives to promote the adoption of similar organization models in the subsidiaries.

### **5.2 Types of business and markets/Customers**

Company's products are mainly:

- utility boilers
- biomass and waste to energy boilers
- heat recovery steam generators
- service and spare parts

The markets are mainly:

- Italy and Europe
- South America
- North Africa
- Middle/Far East

Customers are mainly:

- Oil companies
- EPC (Engineering Procurement Construction) Companies
- IPP (Independent Power Producers) Companies
- Public Authorities
- Plant Manufacturers

### **5.3 Participations**

RTI, JVs and other agreements related to the execution of single projects are not represented as they are temporary and/or have no legal personality; branches, permanent establishments and Tax Agencies are not represented as they are a direct issue of the Company and/or have no legal personality.

**Participations:**

**CCA s.r.l.** (100% owned) its object is the promotion and conduct of research and specialized services dedicated to the development of basic and applied products and technological innovations, also through prototyping and industrialization of products, in own and for third parties.

**AC BOILERS EGYPT S.A.E.** (98% owned) its object is the design, manufacture, construction, assembly, marketing and sale of boilers, generators, boilers for steam production, including spare parts, components and parts, including technical assistance using the same equipment.

**ANSALDOCALDAIE BOILERS INDIA PV LTD** (26% owned) operates direct and independent on the Indian energy market, in order to provide executive engineering, procurement and production at competitive costs for AC Boilers projects both on the Indian market and on markets of Middle and Far East.

**ITEA S.P.A.** (12% owned) its object is the research, study, design, construction, sales, hire and management of innovative technologies in the environmental sector and systems and technology components for the recovery and disposal of waste, air purification, land reclamation and recovery and remediation of landfills (managed in a proper or entrusted to others).

## **6. Organization System**

### **6.1 Organization System**

The Corporate Organization and Management Model identifies and defines duties, tasks and responsibilities of functions, establishing the assignment of responsibilities and connecting lines (whether necessary) among each department and level within the Company.

The Company's organization system is shown in the corporate organization chart here below, whose description is reported in the Quality System.

For the effectiveness of this Model, the main goal of the Company is ensuring a wide and accurate disclosure of the Code of Ethics, familiarity of Legislative Decree 231/2001, Organization and Management Model and adopted Procedures as well as their updates to all employees; for this purpose training sessions are periodically organized in compliance with the specific procedure.

Employees must know and respect the content both of the Code of Ethics and of the Organization and Management Model and contribute to its implementation and operation.

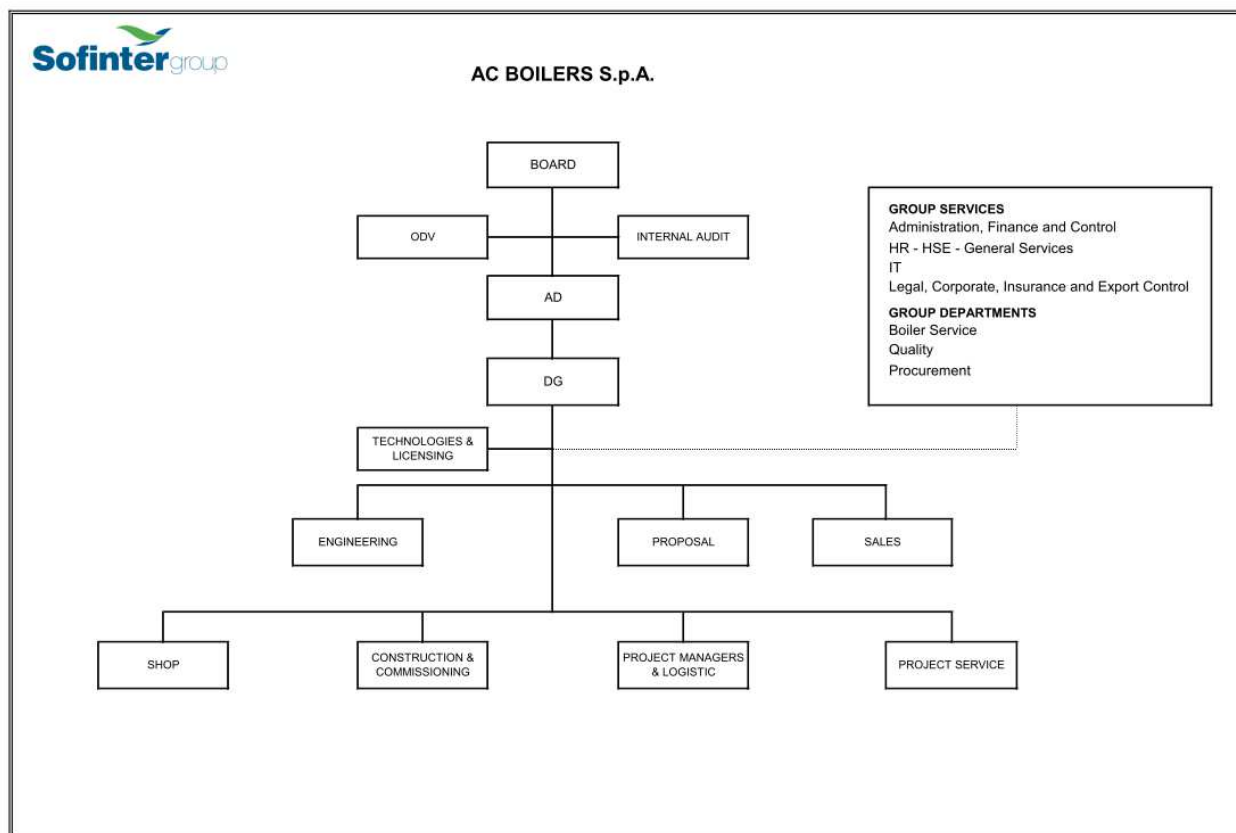
### **6.2 Delegation of powers: principles and purposes**

The delegation system takes into account the principles provided by Italian Legislative Decree 231/01 as:

- separation of duties;
- clear identification of assigned responsibilities;
- lines of hierarchical subordination;
- need of territorial defence;
- provision of powers of authorization and signature for fixed values (amounts and conditions).

The powers and assigned powers are limited mainly to operating managers, technical directors and managers of Company safety.

### 6.3 Organization chart



The organizational structure of the Company and, in general of Sofinter Group, experienced an optimization process, that initiated in 2015 and is still in progress, with the aim to encourage operational synergies and management optimization.

In particular:

1. The following staff functions provided by the Parent Company (Group Services) operate in order to support the Group companies:

- Internal Audit;
- Legal & Corporate, Insurance and Export Control;
- Human Resources, HSE (Safety and Environment) and General Services;
- Administration, Finance and Control and Information Systems.

2. The following functions have been centralized (Group Departments):

- Quality;
- Boiler Service;



- Procurement.

3. The following functions remain within AC Boilers S.p.A. in order to ensure effective operational autonomy:

- Engineering;
- Project Managers & Logistics;
- Proposal;
- Sales;
- Technologies & Licensing;
- Construction and Commissioning;
- Project Service;
- Shop.

#### **6.4 Supervisory Body (SB)**

The SB consists of a minimum of three to a maximum of five members to be appointed by the Board of Directors; the appointment will be served by a special notice.

A sentence (or settlement) also not irrevocable for having committed any of the offenses set forth in Legislative Decree no. 231/2001 or conviction (or plea bargaining) to a sentence implying disqualification, even temporary, from public offices or temporary disqualification from managerial positions for legal persons or companies they will be cause for ineligibility as member of the SB.

The characteristics of SB members appointed by the Company according to art. 6 of the Legislative Decree 231/01 and Confindustria Guidelines, shall be chosen on the basis of the following requirements:

- Honour and moral standards
- Autonomy and independence
- Professionalism

##### ***Honour and moral standards***

The members of SB must submit statements of integrity according to the regulations in force.

##### ***Autonomy and Independence***

The Supervisory Body of the Company shall be autonomous and independent and shall not be directly involved in management activities which are the object of its auditing activity in order to preserve its impartiality and the effectiveness of the Model.

##### ***Professionalism***

The Supervisory Body of the Company shall have technical and professional skills in order to perform the assigned tasks. A specific skill is required to those performing this activity, such as skills for analysis, evaluation of risk and measures for their restraint, the identification of weakness of process and procedures, methods for fraud detection, and so on. These techniques should be applied both as a preventive measure in order to adopt the

most suitable measures to prevent the commission of crimes, and afterwards to determine the commission of any crime. As part of the role played by the members of SB, the Company requires **continuity of action** in relation to the constant supervision on the effectiveness of the Organization Model, on its continuous implementation as well as on its continuous updating. The SB must also provide advisory opinions on the construction of the Organizational Model in order to identify possible weaknesses; advisory opinions do not affect independence and objectivity of the trial of specific events. The SB uses the Internal Audit Department to perform audits and checks provided for by the Organization Model as well as controls of business functions that from time to time will be useful to carry out activities requiring specific skills. The tasks of SB are:

- a) to ensure the implementation of the Organization Model in relation to different classes of offences;
- b) to assess and monitor the efficacy of the Organization Model in preventing the commission of offences;
- c) to propose to the CEO and to the Board of Directors updates and changes to the Model in relation to changing legislation and business conditions;
- d) to monitor the efforts for the diffusion of familiarity of the Model.

The SB is also responsible for:

- planning periodic audits targeting risky activities, as defined in the Organization Model;
- collecting and preserving relevant information in respect of the Organization Model and update the list of information to be submitted to SB;
- holding internal inquiries to ascertain alleged violations reported to SB or identified during the activities performance;
- checking periodically the map of risk-prone areas in order to adapt it to the changes in the activities and within the company organization;
- reporting periodically, at least yearly, to CEO and to Statutory Auditors on the implementation of corporate policies for the implementation of the Organization Model.

Management shall indicate to SB possible circumstances which may expose the Company to the risk of crime. In order to perform the foregoing, the SB shall:

- access corporate documents in order to perform required audits;
- use adequate professional resources and financial resources;
- take advantage of the support of various corporate structures that may be involved in the control activities.

The Supervisory Body adopted its own Operating Regulation, approve its content and present it to the Board meeting.

#### **6.4.1 Supervisory Body Reporting**

The Supervisory Body Reporting is carried out through two reporting streams:

- the first, on an ongoing basis, directly with the Managing Director;
- the second, on annual basis, to the Board of Directors and the Statutory Auditors. Every year the Supervisory Body sends to the Board of Directors a written report on the implementation of the Organization and Management Model within the Company.

The SB may be called at any time by the Company or may make a request to report on specific situations raised during the implementation of the Model whenever he or she deems it necessary.

#### **6.4.2 Information to Supervisory Body**

Each company department must inform the Supervisory Body on situations, process changes and duties covered by the Organization and Management Model applied within the Company pursuant to Italian Legislative Decree 231/01. In this regard it should be reported:

- behaviours not complying with the rules of conduct adopted by the Company and violation of the Organization and Management Model;
- changes in the delegation system and/or changes of assigned powers;
- measures and/or notices coming from the police or from any other authority;
- request for legal assistance for the offences envisaged by the Decree;
- the reports received by SB must be collected and retained in special archives, where the access is allowed only by SB members;
- implementation of disciplinary measures and sanctions proposed by SB.

Information received by the SB must be collected and stored in a specific file to which the access is allowed only to the members of the SB.

The reports or complaints may be made only in writing and not anonymous letter or e-mail, with any documentation related to the reported, one of the following addresses:

AC Boilers S.p.A., Piazza Buffoni no. 3 – 21013 Gallarate (VA) – to the attention of the Supervisory Board at Legal Affairs; e-mail: [odv@acboilers.com](mailto:odv@acboilers.com).

## **7. Disciplinary System**

### **7.1 General principles**

In order to ensure the effectiveness of the Organization and Management Model it is required an adequate disciplinary system for the breach of rules of conduct envisaged by the Code of Ethics. Disciplinary sanctions for the violation of corporate rules of conduct leave any possible result of criminal proceedings out of consideration and do not include behaviours that may lead to irregularities.

### **7.2 Sanctions applicable to employees**

Violations of the rules of conduct contained in the Code of Ethics are considered breaches of discipline. The sanctions applicable to employees fall among those provided by the Company Regulations, in compliance with procedures envisaged by Article 7 of Workers' Statute (Law No. 300, May 20, 1970) and any applicable social regulation. This Model refers to the categories of punishable events envisaged by the National Collective Bargaining Agreement (Italian CCNL) applied within the Company; these categories describe punished behaviours and sanctions prescribed for the commission of offences depending on the severity. In particular, pursuant to Article 8 paragraph 7 of the National Collective Bargaining Agreement for metal and mechanical industry workers, the failure by the employees of the provisions and procedures contained in this Model will involve the application of the following penalties in proportion to the gravity of the offense:

- 1 VERBAL CALL OR WRITTEN WARNING;
- 2 FINE;
3. SUSPENSION FROM SERVICE AND PAYMENT;
4. DISMISSAL WITH NOTICE;
5. DISMISSAL WITHOUT NOTICE.

The powers already granted to corporate management, within the limits of their respective competence, remain unchanged both for the investigation of offenses and for disciplinary measures.

The disciplinary system is subject to verification of validity and application of the relevant functions in conjunction with the Head of Human Resource Management.

### **7.3 Sanctions applicable to Managers**

In the event of a breach of one of the internal procedures, envisaged by the Organization and Management Model, by the Managers in performing sensitive activities, or of practices not complying with the Model and the Code of Ethics, the Company shall apply against those responsible appropriate measures in compliance with the provisions of the National Collective Bargaining Agreement for Managers, as such violation will be deemed by the Company as non-compliance with the obligations arising from the working relationship.

#### **7.4 Sanctions applicable to Directors and Auditors**

Any infringement of the Organization and Management Model, of the Code of Ethics and of current regulations by Directors and Auditors shall be reported by Supervisory Body to the Board of Directors and to the Statutory Auditors who arrange appropriate actions pursuant to law, convening if necessary the shareholders' meeting in order to adopt the most appropriate measures.

#### **7.5 Sanctions applicable to Consultants and Partners**

The breach by Consultants or Partners of the rules of conduct envisaged in the Organization Model and in the Code of Ethics or the commission of the crimes provided for by Italian Legislative Decree 231/01 will be sanctioned in accordance with contractual clauses included in their contracts and in case of serious infringements even with the termination of contract.

This does not affect any claim for compensation in case the behaviour causes damages to the Company.

## **8. Potential risk mapping**

In accordance to the provisions of art. 6 paragraph 2, letter. a) of the Decree, the Company, through a risk mapping process, has identified the areas of activity that are potentially at risk for committing crimes listed in the Decree.

In addition, some functions – areas of activities, even not being directly included in the risk of crime, may be used as the implementation tool of hypothetic crimes committed in another area. The latter, despite being identified as a risk-prone Area, may “contaminate” and other areas without being aware of participating in an illegal or criminal offense. For these areas the procedures of Organization and Management Model require management and organization as a whole control.

It is referred in particular to the following areas:

- 1) how to manage financial resources (for ex. Management of financial resources, both incoming and outgoing, which may cause atypical cash flows);
- 2) audits management (Legislative Decree 81/2008, tax audits, Inps, and so on and possible disputes arising from them);
- 3) management of ordinary requirements (for ex. Administrative business, management of possible judicial and extrajudicial cases with P.A.);
- 4) management of the process of issuing purchase orders (process of procurement of goods and services with reference to purchases managed by the relevant departments of the Company and/or managed by a service contract, to the stages of the process related to the application of supply, the selection of the supplier and the signing of the contract, use, and management of contracts, revision of contracts);
- 5) process management utility with particular reference to the management of gifts, sponsorships, donations and expenses;
- 6) procurement process, purchase and sale of raw materials and products on the market, with particular reference to the phases of the counterparty selection, negotiation and conclusion of the contract;
- 7) the process of selection and recruitment of human resources;
- 8) management of the process for approval of invoices for payment;
- 9) company or entities within the same group but established in different States for the following transactions: (i) intercompany contracts purchases and/or sales, (ii) Management of financial flows, (iii) intercompany Investments.

The documentation relating to the matrix Offences-sensitive activities and the risk measurement and control model is on file in the Legal Affairs Department of the Company.

## ***9. Update of Organizational Model***

As this Model is “an act issued by Management Department” (in compliance with the provisions of Article 6, Section 1, Letter A of the Decree), its adoption as well as its subsequent amendments and integrations, even proposed by the Supervisory Body, shall be referred to the competence of Company Board of Directors.

Furthermore, the Director with powers is entitled to make any formal and not substantive change or integration to the text, reporting periodically to the Board of Directors of the Company of such changes made.

Moreover, the Director also has the power to adopt or change business procedures and the Control Protocols relating to sensitive business areas indicated in this Model and in the Crimes Matrix 231.

In any case, the Organizational Model, the procedures and the Control Protocols regarding the sensitive process control therein shall be modified in the following cases:

- upon the occurrence of significant changes in the regulatory system;
- upon the occurrence of significant changes in corporate and/or business organization;
- when violations are detected or circumvention of the requirements, in order to maintain the efficiency of the Organizational Model.

The Supervisory Body has the duty of monitoring the progress and updates of the results the Organizational Model and any changes in the procedures and Control Protocols, providing appropriate information to the Company.

## ***10. Reference documents for the preparation of the Organization Model***

- A. Group Code of Ethics, approved by the Board of Directors on March 27, 2013
- B. Quality System: quality manual and procedures
- C. Work Safety Management System
- D. Legislative Decree 231/01
- E. Confindustria Guidelines

## ***11. Attachments to the Organizational Model***

Organization Model – Special Section

Matrix Crimes 231 – Business Sensitive Activities

Control Protocols

Anti–Corruption Compliance Manual

## **Appendix: Organization and Management Model Evolution**

<b>DATES</b>	<b>DESCRIPTION</b>
October 28, 2004	<b>Organization and Management Model / ISSUE 1</b>
October 28, 2004	<b>Code of Ethics / ISSUE 1</b>
March 24, 2006	<b>Organization and Management Model / ISSUE 2</b> Approval of Organization and Management – Issue. 2, which has acknowledged: - new regulations related to Italian Legislative Decree 231/01; - organization development occurred by 28, October 2004.
March 29, 2007	<b>Organization and Management Model / ISSUE 3</b> Approval of Organization and Management Model – ISSUE 3, which has: - diminished the minimum number of SB members, from three to two; - updated the participations of the Company and subsequently the Annex 1.
July 31, 2008	<b>Organization and Management Model / ISSUE 4</b> Approval of Organization and Management Model – ISSUE 4, which has: - updated the participations of the Company and subsequently the Annex 1; - acknowledged the regulation related to: (i) computer crimes and illicit use of data introduced by Italian Law March 18, 2008 no. 48, Article 7, (ii) Manslaughter and negligent injury committed in violation of safety and occupational health regulations (under Article 25-septies of Italian Legislative decree 231/01 introduced by Law August 3rd 2007 No. 123, Article 9); (iii) Crimes of receiving stolen goods, money laundering and illegal use of utilities (under Article 25-octies of Italian Legislative Decree 231/01 introduced by Legislative Decree November 2007 No. 231, Article 63); (iv) implemented the changes of corporate organization.
July 8, 2011	<b>Organization and Management Model / ISSUE 5</b> Adopts the regulations relating to: • Offences related to infringements of copyright and inducement not to make statements or to make false statements to the court (pursuant to art. Novies 25 of Legislative Decree 231/01) • Art. 10 ex Law 16 March 2006, n. 146 - "Ratification and implementation of the Convention and the Protocols to the UN Convention against Transnational Organized Crime, adopted by the General Assembly on 15 November 2000 and 31 May 2001" - published in the Official Gazette no. 85 of 11 April 2006 - Ordinary Supplement no. 91.
March 27, 2013	<b>Code of Ethics / ISSUE 2</b>
March 28, 2014	<b>Organization and Management Model / ISSUE 6</b> Acknowledges the regulation related to: <b>Art. 25-undecies:</b> "Environmental Crimes" <b>Art. 25-duodecies:</b> "Use of workers without residence permit"

This **Organization, Management and Control Model – Issue 7** was approved by the Board of Directors of the Company in its meeting on March 24, 2017 and replaces the previous editions.



## **Special Part: Description and characteristic of offences**

Legislative Decree no. 231 of June 8, 2001

**MISAPPROPRIATION TO THE DETRIMENT OF THE STATE (ART. 24)**

Undue receipt of disbursements to the detriment of the State (316 bis of the criminal code);

Misappropriation of funds in detriment of the State (316 ter of the criminal code);

Fraud to the detriment of the State, other public company or the European Union (640 of the criminal code);

Aggravated fraud for obtaining public disbursements (640 bis of the criminal code);

IT crime to the detriment of the State or other public Company (640 ter of the criminal code).

**COMPUTER CRIMES AND ILLEGAL DATA TREATMENT(ART. 24-BIS)**

Falsehood in IT documents (491-bis of the criminal code);

Improper access to an IT or telematic system (615-ter of the criminal code);

Detention and illegal distribution of access codes to IT or telematic systems (615-quater of the criminal code);

Distribution of equipment, devices or computer programs intended to damage or interrupt an IT or telematic system (615-quinquies of the criminal code);

Illegal interception, prevention or interruption of IT or telematic communications (617-quater of the criminal code);

Installation of equipment suitable for intercepting, preventing or interrupting IT or telematic communications (617-quinquies of the criminal code);

Damage of IT information, data and programs (635-bis of the criminal code);

Damage of IT information, data and programs used by the State or by another public body or anyway of public utility (635-ter of the criminal code);

Damage of IT or telematic systems (635-quater of the criminal code);

Damage of IT or telematic systems of public utility (635-quinquies of the criminal code);

IT fraud by the person providing certification services for electronic signature (640 quinquies of the criminal code).

**OFFENCES OF ORGANISED CRIME (ART. 24-TER)**

Criminal association (416 of the criminal code);

Criminal association aimed at enslavement or maintenance in slavery, people trafficking, purchasing and selling of slave and offences concerning the violations of the provisions in illegal immigration provided for in art. 12 Legislative Decree 286/1998 (416 of the criminal code sixth paragraph);

Mafia-type association (416-bis of the criminal code);

Political-mafia electoral exchange (416-ter of the criminal code);

Kidnapping of a person for the purpose of extortion (630 of the criminal code);

Association with the aim of illegally trafficking narcotic or psychotropic drugs (art. 74 Presidential Decree 9 October 1990, n. 309);

Illegal fabrication, introduction into the State, making available for sale, transfer, detention and bearing in public or place open to the public of weapons of war or war-type weapons or parts thereof, explosives, or clandestine weapons as well as of several common fire arms (art. 407, para 2, a), 5), of the criminal code).

**BRIBERY AND CORRUPTION(ART. 25)**

Bribery (317 of the criminal code);

Bribery of a public official (318 of the criminal code);

Bribery for a deed that goes against official duties (319 of the criminal code);

Aggravating circumstances (319 bis of the criminal code);

Judicial corruption (319 ter of the criminal code);

Misappropriation induction to give or promise benefits (319 quarter of the criminal code);

Bribery of a public service (320 of the criminal code);

Penalties for the briber (321 of the criminal code);

Instigation to corruption (322 of the criminal code);

Misappropriation of public funds, bribery and corruption and instigation to the corruption of members of the Bodies of the European Community and functionaries of the European Community and Foreign countries (322 bis of the criminal code).

**CRIMES OF COUNTERFEITING MONEY: FORGERIES OF CURRENCY, LEGAL TENDER, REVENUE STAMPS AND IN INSTRUMENTS OR SIGNS OF RECOGNITION (ART. 25-BIS)**

Falsification of currency, passing and introduction into the State, with accomplices, of forged currency (art. 453 of the criminal code);

Alteration of currency (art. 454 of the criminal code);

Passing and introduction of counterfeit currency into the state, without complicity (art. 455 of the criminal code);

Spending of falsified currency received in good faith (art. 457 of the criminal code);

Forging of revenue stamps, introduction into the State, acquisition, holding or placing forged revenue stamps in circulation (art. 459 of the criminal code);

Counterfeiting of watermarked paper in the use for the fabrication of legal tender or revenue stamps (art. 460 of the criminal code);

Fabrication or holding of watermarks or instruments for the forging of currency, revenue stamps or watermarked paper (art. 461 of the criminal code);

Use of counterfeit or altered revenue stamps (art. 464 of the criminal code);

Counterfeiting, alteration or use of trademarks or distinctive markings or patents, models and drawings (473 of the criminal code);

Introduction into the State and marketing of products with false markings (474 of the criminal code).

**CRIMES AGAINST INDUSTRY AND COMMERCE (ART. 25-BIS 1)**

Disturbed liberty of an industrial or commercial concern (513 of the criminal code);

Illegal competition with threats or violence (513-bis of the criminal code);

Frauds against national industries (514);

Fraud in the exercise of commerce (515 of the criminal code);

Sale of non-genuine food stuffs as genuine (516 of the criminal code);

Sale of industrial products with untruthful markings (517 of the criminal code);

Fabrication and commerce of goods made by usurping the ownership of industrial property (517-ter of the criminal code);

Counterfeiting of geographical indications or designation of origin of agricultural and food products (517-quater of the criminal code).

**CORPORATE CRIMES (ART. 25-TER)**

False corporate communications (2621 of the civil code);  
False communications to the detriment of the shareholders or the creditors (2622 of the civil code);  
Obstructions to control (2625 of the civil code);  
Undue return of contributions (2626 of the civil code);  
Illegal distribution of the profits or of the reserves (2627 of the civil code);  
Illegal transactions in the shares or holdings in the company or the subsidiaries (2628 of the civil code);  
Transactions to the detriment of the creditors (2629 of the civil code);  
Dummy formation of the share capital (2632 of the civil code);  
Undue distribution of the company assets by the receivers (2633 of the civil code);  
Illegal influence over the Shareholders' Meeting (2636 of the civil code);  
Stock manipulation (2637 of the civil code);  
Failure to communicate conflict of interests (2629-bis of the civil code);  
Obstacle to the exercise of the functions of public supervision authorities (2638 of the civil code).  
Private corruption (2635 of the civil code).

**OFFENCES WITH THE INTENTION OF TERRORISM OR SUBVERSION OF DEMOCRATIC ORDER  
PROVIDED FOR IN THE CRIMINAL CODE AND SPECIAL LAWS (ART. 25-QUATER)**

Association for the purposes of terrorism and the subversion of the democratic order (270 bis of the criminal code);  
Assistance to the associates (270 ter of the criminal code);  
Recruitment for purposes of terrorism including international terrorism (270 quarter of the criminal code);  
Training and activities for purposes of terrorism including international terrorism (270 quinquies of the criminal code);  
Conducts with purposes of terrorism (270 sexies of the criminal code);  
Attack to terrorism and subversion (280 of the criminal code);  
Act of terrorism with lethal or explosive devices (280 bis of the criminal code);  
Kidnapping for the purpose of terrorism or subversion (289 bis of the criminal code);  
Instigation to commit any of the crimes referred to in chapters first and second (302 of the criminal code);  
Urgent measures for the protection of the democratic order and public safety (Law 6 February 1980 n. 15 - art. 1).

**PRACTICES OF MUTILATING FEMALE GENITAL ORGANS (ART. 25-QUATER-1)**

Practices of the mutilation of female genital organs (583-bis of the criminal code).

**OFFENCES AGAINST THE INDIVIDUAL PERSONALITY (ART. 25-QUINQUIES)**

Reduction or maintenance in slavery or servitude (600 of the criminal code);

Juvenile prostitution (600-bis of the criminal code);

Underage pornography (600-ter of the criminal code);

Detention of pornographic material (600-quater of the criminal code);

Virtual pornography (600-quarter 1 of the criminal code);

Tourism aimed at the exploitation of the juvenile prostitution (600-quinquies of the criminal code);

People trade (601 of the criminal code);

Purchase and sale of slaves (602 of the criminal code);

Aggravating circumstances (602 ter of the criminal code).

**CRIMES OF MARKET ABUSE (ART. 25-SEXIES)**

Abuse of privileged information (Legislative Decree 58/98, art. 184);

Manipulation of the Market (Legislative Decree 58/98, art. 185);

Additional penalties (Legislative Decree 58/98, art. 186);

Confiscation (Legislative Decree 58/98, art. 187).

**MANSLAUGHTER AND INJURIES CAUSED BY SERIOUS NEGLIGENCE OR GROSS NEGLIGENCE ,  
COMMITTED WITH A VIOLATION OF THE HEALTH AND SAFETY REGULATIONS AND  
REGULATIONS GUARANTEEING HYGIENE AND HEALTH IN THE WORKPLACE (ART. 25-SEPTIES)**

Manslaughter (589 of the criminal code);

Personal injuries through negligence (590 of the criminal code).

**RECEIVING, RECYCLING AND EMPLOYMENT OF MONEY, GOODS OR UTILITIES OF ILLEGAL  
PROVENANCE (ART. 25-OCTIES)**

Receiving (648 of the criminal code);

Recycling (648-bis of the criminal code);

Employment of money, goods or utilities of illegal origin, self-laundering (648-ter and quater of the criminal code).

### **TRANSNATIONAL CRIMES**

Criminal association (416 of the criminal code);

Mafia-type association (416-bis of the criminal code);

Criminal association for foreign processed tobacco product smuggling (Art. 291 *quater* Consolidated Customs Act – Presidential Decree 23 January 1973, n. 43);

Association aimed at the illegal traffic of narcotics (Art. 74 Consolidated Law regarding Narcotics – Presidential Decree 309 dated 9 October 1990);

Provisions to curb illegal immigration (Legislative Decree 286/1998, Art. 12);

Inducement not to make declarations or to make untruthful declarations to the judicial authorities (377 bis of the criminal code);

Personal aiding and abetting (378 of the criminal code).

### **OFFENCES REGARDING THE VIOLATION OF COPYRIGHT (ART. 25-NOVIES)**

Offences regarding the violation of copyright (art. 171, co. 1, lett. A-bis), co.3, 171-bis, 171-ter, 171-septies, 171-octies, Law 22 April 1941, n. 633).

### **INDUCEMENT TO NOT MAKE DECLARATIONS OR MAKING UNTRUTHFUL DECLARATIONS TO THE JUDICIAL AUTHORITIES (ART. 25-DECIES)**

Inducement not to make declarations or to make untrue declarations to the judicial authorities (377-bis of the criminal code).

### **ENVIRONMENTAL CRIMES (ART. 25-UNDECIES)**

Environmental crimes (Artt. 727 bis, 733 bis of the criminal code; art. 137 – Legislative Decree 152/06; art. 256 co. 1,3,5,6 – Legislative Decree 152/06; art. 257 co. 1, 2 – Legislative Decree 152/06; art. 258 co. 4, art. 259 co. 1, art. 260 co. 1,2, art. 279 co. 5 – Legislative Decree 152/06; Art. 1 co. 1,2, art. 2 co. 1,2, art. 6 co. 4, art. 3 bis co. 1 – Law 150/92; art. 3 co. 7 – Law 549/93; art. 8 co. 1,2, art. 9 co. 1,2 – Legislative Decree 202/07).

### **EMPLOYMENT OF FOREIGNERS WITHOUT A RESIDENCE PERMIT (ART. 25- DUODECIES)**

Employment of foreigners without a residence permit (Legislative Decree 25 July 1998, n. 286).