



**Organizational,
Management and Control Model
pursuant to Legislative Decree
no. 231, 8 June 2001**

Approved by the Board of Directors
of Leonardo S.p.a. at the meeting of 17/12/2015
Available on the company's intranet:
LDO(Ethics & Compliance)
and on the internet at the site: leonardocompany.com
(About us/Ethics & Compliance)

*The English text is a translation from Italian.
For any conflict or discrepancies between the two texts the Italian shall prevail.*

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SPECIAL PARTS

(ONLY INTERNAL USE)

GENERAL PART

GENERAL PART

1. ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL OF LEONARDO S.P.A.

The organizational structure of Leonardo S.p.a. (hereinafter "LDO" or the "Company") comprises the Corporate Center, four sectors and seven divisions.

In particular:

- the Helicopters' Sector, with the Helicopters' Division;
- the Aeronautics Sector, with the Aircraft and Aerostructures Divisions;
- the Electronics, Defence and Security Systems Sector, with the Airborne and Space Systems, Land and Naval Defence Electronics, Defence Systems and Security and Information Systems Divisions;
- the Space Sector.

The Corporate Center comprises the central structures for the corporate governance (staff functions) that ensure the address and coordination of the Group, as well as the provision of common services.

The sectors are part of the Corporate Center and are equipped with facilities to coordinate their divisions, which are divided into business units, product units and program units.

The Divisions have technical functions, supporting divisional functions (which report hierarchically to the Head of Division and functionally to the responsible of the corresponding structure of the Corporate Center) and supporting centralized functions (which report functionally to the Head of Division and hierarchically to the responsible of the corresponding structure of the Corporate Center).

LDO, in order to ensure that the behavior of all those who work for or on behalf of the Company is always compliant with the laws and the regulations and consistent with the principles of fairness and transparency in conducting the business and the corporate activities, has adopted the Organizational, Management and Control (hereinafter the "Model" or "231 Model"), pursuant to the recommendations of the Decree n. 231 of 2001 (hereinafter the "Decree" or "Legislative Decree no. 231/01"; for further information on the Decree please refer to Annex 1 of the Model) and on the basis of the guidelines issued by Confindustria.

The Recipients of this Model (hereinafter the "Recipients") who are, as such, under an obligation to know, observe and comply with it within their respective spheres of competence, are as follows:

- members of the Board of Directors, in the pursuance of the company's affairs through the resolutions approved and those who perform (including de facto) representative function, management,

administration, direction or control of the Company or of an organizational unit of this, having financial and functional autonomy;

- members of the Board of Statutory Auditors when controlling and reviewing the correctness, in both form and substance, of the Company's activities and the operation of the internal control and risk management system;
- all the employees and all the external co-workers under any type of contract with the company, including on an occasional and/or merely temporary basis;
- all those who, even though not belonging to the Company, act on behalf or in the interest of the latter;
- anyone having relationships of any nature with the Company, whether for a consideration or without consideration (such as, including but not limited to, consultants, suppliers and third parties in general).

The Recipients are required to strictly comply with all the provisions of the Model, also in fulfilment of the duties of honesty and diligence arising from legal relationships with the Company.

LDO disapproves and punishes any behavior not compliant to the provisions of the Model, as well as to the law, even if the conduct is performed in the belief of pursuing, even partially, the interests of the Company or with the intention of providing it with an advantage.

1.1 PURPOSES OF LDO'S MODEL

The Model is intended to:

- integrate, strengthening it, the LDO Corporate Governance system, which presides over the management and control of the Company;
- define a structured and organic prevention and control system, aimed at the reduction of the risk of commission of the crimes provided by the Decree (hereinafter also "presumed crimes"; for the types of presumed crimes please refer to the Annex 1 of the Model);
- inform and train the Recipients of the Model on the existence of such system and the constant need to align their activities to it;
- reassert the notion that LDO shall not tolerate any illegal behavior, regardless of the purpose pursued in committing the crime, or regardless of whether the offenders were acting on the wrong assumption that they were doing so in the interest or to the advantage of the Company, because such behaviors imply a violation of the ethical principles and values inspiring LDO and are therefore opposed to the interest of the company;
- ensure that anyone operating in the name, on behalf or anyway in the interest of LDO is aware that any presumed crime perpetrated in the

mistaken assumption that he or she is operating in the interest of the Company, gives rise to the application not only of criminal penalties against the agent, but also of administrative penalties against the Company (for further information on the penalties provided by the Legislative Decree no. 231/01 please refer to the Annex 1 of the Model), thus exposing the latter to financial, operating and reputational damage;

- inform anyone operating in the name, on behalf or anyway in the interest of the Company that any violation of the provisions of the Model will lead to the application of disciplinary measures and/or contractual penalties, whether or not any acts representing a crime have been actually performed yet.

1.2 PREPARATION AND UPDATE OF THE LDO'S MODEL

LDO ensure the functionality, update and continuous implementation of the Model in application of the methods indicated in Confindustria's Guidelines and in *best practice*.

On 12 November 2003 the Board of Directors of LDO approved the Organizational, Management and Control Model pursuant to the Decree, continuously updated by means of subsequent resolutions of **26 July 2007, 25 June 2009, 16 December 2010, 31 July 2012, 15 April 2013, 30 July 2015** and **17 December 2015** in order to take into account either the new regulatory provisions, or the amendments to the Company's organization and processes.

In particular, with the support of the SB, LDO shall:

- periodically identify and assess crime sensitive activities as provided for in the Decree (the so-called "*risk assessment*"), intended as organizational areas and processes that are likely to materialize abstract commission of presumed crimes through regulatory updates, analysis of the company's context and a valorization of the company's prior recorded experience (so called "historical analysis"). To this effect, in line with the provisions of Confindustria's Guidelines, the risk assessment activities shall hold into consideration the categories of presumed crimes considered relevant for the Decree and therefore the critical profiles emerged in the past in the context of the operations of LDO and the Group Companies. In this perspective, the activities described below have been performed focusing in particular on the areas which, based on previous experiences were identified as potentially crime-sensitive areas, examining the controls carried out by the Company, with a view to prevent such risk. Following the identification of the risk areas and of the relevant categories of crime, within each risk area were found the sensitive activities, that are those

activities at the implementation of which is linked the risk of committing crimes provided by the Decree. After the identification of the sensitive activities, were detected those that, in the abstract, can be considered as potential methods of committing the offenses in question.

As a result of such activity a document containing a map of all the company's activities was produced, in which are reported the crime-risk and instrumental areas, with the indication either of the categories of crime that were more likely to be committed within such areas of operations or of the modalities of crimes commission, as identified by way of example and with no limitation (hereinafter "map of the risk areas").

The definition of risk area not only includes areas which might be involved directly, insofar as they are inherently crime sensitive, but also areas that could be indirectly involved in the perpetration of other crimes or offences in a purely instrumental role. Therefore, the definition of *instrumental* activities shall refer to activities which, should certain conditions arise, could facilitate the perpetration of presumed crimes, in the context of areas which are directly dedicated to the activities indicated in the definition of the various species of crimes or offences.

With reference to all the crime sensitive and risk instrumental areas, the review covered any indirect relationships, such as those LDO has, or might have, through third parties. It should be also noted that the risk profiles connected to the activities carried out by LDO also take into account the possibility that certain members of the company's personnel may collude with any parties external to the Company, whether occasionally and temporarily (so-called complicity in crime) or in an organized manner, and with a view to committing an indefinite series of offences (crimes of association). The analysis also covered the possibility that the offences taken into consideration may be perpetrated in a foreign country, that is to say in a transnational manner.

At present, potential risk profiles have been identified in relation to the crimes provided for in Articles 24, 24 *bis*, 24 *ter* (having regard to transnational crime), 25, 25 *bis*, 25 *bis* 1, 25 *ter*, 25 *quater*, 25 *sexies*, 25 *septies*, 25 *octies*, 25 *novies*, 25 *decies*, 25 *undecies* and 25 *duodecies*, which shall be specifically dealt with in the Model's Special Parts.

With regard also to other types of crimes which are not specifically examined in the Special Parts of the Model, the Company has implemented a system of organizational and procedural control facilities, aimed at ensuring that corporate activities are correctly carried out and are therefore suitable to minimize the risk of

commission also of such offences. To this effect, first of all we shall make reference to the principles set forth within the internal regulatory system;

- taking into account the map of the risk areas, points out and analyzes the preventive controls system within (organizational framework; authorization framework; management control framework; document control and monitoring framework; operating procedures, etc.) with a view to assessing whether they are suitable for the purposes of preventing crime risk (the so called "*as-is analysis*").

The assessments on the preventive control system shall also concern the activities carried out by external companies based on service contracts, also considering:

- how the services supplied were formalized in specific service agreements;
 - if suitable control facilities were planned on the activity actually performed by appointed service companies on the basis of contractually defined services.
- identify the areas where the system of controls can be improved and/or integrated and defines the actions to be taken (the so-called "*gap analysis*");
 - see to the constant implementation of the principles of conduct and of the procedural rules established in the Model and assesses whether control instruments are suitable and operating, monitoring the actual observance of the Model.

1.3 CONSTITUENTS OF THE LDO MODEL

The model is based on the following constituent parts:

- an **internal regulatory system**, aimed at the prevention of the presumed crimes, and including the following documents:
 - the Anti-Corruption Code of the Leonardo Group, which provides the rules for corruption preventing and contrasting;
 - the Code of Ethics, which sets forth the ethical responsibilities and commitments in the conduction of the company's activities and business undertaken by anyone operating on behalf or in the interest of LDO;

Either the Anti-Corruption Code of the Leonardo Group or the Code of Ethics of LDO, albeit formally consisting of documents outside the documentation framework of the Model, shall be considered as integral part of it;

- internal procedural rules (so called "*protocols*"), having the purpose of regulating the operating methods in risk areas, which represent the rules to be followed for performing the corporate activities, providing the controls to be carried out for ensuring their fairness, effectiveness and efficiency.

The internal procedural rules applicable to risk areas provide for:

- the separation, within each process, between the decision-maker, the person who authorizes the relevant decision, the person who implements it and the one who is in charge of controlling the process (so-called *segregation of functions*);
- the documental traceability of each significant step of the process described above;
- an adequate level of formalization, circulation and communication.

For an overall framework of the internal procedural rules applicable with regard to the risk areas, please refer to Annex 2 of the Model.

Furthermore, LDO shall define responsibilities, manners and times for the processing and approval of internal procedural rules.

In addition to the internal procedural regulations, it shall refer as well to the IT procedures, or rather high quality level computer applications, renowned both nationally and internationally, that support business operations.

They represent the "guide" on how to conduct certain transactions and ensure a high level of standardization and *compliance*, considering that the processes managed by these applications are validated before the release of the software.

A complete, organic and updated representation of the internal procedural rules' system is posted on the company *intranet* site and therefore available to all employees of the Company.

- a **management control framework and a cash flow control system** for risk activities.

The management of the financial flows is conducted according to the traceability and provability of the operations performed, as well according to the powers and the responsibilities assigned.

The management control framework adopted by LDO is structured into the different stages of preparation of the annual *budget*, analysis of interim closing statements and formulation of forecasts.

The system ensures:

- that several parties are involved, so as to ensure a fair segregation of duties, for the processing and transmission of information, in such a way as to guarantee that all disbursements are requested, authorized, made and controlled by independent functions or

otherwise distinct parties, to which, in addition, are not assigned other responsibilities that may lead to potential conflict of interests. When the disbursement of liquidity exceeds the predetermined thresholds, a double signature shall be required;

- the preservation of assets, together with a prohibition to carry out risky financial operations;
- that any actual or potential critical situations may be promptly reported, through a suitable and swift system of reporting and information flows;
- an **organizational structure** in line with the corporate business, suitable to ensure proper behaviors, thus ensuring a clear and organic attribution of tasks, by implementing the correct segregation of functions, and seeing to the actual implementation and control of the desired governance structures, by means of:
 - an organizational *chart* formally defined through Organization Notices and Service Notices that clearly identify the attributed responsibilities, areas of activity, connection between the diverse Organizational Units ("*dotted line*"), the reporting lines ("*solid line*") and that faithfully reflects the actual operation of the pinpointed functions;
 - *service contracts* with third parties, also belonging to the Leonardo Group, through which are managed whole or individual portions of processes;
 - a formalized framework of *powers* (delegations and proxies) which constitutes integral and substantial part of the Model.

In particular, the *delegation of authority* (or power of "management") represents an internal act of conferral of functions, tasks and responsibilities. Compared closely to the delegation of authority, there is the power of authorization, which shall be intended as the power to approve having value within and correlated to the exercise of a delegation (an example of internal authorization power is represented by the power to approve the so-called Purchase Requests).

On the other hand, the *proxy* (or power of "signature / representation") consists of a unilateral legal act through which the Company assigns specific powers of representation; such act legitimizes the recipient to take action against third parties.

The powers are closely related and consistent with the organizational and management responsibilities assigned and limited, if appropriate, to very specific thresholds.

In particular, the system shall provide for the attribution of the following powers:

- *permanent representation powers*, conferred by registered power of attorney drawn up by a Civil Law Notary, regarding the performance of activities connected to the permanent responsibilities existing within the corporate organization.
- *powers to carry out single operations*, in each case conferred by means of a power of attorney in compliance with the laws that define representation and with the types of deeds to be entered into, as well as taking onto account the different needs of enforceability towards third parties.

The *framework for the attribution of powers* is based on the following principles:

- definition of the roles, responsibilities and controls in the process of attribution and revocation of powers;
- attribution, updating and revocation of powers depending on the roles held within the organization; in particular, it shall be constantly ensured the regular update and consistency between the system of powers and the defined organizational and management responsibilities, for example, during: review of the corporate macro-organizational structure (setting up / closure of first level organizational units); significant variations of responsibility and turnover of individuals in a key position in the structure; resignation of individuals vested with corporate powers or individuals joining the organization and to be vested with corporate powers;
- timely and regular disclosure of the information relating the ownership of the assigned powers and the relevant amendments;
- periodical check on the compliance of the powers of attorney conferred with the proxies assigned;
- monitoring of existing powers-of-attorney and their update, also considering the eventual evolution of the business activities.

With reference to *framework for the attribution of the delegations of authority and of the powers of authorization*, without prejudice of the above principles, the additional essential requirements are:

- the delegations of authority combine each power of management and its relevant liability to a suitable position within the organization chart, taking care to avoid excessive concentration of powers in a single person;
- the delegations of authority and the powers of authorization are set by the Chief Executive Officer and General Manager of the Company, that takes every organizational measure – also

through his / her delegates - according to the guidelines of the Board of Directors, which is required to take care of its adequacy over time;

- the delegated powers are consistent with corporate objectives.

With reference to the *proxies*, and notwithstanding the above mentioned guiding principles, the essential requirements for their assignment are the following:

- every subject that, on behalf of LDO, exercises powers of representation is provided with adequate proxy, which clearly identifies the subjects entitled to exert the representation towards the counterparties;
- each proxy set in detail the powers attributed to the concerned subject;
- proxies are consistent and compliant with the management powers and the powers of authorization granted to the single attorney, with the exception of the ones relating to individual operations;
- the permanent proxies, if required in accordance with their context, are attributed to the subject concerned together with a "Letter of exercise of powers" in which are further defined scope, methods and limits for the exercise of the powers of representation granted.

The Company retains and manages the archives of the delegations the proxies attributed, in order to ensure a complete traceability of them;

- a **system of remuneration and incentives** of all employees of the Company and of those who, while not employed by it, works on a mandate or in the interest of the same:
 - drawn up with the aim to reward the position held, taking into consideration the responsibilities assigned and the skills and abilities demonstrated as well as an accurate risk assessment, both in a short and medium-long term perspective;
 - intended to reward the results achieved taking into account the conducts performed to reach them, aware to fully respect the applicable law, the Anti-Corruption Code of the Leonardo Group, the Code of Ethics, the Model and the company procedures in force.

The system of remuneration and incentives set by the Company, provides therefore reasonable targets, it is focused as well on the enhancement of the work of its recipients from a qualitative and behavioral point of view and is also intended to reward the ability to express organizational skills through behavior based on the values and on the rules set by the current regulations, by the Anti-Corruption

Code of Leonardo Group, the Code of Ethics, the Model and the company procedures in force;

- a **system of management of outsourced processes** for which the Company has defined the outsourced activities, the criteria for suppliers' selection - in terms of professionalism, reputation, integrity and financial capacity - and the methods for assessing their level performances level.

LDO has stipulated service contracts for regulating the relationships with other companies, even belonging to the Leonardo Group, that provide services to the same.

Such contracts provide:

- the activity to be sold, the modalities of execution and the relevant amount;
 - that the supplier properly performs the outsourced activities according to the current regulations and to the Company provisions;
 - that the supplier shall inform promptly the Company on any events that may significantly influence on its own capacity to perform the outsourced activities in compliance with the regulations in force and in an effective and efficient way;
 - that the supplier shall ensure the confidentiality of the Company data;
 - that the Company is entitled to control and access the activity and the documentation of the supplier, including the opportunity to carry out specific audits;
 - that the Company may terminate the contract without disproportionate expense or liable to affect, in practice, the exercise of the right of withdrawal;
 - system of fines in case of contractual breaches;
 - that the contract cannot be sub-transferred, even partially, without the consent of the Company;
 - specific clauses on corporate administrative liability.
- attribution to a **Surveillance Body** (hereinafter "SB" or "Body") endowed with the requirements of autonomy, independence, continuity of action and professionalism of the tasks of supervising the operation of and compliance with the Model and proposing any updates, having been previously granted the powers, means and access to the necessary information to carry out such activity;
 - planning of a structured and widespread **training and information system** aimed at disseminating the contents and principles of the Model and at consolidating knowledge, in all the Recipients, of the principles and regulations to which LDO has to comply;

- drawing up of a specific **disciplinary system** suitable to punish any violation of the Model.

1.4 CONTROL FACILITIES PURSUANT TO THE DECREE NO. 231/01

The Company has the aim to implement an effective system of preventive controls that cannot be circumvented if unintentionally, even for the purpose of excluding the corporate administrative liability.

Given the above, the following are the criteria for the identification of the control facilities aimed at preventing the risk of crime commission:

Such facilities consist of three levels:

- **general control principles**, to which, regardless of the importance degree of each type of crime or of the degree of risk underlying each of the identified risk area, shall be aligned the choices in terms of design of the internal control system and risk prevention:
 - **segregation of functions** – there shall be segregation between those who executes, who controls and who authorizes the operations;
 - **existence of formalized internal rules and procedural regulations** (“*protocols*”) – there shall be corporate provisions intended to regulate activities, responsibilities and controls;
 - **existence of delegations of authority and proxies** – there shall be formalized rules for the exercise of the delegations and proxies;
 - **traceability** – the subjects, the organizational units involved and/or the information system used must ensure the identification and the traceability of the sources, the information and the checks performed which underlie the making and the executing of the Company decisions and the modalities for managing the financial resources;
- **general principles of conduct**, which provide general rules of conduct aimed at aligning the methods of decisions’ making and executing, within each of the categories of crime considered to be more important or significant;
- **preventive control principles**, which consist of control facilities aimed at preventing the materialization of the modalities of crime commission within each of the sensitive activities for each of the risk areas mapped and listed in the Special Parts of the Model (for a complete and organic representation of the preventive control principles, please refer to Annex 3 of the Model).

Given the specific operation of LDO, it was decided to focus the attention, as considered **most relevant**, to the risks of crime commission provided

at articles 24 and 25 (crimes against Public Administration and Administration of Justice), 24 *bis* (cybercrimes and unlawful data processing), 24 *ter* (crimes of association, also taking into account the transnational crimes and offences in accordance with Law no. 146/06), 25 *bis* 1 (crimes against industry and trade), 25 *ter* (corporate crimes and administrative offences), 25 *quater* (crimes for purposes of terrorism or subversion of the democratic order), 25 *sexies* (market abuse), 25 *septies* (crimes committed in breaching of laws and regulations on accident prevention and on health protection at work), 25 *octies* (crimes of handling, laundering and investing illicitly derived money, goods and gains as well as self-laundering), 25 *novies* (copyright infringement crimes) 25 *decies* (crime of incitement not to testify or to bear false testimony before the Judicial Authority) and 25 *undecies* (environmental crimes) of the Decree. For such categories of crime apply the general control principles described in the General Part, as well as the general principles of conduct and the preventive control principles described in the Anti-Corruption Code of the Leonardo Group, in the Code of Ethics and in each Special Part.

With regard to the crimes provided at articles. 25 *bis* (forgery of money, public credit cards, tax stamps and recognition instruments or signs) and 25 *duodecies* (employing a foreign national without a valid residence permit), the outcome of the *risk assessment* activities led to consider applicable the concrete possibility to commit such crimes, which have been, however, considered **of lesser importance** by virtue of the Company's business activities and of checks that the competent corporate structures put in place in relation to such offenses. Therefore, in relation to these types of crimes shall be considered applicable the general control principles described in the General Part, as well as the general principles of conduct described in the Special Part "L" and in the Code of Ethics.

With reference to the remaining categories of crimes provided for by the Decree, it has been considered that, although applicable, their commission can be deemed as **not relevant** by virtue of the Company's business activities and, therefore, in relation to these types of crimes shall be considered applicable the general control principles described in the General Part and in the Code of Ethics.

1.5 OUTLINE OF THE DOCUMENT

This Model consists of a General Part followed by Special Parts.

The "General Part" sets out the essential components of the Model, with particular reference to the SB, the personnel training and the dissemination of the Model in the corporate and extra-corporate

environments, the disciplinary system and measures to be adopted in the event of non-observance of the provisions of the Model itself.

The Special Parts are dedicated to the diverse types of crimes and administrative offences which are deemed to represent a potential risk for LDO.

To this purpose, each Special Part contains the reference to each crime provided by the Decree (for the types of presumed crimes please refer to Annex 1 of the Model), to the general principles of conducts which shall guide the behaviors within all the potentially crime sensitive areas and to the areas identified as crime sensitive.

Within each risk area are identified the sensitive activities, the modalities of crimes' commission or the conducts instrumental for their commission, as well as the preventive control principles.

For a complete and organic representation of the preventive control principles identified in all the Special Parts, please refer to the Annex 3 of the Model.

It should also be noted that, in order to comply to the above mentioned control principles, the Company commits itself in conducting a continuous monitoring aimed as well at ensuring the adequacy of the Model over time and, consequently, the actuality of the Special Parts in respect to any significant changes within the sectors of activity, the organizational structure or the Company processes.

1.6 AMENDMENTS AND INTEGRATIONS OF THE MODEL

The adoption and subsequent modifications and integrations of the Model shall be a responsibility of the Board of Directors of LDO, in line with the provisions of Article 6 (1) (a) of the Decree.

The SB shall arrange formal amendments to the Model with the support of the Legal, Corporate Affairs and Compliance Organizational Unit of the Corporate Center.

1.7 ADOPTION AND MANAGEMENT OF THE MODEL IN THE GROUP

LDO deems that respect of the laws, industry regulations and ethical principles set forth in the Anti-Corruption Code of the Group and in the Code of Ethics is an essential condition for the maintenance and improvement of the corporate value over time.

LDO, in the exercise of the direction and coordination activity attributed to it by Article 2497 of the Italian Civil Code and within the organizational, management and operating autonomy of the Group companies, requests

its direct and indirect subsidiaries, subject to the provisions of the Italian law, to adopt and implement the Models, and holding into account the specific risk profiles connected to the actual operations carried out by each of them, in pursuance of the following objectives:

- ensuring correct behaviors, in obedience of the laws, of the regulations of the industry and of the ethical principles set out in the Anti-Corruption Code of the Leonardo Group and in the Code of Ethics;
- making anyone operating in the context of the Group aware that any unlawful behaviors can give rise to the application of criminal and administrative penalties, with a serious prejudice for the assets, the operations and the image not only of any involved company, but also of LDO and other Group companies;
- emphasize LDO's choices on *compliance*, ethics, transparency and fairness and the importance of the relevant control, monitoring and sanctioning mechanisms.

The Group companies, through the competent internal structures, shall inform LDO of the adoption of the Model and of the SB effectively set up in line with the Decree.

2. SURVEILLANCE BODY

2.1 MEMBERS AND DUTIES OF THE SURVEILLANCE BODY

The SB of LDO is a mixed collegiate body, consisting of at least three and no more than seven members, whose majority shall consist of external members.

External members of the Body shall be selected among personalities of the academic world and professionals of proven expertise and experience in the concerned themes; in particular, they must have accrued an adequate and proven experience within the Decree's scope of application.

The SB is appointed by the Board of Directors of LDO, which shall appoint as well the Chairman of the Body, choosing him among one of the external members.

The appointment, tasks, activities and operations of the SB, its members' term of office, revocation, replacement and requirements shall be regulated in specific By-Laws approved by the Board of Directors of the Company.

Furthermore, the Body has adopted a set of Regulations which are expression of its operational and organizational autonomy, with a view to governing, in particular, the operation of its activities.

In line with the Decree and the Guidelines of Confindustria, LDO's SB shall meet the following requirements:

- a) autonomy and independence;
- b) professionalism;
- c) continuity of action.

a) Autonomy and independence

The SB shall be autonomous and independent from the corporate bodies on which it exercises its control activity.

In no way whatsoever shall it be involved in management activities nor be dependent of a hierarchic reporting line.

With a view to preserving the independence of the SB, the Statute provide that the Body stays in office for a term of three years. Each member of the SB may only be re-elected once; in any event, the Chairman shall hold the office until a successor is appointed.

As a further guarantee of its independence, the SB shall inform the Board of Directors and the Board of Statutory Auditors on its activities, on a half year basis. In any event, the Body shall promptly report on any particularly significant event.

The activities put into place by the SB may not be challenged by any corporate function, body or structure, with the exception of the Board of Directors, which shall have a power - duty to monitor the appropriateness of the SB's measures in order to ensure the update and application of the Model.

In the performance of its functions, the SB shall be supplied with adequate financial means to conduct its operations. For this purpose, the Board of Directors of LDO shall proceed to attribute to the SB, based on the indications received from the Body itself, an allowance for the expenses to be borne in the exercise of its functions.

The SB has a total autonomy of the sums allocated to it, with no need to obtain any authorization or approval of the related costs and expenses, without prejudice to the obligation to provide an adequate statement of accounts on a yearly basis.

b) Professionalism

The members of the SB shall possess specific technical-professional expertise, adequate to the functions the Body is called to perform, and may also use the technical support of parties inside or outside the Company.

In order to improve and increase efficiency in the performance of the assigned tasks and functions, the Body shall be supported in the performance of its operating activities by the Internal Audit and Legal, Corporate Affairs and Compliance Organizational Units of the Corporate Center, and by the various corporate structures, which, from time to time, may be useful for the performance of their activities.

With specific regard to the issues concerning the protection of health and safety at the workplace, the SB shall employ all the resources activated for the management of the relevant aspects (MPPS – Manager of the Prevention and Protection Service, OPSS – Operators of the Prevention and Protection Service, WSR – Workers Safety Representatives, DC - Doctor in charge, first aid operators, fire emergency operator, etc.). With regard to environmental issues, it may employ all the relevant resources in LDO.

c) Continuity of action

The SB shall operate within the Company, continuously exercising powers of control and meeting at least once a month, to carry out its assignment.

In order to ensure the sensitive corporate processes monitoring, as defined in the Decree, the SB shall not only have recourse to the knowledge coming from its internal members, but also apply corporate procedures (“protocols”), incoming information flows provided by the Model, interviews with the officers in charge of potentially crime sensitive areas. The SB shall assess the operation of sensitive processes pursuant to the Decree through the constant support of the Group Internal Audit Organizational Unit of the Corporate Center.

2.2 CAUSES FOR INELIGIBILITY, INCOMPATIBILITY AND REVOCATION OF THE APPOINTMENT OF MEMBERS OF THE SB

Any appointment as a member of the SB shall be conditional on the presence and continued existence of the requirements set out in the Statute.

For the members of the SB, the following shall be reasons for ineligibility and, if occurring after appointment, of revocation of the appointment for a cause:

- lack or supervened loss of the requirements of professionalism, autonomy, independence and continuity of action;

- any relationship by marriage, kinship or affinity within the fourth grade with Directors, Statutory Auditors, executives of LDO and its subsidiaries;
- direct or indirect economic and/or contractual relationships, for a consideration or without consideration, with LDO or its subsidiaries (including the offices of Director, Statutory Auditor or deputy Statutory Auditor of LDO or any of its subsidiaries, and membership of the Surveillance Body of any subsidiary of LDO) and/or the relevant directors, and in relation to events involving LDO or any of its Subsidiaries. For this purpose, it shall be excepted the working relationship with LDO as internal member of the SB and the relationship of the Body on the whole in relation to the appointment assigned;
- the direct or indirect ownership of shareholdings in LDO or any of its subsidiaries or associated companies, that may prejudice the independence;
- in any situation determining a conflict of interest, even if only potential, with LDO or its subsidiaries, other than the situations explicitly listed under the previous points (as defined within the Code of Ethics);
- being subject to preventive measures of insolvency provided by the judicial authorities, or the disbarred, incapacitation, declaration of bankruptcy, ban, even temporary, from public office or the incapacity to act in a managerial position;
- criminal proceedings pending, or a conviction or application of the sentence for the purposes of Articles 444 ff. of the Italian Code of Criminal Procedure, including a sentence which is not definitive, in relation to crimes provided in the Decree or other crimes of the same kind;
- a ruling, including a non-definitive ruling, against such individual for one of the administrative offences provided for in Articles 187 bis and 187 ter of Legislative Decree 58/1998 (hereinafter "TUF").
- a criminal conviction or ruling for application of the sentence pursuant to Articles 444 ff. of the Italian Criminal Code, or an administrative ruling, including non-definitive rulings, issued against the Company in relation, respectively, to the offences provided for in the Decree or the administrative offences provided in Articles 187 *bis* and 187 *ter* of the TUF showing "*omitted or insufficient vigilance*" by the Body, for the purposes of Article 6 (1) (d) of the Decree;
- a serious default of one's duty as defined in the Model and in the SB's Statute, or serious reasons of interest, such as to prevent the diligent

and effective performance of one's duties or to prejudice one's independence of judgment in exercising the assigned functions;

- breach of confidentiality, as detailed in the SB's Statute;
- failure to attend at least 80% (eighty per cent) of the Body's meetings.

The non-competition clause shall also apply to each of the members of the Body pursuant to Article 2390 of the Italian Civil Code.

Each member of the SB is required to report promptly to the Body - who shall inform the Company - the existence or occurrence of any of the above conditions, as soon as it becomes aware of them.

With a view to ensuring the SB's continuity of action and safeguarding the legitimate performance of the functions and office held from an unjustified dismissal, the appointment conferred to one or more members of the SB shall only be either revoked – only for a cause and upon occurrence of one of the aforementioned conditions and anyway as detailed in the Statute - or decayed by means of a specific resolution of the Board of Directors after consultation with the Board of Statutory Auditors and the other members of the Body.

In case of resignation, decadence or revocation of a member of the Body, the Board of Directors shall provide immediately to her / his substitution. The new appointed member shall hold office until the natural expiry of the whole Body.

In case of resignation, decadence or revocation of the Chairman of the Body, the elder member of the SB becomes Chairman pro tempore or, in case of equal seniority, this position shall be taken by the elder member in age, who shall hold office until the appointment of the new Chairman of the Body.

In the event all the members of the Surveillance Body, or the majority thereof, were revoked, the Board of Directors of LDO, upon consultation with the Board of Statutory Auditors, shall proceed to appoint a new Body. Pending the appointment of the new SB, the functions and duties thereto assigned shall be provisionally exercised by the Board of Statutory Auditors, for the purposes of Article 6 (4 *bis*) of the Decree.

2.3 FUNCTION AND POWERS OF THE SURVEILLANCE BODY

The SB of LDO assesses and monitors the adequacy and the actual observance of the Model and its update.

More specifically, the SB shall be responsible for:

- assessing, on the basis of the approved yearly activity Plan, whether the Model has successful effects on the corporate structure, and is actually able to prevent the crimes specified in the Decree, and proposing - if deemed necessary - any updates to the Model, particularly with regard to the evolution and changes in the corporate organizational structure or in the operations and/or in current laws;
- on the basis of the approved activities Plan, monitoring and assessing the validity over time of the Model and the procedures ("protocols"), by promoting, also prior consultation with the interested corporate structures, all the necessary actions to ensure its efficacy;
- on the basis of the approved activities' Plan, or by means of unplanned surprise audits, carrying out periodical reviews of the corporate structures deemed to be at risk of crime, with a view to controlling whether the activity is carried out in line with the adopted Model;
- monitoring the implementation and the actual operation of the proposed solutions, through a *follow-up* activity;
- carrying out, on the basis of the approved activities' Plan, an audit of the actions carried out by the officers with signing powers (delegations of authority, powers of authorization and proxies);
- periodically checking - with the support of the other competent functions - the system of delegated authorities in force, in order to ascertain the consistency with the settled organizational and management responsibilities, recommending amendments in case the managing power and/or the qualification does not match the representation powers conferred upon the internal manager or the sub-managers in charge;
- developing and overseeing, in application of the Model, an information flow capable to ensure the regular update of the Surveillance Body by the relevant corporate structures, with regard to crime risk activities, and also establishing - if required - reporting manners, with a view to acquiring knowledge of any violations of the Model;
- overseeing the actual application of the Model and detecting any irregular behavior emerging from the review of the information flows and of the warnings submitted;
- implementing, in line with the Model, an effective information flow directed to the relevant corporate bodies, which may enable the SB to report to such bodies on the effectiveness and application of the Model;

- promptly communicating to the Board of Directors any infringements to the provisions - of the law and of any procedures - that might give rise to the offences set out in the Decree;
- promoting, through the Human Resources and Organizational Business Unit of the Corporate Center, with the relevant corporate structures, an adequate personnel training programme through suitable initiatives for the circulation of knowledge and understanding of the Model;
- checking that the internal managers in charge of risk areas are instructed on the tasks and duties involved in the control of the area with a view to preventing possible crimes and offences as provided for in the Decree;
- periodically assessing, with the help of the relevant structures, the validity of the clauses aimed at ensuring that the Model is complied with by the Recipients;
- communicating any violations of the Model to the relevant bodies based on the Disciplinary System, in order to ensure the adoption of any penalty measures.

For the performance of the above mentioned duties, the Surveillance Body shall be assigned the following powers:

- access to any corporate document and/or information which might be useful for the performance of the functions attributed to the Body for the purposes of the Decree and of the Model;
- appointment of external consultants of proven professional stance, when necessary in order to carry out the activities falling within one's competence;
- power to assess that the Heads of the corporate structures promptly supply information, data and/or news required from them;
- power to proceed, if necessary, to the direct interview of employees, directors and members of the Board of Statutory Auditors of the Company;
- power to request information from external consultants, business partners and auditors within the scope of the work performed on behalf of the Company.

The Surveillance Body may decide to delegate one or more specific accomplishments to its members, based on their respective expertise, subject to the member's obligation to report to the Body. In any event, the Surveillance Body shall have a joint responsibility also as concerns any functions delegated by it to its individual members.

2.4 REPORTING BY THE SURVEILLANCE BODY TO THE CORPORATE BODIES

LDO's SB, within the scope of its tasks, shall ensure that the relevant corporate bodies are kept informed, so that they may adopt any consequent resolutions and undertake the necessary actions with a view to guaranteeing the actual and continuous adequacy and the material implementation of the Model.

In particular, the SB shall provide a half-yearly report to the Board of Directors and the Board of Statutory Auditors, containing the following information:

- the overall activity carried out, and particularly the reviews of sensitive processes pursuant to the Decree;
- the critical profiles emerged either in terms of conducts or events internal to the Company, or in terms of effectiveness of the Model;
- an analysis of any submissions received and the relevant actions undertaken by the Body, according to the provisions of the Whistleblowing Management Guidelines approved by the Board of Directors of Leonardo S.p.a. on March 18th, 2015;
- the proposals of review and update of the Model;
- the information on the Activity Plan.

The SB reports to the Board of Directors, on an annual basis, the Activity Plan for the next year.

Moreover, the SB must establish *ad hoc* information flow, regardless of the forecast of periodical flows, when such information is required or anyway made advisable by circumstances. Therefore, the Body shall promptly report to the Chief Executive Officer and General Manager on the following:

- any violation of the Model which is regarded as having sufficient grounds and has come to its knowledge or found out by the Surveillance Body itself;
- detected organizational or procedural shortcomings such as to give rise to a real danger that any significant crimes covered by the Decree may be committed;
- lack of cooperation on the part of corporate structures;
- whether any criminal proceedings have been brought against persons operating on behalf of the Company, or against the Company, in relation to crimes and offences which are significant for the purposes of the Decree, which have come to its knowledge during the performance of its functions;

- outcome of any assessments carried out by the SB itself following investigations by the Judicial Authorities on any crimes under the Decree;
- any other information which is deemed to be useful for the approval of urgent resolutions by the Chief Executive Officer and General Manager;

The Surveillance Body shall also promptly report as follows:

- to the Board of Directors on any violations of the Model by the Chief Executive Officer and General Manager, other Executives of the Company or members of the Board of Statutory Auditors;
- to the Board of Statutory Auditors on any violations of the Model by the Independent Auditors, or by members of the Board of Directors, so that the measures set out in this respect by the law may be adopted.

2.5 INFORMATION FLOWS TO THE SURVEILLANCE BODY

Article 6 (2) (d) of the Decree requires that the Model must include an obligation to disclose information to the Body in charge of the surveillance on the application and observance of the Model itself.

The obligation to provide a structured information flow is conceived as a tool to ensure supervision of the Model's efficacy and effectiveness, and the identification, *in retrospect*, as applicable, of the causes that made it possible for the foregoing offences defined in the Decree to be committed.

An effective surveillance activity shall be based on a structured system of reports and information coming from all the Model's Recipients, with reference to all the acts, conducts or events they acquire knowledge of, which might determine a violation of the Model and, more generally, which are potentially relevant for the purposes of the Decree.

As provided in the Confindustria Guidelines and by best operational practice, the information flows to the Surveillance Body belong to the following information categories:

- **Ad-hoc information flows;**
- **Regular information.**

Below is reported, by way of example and not limited, a list of the *ad-hoc* information flows and of the regular disclosure to be transmitted to the SB.

2.5.1 AD-HOC INFORMATION FLOWS

Ad-hoc information flows addressed to the SB by corporate staff or third parties shall concern current or potential critical profiles and may consist of the following:

a) occasional data which it is advisable to promptly report to the Body.

As set out in the SB 's Statute, this obligation to disclose regards the following information:

- measures and/or notices coming from the Judicial Authorities to the Company or to its Directors, executives or employees, from which it may emerge the performing by the same Authority of investigations conducted for administrative offences set out in the Decree or for any presumed crimes;
- requests for legal assistance made by executives and/or by employees in relation to the start of judicial proceedings for the presumed crimes;
- the evidence of any disciplinary proceedings for violations of the Model, of their outcomes and motivations, and of the eventual sanctions inflicted;
- the relationships from which critical profile elements may emerge with regard to the observance of any provisions of the Decree;
- any abnormality found during any audit performed by the Group Internal Audit Organizational Unit of the Corporate Center;
- the existence of any conflict of interest situations between one of the Recipients and the Company;
- any workplace accidents, or any provisions handed down by the Judicial Authorities or other Authority concerning workplace safety and health, also in form of provisions adopted according to the Legislative Decree 758/94, from which may emerge violations of the regulations on workplace safety and health;
- any eventual provisions handed down by the Judicial Authorities or other Authority concerning on environmental matter, from which may emerge an actual or potential violation of the regulations on environmental matter and/or of the authorizations that regulate the business activity.

b) Information, whatever the source, concerning the possible perpetration of crime or anyway violations of the Model or, more in general, circumstances from which may emerge an organizational or procedural lack or a need to conform the Model:

- crimes or the performance of acts intended to facilitate them;

- behaviors not in line with the rules of conduct provided by the Model and by the relevant protocols (procedures);
- eventual changes to, or detected gaps, in the corporate and organizational structure;
- eventual changes to, or detected gaps, in the procedures;
- operations having a risk profile with regard to the crime commission.

The Body may also request from the external auditors information concerning the audits they carried out which may be useful for the implementation of the Model and schedule an exchange of information and periodical meetings with the Board of Statutory Auditors and the external auditors.

The SB shall examine the submissions received, including anonymous ones, according to the provisions of the Whistleblowing Management Guidelines.

For the reports relating to LDO, the following informative channels are provided:

- dedicated email address: organismodivigilanza@leonardocompany.com;
- by post, to the address "*Organismo di Vigilanza, Piazza Monte Grappa 4, 00195, Roma, Italia*";
- fax number: +39 06 45538059;
- website: leonardocompany.com.

The Company ensures maximum tutelage and confidentiality for reporting subject and protection from defamatory reports.

For further information on the modalities of investigations and verification of the reports submitted, please see the Whistleblowing Management Guidelines.

2.5.2 REGULAR INFORMATION

In addition to the information provided in the previous paragraph, the following relevant information, by way of example and not limited, regarding recurrent activities (with the obligation to make available to the SB the related documentation, if available), must be promptly communicated to the Body:

- information regarding organizational and procedural changes which are relevant for the purposes of the Model;

- the outline of Powers and the system of delegated authorities adopted by the Company and any amendments to it;
- documents connected to the request, payment or management of public or subsidized funding;
- intercompany transactions at prices different from market rates, with clear indication of the relevant reasons;
- any financial transfers between the Company and other companies of the Group which are not justified by a contract stipulated according to market conditions;
- any eventual financial and commercial transactions carried out in countries with privileged tax regimes;
- the information and educational activity carried out for the purposes of the Model and the staff's participation to such activities;
- the outcomes of the auditing and monitoring activities on environmental requirements carried out by Leonardo Global Services S.p.a., which is required to carry out management and monitoring activities of environmental issues, pursuant to a specific service agreement;
- any eventual audits' minutes on safety and environmental matters by Public Bodies and/or control Authorities (e.g.: ARPA, ASL, etc.) and any other significant document on safety and environmental matters;
- the outcomes of the assessments performed by the technical committees pursuant to the Legislative Decree 105/2015;
- any document which might be useful in terms of forecasting and maintaining, over time, adequate control facilities aimed at preventing illegal behavior in the use of IT systems and instruments and in data processing (for instance summary network traffic reports);
- the procedures set up to control workplace health and safety, any amendments to the organizational structure and to the protocols of LDO regarding such matters and any documents connected with the workplace health and safety management system, such as the Risk Assessment Document (RAD), the Register of Workplace Accidents, the Emergency Plan, minutes referring to periodical risk prevention and protection meetings, environmental tests and offices and on-sites investigations;
- data concerning any workplace accidents in the Company and the so-called "near accidents", for example all those events that, although not giving rise to injuries for workers, may be considered indicative of weaknesses or gaps in the safety and health system, as well as any eventual measures implemented to adjust protocols and procedures.

2.5.3 SUBMISSIONS TO THE SB BY THE HEADS OF RISK AREAS

All the Recipients of the Model are required to inform the SB as to any act, behavior or event they have acquired knowledge of and that might determine a breach of the Model or, more generally, be potentially relevant for the purposes of the Decree.

In particular, the Heads of the areas potentially at risk – either Sectors' Executives, Heads of Divisions or Heads of the Organizational Units - shall be appointed internal managers in charge of each single risk operation they carry out or implement, directly or through their collaborators.

Risk activities must be brought to the knowledge of the SB by the mentioned managers in charge by filling in an Evidencing Paper to be updated on a periodical basis.

The Heads of the identified risk areas must cause the members of their teams to fill in these reports and transmit them to the Body, who shall file them and test their contents, including during the interviews held on a regular basis with the various managers in charge.

On these operations, the SB can carry out further controls, which will be recorded in writing.

The Body shall make sure that standard instructions be issued and kept updated, to show the managers in charge of risk areas how to fill in the Evidencing Papers, in a uniform and consistent manner. Such instructions must be recorded in writing and kept in both hard copy and electronic format.

3. PERSONNEL TRAINING AND CIRCULATION OF THE MODEL IN THE CORPORATE ENVIRONMENT AND OUTSIDE THE COMPANY

3.1 PERSONNEL TRAINING

LDO shall promote the knowledge of the Model, of the internal regulatory system and their updates among all employees who shall, therefore, be required to know its contents, comply with and contribute to the implementation thereof.

The Human Resources and Organization Business Unit of the Corporate Center shall manage the training of staff on the contents of the Decree and on the implementation of the Model, reporting on it to the SB.

In this context, communications shall involve:

- upload of the Model, of the Anti-Corruption Code of the Leonardo Group and of the Code of Ethics in the corporate intranet, in the

specific section "Ethics and Compliance" and in the section "About Us/Ethics and Compliance" of the Company's intranet, including in the English version;

- availability of the Anti-Corruption Code of the Leonardo Group and of the Code of Ethics for the whole staff and distribution to the new employees at the time they are employed in the firm, with a signature acknowledging reception and a commitment to know and respect the relevant provisions;
- permanent *on-line* course available in the Company's *intranet*, on the contents of the Decree, of the Model, of the Anti-Corruption Code of the Leonardo Group and of the Code of Ethics;
- updated information on any changes to the Model, to the Anti-Corruption Code of the Leonardo Group or to the Code of Ethics following any regulatory and/or organizational / procedural amendments which are relevant for the purposes of the Decree, also through a review of the on-line course available in the corporate *intranet*.

The training path shall be divided into the following steps:

- management and personnel with powers of representation of the Entity: "one-to one" meetings with first-level Head officers, classroom workshops with executives;
- other personnel: full information at the time of hiring; e-learning training course on an IT support in the corporate *intranet*.

The participation to the training session, just as for the on-line course, is compulsory; the Human Resources and Organization Business Unit of the Corporate Center shall monitor that the training path is followed by the whole staff.

Attendance to the training sessions about the provisions of the Decree shall be tracked by requesting a signature of attendance in the form provided and, for "e-learning" activities, through the user log-in statements sent directly by e-mail to the e-mail account of the SB.

In the event of significant amendments to the Model, to the Anti-Corruption Code of the Leonardo Group, to the Code of Ethics, or in the event of new laws impacting on the Company's activity, training sessions shall be held, for the benefit of newly recruited personnel in the process of being introduced into the company, should the Surveillance Body regard as insufficient the mere circulation of the amendment in the manners stated above, given the complexity of the topic.

3.2 INFORMATION TO THE EXTERNAL CO-WORKERS, CONSULTANTS AND PARTNERS

LDO promotes the knowledge of and compliance with the Model and the Code of Ethics also among its commercial and financial partners, consultants, co-workers in several capacities, clients and suppliers of the Company.

LDO shall insert, in the contracts with the aforementioned counterparties specific clauses which provide for the termination of contractual obligations in the event of a breach of the ethical principles established in the cited documents.

4. DISCIPLINARY SYSTEM AND MEASURES IN THE EVENT OF NON-COMPLIANCE TO THE PROVISIONS OF THE MODEL

4.1 GENERAL PRINCIPLES

The development of a sanctions system capable of addressing the violations to the provisions of the Model is essential in order to ensure the effectiveness of the Model itself.

In this respect, in fact, the articles 6 (2) (e) and 7 (4) (b) of the Decree provides that the organizational and management models must introduce a disciplinary system capable of sanctioning any failure to comply with the measures indicated in them.

For the purposes of the disciplinary system, and in compliance with the terms of collectively negotiated labor agreements, any actions or conducts carried out in breach of the Model, shall be subject to a penalty. Because the Model includes the entire corpus of regulations, which is an integral part thereof, there follows that "in breach of the Model" shall also mean in breach of one or more principles or rules defined within the corporate documents forming the regulatory system (see par. 1.3).

The application of disciplinary measures dispenses with the starting and/or the outcome of any criminal proceedings, insofar as LDO has adopted the rules of conduct provided by the Model in full autonomy and regardless the type of offence determined by the violations to the Model itself.

In particular, it is possible to identify, by way of example and with no limitation, the following significant types of violations:

- a) non-compliance to the Model, in case of violations aimed at the commission of a crime under the Decree or in case, anyway, of risk that the Company's liability under the Decree might be contested;
- b) non-compliance to the Model, in case of violations related, in any way, to the crime risk areas or to the sensitive activities reported in the Special Parts of the Model;

- c) non-compliance to the Model, in case of violations related, in any way, to the risk areas identified as "instrumental" in the Special Parts of the Model;
- d) omissions in the activities of documentation, conservation and control of the documents mentioned in the protocols (procedures), in order to hinder their transparency and verifiability;
- e) omissions in oversight by the hierarchical superiors on the conducts of their subordinates in order to verify the correct and effective application of the Model's provisions;
- f) non participation by the Recipients to the training activities concerning the content of the Model and, more in general, of the Decree;
- g) violation / or circumventions of the control system, carried out through the removal, destruction or alteration of the documentation provided for in the protocols (procedures), or by impeding the control or access to information and documentation to the persons in charge, including the SB;
- h) any form, even indirect, of retaliation, discrimination or penalty, against the persons subject to reporting and, above all, against the reporting subjects;
- i) violation of the disclosure obligation to the SB (as described at paragraph 2.5).

The identification and application of penalties must take into account the principle of proportionality and adequacy compared to the charged violation. In this respect, the following elements are significant:

- type of alleged offence;
- factual circumstances in which the offence took place;
- how the offending behavior has taken place;
- how serious the violation is, holding into account also the subjective attitude of the offender;
- whether more than one violation is generated by the same conduct;
- whether more than one person have committed the same violation;
- whether the author of the violation is a re-offender.

The disciplinary system shall be continuously monitored by the Human Resources and Organization Business Unit of the Corporate Center, which reports to the SB.

4.2 MEASURES TOWARDS DIRECTORS AND STATUTORY AUDITORS

In the event of a violation of the Model by one or more Directors and/or Statutory Auditors of LDO, the Surveillance Body shall inform the Board of Directors and the Board of Statutory Auditors who, based on their respective responsibilities, shall take one of the following measures depending on the seriousness of the violation and in compliance with the powers provided for by the law and/or the By-Laws:

- statements contained in the meetings minutes;
- formal injunction;
- revocation of the engagement / delegation;
- request of calling or calling of a Meeting the agenda of which must include the adoption of adequate measures against the individuals responsible for the violation, including legal proceedings for the assessment of the Director's and/or Auditor responsibility towards the Company and for the redress of the eventual damages suffered and suffering by the Company.

Considering that the Directors of LDO are appointed during the Company Shareholders' Meeting, with the exception of one Director without right of vote, who is appointed by Decree of the Minister of Economics and Finance in agreement with the Minister of Economic Development, in the event of breaches of the Model that may jeopardize the relationship of trust with the Company member involved, or anyway in the event of serious reasons connected to the protection of the interest and/or the reputation of the Company, a Shareholders' Meeting shall be called to pass resolutions on the possible revocation of the appointment or, if the member involved is the Director appointed by decree, to inform the Ministries which appointed such Director so that they may adopt any measures.

4.3 PENALTIES FOR EMPLOYEES

Any employees behavior violating the rules of conduct provided for in the Model shall be defined as a "disciplinary offences", and shall be also considered significant for the Company's Disciplinary Code.

The disciplinary penalties fall within those provided for by the Company's Disciplinary Code, according to the provisions outlined in Article 7 of the Italian Workers Bill of Rights and in the specific applicable collective agreement.

The abstract categories of breaches describe the conducts subject to penalty, for which are indicated the relevant disciplinary measures to be taken according to the principles of proportionality and adequacy, and

taking into account as well the circumstances reported at the previous paragraph 4.1.

4.3.1 EXECUTIVES AND PILOTS

If any executive or pilot, in carrying out their own activities, are in breach of any provisions of the Model or adopt a conduct which violates the provisions of such Model, suitable measures shall be taken against said executives / pilots, in compliance with the provisions of the law and of the applicable National Collective Labor Agreement.

In particular:

- where the violation of one or more provisions of the Model is as serious as to compromise the trusting relationship, thus preventing the possibility of any continuation, even temporary, of the employment, the executive / pilot shall be dismissed without notice;
- where the violation is a minor one but anyway serious enough to compromise irreparably the trusting relationship, the executive / pilot shall be dismissed for a cause, with notice.

4.3.2 WORKERS, EMPLOYEES AND MIDDLE MANAGEMENT

In line with the provisions of the National Collective Labor Agreement for Workers of the private engineering industry and plant installation and of the Company's Disciplinary Code:

- a) the worker who infringes the internal procedures as provided in the Model or who, in carrying out activities in a risk area, adopts a conduct which is not in compliance with the provisions of such Model, shall be subject to verbal warning, written admonition, fine or suspension from work and remuneration, depending on how serious the infringement is, as such conduct must be construed as a violation of employee's duties, which the CCNL identifies as detrimental to the company's discipline and morale;
- b) the worker who, in carrying out activities in risk areas, commits a significant breach of the provisions of the Model, shall be subject to dismissal with notice, as such conduct shall be construed as a violation of a more serious nature than those identified under point a) above;
- c) the worker who, in carrying out activities in risk areas, adopts a conduct which is unequivocally aimed at the perpetration of an offence for which a penalty is provided in the Decree or which is in violation of the provisions of the Model and such as to raise against the Company any of the measures provided for in the Decree, shall be subject to

dismissal without notice, as such conduct shall be construed as a very serious violation which causes serious ethical and/or material damage for the Company.

This document, for all the purposes of the law, shall supplement the Disciplinary Code adopted by the Company and is subject to publication and notification procedures pursuant to Article 7 of the Italian Workers Bill of Rights.

4.4 DISCIPLINARY MEASURES TOWARDS CO-WORKERS, AUDITORS, CONSULTANTS, PARTNERS, OTHER PARTIES IN TRANSACTIONS AND OTHER EXTERNAL PARTIES

Any conduct adopted in the context of a contractual relationship by co-workers, auditors, consultants, partners, other parties in transactions and other parties external to the Company and which is in contrast with the lines of conduct identified in the Model, shall cause an unilateral termination of the contractual relationship, in application of the clauses that LDO includes in any agreement, as formulated by the Legal, Corporate Affairs and Compliance Organizational Unit of the Corporate Center.

In the event that the violations are committed by workers employed through personnel-leasing agencies or through works or services procurement contract, the sanctions shall be applied to the employee, after that the violations by the same have been positively investigated, by its employer (personnel-leasing agency or contractor) and the proceedings may also result in action against the personnel-leasing agency or contractor itself.

The Company, however, may simply ask, in accordance with the contractual agreements with the contractors and the personnel-leasing administrators, the replacement of workers who have committed the above mentioned violations.

4.5 PROCEDURE FOR THE APPLICATION OF PENALTIES

The process for the application of penalties after violations to the Model shall vary depending on each category of recipients, in relation to the following phases:

- notice of violation sent to the individual concerned;
- determination and subsequent application of the penalty.

In any event, the process shall always start after the corporate bodies from time to time responsible for it and listed below receive a communication from the SB that there has been a breach of the Model.

More precisely, when a warning is received or any elements highlighting the risk of a violation of the Model are acquired in the course of the SB's surveillance and assessment activity, the SB has an obligation to take steps in order to carry out the assessments and controls falling within the scope of its activity, according to the Whistleblowing Management Guidelines.

The SB, once completed the audit activity, on the basis of the elements in its possession, shall issue an assessment of the violation and communicates it to the Top Management and to the Head of the Human Resources and Organization Business Unit of the Corporate Center.

4.5.1 DISCIPLINARY MEASURES AGAINST DIRECTORS AND STATUTORY AUDITORS

In the event of a violation of the Model by a Director who is not an employee of the Company, the SB shall submit to the Chief Executive Officer and General Manager, who shall subsequently forward it to the Board of Directors and the Board of Statutory Auditors, a report containing:

- the description of the alleged conduct;
- the indication of the Model's provisions which have been violated;
- the personal details of anyone responsible for the violation;
- any documents proving the violation and/or any other evidence;
- a proposal for the penalty which is deemed to be appropriate in the specific case.

Within ten days from acquisition of the report from the SB, the Board of Directors shall call the member pointed out by the SB to a meeting of the Board, which must be held by and no later than thirty days from receipt of the report itself.

The notice of a call must:

- be in writing;
- specify the alleged conduct and the Model's provisions in breach of which it has been committed;
- communicate the director concerned the date of the meeting, specifying he has a right to produce any written or oral objections and/or comments. The notice must bear the signature of the Chairman and at least two members of the Board of Directors.

The schedule of the Meeting of the Board of Directors, which shall also open to SB's members, shall include the audition of the charged Director,

the hearing of any comments submitted by the latter and any further assessments deemed to be appropriate.

The Board of Directors, on account of the elements acquired, shall determine which penalty should be levied, stating the reasons for any disagreement with the proposal put forward by the SB.

The resolutions of the Board of Directors and/or the Shareholders' Meeting, as applicable, must be communicated in writing by the Board of Directors to the subject concerned and to the SB, for the appropriate controls.

The above procedure shall be applied also when the Model is violated by a member of the Board of Statutory Auditors. In this event, the SB shall cause the proceedings pursuant to Article 10 of the By-laws of the SB itself to be initiated.

In all the events of a Model's violation by a Director who is also an employee of the Company, the procedure set out below with reference to executives / employees shall apply.

When the above procedure results in dismissal, the Board of Directors shall promptly call a Shareholders' Meeting for the approval of the revocation of the Director from his / her office.

In any case, the Board of Directors is entitled (even without dismissal of the Director and however pending the performing of the proceedings provided for at paragraph 4.5.2) to adopt any proper measure against the Director itself, providing adequate and prompt communication to the SB.

When the revocation applies to the Director appointed by the Ministry of Economics and Finance together with the Ministry for Economic Development, the Board of Directors shall inform the Ministers, so that they may take the applicable measures.

4.5.2. DISCIPLINARY MEASURES AGAINST EMPLOYEES

A) Executives and pilots

The procedure for the assessment of offences committed by executives and pilots, shall be carried out in compliance with the current provisions of the law as well as of any applicable collective labor agreements.

In particular, the SB shall deliver to the Chief Executive Officer and General Manager and to the Head of Human Resources and Organization Business Unit of the Corporate Center a report containing:

- the description of the alleged conduct;
- the indication of the Model's provisions which have been violated;

- the personal details of the person who is responsible for the violation;
- any documents proving the violation and/or other justifying elements.

Within five days from acquisition of the SB's report, the Chief Executive Officer and General Manager shall call the charged executive / pilot, by serving a notice containing:

- the indication of the proved conduct and the object of the violation for the purposes of the Model;
- the hearing date and the right of the concerned party to formulate, even on that occasion, any written or oral considerations on the events.

Subsequently, the Chief Executive Officer and General Manager shall ascertain, with the Head of the Human Resources and Organization Business Unit of the Corporate Center, the position of the subject charged with the violation, and the state of implementation of the relevant penalty measure.

In the event the subject against whom the procedure has been initiated is a senior manager who has been delegated authority by the Board of Directors, and in the event the enquiry proves his guilt according to the Decree, the following shall apply:

- the Board of Directors may decide whether to revoke the delegated authorities attributed on the basis of the nature of the office;
- the Chief Executive Officer and General Manager may act to achieve a definition of the individual's position and implement the relevant disciplinary proceedings.

The proceedings to apply a sanction shall be communicated in writing to such individual, within six days from receipt of the justifications by the executive / pilot. Such term shall start from the date when the written justifications or, if later, the oral justifications, have been produced. Within the scope of the above detailed procedure, the Board of Directors of LDO must be informed, in all the above situations, of the outcome of internal assessments and the penalty profile applied.

The SB, who received a copy of the levy of penalties, shall see to its application. Without prejudice to the right of recourse to the Judicial Authorities, the executive / pilot, within thirty days from receipt of the written dismissal notice, may apply to the Conciliation and Arbitration Board, as provided for in the applicable bargaining agreements.

In the event of the appointment of the above mentioned Board, any disciplinary penalty shall be suspended till the award of such body.

B) Workers, employees and middle management

The procedure for application of the penalties to workers, employees and middle management shall be carried out in compliance with the provisions of Article 7 of the Italian Workers Bill of Rights, of the National Collective Labor Agreement for Workers of the private engineering industry and plant installation and of the Company's Disciplinary Code.

In particular, the SB shall transmit to the Head of the Human Resources and Organization Business Unit of the Corporate Center a report containing:

- the personal details of the person who is responsible for the violation;
- the description of the alleged conduct;
- the indication of the Model's provisions which have been violated;
- any documents and elements supporting the charges.

The Company, through the Head of Human Resources and Organization Business Unit of the Corporate Center or through another representative of the Business Unit itself with the necessary powers, within ten days from acquisition of the report, shall send the Employee a notice of charges in writing pursuant to Article 7 of the Italian Workers Bill of Rights, containing:

- the precise indication of the alleged conduct;
- the Model's provisions which have been violated;
- the communication of the right to submit written comments and/or justifications within five days from receiving the notice, and to request the assistance of a representative of the union the employee is a member of or has appointed to act on his behalf.

Following any counter-arguments put forward by the concerned employee, the Head of the Human Resources and Organization Business Unit of the Corporate Center or another representative of the Business Unit itself with the necessary powers shall take measures for the application of the sanction and shall establish the extent thereof.

The disciplinary measures must be applied within six days from the receipt of any justifications. The above measures must also be communicated to the SB, which verifies the actual application of the penalty levied.

Without prejudice to the possible initiation of legal proceedings, the employee may request the formation of a Conciliation and Arbitration Board, in the twenty days after receipt of the disciplinary notice, with suspension of the penalty till the final award.

The above described procedure also provides that the Board of Directors of LDO must be informed of the outcome of internal controls and of the penalty profile applied to the employees.

4.5.3. DISCIPLINARY MEASURES AGAINST THIRD PARTY RECIPIENTS OF THE MODEL

In order to adopt the measures provided for in the contractual clauses referred to in paragraph 4.4, the SB shall communicate to the Head of the Organizational Unit which manages the contractual relationship, copying the relevant Head of Division and the Chief Executive Officer and General Manager, a report containing:

- the details of the person responsible for the violation;
- the description of the alleged conduct;
- the indication of the Model's provisions which have been violated;
- any documents and elements supporting the charges.

If the contract was approved also by resolution of the Board of Directors of LDO, the above report shall be sent to it and copied to the Board of Statutory Auditors as well.

The Head of the Organizational Unit which manages the contractual relationship, in agreement with the Legal, Corporate Affairs and Compliance Organizational Unit of the Corporate Center and based on any determinations in the meantime taken by the Head of Division and/or by the Chief Executive Officer and General Manager, by the Board of Directors and by the Board of Statutory Auditors, where applicable, shall send to the mentioned person a written communication containing details of the alleged conduct, the Model's provisions infringed and details of the specific contractual clauses which are requested to be applied.

As part of the process described above, it is expected that the Board of Directors of the LDO is informed of the outcome of internal controls and of the penalties from time to time applied.

5. UPDATE AND REVIEW OF THE MODEL

In case is made necessary by the circumstances or, anyway, whenever to this end there are solicitations by the SB, the Board of Directors of LDO, for the purposes of Article 6 of the Decree, shall supervise the update and review of the Model.

The Board of Directors shall entrust the Group Internal Audit and Legal, Corporate Affairs and Compliance Organizational Units of the Corporate Center with the responsibility of overseeing the update of the Model and drawing up and updating elements of the same, in connection with the other competent structures.

With a view to maintain a Model effective and valid over time, the following types of events may be taken into consideration, by way of example and with no limitation, for the purposes of the update and review of the Model:

- new legislation affecting the provisions on the entities liability for administrative offences connected to a crime;
- interpretations of case law and prevailing doctrine;
- finding of deficiencies and/or gaps and/or significant violations of the Model provisions following the effectiveness assessments thereof;
- significant changes to the organizational structure or to the Company's business sectors;
- considerations arising from the application of the Model, including the results of updates of the "historical analysis".

SPECIAL PARTS

(ONLY INTERNAL USE)