

Organization, Management and Control Model
General section

as per Legislative Decree no. 231/2001 integrated with art. 30 of Legislative decree no. 81/08

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WRITTEN BY	APPROVED BY
Chairman of the Board of Directors (CdA)	Board of Directors
<i>Francesco Basso</i>	<i>Resolution of 28.10.2016</i>

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0 Acronyms

The acronyms used in this document are defined and listed in Operating Instruction IO_S 93 Acronyms.

1 Essential principles of liability

Legislative Decree no. 231/01 regulates liability of the "*institutions*" for administrative offences arising from crimes as expressly indicated in art. 1, par. 1.

The above-mentioned decree provides for "mandatory" rules, holding the Company liable if, in the course of business, ordinary organizational rules are not followed and the legal provisions governing the various sectors of activity are not applied, thus committing crimes.

The Company, therefore, in its own interests and to its own benefit, is held directly liable for "organizational fault" or "shortcomings in organization", for which the specific fines and interdictory sanctions provided for by Legislative Decree no. 231/01 shall be allocated.

The Italian legislator saw in the adoption and effective implementation of an Organization, Management and Control Model ("MOG") meeting the requirements of articles 6 and 7 of Legislative Decree no. 231/01 and integrated with the provisions of art. 30 of Legislative Decree no. 81/08, the minimum requirement needed to exempt the Company from liability should the Company itself meet it.

The Company is therefore free to choose whether to adopt the MOG ("burden"), since its mere absence is not a fact in itself prosecuted or sanctioned.

However, the fact remains that Legislative Decree no. 231/01 still provides for the institutions to be held liable in the event of infringement of the rules governing the Company's activities, also providing for consequent severe fines and/or interdictory sanctions, the latter even involving the impossibility to carry out and continue the business activity.

2 Glossary of terms

2.1 Predicate offences entailing administrative liability

These are the offences expressly listed by the legislator in Section III "Administrative liability for offences" of Legislative Decree no. 231/01, from whose commission or attempted commission administrative liability originates.

2.2 Recipients (art. 1 Legislative Decree no. 231/01)

The legislation expressly states that:

the provisions are applicable to:

- institutions provided with legal personality which do not carry out constitutional functions
- companies and associations with or without legal personality which do not carry out constitutional functions, and thus also COELME S.p.A.

the provisions are not applicable to:

- the State and local governments
- bodies carrying out constitutional functions
- other non-economic public bodies.

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2.3 Managing Body

- This is the managing body in charge of the Company's management and performing the operations needed to pursue the corporate purpose (art. 2380 *bis* of the Italian Civil Code)
- Duty is upon the Managing Body to adopt and effectively implement the MOG (art. 6, par. 1, letter a of Legislative Decree no. 231/01).

2.4 Top managers

The commission or attempted commission of a predicate offence by one of the "top managers", in the presence of the other conditions identified below, determines the administrative liability of the institution involved, i.e. COELME.

Art. 5, par. 1, letter a of Legislative Decree no. 231/01 expressly defines as "top managers" people who:

- are provided with functions of representation, administration or management of the institution or any of its organizational units with financial and functional autonomy;
- manage and control, even de facto, the institution.

In the event of corporate offences, the norm states that by "top managers" it is meant, primarily:

- directors, general managers or liquidators.

With reference to the corporate organization of COELME, the definition of "top managers" includes:

- the Chairman of the Board of Directors;
- the CEOs (if any);
- the Directors of the Board of Directors.

2.5 Subordinates of corporate officers

The commission or attempted commission of a predicate offence by one of the "subordinates", determines the administrative liability of the institution involved, i.e. COELME, if the commission or attempted commission of the offence were made possible by the infringement of the managing or supervisory obligations by the "top managers".

Art. 5, par. 1, letter b of Legislative Decree no. 231/01 expressly defines as "subordinates" people who:

- are subject to the control or supervision of any top managers.

In the event of corporate offences, the norm defines:

- people subject to the supervision of top managers.

This category includes, without limitation:

- employees;
- third parties' employees working for the Company on the basis of temporary work or secondment contracts;
- workers on a project-based employment or occasional contract;
- external collaborators such as agents, dealers, franchising companies, representatives, distributors, consultants, experts, professionals and self-employed staff;

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- providers of outsourced activities, according to the works or services contracts in force.

2.6 Interest and benefit requirement (art. 5, par. 1 of Legislative Decree no. 231/01)

This is the objective requirement to the administrative liability of the institution, i.e. COELME. As a matter of fact, for the Company to be held liable, the offence must have been committed or attempted in the interests and /or for the benefit of the Company itself.

- "Interest" entails the commission of a crime aimed at the acquisition of a benefit by the Company, irrespective of its actual achievement.
The assessment as to whether the interest of the institution (COELME) exists must be made *ex ante*, thus considering the goal which the physical person had in mind when committing the offence and whether s/he has acted trying to help the Company to acquire a benefit, by which it is meant any positive effect.
- "Benefit" is intended as the concrete acquisition of an economic benefit or any other benefit by the Company as a result of the committed crime.
The benefit requires an *ex post* evaluation, since it will possibly be visible at a later time from the commission of the offence, in order to verify whether the institution has actually benefited from the crime itself.

As for non-intentional offences, such as those relating to workplace safety, the concepts of "interest" and "benefit" have been subjected to specific interpretation by the judiciary authorities.

It was pointed out that both the concepts of "interest" and "benefit" must be considered and related to the conduct of commission or omission put in place, in violation of the rules and not to the event; for example, no interest or benefit could, in fact, be taken from the death or injury of one of its employees or from pollution caused to the waters.

Concerning the protection of health and safety at work, the judiciary authorities have recognized that a benefit for the institution may result from the conduct of commission or omission which, for example, may have resulted in a saving of security costs (e.g. Court of Trani - Section of Molfetta - judgment of 26/10/09, Court of Assize Turin - judgment of 15/04/11, and Court of Cagliari - judgment no. 1188 by preliminary hearing judge dated 04/07/11).

2.7 Administrative liability exemption for the institution

The legislative decree expressly states the conditions under which the Company is deemed "not liable" (art. 5, par. 2, art. 6, par. 1 and art. 7 par. 1 and 2 of Legislative Decree no. 231/01). As a matter of fact, the Company is not liable:

- if the people have acted in **their own interest or in the interest of third parties** (art. 5, par. 2 of Legislative Decree no. 231/01)
- for predicate offences committed by **top managers**, if it is proved that:
 - the Managing Body ("ODir") had adopted and effectively implemented, before the commission of the offence, an Organization, Management and Control Model (MOG) suitable for preventing the commission of offences of the same kind as that which was committed (art. 6, par. 1, letter. to Legislative Decree no. 231/01);
 - the task of supervising the functioning and compliance with the MOG and taking care of its updating was entrusted to a Supervisory Board ("OdV") with autonomous powers of initiative and control;

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- there was no omission or unsatisfactory supervision by the OdV mentioned above (art. 6, par. 1, letter d of Legislative Decree no. 231/01);
 - the persons committed the offence by fraudulently infringing the procedures and protocols defined by the MOG (art. 6 par. 1, letter c of Legislative Decree no. 231/01).
The last provision leads to the important principle according to which the Company is not required to "prevent" and "rule out the possibility" that predicate offences are committed, which would be in itself impossible to do, but to create such an organization system that the above-mentioned offences can only be committed by voluntarily circumventing the control measures in place.
- The Company is not liable for predicate offences committed by **subordinates** subject to the direction or supervision of top managers if:
- the commission of the offence was not made possible by the incompliance with management or supervisory obligations (art. 7 par. 1 of Legislative Decree no. 231/01);
 - the institution, prior to the commission of the offence, had adopted and effectively implemented a MOG capable of preventing crimes of the type that occurred. In this case, however, the legislation states that "*under all circumstances... non-observance of the management or supervisory obligations*" is excluded (art. 7, par. 2 of Legislative Decree no. 231/01).

2.8 Model

The "Model" refers to the MOG containing procedures and behavioral protocols aimed at preventing predicate offences that, if committed, could entail administrative liability for the Company.

The MOG must include, "*in relation to the type and scale of the organization, as well as the activity performed, measures that can guarantee performance of the activity in compliance with the legislation in force and that can promptly identify situations at risk*" (art. 7, par. 3 of Legislative Decree no. 231/01).

In compliance with the health and occupational legislation in place, with reference to the prevention of predicate offences under articles 589 and 590, par. 3 of the Italian Criminal Code resulting from breaches of the rules protecting health and safety at work, the MOG should:

- provide "*...for the definition and implementation of a corporate policy for health and safety, in accordance with article 6, paragraph 1, letter a of Legislative Decree no. 231 dated 08/06/01, suitable for preventing the offences referred to in articles 589 and 590, paragraph 3, of the Italian Criminal Code, committed in violation of accident prevention and occupational safety rules*" (art. 2, par. 1, letter dd of Legislative Decree no. 81/08).

- "*...be adopted and effectively implemented, ensuring a corporate system suitable for the fulfillment of all legal obligations relating to the provisions of art. 30, par. 1 letters a-b of Legislative Decree no. 81/08*";

- "*in all cases provide for a system of functions appropriate to the nature and size of the organisation and type of activity carried out, ensuring the necessary technical competences and powers for risk verification, assessment, management and control...*" (art. 30, par. 3 of Legislative Decree no. 81/08).

2.9 Supervisory Board (OdV)

This is the body which, by law, is in charge of supervising the functioning of and compliance with the models as well as updating them, making any amendments and additions necessary to keep them in line with the Company's risks of predicate offences, the changing laws and company organization.

The OdV must be "*vested with autonomous powers of initiative and control*" (art. 6, par. 1, letter b of Legislative Decree no. 231/01).

With reference to the prevention of predicate offences under articles 589 and 590, par. 3 of the Italian Criminal Code, the legislator requires that the MOG must provide for "*an appropriate monitoring system*

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on the implementation of the model and maintenance over time of the suitability of the measures taken..." (art. 30, par. 4 of Legislative Decree no. 81/08).

2.10 Disciplinary system

The legislator points out that a further essential element of the MOG is the adoption of a *"Disciplinary system suitable for sanctioning any failure to respect the measures indicated in the model"* (art. 7, par. 4, letter b of Legislative Decree no. 231/01).

With reference to the prevention of predicate offences, articles 589 and 590 of the Italian Criminal Code also require that the MOG must include the adoption of a *"Disciplinary system suitable for sanctioning any failure to respect the measures indicated in the model"* (art. 30, par. 3 of Legislative Decree no. 81/08).

3 Administrative liability legislation pursuant to Legislative Decree no. 231/01

3.1 International legislation

- **Brussels Convention of 26/07/95** on the *protection of the financial interests of the European Community*
- **Brussels Convention of 26/05/97** on the *fight against corruption involving officers of the European Community or the Member States*
- **OECD Convention of 17/12/97** on the *fight against corruption of foreign public officers in economic and international operations*
- **UN Convention and Protocols against transnational organized crime**, adopted by the General Assembly on 15/11/2000 and 31/05/2001, ratified with Law no. 146 of 2006
- **UN Convention against corruption** signed in Merida in 2003
- **Council of Europe Convention on cybercrime** drafted in Budapest in November 2006
- **Council of Europe Convention on the prevention of terrorism** signed in Warsaw in 2005

3.2 National legislation

- **Law no. 300/2000, art. 11** *Enabling act to the Government for provisions governing the administrative liability of legal persons and institutions without legal personality*
- **Legislative Decree no. 231/2001** *Administrative liability of legal persons, companies and associations with or without legal personality, in accordance with art. 11 of Law no. 300 of 29th September 2000 and subsequent amendments and additions*
- **Book V, Title V, Heading IV of the Italian Civil Code** *Companies and Partnerships*
- **Law no. 409/2001** *Conversion into a law, with modifications, of Legislative Decree no. 350 of 25th September 2001, on urgent measures in view of the introduction of the Euro*
- **Legislative Decree no. 61/2002** *Code on criminal and administrative offences involving commercial companies, pursuant to art. 11 of Law no. 366 3rd October 2001*
- **Legislative Decree no. 6/2003** *Systematic reform of regulations for joint stock companies and cooperatives, in accordance with Law no. 366 of 3rd October 2001*
- **Law no. 7/2003** *Ratification and implementation of the International Convention for the Suppression of the Financing of Terrorism, signed in New York on 9th December 1999 and internal adjustment rules*
- **Law no. 228/2003** *Measures against trafficking in persons*
- **Legislative Decree no. 310/2004** *Additions and corrections to the rules of Company Law and the provisions of the Consolidated Act on banking and credit*

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- **Law no. 62/2005** Provisions for the fulfillment of the obligations resulting from Italy's membership of the European Communities. Community Law of 2004
- **Law no. 38/2006** Provisions on combating sexual exploitation of children and child pornography including through the use of the Internet
- **Law no. 146/2006** Ratification and implementation of the Convention and Protocols of the United Nations Convention against Transnational Organized Crime, adopted by the General Assembly on 15th November 2000 and 31st May 2001
- **Legislative Decree no. 231/2007** Implementation of Directive 2005/60/EC concerning the prevention of the use of the financial system for the purpose of money laundering and on the fight against the financing of terrorism as well as Directive 2006/70/EC which contains the relevant implementation measures
- **Law no. 48/2008** Ratification and implementation of the Council of Europe Convention on Cybercrime, signed in Budapest on 23rd November 2001 and internal adjustment rules
- **Law no. 94/2009** Provisions on public safety
- **Law no. 99/2009** Provisions for the development and internationalization of enterprises and on energy
- **Law no. 116/2009** Ratification and implementation of the United Nations Convention against corruption, adopted by the UN General Assembly on 31st October 2003 with resolution no. 58/4, signed by the Italian government on 9th December 2003, as well as internal adjustment rules and amendments to the Italian Criminal Code and the Code of Criminal Procedure
- **Law no. 121/2011** Implementation of Directive 2008/99/EC on the protection of the environment through criminal law and Directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of sanctions for infringements
- **Law no. 183/2011** Provisions for the annual and multiannual state budget (2012 Stability Law)
- **Legislative Decree no. 109/2012** Implementation of Directive 2009/52/EC providing for minimum standards on sanctions and measures against employers who employ illegally staying third-country nationals
- **Law no. 190/2012** Provisions for the prevention and repression of corruption and unlawfulness in the public administration, which introduces the offence of undue induction to give or promise benefits and the offence of corruption among private parties
- **Legislative Decree no. 39/2014** Implementation of Directive 2011/93/EU on combating the sexual abuse and sexual exploitation of children and child pornography, and replacing Council Framework Decision 2004/68/JHA
- **Law no. 186/2014** Provisions on emergence and return of funds held abroad and for strengthening the fight against tax evasion. Provisions on self-laundering
- **Law no. 68/2015** Provisions on crimes against the environment
- **Law no. 69/2015** Provisions on crimes against public administration, for alleged mafia-related criminal conspiracy and false accounting
- **Legislative Decree no. 81/08, art. 2 letter dd** Definition of "Organization and Management Model"
- **Legislative Decree no. 81/2008, art. 300** Amendments to Legislative Decree no. 231 of 8th June 2001
- **Legislative Decree no. 81/2008, art 30** Organization and management models
- **Regional laws and regulations**
- **Voluntary standards UNI EN ISO 9001; UNI EN ISO 14001; BS OHSAS 18001**
- **Confindustria (Italian General Confederation of Industry) Guidelines**
- **Published judgments and judicial orders**

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4 Company details

4.1 Company details

Company:	COELME – Costruzioni Elettromeccaniche S.p.A.
Registered offices:	Via Galileo Galilei 1/2 30036, Santa Maria di Sala (Venice), Italy
Tax code:	00671250280
VAT no.:	02699640278
Economic and Administrative Registration no.:	194089
Duration:	31/12/2050
Legal form:	Società per Azioni (Limited Company)

4.2 Workplace

See the plans included in the annexes to the MOG.

5 History of the Company

Coelme S.p.A. was established in 1975 thanks to the Venetian entrepreneurial initiative which, by courageously taking the challenge offered by profitable market opportunities, was able to gather around a well-defined industrial project some of the best experts in the electromechanical industry, with proven knowledge and professionalism in line and station fittings as well as in medium, high and very high voltage disconnectors.

The first COELME-branded products were line and station fittings; then, the Company started to design, manufacture and market medium and high voltage disconnectors, significantly increasing its turnover, product and market diversification and expansion.

Over the years, COELME improved, increased and diversified its production, now offering a wide range of standard products, giving proof, at the same time, of great flexibility and ability to design and manufacture special equipment too, of which HVDC disconnectors are a significant example.

Today COELME designs and manufactures electromechanical equipment capable of meeting the most diverse and demanding market requirements in terms of quality, reliability and performance.

Since 2001, with the launch of the disconnectors "business unit" decided the group Coelme belongs to, the Company has undertaken to market the products of the French company EGIC SAS, now controlled by COELME, worldwide, thus completing its range of products with the equipment which had not been produced yet, and, following the acquisition of the Company by the US Southern States group in 2004, entered the field of load switchers, using "vacuum technologies" for MV equipment and SF₆ technologies for HV devices.

Coelme's range of products currently includes:

- MV, HV and EHV disconnectors up to 800 kV - 8000 A and above, for both alternate and direct current, in compliance with IEC and ANSI standards
- vacuum technology-based MV switchers
- SF₆ technology-based switchers
- switchers for the railway sector

The Company's controlling group has a leading position in the market and COELME is considered a preferred supplier in its own sector, not only in Italy (where it is among the few vendors with their products approved in accordance with the strict specifications of TERNA - ENEL - RFI) but also abroad, thanks to the numerous supplies to local electric utilities, either directly or through

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the most important contractors for projects in the generation, transmission and distribution of electricity and rail networks.

6 Activity description

COELME – Costruzioni Elettromeccaniche S.p.A.'s Articles of Association includes the following corporate purpose:

"The manufacturing and sale of material for the transport and distribution of electrical energy and electrical material in general;

Representation of other companies, both national and foreign, whose corporate purpose is the same as, similar, or connected to its own;

The purchase, the sale and the exploitation of licences, patents, samples, studies and projects related to the activities listed above;

The study, on behalf of third parties, of technical problems and projects of any kind and the processing of data.

The Company, in pursuit of its purposes, may also perform the following activities.

The purchase, sale, lease and general management of real estates; leasing of movable and immovable properties needed for Company's activities;

The investment of corporate liquidity in government and private securities;

The acquisition and the alienation of interests and holdings in other companies and businesses, whose corporate purpose is the same as, similar or related to the Company's, either directly or indirectly.

The Company may also grant real or personal guarantees, also in favor of third parties, on the company assets, with unlimited amounts, as well as perform all the commercial, industrial, financial, movable and immovable asset-related operations deemed necessary and useful for the achievement of the corporate purpose.

All these activities must take place within the limits and in compliance with the rules governing the business. In particular, all financial activities must be conducted in accordance with the applicable laws.

The Company may issue bonds and financial instruments in compliance with the relevant legal provisions in force.

COELME mainly carries out the following activities:

- Design, manufacturing and sale of material for the transport and distribution of electrical energy and electrical material in general;
- Supervision, assembly and on-site commissioning of the devices it manufactured/marketted;
- On-site maintenance and repairs, the latter mainly on the products it sold.

7 Corporate organization

7.1 Shareholders' Meeting (art. 7 of the Articles of Association)

The Shareholders' Meeting is the sovereign body of the Company, to which the Articles of Association entrusts the exclusive task of deciding on the following matters:

- changes to the Articles of Association of the Company;
- changes in social rights related to the participation of any shareholder;
- mergers, spin-offs, other changes in the corporate structure;
- any resolution concerning the liquidation or dissolution of the Company;
- approval of the financial statements of the Company and decision on the distribution of profits;
- appointment of the Board of Statutory Auditors, the Auditor and/or the Auditing Firm.

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7.2 Executive Body¹ (art. 2380 *bis* of the Italian Civil Code, art. 8 of the Articles of Association)

The **Board of Directors** ("CdA") is the Company's executive body. Article 8.1 of the Articles of Association requires that it be "*composed of 3 (three) to 5 (five) members*". The Shareholders' Meeting, in accordance with art. 8 of the Articles of Association, appointed four members for the Board of Directors.

This body is vested with the broadest powers of ordinary and extraordinary management of the Company, in compliance with the resolutions approved by the Shareholders' Meeting unless otherwise provided by the law.

Pursuant to art. 8.6 of the Articles of Association, the Board of Directors is exclusively responsible for deciding on the following matters:

- approval of the annual business plan and the budget of the Company and its subsidiaries, including investment programs and accounts, periodic forecasts, employment and sales plans;
- any change in the nature of the activity of the Company and its subsidiaries (production and sale of equipment for electricity transmission and distribution and electrical material in general) and/or relocation, if such change or relocation do not require a modification of the Articles of Association by the Shareholders' Meeting;
- change in the accounting principles adopted by the Company or its subsidiaries;
- sale and/or purchase of shareholdings in other companies, businesses or business units, if the above-mentioned operations have not been previously included in the business plan of the Company, with reference to the Company itself and its subsidiaries;
- agreement with creditors, filing of an application for admission to insolvency proceedings;
- recruitment of personnel by the Company and/or its subsidiaries with gross annual earnings above Euros 150,000 or termination of an employment contract should it provide for the payment of compensation or incentives of any kind (other than severance pay or other compensation provided by law) above Euros 50,000;
- taking of interest-bearing loans by the Company or its subsidiaries with maturities exceeding one year and/or for a principal exceeding Euros 500,000.00 (alone or together with other interest-bearing loans taken by the Company and/or its subsidiaries, except in cases where the above-mentioned loans had been previously approved, pursuant to this paragraph);
- issue and possible allotment of debt securities by the Company; creation of rights of options or rights to subscribe, purchase, or convert the above-mentioned debt securities;
- granting of licences by the Company or its subsidiaries which are not included in the business plan, as well as any patent selling;
- voting decisions that the Company will have to make at the meetings of the subsidiaries, on the issues stated in article 7.9 of the Company's Articles of Association.

¹ Please refer to the minutes of the Board of Directors' Meeting included in the annexes to the MOG

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7.3 Chairman of the Board of Directors and Honorary Chairman (art. 8 of the Articles of Association)

In accordance with art. 8.2 of the Articles of Association, the Board of Directors, elected from among its members the Chairman of the Board ("PRES") and appointed an Honorary Chairman² "*in charge of the strategic guidance of the Company*".

7.4 Representation of the Company (art. 2384 of the Italian Civil Code, art. 9 of the Articles of Association)

Article 9 of the Articles of Association states that "*The signatory powers and the legal representation of the Company are delegated to the Chairman of the Board of Directors*".

According to art. 2384 of the Italian Civil Code "*the power of representation granted to the directors by the Articles of Association or by appointment resolution is general*".

The Board of Directors vested³ the PRES with the power to represent the Company before any judicial, administrative and fiscal authority, national and foreign, ordinary and special, in any proceeding, instance, office, with the relevant power to mount legal challenges, settle proceedings or reach agreements.

7.5 Delegated corporate bodies⁴ (art. 8 of the Articles of Association)

According to art. 8.2 of the Articles of Association, "*the Board of Directors elects a Chief Executive Officer who, on a monthly basis, shall report to the directors and the auditors by providing information on the management of the Company and its subsidiaries in the previous month*".

The Board of Directors conferred upon the PRES a specific delegation of powers, by appointing him Chief Executive Officer ("AD") whom also the powers of ordinary administration were conferred upon.

7.6 Special Proxies⁵

Article 8.3 of the Articles of Association provides that the Board of Directors may confer some of its powers upon special proxies appointed on a case by case basis, for single acts or categories of acts, and appoint proxies.

The Board of Directors, by the resolution by which it appointed the CEO, granting him the powers of ordinary administration, also conferred upon him the right to delegate part of the above-mentioned powers to the Company's employees.

Pursuant to this resolution, the CEO granted special powers of attorney to the people listed in Annex A to this document.

The Board of Directors, by resolution, entrusted the PRES with granting a special power of attorney to the "Environmental Protection Manager" ("RA") listed in Annex A to this document.

7.7 Corporate monitoring bodies⁶ (art. 10 of the Articles of Association, art. 2397 and art. 2409 bis of the Italian Civil Code)

The Shareholders' Meeting, in accordance with art. 10 of the Articles of Association, appointed three standing auditors and two alternate auditors for the Board of Statutory Auditors.

² Please refer to the minutes of the Board of Directors' Meeting included in the annexes to the MOG

³ Please refer to the minutes of the Board of Directors' Meeting included in the annexes to the MOG

⁴ Please refer to the minutes of the Board of Directors' Meeting included in the annexes to the MOG

⁵ See the special power of attorneys and the Board of Directors' resolution included in the annexes to the MOG

⁶ Please refer to the minutes of the Shareholders' Meeting among the annexes to the MOG

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The Shareholders' Meeting, in accordance with the Articles of Association, appointed an auditing firm.

The statutory audit was entrusted to the above-mentioned firm, which possesses the requirements required by the law.

The Board of Statutory Auditors and the auditing firm will remain in office for three years and their mandates will expire right after the approval of the financial statements of the latest financial year by the Shareholders' Meeting.

7.8 Corporate organization

The corporate organization, by which it is meant all corporate bodies, the powers granted and/or delegated through special powers of attorney, is described in Annex B to this document

8 Corporate structure

8.1 Personnel employed in the Company

The personnel employed in the Company is mainly of Italian nationality.

8.2 Corporate structure - Chart

All company charts are incorporated in Annex C to this to this document.

8.3 Corporate information system

The flows of information between the corporate bodies and the business functions are regulated by and depending on the relevance of the information content to be transferred.

Among the ways the information is circulated are the minutes of the corporate bodies, specific work plans, the meetings with the managers, meeting minutes... and e-mails. E-mails are only used for daytime activities.

Approximately every month, management meetings with the Managers of the various corporate functions take place for mutual information sharing and discussion of issues and developments in the various departments.

8.4 Training programs and implementation

The Company has a PAF (Annual Training Plan) drafted at the request of the Managers of the various corporate functions, the DDL (Employer's Deputy for Safety), the RA (Environmental Protection Manager), the PRES and/or under the direction of corporate bodies and/or external consultants, by the ASRU (Accounting/Finance and Human Resources Department - HR Officer) who takes also care of its regular updating.

The training concerns the methodology of work, the performance of activities, the corporate organization and the related procedures including, among other things, the issues relating to environmental protection, health and safety.

Training certificates and records are kept by the ASRU.

Copies of the certificates relating to training in the field of environment, health and safety are delivered respectively to the RA and the DDL for the relevant actions.

8.5 Task register and procedures or practices for the conduct of corporate activities

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The Company is equipped with a task register defining the tasks and responsibilities of the people and corporate functions involved, including in the field of environmental protection, health and safety.

The above-mentioned task registers are included in the "*job descriptions*" for all employees except for top managers, department managers and workers, for whom a skill table is used.

The *job description* related to each task is completed and signed by the relevant Department Manager and, for acceptance, by the holder of the position.

Job descriptions are confidential and are kept by the ASRU.

The skill table is primarily used for workers. It is divided by tasks, according to those defined in the DVR (Health and Safety Risk Assessment Document), and indicates the specific qualifications of each employee.

The skill grid, which is not confidential, also lists all the employees who, although being provided with a *job description*, have specific tasks/qualifications.

The Company is provided with operating procedures.

8.6 Certifications

COELME obtained the following certifications.

- UNI EN ISO 9001 (in 1994)
- UNI EN ISO 14001 (in 2004)
- OHSAS 18001 (in 2010).

This voluntary management system contains numerous and detailed operating procedures that are taken into account and referred to in this MOG, as far as the prevention of predicate offences is concerned.

9 Safety at work (Legislative Decree no. 81/08)

9.1 Organization for the protection of health and safety in the workplace

The Company is certified with BS OHSAS 18001 certification.

9.2 Employer for Safety⁷

The Employer for Safety function ("DL") is embodied by the PRES, as provided for by the minutes of the meeting of the Board of Directors included in the annexes to the MOG.

The DL, by making use of art. 16 of Legislative Decree no. 81/2008, appointed an **Employer's Deputy for Safety** ("DDL"), entrusting him with duties, obligations and decision-making/spending powers on issues relating to health and safety at work, as established by the special power of attorney included in the annexes to this document.

9.3 Health and Safety Risk Assessment Document (Articles 17, 28 and 29 of Legislative Decree no. 81/08)

The DL carried out the assessment of risks to health and safety at work, pursuant to art. 17 of Legislative Decree no. 81/08, and drafted the related Health and Safety Risk Assessment Document ("DVR"), according to the provisions of articles 28 and 29 of Legislative Decree no. 81/08.

⁷ See the minutes of the Board of Directors' Meeting and the special power of attorney included in the annexes to the MOG

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The DVR has been adopted by the Company and is periodically reviewed.

9.4 Safety organization chart (Legislative Decree no. 81/2008)

The safety organization chart is incorporated in Annex C to this to this document.

10 Environmental Protection

10.1 Environmental Protection chart⁸

The Company is certified with UNI EN ISO 14001 certification.

The Board of Directors, given the complexity of both corporate organization and production, as well as the commitments and obligations relating to environmental protection, appointed a Department Manager (an engineer with the necessary technical and professional skills as well as wide knowledge of environmental regulations) and appointed him **Environmental Protection Manager** ("RA") and, by special power of attorney, conferred upon him duties, obligations and decision-making/spending powers on environmental issues⁹.

11 Corporate strategic policy and Integrated 231 Model¹⁰

The Board of Directors, when defining the corporate policy, established that the Company aims to achieve its corporate purpose through a transparent and fair management of the activities, being inspired and attentive to compliance with all applicable legal obligations in force, as well as the fundamental principles of business ethics.¹¹

A corporate policy of this kind, which is suitable to ensure an image of seriousness and reliability of the Company within its business sector, can be implemented only through active cooperation of all people working in the Company itself and on its behalf, from top managers to each employee and independent collaborator.

The Board of Directors, therefore, intends to arrange the Company so as to establish, within its own structure, a solid "culture" of legality and transparency, acquiring control systems for the compliance with the behavioral standards in place, which may help to sanction non-compliant behavior.

The Board of Directors also intends to disseminate its policy, by making known both inside and outside the Company, that it condemns all conducts put in place for any purposes, which may constitute an infringement of the laws and regulations in force or which clash against the principles of sound, fair and transparent business management.

The Board of Directors also believes that the strategic management of the Company cannot be effective without a supervision system concretely monitoring the risks of incorrect application of the rules in force, especially with a view to preventing the risks that may affect the organization of the corporate structure, the compliance with the law in the various activities towards the achievement of the corporate purpose and the relation with governmental authorities.

⁸ See the minutes of the Board of Directors' Meeting and the special power of attorney included in the annexes to the MOG

⁹ See the minutes of the Board of Directors' Meeting and the special power of attorney included in the annexes to the MOG

¹⁰ The corporate policy on Quality, Environment and Safety is included in the Integrated Management System Manual ("MQAS"). A copy of it is also available on the company notice board which is accessible to all employees.

¹¹ Refer to the Company's Code of Ethics.

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Given the peculiar type of business involved, the way in which the workload is organized, and taking into account the risks related to the commission of certain predicate offences, the Board of Directors deems it essential to comply with the legislation in force and implement the MOG which best suits the current organization of the Company's activities, together with the relevant continuous implementation program. Moreover, the Board of Directors also resolved to implement, over time, any further updates and/or additions that may be deemed necessary as a result of new regulatory provisions or changes the risks connected to the commitment of crimes within the Company and/or associated with possible changes in the corporate organization and/or the activity performed.

The Board of Directors acknowledge the MOG as being the best organizational and management tool to base its corporate policy on, aiming at providing maximum information and specific training to all the people working for the Company as well as to establish business relations with external collaborators inspired to a "culture" of legality. Said tool is also useful to monitor the compliance with the above-mentioned policy, ensuring its effective implementation, by including, among other things, penalties and sanctions for behavioral patterns not complying with the corporate procedures established for the **prevention of predicate offences**.

12 Corporate policy on occupational safety and Integrated 231 Model

The Board of Directors of COELME considers it essential, for the preparation of the MOG integrated with the provisions of art. 30 Legislative Decree no. 81/08, to define and implement its corporate policy on occupational health and safety, as required by art. 2, par. 1 letter dd of Legislative Decree no. 81/08 and also define a corporate system for the fulfillment of all legal requirements specified in art. 30 of the above-mentioned decree.

The Company believes that the pursuit of full protection for workers' health and safety is an integral part of its corporate activities, and therefore undertakes to make human resources, equipment and money available as well as prioritize all aspects related to health and safety, whenever new activities are identified or defined, or the existing ones reorganized.

COELME's attention towards the protection of health and safety at work led the Company to obtain the OHSAS 18001 certification in 2010.

The Company also undertakes to encourage cooperation among all resources, full cooperation with workers' and entrepreneurial associations as well as with monitoring bodies and external representatives performing tasks related to safety, in order to offer full protection of workers and third parties' health and safety, when performing business activities, irrespective of where they are carried out.

The Company's commitment is also directed towards identifying operational, organizational and management aspects intended to safeguard the safety of workers and third parties, in relation to the installation of facilities and workplaces as well as machines, tools and equipment allowing for the highest levels of prevention to be implemented.

The Board of Directors, in accordance with its general corporate policy aiming at legality, transparency and fairness in the conduct of all activities, considers it crucial that, especially in the specific field of safety, all the people belonging to the corporate structure are involved, from the DL to the workers, in order to establish a strong "safety-based culture".

The Board of Directors believes that the pursuit of the Company's safety policy can and must be achieved through:

- the establishment of a corporate organizational system for the fulfillment of the legal obligations involved;
- the establishment of procedures for the conduct of all activities in compliance with health protection and worker safety standards;

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- the establishment of a system ensuring the traceability and control of the fulfillment of specific requirements;
- the identification of an effective system monitoring the compliance of each individual with the rules and operating procedures as defined by the Company;
- the identification of a continuous improvement and monitoring system for safety;
- the creation of a sanctioning tool enforcing all formal procedures, punishing any breaches that may occur;
- precise and constant training, information and awareness-raising of all the people belonging to the Company's corporate structure on the contents of the corporate policy on safety, legal requirements, liability for infringements and the procedures defined for the continuous improvement of safety conditions for workers;
- the establishment of prevention procedures and protocols, related to the activities performed by third parties which, due to their place and way of implementation, may affect the safety and health of COELME and/or third parties' workers, identifying appropriate communication modes for the parties concerned and contractual clauses for granting compliance with the MOG.

The Board of Directors acknowledges this MOG as a useful device for the implementation of the Company's safety policy.

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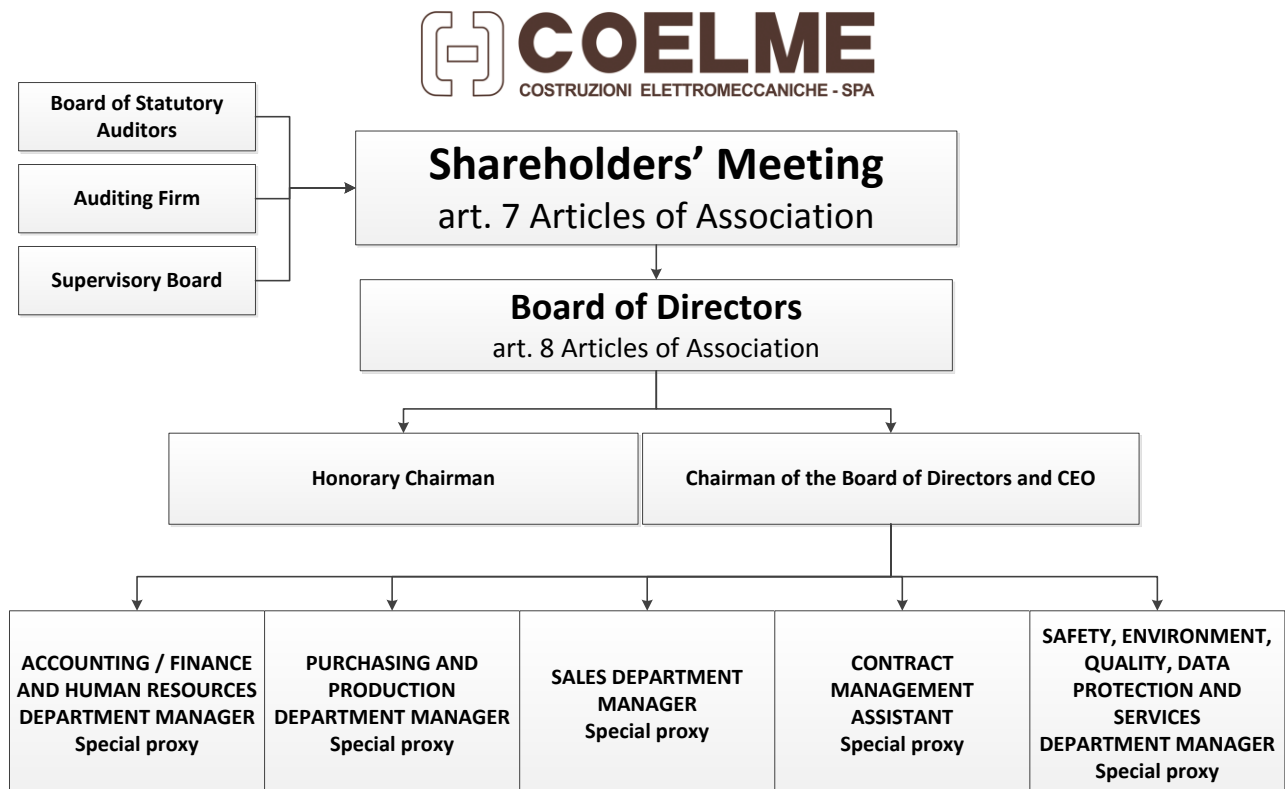
13 Annexes

A - Powers of attorney¹²

The CEO has granted a formal power of attorney to the following:

- Accounting/Finance and Human Resources Department Manager
- Purchasing and Production Department Manager
- Sales Department Manager
- Sales Department - Contract Management Officer
- Employer's Deputy for Safety
- The Board of Directors has granted a special power of attorney on environment to the "Environmental Protection Manager"

B - Corporate organization – granting of special powers and powers of attorney



C – Company charts

All company charts are fully defined in ORG Annex 5 to NIC procedure Q 622 of the Corporate Integrated Management System, which is fully referred to in this document.

¹² See the special power of attorneys and the Board of Directors' resolutions included in the annexes to the MOG

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D – Table of predicate offences

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