

**ORGANISATION, MANAGEMENT AND CONTROL MODEL
PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001**

Approved by the Board of Directors on 31 July 2019

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1. ITALIAN LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

The Italian Legislative Decree No. 231, 8 June 2001, containing the *«Provisions on the administrative liability of legal persons, companies and associations, including those without legal personality, pursuant to article 11 of Italian Law 300 of 29 September 2000»* (hereinafter the "Decree"), came into effect on 4 July of the same year. In this manner, the Legislator introduced administrative liability of legal entities into the Italian legal order in order to bring it into line with the international conventions Italy had previously signed, and specifically:

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

The Italian Legislative Decree 231/2001 thus introduced a system of administrative liability for legal entities (hereinafter "entities"), comparable to criminal liability ⁽¹⁾, in addition to the liability of the natural person, responsible for specific unlawful offences. The system aims to involve in the punishment both said natural persons and the entities in whose interest or to whose benefit the offences have been perpetrated.

The Decree also envisages liability for crimes committed abroad for entities whose principal place of business is in Italy, provided prosecution is not brought by the State in the place where the crime was committed. (Art. 4).

The entity's liability is also valid if the perpetrator of the crime has not been identified or cannot be charged, and even though the offence is extinguished against the perpetrator for a reason other than amnesty (Art. 8).

Administrative penalties for the entity are time-barred 5 years after the date on which the offence is committed, except in the cases where the limitation period is interrupted (Art. 22).

1.1. Principle of legality

The entity's liability arises within the limits established by law: the entity *«may not be held liable for an act constituting an offence if its [criminal] liability regarding such offence and related penalties are not expressly provided for by a law coming into force prior to the date on which the offence is committed»* (Art. 2).

1.2. Objective criteria for attributing liability

(1) The "criminal" nature of this liability can be deduced from four elements: 1) it arises from an offence, in that the predicate crime constitutes a presupposition of the penalty; 2) it is ascertained and guaranteed by a criminal trial and by a criminal court judge; 3) it entails the application of criminal sanctions (fines and disqualifications); 4) the role of wilful misconduct or gross negligence is a central issue based on the principle of guilt.

There are three objective criteria for attributing liability according to Italian Legislative Decree 231/2001:

- a) the perpetration of a criminal offence specified in the Decree from Art. 24 to Art. 25 *terdecies*;
- b) the criminal offence must have been committed «*in the interest or to the advantage of the entity*» (Art. 5, paragraph 1);
- c) the criminal offence must have been perpetrated by one or more qualified individuals, that is «*by persons serving as representatives or holding administrative or senior executive positions within the entity or an organisational unit of the entity that is financially and functionally independent, or by those who exercise, even de facto, management and control*» of the entity (individuals in so-called top management), or even «*by individuals under the direction or supervision of one of the persons in top management*» (so-called subordinates) (Art. 5, paragraph 1 letters a and b).

Interest or advantage

We should bear in mind that interest and advantage are distinct, alternative legal concepts and, therefore, there could be interested conduct without any advantage for the entity or an exclusive advantage for the entity following a totally disinterested conduct by the perpetrator of the crime.

The government report accompanying the Decree attributes a decidedly subjective value to the term "*interest*", susceptible to an *ex ante* evaluation (so-called serving the purpose) and a decidedly objective value to the term "*advantage*", referring, therefore, to the actual results of the conduct of the agent who, although he/she did not have the entity's direct interest at heart, nevertheless gave the entity an advantage by his/her conduct, liable to an *ex post* verification.

The essential features of interest have been identified as follows: objectivity, understood as the independence from the personal, psychological beliefs of the agent and in its necessary correlative roots in external elements, which can be verified by any observer; concreteness, understood as the attribution of interest to relationships which are not merely hypothetical and abstract, but which actually exist, in order to safeguard the principle of harm; topicality, in that interest must objectively exist and be recognisable at the time the action is acknowledged and must not be in the future and uncertain, otherwise it lacks the harm of the asset required for any unlawful act to be seen not as a mere danger; not necessarily economic importance, but which can also be traced back to a company policy.

Interest is, therefore, to be traced back to two types of unlawful conduct: on one hand, the first is when the unlawful act is committed as part of a company policy aiming to gain maximum profit by unlawful means; in this case the criminal act is part of the company logic. On the other hand, the second type of conduct occurs when the entity has been established precisely with the purpose of committing crimes (so-called criminal enterprise); in this case there will no longer be a distinction between lawful and unlawful. Instead, there is an enterprise, whose business aims to obtain maximum gain via unlawful purposes.

By "*advantage*" we understand any objectively appreciable capital gain traceable to the Entity and it can be: direct, that is referable exclusively and directly to the Entity; indirect, that is mediated by results

which third parties have been made to obtain, which are nevertheless susceptible to positive repercussions for the Entity; economic, even though not necessarily immediate.

The interest or advantage for the Entity is also considered on the basis of its liability in the case in which interest or advantages for the perpetrator of the crime or third parties coexist. On the other hand, the entity is not held liable if the perpetrator of the crime in an executive position within the entity acts solely in their own interest or in the interest of third parties.

On the contrary, as no exempting effect is recognised for the sole "*advantage*" of the perpetrator of the offence or of third parties, but only, as said before, for the exclusive interest of these individuals, the entity must be held liable even though the latter does not obtain any advantage or when there is an advantage solely for the perpetrator of the crime or third parties, provided there is an interest for the entity, possibly concurrent with that of third parties, to commit the offence perpetrated by individuals holding an executive position within its organisation.

1.3. Subjective criterion for attributing liability

The subjective criterion for attributing liability arises when the offence expresses a connotative line in company policy or is the fault of the organisation at least.

The provisions of the Decree exclude the liability of the entity if the entity adopted and efficiently implemented a suitable «*organisation and management model*» prior to the perpetration of the offence (hereinafter "model") to prevent the perpetration of the type of offence which has been committed (Art. 6).

From this point of view, the entity's liability is traced back to the «*failure to adopt or comply with proper standards*» regarding the entity's organisation and business activities – a flaw traceable back to company policy or to structural and prescriptive shortcomings in the company organisation.

For the entity to have no liability, the task of overseeing the operation and compliance with the model, as well as its updating, must have been delegated to a body vested with powers of initiative and to conduct monitoring – *Supervisory Body (SB)*.

Lastly, the entity will not be liable if the persons committing the offence have *fraudulently circumvented the organisation and management model*.

1.4. Type of offences

The Decree includes the following offences:

- offences against Public Administration or fraud against the State (Arts. 24 and 25 of the Decree);
- IT-related offences and unlawful processing of data (Art. 24 bis - incorporated into Art. 7, Italian Law No. 48, 18 March 2008);
- offences and felonies committed by criminal organisations (Art. 24 ter - incorporated into Art. 2, Italian Law No. 94 of 2009);

- forgery of money, money values having legal tender, revenue stamps and instruments or identification signs (Art. 25 *bis* incorporated following the entry into effect of Italian Decree Law No. 350, 25 September 2001 as converted with amendments to Italian Law No. 409, 23 November 2001 and as a result of the supplements introduced by the promulgation and entry into effect of Italian Law No. 99 of 2009);
- offences against industry and commerce (Art. 25 *bis.1* - introduced following the enactment and entry into effect of Italian Law No. 99 of 2009);
- corporate offences (Art. 25 *ter* – introduced by the enactment and entry into effect of Italian Legislative Decree No. 61, 11 April 2002, as amended by Italian Law No. 262, 28 December 2005);
- offences committed for purposes of terrorism or designed to subvert democracy as contemplated by the Italian Criminal Code and by special laws (Art. 25 *quater* introduced by Art. 3, Italian Law No. 7, 14 January 2003);
- mutilation of women's genitals (Art. 25 *quater.1* introduced by Art. 8, Italian Law No. 7, 9 January 2006);
- offences against individual freedom as regulated by Section I, Chapter III, Title XII, Book II of the Italian Criminal Code (Art. 25 *quinquies* introduced by Art. 5, Italian Law No. 228, 11 August 2003 and subsequently amended by Italian Law No. 38, 6 February 2006);
- market abuse (Art. 25 *sexies* introduced by Art. 9, Italian Law No. 62, 18 April 2005), which are offences of abuse of privileged information (Art. 184, Italian Legislative Decree No. 58, 24 February 1998) and market manipulation (Art. 185, Italian Legislative Decree No. 58, 24 February 1998) as contemplated by Part V, Title I *bis*, Chapter II of the Unified Law according to Italian Legislative Decree No. 58, 24 February 1998;
- offences committed with breach of laws governing the safeguarding of occupational health and safety (Art. 25 *septies* introduced by Art. 9 paragraph 1, Law No. 123, 3 August 2007);
- handling stolen goods, laundering and use of money, assets or benefits whose origin is illegal, and self-laundering (Art. 25 *octies* introduced by Art. 63 paragraph 3, Italian Legislative Decree No. 231, 21 November 2007);
- offences regarding breach of copyright - Italian Law No. 633, 22 April 1941 "*protection of copyright and neighbouring exploitation rights*" (Art. 25 *novies* introduced by Art. 15 paragraph 7, Italian Law No. 99 of 2009);
- inducement not to make statements or to make false statements to the court (Art. 377 *bis* Italian Criminal Code), (Art. 25 *decies* introduced by Art. 4, Italian Law No. 116, 3 August 2009);
- environmental offences (Art. 25 *undecies* introduced by Art. 2 paragraph 2, Italian Legislative Decree No. 121, 7 July 2011);

- employment of third country citizens who are illegal immigrants (Art. 25 *duodecies* introduced by Art. 2, Italian Legislative Decree No. 109, 16 July 2012);
- crimes against equality (Art. 25 *terdecies* – introduced by Italian Law No. 167, 20 November 2017 as amended by Italian Legislative Decree No. 21/2018);
- transnational offences contemplated by Italian Law No. 146, 16 March 2006 («Ratification and implementation of the United Nation Convention and Protocols against transnational organised crime adopted by the General Assembly on 15 November 2000 and 31 May 2001» definitively approved and published in the Official Gazette of 11 April 2006).

1.5. Offences committed abroad

Art. 4 of the Decree envisages that the entity can be held liable in Italy for certain offences committed abroad.

The assumptions on which that liability is based are:

- a) the offence must be committed abroad by an individual functionally linked to the entity pursuant to and by effect of Art. 5 of the Decree;
- b) the entity must have its main place of business in Italy;
- c) the entity is liable only in the cases and under the conditions contemplated by Arts. 7, 8, 9 and 10 Italian Criminal Code, and if the law provides for the punishment of the guilty person - natural person - at the request of the Ministry of Justice, proceedings are brought against the entity only if the request includes the entity itself;
- d) if the cases and conditions envisaged by the aforementioned articles of the Italian Criminal Code arise, the entity is liable, provided prosecution is not brought by the State of the place in which the offence was committed.

1.6. Attempted offence

Art. 26 of the Decree states that the entity must be held liable also in the event of an attempted offence, unless it prevented the action or completion of the event of its own volition.

Art. 56 of Italian Criminal Code provides a definition of attempted offence: "*A person who unequivocally carries out any explicit acts to commit a crime is liable for attempted felony, if the action is not committed or the event does not occur*".

In the hypothesis of attempted commission (either in the form of committed or omitted behaviour) of the offences indicated in the Decree, fines and disqualification measures are reduced from one third to a half.

1.7. The penalties

The penalties for unlawful administrative offences ensuing from a crime are (Art. 9):

- fines;
- disqualification;
- confiscation;
- publication of the judgement.

A fine is always imposed for unlawful administrative offences ensuing from a crime.

The fine is applied for quotas in a number which is no lower than one hundred and no greater than one thousand. The amount of one quota ranges from a minimum of EUR 258.00 to a maximum amount of EUR 1,549.00 and discounted payment is not allowed (Art. 10).

The judge decides on the amount of the fine by taking into account the seriousness of the offence, the degree of liability of the Entity and activity implemented by the latter to eliminate or mitigate the consequences of the act or to prevent the commission of further unlawful acts. The amount of the quota is set on the basis of the entity's economic condition and its assets in order to ensure the penalties are effective (Art. 11).

The fine is reduced by half and under no circumstance may it be greater than EUR 103.00 if (Art. 12):

- the perpetrator of the offence committed it primarily in his or her own interest or in the interest of third parties and the entity obtained no advantage or obtained a minimum advantage;
- the financial damage caused is particularly slight;
- the entity provided full compensation for damages and eliminated all harmful or hazardous consequences of the offence, or it took effective action to that purpose;
- the entity adopted and implemented an appropriate organisational model to prevent offences of the type occurred.

Disqualifications are as follows (Art. 9, paragraph 2):

- disqualification from exercising the activity;
- suspension or revocation of authorisations, licences or concessions serving to commit the unlawful act;
- prohibition to enter into contracts with Public Administration, unless done so in order to obtain a public service;
- exclusion from benefits, loans, contributions or subsidies and possible revocation of those already granted;
- prohibition to advertise goods or services.

Disqualifications are applied only for the offences for which they are expressly envisaged (Articles 24, 24 *bis*, 24 *ter*, 25, 25 *bis*, 25 *bis1*, Art. 25 *quater*, Art. 25 *quater1*, Art. 25 *quinquies*, 25 *septies*, Art. 25 *octies*, Art. 25 *novies*, Art. 25 *undecies* Art. 25 *duodecies* and Art. 25 *terdecies* of the Decree) where one of the following conditions is met (Art. 13):

- the entity obtained significant profit from the offence and the offence was committed by a member of top management or by persons reporting to others when, in this case, the offence was caused or facilitated by severe organisational shortcomings;
- in the event of repeated unlawful acts.

If necessary, disqualification measures may be applied jointly (Art. 14).

When convicted, the proceeds or profits of the offence are always confiscated from the entity, save for the portion which may be returned to an injured party. This is without prejudice to rights acquired by third parties in good faith (Art. 19).

Confiscation may also be by an "equivalent", that is to say when it is not possible to effect confiscation of the proceeds or profits of the offence, money, assets or other valuable interests equivalent to the proceeds or the profits of the offence may be confiscated.

Publication of the conviction may be ordered when the entity is disqualified (Art. 18).

Disqualification is not applied in the cases where the fine is reduced as established by Art. 12 paragraph 1.

If conditions are met for disqualification giving rise to the interruption of the entity's activity, in lieu of application of the penalty, the judge orders the entity's activity to continue and to be run by a temporary official receiver for a period amounting to the duration of the disqualification which would have been applied, when at least one of the following conditions is met: a) the entity performs an essential public service, the interruption of which may cause serious harm to the community; b) the interruption to the entity's activity may cause serious repercussions to levels of employment, taking into account the size and economic conditions of the territory in which it is located (Art. 15).

Profits arising from continuation of the activity are confiscated.

A final disqualification may be ordered (Art. 16).

A final disqualification from exercising the activity may be ordered if the entity obtains significant profits from the offence and if it has already been sentenced at least three times in the last seven years to temporary disqualification from exercising the activity.

The judge may give the entity a final disqualification from entering into contracts with Public Administration or he/she may prohibit the entity from advertising goods or services when it has already been sentenced to the same penalty at least three times in the last seven years.

If the entity or one of its organisational units is used on an ongoing basis solely, or primarily to allow or to facilitate the commission of offences for which it may be found liable, it is again disqualified from carrying on the activity.

In this context, Art. 23 of the Decree also becomes important, as it envisages the offence of «Failure to comply with a disqualification».

This unlawful act arises if, during the activity of the disqualified entity, the entity breaches its obligations or any prohibitions regarding such penalties.

Furthermore, if the entity has obtained significant profit from the aforementioned offence, disqualification is imposed, which may differ from and be in addition to the disqualification enforced previously.

As an example, the offence could arise if the entity takes part in a public tender, even though it has been disqualified and banned from entering into a contract with Public Administration.

1.8. Interim and precautionary measures

When there is serious circumstantial evidence that the entity is liable for an unlawful administrative offence ensuing from a crime (serious circumstantial evidence exists where one of the conditions envisaged by Art. 13 of the Decree occurs: the entity has obtained considerable profit from the offence – committed by an employee or a member of top management – and the offence was caused or facilitated by severe organisational shortcomings and the unlawful acts have been repeated) and there are well-grounded, specific reasons to believe there is a risk that unlawful acts, of the same type for which prosecution has been brought, may be committed, the public prosecutor may file for application, as a precautionary measure, of one of the disqualifications provided for under Art. 9, paragraph 2, submitting to the court all the reasons of the request, including those favourable to the entity and any defence arguments or statements.

In lieu of the disqualification, the judge may appoint a temporary official receiver for a period equal to the duration of the measure which would have been applied.

The judge may also decide to apply interim or precautionary measures, such as a precautionary seizure or an interim seizure.

Precautionary seizure (*sequestro preventivo*) is ordered as regards the proceeds or profits of the offence, when the offence can be attributed to the entity, whether or not there is serious circumstantial evidence against the entity.

Interim seizure (*sequestro conservativo*) is ordered of the entity's movable or immovable assets or sums of money or goods due to same, if there is a well-grounded reason to believe that the guarantees for payment of the fine, the court costs or any other sum due to the State Treasury may be missing or dispersed.

1.9. Actions exempting from administrative liability

Arts. 6 and 7 of the Decree provide for specific forms of exemption from the entity's administrative liability for offences committed in its interest or to its advantage.

More specifically, in the event of offences committed by members of top management, Art. 6, paragraph 1 of the Decree provides for a specific form of exemption, if the entity is able to demonstrate that:

- a) its senior executive body adopted and efficiently implemented, prior to commission of the unlawful act, an appropriate model capable of preventing offences of the type that occurred;
- b) it has entrusted a Supervisory Body (hereinafter SB), vested with powers to act on its own initiative and conduct monitoring, with the task of overseeing the operation and effective compliance with the model and of updating it;
- c) the persons who committed the offence fraudulently circumvented the aforementioned Model;
- d) there was no omitted or insufficient control by the SB.

Art. 6 paragraph 2 of the Decree states that for the aforementioned Model to give effective exemption, it must fulfil the following requirements:

- identify the Corporate risks or the activities in relation to which offences may be committed;
- provide for specific protocols aiming to schedule training and implementation of decisions by the entity regarding the offences to be prevented in order to exclude any individual operating within the entity can justify his/her own behaviour by blaming ignorance of company regulations and to avoid that, under normal circumstances, the offence can be caused by error in assessing corporate guidelines, due also to negligence or inexperience;
- identify suitable procedures to manage financial assets as to prevent the commission of such offences;
- provide a preventive monitoring system which cannot be circumvented, unless intentionally;
- provide for obligations to report to the Supervisory Body appointed to ensure the working of and compliance with the Model;
- introduce a suitable disciplinary system to punish non-compliance with the measures set out in the Model;
- provide one or more channels, which enable persons mentioned in Art. 5 paragraph 1 letters a and b to report detailed evidence of serious unlawful behaviour according to the Decree and based on precise, concordant elements, or breaches of the model which have come to their attention as a result of the positions they hold. These channels must guarantee the confidentiality of the identity of the person reporting (Whistleblowing procedure).

On the other hand, as regards the offence committed by «subordinate» employees, Art. 7 of the Decree contemplates a specific form of exemption from administrative liability, if it has been ascertained that

the entity, prior to commission of the offence, adopted an appropriate model to prevent offences of that type.

In concrete terms, in order for the entity to be exempt from administrative liability, it must:

- draw up a Code of Ethics which decrees the principles of conduct with which all employees must comply;
- identify an organisational structure capable not only of guaranteeing a clear, organic distribution of duties and implementing segregation of functions, but also of inspiring and monitoring the propriety of all its employers' conduct;
- formalise manual and computerised corporate procedures intended to regulate implementation of the activities (the monitoring instrument of "separation of duties" between those implementing crucial phases in a process at risk is especially effective from a preventive viewpoint);
- assign powers of authorisation and signature consistent with the organisational and management responsibilities identified (system of delegated authorities and powers);
- inform all staff effectively, clearly and in detail not only of the Code of Ethics, corporate procedures, the penalty system, the powers of authorisation and signature, but also of all the appropriate instruments to prevent unlawful acts from being committed;
- prepare a suitable penalty system;
- set up a Supervisory Body with considerable autonomy and independence, the members of which are suitably professional to be able to carry out the activities required;
- provide for a Supervisory Body able not only to assess the adequacy of the model, supervise its functioning and keep it updated, but also to ensure continuity of action in close cooperation with the corporate functions.

2. PURPOSE

Ferretti S.p.A. has deemed it necessary to draw up an Organisational Model in line with the measures of Italian Legislative Decree No. 231 of 2001 and with the Confindustria Guidelines of 07/03/2012 and subsequent amendments and supplements (March 2014), in order to ensure conditions of fairness and transparency when conducting corporate transactions and business.

The model is intended to describe the operational procedures adopted and the responsibilities assigned at Ferretti S.p.A.

The Company believes that its adoption of this Model constitutes, in addition to the measures of law, a valid instrument to inform and raise awareness among not only all its employees (consultants, partners, suppliers, etc.), who carry out their own activity in the name and on behalf of Ferretti, but also all those who interact with it.

The aims of the Model adopted by Ferretti S.p.A. are, therefore, to:

- prevent and reasonably limit the possible risks arising from corporate business activities, especially as regards the risks of committing predicate offences or nevertheless of unlawful conduct not only by top management/subordinates, but also by third parties;
- raise awareness among all those operating in the name or on behalf of Ferretti S.p.A. in the areas of activities at risk of the possibility of committing an offence punishable by criminal and/or administrative penalties not only against them, but also against Ferretti S.p.A. if the measures in the model are breached;
- stress that Ferretti S.p.A. does not permit unlawful conduct;
- inform of the serious consequences the Company could suffer (and therefore all stakeholders indirectly) if the fines and disqualifications provided for by the Decree were to be applied and that they could be enforced as interim measures;
- permit the Company to constantly monitor and carefully supervise the activities, in order to be able to promptly intervene should any risk profiles appear and to apply the disciplinary measures provided for in the Model, if necessary.

3. SCOPE OF APPLICATION

The rules contained in the Model apply to those who carry out, also de facto, management, administration, senior management or monitoring on behalf of Ferretti S.p.A., and to its shareholders, employees, and those who, although they do not belong to the Company, operate under mandate of same or are in any way connected with the Company.

Thus, the Model is intended for the following members of top management:

- 1) the Chief Executive Officer;
- 2) the directors;
- 3) the managers;
- 4) the auditors;
- 5) the members of the SB;

and the following persons subordinated to top management:

- 1) the employees;
- 2) the interns;
- 3) the temporary agency workers.

As provided by special contractual clauses, within the limits of sensitive activities in which they may take part, the following external parties may hold specific obligations requiring them to carry out appropriate internal auditing, as outlined in this General Part:

- collaborators, agents and representatives, consultants, dealers and, in general, self-employed persons to the extent in which they operate within the areas of sensitive activities on behalf or in the interest of the Company;
- the suppliers and partners (even in the form of a temporary association of enterprises, and joint-ventures), whose operations are considerable and/or continual within the areas of so-called sensitive activities on behalf or in the interest of the Company.

The so-called external parties also include those who, although they have a contractual relationship with other companies in the Group, basically conduct operations which are considerable and/or continual within the areas of so-called sensitive activities on behalf or in the interest of the Company.

Ferretti S.p.A. discloses this Model via appropriate procedures to ensure it comes to the attention of all the parties concerned, e.g. via the corporate intranet portal, the Internet website, newsletters and notice boards.

The persons addressed by this Model are obliged to promptly comply with all the measures, including fulfilling duties of loyalty, fairness and due diligence, which arise from the legal relationships entered into with the Company.

Ferretti S.p.A. condemns any conduct which not only does not conform with the law, but also and above all does not conform with the Model and the Code of Ethics. This also applies where unlawful behaviour has been carried out in the interest of the Company or with the intention of causing an advantage to it.

4. STRUCTURE OF THE MODEL

4.1. Reference models

This Model is inspired by the «*Guidelines to set out organisation, management and control models according to Italian Legislative Decree 231/01*» approved by Confindustria on 7 March 2002 and according to subsequent amendments in March 2014.

The basic phases identified in the Guidelines to set out the Models can be summarised as follows:

- an initial phase consists of identifying the areas at risk and aims to analyse the corporate context in order to identify in which areas or sectors of activities and according to which procedures the offences contemplated by the Decree could theoretically arise;
- a second phase which consists of preparing a system to monitor/manage the risk that can reduce the risks by adopting special protocols. This is supported by a series of organisational structures, activities and operational rules – indicated by top management – implemented by *management* and by company personnel, aiming to provide reasonable certainty the purposes of a good system of internal audit will be achieved.

The most important components of the preventive monitoring system are:

- code of ethics;
- organisational system;
- manual and computerised procedures;
- powers of authorisation and signature;
- monitoring and management systems;
- personnel information and training.

The control system must also be in line with the following principles:

- verifiability, written traceability, consistency and congruity of every operation;
- the segregation of duties (no-one can manage all the phases of a process autonomously);
- documentation of the audits;
- introduction of an adequate penalty system for breaches of the regulations and procedures covered by the model;
- appointment of a Supervisory Body;
- obligation of the corporate functions and especially those identified as more at risk to provide the SB with information, even on a structured basis, and to report any anomalies or atypical situations discovered among the available information (in the latter case the obligation is extended to all employees without following hierarchical ranks).

The choice of not following certain points of the Guidelines does not invalidate the Model. As this Model has been drawn up in reference to the particular company scenario in which Ferretti S.p.A. operates, it may differ from the more general, abstract Guidelines.

As regards the operational procedures of risk management, especially regarding the persons/company functions that can be actually appointed, we have used basically two methodologies:

- assessment by a corporate body which carries out this activity with the cooperation of line *management*;
- self-assessment by operational *management* with the support of a supervisor/method facilitator.

According to the logical structure outlined above, the operational steps taken by the Company to run a risk management system consistent with the requirements imposed by Italian Legislative Decree No. 231/2001 will be explained below. The description of this logical process highlights the major results of the self-assessment activities carried out to implement the system.

Inventory-taking of the corporate activity areas

This phase uses different approaches for activities, functions and processes, among others. It specifically involves the implementation of a complete periodical audit of the company business with the purpose of identifying the corporate areas which are potentially involved in the commission of predicate offences. Thus, as regards offences against Public Administration, those areas which have direct or indirect contact with national and foreign Public Administration need to be identified. In this

case, certain types of processes/functions will certainly be involved (e.g. sales to Public Administration, the management of concessions by local Public Administrations, etc.), whereas others may not be or may only be partially involved. On the contrary, as regards crimes of manslaughter and serious or grievous bodily harm committed with a breach of the regulations on the protection of occupational health and safety, no area of activity can be excluded a priori since the case record of offences may actually involve all the corporate components.

As part of this review of the processes/functions at risk, it is necessary to identify the persons subjected to monitoring who, as regards crimes of intent, in certain special, exceptional cases could also include those connected to the business merely by relationships of para-subordination, e.g.: the agents, or by other relationships of collaboration, such as commercial partners and their employees and collaborators.

From this viewpoint, for the criminal offences of manslaughter and grievous bodily harm committed in breach of the regulations on the protection of occupational health and safety, the persons subjected to monitoring are all the workers covered by that legislation.

In the same context, *due diligence* activities should be put in place each time risk assessment identifies "*suspicious indicators*" (e.g. conducting negotiations in territories with a high rate of corruption, especially complex procedures, the presence of new personnel unknown to the entity) regarding a specific commercial transaction.

Lastly, it must be stressed that every company/sector has its own specific areas of risk, which can only be identified via a specific internal analysis. However, the processes in the financial area hold a position of obvious importance as regards the application of Italian Legislative Decree No. 231 of 2001.

Analysis of potential risks

The analysis of potential risks must regard the possible procedures to commit offences in the various corporate areas (identified according to the process in the preceding point). The analysis to prepare a correct project design of the preventive measures must lead to a complete representation of how the offences in question may be implemented within the internal and external operational context in which the company operates.

To this regard, it is useful to take into account the company's history, i.e. its past events, and the characteristics of the other parties operating in the same sector and, more specifically, any unlawful acts committed by the latter in the same branch of business.

More specifically, the analysis of the possible procedures to implement crimes of manslaughter and grievous bodily harm or very serious bodily harm committed with a breach of the obligations to protect occupational health and safety corresponds to the work risk assessments carried out according to the criteria established by Art. 28, Italian Legislative Decree No. 81 of 2008.

Assessment/creation/adjustment of the preventive monitoring system

The activities described above are completed by an assessment of any existing preventive monitoring system, which is updated where necessary or created if the entity is completely lacking such a system.

Basically, what Italian Legislative Decree No. 231 of 2001 defines as «*specific protocols to schedule training and implementation of decisions by the entity regarding offences to be prevented*». There are numerous components of an internal (preventive) monitoring system, for which consolidated methodological references exist.

However, we should stress that for all entities the system of preventive monitoring shall be such, that:

- in the event of malicious criminal acts or misconduct, it cannot be circumvented unless intentionally;
- in the event of negligent criminal acts or misconduct – which as such are incompatible with fraudulent intention – it is not breached, despite careful compliance with the obligations of supervision by the appropriate Supervisory Body.

According to the above information, below is a list of offences generally considered to be the **components (the protocols) of a preventive monitoring system**, with clear reference to malicious and negligent criminal acts or misconducts, as established by Italian Legislative Decree No. 231 of 2001, which shall be implemented by the company to guarantee the efficacy of the model.

A) **Preventive monitoring systems of malicious criminal acts or misconduct**

The most important components of the monitoring system, according to the Guidelines proposed by Confindustria, are:

- the Code of Ethics with reference to the offences contemplated;
- a formalised, clear organisational system, especially as regards the assignment of responsibilities;
- manual and computerised procedures (IT systems) that can regulate implementation of the activities by means of appropriate check points. A particularly effective preventive measure in this area is the monitoring instrument of segregation of duties between those implementing crucial phases (activities) in a process at risk;
- the powers of authorisation and powers of signature assigned consistently with the organisational and management responsibilities identified;
- the management control system, capable of promptly reporting the arising or the existence of generally and/or specially critical situations;
- information and training of personnel.

B) **Preventive monitoring systems for the criminal offences of manslaughter and grievous bodily harm committed in breach of the regulations on the protection of occupational health and safety**

Without prejudice to what has already been stated regarding malicious criminal acts or misconduct, in this regard, the most important components of the monitoring system are:

- the Code of Ethics (or of Conduct) with reference to the offences contemplated;

- an organisational structure with duties and responsibilities regarding occupational health and safety formally identified to be in line with the corporate organisational and operational layout, from the employer to the individual worker. Special attention should be paid to specific figures operating in that area;
- DVR (RAD - risk assessment document according to Art. 28, Italian Legislative Decree 81/2008) and all the documentation connected with it.

This basically establishes that:

- a) when identifying organisational and operational duties of corporate management, of managers, supervisors and workers, those regarding safety activities within their remit and the responsibilities connected with exercising those activities are clearly explained;
 - b) the duties of the Prevention and Protection Service Officer (RSPP) and any Assistants (ASPP), of the Workers' Safety Representative, of those in charge of emergency management and the competent physician should be clearly documented;
- theoretical and practical training: the implementation of duties which can influence occupational health and safety requires adequate competence to be verified and improved by providing theoretical and practical training courses, in order to ensure all personnel at every level is aware of the importance of complying with the organisational model and of the possible consequences of behaviour which breaches the rules dictated by the model. In practice, each company worker/operator must receive sufficient, appropriate training for their position and duties. This must be provided at the time of employment, transfer or change in duties or when new work equipment or new technologies, new substances and hazardous compounds are introduced. The company should organise the theoretical and practical training according to its requirements reviewed at regular intervals;
 - communication and involvement: the circulation of information within the company is invaluable for encouraging all interested parties and raising adequate awareness and commitment at every level. Involvement should be implemented by:
 - a) preventive consultation regarding the identification and assessment of the risks and the identification of preventive measures;
 - b) regular meetings which at least take into account the requirements set by the legislation in force, and also using the meetings scheduled for corporate management.
 - operational management: the monitoring system for risks to occupational health and safety must be integrated and in line with the overall management of company processes. The identification of procedures to safely perform those activities having a significant impact on occupational health and safety derive from the analysis of company processes, their interrelation and the results of the risk assessment. Once the company has identified the areas of intervention associated with health and safety, it should be able to regulate its operational management.

To this regard, special attention should be paid to:

- a) personnel employment and qualifications;

- b) organisation of work and work stations;
 - c) purchase of goods and services used by the company and communication of appropriate information to suppliers and contractors;
 - d) regular and extraordinary maintenance;
 - e) qualification and choice of suppliers and contractors;
 - f) emergency management;
 - g) procedures to tackle deviations from the set objectives and rules of the monitoring system;
- Safety monitoring system: the management of occupational health and safety must provide for a phase to check the risk prevention and protection measures adopted and assessed as suitable and effective are maintained. The technical, organisational and procedural measures of prevention and protection implemented by the company must be subjected to planned monitoring.

The outline of the monitoring plan must include:

- a) schedule for the checks (frequency);
- b) assignment of executive duties and responsibilities;
- c) description of the methods to follow;
- d) procedures to report any anomalous situations.

Therefore, there must be systematic monitoring, the procedures and responsibilities for which must be established at the same time as the identification of the procedures and responsibilities of operational management.

This 1st level monitoring is usually implemented by the structure's internal resources, as self-monitoring by the operator and by the supervisor/manager. However, it may involve the use of other internal or external resources for specialist aspects (e.g. instrumental checks). Those already identified when responsibilities were assigned (usually managers and supervisors) should check the organisational and procedural measures regarding health and safety. Among these, the Prevention and Protection Service devising the systems to monitor the measures adopted is of special importance.

The company also needs to conduct regular 2nd level monitoring of how well the preventive system adopted is working. Functional monitoring must allow strategic decisions to be made and carried out by competent personnel to ensure not only objectivity and impartiality, but also independence from the work sector subjected to inspection.

According to the Confindustria Guidelines, the components described above must organically integrate with the architecture of a system which shall comply with a series of control principles:

- every operation, transaction, action must be verifiable, documented, consistent and appropriate: every operation must have adequate documental evidence which can be used at any time to implement checks showing

the characteristics and grounds for the operation and identify the person who authorised, implemented, recorded and verified the operation;

- no-one can autonomously manage an entire process: the system must guarantee the application of the principle of segregation of duties, so that authorisation to perform an operation must be the responsibility of a person other than the person who records, operationally performs or controls the operation;
- checks must be documented: the monitoring system must document (possibly by drawing up reports) the implementation of the checks and supervision;

C) **Preventive monitoring systems of environmental offences**

Without prejudice to what has already been stated regarding malicious criminal acts or misconduct, in this regard, the most important components of the monitoring system are:

- the Code of Ethics (or of Conduct) with reference to the offences contemplated;
- an organisational structure with duties and responsibilities concerning the environment formally identified to be in line with the corporate organisational and operational layout, from the legal representative to the individual worker. Special attention should be paid to specific figures operating in that area.
- Theoretical and practical training: in order to prevent the commission of environmental offences, all the parties involved require adequate competence, to be verified and improved by providing theoretical and practical training courses so as to ensure all personnel at every level is aware of the importance of complying with the Organisational Model and of the possible consequences of behaviour which breaches the rules dictated by the model. In practice, all parties involved must receive sufficient, appropriate training for their position, role and duties. This must be provided at the time of employment, transfer or change in duties or when new work equipment or new technologies, new substances and hazardous compounds are introduced. The company must organise theoretical and practical training according to its requirements reviewed at regular intervals and must provide documents (to be kept) showing the course contents, mandatory participation and checks on attendance;
- communication and involvement: the circulation of information within the company is invaluable for encouraging all interested parties and raising adequate awareness and commitment at every level. Involvement must be implemented by:
 - a) preventive consultation regarding the identification and assessment of the risks and the identification of preventive measures;
 - b) regular meetings which at least take into account the requirements set by the legislation in force, and also using the meetings scheduled for corporate management;
- operational management: the monitoring system concerning environmental risks should be integrated and in line with the overall management of company processes.

To this regard, special attention must be paid to:

- a) personnel employment and qualifications;
- b) organisation of work and work stations;
- c) purchase of goods and services used by the company and communication of appropriate information to suppliers and contractors;
- d) regular and extraordinary maintenance;
- e) qualification and choice of suppliers and contractors;
- f) procedures to tackle deviations from the set objectives and rules of the monitoring system.

Safety monitoring system of environmental profiles: the management of environmental protection activities must include a phase to check that the risk prevention and protection measures adopted and assessed as suitable and effective are maintained. The technical, organisational and procedural measures of prevention and protection implemented by the company must be subjected to planned monitoring.

The outline of the monitoring plan must include:

- a) schedule for the checks (frequency);
- b) assignment of executive duties and responsibilities;
- c) description of the methods to follow;
- d) procedures to report any anomalous situations.

Therefore, there must be systematic monitoring, the procedures and responsibilities for which must be established at the same time as the identification of the procedures and responsibilities of operational management.

This 1st level monitoring is usually implemented by the structure's internal resources, as self-monitoring by the operator and by the supervisor/manager. However, it may involve the use of other internal or external resources for specialist aspects (e.g. instrumental checks). The organisational and procedural measures regarding environment protection should be checked by those parties already identified when responsibilities were assigned.

The company also needs to conduct regular 2nd level monitoring of how well the preventive system adopted is working. Functional monitoring should allow strategic decisions to be made and should be carried out by competent personnel to ensure not only objectivity and impartiality, but also independence from the work sector subjected to inspection.

The components described above must organically integrate with the architecture of a system which shall comply with a series of control principles:

- every operation, transaction, action must be verifiable, documented, consistent and appropriate: every operation must have adequate documental evidence which can be used at any time to implement checks showing the characteristics and grounds for the operation and identify the person who authorised, implemented, recorded and verified the operation;
- no-one can autonomously manage an entire process: the system must guarantee the application of the principle of segregation of duties, so that authorisation to perform an operation must be the responsibility of a person other than the person who records, operationally performs or controls the operation;
- checks must be documented: the monitoring system must document (possibly by drawing up reports) the implementation of the checks and supervision;

4.2. Structure and rules to approve the Model and its updates

In order to prepare this Model, we followed the methodology set out in the Confindustria Guidelines:

- to identify the so-called sensitive activities by a prior examination of corporate documentation (articles of association, regulations, organisation charts, powers of attorney, job descriptions, organisational instructions and communications) and a series of interviews with supervisors in various corporate operational sectors (i.e. managers of the various functions). The analysis aimed to identify and assess the practical implementation of activities in which unlawful behaviours and the risk of committing predicate offences could arise. At the same time we assessed existing control and preventive measures and the critical issues to be subsequently improved;
- to plan and implement the actions required to improve the monitoring system and adjust it to the purposes pursued by the Decree, in the light and consideration of the Confindustria Guidelines, and of the fundamental principles of segregation of duties and the identification of powers of authorisation consistent with the responsibilities assigned;
- to identify the control and prevention protocols against predicate offences. Protocols of decision and implementation were set out to express the group of rules and regulations which the supervisors of operational responsibility for the activities at risk have helped to illustrate as the most appropriate to govern the risk profile identified. According to the principle adopted for the creation of the monitoring system, the conceptual threshold of acceptability is represented by a prevention system which can only be circumvented fraudulently, as indicated in the Confindustria Guidelines. The protocols are inspired by the rule of documenting and verifying the various phases in the decisional process in order to trace the grounds behind the decision.

Therefore, the fundamental stages of the Model of Ferretti S.p.A. are:

- the mapping of corporate activities at risk, i.e. those activities within which it is possible to commit the offences stated by the Decree;
- the preparation of appropriate monitoring steps to prevent the commission of offences provided for by the Decree (so-called prevention procedures);

- the ex post verification of corporate behaviours and the operation of the Model with consequent regular updates;
- the circulation and involvement of all corporate staff in implementing the rules of conduct and procedures set up;
- the assignment to the SB of specific tasks to supervise the Model is working effectively and correctly;
- the implementation of a Code of Ethics.

Without prejudice to the specific aims described above and regarding the exemption provided for by the Decree, the Model is part of a wider, existing monitoring system already adopted by Ferretti S.p.A. to provide a reasonable guarantee the company objectives will be met in compliance with the laws and regulations, the reliability of financial information and the protection of its assets, including against possible fraud.

More specifically, as regards the areas of so-called *sensitive* activities, the Company has identified the following key principles in its Model which, by regulating those activities, are the tools to programme the definition and implementation of Company's decisions and to guarantee they are suitably monitored, even as regards the offences to be prevented;

- segregation of duties by correctly distributing responsibilities and by providing adequate levels of powers of authorisation and expense in order to avoid functional overlapping or operational allocations which concentrate the critical activities in the hands of one person;
- clear, formal assignment of powers and responsibilities with specific indication of the limits of exercise and consistent with the duties assigned and positions held within the organisational structure;
- no significant operation can be undertaken without authorisation;
- the existence of suitable rules of conduct to guarantee the corporate activities are run in compliance with the laws and regulations and the integrity of the corporate assets;
- adequate procedural regulation of the so-called *sensitive* company activities so that: either the operational processes are identified with adequate documental support so they can always be verified in terms of congruity, consistency and responsibility; or the operational decisions and choices are always traceable in terms of specifications and grounds and those who have authorised, implemented and verified the individual activities can be identified; or suitable management procedures for financial resources are guaranteed to prevent the commission of offences; or the monitoring and supervision activities on corporate transactions are carried out and documented; or safety mechanisms exist that guarantee adequate protection of physical-logical access to corporate data and assets; or the exchange of information between phases or contiguous processes occurs so that the integrity and completeness of the data managed is guaranteed.

The principles described above are consistent with the instructions given by the Confindustria Guidelines and the Company believes them to be reasonably suitable to prevent the offences listed in the Decree.

On these grounds, the Company considers it fundamental to guarantee the correct, practical application of the aforementioned control principles in all the corporate areas of so-called *sensitive* activities identified and described in the Special Sections of this Model.

4.3. Basis and contents of the Model

The Model prepared by Ferretti S.p.A. is based on:

- the Code of Ethics, intended to establish the general lines of conduct;
- the organisational structure, which identifies the assignment of duties and the persons in charge of checking correct behaviour – establishing, as far as possible, the segregation of duties or, alternatively, compensatory controls;
- the mapping of the sensitive corporate areas, that is the description of those processes in which it is easier to commit a predicate offence;
- the instrumental processes for the sensitive corporate areas, i.e. those processes via which financial instruments and/or equivalent means are managed, capable of avoiding offences being committed in the areas at risk of offence;
- the use of formal corporate procedures to regulate correct operative ways to take and implement decisions in the different corporate sensitive areas;
- the indication of the persons who supervise those activities, in preferably separate roles as executors and controllers to separate the duties of management and control;
- the adoption of a corporate system of delegated authorities and powers consistent with the duties assigned and which ensures a clear, transparent representation of the company processes for taking and implementing decisions in line with the requisite of a single supervisor for each function;
- the identification of methods and instruments which ensure an adequate level of monitoring and both direct and indirect control; the first type of control is entrusted to specific operators of a given activity and to the supervisor, and the second control to management and the Supervisory Body;
- the indication of the documents necessary for the traceability of monitoring and control activities (e.g. record cards, printouts, reports etc.);
- the identification of a disciplinary system for those who breach the rules of conduct established by the Company;
- the implementation of a plan: 1) to train management and senior staff who operate in sensitive areas, directors and the Supervisory Body; 2) to inform all other parties concerned;

- to set up a Supervisory Body with the task of supervising the effective, proper functioning of the Model, its consistency with the objectives and its regular update.

- **The documentation for the Model consists of the following sections:**

Special section A: offences against Public Administration or fraud against the State

Special section B: IT-related offences and unlawful processing of data

Special section C: organised crime offences

Special section D: transnational offences

Special section E: offences connected to terrorism

Special section F: offences against industry and trade

Special section G: corporate offences

Special section H: offences committed in breach of the regulations on the protection of occupational health and safety

Special section I: offences of handling stolen goods, laundering and use of money, assets or benefits whose origin is illegal, and self-laundering

Special section L: offences in breach of copyright

Special section M: offence of inducement not to make statements or to make false statements to the court

Special section N: environmental offences

Special section O: employment of third country citizens who are illegal immigrants

Special section P: offences against individual freedom

Special section Q: offences of forgery of money, money values having legal tender, revenue stamps and instruments or identification signs

Special section R: offences against equality

Annex 1 - Code of Ethics

Annex 2 - System of delegated authorities and powers

Annex 3 - Organisational structure

Annex 4 - Disciplinary system pursuant to Italian Legislative Decree 231/2001

Annex 5 - Regulations of Supervisory Body

Annex 6 - List of the offences as per Legislative Decree 231/2001 with the relevant penalties

4.4. Code of Ethics

The Code of Ethics is the document Ferretti S.p.A. has drawn up and adopted to notify all those concerned of the principles of corporate ethics, the ethical commitments and responsibilities in conducting company business and activities to which the Company intends to conform. All those working at Ferretti S.p.A. and those who enter into contractual relationships with it must comply with the Code of Ethics.

The principles and rules of conduct in this Model supplement what is expressed in the Code of Ethics adopted by the Company, even though the Model differs in its scope, compared to the Code, due to the aims it intends to achieve in order to fulfil the provisions of the Decree.

It should be noted that the Code of Ethics is an instrument adopted autonomously. It can be applied generally by the Company in order to express a series of principles of corporate ethics which the Company acknowledges as its own. The Company requests all its employees and all those who cooperate with it to achieve the company purposes, including suppliers and customers, to comply with said principles. On the other hand, the Model is the response to the specific measures in the Decree, aiming to prevent the commission of particular types of offences for acts which, apparently committed in the interest of or to the advantage of the company, can lead to an administrative liability on the basis of the provisions of Decree. However, considering that the Code of Ethics recalls the principles of suitable conduct to prevent unlawful conduct according to the Decree, it acquires importance for the purposes of the Model and formally constitutes, therefore, an integral part of Model itself.

The Company Code of Ethics is given in Annex 1.

4.5. Organisational structure

The Company's organisational structure is well-defined by the issue of delegated powers and organisational measures (service orders, job descriptions, internal organisational directives) by the Chief Executive Officer.

The formal definition of the organisational structure adopted is ensured by the Chief Executive Officer, who regularly updates and circulates the Company organisational chart.

The organisational structure of Ferretti S.p.A., which constitutes an integral and substantive part of the Model, is given in Annex 3 and shows the map of the Company areas and the functions assigned to each area.

4.6. Archiving the documentation for sensitive activities and instrumental processes

The activities carried out within sensitive activities and instrumental processes are adequately formalised with special reference to the documentation prepared as part of their implementation.

The documentation described above, produced and/or available in paper copy or electronic form, is neatly and systematically archived by the functions involved, or specifically identified in procedures or detailed work instructions.

To safeguard the wealth of company documents and information, adequate security measures are taken to avoid the risk of losing and/or altering the documentation referring to sensitive activities and instrumental processes or unwanted access to data/documents, such as backup procedures.

4.6.1. Information systems and IT applications

In order to protect data integrity and the efficacy of the information systems and/or IT applications used to perform operational or monitoring activities related or supporting sensitive activities or instrumental processes, the presence and running of the following is guaranteed:

- user profiling systems regarding access to modules or environments;
- rules to use the company systems and information aids correctly (hardware and software supports);
- automated mechanisms to control system access;
- automated mechanisms to block or restrict access.

4.6.2. Existing company management systems

The Company implemented a Quality Management system.

By introducing a Quality Management System, Ferretti S.p.A. aims to regularly provide products and services able to comply with:

- the requirements of the ISO 9001:2008 standard (CISQ/RINA)
- the requirements set out in the agreements with customers, arising from product specifications (which overall constitute the "customer's requirements");
- the requirements that are binding for the laws in force, both as regards health and hygiene (application of laws and regulations on occupational health and safety), and the environment (listed in the environmental analyses of the production sites).

The Quality Management System also identifies:

- the Quality and Environmental Policy;
- the company organisation;
- the processes;
- the responsibilities;
- the implementation procedures and specific responsibilities of the fundamental company activities and processes.

4.7. System of delegated authorities and powers

The authorisation system, which translates into a structured and consistent system of delegated authorities and powers for the Company, must conform to the following measures:

- delegations must match each power with the relevant responsibility and with an appropriate role in the organisational chart; they must be updated after any organisational changes;
- each delegation must specifically and unequivocally identify and describe the management powers of the delegate and the person to whom the delegate hierarchically reports;
- management powers delegated and their implementation must be consistent with company objectives;
- the delegate must have appropriate powers to spend for the functions granted to them;
- the proxies may be conferred exclusively to persons with an internal functional responsibility or a specific charge, and must provide for the extension of the powers of representation and possibly numerical limits on spending;
- only persons vested with specific, formal powers can take on obligations to third parties in the name and on behalf of the Company;
- all those with relationships with Public Administration must be granted the relevant delegation or proxy.

The System of delegated authorities and powers at Ferretti S.p.A., which constitutes an integral and substantive part of the Model, is given in Annex 2 "System of delegated authorities and powers".

The principle which inspires the organisational structure and activities of Ferretti S.p.A. is based on the concept that only persons with specific, formal powers can take on obligations to third parties in its name and on its behalf.

Duties and responsibilities correspond exactly to all the powers assigned via proxy or by fulfilment of powers, as shown in the Company's organisational chart.

4.8. Information and training

4.8.1. Information

To guarantee the efficacy of the Model, Ferretti S.p.A. aims to ensure that all the recipients, based on their different level of involvement in sensitive processes, know and are familiar with the Model.

For this purpose, Ferretti S.p.A. will disseminate the Model via the following general procedures:

- the creation on the company intranet site of specific, constantly updated web pages, the contents of which deal mainly with:
 1. general information on the Decree and the Guidelines adopted to draw up the Model;
 2. the structure and main operational provisions of the Model adopted by Ferretti S.p.A.;

3. the procedure to report to the SB and the standard form for communication – by top management and employees – of any behaviour by other employees or third parties, considered potentially in conflict with the contents of the Model.

At the time the Model is adopted, all workforce employees will be sent a communication – by the designated bodies (e.g. Chairman, General Manager, etc.) – to notify that Ferretti S.p.A. has adopted an Organisation, Management and Control Model pursuant to the Decree, and referring them to the company intranet site for further details and information.

New employees will be given a special information notice on the Model adopted, containing a note to the main body of the letter of employment dedicated to the Decree and the features of the Model adopted.

4.8.2. Information notice for external collaborators and partners

All external parties to the Company (consultants, partners, etc.) will be duly notified of the adoption by Ferretti S.p.A. of a Model including a Code of Ethics. To this purpose, Ferretti S.p.A. will notify all the aforementioned parties of the existence of the Model and Code of Ethics, which they may read as they will be attached to their contractual terms and conditions.

They will also be requested to formally commit and comply with the provisions contained in the aforementioned documents by signing a special contractual clause.

As regards the external consultants who permanently collaborate with Ferretti S.p.A., Ferretti S.p.A. shall contact them and carry out detailed checks to ensure said consultants know the company's Model and formally undertake to comply with it.

4.8.3. Information notice for the companies in the Group

The companies in the Group must be informed of the contents of the Model and of the interest of Ferretti S.p.A. so that the conduct of all affiliated companies comply with the measures of the Decree. Thus, they will be formally notified of the adoption of this Model at the time it is approved by the Board of Directors.

4.8.4. Training

4.8.4.1. Training of personnel in so-called "top management" roles

The training of so-called *top management*, including members of the SB, is run on the basis of training and refresher courses with mandatory participation and attendance and a final assessment test to certify the quality of the training received.

The training and refresher courses are scheduled at the beginning of the year and for new members of the BoD and any newly employed persons in "top management", on the basis of an information notice attached to the letter of employment.

The training of persons in "top management" roles is divided into two parts: a "general" part and a "specific" part.

The "general" part contains:

- references to legislation, case law and *best practices*;
- the entity's administrative liability: the purpose, grounds of the Decree, the nature of liability, new legislation;
- recipients of the Decree;
- assumptions for attributing liability;
- description of the predicate offences;
- type of penalties applicable to the entity;
- conditions to exclude or mitigate liability.

Training will include the completion of the following activities:

- raising the awareness of the attendees of the importance Ferretti S.p.A. attributes to the adoption of a risk management and control system;
- description of the structure and contents of the Model adopted, together with the methodological approach taken to implement and update it.

Training regarding the "specific" part will include:

- a clear description of individual offences in question;
- the identification of the perpetrators of the offences;
- examples of procedures via which the offences can be implemented;
- an analysis of the applicable penalties;
- matching individual types of offence with specific, highlighted areas at risk;
- specific prevention protocols identified by the Company to avoid incurring the risks identified;
- a description of conduct to follow in terms of communication and training of hierarchical employees, especially of personnel operating in corporate areas considered to be sensitive;
- a description of conduct towards the SB as regards communications, reports and collaboration with the activities of supervision and update of the Model;
- raising awareness among managers of company functions potentially at risk of offences and their hierarchical employees as regards the conduct to follow, the consequences arising from a breach of conduct and, generally, of the Model adopted by Ferretti S.p.A.

4.8.4.2. Training of other personnel

Training for the remaining personnel begins with an internal information notice which, for the newly employed, will be attached to the letter of employment.

In order to provide adequate training, function managers in close collaboration with the Supervisory Body will ensure the dissemination of the model via training and refresher courses with structured contents, scheduled at the beginning of the year.

The training of persons other than those in "top management" roles is divided into two parts: a "general" part and a possible and/or partial "specific" part.

The "general" part must contain:

- references to legislation, case law and *best practices*;
- the entity's administrative liability: the purpose, grounds of the Decree, the nature of liability, new legislation;
- recipients of the Decree;
- assumptions for attributing liability;
- description of the predicate offences;
- type of penalties applicable to the entity;
- conditions to exclude or mitigate liability.

Training will include the completion of the following activities:

- raising the awareness of the attendees of the importance Ferretti S.p.A. attributes to the adoption of a risk management and control system;
- description of the structure and contents of the Model adopted, together with the methodological approach taken to implement and update it.

Training regarding the "specific" part will include:

- a clear description of individual offences in question;
- the identification of the perpetrators of the offences;
- examples of procedures via which the offences can be implemented;
- an analysis of the applicable penalties;
- matching individual types of offence with specific, highlighted areas at risk;
- specific prevention protocols identified by the Company to avoid incurring the risks identified;
- a description of conduct to follow in terms of communication and training of hierarchical employees, especially of personnel operating in corporate areas considered to be sensitive;

- a description of conduct towards the SB as regards communications, reports and collaboration with the activities of supervision and update of the Model;
- raising awareness among managers of company functions potentially at risk of offences and their hierarchical employees as regards the conduct to follow, the consequences arising from a breach of conduct and, generally, of the Model adopted by Ferretti S.p.A.

As regards the "specific" part of the training, this will be intended solely for those persons who are really at risk of implementing activities covered by Italian Legislative Decree No. 231 of 2001 and only to the areas at risk with which they may come into contact.

The on-line training module shall be completed within a specified period of time and, as proof of completion, the person who has used it shall provide the computerised self-certification issued.

4.8.4.3. Training of the Supervisory Body

The training for the Supervisory Body is agreed together with one of the Company's external consultants, expert either in corporate administrative liability (Italian Legislative Decree No 231/2001) or, more generally speaking, in criminal matters.

This training aims to provide the Supervisory Body with not only a clear understanding from a technical viewpoint of the organisational Model and the specific prevention protocols identified by the Company, but also useful tools to appropriately implement their monitoring function.

This training – mandatory and controlled – can take place by participating in: 1) conferences or seminars on the subject of Legislative Decree No. 231 of 2001; 2) meetings with experts on the subject of entities' administrative liability (Legislative Decree No. 231/2001) or in criminal matters; more specifically, with reference to merely understanding the organisational Model and specific prevention protocols identified by the Company, by taking part in training and refresher courses organised for persons in "top management" roles.

The training for the SB must include the contents of the "general" and "specific" training described above, as well as detailed training:

- on the subject of independence;
- on the subject of autonomy;
- on the subject of continuity of action;
- on the subject of professionalism;
- on the subject of relationships with corporate bodies;
- on the subject of relationships with other bodies in charge of internal auditing;
- on the subject of the relationship between the Model and the other existing control systems in the company;

- on the subject of anonymous reports to the SB;
- on the subject of accounting for the work of the SB (inspection reports, reports of the meetings, etc.);
- on the subject of examples of *check lists* for inspections;
- examples of mapping sensitive activities and instrumental processes.

4.9. Disciplinary system.

The preparation of an effective disciplinary system for the breach of the measures in the Model is an essential condition to guarantee the effectiveness of the Model.

To this regard, Art. 6 paragraph 2 letter *e*) and Art. 7 paragraph 4 letter *b*) of the Decree establish that the Model has to «*introduce a suitable disciplinary system to punish non-compliance with the provisions set out in the Model*».

The disciplinary penalties identified according to the Decree are applied regardless of the result of any criminal proceedings, as Ferretti S.p.A. has autonomously accepted the rules established by the Model and the Code of Ethics, regardless of the type of unlawful act which breaches of the Model or Code of Ethics may cause.

More specifically, Ferretti S.p.A. uses a disciplinary system which:

- is structured differently depending on the recipients: persons in "top management" roles; employees; external collaborators and partners;
- identifies precisely the disciplinary penalties to be adopted against persons who breach, infringe, elude, imperfectly or partially implement the measures described in the model, all in compliance with the relevant measures of CCNL [*National Collective Labour Agreement*] and the applicable legislative measures;
- envisages a special procedure to impose the aforementioned penalties, identifying the part in charge of supervising their imposition and, in general, controlling the compliance, application and updating of the disciplinary system;
- introduces appropriate procedures of publication and dissemination.

Ferretti S.p.A. has drawn up and applied the disciplinary system in compliance with the principles described above. This system is an integral and substantive part of the model as "Annex 4".

4.10. Management of financial resources.

As per Art. 6 paragraph 2 letter *c*) of the Decree, the Company must draw up specific procedures to manage financial resources and prevent the commission of the offences.

Ferretti S.p.A. has, therefore, adopted some fundamental principles into its own procedures to be followed in order to manage financial resources:

- all the transactions connected with financial management must be conducted by using bank current accounts of the Company;
- checks on balance and cash transactions must be carried out regularly;
- the function in charge of managing cash resources must identify and keep updated a specific formal procedure for operations to open, use, check and close current accounts that is consistent with the company credit policy and based on adequate segregation of duties and correct accounting;
- senior management sets out the medium and long-term financial requirements, the forms and sources of coverage, providing specific reports in this regard.

As regards the payment of invoices and expenditure commitments, the Company dictates that:

- all the invoices received must refer to the purchase order issued by the competent offices authorised to do so; the order must be recorded in the system or approved by the person in charge with appropriate powers;
- all aspects of the invoice are checked (data consistency, calculations, taxes, receipt of goods or services);
- the invoice is recorded autonomously by the accounts department and payment is not made without the specific authorisation of the administration and finance department manager and the instructing party;
- every acceptance of financial liability, including agreements for hedging exchange risks and interest must be adopted with a decision of the Board of Directors, with the exception of delegations already granted.

The main references to be followed in the management of financial resources deal with the processes of:

- *settlement of invoices payable*: the Company establishes the checks, recording and management procedures of any anomalies to be followed during the process to settle invoices payable, in the event of payment procedure anomalies;
- *management of financial accounts*: the Company establishes the rules to be followed to verify the check of its own bank and financial accounts;
- *management of payments on account - reimbursement of expenses*: the Company establishes the terms and conditions to be able to grant financial payments on account to its employees, the accounting and verification of their expenses made while executing their duties;
- *overdue debt recovery*: the Company sets out the regulations to be followed to recover non-performing loans/bad debts. The procedures to follow for the bad debt reserve are regulated;

- *credit cards used by employees*: the Company sets out the management procedures for nominal credit cards given to its employees.

4.11. Supervisory Body.

In compliance with the provisions of Art. 6 paragraph 1 letter b of the Decree, which envisages the task of supervising the working of and compliance with the Model and of its relevant update is entrusted to a corporate body, with autonomous powers of initiative and control, named Supervisory Body, the Company has identified and appointed that Body. For details, please refer to "Annex 5: Regulations of the Supervisory Body".

4.12. Approval, acceptance, integration and implementation of the Model

Pursuant to Art. 6 paragraph 1 letter a of Italian Legislative Decree 231/2001, the adoption and effective implementation of the Model are entrusted to the Company's senior management.

The Board of Directors has the responsibility and, therefore, the power to approve, supplement and amend by special deliberation the principles and provisions set out in this Model and the relevant annexes which constitute an integral and substantive part thereof.

The Chief Executive Officer will be competent for any subsequent amendments or supplements of the Model, even though suggested by the SB, which will present them to the BoD each year for them to be ratified and acknowledged.

More specifically, the amendments of individual Preventive Protocols (procedures, conduct codes, company regulations, etc.) may be approved by the individual representatives with powers of attorney identified for the purpose on the basis of existing system of delegated authorities and powers.

It will be the duty of the Chief Executive Officer to work to implement the Model by assessing and approving the actions required to implement its fundamental elements. To identify such actions the CEO will make use of the support and collaboration of the SB.

The CEO must also guarantee the implementation of and effective compliance with the Protocols in the company areas at risk.

For this purpose the CEO makes use of:

- the persons in the various organisational structures of the Company regarding the activities at risk of offences that they carry out;
- the SB which has been granted autonomous powers of initiative and control over the activities at risk of offences.

5. COMPANY HISTORY AND PROFILE.

5.1 Highlights from the company's main historical events.

Ferretti was founded in 1968 by a family-run company, operating in the sector of car dealerships, which decided to expand its business into the sailing sector and acquired distribution rights for a U.S. trademark in Italy.

The first craft built under its own name was revealed in 1971, whereas in 1975, the shipyard in San Giovanni in Marignano was inaugurated, followed by the shipyard in Forlì in 1987, which became the Group's headquarters from then on.

From the second half of the Nineties, after institutional investors acquired a share in the capital, it began to expand and acquire other companies already operating in the sector. For two and a half years from June 2000 to January 2003, the Company was listed on the Milan Stock Exchange.

In January 2012, the Chinese group Shandong Heavy Industry Group-Weichai Group acquired a majority share in Ferretti.

The Ferretti Group, to which Ferretti S.p.A. belongs, is world leader in the design, construction and sale of luxury yachts and boasts one of the most advanced yacht research and design centres in the world, with approximately 2000 employees and 6 production units in Italy.

Competence, reliability, as well as dynamism and enthusiasm represent the value added, which enables Ferretti to always guarantee maximum flexibility, rapidity and competitiveness, together with customisation of the services offered.

5.2 Business activity.

The company is a leading manufacturer and trader of luxury craft throughout the world.

The wide range of craft offered is devised by Ferretti's Product Committee and its Engineering Department.

The goal is to develop innovative aesthetic and functional solutions, working in close partnership with internationally-renowned independent architects.

This is why the Ferretti's yachts have always been known for their high levels of quality, safety and outstanding performance at sea, as well as for the exclusivity of their design and the timeless appeal which make them so recognisable around the world.

5.3. Turnover, programmes and projects from 1968 to today.

Ferretti has grown considerably in terms of both turnover and resources as a result of the investment by the Shandong Heavy Industry Group-Weichai Group, one of the most competitive manufacturers in the production of engines in China, which has also created an extensive range of top quality commercial vehicles, construction machinery and other heavy industry products.

Ferretti has optimised production costs and strengthened its commercial channel, after-sales service and financial strength to create competitive advantages, in order to consolidate further its position as world leader in the luxury yacht market.

More specifically, Ferretti aims to achieve various goals, including expansion in the Asian market and emerging markets. It also wants to increase its presence on European and American markets.

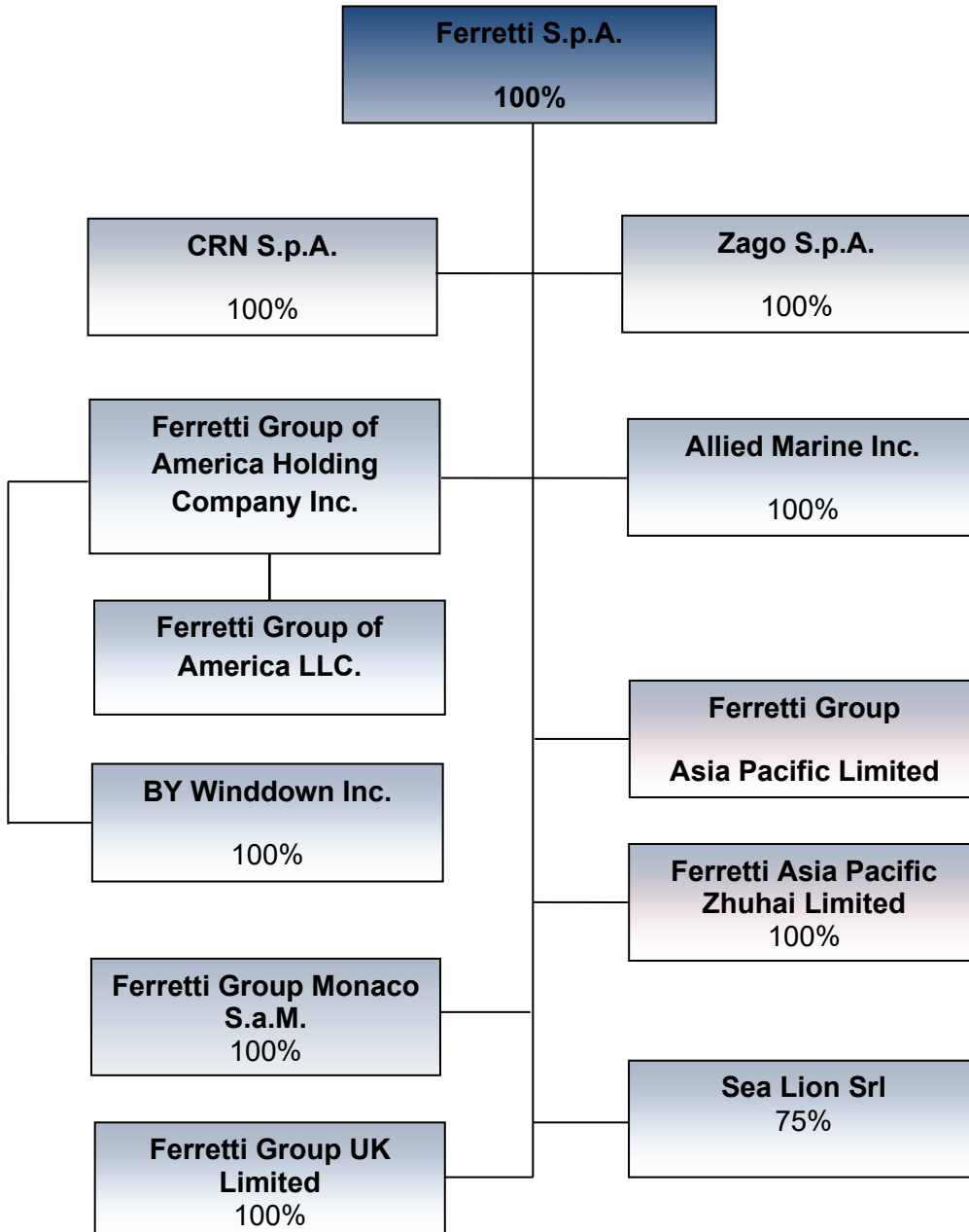
Its strategic objectives can be achieved thanks to the hard work and professionalism of its employees and managerial team. They are all adequately trained and prepared, and directly involved in quality improvement activities, thanks to the power delegation system adopted by the Company. The headquarters and production or operational shipyards where they work in Italy, have the most innovative technologies:

- ✚ Forlì, via Ansaldo Nos. 4, 7, 9° - 9B, 10, 11;
- ✚ Cattolica, via Irma Bandiera No. 62;
- ✚ Cattolica, frazione Marina di Cattolica, via Caboto No. 47481;
- ✚ Sarnico, via Predore No. 30;
- ✚ La Spezia, via San Bartolomeo No 380;
- ✚ Cesenatico, via A. Doria No. 5F;
- ✚ Mondolfo, via J.J. Pershing No. 1;
- ✚ Ancona, via E. Mattei No. 26.

Please note that at the time of the final approval and implementation of this Model, the Company is currently preparing and carrying out the preliminary procedures for a Stock Exchange listing (IPO). This will inevitably entail specific risks, which have been duly taken into consideration, analysed and assessed in the "Special Section G - Corporate offences and market abuse", which lists the prevention protocols currently adopted by Ferretti S.p.A.

CORPORATE STRUCTURE

Below is the corporate structure of the Ferretti Group, in which Ferretti S.p.A. is the parent company.



APPLICATION OF THE MODEL OF FERRETTI S.P.A. TO ITS SUBSIDIARIES

The Ferretti Group is a transnational group and as such presents specific risk profiles connected not only to the geographical dispersion of its business activities, to decentralised decision-making and the growing impact, volume and complexity of financial transactions, but also to the legislative differences between the various reference legal systems, with the inevitable need to compare different legal and disciplinary systems and corrective measures.

All these elements are appropriately acknowledged where Ferretti Group has decided to operate according to ethical principles aiming to ensure the business activity, corporate purpose and development of all its subsidiaries comply with the laws in force in their respective legal systems.

Thus, Ferretti Group has adopted a Code of Ethics aiming to identify a series of behavioural principles, which the Companies in the Group acknowledge as their own, and with which compliance by the corporate bodies, employees and all those who collaborate and cooperate for any reason with the different companies in the Group is mandatory.

Therefore, the Code of Ethics has a general significance and is a tool which the Companies in the Group can use autonomously, whereas the Organisational Model is the answer to specific requirements to prevent the offences provided for by Italian Legislative Decree 231/2001.

However, considering that the Code of Ethics recalls the behaviour principles suitable to prevent unlawful conduct according to Italian Legislative Decree 231/2001, it acquires importance for the purposes of the Model and formally constitutes an integral part of it.

Ferretti S.p.A. delegates the Board of Directors and senior management bodies of each subsidiary – including foreign subsidiaries – to implement, by means of appropriate resolutions, this Model, the attached documentation, the Code of Ethics and the prevention Protocols contemplated therein and as they may be defined by the Chairman of the BoD of the Parent Company, as those documents become a common asset for all the subsidiaries.

As part of its management and coordination duties, the parent company Ferretti S.p.A. recommends all the Companies in the Group to adopt an Organisational Model compliant with all the contents this Model, with the exception of what is contemplated for the Supervisory Body, which may be adapted according to the criteria of proportionality, compatibly with the national legislation and legal systems where it is based.

Ferretti S.p.A. will notify the administrative bodies of the individual subsidiaries of any amendment and subsequent update of this Model and everything attached to it, as it deems necessary.

Until every Company in the Ferretti Group has drawn up its own organisational Model, or where local legislation does not provide for a legislation equivalent to Italian Legislative Decree 231/2001, every Company will implement the Code of Ethics, together with the predicate offence prevention system, if compatible, and adopt prevention procedures (organisational procedures, regulations, policies), which comply with those of the Parent Company, on the basis of what is established in the ethical and corporate integrity agreement of Ferretti S.p.A.