



ORGANIZATION, MANAGEMENT AND CONTROL
MODEL OF FERRIERA VALSIDER

GENERAL PART

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1. LEGISLATIVE DECREE 8/6/2001, N. 231, FOR THE DISCIPLINE OF THE ADMINISTRATIVE LIABILITY OF LEGAL ENTITIES, COMPANIES AND ASSOCIATIONS, INCLUDING THOSE WITHOUT LEGAL STATUS

1. Administrative liability of Legal Entities

Legislative Decree n. 231 dated 8 June 2001, implementing the Delegated Law n. 300, dated 29 September 2000, introduced in Italy the discipline of “administrative liability of legal entities, companies and associations, including those without legal personality” (hereinafter shortly referred to as “Legislative Decree 231/2001” or the “Decree”). The Decree is part of a more ample legislation aiming at fighting corruption and it provides compliance of the Italian legislation with the requirements of international Conventions previously signed by Italy concerning liability of legal entities.

The Decree sets forth a system of administrative liability (substantially comparable to criminal liability) for legal entities ¹ (hereinafter shortly referred to as “Entity/Entities”) which combines with the personal liability (as more precisely defined hereafter) of the subject who committed the crime. The punishment of the crime involves the entities to the interest of which or to the benefit of which it has been committed. Such administrative liability only exists with regard to crimes and offenses listed in the Decree.

In certain cases and at the conditions provided by articles 7, 8, 9 and 10 of the Italian Criminal Code, art. 4 of the Decree also envisages the administrative liability of Entities having their head office in the territory of the State for crimes committed abroad by private individuals (as specified below) unless a legal proceeding is instituted by the State where the crime has been committed.

¹ Art. 1 of D.Lgs. n. 231, 2001 defined the addressees of the law as follows: “entities with legal status, companies and associations, including those without a legal status”. Therefore the decree applies to:

- Legal entities of private law, i.e. entities with legal status and associations including those without a legal status;
- Legal entities of public law, i.e. entities with legal public status, but without public authority (so called entities belonging to the public economic sector);
- Entities with mixed public and private status (so called private-public companies).

The decree does not apply to: the State, local public entities (Italian Regions, Provinces, municipalities and mountain districts), non-economic public entities and, more generally, all the entities whose functions are constitutionally stated (Chamber of Deputies - Camera dei Deputati -, Senate – Senato -, Corte Costituzionale - Constitutional Court -, Segretariato Generale della Presidenza della Repubblica . General Secretary of the Italian President of the Republic, the Magistrates’ Governing Body – Consiglio Superiore della Magistratura -, etc.).

2. Entities addressed by Legislative Decree 231/2001

Subjects that can determine the liability of the Entity committing crimes in its interest or to its benefit are listed below:

- (i) private individuals at high levels (representatives, managers, directors of the Entity or of some of its organizational units with financial and functional autonomy) or individuals with actual managerial and controlling duties (hereinafter shortly referred to as “Top Management”),
- (ii) Private individuals directed or controlled by a subject belonging to the Top Management (hereinafter shortly referred to as “Subordinate Staff”).

To that extent, Subordinate Staff includes not only the subjects employed by the Entity, but also *“those working subjects that are not employed by the Entity, but whose relation to the same implies a surveillance duty on their activity by the top management. For example agents, joint-venture partners, consultants, distributors, suppliers, advisors, other partners”* ².

According to the prevailing interpretation, the relevant situations highlighting an administrative liability of the Entity are those in which a particular duty is demanded to external cooperators who shall perform it under the direction and/or the control of Top Management.

As expressly provided by the law (art. 5, 2nd paragraph of the Decree) the Entity is not liable whenever the aforesaid subjects acted in their own interest or in the interest of third parties. In any case their behaviour shall be the result of pervasive relations inside the company whereby the acts of the single individual can be referred to the Entity.

3. Predicate Crimes and Offenses

The Decree refers to the following types of crimes and offenses giving rise to administrative liability (“predicate crimes and offenses”)

- (i) crimes to the detriment of Public Administration (articles 24 and 25 of the Decree), introduced by the Decree and afterwards modified by Law n. 190 dated 6 November 2012;
- (ii) computer crimes and unlawful data processing, introduced by art. 7 of Law n. 48 dated 18 March 2008 which integrated the Legislative Decree 231/2001 with art. 24-bis;
- (iii) organized crime, introduced by art. 2, paragraph 29 of the Law n. 94 dated 15 July 2009 which integrated the Legislative Decree 231/2001 with art. 24-ter;
- (iv) crimes of money counterfeit, forgery of public credit cards, of revenue stamps, trademarks or other identification signs, introduced by art. 6 of law n. 406 dated 23 November 2001 which integrated Legislative Decree 231/2001 with art. 25-bis, eventually further integrated with art.

² Literally quoted from Assonime Circular letter n. 68 dated 19 November 2002.

- 15, paragraph 7, letter a) of the Law n. 99 dated 23 July 2009;
- (v) crimes against industry and commerce, introduced by art. 15, paragraph 7, letter b) of the Law n. 99 dated 23 July 2009, which integrated the Legislative Decree 231/2001 with art. 25-bis.1;
 - (vi) corporate offences, introduced by the Legislative Decree n. 61 dated 11 April 2002, which integrated Legislative Decree 231/2001 with art. 25-ter, subsequently further integrated by the Law n- 190 dated 6 November 2012 and amended with Law 27 May 2015 no. 69;
 - (vii) crimes with purposes of terrorism or subversion of democratic order, introduced by the Law n. 7 dated 14 January 2003, which integrated Legislative Decree 231/2001 with art. 25-quater;
 - (viii) mutilation of female genital organs, introduced by the Law n. 7 dated 9 January 2006, which integrated Legislative Decree 231/2001 with Article 25-quater. 1;
 - (ix) Crimes against individual personality, introduced by the Law n. 228 dated 11 August 2003, which integrated Legislative Decree 231/2001 with Article 25-quinquies;
 - (x) Crimes of market abuse, foreseen by the Law n. 62 dated 18 April 2005 which integrated Legislative Decree 231/2001 with Article 25-sexies as well as the Organic Law on Financial Intermediation with art. 187-quinquies “Entity Liability”;
 - (xi) crimes of involuntary manslaughter and serious or very serious injuries, committed in breach of the health and safety at work regulations, introduced by the Law n.123 dated 3 August 2007 which integrated Legislative Decree 231/2001 with art. 25-septies;
 - (xii) receipt of stolen goods, money laundering and use of money, goods or other economic values of illicit origin, introduced by Legislative Decree n. 231 dated 21 November 2007, which integrated Legislative Decree 231/2001 with Article 25-octies and subsequently integrated by the Law n. 186 dated 15 December 2014 that introduced the crime of “self laundering” as from January 2015;
 - (xiii) Crimes in breach of copyright, introduced by art. 15, paragraph 7, letter c) of the Law n. 99 dated 23 July 2009 which integrated Legislative Decree 231/2001 with Article 25-novies;
 - (xiv) crime of incitement not to make statements or to make mendacious statements before the judicial authority, introduced by art. 4 of the Law n. 116 dated 3 August 2009 which integrated Legislative Decree 231/2001 with Article 25-decies³;
 - (xv) environmental crimes and offences, introduced by the Legislative Decree n. 121 dated 7 July 2011 which integrated Legislative Decree 231/2001 with art. 25-undecies, then amended by Law 22 May 2015, no. 68 "Provisions relating to offenses against the environment" that has included in the Legislative Decree no. 231/01 new crimes.
 - (xvi) Transnational crimes, introduced by the Law n. 146 dated 16 March 2006 “Law ratifying and enforcing the UN Convention and Protocols on Transnational Organized Crime”;
 - (xvii) Crime of employment of illegally staying third-country nationals, introduced by Legislative Decree n. 109 dated 16 July 2012, envisaging the “*implementation of EU Directive 2009/52/CE providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals*”, which integrated Legislative Decree 231/2001 with art. 25-duodecies.
 - (xviii)

4. Sanctions envisaged by the Decree

Legislative Decree 231/2001 envisages the following types of sanctions to be imposed on the Entities addressed by the law:

³ Originally 25-novies and so re-numbered by Legislative Decree 121/2011.

- administrative pecuniary sanctions;
- interdictory sanctions;
- confiscation of the price or of the profit arising from the crime;
- Publication of the sentence.

4.1. Administrative pecuniary sanctions

Pursuant to articles 10 et seq. of the Decree, the administrative pecuniary sanction is the basic sanction to be applied. The Entity is accountable for the relevant payment with its assets and joint stock.

The legislator adopted an innovative principle in the calculation of the sanction, compelling the Judge to a double step evaluation process entailing a better compliance of the sanction with the committed crime and with the economical conditions of the Entity

The first evaluation requires the Judge to appraise the number of quotas (which cannot be neither lower than one hundred nor higher than one thousand) ⁴ in consideration of:

- seriousness of the offence;
- degree of liability of the Entity;
- Actions undertaken in order to eliminate or reduce the consequences of the act and to prevent further illegal actions.

With the second evaluation the Judge shall appraise the value of each quota, within the minimum and maximum values calculated in consideration of the sanctioned crimes, such value ranging from 258,00 Euros up to 1.549,00 Euros. The amount shall be determined “*on the basis of the equity and financial conditions of the Entity in order to ensure the efficacy of the sanction*” (articles 10 and 11, 2nd paragraph of Legislative Decree 231/2001),

As stated in point 5.1 of the report attached to the Decree “*The equity and financial conditions of the entity shall be appraised through the analysis of the financial statements and other company reports. In certain cases it might be also considered the entity’s dimensions and its position on the market. (...) The judge shall relate to the reality of the business, using information about the economic and financial stability of the entity collected by ad-hoc consultants*”.

Article 12 of Legislative Decree 231/2001 envisages a number of cases where the pecuniary sanction shall be reduced. They are schematically summarized in the following table, indicating the reduction and necessary prerequisites for the reduction to be applied.

⁴ With regard to crimes of *market abuse*, art. 25-sexies, 2nd paragraph of the Legislative Decree no. 231/2001 provides the following: “In case the product or the profit of the Entity is considerably increased as a consequence of the crimes under paragraph 1, the sanction shall be increased up to ten times the value of such product or profit”.

Reduction	Prerequisite
$\frac{1}{2}$ (and cannot be higher than Euros 103.291,00)	<ul style="list-style-type: none"> • The perpetrator committed the crime in his/her own main interest or in the main interest of third parties and the entity did not obtain any benefit or otherwise obtained a minor benefit; <p style="text-align: center;"><i>or</i></p> <ul style="list-style-type: none"> • The financial loss is particularly insignificant.
from $\frac{1}{3}$ to $\frac{1}{2}$	<p style="text-align: center;"><u>[Prior to official opening of the first instance proceedings]</u></p> <ul style="list-style-type: none"> • The entity has completely compensated damages and eliminated any prejudicial or dangerous consequence of the crime or has otherwise undertaken efficient remedial actions in that direction; <p style="text-align: center;"><i>or</i></p> <ul style="list-style-type: none"> • An appropriate organizational model has been implemented in order to prevent other similar crimes.

4.2. Interdictory sanctions

Following interdictory sanctions are envisaged by the Decree and can only apply to the crimes for which they are foreseen:

- disqualification from the performance of business;
- suspension or rescinding of licenses and/or authorizations associated with the perpetration of the offence;
- prohibition to negotiate with the public administration, except for the purpose of obtaining the performance of a public service;
- disqualification from benefits, loans, subsidies, allowances and suspension from those already obtained;
- prohibition to advertise goods and services

Interdictory sanctions can only apply when at least one of the conditions provided by art. 13 of the Legislative Decree no. 231/2001 takes place, namely:

- “*The entity received an important benefit from the offence and the offence was perpetrated by subjects belonging to the Top Management or by subordinate subjects, in this case due to or favoured by major organizational deficiencies*”; or
- “*in case of reiteration of the illegal actions*” ⁵.

Interdictory sanctions can be requested by the public prosecutor (Pubblico Ministero) and precautionary imposed on the entity by the Judge when:

- there are clear indications suggesting the Entity liability for an administrative illegal action deriving from a crime;
- there are reasonable and specific grounds suggesting the danger of perpetration of further illegal actions of similar nature;
- The Entity obtained a major benefit.

Interdictory sanctions cannot be applied when the crime is perpetrated in the interest of the perpetrator or of third parties and the Entity obtained a minor or nonexistent benefit, or else the financial damage caused by the illegal action is particularly insignificant.

Interdictory sanctions cannot be applied when the Entity starts the remedial actions provided by art. 17 of Legislative Decree no. 231/2001 and, more precisely, in the following cases:

- “*The entity has completely compensated damages and eliminated any prejudicial or dangerous consequences of the offence or has otherwise undertaken efficient measures in that direction*”;
- “*The entity eliminated any organizational deficiency which could favour the perpetration of the offence through the adoption and implementation of appropriate organization models in order to prevent other similar offences*”;
- “*the entity made available for confiscation the proceeds of the crime*”.

Application of interdictory sanctions cannot be either shorter than three months or longer than two years and the choice of the applicable sanction and of its duration is made by the Judge according to the principles indicated above for its calculation “*considering the suitability of the single sanctions in order to prevent similar offences from being committed*” (art. 14, Legislative Decree no. 231/2001).

The Legislator also pointed out that interdiction from the performance of business activity is a residual measure as compared to other interdictory sanctions.

4.3. Confiscation of price or profit deriving from the crime

Pursuant to art. 19 of Legislative Decree no. 231/2001 confiscation of the price (money or other economic value given or promised to induce the subject to commit the crime) – or of its equivalent – or of the profit (immediate economic utility) deriving from the crime is mandatory, except for the

⁵ According to the provisions of art. 20 of the Legislative Decree no. 231/2001, “reiteration occurs when the entity has been sentenced to punishment at least once for the crime and it nevertheless once again incurs in the crime in the five years following the sentence”.

amount that can be returned to the plaintiff and reserving the rights acquired by third parties in good faith.

4.4. Publication of the sentence.

The Court can order the publication of the sentence in one or more newspapers, as an abstract or as a whole, along with posting in the municipality where the entity has its head offices, when an interdictory sanction is applied. The Registry of the relevant Court publishes the sentence at the expense of the Entity.

5. Attempted crimes

In case of perpetration of predicate crimes envisaged by the Decree in the form of attempted crimes, pecuniary sanctions (concerning the amount) and interdictory sanctions (concerning the time) shall be reduced from one third to one half, whereas the sanction is completely banned when the Entity voluntarily avoids the perpetration of the crime or the occurrence of the event (art. 26 of the Decree).

6. Exemption from Liability

Articles 6 and 7 of Legislative Decree no. 231/2001 envisage some particular cases of exemption from administrative liability of the Entity for the crimes and offences committed in its interest or to its benefit either by Top Management or by Subordinate Staff (as defined in paragraph 2 above).

In particular, in case of crimes and offences committed by the Top Management, art. 6 of the Decree establishes the exemption whenever the Entity demonstrates that:

- a) prior to the perpetration of the crime the management has adopted and efficiently implemented an organization and management model suitable to prevent similar crimes (hereinafter shortly referred to as the “Model”)
- b) a specific body of the entity (hereinafter shortly referred to as the “Supervisory Body” or “SB”) with autonomous initiative and control powers has been charged with the duty to verify the effectiveness of the Model and to watch upon the compliance of the Entity with the Model and to take care of its updating;
- c) individuals who perpetrated the crime acted fraudulently against the Model;
- d) there was no lack of or insufficient care in the supervision by the Supervisory Body.

As far as the Subordinate Staff is concerned, art. 7 of the Decree establishes the exemption of liability whenever prior to the perpetration of the crime the Entity has adopted and efficiently implemented an organization and management model suitable to prevent similar crimes.

The exemption of liability of the Entity cannot be merely determined through the adoption of the

Model, but by way of its efficient implementation establishing all necessary protocols and controls to reduce the risk of perpetration of the crimes that the Company wants to avoid. Concerning the characteristics of the Model, art. 6, 2nd paragraph of the Decree expressly provides the following preparatory steps for a correct implementation of the Model:

- a) identification of activities where crimes could be committed;
- b) provision of specific protocols for planning and implementing the entity's decisions with regard to prevention of crimes;
- c) identification of methods for the management of financial resources in a way suitable to prevent the commission of crimes;
- d) provision of communication duties to the Supervisory Body;
- e) introduction of a disciplinary system introducing sanctions for noncompliance with the provisions of the Model.

2. FERRIERA VALSIDER AND ITS GOVERNANCE SYSTEM

2.1. The Company

Ferriera Valsider Spa (hereinafter referred to as “**Ferriera Valsider**” or the “**Company**”) is part of the Metallurgical Division of the Ukrainian group Metinvest and produces and sells quarto steel plates for trains and hot rolled coils.

In particular, according to its social object, the operating activity of Ferriera Valsider concerns production, rolling, trade of steel plates and other similar steel products and is articulated as follows:

- production through hot-leveller, processing, sale and distribution, export and import of steel plates and similar;
- National and International sale of steel products, plants and plant parts and similar.

The administrative and commercial offices and the production plant are located in Vallese di Oppeano, Verona.

It belongs to the Metinvest Group with Metinvest Trameal SpA and Spartan UK Ltd.

2.2. Governance Model of the Company

Ferriera Valsider is a joint stock company and it is administered by a Board of Directors of three members, not necessarily partners, according to the decisions of the General Assembly.

The members of the Board are elected to three-year terms or for the minor period decided by the nominating Assembly, and terminate their office on the date of the General Assembly called to approve

the Financial Statement concerning their last year of duty.

The Board of Directors is assigned of the widest powers to accomplish ordinary and extraordinary management without exceptions, in order to reach and implement the corporate goals.

The Board of Directors can undertake obligations of any kind and manage the assets of the Company without limitations, as its authority covers all the activities which are not expressly reserved by Law to the Assembly.

The Board of Directors can appoint an Executive Committee establishing the number of its members and its functioning rules as well as one or more Managing Directors, establishing the content, the limits and the functioning of the mandate.

The Board of Directors can assign all the powers which by law can be assigned to the Chairman, to the Managing Directors, to the Executive Committee and to one or more Members of the Board.

The Board of Directors can appoint one or more Chief Executives and Attorneys for special deeds and/or kind of deeds, specifying their duties, powers and assignments, even in representation of the Company, respecting the limits established by the law.

Within the limits of their assignments, the Chairman, the Managing Directors and the Executive Committee (in case of appointment) can release special powers of attorney for certain kind of ordinary activities as well as for some special extraordinary activities.

The Chairman and the Managing Directors, when appointed, shall disjointly represent the Company with regard to third parties and in court matters, and can start legal actions and administrative petitions in front of first instance or higher Courts and of the Supreme Court of Cassation (higher instance Court in Italy).

The Board of Directors, sometimes through the Chairman and the Managing Directors, promptly refers and prepares at least a quarterly report to the Board of Statutory Auditors concerning the corporate activities and the most important financial operations including those atypical, unusual or with interrelated parts. In particular, the Board reports all the operations in which the directors have a particular personal interest, or an indirect interest on behalf of third parties, or otherwise influenced by the subject performing the management and coordination thereof.

The Board of Statutory Auditors is made up of three standing Statutory Auditors and two substitute Statutory Auditors. The Board of Statutory Auditors, according to the law, shall control: the compliance with the law and with the Articles of Association; the respect of the principles of good administration; the adequacy of the organizational structure of the Company, of the internal control

system and of administrative and accounting system; the reliability of the latter in terms of correctness in representing the data concerning the management of the Company.

3. FERRIERA VALSIDER MODEL

3.1. Function and purpose of the Model

3.1.1. Purpose of the Model

Considering the risk areas in the company activities entailing a high possibility to commit crimes, the Model prepared by the Company aims at:

- prepare a prevention and control system to reduce the crime risk in connection with the business activities;
- to make aware all the subjects operating in the name and on behalf of Ferriera Valsider, in particular those working in the “crime risk areas”, that in case of breach of any of the dispositions contained in it they may incur in criminal or administrative sanctions both personally and as members of the company;
- to inform all third parties operating with the Company that the breach of the provisions of the Model shall entail the application of specific sanctions and/or the termination of the contractual relationship;
- to confirm that Ferriera Valsider does not admit unlawful conducts of any kind irrespective of their purpose and such conducts are at any rate adverse to the principles inspiring the business activity of the Company, even in the case in which the Company would be in a position to take advantage from them.

3.1.2. The structure of the Model

On the grounds of the indications contained in the relevant guidelines⁶, the structure of the Model (and the subsequent drawing of this document) followed the following steps:

- preliminary examination of the company context through the analysis of the relevant company documents and the conduct of interviews with Ferriera Valsider managers informed on the structure and on the activities of the same in order to define the organization and the activities performed by the various units/ company functions, as well as the corporate processes and the way they are implemented;
- identification of risk areas of activity and of risk corporate processes after the above mentioned preliminary examination of the company (hereinafter shortly referred to as “Crime Risk Areas”)
- hypothetical definition of possible ways of commission of Predicate Crimes inside the single

⁶ The preparation of this Model is based on the Guidelines for drawing Organization Management and Control Models *ex* D.Lgs. 231/2001, approved by Confindustria on 7 March 2002 and subsequently updated (hereinafter shortly referred to as “Guidelines”).

Crime Risk Areas.

- identification of the control system of the entity responsible for the prevention of Predicate Crimes.

Crime risk areas that are partially or totally managed by other companies belonging to the Metinvest Group on behalf of Ferriera Valsider have been analyzed as well.

3.1.3. The concept of acceptable risk

In the preparation of an Organization and Management Model like the present one, the concept of acceptable risk cannot be ignored. In order to comply with the provisions of Legislative Decree no. 231/2001, it is essential to define quantitative and qualitative limits to the prevention standards adopted to prevent the perpetration of crimes.

Considering the sanctions system introduced by the Decree, the limit of acceptability corresponds to the efficient implementation of an adequate prevention system that cannot be eluded unless intentionally, which means that the individuals who perpetrated the crime acted fraudulently against the provisions of the Model and deceiving the Company's controls and this excludes any administrative liability of the Entity.

3.1.4. The Model structure and relevant predicate crimes and offences

The Company wanted to draw a Model which could take into account its peculiar reality, consistent with its governing system and appraising existing controls and bodies.

The Model represents a consistent system of principles, rules and provisions that:

- affect the internal functioning of the Company and its relations to the external world;
- rule the scrupulous management of a control system for Crime Risk Areas aiming at preventing the crimes described in the Decree or the attempting thereof.

In particular Ferriera Valsider Model is constituted by:

- this "General Part", containing the main principles of the same
- "Special Parts", illustrating and enhancing the analysis of operational activities of the Company for certain kinds of crimes provided by the Decree in consideration of important risks, in particular:
 - A. Crimes against Public Administration and Crime of private-to-private corruption
 - B. Crimes concerning Health and Safety at Work:
 - C. Environmental Crimes;
 - D. Organized Crime, Transnational Crimes, Crime of Incitement and Crimes of Receipt of stolen goods and Money laundering, including self-laundering;
 - E. computer crimes and illicit data processing;

F. Corporate crimes and offences.

Special Parts contain, for each group of crimes, a brief description of illegal acts that can originate an administrative liability of the Company, identified Crime Risk Areas and a description of the main rules of conduct implemented by the Company, that shall be observed by the Addressees of the Model (as defined hereafter) in order to prevent the commission of crimes.

Considering the remarkable variety of crimes which could entail the administrative liability of the Entity according to the Decree, some of them have not been taken into consideration in the drawing of this Model, as the relevant risk of commission of such crimes has been deemed merely theoretical.

Ethical principles on which the Company Model and governance structure are based shall provide a general prevention for all those kinds of crimes that are not specifically disciplined in the Special Parts of the Model.

3.1.5. The adoption of the Model

The adoption of this Model is assigned by the Decree to the governing body (in particular to the Board of Directors) that shall also provide for the integration with further Special Parts concerning different kinds of Predicate Crimes which might be introduced in the Legislative Decree no. 231/2001.

3.2. Documents related to the Model

The following documents are an integral part of the Model:

- Ethical Code, containing all the rights, duties and responsibilities of Ferriera Valsider towards the addressees of the Model (hereinafter shortly referred to as the “**Ethical Code**”)
- disciplinary system and its sanctioning system to be applied in case of non-compliance with the Model (hereafter shortly referred to as “**Sanctioning System**”)
- proxies and powers of attorney system, along with all the documents describing and assigning responsibilities and/ or duties to the individuals operating in the Crime Risk Areas inside the Entity (i.e.: organizational charts, service orders, job descriptions, etc.)
- procedures, protocols and internal controls ensuring an adequate transparency and publicity to decision making and financial processes, as well as the rules of conduct that shall be observed by the addressees of the Model operating in the Crime Risk Areas.

All the above mentioned proxies, powers of attorney, procedures, protocols and internal controls shall be hereinafter referred to as the “**Procedures**”.

As a consequence the expression “Model” does not uniquely refer to this document but to any further document and Procedures that will be adopted in the future according to the provisions of the same

and in order to attain its purposes.

3.3. Management of financial resources

According to the provisions of previous paragraph [2.3] and of art. 6, letter c) of Legislative Decree no. 231/2001, envisaging the identification of a model for the management of financial resources avoiding the commission of crimes, the Company adopted specific protocols regarding principles and rules of conduct for the management of such resources.

3.4. Dissemination of the Model

3.4.1. Addressees

The Model considers the particular reality of the business activity of Ferriera Valsider and represents a valid means to inform and raise awareness in the Top Management and the Subordinated Staff (hereinafter shortly referred to as the “**Addressees**”).

As a consequence the Addressees shall adopt a fair and transparent conduct according to the ethical and social values inspiring the Company in the pursue of its activities and shall in any way seek to prevent the risk of commission of the Crimes envisaged by the Decree.

Relevant corporate functions shall guarantee the acquisition in the Company Procedures of the principles and rules of conduct highlighted in the Model and in the Ethical Code of Ferriera Valsider.

3.4.2. Training and information of Personnel

Ferriera Valsider shall guarantee an accurate knowledge by the Addressees about the contents of the Decree and the duties deriving from the same.

In order to attain an efficient implementation of the Model, the Human Resources Office in coordination with the Supervisory Body and the managers of other involved corporate offices organizes the training and information of the Addressees.

Training and information activities shall be performed according to the provisions of the Decree and foresee a specific information upon recruitment and any other further activity that might be useful in order to ensure the correct application of the provisions of the Decree. In particular:

- **an initial communication.** To this extent the adoption of the Model shall be communicated

to all the company resources. Ferriera Valsider Ethical Code and the General Part of the Model shall be delivered to new employees, who shall undersign a form informing them that the Model will be available in a specific company shared folder and they shall commit to observe the contents of said rules. Top Management members and Subordinate Staff operating in the Crime Risk Areas shall be informed about the Section or Sections of the Special Parts concerning their working area;

- **a specific training activity.** Such continuous training activity is compulsory and shall be pursued by means of information technologies (emails of update, corporate network, self-evaluation instruments) as well as through periodic training and updating seminars and workshops. Such activity shall have different contents and delivering modes according to the qualification of its Addressees, to the degree of the risk in their working area and to their functions of representation on behalf of the Company.

In order to attain an efficient dissemination of the Model and the information of the personnel on the contents of the Decree and the duties deriving from its implementation, a specific company shared folder containing all the documents included in the Model is available and shall be updated by the internal relevant office in coordination or upon instructions of the Supervisory Body.

3.4.3. Communication to Third Parties and dissemination of the Model

Ferriera Valsider envisages the dissemination of the Model to all third parties entertaining non-subordinate partnership, consultancy, agency, sale representation and other relations with the Company, resulting in a non-subordinate professional service, either continuous or occasional (including subjects operating for the suppliers and partners, also in the form of a temporary association of companies or joint-venture) as well as to all third parties having relations with the Company for supplying or selling (hereinafter shortly referred to as “**Third Parties**”).

In particular the Company offices involved shall provide all relevant information about the adoption of the Model according to Legislative Decree no. 231/2001 by Ferriera Valsider to all Third Parties in general and to service businesses they shall get in touch with. In addition the Company shall deliver to all Third Parties the contents of the Ethical Code and of the General Part of the Model.

Each contract with Third Parties reports specific clauses to inform them about the adoption of the Model by Ferriera Valsider, which they shall declare to acknowledge along with the consequences deriving from the noncompliance with the principles contained in the General Part of the Model and in the Ethic Code. They shall also engage not to commit, even through their top management or subordinate staff, any of the Predicate Crimes.

4. SUPERVISORY BODY

4.1. Structure and composition of the Supervisory Body

According to the provisions of Legislative Decree no. 231/2001 (articles 6 and 7) and to the indications contained in the Guidelines of Confidustria and in order to ensure an effective and efficient implementation of the Model the Supervisory Body (shall feature:

- (a) autonomy and independency;
 - (b) professionalism;
 - (c) continuity in action.
- (a) Autonomy and independency

Autonomy and independency are fundamental in order to avoid the involvement of the SB in the operational activities constituting the object of its supervisory activity and in order to avoid any conditioning or interference by the direction of the company.

Autonomy and independency can be attained assigning the highest hierarchical position to the Supervisory Body and envisaging a reporting activity in favour of the highest level of Top Management, i.e. the Board of Directors. In order to be independent the SB cannot have operational duties that would jeopardize its objective judgment in the supervision of conducts and of the efficiency of the Model.

(b) Professionalism

The SB shall possess the technical and professional skills necessary to its functions. These characteristics, along with independence, ensure objectivity in judgment⁷.

(c) Continuity in action

The Supervisory Body shall:

- apply the necessary care and employ all necessary investigative powers in its continuous activity of supervision on the Model;
- refer to the Company in order to guarantee the continuity in its activity of supervision.

⁷ Reference is made in particular to: techniques for the analysis and evaluation of the risks; measures for their containment (organizational procedures, mechanisms for juxtaposition of duties, etc.); *flow charting* of procedures and processes for identifying points of weakness, interviewing and questionnaires elaboration techniques; methods for the assessment of frauds; etc. The Supervisory Body shall have inspective competences (in order to ascertain how a crime of the analyzed type could verify and who committed it); consultancy competences (in order to adopt– upon the Model drawing and when subsequent modifications occur – the most suitable measures to prevent with reasonable certainty the perpetration of the crimes) or else to verify that the daily conducts effectively respect the codified ones) and legal competences. Being the D.Lgs. n. 231/2001 a penal discipline and considered that the activity of the Supervisory Body aims at preventing the implementation of crimes, it is of essential importance to know very well the structure and the implementation modes of the crimes (which can be censure through the employment of company resources and/ or of external consultancy).

The members of the Supervisory Body shall not only possess the described professional skills but also meet the formal subjective requirements in order to better guarantee the autonomy and the independence required by their job (for instance honorability, absence of conflicts of interests and of familiar relations with the corporate bodies and with the top management, etc.).

4.2. Identification of the Supervisory Body

The Board of Directors of Ferriera Valsider appointed a multi-subjects body, made up of 3 (three) members as Supervisory Body of the Company.

Such configuration has different advantages: it guarantees the autonomy of survey initiatives from any interference and/ or conditioning by other components of the organization, it ensures a sufficient continuity in action and satisfies the requirement of professional competence in consideration of the different types of predicate crimes.

The Board of Directors set under the same resolution both the appointment of the Supervisory Body and its remuneration.

Once installed, the Supervisory Body created its internal regulation and established and updated the plan of activities to be performed.

4.3. Term of office and causes for suspension

The Supervisory Body's office is in charge for the period of time indicated in the appointing document and can be reconfirmed.

Termination of the office of the SB can happen for one of the following reasons:

- Termination;
- suspension of the Body by the Board of Directors;
- surrender of a member through specific communication in writing sent to the Board of Directors;
- due to one of the causes for suspension specified in the following paragraph 4.4.

The suspension of the SB can only be decided for *just cause*, i.e.:

- in the event one of his members is involved in a criminal proceeding for the commission of a crime;
- in the event of breach of the confidentiality obligation requested to the SB;
- a severe negligence in the performance of the activities connected to its duties;
- The Company involvement in a legal proceeding, either criminal or civil, as a consequence of a

lack of or an insufficient surveillance, even if due to negligence.

The suspension is decided with a deliberation of the Board of Directors upon the binding opinion of the Board of Statutory Auditors of the Company.

In the event of termination, suspension or surrender, the Board of Directors shall immediately appoint the new member of the SB, whereas the outgoing member remains in charge until replacement.

4.4. Ineligibility and impediment

Ineligibility and/ or impediment causes for a member of the SB are synthesized as follows:

- interdiction, disqualification, bankruptcy or criminal condemnation, even if the conviction is not executive, for one of the crimes provided by the Decree or the condemnation to a punishment involving the interdiction, even a temporary one, from public offices or the inability to perform directive duties;
- the existence of familiar relations, conjugal relations or affinities within the fourth degree with members of the Board of Directors or of the Board of Statutory Auditors of the Company or with external subjects assigned to the audit;
- The existence of financial relations between the member and the Company suitable to jeopardize his/her independence.

Whenever a cause for impediment should arise in the course of the exercise of the assignment, the member of the Supervisory Body shall immediately inform the Board of Directors thereof.

4.5. Functions, duties and powers of the Supervisory Body

In compliance with the indications contained in the Decree and with the Guidelines, the office of the Supervisory Body shall:

- verify the actual application of the Model with regard to all the different types of crimes and offenses considered by the same;
- verify the efficacy of the Model and its real efficiency in preventing the perpetration of crimes and offenses;
- identify and propose to the Board of Directors updates and modifications of the Model with regard to new rules or to new company needs or conditions;
- verify that the update and modification proposals of the Board of Directors are effectively acquired by the Model.

Concerning the above described functions, the SB shall:

- watch the effectiveness of the Model, verifying the correspondence between actual behaviours and the established model;
- examine the adequacy of the model, namely its real (not only formal) effectiveness in preventing unwished behaviours;
- analyze the long term stability and functionality of the model;
- care about the necessary dynamic update of the model, whenever the analysis indicate the need for corrections and adjustments. Such care is normally articulated into two distinct and

integrated moments:

- adjustment proposals of the Model to the corporate offices in charge of implementing them. According to the type and importance of the adjustments, the proposals will be advanced either to the Personnel, Organization and Administrative Office, etc. or to the Board of Directors in particularly relevant cases;
- follow-up, namely control of the actual implementation and effectiveness of proposed solutions.

In order to attain the above mentioned functions and duties, the following powers have been assigned to the SB:

- wide and radical access to the various company documents, in particular to those regarding the relations of the Company to third parties, either of contractual nature or not;
- full support and cooperation of the various company structures and corporate bodies that might be interested or involved in the supervising activity;
- assign special consultancy and assistance duties to experts, even outside the Company.

4.6. Resources of the Supervisory Body

The Board of Directors assigns to the SB the necessary human and financial resources to carry out the designated duties. In particular the SB has independent expenditure powers and the faculty to stipulate, modify and/or terminate contracts with third parties having the specific professional skills necessary to perform such duties in a suitable way.

4.7. Information flows concerning the Supervisory Body

4.7.1. Information duties to the Supervisory Body

Any event implying a possible liability of Ferriera Valsider according to the Legislative Decree no. 231/2001 shall be specifically communicated by the Addressees (and/or Third Parties) to the SB in order to facilitate the surveillance activity on the efficiency of the Model.

Information flows to the SB concern general information and specific mandatory information.

In the first case the following provisions shall be applied:

- The addressees shall communicate to the SB any event connected to the perpetration or the reasonable belief of perpetration of crimes and/ or behaviours not complying with the provisions and conduct rules issued by Ferriera Valsider;
- Third Parties shall communicate to the SB any event connected to the perpetration or the reasonable belief of perpetration of crimes, according to the limits and procedures provided by the contract;
- Third Parties shall communicate with the SB in a direct way.

Besides the communications of general infringements mentioned above, the following information shall be immediately communicated to the SB:

- Criminal Investigation Division measures and/ or communications about investigations concerning Ferriera Valsider or its corporate bodies;
- reports drafted by managers of other bodies (for instance, Board of Statutory Auditors) in their auditing activity highlighting facts, documents, events or omissions suggesting possible noncompliance with Legislative Decree no. 231/2001;
- Communications about disciplinary processes and sanctions and/or about their withdrawal with relevant motivation, whenever they are linked to the perpetration of crimes and/ or breach of conduct rules provided by the Model;
- investigation commissions or reports/ internal communications revealing a liability for crimes under Legislative Decree no. 231/2001;
- organizational changes;
- updates concerning proxies and powers of attorney;
- significant operations pursued in Crime Risk Areas;
- changes in crime risk or potentially at risk Areas;
- any communication of the Board of Statutory Auditors concerning deficiencies in the internal control system, censurable events, observations on the Financial Statement of the Company;
- declaration of truthfulness and completeness of the information contained in the company communications;
- copy of the minutes of Board of Directors and Board of Statutory Auditors meetings.

The Company adopts specific information channels on odv@ferrieraValsider.com (where “odv” is the equivalent in Italian language for “SB”) in order to ensure confidentiality and at the same time facilitate the information flow towards the SB.

The SB evaluates the communications received with highest discretion and responsibility. The author of the communication and/ or the perpetrator of the alleged breach can be heard and in case of decision not to proceed a written motivation shall be issued. The authors of the communication in good faith shall be ensured the right to privacy and shall be guaranteed against any reprisal or penalization, except for legal obligation and the needs to safeguard the Company as well as erroneously or mala fide accused persons.

4.7.2. Information duties of the Supervisory Body

Provided that the responsibility to adopt and implement the Model belongs to the Board of Directors, the SB reports about critical events in its implementation.

In particular, the Supervisory Body is responsible towards the Board of Directors of the following:

- communicate at the start of every accounting year, the plan of activities to be pursued in order to comply with the assigned duties;
- periodically communicate the advancement of the program along with any modifications of the

same;

- immediately communicate any problems related to the activities, if of a certain importance;
- report on the implementation of the Model at least yearly.

The SB shall periodically report not only to the Board of Directors but also to the Board of Statutory Auditors.

The SB can request to be heard by the above mentioned Boards in order to report on specific situations concerning the functioning of the Model. Each meeting with corporate bodies shall be verbalized. Copy of the minutes shall be kept on file by the SB and by the involved offices.

The Supervisory Body shall communicate, prior evaluation of the single circumstances:

- the results of its verifications to the office managers whenever they could hint at aspects susceptible of improvement. In such case the SB shall obtain from the managers an action plan with indication of time for implementing the improvements and the results thereof;
- communicate to the Board of Directors and to the Board of Statutory Auditors any aspects of non compliance with the Model in order to:
 - acquire from the Board of Directors all the necessary elements to further communicate to the relevant structures for evaluation and application of disciplinary sanctions;
 - give suggestions to remove the deficiencies in order to prevent future events.

The SB shall immediately inform the Board of Statutory Auditors whenever the breach involves members of the Board of Directors.

5. DISCIPLINARY SYSTEM IN CASE OF NON COMPLIANCE WITH THE MODEL AND WITH THE LEGISLATION REFERRED TO

5.1. General principles

Ferriera Valsider takes note and declares that the implementation of an adequate disciplinary system in case of non compliance with rules contained in the Model, in its Attachments and in the Procedures is an essential condition to guarantee the effectiveness of the Model.

In this respect art. 6, paragraph 2, letter e) of the Decree states that the organization and management models shall *“introduce a suitable disciplinary system in order to punish the noncompliance with the standards contained in the model”*

Application of disciplinary sanctions is independent from the results of any legal proceedings, as the conduct rules imposed by the Model and by the Procedures are autonomously promoted by the Company independently from the crimes and offences under Legislative Decree no. 231/2001 that the noncompliance might determine.

More precisely the noncompliance with the rules contained in the Model and in the Procedures harms the relationship of trust with the Company and involves disciplinary actions independently from the starting of a legal proceeding when the action corresponds to a crime. All the above in the respect of the principles of promptness and immediacy of the disciplinary action and of the imposition of sanctions, according to the law in force.

5.2. Definition of “Breach” for the applicability of the disciplinary system

Generally speaking “Breach” of the present Model and of its Procedures can be exemplified in the following cases:

- actions or conducts of noncompliance with the law and with the provisions contained in the Model and in its Procedures, entailing a situation of simple risk of perpetration of crimes under Legislative Decree no. 231/2001;
- the omission of actions or conducts provided by the Model and by its Procedures entailing a situation of simple risk of perpetration of crimes under Legislative Decree no. 231/2001-

5.3. Sanctions applicable to employees

1. Employees without managerial responsibilities

Conducts of employees in breach of the rules contained in this Model and in the Company Procedures shall be defined as “*disciplinary offences*”.

The sanctions applicable to the employees are those provided by the National Collective Bargaining Agreement (hereinafter shortly referred to as “CCNL” from the Italian “Contratto Collettivo Nazionale di Lavoro”) according to the provisions of art. 7 of the Law n. 300 dated 1970 (hereinafter shortly called “Labour Code”, from the Italian “Statuto dei Lavoratori”) and other applicable specific regulations.

Infringements by employees as specified in the previous paragraph 5.2 hereof can generate the following measures, established according to their seriousness and to the principles of proportionality and interrelation between the infringement and the sanction, always in compliance with the law in force.

The disciplinary system is constantly watched by the Supervisory Body and by the Human Resources Office.

5.4. Directors

In the event of:

- Infringement according to paragraph 5.2 above, or
- Directors’ conducts non complying with the provisions of the above mentioned documents in the performance of activities in Crime Risk Areas shall be reproached through the adoption of suitable disciplinary actions according to the provisions of the Directors’ National Collective Bargaining Agreement.

5.5. Managers

In case of breach of the rules under previous paragraph 5.2 by one or more Managers of Ferriera Valsider, the Supervisory Body shall immediately inform the Board of Directors and the Board of Statutory Auditors of the Company for the relevant evaluations and measures.

In the event of a legal proceeding being started against one or more Managers for an alleged crime implying the administrative liability of the Company, the Chairman of the Board of Directors of Ferriera Valsider (or, in its stead the other Managing Director) shall call the Members’ Assembly to

deliberate on the suspension of the assignment.

5.6. Auditors

In the event of a breach of the rules under previous paragraph 5.2 by one or more members of the Board of Statutory Auditors, the Supervisory Body shall inform the Board of Directors and the Board of Statutory Auditors, and the Chairman of the Board of Directors shall call the Members' Assembly in order to adopt the necessary measures.

5.7. Third Parties: partners, agents and external consultants

In the event of a breach of the rules under previous paragraph 5.2 by partners, agents or external consultants or, more generally, by Third Parties, the Company according to the seriousness of the event: (i) shall urge the relevant subjects to the strongest respect of the provisions; or (ii) according to the type of agreement, shall recede the relationship for just cause or terminate the contract for noncompliance of the above mentioned subjects.

To this purpose Ferriera Valsider inserted specific clauses in the contracts regarding:

- information about the Model and the Ethical Code by Ferriera Valsider. Third Parties shall acknowledge the relevant clauses and engage in the respect of their contents without incurring in actions that would represent a breach of the law, of the Model or the perpetration of a predicate crime.
- the right of the Company to recede the relationship or terminate the contract (with or without the application of penalties) in case of noncompliance with such duties.