



ERG S.p.A.

**Guidelines on compliance to italian legislative decree no. 231 of 8 june 2001
and anticorruption laws for ERG Group companies**

Approved by the Board of Director of ERG S.p.A. on the 12th November 2013

Introduction

This document replaces the “Guidelines for the adoption of Organization and Management Model pursuant Italian Legislative Decree no. 231 of 8 June 2001 in ERG Group Companies” (from now on “Guidelines”), approved by the Board of Director of ERG S.p.A. on the 10th of November 2011.

This update is necessary to manage in a proper manner the risks related to criminal responsibilities even for companies under foreign laws, in accordance with the governance chosen to comply with the Italian legislative Decree for companies under Italian laws.

Referring to regulatory provisions about administrative liability of entities for crimes included in the Decree (from now on “Decree”), in order to protect its own image, stakeholders’ expectations and the work made by employees, ERG S.p.A., consistently with Company policies, decided to adopt and implement, besides the Code of Ethics, an “Organisation and Management Model pursuant to the Decree” (from now on “Model”) and an “Anticorruption Guidelines”, aiming at regulate its activities that include potential risks of crimes commission listed in the Decree, as well as of anticorruption law breach.

This action has been taken since the ERG Group believes that the adoption of the Code of Ethics, of the Model and Anticorruption Guidelines may be an effective resource for Company’s protection as well as a mean to make aware all those who operate in and for the ERG Group.

ERG S.p.A. controls, both directly and indirectly ERG Group companies according to the article No. 93 of Legislative Decree No. 58 of 24 February 1998 Consolidated Law on Finance and carries out “direction and coordination” activities towards them, according to the article No. 2497 and followings of Italian Civil Code. Therefore the Guidelines concern the principles and general rules that the subsidiaries must follow (both under Italian and Foreign law).

The current Guidelines have an overall purpose to support management decisions about:

- adoption of ERG Group’s Code of Ethics of by all subsidiaries, directly and indirectly controlled, under Italian and Foreign law;
- management of subsidiaries’ liability for crimes, in order to adopt a frame of regulations, duties and prohibitions about:
 - “compliance to the Decree”, for companies under Italian law (reminding that each legal entity owns the responsibility to issue a Model based on the specific Company situation);
 - “compliance with domestic and international anti-corruption laws” in order to prevent their violation and to guarantee their fully observance.

ERG S.p.A. circulates therefore to the Chairman of the Board, or to the sole director (or equivalent) of subsidiaries under Italian or Foreign law the following documents:

- the “Guidelines on Compliance to Italian Legislative Decree No. 231 of 8 June 2001 and to anticorruption laws in ERG Group Companies” (companies under Italian and Foreign law);
- ERG Group’s Code of Ethics (companies under Italian and Foreign law);
- the Model according to the Decree (companies under Italian law);
- the “Anticorruption Guidelines” (companies under Foreign law).

Subsidiaries under Italian law

Adoption of the Code of Ethics

The subsidiaries of ERG S.p.A. under Italian law and controlled by ERG S.p.A. must adopt the Code of Ethics since the incorporation or at the completion of the merger or acquisition operation.

The supervision of the Code of Ethics must be assigned to:

- the sole director, appointed by the shareholders' meeting and to whom he must report about violations and inherent measures taken or to be taken;
- the Chairman of the Board in companies managed by the Board of Directors and appointed by the Board itself;
- the Supervisory Committee according to Decree and appointed by the Board of Directors.

ERG S.p.A., as parent Company, has the power to ensure the adoption of the Code of Ethics by all subsidiaries both directly and indirectly controlled.

Evaluations about opportunity to adopt the Model

The companies under Italian law controlled by ERG S.p.A., must carry out periodically and under their own responsibility, specific analyses in order to evaluate the opportunity to adopt a specific own Model according to the Decree. In particular, it is necessary to consider the possible options to the Model adoption reminding that it is possible to refer to the existing documentation.

Companies that decide to adopt their own Model, must evaluate the liability to risks related to the Decree and to their own specific situation considering the followings drivers:

- employees;
- contractors;
- Company's activity.

According the assessment performed, each Company has to evaluate the best way to guarantee the compliance with the article 6 of the Decree concerning the adoption of the Model taking into account the different options listed as follows:

- complete Model – including all the standard elements:
- light Model – simple frame of the Model:
- not complete Model – focused only on specific risks:
- no Model – when the ratio between costs and benefit from exemption is disadvantageous.

ERG S.p.A. circulates to all subsidiaries under Italian law its own Organizational and Management Model and the principles that can lead each companies' decisions about methods, organisation, strategy and adoption/update of their own Model; as parent Company, ERG S.p.A. can check the compliance of these Models to the criteria conveyed in the Guidelines.

Companies under Italian law that, upon the assessment activities performed, decide to adopt an Organisation and Management Model according to the Decree, have to follow the methodology suggested by the Guidelines for developing the Organisation Model, hereafter described, that summarize the approach issued by Confindustria.

Preliminary Activities for Model elaboration

Once the decision to adopt a Model has been taken, the Company has to draft the document following the listed steps:

- identification of risks areas, based on Company's processes map;
- identification of sensitive activities ("as-is analysis") in order to identify activities and departments mostly subject to 231 risks;
- gap analysis including action plans;
- results discussion with key owner (remedial actions and time schedule for their implementation).

"Control Protocols" must be set up in order to rule behaviour and controls within single processes and sensitive activities, once risk areas have been identified, regulation has been analysed and remedial action plans has been defined.

Subsidiaries can request the support of competent department in charge in ERG S.p.A. in case they need a specific support to draft the Model.

Model Drafting

Each company within ERG Group is responsible for drafting and implementing his own Model, for appointing its Supervisory Committee and for identifying its sensitive activities in compliant with the article 6 of the Decree.

Each Model must be consistent with the risk profile resulting the risk assessment activity and must be organized in a General Section and in a Special Section.

General Section describes the following themes:

- decree and law references;
- reasons for adopting the Model and the methodology used for drafting the Model;
- duties, powers and activities of the Supervisory Committee;
- training of and information activities managed by the Supervisory Committee, about the Model and the Decree, addressed to managers, directors, statutory auditors, employees, suppliers and third parties;
- disciplinary system for managers, employees, directors and statutory auditors as well as measures towards consultants or third parties.

The Special Section describe sensitive activities according to the identified risk areas. In this Section, control protocols established for risk management purposes, have to rule activities and controls in order to prevent the risks with respect to the Decree in terms of:

- description of the process;
- scope;
- regulation (policies and procedures);
- rules of conduct;
- segregation of duties;
- attribution of powers and authority;
- traceability of processes.

Control protocols must regulate sensitive activities in accordance with internal rules (policies, guidelines and procedures) as well as guidelines undertaken by the Company for the Model drafting (i.e. Code of Ethics, Confindustria Guidelines).

Procedure for Model adoption, update and conformity

Since the Model is a “document issued by the Management Body”, its adoption and any subsequent amendments and supplements will be responsibility of the Board of Directors, or of one of its members or the Managing Director/General Manager, subject to the subsequent approval of the Board itself as the subject which is vested with the original decision-making power in relation to the Model.

Companies has to update the Model with reference to both regulatory changes and corporate structure, so that the Board of Directors may approve it, this way keeping the document consistent with the purposes described in the Decree.

The Supervisory Committee is responsible to propose any Model update to the Board of Directors for their approval.

Concurrently with the adoption of the Model the Board has to appoint the Supervisory Committee to monitor the effectiveness of the Model and the compliance with the Model and the Code of Ethics.

Supervisory Committee

The Decree does not provide any guidance about the structure of the Supervisory Committee, just specifies that the body who has to watch the effectiveness and the compliance to the Model, as well as updating it, should be a body of the company with autonomous powers of initiative and control, in accordance with the Decree.

For this reason the Supervisor Committee must be appointed and revoked by the Supervisory Board to which has to report about its activity.

The Board of Directors my empower the Company's legal representatives to provide for the necessary replacements in case of resignations by the Supervisory Committee and the Board of Directors has to be informed afterwards for new appointments validations.

The companies adopting a Model must appoint a Supervisory Committee that, keeping into consideration the purposes sought by law and in relation to organizational size and its complexity, is able to guarantee the effectiveness of the controls required by its appointment. This Body has preferably to be collegial and with at least one external member.

The members of the Supervisory Committee, both collegial and monocratic ones, must match the following requirements as stated in the Decree, in the main tendency of body laws and in the Guidelines of Confindustria:

- autonomy and independence;
- honorableness;
- proved professionalism;
- continuity of action;
- specific skills for inspection activities and advisory for control system analysis as well as legal and criminal ones;
- availability of financial and organizational resources.

The members of the Supervisory Committee, both collegial and monocratic ones, may belong to the Board of Statutory Auditors.

The members of the Supervisory Committee, both collegial and monocratic ones, remain in charge preferably for no more than three years and can be reconfirmed. In case of expiration of the Administration body who has appointed them for any reason occurred, they will remain in charge until the appointment of the new members (of the new monocratic Body), or until the reconfirmation of the previous ones (of the previous monocratic body) by the new Administrative Body.

The Administrative Body of the Company must guarantee autonomy and independence to the Supervisory Committee, therefore must:

- respect the above mentioned criteria for appointments;
- empower the Supervisory Committee to supervise the Code of Ethics and the Model as described below;
- approve a yearly appropriate budget;
- provide for suitable tools in order to carry out the activities and possibly use specialised external support.

The Supervisory Committee must be allowed to:

- carry out any check and inspection it may be need in order to fulfill its own tasks;
- freely access to archives and documents among any departments, without any prior approval or authorization, in order to obtain any necessary data;
- arrange for audit of resources that can supply useful information concerning the Company activities operation or malfunctioning or violations of the Model;
- make use of support from all Company functions as well as external advisory resources;
- manage financial resources allocated by the Administration Body for any expense required for the fulfillment of its task.

In order to fulfill its task, the Supervisory Committee has to carry out periodically some activities to control sensitive area that may be subjected to crime risks.

The Supervisory Committee have to supply clarifications to all Company's departments concerning the meaning and the application of the elements in the Model.

The Supervisory Committee must report:

- anytime it is judged appropriate, to the Administrative Body and in case of listed Company, to the Audit Committee;
- anytime it is judged appropriate, to the Statutory Auditors Board;
- every six month (in case of collegial Supervisory Committee) or once a year (in case of monocratic Supervisory Committee), through written report that includes the activity progress review of the Organisation Model update and its implementation.

Companies under foreign law

Recommendation for Code of Ethics and Anticorruption Guidelines adoption

ERG S.p.A. established that the adoption of the Code of Ethics is mandatory for all the subsidiaries controlled and managed by ERG S.p.A. and under the foreign law, since the incorporation or at the completion of the merger or acquisition operation.

Besides, in order to strengthen the compliance to anticorruption international law, the companies under foreign law will adopt the Anticorruption Guidelines.

The Code of Ethics and the Anticorruption Guidelines have to be adopted with the resolution of the Administration Body or equivalent Company Body, that will be even responsible for the supervision of these documents observance.

ERG S.p.A., as a parent Company, has the power to check the adoption of the Code of Ethics and the Anti-corruption Guidelines by its subsidiaries under foreign law both directly and indirectly controlled.

Joint Venture

Joint Ventures between ERG S.p.A. and its subsidiaries or partners are excluded from the managing and control activities, therefore they can manage autonomously the matters related to administrative liability for legal entity crimes and in general those connected to crime prevention.

ERG S.p.A. makes available to these companies the relevant documents adopted in the Group (Code of Ethics of ERG Group, Organizational Model and Management according to the Decree and Anticorruption Guidelines) as to make them source of inspiration to adopt ones on their own asking to be informed about the decisions taken.

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