

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

ADOPTED BY

WÄRTSILÄ ITALIA S.P.A.

ON

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GENERAL PROVISIONS

1 APPLICABLE LEGISLATIVE FRAMEWORK: LEGISLATIVE DECREE No. 231/2001 and its further amendments

1.1 Administrative liability pursuant to Legislative Decree no. 231 of 8 June 2001

The Legislative Decree ("**Decree**") no. 231 on administrative liability of legal entities, companies and associations, including those without legal personality, was adopted on 8 June 2001. The Decree has implemented the Government delegation pursuant to article 11 of Act no. 300 of 29 September 2000 on the transposition of EU and international regulations, ratifying a number of international conventions that Italy had already signed, such as the Brussels Convention of the 29 July 1995 on the protection of the financial interests of the European Community, the Convention of 26 May 1997 on the fight against corruption of civil servants both in the European Community and in its member States and OECD Convention of 17 December 1997 on the fight against corruption of foreign officers in international financial transactions.¹

The Decree has introduced an administrative liability system for legal entities, companies and associations, including those without legal personality Entity ("**Entities** "). The Decree does not cover the Government, local authorities, non-economic public Entities and Entities with constitutional roles, such as political parties and trade unions.

New legal requirements were added: the Entity liability adds to the liability of the individual who's materially responsible. This liability is distinct. However, the Entity may be held liable also if the individual who has material liability cannot be held responsible or if he/she has not been identified.

1.2 Categories of crimes described in the Decree, and its further amendments

The Entity liability may arise from Crimes specified in the Decree and in any relevant regulations ("**Crime**").

- (i) At the date of the adoption of this Model (as defined), the following Crimes are listed in the Decree:
 - (a) **Crimes against the Public Administration** (articles 24 and 25 of the Decree);
 - (b) **IT crimes and illegal data processing** (article 24-*bis* of the Decree, as referred in article 7 of Act no. 48 of 18 March 2008, on "The ratification and implementation of the Convention of the Council of Europe on IT crimes, of

¹ As explained in these paragraphs, Act no. 146/2006 ratified the UN Convention and Protocols against transnational organised, adopted by the U.N. General Assembly on 15 November 2000 and on 31 May 2001 against crime.

- 23 November 2001, and relevant implementing regulations in the national system”);
- (c) **Organized crimes** (article 24-*ter* of the Decree, as referred in article 2, paragraph 29, of Act no. 94, of 15 July 2009, on “Provisions on public security”);
 - (d) **Falsification of money, public credit cards, revenue stamps and acknowledgments instruments and marks** (article 25-*bis* of the Decree, as referred in article 6 of Legislative Decree no. 350 of 25 September 2001, converted into Act no. 409 on 23 November 2001, on “Urgent provisions in view of the introduction of Euro”, as amended with Act no. 99 of 23 July 2009);
 - (e) **Crimes against industry and trade** (article 25-*bis.1* of the Decree, as referred in article 15, paragraph 7, point b), of Act no. 99, of 23 July 2009, on “Provisions on the development and internationalisation of enterprises and on energy”);
 - (f) **Corporate crimes** (article 25-*ter* of the Decree, as referred in article 3, paragraph 2, of Legislative Decree no. 61, of 11 April 2002, on “Criminal and administrative offences involving companies” pursuant to article 11 of Act no. 366 of 3 October 2001, as amended in Act no. 262 of 28 December 2005 and Act no. 190 of 6 November 2012).
 - (g) **Crimes aimed at terrorism acts and democracy supervision** (article 25-*quater* of the Decree, as referred in article 3 of Act no. 7 of 14 January 2003, on “The ratification and implementation of the International Convention against the financing of terrorism, signed in New York on 9 December 1999, and relevant implementing provisions in the national system);
 - (h) **Female genital mutilation** (article 25-*quater.1* of the Decree, as referred in article 8 of Act no. 7 of 9 January 2006 on “Provisions to prevent and prohibit female genital mutilation”);
 - (i) **Crimes against individual personality** (article 25-*quinquies* of the Decree, as referred in article 5 of Act no. 228 of 11 August 2003 on “Provisions against human traffic”, as amended in Act no. 38 of 6 February 2006);
 - (j) **Market abuse** (article 25-*sexies* of the Decree, as referred in article 9 of Act n. 62 of 18 April 2005 on “Provisions on criteria concerning Italy’s membership to the European Community. Community Law 2004”);
 - (k) **Manslaughter and serious culpable injures as a result of breach of regulations on health and safety at the workplace** (article 25-*septies* of the Decree, as referred in article 9 of Act no. 123 of 3 August 2007 on “Provisions on protection of health and safety at the workplace and delegation to the Government on review and reform of any relevant regulations” as amended in article 300 of Legislative Decree no. 81 of 9 April 2008 “Implementation of article 1 of Act no. 123 of 3 August 2007 on protection of health and safety at the workplace”);

- (l) **Receiving of stolen goods, money laundering and use of illicit capital, goods and utilities** (article 25-*octies* of the Decree, as referred in article 63, paragraph 3, of Legislative Decree no. 231 of 21 November 2007 on “Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing” and Directive 2006/70/EC on implementing provisions)²;
 - (m) **Copyright crimes** (article 25-*novies* of the Decree, as referred in article 15, paragraph 7, point c), of Act no. 99, of 23 July 2009, on “Provisions on the development and internationalisation of enterprises and on energy”);
 - (n) **Incitation not to make statements or to make false statements in Court** (article 25-*decies* of the Decree, introduced as referred in article 4, paragraph 1, of Act no. 116 of 3 August 2009 on “Ratification and implementation of the UN Convention against corruption, adopted by the UN General Assembly on 31 October 2003 with resolution no. 58/4, signed by Italy on 9 December 2003, as well as transposing provisions and amendments to the Criminal Code and to the Code on criminal procedure”, later replaced with article 2 of Legislative Decree no. 121 of 07 July 2011);
 - (o) **Environmental crimes** (article 25-*undecies* of the Decree, as referred in article 2, paragraph 2, of Legislative Decree no. 121 of 7 July 2011, on the “Implementation of Directive 2008/99/EC on the protection of the environment through criminal law and Directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements”);
 - (p) **Use of third-country nationals staying illegally** (art. 25-*duodecies* of the Decree, introduces in article 2, paragraph 1, of Legislative Decree no. 109 of 16 July 2012, on the “Implementation of Directive 2009/52/EC providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals”);
 - (q) **Cross-border crimes** (article 10 of Act no. 146 of 16 March 2006 on “Ratification and implementation of UN Convention and Protocols against transnational organised crime, adopted by the UN General Assembly on 15 November 2000 and on 31 May 2001.”)³.
- (ii) As confirmed in the interviews and assessments (described in paragraph 2.4 of this Model), the following category of crimes do not apply to Wärtsilä:

² Article 64 of Legislative Decree no. 231 of 21 November 2007 repealed paragraphs 5 and 6 of article 10 of Act no. 146 of 16 March 2006 that introduced money laundering (article 648-bis of the Italian Criminal Code) and the use of money, goods or services that from illegal sources (article 648-ter of the Italian Criminal Code) in the category of transnational offences.

³ Pursuant to article 3 of Act no. 146/2006, "Transnational Crime" means any crime involving organised crime with a conviction exceeding 4 years and in terms of territory: a) the crime has occurred in at least two countries; b) it has occurred in one country, but a substantial part of its preparation, planning, direction or control is based in another country; c) it has occurred in one country, but the criminal group operates in different countries; d) it has occurred in one country, but it has had a substantial impact in another country.

- (a) **Female genital mutilation** (article 25-quater.1 of the Decree, as referred in article 8 of Act no. 7 of 9 January 2006 on "Provisions to prevent and prohibit female genital mutilation");
 - (b) **Crimes against individual personality** (article 25-quinquies of the Decree, as referred in article 5 of Act no. 228 of 11 August 2003 on "Provisions against human traffic");
 - (c) **Market abuse** (article 25-sexies of the Decree, as referred in article 9 of Act n. 62 of 18 April 2005 on "*Provisions on criteria concerning Italy's membership to the European Community. Community Law 2004*");
- (iii) Having regard to the main business of Wärtsilä Italia S.p.A. ("**Wärtsilä**"), resulting from the analysis performed to produce this Model (as defined), as specified in paragraph 2.4, the following Crimes, in any relevant category, may apply to Wärtsilä:
- (a) **Crimes against the Public Administration** (articles 24 and 25 of the Decree), if against the Government or any other local authority or public Entity:
 - embezzlement against the Government (article 316-bis of the Criminal Code);
 - illegal financing to the detriment of the Government (article 316-ter of the Criminal Code);
 - corruption in the exercise of office (article 318 of the Criminal Code; article 321 of the Criminal Code);
 - corruption on actions against office duties (article 319 of the Criminal Code; article 321 of the Criminal Code) and aggravating circumstances (article 319-bis of the Criminal Code; article 321 of the Criminal Code);
 - corruption in legal actions (article 319-ter of the Criminal Code; article 321 of the Criminal Code)
 - incitement to provide or promise advantages (article 319-quater of the Criminal Code);
 - corruption of officers in charge of public services (article 320 of the Criminal Code; article 321 of the Criminal Code);
 - incitement to corruption (article 322 of the Criminal Code);
 - aggravated fraud against the Government or any other public authority with the aim of obtaining an exemption from compulsory retention (article 640, paragraph 2, point 1, of the Criminal Code);
 - aggravated fraud to obtain public financing (article 640-bis of the Criminal Code);
 - (b) **IT Crimes and illegal data processing** (article 24-bis of the Decree):

- IT documents (article 491-bis of the Criminal Code);
 - unauthorised access to any IT or telecommunication systems (article 615-ter of the Criminal Code);
 - unauthorised access codes to IT or telecommunication systems (art. 615-*quater* of the Criminal Code);
 - use of any IT equipment, devices or programmes to damage or disrupt any IT or telecommunication systems (art. 615-*quinquies* of the Criminal Code);
 - illegal tapping, impediment or disruption of IT or electronic communication (article 617-*quater* of the Criminal Code);
 - installation of equipment to tap, prevent or disrupt IT or electronic communication (article 617-*quinquies* of the Criminal Code);
 - damage to information, data and IT programmes (article 635-bis of the Criminal Code);
 - damage to information, data and IT programmes used by the Government or any public authority or of public use (article 635-ter of the Criminal Code);
- (c) **Organised crime** (art. 24-*ter* of the Decree):
- criminal association (article 416 of the Criminal Code);
 - mafia-like association, including at international level (article 416-bis of the Criminal Code);
 - mafia-based pork barrelling (article 416-ter of the Criminal Code);
 - kidnapping for burglary or extortion purposes (article 630 of the Criminal Code);
- (d) **Crimes aimed at terrorism acts and democracy supervision** (article 25-*quater* of the Decree):
- association with terrorism purposes and against democracy (article 270-bis of the Criminal Code);
 - assistance to any association members (article 270-ter of the Criminal Code);
 - recruitment with terrorism purposes, including at international level (article 270-*quater* of the Criminal Code);
 - terrorism training, including at international level (article 270-*quinquies* of the Criminal Code);
 - terrorism purposes (article 270-*sexies* of the Criminal Code);
 - terrorist attacks or attacks against democracy (article 280 of the Criminal Code);

- acts of terrorism with lethal weapons or bombs (article 280-bis of the Criminal Code);
 - kidnapping for terrorism purposes or against democracy (article 289-bis of the Criminal Code);
 - incitement to commit one of the crimes listed paragraphs 1 and 2 (article 302 of the Criminal Code);
 - terrorism crimes or crimes against democracy (article 1 of Legislative Decree no. 625 of 15 December 1979, as amended and converted into Act no. 15 of 6 February 1980);
 - crimes listed in article 2 of the International Convention against terrorism financing, New York, 9 December 1999.
- (e) **Falsification of money, public credit cards, revenue stamps and acknowledgments instruments and marks** (article 25-*bis* of the Decree):
- counterfeiting, alteration or use of trademarks or any distinctive signs or patents, models or designs (article 473 of the Criminal Code).
- (f) **Crimes against industry and trade** (article 25-*bis.1* of the Decree):
- sale of industrial products with illegal brands (article 517 of the Criminal Code).
- (g) **Corporate crimes** (article 25-*ter* of the Decree):
- false corporate notifications (article 2621 of the Civil Code);
 - false corporate notifications to the detriment of the company, shareholders or creditors (article 2622 of the Civil Code);
 - control prevention (article 2625 of the Civil Code);
 - corruption in the private sector (article 2635 of the Civil Code).
- (h) **Manslaughter and serious culpable injures as a result of breach of regulations on health and safety at the workplace** (article 25-*septies* of the Decree):
- manslaughter (article 589, paragraph 2, of the Criminal Code);
 - severe bodily injuries (article 590, paragraph 3, of the Criminal Code);
- (i) **Receiving of stolen goods, money laundering and use of illicit capital, goods and utilities** (article 25-*octies* of the Decree):
- use of stolen goods (article 648 of the Criminal Code);
 - money laundering (article 648-bis of the Criminal Code);
 - use of money, goods or other services from illegal sources (article 648-*ter* of the Criminal Code);

- (j) **Copyright crimes** (article 25-*novies* of the Decree):
- Copyright infringements and other related crimes (article 171, paragraph 1, point a-bis, and paragraph 3, 171-*bis*, 171-*ter*, 171-*septies*, 171-*octies* e 174-*quinquies* of Act no. 633 of 22 April 1941).
- (k) **Incitation not to make statements or to make false statements in Court** (article 25-*decies* of the Decree):
- incitation not to make statements or to make false statements in Court (article 377-*bis* of the Criminal Code):
- (l) **Environmental crimes** (article 25-*undecies* of the Decree):
- killing, destruction, capture, detention of protected flora or fauna (article 727-*bis* of the Criminal Code);
 - destruction or deterioration of habitats in protected sites (article 733-*bis* of the Criminal Code);
 - breach of environmental regulations (article 137 of Legislative Decree no. 152 of 3 April 2006) including waste dumping (article 103 of the Legislative Decree no. 152 of 3 April 2006), underground and underground water waste dumping (article 104 of Legislative Decree no. 152 of 3 April 2006), sewage waste dumping (article 107 of Legislative Decree no. 152 of 3 April 2006), dangerous waste dumping (article 108 of Legislative Decree no. 152 of 03 April 2006);
 - unauthorised waste management business (article 256 of Legislative Decree no. 152 of 3 April 2006) concerning the single authorisation for new waste disposal and reclamation plants (article 208), renewal of authorisations to environmentally certified companies (article 209), authorisation in special cases (article 210), authorisation of research and testing plants (article 211), national register of environmental managers (article 212), qualifying criteria of waste for simplified procedures (article 214), self-disposal (article 215), reclaim operations (article 216), no dumping (article 192), no mixing of dangerous waste (article 187), and electric and electronic waste, healthcare waste, vehicles, asbestos products (article 227);
 - breach of requirements on site reclamation (article 257 of Legislative Decree no. 152 of 3 April 2006);
 - breach of requirements on mandatory registers and forms (article 258 of Legislative Decree no. 152 of 3 April 2006);
 - illegal trade in waste (article 259 of Legislative Decree no. 152 of 3 April 2006);
 - organised crime on illegal trade in waste (article 260 of Legislative Decree no. 152 of 3 April 2006);

- IT control system on waste traceability (article 260-bis of Legislative Decree no. 152 of 3 April 2006);
 - discontinuation and reduction in the use of substances depleting the ozone layer (article 3 of Act no. 549 of 28 December 1993);
 - malicious or reckless pollution (articles 8 and 9 of Legislative Decree no. 202 of 6 November 2007).
- (m) **Use of third-country nationals staying illegally** (art. 25-*duodecies* of the Decree)
- short term and permanent employment - employment of third-country nations without visa or with expired visa, with no request for renewal or revoked or null visa (article 22, paragraph 12-bis, of Legislative Decree no. 286 of 25 July 1998);
- (n) **Cross-border crimes** (article 10 of Act no. 146 of 16 March 2006):
- criminal association (article 416 of the Criminal Code);
 - mafia-like association, including at international level (article 416-bis of the Criminal Code);
 - personal advantages (article 378 of the Criminal Code);
 - breach of provisions against illegal immigration (article 12 of Legislative Decree no. 286 of 25 July 1998).

1.3 Criteria on organization liability

When a Crime is committed, the Entity may be held liable if the applicable criteria on Entity liability are met. Such criteria are both "objective" and "subjective".

Under the first objective criteria, the Crime is committed by an individual or entity having qualified relations with the Entity.

The Entity is held liable when the following criteria are met and the Crime is committed by:

- (i) person vested with representation, administration or direction functions for the Entity, having financial and operational independence, and individuals that control and manage, including *de facto*, the Entity ("**Individuals in Top Positions**")⁴;
- (ii) Persons subject to the direction or surveillance of any individuals in top positions, as listed in point i) (i.e. "**Individuals in Subordinate Positions**")⁵.

⁴ This category includes individuals in charge of managing or directing the organization or its branches, such as general managers and plant managers.

⁵ Typically, "Individuals in Subordinate Positions" means employees as defined in article 2094 and 2095 of the Civil Code, but also individuals not employed by the entity, who have been appointed to provide a service under the supervision of Individuals in Top Positions. Therefore, "Individuals in Subordinate Positions" also include external workers, promoters, agents, advisers, who, in line with their mandated, act in the entity interests.

As a further objective criteria, the Crime was meant to be in the interest or to the benefit of the Entity.

"Interest" means that the individual committing the Crime acted in an attempt to support the Entity, irrespective of the actual achievement of his/her aim.

"Benefit" means that the Entity has or could have a gain, whether or not a financial gain, from the Crime.

The interest and the benefit of the Entity are two alternative criteria and the Entity may be held liable if one of such criteria is fulfilled. Under the applicable regulations, the actual or expected gain for the Entity may not necessarily be financial. The Entity may be held liable if the Crime has resulted into some form of support for the Entity, not necessarily a financial gain or any other tangible gain.

As for malicious crimes, such as manslaughter and severe or very severe personal injuries, pursuant to the applicable regulations on health and safety at the workplace (ex article 25-septies of the Decree) and some environmental crimes resulting into the imposition of fines (ex article 25-undecies of the Decree), the interest or the advantage of the Entity do not result from the actual event (such as the death of an employee), rather from the conduct causing such event. The interest and/or advantage may be the saving on business costs resulting from the lack of accident prevention or environmental measures.

The Entity may not be held liable if the Crime was committed irrespective or against its interest or in the exclusive interest of the offender or any third parties.

Articles 6 and 7 describe the subjective liability criteria for the Entity. Different criteria apply whether the offender is an Individual in Top Position or in a Subordinate Position.

For Crimes committed by Individuals in Top Positions, pursuant to article 6 of the Decree, the Entity is exempt from any responsibility, provided that:

- before the Crime, the Board of Directors has adopted and implemented an appropriate Organizational, Management and Control Model ("**Model**") to prevent any such offences or crimes;
- the duty of surveillance over the functioning and the compliance of the Model and the supervision on its up-date has been entrusted to a supervisory body of the Entity, vested with independent initiative and control powers (**Supervisory Body**).
- supervision by the Supervisory Body was not omitted or inappropriate;
- the individuals have committed the crime fraudulently, evading the provisions of the Model.

All the above criteria must be fulfilled for the Entity not to be held liable. Such exemption of liability results from the adoption and the proper implementation of the Model on Crime prevention and the actual existence of a Supervisory Body.

For Crimes committed by Individuals in Subordinate Positions, pursuant to article 7 of the Decree, the Entity is held liable if the Crime resulted from non-compliance of management and supervision requirements only. Such condition does not apply if the Entity, before the Crime, has adopted and implemented an appropriate Model to prevent any offences and crimes.

As for the regulations on health and safety at the workplace, pursuant to article 30 of Legislative Decree no. 81 of 9 April 2008, the Model is deemed appropriate to exempt the Entity from any liability if it has been adopted and implemented properly, resulting into a corporate system on the implementation of any relevant legal requirement:

- compliance with technical-structural standards on equipment, plants, premises as well as chemical, physical and biological agents;
- risk assessment and any relevant prevention and protection measures;
- organizational measures, such as emergency, first-aid and supply management measures, regular meetings on safety, consultations with the workers' representative for safety;
- healthcare surveillance measures;
- relevant information and training of staff;
- surveillance measures on safe procedures and instructions to the staff;
- the obtainment of any mandatory licence and authorisation;
- regular testing on implementation and efficiency of procedures.

The Model must include appropriate systems to trace any of such actions. The Model needs to include, depending on the scope and the size of the Entity and the type of business, an appropriate system to provide any skills and powers on monitoring, assessment, management and audit on risks as well as an appropriate sanction system. The Model must also include an appropriate control system on its implementation and on the continued relevance of any measure in force.

Finally, pursuant to article 30, in their first implementation, any Models developed in line with:

- UNI-INAIL guidelines on health and safety management system at the workplace, of 28 September 2001, or
- the British Standard OHSAS 18001:2007

are deemed compliant with the above requirements.

1.4 Cross-border Crimes

Pursuant to article 4 of the Decree, the Entity is held liable in Italy for Crimes committed abroad in the following events:

- the Entity has its registered office in Italy;
- articles 7, 8,9 and 10 of the Italian Criminal Code apply and legal proceedings may be launched for the Crime committed abroad;
- the Crime has been committed abroad by an individual/Entity having qualified relations with the Entity;
- in the country where the Crime has occurred, no action is taken.

1.5 Sanctions

If the Entity is held liable, sanctions described in article 9 and subsequent articles of the Decree apply, i.e.:

- pecuniary penalties;
- disqualification penalties;
- confiscation;
- publication of the Court's sentence.

The relevant Criminal Court will determine the sanctions and any other relevant applicable conditions.

The Entity is held liable also when any attempt to commit a crime has been made. In this event, fines and disqualification penalties are reduced from 1/3 to 1/2 (article 26 of the Decree).

Pursuant to article 26 of the Decree, the Entity is not responsible when it has actively prevented the action from being performed or the actual event.

(a) Pecuniary penalties

Pecuniary penalties are imposed whenever the Entity is held liable (articles 10, 11 and 12 of the Decree).

Pursuant to article 10 of the Decree, fines are imposed on a "pro-rata" basis, from 100 up to 1000. The amount of each rata starts from Euro 258,23 up to Euro 1.549,37⁶. Reduced payments are not applicable.

When determining the pecuniary penalty, the Court will base its calculation on the severity level of the Crime, the liability of the Entity and the actions that have been implemented to eliminate or mitigate any relevant impact and to prevent any further Crime. For the sanctions to be practicable, the Court will also take into account the economic and financial conditions of the Entity.

Fines are reduced: (i) by 50%⁷, if a) the offender had acted mainly in his/or interest and the Entity has gained no or little advantage b) the economic damage is not relevant; (ii) by 1/3 to 50%, if before the opening of the proceedings, the Entity a) has fully paid any damages and it has eliminated any detrimental or dangerous impact or it has been active to this end, or b) an appropriate Model has been implemented to prevent any of such Crimes; (iii) from 50% to 2/3, if both conditions apply as described in points a) and b) of point (ii) above.

(b) Disqualification penalties

⁶ However, depending on the actual offences, rata on the calculation of the fine are different for some offences (for instance, market abuse) vs. offences listed in article 10 of the Decree.

⁷ In such event, the fine may not exceed Euro 103.291,00.

Disqualification penalties add to any fine in the event they expressly apply for some categories of Crimes, if at least one of the following criteria is met:

- The Entity has gained a considerable profit and the Crime was committed by an Individual in Top Position, or any Individual in Subordinate Position, and in this latter case the Crime was committed as a result of severe Entityal issues;
- Crimes have been repeated.

Under the Decree, disqualifying sanctions are:

- disqualification to exercise the business: this applies when other sanctions are not appropriate and it results into the suspension or suppression of licences or authorisations on the business;
- suspension or revocation of the authorisations, licenses or concessions involved in the Crime;
- prohibition from negotiating with the public administration, except for obtaining public services; this may apply to categories of contracts or administrative areas;
- exclusion from benefits, financing, contributions, subsidies and the suppression of any benefits, financing, contributions or subsidies;
- prohibition to advertise any goods or services.

If applicable, disqualification penalties may apply jointly.

Crimes resulting into disqualification penalties are listed in articles 24, 24-bis, 24-ter, 25, 25-bis, 25-bis.1, 25-quater, 25-quater.1, 25-quinquies, 25-septies, 25-octies, 25-novies and 25-undecies of the Decree and cross-border Crimes resulting into disqualifying sanctions are specified in Act no. 146/2006.

Disqualification penalties do not apply, when, before the start of legal proceedings:

- the Entity has fully paid any damages and it has eliminated any detrimental or dangerous impact or it has been active in this respect;
- the Entity has solved any Entity issues that caused the Crime by adopting and implementing any appropriate Model to prevent such Crimes;
- the profit is available for confiscation.

Disqualifying sanctions may be imposed to the Entity, either when the actual liability has been proved or as a precautionary measure, in the following events:

- evidence is found on the liability of the Entity for administrative offences as a result of a Crime;
- evidence is found that similar Crimes are likely to be committed again.

As for fines, the Court may define the type and the duration of disqualification penalties, in line with the provisions of article 14 of the Decree.

Disqualification penalties have a duration from 3 months up to 2 years.

(c) Confiscation

Criminal Courts always impose the confiscation of the price or the profits gained from the Crime in their sentences, save as for the part that can be returned to the plaintiff. This without prejudice for any rights that any third party may have.

When confiscation of the price or the profits gained from the Crime is not practical, sums of money, goods or other assets having an equivalent value of the price or the profits of the Crime may be confiscated.

(d) Publication of the Court's sentence

The Court may order the publication of the sentence, when a disqualifying sanction is imposed.

The sentence is published pursuant to article 36 of the Criminal Code and it is also posted in the municipality where the Entity is based.

1.6 Substantial changes of the Entity

The Decree also covers any substantial changes to the Entity, such as transformation, merger, spin-off and transfer, concerning Crime-related administrative liability.

Under the Decree, such events may not be used as means to avoid liability and any relevant negative impacts, but this may be a constraint for Entity acting fairly.

Therefore, as a general rule, any fine imposed to the Entity are regulated under the provisions of the Civil Code on the liability for debts, whereas disqualifying sanctions are imposed on the business area involved in the Crime.

In the event of:

- transformation of the Entity, no prejudice is made for the Crimes before the transformation;
- merger, the Entity resulting from the merger, including by incorporation, is responsible for any Crimes of the Entities involved in the merger;
- spin-off of the Entity, no prejudice is made for the Crimes before the spin-off; Entities resulting from the spin-off are jointly responsible for any fine of the original Entity for any Crime before the spin-off. This requirement is limited to the actual net equity that has been transferred to the individual Entity, save as for the Entity that included the business areas involved in the crimes. Any disqualifying sanctions are imposed to the Entity with the business area involved in the Crime.
- transfer of the Entity concerning Crimes, the transferor had joint responsibility for the payment of the fine, as the prior examination of the transferor and up to the value of the Entity. The responsibility for the transferor is limited to the fines resulting from the mandatory accounting records or payable for administration offences the transferor was aware of.

1.7 Requirements of the Model under the Decree

The Decree does not include any detailed provisions on Model requirements. Some general principles and requirements are listed, and the Model must:

- identify any business areas that may give rise to Crimes;
- include detailed protocols on the planning of training and the implementation of any decisions of the Entity on Crimes that must be prevented;
- identify any management procedures on financial resources allocated to prevent Crimes;
- identify the notification requirements to the Supervisory Body;
- introduce an appropriate disciplinary system on breaches to the Model.

Under the Decree:

- the Model must include appropriate provisions to ensure that any activity is performed in line with any applicable regulations and to identify any risk based on the type of business as well as the scope and the size of the Entity;
- for the Model to be properly implemented: a) a regular review and any necessary amendments must be implemented whenever significant changes are made to the Entity or to the business, b) an appropriate disciplinary system on Breaches to the Model must be implemented.

Formally, the adoption and the implementation of the Model is not a requirement, it's an option. Therefore, if no Model is adopted or implemented, no sanction can be imposed on the Entity. However, the adoption and the implementation of an appropriate Model is a fundamental prerequisite for the Entity to benefit from the liability exemption under the Decree for any Crimes committed by Individuals in Top Positions and/or Individuals in Subordinate Positions.

Therefore, the Model includes rules, principles, procedures and audit measures on Crime prevention in the Entity and the business.

The Model may vary and it is based on the scope and the size of the Entity as well as on its business. It's not a static tool. It's a dynamic system for the Entity to mitigate the Crime Risk, implementing provisions consistently over the time.

1.8 Guidelines issued by the Industrials' Association

Pursuant to article 3 of the Decree, Models may be adopted on the basis of codes of conduct drafted by the Industrials' Association.

In March 2002, Confindustria (the Italian Industrials's Association) issued the guidelines on the Model ("Guidelines") providing associations and companies with instructions on how to draft a model to prevent Crimes for the purpose of liability exemption under the Decree.

Guidelines were updated and adopted by the Ministry in June 2004 and they were reviewed in March 2008.

Wärtsilä is a member of Confindustria and this Model was defined also on the basis of such Guidelines.

2 ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

2.1 Wärtsilä background

Wärtsilä is part of the international Wärtsilä group ("**Wärtsilä Group**"), and its parent company is Wärtsilä Corporation, a leading company in the development of marine engines and energy platforms in major markets in Europe, Middle East, Africa, India, Australia, South America and Asia.

Wärtsilä was founded jointly by FIAT and IRI (Istituto per la Ricostruzione Industriale - Institute for Industrial Reconstruction) and its original name was "Grandi Motori Trieste" (GMT). Operations began at the beginning of the 70's on the designing, manufacturing and servicing of 2-stroke and 4-stroke engines for marine and industrial applications.

Wärtsilä was later fully transferred to IRI and in 1984 it became the "Grandi Motori" division of Fincantieri. In 1997, it became a separate company with its original name, "Grandi Motori Trieste S.p.A.". In April of the same year, Wärtsilä NSD Corporation acquired a 40% shareholding in Wärtsilä, and the manufacturing of Wärtsilä-branded engines started with the series "Wärtsilä W64".

Wärtsilä is in the iron and steel business, i.e. design, manufacturing and sale of propulsion engines and power generation plants, any relevant components, transmission bodies, installed on mobile or fixed structures, and the relevant servicing. Wärtsilä develops, manufactures, sells and delivers maintenance services on 4-stroke engines with a power range from 1.9 MW to 23 MW on Wärtsilä 26, Wärtsilä 38, Wärtsilä 46, Wärtsilä 46F, Wärtsilä 50DF, 50SG e Wärtsilä 64, including services on commissioning, warranty and customer care services, innovative solutions to update legacy plants in line with current standards, upgrade, testing and testing workbench. In 2010, the LMT Thrusters assembly line was introduced and recently CPP and gearboxes were also added.

2.2 The Model and Wärtsilä objectives

Wärtsilä, in line with the policies of Wärtsilä Group, has based its business on ethical principles that apply to production methods and business management, external relations with suppliers and customers. To this end, it has, *inter alia*, implemented the following actions:

- training courses for the staff and any relevant refresher courses;
- projects improving working conditions with a regular monitoring on environmental conditions and any necessary investments on environmental protection, health and safety at the workplace, individual and collective protective devices and working procedures, in line with evolving technologies and products, also with research on the most appropriate technical equipment;
- constant monitoring on operations and measures on environmental and safety protection, including ISO 14001 certification on the Trieste plant with DNV (*Det Norske Veritas*);
- "Zero injury" project to a) enhance awareness and information on corporate principles; b) provide guidelines and tools to ensure the highest safety standards; c) support the

- Group companies and local sites; d) monitor and constantly improve safety conditions;
- e) publish reports; f) involve the staff in the implementation of prevention measures;
- implementation of the Code of Conduct adopted at Group level (as described in article 4 of this Model).

Against this background, Wärtsilä has based its business on transparency, integrity, fairness and loyalty. Its monitoring system has been summarised in the Model. Wärtsilä strives to improve and review its control and governance system on a regular basis.

To this end, with a view to completing the system of principles, rules and audit measures in line with the best practices, Wärtsilä performed a thorough analysis of its organization in the light of the provisions of the Decree. Wärtsilä has implemented the Model and any internal procedures and it has adopted new audit procedures as a result of the review of the current audit system. This was also needed, as recently new Crimes were added in the Decree, including environmental crimes, the employment of illegal aliens and corruption in the private sector, that potentially apply to Wärtsilä business.

On 24 January 2014, Wärtsilä Board of Directors (i) adopted this Model and (ii) appointed a Supervisory Body with responsibility of surveillance on the Model implementation, compliance and review. As a complement to the Code of Conduct, Wärtsilä also adopted the Code of Ethics (as defined), which forms an integral part of this Model.

With this Model, Wärtsilä has provided a tool to any individuals or Entities working in the Company, including operational and business units, or to those having relations with the Company. In this framework, any conduct must be based on fairness in line with the Model, ethical principles and rules of conduct of Wärtsilä, as specified in the Code of Ethics and the Code of Conduct, and with any operational or audit procedures to prevent the Crime Risk, as defined in paragraph 1.2 of this Model.

2.3 Scope and goals of the Model - Recipients

The Model provides a comprehensive system of principles and procedures to prevent Crimes. The Model is in line with Wärtsilä audit and corporate governance system and it promotes fairness, transparency and compliance with rules and regulations.

The Model also aims at enhancing awareness among Recipients (as defined), enabling them to identify any event that may give rise to any Crime risk in the framework of their roles or positions.

The Model promotes:

- corporate principles based on compliance with rules and regulations and audit measures: Wärtsilä opposes any conduct against the law or internal rules and the provisions of this Models and any relevant protocols;
- awareness of any Recipients (as defined), especially those working in Crime-Risk Areas, including any applicable sanctions for any breach of the Model, as applicable, for offenders and for Wärtsilä.
- efficient and balanced organization, focussing on decision-making and transparency, audit measures, and the management of internal and external information;

- measures to promptly eliminate any cause that may give rise to Crimes;
- proper information of Recipients (as defined) on conducts and actions that may result into Crimes;
- proper information of any Relevant Third Parties (as defined) on Wärtsilä audit system.

This Code applies to:

- (a) members of the Board of Directors of Wärtsilä ("**Board of Directors**"), any receiver, in the event of winding-up, and any other officers in charge of management, administration, direction or audit in Wärtsilä or in any of its independent units.
- (b) members of the Board of Auditors;
- (c) officers in charge of the statutory audit of Wärtsilä accounts (and any other individual defined in points (a), (b) and (c), collectively the "**Corporate Bodies**");
- (d) members of the Supervisory Body;
- (e) Top Managers ("Dirigenti");
- (f) any other employee of Wärtsilä, including employees that are seconded abroad (and any other individual defined in points (e) and (f), collectively the "**Employees**"); and
- (g) any other individuals working with Wärtsilä as consultants or, though not employees of Wärtsilä, who act directly or indirectly (on a permanent or temporary basis) on behalf of Wärtsilä (including, but not limited to: temporary staff, contract workers, any external staff, representatives, agents, advisers, providers, trade partners) (collectively "**Relevant Third Parties**"),

(all the above individuals, collectively the "**Recipients**").

This Model is an internal regulation of Wärtsilä and it is binding for all Recipients irrespective of their level of accountability. Compliance with the Model is an essential part of the legal requirements of Employees pursuant to article 2104 and subsequent articles of the Italian Civil Code.

Recipients are required to:

- a) abstain from conducts infringing the provisions of this Model and any applicable regulations;
- b) contact their managers or the Supervisory Body to have any explanations on the implementation of the Model and/or any applicable regulations;
- c) report any breach, including potential breaches, to the Supervisory Body in line with the procedures described in paragraph 9.5.1;
- d) cooperate with the Supervisory Body and any relevant officer in charge, as identified in the Special Parts of the Model, for the purposes of paragraph 9.3 of the General

Part of the Model, and, in case of enquiries of the Company, the Supervisory Body or any public authorities on alleged Breaches of the Model and/or the Code of Ethics.

2.4 Drafting of the Model

To produce this Model, Wärtsilä set up a working group with qualified corporate staff and an advice firm with proven experience in the sector ("**Working Group**") to perform any necessary actions to draft the Model (i.e. risk mapping e risk self-assessment).

In this framework, the Working Group has based its work on Confindustria Guidelines, theoretical and legal instructions as well as national and international best practices (such as Co.S.O. Reports, IIA (Institute of Internal Auditors) standards, standards of the Italian Board of Chartered Accountants) and KPMG with a fundamental contribution of the U.S. Federal Sentencing Guidelines for compliance programs.

Additionally, reference was also made to:

- UNI-INAIL Guidelines on health and safety system at the workplace and/or the British Standard OHSAS 18001:2007, in line with article 30 of Legislative Decree no. 81/2008, as amended ("**Legislative Decree no. 81/2008**");
- ISO/IEC 27001:2005 standards on information security systems, COBIT (Control Objectives for Information and related Technology) framework on IT governance and control as well as national and international best practices on IT security and control;
- UNI EN ISO 14001:2004;
- Regulation (EC) no. 1221/2009 (EMAS);
- UNI EN ISO 19011:2003 on audit procedures.

The Working Group defined the steps for the implementation of the project and involved a number of Company business areas in a risk self-assessment process with a view to drafting the Model. In parallel with the risk self-assessment process, an analysis on the existing internal audit system for the prevention of Crimes was performed (as-is analysis) with the relevant offices (audit mapping). Any necessary integration measures were also identified (gap analysis).

Steps in the Model drafting process:

- Step 1 - Start up & Project Management:
 - planning of the project together with Wärtsilä on the units to be involved or any necessary working group, timeline, data collection procedures, progress reporting, and presentation of the project at corporate level;
 - document collection and analysis on Wärtsilä to identify: i) the organization of Wärtsilä; ii) any applicable regulations; iii) types of relations and transactions (trade, finance, legal compliance, public relations, collective bargaining, etc.), focussing on transactions with Italian, foreign and international public administration; iv) chart with unit structure and processes and relevant leading positions; v) internal rules and procedures

on internal audit, delegation criteria, organizational provisions; vi) profiles, internal communication, organizational charts, contracts, agreements and any other evidence on the business and the Entity; vii) incident analysis.

- Step 2 - Risk Self-Assessment
 - meetings with the heads of business divisions on objectives, incident risk and key audit measures on major actions and processes, focussing on the public administration and general features of the Company organization;
 - in this framework, validation and adjustment of risk self-assessment questionnaires for Crime-Risk Areas (as defined). Questionnaires were completed by the relevant staff in the area/processes that may be affected by the Crime Risk, as defined in the Decree. As a result of the feedback analysis, the following findings were reported:
 - areas at risk of Crime were mapped and/or confirmed. In this respect, specific areas at Crime Risk were identified ("**Crime-Risk Areas**") and areas that may give rise to Crimes ("**Instrumental Areas**"). Such areas are defined as "**Crime-Risk Areas**")
 - the efficacy of audit level and administrative and management procedures to prevent Crimes were assessed.
 - any relevant necessary change pursuant to the Decree was identified and/or confirmed to mitigate risks.
- Step 3 - Gap Analysis
 - Analysis of the organizational structure and the procedures to monitor the level of internal regulations on Crime-Risk Areas, as identified in the risk self-assessment. The reporting system, the Code of Ethics, the delegation system and any internal Company procedures were analysed also in the light of the questionnaire findings;
 - improvement areas were identified and suggestions were drafted as well as action plans on the implementation of audit requirements to implement a governance system and prevent Crimes.
- Step 4 - Drafting of the Model
 - As a result of the findings of the risk self-assessment and the gap analysis, a detailed Company overview, focussing on the criteria on the Supervisory Body, the principles of the Code of Ethics and regulations, including labour regulations, was used as a basis for the Disciplinary System;
 - The Model, the Code of Ethics and the Disciplinary System were drafted on the basis of the output analysis of the Working Group and the above analysis and they were presented to the Board of Directors for approval.

2.5 Structure of the Model

The Model includes a General Part and Special Parts on different categories of Crimes that may apply to Wärtsilä, as described in paragraph 1.2 (iii) above.

The General Part describes the contents and the rationale of the Decree, requirements of the Model, appointment and dismissal of the Supervisory Body, powers and duties of the Supervisory Body. The following Protocols ("**Protocols**") are included in the Model:

- organizational system;
- proxy and delegation system;
- manual and IT procedures;
- management and audit system;
- Code of Ethics;
- Disciplinary System;
- System on health and safety at the workplace;
- environmental management system⁸;
- Awareness of Employees on the Model, especially on health and safety at the workplace as well as training and education on the Model.

Special Parts are integral parts of the Model and they aim at: (i) providing evidence on potential risks in the framework of Wärtsilä business; (ii) describing the components of the prevention system for each process. Special Parts are:

- (a) Special Part "A" - Crimes against the Public Administration;
- (b) Special Part "B" - IT crimes and illegal data processing;
- (c) Special Part "C" - Corporate crimes
- (d) Special Part "D" – Manslaughter and serious culpable injuries as a result of breach of regulations on health and safety at the workplace;
- (e) Special Part "E" - Receiving of stolen goods, money laundering and use of illicit capital, goods and utilities;
- (f) Special Part "F" - Cross-border crimes; organised crime; Incitement not to make statements or to make false statements in Court;
- (g) Special Part "G" - Environmental crimes
- (h) Special Part "H" - Crimes aimed at terrorism acts and democracy supervision;
- (i) Special Part "I" - Use of third-country nationals staying illegally;
- (j) Special Part "L" - Copyright crimes;
- (k) Special Part "M" - Crimes against industry and trade;
- (l) Special Part "N" - Forged trademarks and patents.

⁸ The relevant ISO 14001 certification was obtained for the plant in Trieste only.

Each Special Part includes:

- (i) the description of the relevant Crimes with practical examples;
- (ii) the identification of Crime-Risk Areas for each category and any relevant business units / offices involved;
- (iii) general rules of conducts to prevent Crimes;
- (iv) prevention protocols on operations in Crime-Risk Areas.

2.6 Amendments to the Model

In line with the provisions of the Decree, the Board of Directors is responsible for any amendment to the Model.

The Board of Directors, taking into account suggestions from the Supervisory Body, is required to update the Model in the following events:

- significant changes in any applicable regulations, in the Company organization or business, also in view of scientific and technology advances;
- breaches or circumvention of provisions of the Model, especially if ineffective or inconsistent in Crime prevention;

whenever amendments are required.

The Supervisory Body must promptly report, in writing, any events/reasons that require the Model to be amended and the Board of Directors will act accordingly.

The implementation of any principle and requirement of the Model is under the responsibility of all Recipients, especially Top Managers (“Dirigenti”) / heads of business areas. The Supervisory Body must constantly be informed of any update and implementation of working procedures as well as any amendment proposals.

Any change to the Company procedures resulting from the Model must be implemented by the relevant units under the supervision of the heads of the relevant divisions, i.e. Legal, Human Resources, Finance, Administration and Control and Quality for the relevant areas. The Supervisory Body must be constantly updated and informed on the implementation of new working procedures and it may provide its opinion on any draft change. If the Supervisory Body finds it appropriate to amend any working procedures, it will notify the relevant business unit / office.

3 WÄRTSILÄ ORGANIZATION AND GOVERNANCE SYSTEM

3.1 Wärtsilä organization

Wärtsilä’s organizational’s structure aims to clearly identify roles and responsibilities between executive and operational to achieve the highest level of efficiency.

Wärtsilä’s organizational’s structure is based on an accurate definition of competences of each business unit / department and it includes the following divisions:

- (i) **Ship Power**, which includes *Sales, Solutions, 4-Stroke, Propulsion and Oil & Gas*, and it’s in charge of *Sales & Sales support* to ship-owners and shipping yards in Italy, Malta, the Principality of Monaco and the Balkans, *Project Management* for

marine applications with 4-stroke engines; *Solution Engineering* for Wärtsilä 4-stroke engines; *Sales Account Management* for Fincantieri; *Sales and Project Engineering* for gas-based systems; *Delivery centre e Engineering Support* for Propulsion portfolio; *Product engineering* for Propulsion control systems and *Delivery Management* for products that are assembled in Trieste;

- (ii) **Power Plants** is in charge of market development for Wärtsilä *Power Plants* solutions in Italy and cross-border projects with Italian counterparts, including the promotion, sale and manufacturing of power plants from 1 to 200 MW;
- (iii) **Services**, located in of Trieste, Genoa, Naples e Taranto, provides assistance in both marine and power plants markets for the whole life cycle of products and solutions. This division is in charge of servicing Wärtsilä or third-party engines and the relevant systems, it delivers any components, maintenance and solutions to upgrade propulsion systems;
- (iv) **Delivery Centre Trieste (DCT) 4s & P** (from 1 January 2014, *Product Company Trieste*) is in charge of assembling and delivering products sold by *Ship Power e Power Plants*. The current portfolio of products assembled in Trieste includes both 4-stroke engines (Wärtsilä W26, Wärtsilä W38, Wärtsilä W46 and W46F, Wärtsilä W50DF and Wärtsilä W50SG) and Propulsion products (LMT, Gearboxes, CPP).
- (v) **R&D** is in charge of research and development on new technology development programmes;
- (vi) **Finance, Administration and Control** includes:
 - (a) **Treasury Office**: it's in charge of inbound and outbound payments for the whole Wärtsilä Group; issuing of letters of credit and guarantees; anticipated travelling expenses (payment and registration);
 - (b) **Reporting and Control**: is in charge of monthly reporting to the parent company, consolidation of economic/asset data from business units and the preparation of drafting of the financial statements of Wärtsilä;
 - (c) **Accounting**: accounting of third-party invoices, issuing corporate invoices and accounting administration of records;
 - (d) **Tax office**: calculation of taxes, proper implementation of taxes both for Wärtsilä and other companies of the Wärtsilä Group, under it tax responsibility and the custom files on duties;
 - (e) **Business Unit Control**: budget on business lines, support to the management in the decision-making process with any relevant reports (i.e. investments, human resource allocation, estimated changes etc.).
- (vii) **Legal**: legal and corporate affairs;
- (viii) **Human Resources**: human resources management in Wärtsilä in line with any applicable regulations; selection, recruitment, hiring, and on-boarding in line with corporate requirements in terms of quantity, type and quality of resources in line with the required profile; training and education; support to mobility; management

of profiling systems and retribution policies; collective and individual contracts in line with any applicable standard; agreements on secondment abroad;

- (ix) **Real Estate:** management of corporate real estate assets;
- (x) **Information Technology:** matching IT systems with the needs of corporate units in line with the instructions from the Group, ensuring integration, operation and security of data; implementation and control over systems, implementation of HW and SW decisions in line with corporate needs and any planned investments. Implementation of corporate and group IT and telecommunication policies and procedures.
- (xi) **Quality:** support to all corporate unit. It includes:
 - (a) **Corporate quality system** based on:
 - Line quality (4S and Propulsion) for any mechanic processing and assembling, testing, finishing and dispatching. These includes quality control labs, tool management and quality control on inbound goods;
 - supplier quality control (SQA) liaising with the central department on supply quality management in charge of production issues;
 - product non-compliance when installed (commissioning);
 - management of systems and entities in charge of product validation.
 - (b) **Health and Safety**, including:
 - prevention and protection system at the plant of Trieste (save as for Services)
 - prevention and protection system of Services areas;
 - prevention and protection system of Power Plants areas and any relevant ship yard activity.
 - (c) **Environmental**, including:
 - environmental management system at the plant of Trieste;
 - environmental management system in other local units in charge of the Services (Genoa, Naples, Taranto).

3.2 Wärtsilä governance system

In line with its organization and business, Wärtsilä has adopted the following governance system:

- General Shareholders' Meeting:

The General Shareholders' Meeting represents the shareholders. Its resolutions, adopted in line with any applicable regulations and the articles of association, are binding for all shareholders. Wärtsilä has a sole shareholder, i.e. Wärtsilä Dutch

Holding B.V., and it's under the direction and coordination of Wärtsilä Corporation, pursuant to article 2497 of the Civil Code.

– Board of Directors:

The Board of Directors may include from 3 (three) to 7 (seven) Directors, as determined in the resolution on its appointment. The Board of Directors has the widest powers on ordinary and extraordinary management of the Company, with no exception, and it may act as it deems appropriate to achieve the Company Recipients pursuant to article 2380-bis of the Civil Code, save as for the resolutions that must be adopted by the General Shareholders' Meeting under the applicable regulations, and the following resolutions that require the prior approval of shareholders, as specified in the articles of association:

- cession of the only corporate business;
- acquisition of shareholdings in other companies with a similar business, up to 30% (thirty per cent) of the net equity resulting from the latest financial statements.

Pursuant to article 2365, paragraph 2, of the Civil Code and the articles of association, the Board of Directors has the following powers:

- resolutions on mergers, as specified in articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code;
- opening and closing branches;
- assignment of Wärtsilä representation powers to directors;
- reduction in the share capital in the event of termination of a shareholder;
- amendments to the articles of association in line with any applicable legislative requirements;
- transfer of the corporate registered office in a different location in Italy;
- reduction in the share capital if over 1/3 of the share capital is lost and Wärtsilä has issued shares with no par value.

The President of the Board of Directors or, in his/her absence or impediment, the Vice-President (if appointed) are the legal representatives of Wärtsilä. The Board of Directors may assign any representation powers to Directors, to the general manager, to managers and representatives within the limits and under the terms and conditions the Board may determine.

– Board of Auditors:

Wärtsilä has appointed a Board of Auditors. As specified in article 2403 of the Civil Code, the Board of Auditors is required to supervise compliance with any applicable regulations, the articles of association, any requirement on proper administration, focussing on the administration, organization and accounting systems.

The Board of Auditors includes 3 (three) permanent auditors and 2 (two) substitute auditors. As specified in article 2400 of the Civil Code, the term of office for auditors

is three financial years. Their office ends on the date of the General Shareholders' Meeting on the adoption of the financial statements at the third year of their office.

– Independent auditor:

Pursuant to article 2409-bis of the Civil Code, Wärtsilä has appointed an independent auditor among primary audit companies.

3.3 Audit system

Audit procedures are the basis of the decision-making process aimed at preventing and mitigating any management/organizational risks. These procedures also provide a clear overview of the overall corporate business. With this system: (a) several stakeholders with different roles in a consistent information flow are involved; (b) critical events are promptly reported in the information and reporting flows.

Wärtsilä has access to shared services in the Wärtsilä Group, including the Treasury Office and the Internal Audit Department.

System features:

(a) management system

the system includes several areas, i.e.: (1) quality management, (2) environmental sustainability, (3) information security, (4) health and safety at the workplace.

The system objectives are: quality, environment, safety and security (information and workplace), accounting system, HR. These objectives are pursued in the above areas as follows:

– Quality management

ISO 9001:2008 standard applies to the management system. Wärtsilä products and services are based on guidelines and legal requirements.

– Environmental sustainability

Wärtsilä contributes to pursuing global environmental goals and the sustainable development. The sustainable development plays a crucial role in Wärtsilä business, which is ISO 14001 certified.

– Data Security System

Wärtsilä data security system is ISO 27001:2005 certified. This standards specifies the requirements on data security management, including logistics and physical and organizational safety.

– Health and safety at the workplace.

Wärtsilä Health and safety systems are in line with OHSAS 18001:2007 standard. Under OHSAS (*Occupational Health and Safety Assessment Series*), Wärtsilä has voluntarily applied a proper control system on health and safety of workers, besides compliance with any other mandatory legal requirements.

– Accounting and financial system

The accounting reporting system to Wärtsilä Corporation is based on IFRS accounting standards. At national level, the audited financial statements are drafted in line with the Italian accounting system. Being part of the Wärtsilä Group, the annual budget include the targets and the action plans for each business entities in line with the objectives of the Wärtsilä Group and the strategic plan. The approved plan is reviewed on a monthly basis with the relevant reporting to Wärtsilä Corporation. As a result, business units may promptly identify any gap and non-alignment, and the relevant corrective actions may be implemented. The annual budget is also monitored on a monthly basis to align business to the evolving demand.

(b) Business processes

Business processes are based on standards, as described in the corporate policies. The main features of the processes are the following: (i) clear ownership for each process; (ii) transparency in the description of the process; (iii) clear targets and measures; (iv) regular updates. The managers responsible for each process are in charge of planning, design, changes as well as the on-going improvement of the process and the relevant requirements so that processes are aligned with the relevant targets.

4 CODE OF ETHICS

Ethical business principles, i.e. integrity, fight against corruption, fair competition, transparency and compliance with the law and human rights, play a central role in Wärtsilä.

In this framework and in the light of the ethical objectives of Wärtsilä, in 2011 a Code of Conduct ("**Code of Conduct**") was adopted and shared in Wärtsilä Group. This Code includes binding guidelines and requirements, i.e. ethical and legal standards governing all the companies of Wärtsilä Group. The Code of Conduct covers any ethical principles and responsibility in the business at Group level. It describes: rights, requirements and responsibility of Wärtsilä in its corporate business.

With a resolution of the Board of Directors, Wärtsilä has adopted the Code of Ethics. This Code defines the ethical principles and rules of conduct that Wärtsilä implements - also in the light of the criminal risk analysis performed in view of the adoption of the Model (as defined in paragraph 2.4) and the Criminal Risk Area identified in the Special Parts of the Model. These have an ethical value and apply to any employee of Wärtsilä as well as to any contractors or any other Entities doing business with Wärtsilä.

The Code of Ethics and the Code of Conduct are two separate documents. Principles and rules of conduct under the Code of Ethics are aligned with the provisions of the Code of Conduct, and they add to such provisions, whose contents and principles continue to be implemented in Wärtsilä and they are complementary to ensure an efficient and effective implementation of the Model pursuant to the Decree.

The Code of Ethics includes 4 Parts, and each Part is divided into articles:

- (i) Part 1 describes the general provisions of the Code of Ethics, i.e. objectives, Recipients, information of Recipients and general requirements for Recipients;
- (ii) Part 2 includes the ethical principles of Wärtsilä in its business;

- (iv) Part 3 includes the rules of conduct for each category of Recipients;
- (v) Part 4 describes the implementing provisions of the Code of Ethics.

Recipients are required to comply with the Model and the Code of Ethics, which forms an integral part of the Model, and to take a proactive approach on their implementation.

The Code of Ethics is also applicable to foreign transactions and business.

Any breach to the Code of Ethics must be notified to the Supervisory Body, pursuant to Part 3, paragraph 3, and Part 4, paragraph 2. The Code of Conduct applies to the relevant breaches.

5 MONITORING SYSTEM ON HEALTH AND SAFETY AT THE WORKPLACE

Health and safety at the workplace are priorities of Wärtsilä, as specified in the Code of Conduct. With a view to monitoring the achievement of these objectives, Wärtsilä has implemented a proper audit system based on awareness - also with training courses - of any Company risks, prevention and monitoring.

Wärtsilä focuses on raising awareness on safety, informing on risks and promoting responsible conducts. It also focuses on prevention, especially with preventive actions, to protect health and safety at the workplace. Wärtsilä strives to protect human resources and achieve synergies in the Company and with suppliers, external companies, partners and customers. To this end, technical and organizational actions are implemented in the framework of an extensive internal system based on the evolution of existing scenarios and risk evolution. These aim at:

- implementing an integrated system for the organization and management of health and safety at the workplace;
- constantly monitoring risks and critical areas in terms of processes and resources;
- adopting the best technologies;
- auditing and updating working methods;
- implementing training and information initiatives.

Pursuant to Legislative Decree no. 81/2008, as amended, general provisions on health and safety at the workplace include the following:

- risk assessment on health and safety;
- planning of prevention, i.e. protection of working conditions and the environment;
- elimination or mitigation of risks;
- implementing less-risky options;
- limiting the number of workers exposed to any risks;
- limited use of chemical, physical or biological agents;
- priority of collective prevention measures;

- proper use and monitoring on individual prevention measures;
- healthcare monitoring;
- information and training of workers, worker's representatives, managers and employees in line with their roles in the safety system;
- involvement and consultation with workers;
- proper and comprehensive information to workers;
- regular maintenance of equipment, premises and plants;
- emergency and safety emergency measures.

Company procedures have been conceived pursuant to the applicable procedures on health and safety at the workplace.

6 DISCIPLINARY SYSTEM

Pursuant to the Decree, a Disciplinary System ("**Disciplinary System**") applies to any Breach of the Model. This System against Breaches (as defined) is a pre-requisite to achieve effectiveness and efficiency of the Model.

The Disciplinary System must be in line with any applicable regulations, including collective agreements, and it is applicable in Wärtsilä only. It does not replace, rather it complements any applicable regulations and it supplements any other external rule.

Sanctions under the Model do not replace any other sanctions (including, but not limited to criminal, administrative, civil and tax sanctions) that may be imposed for the same Crime.

For any case not covered in the Disciplinary System, reference is made to any applicable regulations, i.e. article 7 of Act no. 300 of 20 may 1970 (Labour Code) and the provisions of any collective agreements and corporate regulations.

Sanctions are imposed irrespective of the outcome of any criminal proceeding, as the rules of conduct in the Model and the Code of Ethics are applicable irrespective of the type of Crime and Breach (as defined).

The Disciplinary System, included as an annex of the Model, is also published in the Company Intranet, it is posted in the corporate board in a public area to fully inform Recipients and any Relevant Third Parties.

7 MANUAL AND IT PROCEDURES

All procedures, both manual and IT, are implemented in Wärtsilä business in line with the requirements of the Model, the Code of Ethics and the Guidelines.

Human and IT procedures in Wärtsilä are based on requirements and rules on processes. Preventive audit measures are implemented to achieve appropriateness, efficiency and effectiveness.

As for IT procedures, Wärtsilä is part of an international Finnish group sharing a number of IT services. Wärtsilä has access to databases and processing procedures of Wärtsilä Information Management and Wärtsilä IM, i.e. the global organization, that are allocated centrally in a third-party EDP centre (Hewlett Packard or HP). These include:

- *Active Directory* – database on basic profiles of user access;
- *SAP Global HR* – personal data and staff trips;
- *SAP WE* – ERP base of F&C data and basic data on customers and suppliers;
- SABA and ARTIST – management system on staff training;
- IDM – document management system (contract samples);
- CRM – basic and business data on customers.

These systems are under the responsibility of HP (for the "Active Directory") and Tieto (for other systems).

In general, in the design of its own procedures, both manual and IT procedures, Wärtsilä applies the following requirements:

- involvement of multiple stakeholders to define any clear responsibility with a system of balanced checks;
- adoption of measures to ensure that each operation, transaction, and action is traceable, documented and consistent;
- adoption of measures on monitoring evidence on operations/actions.

The Human Resources Department has the responsibility to notify procedures with specific actions by publishing them in the Company intranet and on paper at the Wärtsilä offices. The relevant training is provided under the responsibility of the head of the relevant division.

8 PROXY AND DELEGATION SYSTEM

8.1 General provisions

Wärtsilä Board of Directors may grant the power to sign on behalf of the Company in line with the relevant role. The degree of independence, limits and representation power are assigned to a number of executives depending on their positions and as provided in the relevant proxy.

Powers so assigned are regularly reviewed in line with the evolving needs of the Company.

Wärtsilä also has implemented efficient information flows for all positions, including the Supervisory Body and the Board of Auditors, to promptly disclose any powers and the relevant changes.

8.2 The proxy and delegation system in Wärtsilä

Proxies are defined in the resolutions of the Board of Directors and/or deeds signed by a notary public and they are notified to the relevant representative.

Without prejudice for any other requirement under any relevant regulations, proxies include:

- (a) the individual receiving the powers and the source of his/her powers;
- (b) the role of the representative;
- (c) the object, i.e. the list of tasks covered in the proxy/delegation. This is instrumental to the role/tasks of the representative.
- (d) the relevant budget.

The system of delegations on the powers to sign on behalf of the Company is regularly monitored and updated, if needed, as a result of changes to the Company organization so that it is constantly aligned to Wärtsilä organization.

9 SUPERVISORY BODY OF WÄRTSILÄ

9.1 Requirements for the Supervisory Body and its members

The Supervisory Body is:

- a collective body with 3 (three) members, i.e.
 - (i) an external adviser, preferably an expert on the implementation of audit systems, or a legal expert on administrative responsibility, who will be the Chairman;
 - (ii) a member of the staff, not having an operational office, to be selected among the Heads of the Legal Department, the Quality Department, the Internal Audit Department or any other expert on audit, who will contribute with his/her knowledge on the Company.
 - (iii) a member of the staff to be selected among those listed in the above point (ii) or an external adviser with the skills described in point (i) above.

When adopting the Model, the Board of Directors also appointed the Supervisory Body in line with the provisions of the Decree. Mr Maurizio Bastasin, Mr Carlo Minisini, Mr Gianluigi Morselli are the current members of the Supervisory Body. Upon the formal appointment, the resolution on the adoption of the Model and the appointment of the Supervisory Body has been notified to the Company with an internal note.

As specified in the Guidelines and in the best practices, Wärtsilä Supervisory Body meets the following criteria:

- Autonomy and independence: the Supervisory Body does not have any operational tasks, its autonomy in terms of initiative and audit is protected from any interference and/or influence, as it accounts directly to the Board of Directors. The budget that the Board of Directors assigns to the Supervisory Body ensures its autonomy. This budget may be increased upon proposal of the Supervisory Body for any need relating to its mission.
- Professional skills: the Supervisory Body has any appropriate skills to perform his tasks, as a result of the expertise of its members. As described in the guidelines, members of the Supervisory Body are selected among candidates with appropriate skills on inspection and advice on audit systems (such as sampling, analysis techniques, risk assessment and management, procedure analysis, interview techniques and questionnaire design), organization, finance, audit and in the legal

sector to provide the necessary expertise on the Crimes described in the Decree. The Supervisory Body may use its budget to acquire any necessary external skill.

- Continuity of action: the Supervisory Body has its own budget and it may use either corporate staff or external advisers to ensure the implementation of the Model, its continuous monitoring and the relevant updates also as corporate conditions evolve. Continuity of actions is constantly monitored and the analysis of the prevention system is regularly performed.
- Honorability: members of the Supervisory Body comply with subjective criteria contributing to ensure autonomy and independence, i.e. honorability, no incompatibility, no conflict of interests, in line with the provisions of the Civil Code on the Board of Directors and the Board of Auditors.

9.2 Appointment of the Supervisory Body - term of office and termination

The Board of Directors has the exclusive power to appoint the Supervisory Body with a qualified majority of two thirds of its members.

Requirements listed in paragraph 9.1 above apply to candidates of the Supervisory Body.

When appointing the Supervisory Body, the Board of Directors also appoints its Chairman, determining the fees for the Chairman and for the other members as well as the overall budget.

The term of office for members of the Supervisory Body is from 1 (one) to 3 (three) financial years. Members of the Supervisory Body may be re-elected and each member may be elected up to three terms of office.

Ineligibility/disqualification criteria are:

- (i) disqualification, bankruptcy, conviction, including non final convictions, for any Crimes resulting into the disqualification, including temporary disqualification, from holding any public office;
- (ii) family members up to the fourth degree of members of the Board of Directors or the Board of Auditors of Wärtsilä or parent companies or subsidiaries or companies under shared ownership with any external entities with audit tasks.
- (iii) previous office as member of Supervisory Bodys in companies that were imposed the sanctions described in article 9 of the Decree;
- (iv) save as any subordinate employment, the existence of any long term advice or service contract, or other financial contracts between members and Wärtsilä or any parent company, subsidiary or any company under shared ownership with audit entities, that may jeopardise the independence of members;
- (v) non-compliance with honorability requirements.

If, in the term of office, any disqualification criteria is met, the relevant member is required to immediately notify the other members of the Supervisory Body and the Board of Directors.

Eligibility and/or disqualification criteria also apply to the staff and advisers that the Supervisory Body may employ. Therefore, the Supervisory Body may not use staff or advisers if they meet any ineligibility/disqualification criteria.

In addition to non-compliance with eligibility criteria, other termination events are:

- resignations that must be notified in writing to the Board of Directors, including the relevant reasons, with at least 1 month notice.
- death or inability to perform the role;
- termination for any reason of the position held in Wärtsilä for the member of the staff in the Supervisory Body.

The Chairman of the Supervisory Body or any other member in the event of termination of the Chairman must report to the Board of Directors without delay any of the above events resulting into the need to replace one of the members of the Supervisory Body. The Board of Directors is required to promptly replace the terminated member accordingly.

In case of resignation, inability, death, termination or disqualification of the Chairman of the Supervisory Body, the eldest member will serve as Chairman until the Board of Directors has appointed a new Chairman.

The Supervisory Body may only be terminated for justified cause. Justified causes for the termination of the Supervisory Body include but are not limited to:

- involvement in any judicial investigation on a Crime;
- non-compliance with the provisions of the Model;
- non-compliance with the role, such as failure to report to the Board of Directors without justification;
- conviction, including non final conviction, against Wärtsilä under the Decree or imposition of any sanction upon request (plea bargaining) resulting from omitted or incomplete surveillance by the Supervisory Body;
- failure to monitor the implementation of the training plan or the internal audit plan;
- no good faith nor diligence in performing the office;
- unjustified non-attendance for more than 2 meetings, including non consecutive meetings, of the Supervisory Body;
- disclosure of confidential information without any justified reason;
- no cooperation with the other members of the Supervisory Body or hampering the Supervisory Body.

The Board of Directors is required to adopt a resolution on the termination of the Supervisory Body with the reasons for termination.

9.3 Responsibilities and powers of the Supervisory Body

Pursuant article 6 of the Decree, the Supervisory Body is required to supervise the implementation and compliance with the Model and to update it regularly.

Measures of the Supervisory Body may not be challenged by any other department or unit. However, the Board of Directors will monitor any such measures, as it has the ultimate responsibility on the implementation and effectiveness of the Model.

The Supervisory Body is required to:

(a) monitor and supervise the Model:

- check if Model is appropriate to prevent any illegal conduct;
- check if the Model is efficient, i.e. actual conducts are in line with the requirements of the Model;
- monitor the Company business, also in terms of compliance with any applicable regulation on health and safety at the workplace, including with regular meetings with the relevant stakeholders, regular checks and any relevant follow-up;
- regularly check - with the support of any relevant unit - the system of appointment and delegation and present draft amendments, if needed or appropriate.

(b) update of the Model:

- update the Model, submitting any necessary amendment to the Board of Directors or any relevant Company divisions to improve appropriateness and efficiency, also in the light of any new regulations or changes to the Company organization, changes to the strategy, or business, also as a result of the scientific and technology progress and/or to identify any significant Breaches of the Model;

(c) cooperate with Wäertsilä on information and training on the Model:

- monitor any actions aimed at enhancing awareness on the Model among the Recipients, including for updates and amendments, and promote the adoption when inappropriate and/or insufficient;
- monitor any action, including courses and notices, aimed at promoting awareness of the Model among the Recipients and promote the adoption when inappropriate and/or insufficient;
- respond to any inquiries from any corporate unit or administrative and audit bodies, also providing ad hoc opinions, if relevant or connected to the Model;

(d) manage information flows from and to the Supervisory Body:

- implementation of all reporting requirements concerning the Model;
- assess the information and/or any Reports (as defined) that have been received on the Model;
- inform any relevant body, as specified in the following paragraphs, on its actions, the relevant results and any planned actions;

- report any breach of the Model and the relevant offenders to the competent authorities for any appropriate action, ensuring that appropriate sanctions are imposed;
- during the inspections from institutional authorities, including the Public Administration, provide any necessary information.

For any Crime listed in article 25-septies of the Decree, without prejudice for the above and for the responsibility and the tasks of any relevant authority on the implementation and compliance of regulations on accident prevention and health and safety at the workplace, the Supervisory Body may perform a regular monitoring on the efficacy and compliance of internal procedures and monitor the efficacy of checks in the prevention of the Crimes.

The Supervisory Body is required to cooperate with any corporate audit departments and units. In this respect, the Supervisory Body is required to:

- coordinate with the Head of the Human Resources Department and with the Head of the Legal Department on the training of Recipients and with the Communication & Branding Department on communication strategies.
- coordinate with the heads of the business units of the relevant contract area or in charge of the relations for the introduction of provisions on the implementation of the Model to any Relevant Third Party and the regular monitoring of such provisions;
- coordinate with any relevant department on Crime-Risk Areas for the implementation of implementing procedures of the Model, focussing on health and safety at the workplace; the Supervisory Body may use any resource at Wärtsilä on these issues.

To this end, the Supervisory Body:

- may perform inspections and access corporate documents;
- has adequate financial resources in the annual budget provided by the Board of Directors, that may be changed/supplemented upon request;
- may acquire external advice.

Therefore, the Supervisory Body, supervising the actual implementation of the Model,

- may perform any checks and inspections, including without notice, also on individual transactions or actions in the Crime-Risk Areas;
- has access to any department, files and documents of Wärtsilä, without the need for any prior authorisation or consent, to obtain information, data or any other documents required on Crime-Risk Areas (as listed in the Special Parts of the Model);
- may require information or documents on sensitive processes from any Employees and from the Board of Directors, the Board of Auditors and the external auditor;
- may require information or any other document on Crime-Risk Areas from external staff, advisers, representative and agents of Wärtsilä and, in general, from any Recipients, as the requirement to comply with any requests from the Supervisory Body is included in the relevant contracts;

- regularly receives and analyses information from the heads of the departments involved in Crime-Risk Areas, as listed in the Special Parts of the Model, and the relevant information sheets, if relevant;
- may request the support of the Employees of Wärtsilä;
- may request the support of external advisers for particularly complex issues requiring specialised skills;
- will check that the competent authority imposes the sanctions specified in the Disciplinary System;
- reviews the Model regularly and, if needed, present any draft amendment to the Board of Directors;
- draft a report on a regular basis, at least annually, on its activities to the Board of Directors;
- informs the Chairman of the Board of Directors of any urgent and relevant event that have been identified;
- regularly monitors the identification and update, upon the opinion of the heads of the relevant corporate divisions, of the type of legal relations with external entities of the Company covered in the Model, the communication and implementation procedures to ensure compliance.

The Supervisory Body will collect any Reports (as defined) and findings from any monitoring actions in a special folder (IT and/or on paper) that must be filed for 10 (ten) years. It is responsible for the update of this archive and it will define any criteria, access and authorised users.

All corporate units are required to cooperate with the Supervisory Body to support it in its role.

9.4 Regulation of the Supervisory Body

The Supervisory Body will draft its regulation on the actual implementation of its mission.

This regulation includes:

- (a) type of audit and supervision actions, including the meetings with the Board of Auditors, officers in charge of internal audit, health and safety at the workplace, environmental sustainability;
- (b) type of actions on the Model review;
- (c) actions on surveillance and monitoring on information and training of Recipients;
- (d) management of information flows from and to the Supervisory Body;
- (e) activities and internal Entity of the Supervisory Body, such as meetings, procedures on resolutions, minutes of meetings.

The Supervisory Body meets at least every 3 (three) months and upon written request of a member to the Chairman or whenever the Chairman deems it appropriate.

The Chairman is required to convene the meetings of the Supervisory Body with a notice of at least 5 (five) days from the meeting date, save as for emergency meetings which require a notice of at least 2 (two) days from the meeting date. Meetings are held at registered office of Wärtsilä or in any other location in Italy.

Meetings are lawfully held if the majority of members are attending. Each member of the Supervisory Body is entitled to one vote. Resolutions of the Supervisory Body are taken at absolute majority of its members.

For each meeting, minutes are drafted and signed by all attending members. Each member attending the meeting is entitled to have the reasons for his/her disagreement on any adopted resolutions included in the minutes. A copy of the minutes is filed in a confidential archive accessible to Supervisory Body members.

9.5 Information flows involving the Supervisory Body

9.5.1 Information flows to the Supervisory Body

Recipientss must promptly notify the Supervisory Body with any information on the non-implementation and/or breach of the Model.

The following information must be immediately notified to the Supervisory Body ("**Reports**"):

- (a) Information that may concern any Breach, including any potential Breach, of the Model, i.e. actions or conducts, including omissions, that breach the Model and its protocols, especially the Code of Ethics ("**Breaches**"), or Crimes, including, but not limited to:
 - decisions on requests, issuing or use of public financing;
 - request of legal advice from Employees that are subject of legal proceedings for any Crimes;
 - threatened or actual legal proceeding of Recipients against Wärtsilä on manslaughter and severe and very severe injuries as a result of breaches in the protection of health and safety at the workplace;
 - severe faults in the implementation of the Model;
 - anomalous conducts that, though not Breaches, are quite different from the ordinary corporate practice (for instance, individual events may not be anomalous, but they could be if repeated);
 - intragroup transactions on the purchase or transfer of goods or services at prices other than market prices, with the relevant reasons;
 - any financial transfers between Wärtsilä and other companies of the Wärtsilä Group which are not justified in any relevant agreement in the light of market conditions;

- provisions and/or information from the police or any authority on any investigation involving, either directly or indirectly, Wärtsilä and/or any Recipient;
- inquiry commissions or internal reports on any responsibility on any Crime;
- information on any disciplinary proceeding on Breaches of the Model and any sanction or the reasons for dismissal;
- any financial or commercial transaction in countries under a privileged tax regime;
- information on the actual implementation of the Model at all corporate levels, with evidence on any disciplinary proceedings and any sanction or any dismissal with the relevant reasons;
- orders from accountable managers, in breach of any applicable regulations, internal rules or the Model;
- requests and offers of gifts (exceeding any acceptable value) or other advantages from public officers or providers of public services;
- requests and offers of gifts (exceeding any acceptable value) or other advantages from any third party, exceeding Euro 50,00;
- any significant variations from the budget or irregular expenses;
- omissions, negligence, or forgery in the accounting or in the filing of evidence of accounting records;
- non-compliant or non appropriate premises, equipment or protection material provided by Wärtsilä and any other dangerous conditions affecting health and safety at the workplace, including on the fire prevention and emergency management;
- non-consultation with the workers' representative for safety pursuant to article 47 of Legislative Decree no. 81/2008;
- non-compliance with the assessments of the competent physician, including measures resulting from ineligibility for specific positions;
- non-compliance with regulations on healthcare monitoring;
- breaches to the provisions of article 26 of Legislative Decree no. 81/2008 concerning requirements on procurement contracts on goods or services (for instance, technical-professional requirements of contractors have not been checked, lack of interference risk assessment report, the contractor or sub-contractor do not display their badges);
- information on any claim, report, provisions from surveillance authorities pursuant to article 13 of Legislative Decree no. 81/2008 against Wärtsilä or any Recipient;

- prompt report of any accident at the workplace, with prognosis of at least ten (10) days, or any event that, though not resulting into injuries to workers, may be caused by defects in the health and safety system;
 - provisions of the Court or any other authority on health and safety at the workplace;
 - information on disruption or shortcomings of sewage systems or air emission systems;
 - Lab reports on the tests of sewage and air emissions certifying that limits have been exceeded;
 - information on danger or risk situations that may jeopardise health or cause injuries or that may be detrimental to the corporate operations;
 - non-compliance with honorability, professional, competence, technical requirements or licences (for instance, any valid visa) of Recipients;
 - information on counterfeiting, alteration or use of trademarks or distinctive signs or patents, models and designs of products belonging to Wärtsilä or covered by licences or any other authorisation;
 - information on omissions and/or defects in the IT security system.
- (b) Wärtsilä reporting that may be relevant for the Supervisory Body, including but not limited to:
- annual expense/investment budget on the implementation of security improvement measures;
 - risk assessment report pursuant to article 28 of Legislative Decree no. 81/2008;
 - interference risk assessment report pursuant to article 26 of Legislative Decree no. 81/2008;
 - reports from internal officers appointed by Wärtsilä;
 - information on changes to any organizational and Company procedures;
 - the resolutions of the Board of Directors that may result into changes to the Model, such as the change to the organization, business lines, incentive systems, etc.;
 - updates in the delegation system;
 - notices on training events on the Model and the Decree;

- any notice from the external auditor on issues that may be the result of defects in the internal audit system;
- minutes on regular meetings pursuant to article 35 of Legislative Decree no. 81/2008, data on accidents at the workplace to Employees or accidents occurred at any corporate plant;
- reports or programmes on information, training and drills for Recipientsson health and safety at the workplace;
- summary reports on outsourced services to and by Wärtsilä as a result of procurements at national and European level or private negotiations;
- information on orders of public authorities or public utilities and any other Entity that may qualify as Public Administration pursuant to paragraph 1.1. of the Special Part A of the Model;
- information on orders to/from Wärtsilä from/to third parties exceeding Euro 1.500.000,00 (one million and five hundred thousand/00);
- information on orders from/to Wärtsilä to/from third parties with discounts which are not in line with Wärtsilä Group corporate procedures or policies;
- any prior information on draft amendments to the Model;
- financial statements with the relevant notes to the accounts;
- any report on internal audit;
- appointments of external auditors on Wärtsilä accounts;
- notices from the Board of Auditors and the external auditors on any critical issues, also when solved;
- audit reports from Corporate Bodies;
- minutes on any inspections to sites by environmental agencies (ARPA, ISPRA, etc.);
- appointments to third parties on Wärtsilä waste disposal;
- documents on the health and safety systems, including but not limited to accident reports, emergency plans, minutes on regular meetings on risk prevention and mitigation, environmental analysis and inspections to the premises;
- reports on transactions with individuals or Entities on the list of individuals and Entities based in countries at risk in the "country lists" and/or with individuals or Entities in the "name lists" concerning international terrorism of the Bank of Italy.

Reports on accident prevention and protection of health and hygiene at the workplace must also be sent to the relevant Risk Prevention Officer.

The Supervisory Body, in the investigations on any Reports, will prevent any retaliation, discrimination or penalties against any involved individual and/or Entity, ensuring confidentiality of the author of the report and compliance with the regulation on privacy, without prejudice for any other provisions to the contrary and the protection of Wärtsilä rights.

Members of the Supervisory Body may not disclose any information they access by reason of their office, without prejudice for any applicable regulations.

With a view to supporting such information, Wärtsilä has set up a dedicated channel ensuring confidentiality, i.e. an email address for the Supervisory Body: "odv_wit@wartsila.com". Reports may also be made in writing and anonymously to: Organismo di Vigilanza, Wärtsilä Italia S.p.A – Bagnoli della Rosandra, 334 - 34018 San Dorligo della Valle – Trieste – Italy, at Ufficio Affari Legali, 3rd floor.

Reports on the Supervisory Body must be sent to the Chairman of the Board of Auditors and to the Chairman of the Board of Directors.

9.5.2 Report processing

When a Report is filed, the Supervisory Body is required to perform any necessary investigations, using its wide powers, to ascertain if the Report is founded and based on true facts. For Reports on alleged Breaches, the Supervisory Body will ascertain if evidence and any other assumptions are clear, accurate and consistent.

If the Report is not founded, the Supervisory Body will dismiss it and it will provide the relevant reasons. For forged, improper or libellous Reports, the Supervisory Body will inform the relevant corporate executive for any appropriate measures to be taken.

In case of Breach, the Supervisory Body will report it to Wärtsilä that will take any appropriate measures in line with the Disciplinary System.

As the Supervisory Body may not impose sanctions directly, but it will liaise with the relevant business unit / Corporate Body.

9.5.3 Reporting of the Supervisory Body to Corporate Bodies

The Supervisory Body regularly reports to the Corporate Bodies on the implementation of the Model and on the findings of its monitoring and audit actions.

The Supervisory Body will:

- (a) liaise, on regularly basis, with the Board of Directors;
- (b) report at any meeting of the Board of Directors and at least every three months to the Board of Directors and the Board of Auditors on its performance and on the relevant findings, focussing on any Breach of the Model;
- (c) report in writing, at least every six months, to the Board of Directors and the Board of Auditors on its activities; the report in writing must include at least:

- (i) number and dates of the meetings of the Supervisory Body;
 - (ii) summary of the actions and the monitoring performed during the year;
 - (iii) any issues on the implementing procedures of the Model;
 - (iv) any new Crime-Risk Areas;
 - (v) the summary of Reports from Recipients on alleged Breaches and the outcomes of the investigations on these Reports;
 - (vi) any disciplinary proceedings and sanctions imposed by Wärtsilä.
 - (vii) summary of any relevant event and critical points in the implementation of the Model and any significant amendment to the Model;
 - (viii) overall assessment on the execution and efficacy of the Model with any draft amendment in terms of form or contents;
 - (ix) any amendment to the applicable regulations resulting into amendments to the Model;
 - (x) if needed, the request to increase the budget and the report on expenses;
 - (xi) planning, including interim planning;
- (d) promptly report to the Board of Directors on severe Breaches by any Recipients. In case of severe Breach by a member of the Board of Directors, the Supervisory Body will report to the Board and to the Board of Auditors. In case of severe Breach by a member of the Board of Auditors, the Supervisory Body will report to the Board and to the Board of Directors. In both cases, the Supervisory Body will identify the sanctions depending on the Breach for the relevant Board to impose them.

In general, the reporting of the Supervisory Body will focus on:

- any activity carried out by the Supervisory Body;
- any issues or critical points identified in the surveillance activities;
- any corrective activity that are needed or appropriate to ensure efficacy and effectiveness of the Model;
- evidence of conducts which are not in line with the Model;
- identification of any defect in the organization or in any procedure exposing Wärtsilä to the Crime-Risk.
- non-cooperation or lack of cooperation from any business units / area in the performance of the monitoring and/or investigations.

The Supervisory Body will fully inform the Board of Directors if urgent resolutions are needed.

The Supervisory Body may be convened at any time by the Board of Directors or the Board of Auditors. Conversely, Supervisory Body may request to report on the Model or any relevant issue to the Corporate Bodies at any time. Minutes of these meetings are filed at the office of the Supervisory Body.

10 AWARENESS ON THE MODEL - INFORMATION AND TRAINING OF RECIPIENTS

10.1 Awareness on the Model

Wärtsilä promotes the Model and its protocols. It will provide information on its principles and provisions among Recipients on Crimes listed in the Decree and the relevant prevention measures, the Model, the Code of Ethics, any relevant procedures and the Disciplinary System. The Model - including the Code of Ethics - is circulated under the responsibility of the Head of the Human Resources Department in collaboration with the Communication & Branding Department, with any appropriate means with evidence of receipt. The Model is officially sent to all members of the Corporate Bodies, who are required to sign a statement that they have received, read and subscribed to it, which is filed by Wärtsilä and the Supervisory Body.

Officially the Model is:

- notified all Recipients on paper or on IT support;
- published on local Intranet and posted in a public area and on the Company note boards.

The statements whereby the Recipients have received, read and subscribed to the Model are filed by Wärtsilä.

As for any Relevant Third Party, the Head of the Human Resources Department and the Heads of any relevant departments, both liaising with the Communication & Branding Department, will define any communication strategy for the Model and the Code of Ethics.

Agreements with any Relevant Third Parties will include the requirement to comply with the Model - including the Code of Ethics - and the requirement to comply with any request for information, data or facts from the Supervisory Body, and the imposition of any relevant sanctions in case of Breach.

10.2 Training on the Model

Wärtsilä will implement training programmes to promote awareness of the Decree, the Model and the Code of Ethics among all Recipients.

To this end, the Supervisory Body will monitor any information and training programmes depending on the relevant Recipients also in terms of hierarchy, position, professional skills, actual tasks and the involvement in Crime-Risk Areas, as identified in the Special Parts of the Model, and the actual exposure to Crime-Risks.

Any special training may be implemented, also upon proposal of the Supervisory Body, in special cases, i.e. whenever there's a need to increase the awareness of Recipients on general or specific issues (for instance, in case of Crimes or for any significant or repeated Breach of the Model and/or the Code of Ethics).

The Supervisory Body:

- contributes to the definition of contents of regular notices to Recipients to promote awareness and basic information on the Decree;
- monitors the promotion of training courses on the Decree, focussing on special cases (for instance, changes to the organization, significant amendments to the applicable regulations or repeated breaches of the Model and/or the Code of Ethics);
- monitors the preparation and the update, in cooperation with the relevant unit, of the corporate Web site, and the intranet Part on the Decree and the Model;
- monitors any appropriate initiative to promote awareness and insights on the Model in the framework of the annual training plan adopted by the Board of Directors;
- monitors the preparation of the documents on instructions, explanations and updates on the Model;
- monitors the appropriateness of contents of training programmes and regularly monitors attendance of Recipients.

As for awareness and training of heads of business units of Crime-Risk Areas (as identified in the Special Parts of the Model), besides the above training, Wärtsilä will also implement specific training courses to provide these internal officers in Crime-Risk Areas with proper skills on the Model and any necessary tool to implement the audit procedures in their units.

Training events may take place either in class or remotely with IT systems. However, for Individuals in Top Positions, especially heads of business units and Corporate Bodies Members, training should be provided in class. Training of Employees and Corporate Bodies on the implementation of the Model is under the responsibility of the Human Resources Department which regularly reports to the Supervisory Body.

Training events are traced for monitoring purposes in terms of Recipients (attendance lists and signed lists), contents (training material), provision method (e-learning, in class, or other), level (testing), any need to repeat the event (in case of failure of tests).

Training is compulsory and repeated non-attendance without justification may result into the imposition of sanctions. Inconsistent conduct on training (such as repeated failure of tests) is a breach of the training requirement.

11 MONITORING THE IMPLEMENTATION OF THE MODEL

The Model is monitored and audited on an annual basis in the framework of a supervision plan of the Supervisory Body, as follows:

- audit on the main actions and agreements signed by Wärtsilä in the Crime-Risk Areas;
- monitoring on the actual effectiveness of the Model to determine consistency between the provisions of the Model and the actual conduct of Recipients;
- audit on effectiveness and efficacy of procedures on the prevention of Breaches.

The Supervisory Body will report on the relevant findings to the Board of Directors on an annual basis.