

**Organisation, Management,  
and Control Model  
pursuant to Italian Legislative Decree  
8th June 2001, no.231**

**GENERAL SECTION**

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## GENERAL SECTION

### 1 ITALIAN LEGISLATIVE DECREE 231/2001 AND THE RELEVANT LEGISLATION

#### 1.1 ADMINISTRATIVE LIABILITY OF LEGAL PERSONS

Italian Legislative Decree no. 231 of 8 June 2001 introduced into Italian law the concept of "administrative liability" (essentially equivalent to criminal liability) on the part of companies and associations with or without legal status (hereinafter referred to as "Entities"), for certain crimes committed in the interest or to the advantage of the same, by:

- natural persons holding responsibilities of representation, administration or management of said Entities or of one of their organisational units with financial and functional autonomy, as well as by natural persons who exercise, also de facto, management and control of such Entities;
- natural persons under the direction or supervision of one of the aforementioned individuals.

The administrative liability of the legal person is in addition to the (criminal) liability of the natural person who physically committed the crime and both are subject to investigation during the same proceedings before the Criminal Court. Moreover, the liability of the Entity remains even if the natural person who committed the crime has not been identified or is not punishable.

The liability envisaged by the Decree also includes crimes committed abroad, under conditions to be set out below, provided that, with regard to the same, the State where the crime was committed does not take action.

The liability of the Entity exists solely in the case of commission of the following types of crimes (so-called predicate crimes), identified by the Decree, as well as by laws that expressly refer to the discipline of the Decree (for a detailed description of the so-called predicate crimes see Annex 1 – Predicate Crimes):

- I. crimes in relations with Public Administration (Articles 24 and 25<sup>1</sup> of the Decree);
- II. computer crimes and unlawful data processing (Article 24-bis of the Decree);
- III. organised crime (Article 24-ter of the Decree);

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<sup>1</sup> Art. 25 of the Decree as amended by Law No. 190 of 6 November 2012 on "Provisions for the prevention and punishment of corruption and illegality of public administration".

- IV. crimes related to counterfeit money, public credit cards, stamps and distinguishing instruments or marks (Article 25-bis of the Decree);
- V. crimes against industry and commerce (Article 25- bis. 1 of the Decree);
- VI. corporate crimes (Article 25-ter<sup>2</sup> of the Decree);
- VII. crimes related to terrorism or subversion of the democratic order (Article 25-quater of the Decree);
- VIII. crimes against physical integrity, with particular reference to female sexual integrity (Article 25-quater.1 of the Decree);
- IX. crimes against the individual and crimes of illicit brokering and labour exploitation (Article 25-quinquies of the Decree);
- X. administrative crimes and offences concerning market abuse (Article 25-sexies of the Decree and, in the Consolidated Finance Act, Article 187-quinquies "Liability of the entity"<sup>3</sup>);
- XI. manslaughter or grievous bodily harm committed in breach of accident-prevention legislation and that on occupational health and safety (Article 25-septies of the Decree);
- XII. crimes of receiving stolen goods, laundering and use of money, goods or benefits of illicit origin, as well as self-laundering (Article 25-octies of the Decree<sup>4</sup>);
- XIII. crimes concerning violation of copyright laws (Article 25-novies of the Decree);
- XIV. crime of inducing persons to omit statements or to make false statements to judicial authorities (Article 25-decies of the Decree);
- XV. environmental crimes (Article 25-undecies of the Decree<sup>5</sup>);
- XVI. crime of employment of illegally staying third-country nationals (Article 25-duodecies of the Decree);

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<sup>2</sup> Art. 25-ter of the Decree as amended by Art. 12 of Law No. 69 of 27 May 2015 on "Provisions on crimes against the public administration, of mafia-type associations and false accounting", extending the sanctioning of the offense of corruption between private persons also for the offenses committed by those exercising directives.

<sup>3</sup> Article 187-quinquies of the Consolidated Finance Act regulates the liability of the entity as regards certain administrative offences provided for in the same Chapter of the Consolidated Finance Act, according to criteria similar to those covered by the Decree.

<sup>4</sup> Art. 25-octies of the Decree, as amended by Art. 3, paragraph 5 of Law No. 186 of 15 December 2014 on "Provisions on the emergence and return of funds held abroad as well as for strengthening the fight against tax evasion. Provisions on self-laundering".

<sup>5</sup> Art. 25-undecies of the Decree, as amended by Art. 1, paragraph 8 of Law No. 68 of 22 May 2015 on "Provisions on crimes against the environment".

XVII. transnational crimes introduced by Law No 146 of 16 March 2006, "Law of ratification and implementation of the UN Convention and Protocols against transnational organised crime";

It is believed that the crimes provided for to date in the Decree which could potentially affect Hitachi Rail S.p.A are those under points I), II), III), V), VI), VII), X), XI), XII), XIV), XV), XVI) and XVII).

With regard to other types of crimes, the Company has adopted a set of organisational and procedural safeguards to ensure the proper conduct of corporate activities,

## **1.2 PENALTIES**

The penalties envisaged for administrative offences resulting from crimes are:

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

In particular, the fines, applicable to all offences, are determined through a system based on not less than one hundred and not more than one thousand "units" and of varying amount between a minimum of 258.23 Euros and a maximum of 1,549.37 Euros. The court determines the number of units taking into account the severity of the act, the degree of liability of the Entity, as well as the activities carried out to eliminate or mitigate the consequences of the act and to prevent the commission of further offences. The amount of the unit is determined based on the economic and equity conditions of the Entity, in order to ensure the effectiveness of the penalty (Article 11 of the Decree).

Disqualification penalties, lasting not less than three months and not more than two years, regard the specific activity to which the offence of the Entity refers, and consist of:

- disqualification from exercising the activity;
- prohibition of dealing with the Public Administration, except for obtaining a public service;
- suspension or revocation of authorisations, licences or concessions instrumental to commission of the offence;
- exclusion from special rates, loans, grants and subsidies, and/or revocation of any already granted;

- prohibition of advertising goods or services.

Disqualification penalties are applied in the cases indicated in the Decree only in the presence of at least one of the following conditions<sup>6</sup>:

- the Entity profited to a significant extent from the crime and the same was committed by persons in top management positions, or by persons under the management of another person when commission of the crime was due to or facilitated by serious organisational failings;
- in case of repetition of the offences.

The type and duration of disqualification penalties are determined by the court, taking into account the severity of the act, the degree of liability of the Entity, as well as the activities carried out by the Entity to eliminate or mitigate the consequences of the act and to prevent the commission of further offences. In lieu of application of the penalty, the court may order the continuation of the activities of the Entity by a judicial commissioner.

Disqualification penalties may be applied to the Entity as a precautionary measure when there is serious evidence to suggest the existence of liability of the Entity in the commission of the crime and there are justified and specific elements that suggest the concrete danger of offences of the same type as that covered by the proceedings being committed (Art. 45). Also in such case, instead of the precautionary disqualification measure, the court may appoint an judicial commissioner.

failure to comply with the disqualification penalties constitutes an autonomous crime provided for by the Decree as a source of possible administrative liability of the Entity (Art. 23).

In addition to the aforementioned penalties, the Decree provides that the price or profit of the crime is always confiscated, which can also involve assets or other benefits of equivalent values, as well as the publication of the sentence of conviction in the presence of a disqualification penalty.

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<sup>6</sup> The legislator has deemed disqualification penalties to be applicable only to certain types of crime in the following categories: crimes committed in relations with Public Administration (Arts. 24 and 25 of the Decree); computer crimes and unlawful data processing (Art. 24-bis of the Decree); organised crime (Art. 24-ter of the Decree); counterfeit money, public credit cards, stamps and distinguishing instruments or marks (Art. 25-bis of the Decree); crimes against industry and commerce (Art. 25- bis. 1 of the Decree); crimes related to terrorism or subversion of the democratic order (Art. 25-quater of the Decree); practices of female genital mutilation (Art. 25-quater.1 of the Decree); crimes against the individual (Art. 25-quinquies of the Decree); manslaughter and grievous bodily harm committed in breach of legislation on occupational health and safety (Art. 25-septies of the Decree); receiving stolen goods, laundering and use of money, goods or benefits of illicit origin, as well as self-laundering (Art. 25-octies of the Decree); crimes concerning violation of copyright laws (Art. 25-novies of the Decree); environmental crimes (Art. 25-undecies of the Decree).

### **1.3 ATTEMPTED CRIMES AND CRIMES COMMITTED ABROAD**

The Company's responsibility can also arise from attempts to commit offences and/or crimes committed in a foreign country.

On the basis of on what is set forth by art. 4 of the Decree, in fact, an Entity with offices in Italy may be held liable for crimes - covered by the same Decree - committed abroad in order not to leave frequently occurring criminal conduct unpunished, as well as to avoid making it easy to avoid the entire regulatory system in question.

The preconditions underlying the liability of an Entity for crimes committed abroad are the following:

- a) the crime must be committed abroad by a person functionally linked to the Entity, in accordance with Art. 5, paragraph 1, of the Decree;
- b) the Entity must have its registered office in Italy;
- c) the Entity can be liable only in the cases and under the conditions provided for by Arts. 7, 8, 9 and 10 of the Italian Criminal Code.

If the cases and conditions specified by the above-mentioned articles of the Italian Criminal Code exist, the Entity is liable unless proceedings are started by the Country in the location in which the act was committed.

### **1.4 CONDITIONS DETERMINING EXCLUSION FROM ADMINISTRATIVE LIABILITY**

Arts. 6 and 7 of the Decree, nevertheless, provide for specific forms of exemption from administrative liability for crimes committed in the interest or to the advantage of the same by both top managers as well as by persons subject to the management or supervision of top managers.

In particular, in the case of crimes committed by persons in top management positions or who exercise, even de facto, management and control of the Entity, the same is not liable if it proves that:

1. the managing body has adopted and effectively implemented, before commission of the crime, an organisation, management and control model suitable for prevention of the crimes of the type committed (hereinafter, in short, also "Model");
2. the task of supervising the operation, compliance with and updating of the Model has been entrusted to a Supervisory Body hereinafter, in short, also "SB"), with autonomous powers of initiative and control;
3. the persons who committed the crime acted by fraudulently circumventing such Model;
4. there was no lack of or insufficient supervision by the SB.

The Decree also provides that the Model:

- identifies the activities where there is the possibility that crimes are committed;
- envisages specific protocols aimed at the adoption of suitable decisions in relation to the crimes to be prevented;
- identifies procedures for managing financial resources suitable for preventing the commission of such crimes;
- envisages an obligation of information vis-a-vis the SB;
- introduces a disciplinary system to punish failure to comply with the measures indicated in the Model.

As regards employees, Art. 7 provides for the exemption from liability in the event that the Entity has adopted and effectively implemented, prior to the commission of the crime, a Model suitable for prevention of crimes of the type committed. The Model envisages, in relation to the nature and size of the organisation as well as the type of activity carried out, appropriate measures to ensure the activity is conducted in compliance with the law and to promptly discover and eliminate situations of risk.

The effective implementation of the Model requires:

- periodic review and any changes to the same when significant violations of its provisions are discovered or in the presence of changes in the organisation or activity;
- a disciplinary system to punish failure to comply with the measures indicated in the Model.

The Decree also envisages that the Models can be adopted based on the codes of conduct drawn up by trade associations, whose suitability and effectiveness have been approved by the Ministry of Justice in cooperation with other competent Ministries. With reference to administrative crimes and offences and offences concerning market abuse, this evaluation of suitability is carried out by the Ministry of Justice, in consultation with Consob.

Finally, it is envisaged that, in small Entities, the task of supervision can be carried out directly by the managing body.



## **2 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL OF HITACHI RAIL S.P.A.**

Hitachi Rail S.p.A. (hereinafter also "HR SPA" or the "Company"), in order to ensure that the conduct of all those who work on behalf of or in the interest of the Company is always in compliance with legislation and regulations and consistent with the principles of fairness and transparency in the conduct of business and corporate activities, has adopted the Organisation, Management and Control Model (the "Model"), in line with the requirements of Italian Legislative Decree No. 231 of 2001 (hereinafter also the "Decree") and based on, inter alia, the guidelines issued by Confindustria.

The following are the Recipients of this Model and, as such, within their specific sphere of competence, must be familiar with and adhere to the Model:

- the members of the Board of Directors, in their pursuit of social action in all the resolutions passed;
- the members of the Board of Statutory Auditors, in their task of monitoring and ensuring the formal correctness and substantive legality of the Company's activities and of the internal control system and of management of risks;
- all employees and all persons with whom the Company has contractual relationships of any kind, whether occasional and/or only temporary;
- all those who have relationships based on consideration, or even gratuitous relationships, of any nature with the Company.

### **2.1 AIMS OF THE HITACHI RAIL MODEL**

The aims of the Model are as follows:

- to integrate and reinforce the Corporate Governance system of HR SPA;
- to put in place a structured and organised system of control and prevention procedures aimed at reducing the risk of committing crimes in connection with company activity;
- to provide information and training for Recipients regarding the existence of the said system and the need for their operations to be compliant with it;
- to confirm that Hitachi Rail does not tolerate unlawful conduct under any circumstances, since such conduct is contrary to the ethical principles and values guiding HR SPA and, therefore, in conflict with its interests;

- to inform all those who operate in the name of, on behalf of, or in the interests of HR SPA that:
  - a) committing a crime, mistakenly believed to be in the interests of the Company, results not only in the application of criminal sanctions against the person concerned, but also in administrative sanctions (pecuniary or disqualification sanctions) against the Company, causing it financial or operative damage, or damaging its image;
  - b) the violation of the requirements contained in this Model, regardless of whether the criminal offences are then committed, will result in the application of disciplinary and/or contractual sanctions.

## 2.2 HR SPA MODEL UPDATING PROCESS

The Model adopted by Hitachi Rail is subject to regular updates in order to ensure its functionality and effectiveness over time.

In particular, with the support of the Supervisory Body, Hitachi Rail:

- identifies and verifies (by conducting a risk assessment) the activities where there is a risk of crimes (and administrative offences) being committed that are covered by the Decree. This assessment is carried out periodically and/or if any regulatory and/or corporate developments occur.

The outcome of these analyses is usually presented in a document containing the map of the company activities. This map shows the areas at risk and the so-called potential risks associated with them, in relation to the crimes that could theoretically be committed.

Among the areas of activity at risk, account is also taken of those that might also be of indirect importance, because they are instrumental in committing some types of crimes. In particular, *instrumental* activities are those activities in which factual circumstances may be created that make it possible to commit crimes within the sphere of the areas evaluated to be at direct risk.

With reference to all areas at risk (direct or instrumental), account was also taken of any indirect relations, that is, those that Hitachi Rail maintains, or could maintain, through third parties. It should be noted that the risk profiles associated with activities carried out by HR SPA were evaluated also taking into account the possibility that company representatives might collude with parties outside the Company, whether occasionally and temporarily (i.e., aiding and abetting), or in an organised manner and with a view to committing an indefinite series of offences (crimes of conspiracy). The analysis also takes

into account the possibility that such offences may be perpetrated in a foreign country, that is, in a transnational manner.

The results of the analyses and the potential risk profiles, with regard to the crimes covered by the Decree, are examined in detail in the various Special Sections, which constitute an integral part of the Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/2001 adopted by HR SPA.

- analyses the system of preventive controls existing in the processes/activities at risk (organisation system, authorization system and system of powers/delegation; regulation of procedural and information flows, internal control system) in order to evaluate their fitness in preventing the risks of crime (as-is analysis).
- identifies the areas to be integrated and/or improved in the control system, defining the actions to be undertaken (gap analysis);
- ensures implementation of the principles of conduct defined in the Model, verifying, through the proper bodies, the effective suitability and operation of the instruments of control, and monitoring that the rules of procedure are indeed followed.

### 2.3 COMPONENTS OF THE HITACHI RAIL MODEL

The Model is based on the following components:

- an **internal regulatory system**, which also includes:
  - the Code of Ethics adopted by HR SPA and the Code of Conduct of the Hitachi Group, which describe the commitment and ethical responsibility adopted by those who work on behalf of, and in the interest of, Hitachi Rail, in carrying out company affairs and activities;
  - an organisational structure that is qualified to represent a clear and structured allocation of tasks and the separation of functions, formalized by means of:
    - an *organisation chart*, which presents the hierarchical reporting lines;
    - an *internal organisational system* (formalized by means of different types of documents) that indicates the responsibilities and tasks assigned to the various company departments as well as the areas of activity and the hierarchical reporting lines and functional link.

Hitachi Rail defines the procedures and responsibility for the process of creating, approving, and disseminating the organisational documents.

- All the rules formalized by the company, which specify and describe the operational management procedures and responsibilities for carrying out certain processes/activities.

In particular, the applicable internal rules (formalized by means of different types of documents) stipulate:

- o the *separation of functions* (defined as the separation within each process of the person who makes the decision, the person who authorizes it, the person who implements it, and the person entrusted with control of the process);
- o the *tracking* of the decision process and the *documentation* of each important step of the process.

Hitachi Rail defines the procedures and responsibility for the process of creating, approving, and disseminating the internal rules.

Furthermore, policies/guidelines consistent with the regulatory elements covered by the Hitachi Group's Guidelines are issued for topics of general interest, even concerning aspects of governance.

- an **authorization system**, based on the following principles:
  - definition of roles, responsibilities, and controls in the internal decision and approval process;
  - granting and rescinding powers of attorney and proxies, for the regulation of external relations, in line with the roles covered within the organisation;
  - clear definition of the delegate's powers and of the limits in exercising powers of attorney, in line with company objectives;
  - clear definition of the powers that can be exercised by the delegate, in line with the regulatory provisions in force for the designated activities.

The Model also stipulates:

- the appointment of a **Supervisory Body** (hereinafter "SB"), possessing the requirements of autonomy, independence, continuity of action, and professionalism, with the tasks of supervising the functioning of, and compliance with the Model, and of proposing its updating. To this end, the SB will receive the powers, means, and access to information necessary for performing this activity;

- the introduction of a comprehensive, widespread **system of training and information** whose aim is to consolidate all Recipients' knowledge of the principles and rules to which the actual operations of Hitachi Rail must conform;
- the setting-up of a specific, appropriate **disciplinary system** for punishing any violation of the Model.

## **2.4 STRUCTURE OF THE MODEL**

The Model is made up of a “General Section” and of “Special Sections.”

The “General Section” sets out the essential components of the Model with particular reference to the SB, to personnel training and dissemination of the Model inside and outside of the company, to the disciplinary system, and to measures to be taken should its requirements not be observed.

The “Special Sections” are devoted to the regulation of the various types of crimes and administrative offences specified in the Decree, including the identification of the corporate areas of risk and the definition of the general principles of conduct and the control instruments.

It is understood that the principles described in this General Section and in the Code of Ethics adopted by Hitachi Rail and in the Hitachi Group's Code of Conduct are applied to all the crime categories, even if deemed unrelated or with residual risk with respect to HR SPA's operational functionality.

## **2.5 AMENDMENTS AND SUPPLEMENTS TO THE MODEL**

The adoption of and subsequent amendments and additions to the Model are the responsibility of the Board of Directors of Hitachi Rail in compliance with the requirements of Art. 6, paragraph 1, letter a) of the Decree.

The Board of Directors relies on the support of the SB to identify the amendments to be made to the Model and to promptly update those Annexes that are instrumental to the effective prevention of the risky behaviour.

The amendments and/or supplements that require an assessment of alignment of the Model are attributable, by way of example, to the following categories:

- legislative changes in the catalogue of predicate crimes;
- case law and prevalent doctrine guidelines;

- feedback and/or deficiencies emerging as a result of verification of the efficiency and effectiveness of the Model;
- significant changes in the organisational structure or business sectors of the Company;
- other considerations arising from the concrete and specific application of the Model.

## **2.6 ADOPTION AND MANAGEMENT OF THE MODEL IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

Hitachi Rail considers compliance with the laws, sector regulations, and the ethical principles expressed in the Code of Conduct of the Hitachi Group and in its own Code of Ethics to be an essential condition for preserving corporate value and improving it over time.

Hitachi Rail, in potentially exercising the activity of management and coordination pursuant to Art. 2497 of the Italian Civil Code and with respect to the organisational, management and operational independence of its subsidiaries, both directly and indirectly controlled, requests that the Italian-law subsidiary companies adopt and implement their own Models. With reference to foreign-law subsidiaries, Hitachi Rail has disseminated its own Code of Ethics, suggesting that these subsidiaries implement the Hitachi Group's Code of Conduct and adopt their own Code of Ethics in line with that of the Company.

As regards the formation of new associative structures, on a national basis, Hitachi Rail S.p.A. verifies, from the outset, whether the other Partners have aligned themselves with Italian Legislative Decree 231/2001, also requesting a declaration to such effect by the partners themselves

## 2.7 COMPOSITION AND REQUIREMENTS OF THE SUPERVISORY BODY

The SB of Hitachi Rail is a mixed collegial body appointed by the Board of Directors and made up of the following three members:

- at least one external member, chosen among those professionals expert in the legal and economic matters covered in Italian Legislative Decree no. 231/2001 and having the qualifications specified in the Articles of Association of the Supervisory Body;
- at least one internal member, appointed on the basis of his company position as defined in the Articles of Association of the Supervisory Body.

Specifically, the Board of Directors of Hitachi Rail appoints the external member as President of the Supervisory Body.

The appointment, the tasks, the activities, the functioning of the SB, its term of office, revocation, replacement, as well as the requirements of its members are governed by the “Articles of Association of the Supervisory Body,” which is also approved by HR SPA’s Board of Directors and constitutes an integral part of the Model.

Appointment as a member of the SB is conditional upon the existence and continued existence of the qualifications required by the Articles of Association.

All members of the Supervisory Body are subject to the non-competition requirements pursuant to Art. 2390 of the Italian Civil Code.

For the operational development of its activities, the SB relies on a Technical Secretariat and may adopt Internal Regulations for the purpose of governing the functioning of its activities.

Confindustria guidelines specify the characteristics of the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, in order that it may conduct its activities on the basis of the information contained in articles 6 and 7 of the Decree, and that is:

a) Autonomy and independence

The requirements of autonomy and independence are essential to ensure that the SB not be directly involved in the management activities subject to its control activities.

These requirements can be obtained, thereby ensuring the SB a hierarchical reporting position that is as high as possible. To this end, the SB of Hitachi Rail is implementing a reporting system to the corporate bodies and specifically to the Board of Directors and the Board of Statutory Auditors.

The SB, in carrying out its functions, has available sufficient financial means, through the allocation of an expense budget by the Board of Directors.

b) Professionalism

The members of the SB are in possession of specific technical and professional qualifications necessary for performing their own activities; moreover, provision has been made to make use of the specialized support of persons inside and outside the Company.

c) Continuity of action

The SB operates in the Company, exercising the necessary powers to investigate.

Continuity of action is ensured through:

- the composition, which requires the presence of at least one internal member;
- the ordinary information flows, which are also set up in a dedicated manner;
- the expectation of regular meetings at which various subjects can be examined jointly, even potentially through interviews with the Heads of specific company departments/activities.

## **2.8 FUNCTIONS AND POWERS OF THE SUPERVISORY BODY**

The functions and powers granted by the Board of Directors to the SB of Hitachi Rail are analytically described in the Articles of Association of the Supervisory Body, to which you are directed.

In general, the SB has the following tasks:

1. to supervise the application of the Model in relation to the different types of offences indicated in the legislative decree;
2. to verify over time the effectiveness of the Model and its ability to prevent the commission of the offences specified in the legislative decree;
3. to identify and propose to the Board of Directors revisions and modifications of the Model with regard to regulatory changes or changes in the company's situation.



More specifically, it is the task of the SB:

- to verify the effectiveness of the Model in relation to the company structure and to its actual ability to prevent the commission of the crimes indicated in the Decree, proposing – where deemed necessary – any updates to the Model, especially regarding the development of and changes in the organisational structure or company operations and/or current legislation;
- to monitor the validity of the Model over time, promoting, if necessary after consultation with the company structures involved, all actions needed in order to ensure its effectiveness. This task includes formulating proposals for adjustments to be made to top management and subsequent verification of the implementation and functionality of the proposed solutions, even by means of follow-up activities;
- to evaluate that the Model maintains its requirements of solidity and functionality over time;
- to supervise the effective application of the Model, even through specific checks;
- to verify that the responsibilities defined in the organisational structure are consistent with related system of powers;
- to define and oversee the information flow to the Supervisory Body;
- to implement a reporting system with regard to the corporate bodies and top management, in accordance with the Articles of Association.
- to promote, through the relevant corporate structures, a training process for the staff, for the purpose of disseminating knowledge and understanding of the Model;
- to verify that any violations of the Model are punished in conformity with the provisions of the Disciplinary Regulations pursuant to Italian Legislative Decree no. 231/2001.

In order that it may carry out the obligations specified above, the Supervisory Body is granted powers as indicated hereafter:

- to access all company documents and/or information essential in carrying out the functions entrusted to the Supervisory Body pursuant to the Decree;

- to call upon the services of outside consultants in cases where this is necessary to fulfil the designated activities, observing the internal company rules regarding the assignment of consultancy mandates;
- to request information from external consultants, business partners and auditors within the sphere of activities carried out on behalf of the Company.

The Supervisory Body may decide to delegate one or more specific tasks to its members, based on their respective expertise, with the obligation of reporting back to the Supervisory Body. However, even where functions are delegated by the Supervisory Body to single members, the Supervisory Body maintains its collegial responsibility.

## **2.9 INFORMATION FROM THE SUPERVISORY BODY TO CORPORATE BODIES**

The Supervisory Body of Hitachi Rail, within the context of the tasks entrusted to it, passes information to the relevant corporate bodies in order that they may subsequently adopt the resolutions and actions necessary to ensure the effective, constant suitability and actual implementation of the Model.

Specifically, the SB provides the Board of Directors and the Board of Statutory Auditors with a periodical report detailing:

- all the activities carried out during the period, with particular reference to that of verifying sensitive processes under the Decree;
- critical issues arising, both regarding behaviour or internal events in the Company, and the effectiveness of the Model;
- an analysis of any comments received during the period and of the relative actions undertaken by the Supervisory Body and by the other interested parties;
- proposals for revision and updating of the Model;
- the communication/training activities conducted;
- the Activities and Inspections Plan defined for the following year.

Moreover, the SB must put in place ad hoc information flows, in the case of circumstances that make information necessary or in any case advantageous. Consequently, the Supervisory Body must report promptly to Top Management regarding:

- any violation of the Model deemed to be real, that was learned during the execution of its functions;
- finding any organisational or procedural defects that might lead to a real danger of commission of crimes considered relevant pursuant to the Decree;
- the existence of criminal proceedings against people who operate on behalf of the Company, that is to say, of proceedings against the Company in relation to crimes considered relevant pursuant to the Decree, information regarding which was obtained during the fulfilment of its functions;
- the outcome of investigations carried out by the SB itself following enquiries on the part of the judicial authorities regarding crimes considered relevant pursuant to the Decree;
- amendments made to the list of offences for which administrative responsibility of the Company is envisaged;
- any other information deemed to be useful for the purpose of making urgent decisions.

The Supervisory Body must also report without delay to:

- the Board of Directors, any violations of the Model committed by the Chief Executive Officer, by company Executives or by members of the Board of Statutory Auditors;
- to the Board of Statutory Auditors, any violations of the Model committed by the independent auditor or by members of the Board of Directors, so that the measures laid down may be adopted with regard to the law.

## **2.10 INFORMATION FLOWS TOWARDS THE SUPERVISORY BODY**

Article 6, par. 2, letter d) of the Decree requires the Model to lay down obligations of information to be passed to the SB charged with supervising the functioning and observance of the same Model.

The requirement of a structured information flow is conceived as a tool to ensure the activity of supervision of the efficacy and effectiveness of the Model and if necessary to investigate retrospectively the causes underlying the occurrence of the crimes specified in the Decree or, in any case, behaviour not in line with the defined rules of conduct.

The effectiveness of the activity of supervision is founded on a structured system of reports and information from all the Recipients of the Model, with reference to all deeds, behaviour, or events coming to their notice, which might result in a violation of the Model or which, more generally, are potentially relevant for the purposes of the Decree.

Such information flows can be activated:

- upon the occurrence of specific events/situations (ad hoc);
- systematically.

Ad hoc information flows refer to information for which it is advisable that a report be sent immediately to the Supervisory Body. Specifically, information must be passed on the following:

- the proceedings and/or the information from the judicial authorities, or from any other authority, against Directors, Statutory Auditors, Managers, Employees, Suppliers, Collaborators with which HR SPA maintains a working relationship, for any reason whatsoever, which suggest that investigations/enquiries are being carried out, regarding the Company, even if regarding unknown persons, for the crimes and administrative offences mentioned in the Decree;
- the requests for legal assistance by executives and/or employees if judicial proceedings are initiated for the crimes specified in the Decree;
- information relating to the effective implementation at all company levels of the Model, with evidence of disciplinary proceedings carried out and of any penalties applied, or of decisions to file such proceedings with the relative reasons;
- reports or notifications prepared by the heads of the company departments in the context of their control activity and from which might

emerge situations, acts, events, or omissions with critical profiles with respect to observance of the Decree's provisions;

- any existing situations of conflict of interest between one of the Recipients and the Company.

The Body may also request from the independent auditors information regarding the activities they carry out, relevant for the purposes of implementing the Model, and set up an exchange of information and regular meetings with the Board of Statutory Auditors and the independent auditors.

The SB evaluates the reports received, including those from anonymous sources, and decides on any actions, even interviewing the sender of the report and/or the person responsible for the alleged violation and/or any other person deemed useful, giving written justification for all conclusions reached.

In order to facilitate the flow of reports and information to the Supervisory Body, a "dedicated information channel" has been established via the email address "[odv231@hitachirail.com](mailto:odv231@hitachirail.com)". Reports may also be sent by postal mail to the following address: "Organismo di Vigilanza ex D.lgs. 231/01, Hitachi Rail S.p.A., via Argine 425, 80147 Napoli (NA)".

Furthermore, a regular information flow has been implemented by the individuals identified as the managers of the areas at risk, who must systematically inform the SB on the specific operational contents of their area and on their observance of the principles of the Model. The contents and times of transmission are regulated in specific Annexes to the Model, which the Supervisory Body is responsible for updating.

All information, indications, and reports required in the Model are kept by the Supervisory Body, at its Technical Secretariat, in a specific file with restricted access.

### **3 PERSONNEL TRAINING AND CIRCULATION OF THE MODEL IN THE CORPORATE ENVIRONMENT AND OUTSIDE THE COMPANY**

#### **3.1 PERSONNEL TRAINING**

Hitachi Rail S.p.A. promotes knowledge of the Model among all employees, who are required to observe its principles and contribute to their implementation.

The HR Department, in line with the needs of the Supervisory Body, prepares training programs on the provisions of Italian Legislative Decree no. 231/2001.

Moreover, the actions of communication concern:

- uploading the Model to the corporate Intranet;
- distribution of the Code of Ethics to all new staff when they join the company;
- reports regarding updates of the Model or the Code of Ethics following any amendments to the law and/or the company's organisation.

#### **3.2 INFORMATION TO CONSULTANTS AND PARTNERS**

Hitachi Rail S.p.A. promotes knowledge of and compliance with the Model and the Code of Ethics also among its business and financial partners, consultants, collaborators in various capacities, customers, and suppliers of the Company.

Hitachi Rail S.p.A. will insert in the contracts with business and financial counterparts and with consultants, specific contractual clauses that provide for the termination of contractual obligations in the event of a breach of the ethical principles established.

## **4 DISCIPLINARY SYSTEM AND MEASURES IN THE EVENT OF NON-COMPLIANCE WITH THE REQUIREMENTS OF THE MODEL**

### **4.1 GENERAL PRINCIPLES**

Italian Legislative Decree no. 231/2001 indicates as a condition for the effective implementation of the Organisation, Management, and Control Model – and, therefore, to be able to take advantage of the relative exemption clause – the adoption of a system of penalties suitable for punishing the failure to observe the requirements of the Model or the principles contained in the Code of Ethics.

The establishment of a disciplinary system that prevents and penalizes the behaviours carried out in violation of the rules of conduct specified in the Model and in the Code of Ethics, besides representing a measure of the effective implementation of the Model, is explicitly introduced by articles 6 and 7 of Italian Legislative Decree no. 231/2001, respectively paragraph 2, letter e) and paragraph 4, letter e)

With regard to this, Hitachi Rail has envisaged a system of penalties to be applied objectively and systematically, in case of failure to observe the requirements specified in the Model. The application of disciplinary measures is independent of the initiation and/or outcome of any criminal proceedings, insofar as HR SPA has adopted the rules of conduct established by the Model in full autonomy and regardless of the type of offence determined by the violations to the Model itself.

However, the company has the right to claim compensation for damages arising from the violation of the Model by the individuals specified in art. 5, par. 1 of the Decree.

### **4.2 RELEVANT CONDUCT**

For the purposes of this Disciplinary System, and with respect to the provisions specified in the collective bargaining agreement, where applicable, violations of the Model – which are punishable as such – are constituted by all the purposeful or negligent conduct (even wilful) suitable for compromising its effectiveness as a tool of prevention of the risk of committing the crimes specified in Italian Legislative Decree no. 231/2001, specifically:

- 1) the implementation of behaviour not conforming to the requirements of the Model pursuant to Italian Legislative Decree no. 231/2001 and/or the Code of Ethics, or the omission of actions or behaviour defined in the Model and/or in the Code of Ethics (for example: violation of the information obligations towards the Supervisory Body; lack of, incomplete or untrue documentation of the activities carried out in each of the sensitive processes; barrier to controls, unjustified impediment to the information and documentation required by the SB and/or by the individuals in charge of the control; omission or violation of the requirements of the Model having the objective of ensuring safety and health in the workplace and preventing pollution or environmental damage; etc.);
- 2) the implementation of behaviour not conforming to the requirements of the Model pursuant to Italian Legislative Decree no. 231/2001 and/or the Code of Ethics, or the omission of actions or behaviour defined in the Model and/or in the Code of Ethics that:
  - a) expose HR SPA to an objective risk of the commission of one or more of the crimes specified in Italian Legislative Decree no. 231/2001;
  - b) are directed unequivocally to the commission of one or more of the crimes specified in Italian Legislative Decree no. 231/2001;
  - c) can result in the application against the Company of the penalties provided for in Italian Legislative Decree no. 231/2001.

The rules and behaviour to be adopted in the performance of ordinary operations, as specified by the Model, are attributable to the combination of organisational elements governing corporate life in its entirety and, more specifically, to the provisions, directives, communications, procedures, and instructions that contain the methodological references to be followed, mainly in the operational functionality of the “sensitive” areas considered to be at risk of crimes being committed. Therefore, it follows that in this context, “violation of the Model” must be understood to mean the failure to observe, when performing the activities, one or more of the corporate procedures in question and the corresponding required control instruments.



### **4.3 PUNISHABILITY**

The identification and application of penalties must take into account the principles of proportionality and adequacy with respect to the alleged violation. Therefore, the following elements are significant:

- type of the alleged offence;
- actual circumstances under which the offence took place;
- manner in which the conduct took place;
- seriousness of the violation, taking into account also the offender's subjective attitude;
- whether more than one violation was committed in the context of the same conduct;
- whether more than one person were involved in committing the violation;
- whether the author of the offence is a re-offender.

#### 4.3.1 MEASURES REGARDING DIRECTORS, STATUTORY AUDITORS, AND HR SPA'S PERSONNEL

The detection of the offences, potentially upon notification from the Supervisory Body, the management of the disciplinary proceedings, and the imposition of penalties remain the responsibility of the designated HR Department.

The adequacy of the disciplinary system is constantly monitored by the HR Department, which reports on this to the SB.

The specific measures to be adopted regarding Directors and Statutory Auditors, Managers, Employees, and Contract Workers, as well as the relevant penalty imposition proceedings, are included in the "Disciplinary rules for offences pursuant to Italian Legislative Decree no. 231/2001," which should be consulted for more details.

#### 4.3.2 MEASURES REGARDING THIRD PARTIES

In relation to potential behaviour adopted, within the scope of a contractual relationship, by the collaborators, auditors, consultants, partners, counterparts, or other external persons, that is in contrast with the codes of conduct specified by the Model and/or by the Code of Ethics, the measures are determined by virtue of what is governed in the contractual clauses in question.

The procurement department is responsible for obtaining the counterparty's acceptance during the negotiation phase with regard to the clauses on the

observance of the principles specified in the Code of Ethics and in the Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/2001.

The contract management body is responsible for monitoring the observance by the supplier of the principles specified in the Code of Ethics and in the Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/2001, giving prompt notification of any violations to the legal department and to the Supervisory Body.

The Supervisory Body is responsible for assessing the appropriateness of the measures adopted by the Company regarding the collaborators, consultants, third parties, and any other individual working for any reason on behalf of the Company, and for suggesting that the aforesaid measures be updated.