



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

**GENERAL SECTION**

*Translation from the Italian original, which remains the definitive version*

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Revision	Date	Summary of reason for revision of General Section
0	02/11/2015	First issue
1	13/05/2016	Change in the composition of the Supervisory Body, with a prevalence of external members
2	22/05/2017	Update for the introduction of the crimes of self-money laundering and eco-crimes and amendments to the crime of accounting fraud
3	22/05/2018	<ol style="list-style-type: none"> <li>1. Inclusion of clarifications on the newly introduced Whistleblowing legislation</li> <li>2. Inclusion of the crimes of racism and xenophobia in the list of predicate crimes</li> <li>3. Explanation of the operational protocols prepared in the context of the operative Compliance Programmes for subsidiaries and branches</li> <li>4. Explanations of the regulatory system as a control protocol for monitoring the risk of crimes being committed, and introduction of the List of Procedures (Annex 7)</li> <li>5. Explanation of the methods of identification of the persons delegated to manage relations with members of the Public Administration</li> </ol>
4	04/11/2019	<ol style="list-style-type: none"> <li>1. Update of the General Section as a result of organisational changes in the company;</li> <li>2. Update following legislative measures (Italian Legislative Decree no. 38/2017 and Italian Law no. 3/2019);</li> <li>3. Update of the list of predicate crimes with the inclusion of cases of Fraud in sports competitions (art. 25 quaterdecies)</li> </ol>
5	XX/XX/XXXX	<ol style="list-style-type: none"> <li>1. Update of the General Section as a result of organisational changes in the company;</li> <li>2. Update following legislative measures (Italian Law no. 157/2019 and Italian Legislative Decree no. 75/2020);</li> <li>3. Update of the list of predicate crimes with the inclusion of cases of Tax Crimes (art. 25 quinquiesdecies) and Smuggling (art. 25 sexiesdecies), as well as amendment of articles 24 and 25 of the Decree and drafting / amendment of the relevant Special Sections;</li> <li>4. Drafting of the Special Section pertaining to crimes against industry and trade (art. 25 bis.1) following changes in the process of managing patents and intellectual property.</li> </ol>



## 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 (hereinafter “Decree” or Italian Legislative Decree no. 231/2001) 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"<sup>1</sup>), 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 (also known as “persons in top management positions” or “Top-level Managers”);
- natural persons under the direction or supervision of one of the aforementioned individuals (also known as “persons in subordinate positions” or “Subordinates”)<sup>2</sup>.

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.

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<sup>1</sup>The Entities that fall within the scope of Italian Legislative Decree no. 231/2001 are:

- entities with juridical personality;
- associations and entities without juridical personality that do not perform functions of constitutional importance.

Therefore, the following are excluded from the applicability of the above-mentioned Decree:

- the State;
- territorial public entities (Regions, Provinces, and Municipalities);
- economic and instrumental public entities (independent administrative authorities);
- entities that perform functions of constitutional importance.

In addition, according to case law, companies governed by private law that provide public services (e.g. in the case of concessionary relationships), as well as companies controlled by Public Administrations, can also be considered Recipients of Italian Legislative Decree no. 231/2001.

<sup>2</sup>The term "Subordinates" could also include those workers who, although not "employees" of the entity, have a relationship with the entity such as to lead to the supposition that there is an obligation of oversight on the part of the top management of the entity (e.g. para-subordinates in general, suppliers, consultants, collaborators).

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 (as more fully specified in Annex 8 of this Model):

- I. crimes in relations with Public Administration (Articles 24 and 25 of the Decree)<sup>3</sup>;
- II. computer crimes and unlawful data processing (Article 24-bis of the Decree);
- III. organised crime (Article 24-ter of the Decree);
- 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 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 (TUF), Article 187-quinquies "Liability of the entity");

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<sup>3</sup>The PIF Directive, implemented by means of Italian Legislative Decree no. 75/2020, which came into effect on 30/07/2020, modified the wording of art. 24 and art. 25 of the Decree as follows: (art. 24) "Undue receipt of funds, fraud against the State, a public body, or the European Union or to obtain public funds, computer fraud against the State or a public body and fraud in public procurement", (art. 25) "Misappropriation, extortion, undue inducement to give or promise benefits, corruption, and abuse of office". With reference to art. 24, it also extended the responsibility of Entities to the crime of "Fraud in Public Procurement" (art. 356 of the Italian Penal Code), as well as to fraud against the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (art. 2 of Italian Law no. 898/1986). With reference to art. 25, on the other hand, it introduced the punishability of Entities with regard to the crimes of misappropriation (art. 314 of the Italian Penal Code), misappropriation by profiting from the errors of others (art. 316 of the Italian Penal Code), and abuse of office (art. 323 of the Italian Penal Code).

- 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);
- 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);
- XVI. crime of employment of illegally staying third-country nationals (Article 25-duodecies of the Decree);
- XVII. crime of racism and xenophobia (article 25 terdecies of the Decree);
- XVIII. transnational crimes introduced by Italian Law no. 146 of 16 March 2006, "Law ratifying and implementing the United Nations Convention and Protocols against transnational organised crime";
- XIX. crimes of fraud in sports competitions, illegal gambling or betting and gambling by means of prohibited devices (article 25 quaterdecies of the Decree);
- XX. tax crimes (article 25 quinquiesdecies of the Decree)<sup>4</sup>;
- XXI. smuggling crimes (article 25 sexesdecies of the Decree).<sup>5</sup>

It is believed that, of the crimes included in the Decree to date, those listed under I, II, III, IV, V, VI, VII, IX, X, XI, XII, XIII, XIV, XV, XVI, XVIII, XX, and XXI may potentially be applied (even residually) to Hitachi Rail S.p.A. (hereinafter also HR S.p.A., that is, the Company).

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 and impede the potential commission of such offences.

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<sup>4</sup>Introduced initially by Article 39 of Italian Law Decree no. 124/2019 (also known as the "Tax Decree"), converted by Italian Law no. 157/2019, which then extended the liability of entities for certain tax crimes provided for by Italian Legislative Decree no. 74/2003; this article of the Decree was subsequently expanded by the introduction of Italian Legislative Decree no. 75/2020, which implemented the PIF Directive (EU Directive no. 2017/1371);

<sup>5</sup>Introduced by Italian Legislative Decree no. 75/2020 in implementation of the PIF Directive (EU Directive no. 2017/1371), which extends the liability of Entities to the crimes referred to in Italian Presidential Decree no. 43 of 23 January 1973 (Consolidated Customs Legislation).

## 1.2 PENALTIES

The penalties envisaged for administrative offences resulting from crimes are:

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

### ▪ FINANCIAL PENALTIES

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 (i) the severity of the act, (ii) the degree of liability of the Entity, as well as (iii) 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).

In any case, the above-mentioned penalties are not applied if "*the author of the crime committed the act in his own interest or in the interest of third parties and the entity has not gained an advantage or has gained only a minimal advantage*", as well as if "*the financial damage caused is particularly slight*".

### ▪ DISQUALIFICATION PENALTIES

The disqualification sanctions, lasting no less than three months and no more than two years – imposed by the judicial body on the basis of the suitability of the individual disqualification sanctions to prevent offences of the type committed, as well as on the basis of the criteria previously indicated for the calculation of the pecuniary sanction – concern the specific activity to which the offence committed by 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 (as per art. 13 of the Decree)<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 for a period equal to the duration of the disqualification penalty that would have been applied, when at least one of the following conditions is met:

- the entity performs a public service or a service of public necessity whose interruption may cause serious harm to the community;
- interrupting the entity's activities may significantly affect employment, taking into account its size and the economic conditions of the area in which it is located.

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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 trade (Art. 25- bis. 1 of the Decree); crimes of corruption between private parties (art. 25 ter, letter "s" bis 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); racism and xenophobia (art. 25- terdecies of the Decree); and fraud in sports competitions (art. 25- quaterdecies); Tax crimes (art. 25- quinquiesdecies of the Decree); Smuggling (art. 25- sexesdecies of the Decree).



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).

▪ **CONFISCATION**

In addition to the aforementioned penalties, the Decree provides that the price or profit of the crime is always confiscated, in case of conviction (art. 19 of the Decree), except for the portion that can be returned to the damaged party and without prejudice to the rights acquired by third parties in good faith.

In addition, confiscation may be carried out with regard to money, goods, or other assets with a value equivalent to the price or profit of the crime, if it is not possible to carry out confiscation with regard to the actual profit of the crime.

▪ **PUBLICATION OF THE JUDGEMENT**

In the event of the application of a disqualification penalty, the judge may order – at the expense of the entity itself – the publication of the sentence of conviction (art. 18 of the Decree) in one or more newspapers, as an abstract or in full, together with its posting in the municipality where the entity is based.

### **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.
- d) in cases where the law provides that the guilty party be punished at the request of the Minister of Justice, proceedings against the entity are initiated only if the request is also made against the entity itself;
- e) if the cases and conditions referred to in the above-mentioned articles of the Italian Criminal Code exist, the Entity is liable, unless proceedings against it are initiated by the government of the place where the offence was committed.

Moreover, in application of the principle of territoriality<sup>7</sup>, foreign companies operating in Italy and whose directors or employees commit one or more of the crimes indicated in Italian Legislative Decree no. 231/01 cannot be considered excluded from the application of administrative liability regulations.

The presence in the national territory of secondary offices of foreign companies does not, however, imply the prosecution of these entities also for offences committed in the country of origin or, in any case, outside Italy. Acts committed in the interest of a foreign entity whose organisational deficiency took place completely abroad do not fall within the scope of the decree.

#### **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

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<sup>7</sup>"Whoever commits a crime in the territory of the State is punished according to Italian law", art. 6, par. 1 of the Italian Criminal Code

suitable for prevention of the crimes of the type committed<sup>8</sup> (hereinafter, in short, also "Model 231" or "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<sup>9</sup>.

The Decree also provides, under article 6, paragraph 2, that the Model shall be exempt if it meets the following requirements:

- 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 procedural profile relating to the burden of proof has a significant importance. In particular, in the event of any proceedings aimed at ascertaining the administrative liability of the entity following the commission of a crime by a Top-level Manager, the entity has the burden of proving that it has met the requirements of art. 6, paragraph 1 of Italian Legislative Decree 231; conversely, in the event that the offence is the result of conduct on the part of a Subordinate, the adoption of the Model constitutes a presumption in favour of the entity and therefore entails the reversal of the burden of proof on the part of the prosecution, which is required to demonstrate the failure to adopt and effectively implement the Model.

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<sup>8</sup>This is an exempting condition with regard to liability, given that it aims to exclude the "organisational guilt" – a subjective element necessary for the existence of the crime – of the entity in relation to the commission of the crime.

<sup>9</sup>In this sense, the avoidance or insufficient control by the Supervisory Body contributes to determining, even in the presence of an Organisation, Management, and Control Model that is abstractly suitable and effective, the commission of the alleged offences set out in Italian Legislative Decree no. 231/01.

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.

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

Hitachi Rail S.p.A. is the Hitachi Group company specialising in the construction of rolling stock and in the related after-sales support and maintenance services.

Hitachi Rail S.p.A., 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, in line with the requirements of Italian Legislative Decree No. 231 of 2001 and with the indications of the Guidelines issued by Confindustria as well as with the principles established by the Hitachi Group's Global Compliance Programme ("HGCP").

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;

- the members of the Supervisory Body;
- all employees and collaborators with whom the Company has contractual relations, for any reason, even occasional and/or only temporary, including employees working for Branches/Stable Organisations and HR S.p.A. employees seconded to other Group Companies;
- persons who, although external to the corporate structure, are linked to it by "subordination" or "parasubordination" relationships (e.g., external consultants, those who are linked by a contract of coordinated and continuous collaboration or other persons linked by a contractual tie or regulatory obligation that places them under the supervision and control of top management).

## **2.1 THE HITACHI RAIL GOVERNANCE SYSTEM**

The term *Corporate Governance* refers to the Company's management and control system, understood as a set of rules and procedures aimed at ensuring the effective and efficient management of the company, with the aim of creating value for shareholders in the medium/long term, taking into account the interests of other stakeholders.

Hitachi Rail has adopted a traditional model of management and control in which the supervisory functions are attributed to the Board of Statutory Auditors.

The Company has a Board of Directors and a Chief Executive Officer. The Board of Directors is headed by the Chairman.

The Board of Directors has the duty of directing the company, having the power to take all appropriate steps to achieve the company's objectives, with the exception of acts reserved to the Shareholders' Meeting by law or by the Articles of Association.

The Board of Directors therefore plays a central role in the decision-making process of the Company, since it not only assesses the overall performance of the Company's operations, but also examines and approves in advance operations of significant strategic, economic, or equity importance for the Company itself.

With regard to the Board of Statutory Auditors, it carries out its supervisory activities in accordance with the provisions of the Italian Civil Code and the Consolidated Law on Statutory Auditing (Italian Legislative Decree no. 39/2010).

The corporate organisation of HR S.p.A. is integrated into the Hitachi Rail Group organisation, with respect to which the teams of the various legal entities collaborate using the integrated matrix logic of “*One Hitachi Rail*”.

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

By adopting the Model, Hitachi Rail S.p.A. intends, among other things, to comply with the provisions of law and the guiding principles of the Decree, as well as to make the system of controls and Corporate Governance more effective, in particular with respect to the objective of preventing the commission of the crimes covered by the Decree.

The aims of the Model are as follows:

- to integrate and reinforce the Corporate Governance system of Hitachi Rail;
- 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, ensuring:
  - a) knowledge of the activities that present a risk of the commission of crimes that are significant for the Company (Areas at risk), as well as the rules that govern them;
  - b) adequate information for the Recipients with reference to the methods and procedures to be followed in carrying out the operational activities pertaining to the aforementioned Areas at risk, creating an awareness of the penalties potentially applicable to them or to the company for the violation of laws, rules, or company regulations;
  - c) the spread of a culture of oversight, capable of governing the achievement of the objectives that, over time, the Company – exclusively on the basis of the decisions regularly made by the relevant corporate bodies – sets itself;
  - d) the existence of a clear assignment of powers and a suitable control system;

- 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 allow the exemption of the administrative/criminal liability<sup>10</sup> of the Company in the event of the commission of crimes;
- to actively censure conduct in violation of the Model;
- to inform all those who operate in the name of, on behalf of, or in the interests of Hitachi Rail S.p.A. 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.

### **2.3 HITACHI RAIL S.P.A MODEL UPDATING PROCESS**

The Model adopted by Hitachi Rail S.p.A., as a tangible tool that meets the company's prevention and control needs, is subject to regular updates in order to ensure its functionality and effectiveness over time.

Specifically, the Model and its accompanying documentation may be updated when:

- there are regulatory updates concerning Italian Legislative Decree no. 231/2001 with reference to administrative offences resulting from crimes;
- recommendations are made regarding case law and prevalent legal literature guidelines;
- there are significant changes in the organisational structure or in the company's business sectors;

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<sup>10</sup>The legal literature is not unanimous on the legal qualification of the liability regime in relation to the sanctions set forth in the Decree. According to some, it is administrative liability due to the typically administrative system of penalties; according to others, it is criminal liability by reason of the attribution of jurisdiction to the criminal court; and according to yet others, it is a third category, introduced into Italian law by the 2001 Legislature.



- there are significant violations or circumventions of the Model and/or critical issues that highlight its inadequacy/ineffectiveness, even if only in part;
- there are other considerations arising from the concrete and specific application of the Model.

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 (Mapping for the Identification of Areas at Risk - "MIAR"). This map shows the areas at risk, as well as 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 S.p.A. 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 also in the context of the activities carried out through its Branches/Stable Organisations.

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.

- 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 (also known as “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.

## 2.4 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 S.p.A 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;
  - the Anti-Corruption Code, which defines the values and ethical principles to be adopted to combat corruption and prevent the risks of illegal practices, at any work level and in any geographical area;
  - 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* (formalised by means of "Announcements" and "Role&Mandates" published on the Group intranet) 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 (refer to Annex 2 for more details).

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.

The Directives, Procedures, Policies, and Manuals to monitor each of the Areas at risk of commission of the predicate crimes pursuant to Italian Legislative Decree no. 231/2001 are listed in Annex 7 “HR S.p.A.’s internal regulations for monitoring “231” risks”, which should be referred to for more details.

Hitachi Rail S.p.A. defines, through General Procedure no. 001, the procedures and responsibilities relating to the process of drafting, approving, and distributing the company’s regulatory system.

Furthermore, policies and guidelines that are consistent with the regulatory aspects covered by the Hitachi Group’s Global Compliance Programme are issued for matters of general interest, including governance matters.

- 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 (refer to Annex 3 for more details);
  - 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.
  - identification of the persons authorised to manage *relations with the Public Administration* by means of a system of quarterly proxies formalised through the periodic information flow provided for in Annex 5 of this Model.

The Model also stipulates:

- the appointment of a **Supervisory Body**, 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 HR S.p.A. must conform;
- the setting-up of a specific, appropriate **disciplinary system** for punishing any violation of the Model including any violations of the internal regulations for monitoring "231" risks.

## **2.5 STRUCTURE OF THE MODEL**

The Model consists of a "General Section", "Special Sections", and the Annexes thereto.

The "General Section" sets out, among other things, the essential components of the Model with particular reference to the Supervisory Body, to the training of personnel and the dissemination of the Model within and outside of the company, to the disciplinary system, to an overview of the control system implemented, and to the measures to be adopted in the event of non-compliance with its provisions.

The "Special Sections" are dedicated to the regulation of the different types of crimes and administrative offences specified in the Decree, including the identification of the corporate risk areas and the definition of the general principles of conduct and the controls.

In particular, the Model of Hitachi Rail S.p.A. includes the following Special Sections:

- SPECIAL SECTION "A" - Crimes against the Public Administration and against the Administration of Justice (arts. 24, 25, and 25 decies of the Decree and art. 10, par. 9 of Italian Law no. 146 of 16/03/2006);
- SPECIAL SECTION "B" - Corporate administrative crimes and offences (art. 25 ter) and market abuse (art. 25 sexies);
- SPECIAL SECTION "B1" - Corruption between private parties (Art. 25 ter, par. 1, subpar. s bis);

- SPECIAL SECTION “C” - Crimes in violation of regulations on occupational health, hygiene, and safety (Art. 25 septies);
- SPECIAL SECTION “D” - Computer crimes and illegal data processing and offences relating to copyright infringement (Art. 24 bis and Art. 25 novies of the Decree);
- SPECIAL SECTION “E” - Crimes of receiving stolen goods, money laundering, and use of money, goods, or benefits of illicit origin, and self-money laundering (Art. 25 octies of the Decree) and Crimes of terrorism or subversion of the democratic order (art. 25 quater of the Decree);
- SPECIAL SECTION “F” - Crimes of conspiracy (art. 24 ter of the Decree);
- SPECIAL SECTION “G” - Environmental crimes (Art. 25 undecies);
- SPECIAL SECTION “H” - Crimes against industry and trade (Art. 25 bis.1) and Crimes of counterfeiting money, public credit cards, revenue stamps, and distinguishing instruments or marks (Art. 25 bis of the Decree);
- SPECIAL SECTION “I” - Tax crimes (Art. 25 quinquiesdecies);
- SPECIAL SECTION “J” - General principles of conduct applicable to other categories of crime<sup>11</sup>.

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

The Directives, Procedures, Policies, and Manuals indicated in Annex 7 also form an integral part of Model 231, since they are control protocols through which the Company ensures the effectiveness of the rules and principles contained in the Model itself, as well as the prevention of the risks identified therein.

## **2.6 THE CONTROL SYSTEM**

The control system implemented by Hitachi Rail S.p.A., also in accordance with the recommendations of Confindustria’s Guidelines for the construction of organisational models, as well as the "best practices" in the field, provides for,

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<sup>11</sup>Crimes of falsifying identification instruments or marks (Art. 25 bis), Crimes against the individual person, with reference to the illegal hiring (Art. 25 quinquies); Crimes of employing citizens from other countries without valid residence status (Art. 25 duodecies), Smuggling (Art. 25 sexiesdecies).

with reference to the Areas at Risk and the Sensitive Activities that have been identified:

- “*cross-cutting*” *control standards*, contained in section 2.6.1 of this document, applicable to all Areas at Risk;
- “*specific*” *control standards*, contained in the individual Special Sections, with respect to the relevant Areas at Risk.

### 2.6.1 Cross-cutting control standards

The following are the general control standards to be considered and applied with reference to all Areas at Risk:

- **Set of proxies and powers of attorney**: clear identification, by means of a set of proxies and powers of attorney, of the persons appointed to manage the process and represent it externally;
- **Regulation of the process**: existence of specific protocols / corporate provisions and formalised procedures that provide the principles of conduct and describe roles, responsibilities, activities, operating procedures, and controls relating to the management of the process;
- **Separation of duties**: existence of the separation within each process of the person who makes the decision, the person who authorises it, the person who implements it, and the person entrusted with control of the process;
- **Organisational Roles and Responsibilities**: compliance with the duties, roles, and responsibilities defined by the company organisation chart and organisational documentation when managing the process;
- **Traceability**: archiving of all documentation connected with the management of the business process, also in order to guarantee traceability;
- system for **Reporting to the Supervisory Body** in order to document the carrying out and the results of the controls, including supervisory controls;
- the issuing of a specific declaration attesting to the absence of **Conflicts of interest**, that is, the absence of personal interests or the interests of a close relative, which could in fact pose a risk of lack of impartiality and independence in the performance of company activities.

## 2.7 AMENDMENTS AND ADDITIONS 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.



**Hitachi Rail S.p.A.**

Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/01 – General Section

Proposal approved by the Supervisory Body at its meeting on 1<sup>st</sup> December 2020

Approved by the Board of Directors at its meeting on 3<sup>rd</sup> December 2020

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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 implementation of supervisory activities and to the effective prevention of the risky behaviour.

## **2.8 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 (Annex 6);
- at least one internal member, appointed on the basis of his company position as defined in the Articles of Association of the Supervisory Body including the Head of the Legal Department.

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” (Annex 6) which is also approved by HR S.p.A.’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 RailS.p.A. 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 that are appropriate for the activities for which it is responsible, 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.

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

The functions and powers granted by the Board of Directors to the SB of Hitachi RailS.p.A. 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 report to the competent bodies on the state of effectiveness of the Model;
4. 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.
5. to verify the implementation and effective functioning of the changes made to the Model.

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 make use of the support and cooperation of the various company structures and corporate bodies that may be interested in, or otherwise involved in, the control activities;
- 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.

## **2.10 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;
- communicating the results of its investigations to the heads of departments and/or processes if its activities should reveal aspects that could be improved;
- 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.

## **2.11 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 information flows*);
- systematically (*periodic information flows*).

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 S.p.A. 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 related to the actual implementation, at all company levels, of the Model, with evidence of the disciplinary proceedings carried out and any sanctions applied, or of the measures for the closure of 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;
- the violations or behaviours which, in any case, may lead to a violation of the Model of which the whistleblower has become aware due to the functions performed;
- the commission, or reasonable risk of commission, of the crimes specified in the Decree;
- conduct that is not in line with company regulations;

With reference to foreign subsidiaries, Hitachi Rail S.p.A., in accordance with the Hitachi Global Compliance Programme, has issued its own Code of Ethics, inviting the aforesaid subsidiaries to implement the Hitachi Group Code of Conduct and to adopt their own Code of Ethics in line with that of HR S.p.A., suitably adapted to the local situation. Subsidiaries are responsible for assessing the possible need to incorporate values and principles expressly related to the specific area of operation and the actual exposure to risks.

A periodic information flow is also established by the persons identified as responsible for the areas at risk (Annex 4), who are required to systematically inform the Supervisory Body on the specific operational contents of their area and on compliance with the principles of the Model. The contents and timing of transmission are regulated specifically by Annex 5 to the Model, which the Supervisory Body is responsible for updating.

The Body may also request information from the Independent Auditing Firm, the Board of Statutory Auditors, the Internal Audit Department, and the Compliance Officer/Compliance Committee regarding the activities they carry out, which are useful for the purposes of implementing the Model, and may arrange for an exchange of information and regular meetings with these bodies.

In order to strengthen its actions to prevent and combat any conduct contrary to the Model, the law, or internal regulations, Hitachi Rail S.p.A. has also adopted Directive 004 "Management of Reports", which provides for systems that allow

workers to report any offences of which they become aware and defines the process for managing such reports.

By means of the provisions set forth in Directive 004 and in accordance with the guidelines contained in Italian Law no. 179 of 29 December 2017 on whistleblowing, HR S.p.A. ensures maximum protection and confidentiality for the whistleblower and, at the same time, protection from slanderous claims.

In particular, in order to protect and safeguard the author of the report, within the investigative powers granted to the Supervisory Body, discretion and confidentiality are ensured throughout the process of managing the reports, from the time they are received to their evaluation and the final phase, adopting the security requirements envisaged for information considered confidential and in compliance with the provisions contained in EU Regulation 2016/679 (GDPR) regarding the protection of personal data.

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 of potential offences to the Supervisory Body, a "dedicated information channel" has been set up, whose details can be found on the Company's website.

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 ADOPTION AND MANAGEMENT OF THE MODEL IN SUBSIDIARIES AND AFFILIATES**

Hitachi Rail considers compliance with the laws, industry regulations, and 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 maintaining and improving corporate value over time.

The application of the principles introduced by Italian Legislative Decree no. 231/2001 in the area of corporate groups raises the delicate question of the possible extension, to the holding company or other companies belonging to the Group, of the administrative liability resulting from the ascertainment of a crime committed in the context of one of the companies of the Group.

Indeed, the circumstance due to which the commission of a crime by a Group company may, in some cases, also lead to the spread of liability to other companies belonging to the same Group, highlights the problem of the adoption and effective implementation of organisational models within groups of companies, in order to identify the most suitable organisational, management, and control solutions for each company<sup>12</sup>.

The Confindustria Guidelines<sup>13</sup> also focus on the adoption of suitable organisational models to prevent the predicate crimes of criminal liability in the context of groups, underlining that each company in the group is “called upon to carry out autonomously the activity of preparing and revising its own organisational Model”.

With regard to the above, Hitachi Rail S.p.A. has decided to adopt its own independent Organisation, Management, and Control Model. Furthermore, in the

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<sup>12</sup>The risk of spreading liability pursuant to Italian Legislative Decree no. 231/01 within a Group of companies increases if certain persons hold decision-making positions both in the Parent Company and in the subsidiary/affiliated entity in which the crime is committed (also known as “interlocking”). In particular, the holding/subsidiary/affiliated entity may be held “liable for the crime committed in the activity of the subsidiary if:

- a predicate crime has been committed in the immediate and direct interest or advantage not only of the subsidiary, but also of the parent/affiliated company;
- natural persons functionally connected to the parent company have taken part in the commission of the predicate crime by making a causally significant contribution (Court of Cassation, Criminal Section V, Sentence no. 24583 of 2011), proven in a concrete and specific manner”.

<sup>13</sup>In compliance with the 2014 Confindustria Guidelines for the construction of organisation, management, and control models: “*the legal system considers the group as a whole only from an economic point of view. From the perspective of the law, it lacks independent legal capacity and constitutes a grouping of entities with individual and distinct legal personalities. Since the group is not in turn an entity, it cannot be considered a direct centre of attribution of criminal liability and cannot be classified among the parties indicated in Article 1 of Decree 231*”.

event that the Company controls companies established under Italian law and in compliance with the organisational, management, and operational autonomy of its subsidiaries, both directly and indirectly, it requires them to adopt and effectively implement their own organisational, management, and control models pursuant to Italian Legislative Decree no. 231/2001 and to appoint their own Supervisory Body.

In addition, HR S.p.A. requires its foreign subsidiaries to adopt Compliance Models that are consistent with the guidelines set out in HR S.p.A.'s Model 231 and with the HGCP, which also provide for the definition of a system of sanctions to be applied in the event of violation of the Code of Ethics or the Code of Conduct.

HR S.p.A. outlines, in its Code of Ethics and Code of Conduct, specific rules for fairness and transparency in its relations with its subsidiaries. In particular, it requires that management and coordination activities be carried out through official communications, so that they can be subsequently reconstructed, if necessary.

By means of Policy no. 007 “Governance of HR’s Subsidiaries”, HR S.p.A. has defined the rules of governance to be adopted by its subsidiaries in accordance with the regulations defined by HR S.p.A. and the Hitachi Group and in compliance with the contents and aims of Model 231 to the extent that they are subject to conditions of reciprocity. The same Policy also establishes a reporting channel for presenting any reports received by the subsidiary and the consequent actions taken.

Furthermore, HR S.p.A. has established a flow of periodic reporting by its subsidiaries (Directive no. 005 “Framework Policy Compliance Programme”), with the aim of monitoring the implementation status of the compliance activities of individual subsidiaries and the related controls, as well as the adoption and implementation of the specific policies and procedures required by the HGCP.

As a company established under Italian law, Hitachi Rail S.p.A. requires its other partners to comply with Italian Legislative Decree no. 231/01 and to issue specific declarations to that effect.

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

### **4.1 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 company department responsible for training, 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 to disseminate the principles and rules contained in the Model 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.

In order to guarantee effective and rational communications activities, the Company promotes and facilitates awareness of the contents of the Model, also through specific training activities, provided in different ways to the members of the statutory bodies and employees, with different degrees of detail according to their degree of involvement in the Risk Areas.

### **4.2 INFORMATION TO EXTERNAL COLLABORATORS 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.

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

### **5.1 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 S.p.A. has envisaged a system of penalties to be applied objectively and systematically, in case of failure to observe the requirements specified in the Code of Ethics and the Model (General Section, Special Sections, and Annexes, including all the documents that make up HR S.p.A.'s internal regulatory system for monitoring “231” risks).

The application of disciplinary measures is independent of the initiation and/or outcome of any criminal proceedings, insofar as HR S.p.A. 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 and the Code of Ethics by the persons specified in art. 5, par. 1 of the Decree.

### **5.2 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. 231/01, 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 persons 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. 231/01 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 S.p.A. to an objective risk of the commission of one or more of the crimes specified in Italian Legislative Decree no. 231/01;
  - b) are directed unequivocally to the commission of one or more of the crimes specified in Italian Legislative Decree no. 231/01;
  - c) can result in the application against the Company of the penalties provided for in Italian Legislative Decree no. 231/01.

The rules and behaviours to be adopted by the Recipients of the Model are specified in the Organisational Provisions, Directives, Service Communications, Procedures, Narratives, Policies, and Instructions published on the company intranet, which are an integral part of the Model, and which describe the behaviours to be followed, mainly in the operations of the “sensitive” areas, considered at risk of crimes being committed.

Annex 7 “*HR S.p.A.’s internal regulations for monitoring “231” risks*”, to which reference should be made, provides details on the Directives, Procedures, Policies, and Manuals to monitor each of the areas at risk of commission of the predicate crimes pursuant to Italian Legislative Decree no. 231/2001.

Therefore, it follows that in this context, “violation of the Model” also means failure to comply with, in the performance of activities, one or more of the procedures in question and the relative controls provided for.

Furthermore, in compliance with the provisions introduced by Italian Law no. 179/2017 on Whistleblowing and as provided for by Directive 004, if the

verification of the Reports received and processed by the Supervisory Body reveals illegal conduct, HR S.p.A. will take measures and apply sanctions that are appropriate, proportionate, and in line with the applicable collective labour agreement.

In addition, the following illegal conduct may be subject to disciplinary action:

- Commission of acts of retaliation or discrimination against the whistleblower;
- Violation of the Whistleblower's confidentiality;
- Submitting, wilfully or with gross negligence, reports that prove to be unfounded.

### **5.3 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.

#### 5.3.1 MEASURES REGARDING DIRECTORS, STATUTORY AUDITORS, AND HR S.P.A.'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 Human Resources Department.

The adequacy of the disciplinary system is constantly monitored by the Human Resources 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. 231/01,” which should be consulted for more details.

### 5.3.2 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 reference contractual clauses.

The Procurement Department is responsible for obtaining the counterparty's acceptance during the negotiation phase with regard to clauses on compliance with the principles set forth in the Hitachi Group's Code of Ethics and Code of Conduct.

The contract manager is responsible for monitoring the supplier's compliance with the principles set forth in the Hitachi Group's Code of Ethics and Code of Conduct and for promptly reporting any violations to the Legal Department and 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 party working for any reason on behalf of the Company, and for suggesting that the aforesaid measures be updated.

## **6 ANNEXES**

Annex 1 - Disciplinary Rules pursuant to Italian Legislative Decree no. 231/2001

Annex 2 - Organisational Structure

Annex 3 - Powers and Proxies

Annex 4 - Mapping of Risk Areas / company departments of Hitachi Rail S.p.A. and Contact Persons for reporting to the Supervisory Body

Annex 5 - Information flow to the Supervisory Body

Annex 6 - Supervisory Body By-laws

Annex 7 - HR S.p.A.'s internal regulations for monitoring “231” risks

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 **Hitachi Rail S.p.A.**

Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/01  
– General Section

*Proposal approved by the Supervisory Body at its meeting on 1<sup>st</sup> December 2020*

*Approved by the Board of Directors at its meeting on 3<sup>rd</sup> December 2020*

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Annex 8 - Predicate Crimes



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Organisation, Management, and Control Model pursuant to Italian Legislative Decree no. 231/01  
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