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ORGANIZATION, MANAGEMENT AND CONTROL MODEL

**in accordance with Italian Legislative
Decree no. 231/2001**

Schaeffler Italia S.r.l.


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1. INTRODUCTION

The “liability of entities for administrative offenses resulting from a crime” was introduced into Italian law on June 8, 2001 with Italian Legislative Decree no. 231 (hereinafter, “Legislative Decree no. 231/2001”).

What is generically referred to as “entities” includes corporations (S.p.A., S.r.l., etc.), which can be deemed liable, and as a result can be subject to pecuniary and/or criminal sanctions, for certain crimes committed or attempted in Italy or abroad in the interest or to the advantage of the company, by the following parties set forth in article 5, paragraph 1 of Legislative Decree no. 231/2001:

- a) people responsible for the representation, administration or management of the entity or of one of its business units that has financial and operational autonomy, as well as by people who manage and control the entity, also *de facto* (called parties in top positions or “top management”);
- b) people managed or supervised by one of the parties pursuant to letter a) (called parties subject to management by others).

A pecuniary penalty is always applied for offenses committed, while for the most serious cases, there are also interdiction measures such as the suspension or revocation of licenses and concessions, the prohibition against negotiating with the Public Administration, disqualification from conducting the company’s business, exclusion from or revocation of loans and contributions and the prohibition against advertising goods and services.

The first paragraph of article 6 of Legislative Decree no. 231/2001 states:


“If the crime was committed by the parties set forth in article 5, paragraph 1, letter a), the entity is not liable if it proves that:

- a) before the crime was committed, the management body adopted and effectively implemented organization and management models that were suitable for preventing crimes of the type that were committed;
- b) the task of supervising the functioning and observance of these models, as well as of ensuring that they are updated, has been entrusted to one of the entity’s bodies which has independent powers of initiative and control;
- c) the people committed the crime by fraudulently evading the organization and management models;
- d) the body pursuant to letter b) above did not fail to or insufficiently supervise.”

With respect to the above, considering the content of the Confindustria (Confederation of Italian Industries) guidelines and considering that since the introduction of Legislative Decree no. 231/2001, subsequent legal measures have significantly expanded the range of liable offenses, at its meeting on October 26, 2012, the Schaeffler Italia S.r.l. Board of Directors approved the Organization, Management and Control Model (hereinafter also called the “Model”) required by Legislative Decree no. 231/2001 and appointed the Supervisory Body, conferring upon it the autonomous powers of initiative and control set forth in the Decree.


The Supervisory Body keeps a document identifying “Sensitive Activities and Specific control standards of Model 231” and distributes it to the relevant corporate departments. Those specific control standards are incorporated within the applicable company procedures.

The current version of the Model incorporates the organizational and regulatory changes made until February 28, 2013.

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2. CODE OF CONDUCT - CODE OF ETHICS

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INTRODUCTION

Schaeffler Italia S.r.l., an Italian company which is part of the German multinational group “Schaeffler”, adopts as its own the Code of Conduct - Code of Ethics adopted internationally by the head office of the industrial group it belongs to.

The multinational Schaeffler group promotes the corporate social responsibility of its companies, which globally produce and market products under the Luk, INA and FAG brands, and considers this to be a condition of the company’s lasting success. The multinational Schaeffler group’s “Code of Conduct” is based on the principles of the “Global Compact” and “The Global Sullivan Principles of Corporate Social Responsibility”, and is compliant with the standards of “Social Accountability International”. The principles described below represent our minimum standards. There are no limits to their extension in relation to the cultural realities of the individual countries.

All of Schaeffler Italia’s activities must be conducted in compliance with the law within a framework of fair competition, with honesty, integrity, fairness and good faith, with respect for employees, associates, customers, suppliers, shareholders, and trade and financial partners.

CODE OF CONDUCT - CODE OF ETHICS

Human rights

We undertake to observe the internationally proclaimed human rights in our sphere of influence.

Forced labor

We will not engage in or associate ourselves with use of any form of forced labor.

Child labor

We will not engage in or associate ourselves with use of child labor in our operations.

Discrimination and respect of others

We mean to provide a workplace free of discrimination and harassment on the basis of gender, race, skin color, religious beliefs, age, national origin, handicap, or sexual orientation. Employees in our workplace deserve each other’s respect.

Compensation and working hours


We recognize workers’ needs for adequate remuneration and observe the legally guaranteed minimum wages in the respective labor market. We observe the rules that apply to working hours in each operations.

Relationship with employees and employee representatives

We believe in an Open Door Policy and enable our employees to express their interests directly to management on a continual basis.

Reconciliability of job and family

We are a family-owned enterprise. With our family-friendly arrangements and provisions we strive to enhance the satisfaction and motivation of our employees and hence increase the performance of the Group.

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Health and safety

We mean to provide a safe and healthy working environment that meets or exceeds applicable standards for occupational health and safety. We will take steps to prevent injuries and occupational illnesses caused by workplace conditions.

Workforce development

We see the development of our employees as an essential investment in the future of our company. We also value the development of social and technical expertise.

Suppliers

We encourage, where practicable, our suppliers to introduce and implement similar principles of social responsibility within their companies.

Environmental responsibility


We maintain an environmental management system at all production sites world-wide, which we continuously improve. Local environmental protection laws and the specifications of the Schaeffler Group's environmental protection system must be observed as a minimum. We collaborate with our business partners and suppliers in exercising our environmental responsibility.

Conflicts of interest, gifts and attempted bribery

We give an undertaking that we will not accept gifts or payments or hold (company) investments which could lead to a conflict of interests. In particular, neither bribes nor any other illegal payments may be offered, made or accepted.


Responsibility

We believe each of our employees has an individual responsibility to follow this Code of Conduct and encourage coworkers to abide by it as well. Management is responsible for enforcing principles that become part of our rules or policies.

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3. THE REGULATION

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Legislative Decree no. 231 of June 8, 2001 (hereinafter also referred to as Decree), containing the “Regulation on the administrative liability of legal entities, companies and associations with or without legal personality” - also called “entities”, introduced for the first time in Italy the liability of entities in front of criminal courts for certain crimes committed in their interest or to their advantage by people responsible for representing, directing or managing the entity (called top management) or one of its business units that has financial and operational autonomy, as well as by people who manage and control, also *de facto*, the same, and finally, by people subject to the management or supervision of one of the aforementioned parties. This liability applies in addition to the liability of the natural person who actually carried out the action. However, the entity will not be held liable if the crimes were committed in the exclusive interest of the natural person who committed them.

Subsequent to the issue of this Decree, the legislature extended the list of crimes for which the entity can be held liable a number of times, in a continuous regulatory development which increasingly expands the Decree’s scope of application.

3.1 Types of relevant crime pursuant to Legislative Decree no. 231/2001

Offenses against the public administration

The Decree refers, first of all (articles 24 and 25) to crimes committed in relations with the public administration, specifically


- illicit receipt of contributions, loans or other disbursements from the State or another Public Entity (article 316-*ter*, Criminal Code);
- fraud to the detriment of the State or another Public Entity (article 640, 2nd paragraph, no. 1, Criminal Code);
- aggravated fraud to obtain public funds (article 640-*bis*, Criminal Code);
- computer fraud to the detriment of the State or another Public Entity (article 640-*ter*, Criminal Code);
- bribery to carry out an act contrary to official duties (article 319, Criminal Code);
- bribery in judicial documents (article 319-*ter*, Criminal Code);
- incitement to corruption (article 322, Criminal Code);
- extortion (article 317, Criminal Code);
- embezzlement to the detriment of the State or another Public Entity (article 316-*bis*, Criminal Code);

Crimes relating to counterfeit currency, legal tender and stamp duty

Subsequently, article 6 of Law no. 409 of November 23, 2001 introduced article 25-*bis* into the Decree, concerning “counterfeit currency, legal tender and stamp duty”.

Corporate crimes

Legislative Decree no. 61 of March 28, 2002 supplemented the Decree with article 25-*ter* (subsequently amended by Law no. 262 of December 28, 2005, which included article 2629 *bis* of the Civil Code among the

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liable offenses, concerning the failure to report conflicts of interest), which makes the following corporate crimes punishable by law:

- false corporate communications (article 2621, Civil Code);
- false corporate communications to the detriment of shareholders or creditors (article 2622, Civil Code);
- falsehoods in auditing firm reports or communications (article 2624, Civil Code);
- obstruction of audits (article 2625, Civil Code);
- fictitiously paid-up capital stock (article 2632, Civil Code);
- illegal restitution of contributions (article 2626, Civil Code);
- illegal allocation of profits and reserves (article 2627, Civil Code);
- illegal transactions on shares or capital stock of the parent company (article 2628, Civil Code);
- transactions to the detriment of creditors (article 2629, Civil Code);
- illegal allocation of company assets by liquidators (article 2633, Civil Code);
- illicit influence on the general shareholders' meeting (article 2636, Civil Code);
- market rigging (article 2637, Civil Code);
- failure to report conflicts of interest (article 2629, Civil Code);
- obstruction of the work of public supervisory authorities (article 2638, Civil Code).

Article 174-*bis* of Legislative Decree no. 58/1998 (introduced by article 35 of aforementioned Law no. 262/2005) provides for a special case of the crime of falsehoods in the auditing firm's reports or notifications when (*inter alia*) the company in question or its parent company has listed shares, and establishes that for those companies, there is a penalty system separate from that governed by article 2624 of the Civil Code, therefore making the Decree inapplicable.


Terrorism and subversion

Article 3 of Law no. 7 of January 14, 2003 introduced article 25-*quater* into the Decree, which establishes that the entity is punishable for crimes committed for the purpose of terrorism and subversion of the democratic system, set forth in the Criminal Code and in special laws.

Crimes against the person

Article 5 of Law no. 228 of August 11, 2003 introduced article 25-*quinquies* into the Decree, concerning the following crimes:

- reduction to or maintenance in slavery or servitude (article 600, Criminal Code);
- child prostitution and pornography, possession of pornographic materials (articles 600-*bis*, 600-*ter* and 600-*quater*, Criminal Code);
- tourism initiatives aimed at exploiting child prostitution (article 600-*quinquies*, Criminal Code);
- human trafficking, purchase or sale of slaves (articles 601 and 602, Criminal Code).

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Law no. 7 of January 9, 2006 also introduced article 25-*quater*.1, penalizing entities for crimes committed within its organization, pursuant to article 583-*bis* Criminal Code, relating to female genital mutilation.

Market abuse

Article 9 of Law no. 62 of April 18, 2005 supplemented the Decree with article 25-*sexies* concerning the offenses of abuse of inside information and market manipulation (articles 184 and 185 of Legislative Decree no. 58/1998).


Transnational offenses

Law no. 146 of March 16, 2006 (ratification and execution of the United Nations Convention and its Protocols against transnational organized crime, adopted by the General Assembly on November 15, 2000 and May 31, 2001) introduced the definition of a transnational crime (article 3), considering it to be “the crime punishable by a maximum deprivation of liberty of at least four years, if an organized criminal group is involved, as well as a crime:

- committed in more than one State;
- or committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State;
- or committed in one State but which involves an organized criminal group that engages in criminal activities in more than one State;
- or committed in one State but which has substantial effects in another State.

The same Law (article 10) extended the administrative liability of entities to include transnational crimes, for which the provisions pursuant to the Decree apply. The following cases are considered:

- conspiracy (article 416, Criminal Code);
- association with the Mafia (article 416-*bis*, Criminal Code);
- conspiracy to smuggle manufactured and foreign tobaccos (article 291-*quater*, Presidential Decree 43/1973);
- association for the illegal trafficking of drugs or psychoactive drugs (article 74, Presidential Decree 309/1990);
- money laundering (article 648-*bis*, Criminal Code);
- use of ill-gotten money, goods or benefits (article 648-*ter*, Criminal Code);
- actions carried out for the purpose of entering the country in violation of provisions concerning immigration law and regulations on the status of foreign nationals (article 12 paragraphs 3, 3-*bis*, 3-*ter* and 5 of Legislative Decree no. 286/1998);
- incitement to not make statements, or to make false statements, to the judicial authority (art. 377-*bis*, Criminal Code);
- aiding and abetting (article 378, Criminal Code).

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Negligent homicide and serious or very serious injury

Article 9 of Law no. 123 of August 3, 2007 supplemented the Decree with article 25-*septies*, later amended by article 300 of Legislative Decree no. 81/2008 (called the “Consolidated Law on Safety”), concerning the crimes of negligent homicide and serious or very serious injury (articles 589 and 590, Criminal Code) committed by violating regulations on accident prevention and on the protection of occupational hygiene and health.

Receiving stolen goods, money laundering and use of ill-gotten money, goods or benefits

Legislative Decree no. 231 of November 21, 2007 introduced article 25-*octies* into the Decree, which governs the prevention of the use of the financial system for the purpose of laundering proceeds from criminal activities and financing terrorism. As a result, the entity may be punishable for the crimes of receiving stolen goods, money laundering and the use of illegal funds, even if they are committed in a clearly “domestic” context, provided that they are in the interest or to the advantage of the entity.

Computer crimes and unlawful data processing

Law no. 48 of March 18, 2008 supplemented the Decree with article 24-*bis* concerning computer crimes and unlawful data processing; specifically:


- falsehoods in digital documents (article 491-*bis*, Criminal Code);
- illegally accessing a computer or electronic system (article 615-*ter*, Criminal Code);
- illegally holding and disclosing access codes for computer or electronic systems (article 615-*quater*, Criminal Code);
- distributing equipment, devices or computer programs aimed at damaging or interrupting a computer or electronic system (article 615-*quinquies*, Criminal Code);
- illegally intercepting, preventing or interrupting computer or electronic communications (article 617-*quater*, Criminal Code);
- installing equipment aimed at intercepting, preventing or interrupting computer or electronic communications (article 617-*quinquies*, Criminal Code);
- damaging information, data and computer programs (article 635-*bis*, Criminal Code);
- damaging information, data and computer programs used by the State or by another Public Entity or in any case of public utility (article 635-*ter*, Criminal Code);
- damaging computer or electronic systems (article 635-*quater* and 635-*quinquies*, Criminal Code);
- computer fraud of the party which provides electronic signature certification services (article 640-*quinquies*, Criminal Code).

Environmental crimes

Legislative Decree no. 121 of July 7, 2011 implements directive 2008/99/EC on the protection of the environment through criminal law and directive 2009/123/EC which amends directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements.

This Decree introduced environmental crimes into Legislative Decree no. 231/2001.

The new decree, in force since August 16, 2011, introduces two new crimes into the Criminal Code, that of “killing, destroying, capturing, removing, holding protected wild animal or plant species” (art. 727 *bis*) and of “destroying or damaging habitats within a protected site” (art. 733 *bis*), and also extends the rules on the

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administrative liability of entities to a series of environmental crimes, including opening unauthorized landfills or exceeding established limits, exercising waste management activities without a license, illegal waste trafficking or opening a facility without authorization for atmospheric emissions.

Finally, decree no. 121/2011 impacts the penalty system for waste tracking system violations, and includes a graduated classification of liability for breaches which take place in the first period of application of the SISTRI waste tracking system, as well as some amendments to the ordinary penalty system pursuant to article 260-*bis* of the Environmental Code. Those amendments are specifically intended to make penalties more proportionate in the event of multiple violations by companies or to exclude or attenuate the liability of operators if reparative actions are subsequently implemented.

The main types of environmental crimes applicable to our business and which will result in corporate liability similar to criminal liability are:

- a) illegal dumping, emissions or injections of a quantity of substances or ionized radiation into the air, soil or waters which result or could result in death or serious injury to people or significant damage to air, soil or water quality, or to fauna and flora;
- b) collecting, transporting, recycling or disposing of waste, including the supervision of those operations and the control of disposal sites after they have closed as well as activity conducted as a dealer or intermediary (waste management), which results or could result in death or serious injury to people or significant damage to air, soil or water quality, or to fauna and flora;
- c) running a plant in which hazardous activities are carried out or in which hazardous substances or preparations are stored or used which, outside the plant, results or could result in death or serious injury to people or significant damage to air, soil or water quality, or to fauna and flora;
- d) manufacturing, importing, exporting, marketing or using ozone-depleting substances.

Crimes regarding the foreign national workforce

Legislative Decree no. 109/2012 of July 16, 2012, which introduced into Italy's legal system Directive no. 2009/52/EC on the employment of illegally staying third-country nationals, added article 25 *duodecies* to Legislative Decree no. 231/2001, which establishes the liability of the company whose employer illegally hires foreign nationals.

The liability of the company lies in the direct employment of foreign nationals as well as in their indirect employment through temporary work contracts as well as towards supplier companies who employ immigrated workforce.

The company will have to make sure, by requiring the suitable documentation, that the immigrated workforce legally holds a permit to stay for reasons of work and not of tourism.

The resulting contracts for these people will have to take into account a maximum expiry date corresponding to the expiry date of the permit to stay for reasons of work, monitoring in time any possible granting of extending or renewing the permit to stay for reasons of work.

Crimes regarding corruption between private individuals


Law no. 190 of November 11, 2012, with articles no. 75, 76 and 77 has amended the following regulations in force.

= with article no. 75 some articles of the Penal Code have been amended and have subsequently been included in the Legislative Decree no 231/2001, article 25-ter, paragraph 1, letter s-bis).

= With article no. 76 the article no. 2635 of the Civil Code has been amended and subsequently quoted in the Legislative Decree no. 231/2001. The new article of the Civil Code is the following.

Article 2635 Corruption between private individuals

Unless the fact constitutes a more severe crime, the administrators, the general managers, the executives who are in charge of drafting the company accounting documents, the statutory auditors and the liquidators who, as a consequence of giving or promising money or other benefit, for themselves or others, commit or omit acts, infringing the obligations relevant to their office or of the loyalty obligations, causing a damage to the company, are punished by means of one to three years' imprisonment.

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The punishment of imprisonment up to one year and six months is applied if the fact is committed by whom who is subject to the direction or watch by one of the parties indicated in the first paragraph. The one who gives or promises money or other benefits to the persons indicated in the first and in the second paragraph is punished according to the penalties as therein provided for (...)

The embezzlement induction to give or promise utility

With the article no. 77 some changes to the Legislative Decree no. 231/2001, article 25 have been introduced; the word bribery in the title has been integrated by “embezzlement induction to give or promise utility”.

The anti-corruption law introduces in the Penal Code the article 319-quater which punishes – unless the fact constitutes a more severe crime - the public official or the civil servant who, abusing of the exercise of his functions or powers, induces someone to give or promise unduly, to him or to a third party, money or another utility.

3.2 Exemption condition

Pursuant to article 6 of the Decree, the entity can take advantage of a form of exemption from its liability if, during the criminal proceedings for one of the crimes considered, it demonstrates that, before the act was committed, it adopted and effectively implemented organization, management and control models that were suitable for preventing those criminal offenses (hereinafter also referred to as Model).

This system requires that a control Body, called the Supervisory Body (hereinafter also referred to as SB), be established within the entity, with the duty of supervising the functioning and updating of the Model.

For that Model to effectively work as an exemption, it must also establish an adequate disciplinary system which penalizes the failure to comply with the Model.


3.3 The Confindustria Guidelines

This Model was drawn up on the basis of the “Guidelines for creating organization, management and control models pursuant to Legislative Decree no. 231/2001” (edition updated as of March 31, 2008), issued by Confindustria and approved by the Ministry of Justice, which can be summarized and outlined as follows:

- identification of risk areas in order to verify in which company areas the detrimental events set forth in the Decree may occur;
- preparation of a control system able to prevent the risks, the most significant parts of which are:
 - > code of conduct;
 - > organizational system;
 - > manual and computerized procedures;
 - > powers of authorization and signature;
 - > control and management systems;
 - > staff communications and training.

The control system components must comply with the following principles:

- each operation must be verifiable, documented, consistent and coherent;
- separation of duties (no one should independently manage an entire process);
- documentation of controls.
- Establishment of a suitable penalty system for the violation of the code of conduct and the procedures set forth in the Model;

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- identification of Supervisory Body (SB) requirements, which can be summarized as follows
 - autonomy and independence;
 - professionalism;
 - continuity of action.

The Confindustria Guidelines are general and not absolute, but they are not binding, since this Organizational Model was created on the basis of the operating circumstances of the Schaeffler Group in Italy. Therefore, it could be different from the Guidelines used as a reference in some places.


3.4 Adoption of the Organizational Model as a crime prevention tool

Schaeffler Italia S.r.l. is aware of the importance of preventing the crimes set forth above, and has adopted this Organizational Model in order to make it a useful internal control tool to prevent its directors, employees and representatives from committing those crimes.

The rules of conduct contained in this Model are consistent with those of the company “Code of Conduct” adopted by the Schaeffler Group (Annex A), although this model has specific objectives in compliance with Legislative Decree no. 231/01.


Schaeffler Italia S.r.l. aligns itself with the standards set forth in this Model and in the Code of Conduct, and may identify additional specific measures related to the distinct characteristics of its operating circumstances. Consistent with this arrangement, this Model is adopted by Schaeffler Italia S.r.l. which shall adapt the annexes to its specific requirements.

Its continuous application will make it possible to eliminate, or at least decrease to a minimum, the risk that the crimes set forth will be committed, and will also make it possible to benefit from an “exemption” as set forth in the Decree.

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4. SCHAEFFLER ITALIA S.r.l. STRUCTURE

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4.1 Principles and elements on which the Model is based

The Schaeffler Group is focused on carefully managing governance and control instruments at the international level.

When preparing this Model, the control procedures and systems already existing and operating throughout the company were taken into consideration if deemed suitable to also function as measures for preventing crimes and for controlling sensitive processes. (Omissis)

The principles, rules and procedures set forth in the instruments listed above will not be reported in detail in this Model, but they are part of the broader organization and control system which it intends to supplement. Aside from the above, the key principles which inform the Model are the Confindustria Guidelines, used as the basis for mapping Sensitive Processes.

4.2 System for the assignment of responsibilities, delegations and powers of attorney (Omissis)

4.3 The cash flow management and financial process control system

The proper controls are put into place to ensure that cash flows are always managed correctly and that the decisions made respond to the criteria of transparency and traceability, in order to prevent all crimes considered above.

The financial management area is particularly significant in this context, where procedural controls rely on instruments such as joint signatures based on the values in question (see the Schaeffler Group signatures directive) and the separation of tasks (example: decision to purchase and responsibility for negotiations).

The management control system is therefore responsible for promptly reporting the existence and occurrence of general and/or specific critical situations, also by calculating the appropriate indicators and establishing an authorization system which requires powers of signature assigned in line with organizational and management responsibilities, in order to concretely enact the separation of duties mentioned above.

The central Treasury, Financial Statements and Controlling department managers periodically check and authorize cash flows on the basis of Schaeffler Group guidelines.

The Schaeffler Group has implemented and regularly updates a set of administrative and accounting procedures which ensure that the financial reporting internal control system is highly reliable. (Omissis)


4.4 Safety organization

The crimes of negligent homicide or serious or very serious negligent injury, committed by violating health and safety rules, could be committed in all areas of Schaeffler Italia S.r.l.'s business and could involve all company employees.

Therefore, in this context, the analysis of the possible ways in which said crimes could be committed corresponds to the risk assessment carried out according to the criteria set forth in current health and safety regulations, set forth in Legislative Decree no. 81/2001.

In compliance with article 30 of the same Decree, Schaeffler Italia has "adopted and effectively implemented" an organization and management model designed to protect it from the administrative liability of legal entities, companies and associations, including those without legal personality.

Furthermore, in order to further cultivate a work culture characterized by safety, in compliance with the measures introduced by current health and safety regulations (article 30, paragraph 5, Legislative Decree

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no. 81/2008), the Safety Management System implemented at all Schaeffler Group production facilities, and therefore also in Momo, has been certified according to the OHSAS 18001:2007 standard since 2009. All of the aforementioned activities and registration procedures are described in detail in the annexed protocols.

With a view to preventing these crimes from being committed, an organizational structure with health and safety duties and responsibilities, defined in full compliance with the company's organizational and functional structure, has been established for some time.

The structure is headed up by the Employer, who has the non-delegable duty of assessing risks and adopting the resulting required documents, as well as designating the Prevention and Protection Service Manager.

He assigns the Safety Officer the powers of organization, management and control needed to adopt and train others on the most effective safety measures and prevention means for employee protection, as well as health supervision and control measures.

For this purpose, this Officer has decision-making autonomy and the authority to incur expenses needed to fulfill this fundamental duty, without which the delegation would lack effectiveness.

This type of organization divides the various obligations among the Employer, Officer, Managers and Supervisors: they are all required, within the scope of their assignments and responsibilities, to observe and apply the health and safety provisions.

This division of accident prevention duties begins from the Officer's obligation to prepare means and structures, it continues along the "corporate line" making the Manager responsible for organizing the structures and means provided by the Officer in an adequately safe manner, and it reaches the workers through the fundamental figures of the Supervisors, who are required by law to supervise workers to ensure that they accurately comply with the safety measures and procedures prepared by the applicable company areas.

Finally, those same workers are directly responsible for their own safety and that of others located in the workplace, in line with the training, instructions and means provided to them.




This "structure" is supported by the Company Physician and the Prevention and Protection Service, which assist the Employer, the Officer, the Managers and the Supervisors in preparing and applying an accurate and effective accident prevention policy.

4.5 Environmental protection organization

In light of the recent introduction of environmental crimes into the text of 231, an Organization which has an environmental management system according to ISO 14001 and/or EMAS is at an advantage, since it continuously and systematically monitors and controls significant environmental aspects, thereby decreasing the possibility that the related crimes will be committed.

The extension of the administrative liability of Entities/Companies set forth in Legislative Decree no. 231/01 to environmental offenses, recently introduced by Legislative Decree of July 7, 2011, will have a significant impact on the 231 organizational models adopted by Companies whose business activities could, even indirectly and as a result of negligence, damage or harm the environment and health. In fact, this requires the Company to conduct a careful analysis of the risks to which it is exposed and to identify measures aimed at preventing episodes which could entail administrative liability, which could have serious impacts on the business and on the corporate reputation.

In that sense, the **ISO 14001 Certification** and the **EMAS Registration** are effective instruments that a company can use to show that it keeps the environmental aspects of its activities under control, and that it is committed to systematically improving them, as well as to being assessed by a third-party certification authority which periodically checks the company's compliance with environmental regulations.

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Although the law did not set forth criteria for the implementation of organizational models which can result in exemption, or define the minimum adequacy requirements of organizational models in accordance with the UNI EN ISO 14001 standard or the EMAS Regulation (unlike what was set forth concerning Occupational Safety with reference to the UNI-INAIL SGLS guidelines and the OHSAS 18001:2007 standard), it is still evident that the adoption of a company environmental management system ensures that all regulatory obligations and local ordinances concerning the environment are fulfilled, since this is the minimum requirement to respect the applicable standards.


That respect for the law implicit in the environmental certification, and necessarily also useful to prevent and keep under control the main environmental crime risks, is concretely enacted through:

1. Analysis of potential direct and indirect environmental impacts (including risks in anomalous and emergency situations, their significance and the necessary measures for limiting them).
2. Issue of work procedures and instructions, or adaptation and adjustment of existing ones based on the measures adopted following the aforementioned analyses.
3. Employee information and training.
4. Supervision of workers' compliance with work procedures and instructions;
5. Analysis and assessment of regulatory compliance and periodic monitoring.
6. Periodic review of environmental analyses and the consistency of work procedures and instructions.

Other "guarantee" elements present in a certified Environmental Management System, in view of 231, are:




1. Formalization of roles and responsibilities, as well as of the related management responsibilities.
2. Extension of "operating control" to people who "work on behalf" of the organization.
3. Performance reporting, to provide feedback to the Management and to the Supervisory Body (SB), such as: indicators, NC, audits, etc.
4. Recording in the system, in order to ensure that responsibilities, transactions executed and actions carried out are traceable and documented.

The Momo site has been certified according to the ISO 14001 standard and has been registered with EMAS since 2000.

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5. STRUCTURE OF THE MODEL in accordance with Legislative Decree no. 231/2001

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5.1 Sensitive activities and the corporate functions involved

Various activities are carried out within Schaeffler Italia, some of which can be considered at risk in terms of the crimes listed.

In order to identify the activities most exposed to these crimes, aside from those concerning safety, a careful analysis was conducted on business processes, risks which could have significant effects with regard to the crimes set forth in Legislative Decree no. 231/2011 were identified and assessed, and they were assessed within a risk assessment process which involved all business areas and the relative managers, therefore making it possible to “map” strategic, operational, financial and legal risks.

A gross risk level was established along with the likelihood that the risk will be realized, the counter-measures implemented to reduce the risk, and the resulting net risk, and as a consequence procedures or actions will be developed to prevent and counter these residual risks.

Sensitive activities are those activities in which it is deemed that the relevant crimes according to the Decree may be committed, in the interest or to the advantage of Schaeffler Italia.

Those areas were further assessed on the basis of the following evaluation criteria:

- PROBABILITY (Pr)
- CONTROL EFFECTIVENESS (E)
- SERIOUSNESS OF THE IMPACT (G)

The assessment method can be found in annex C.

5.2 Mapping results

On the basis of the results of the mapping described above, it can be affirmed that the sensitive activities within the Schaeffler Group’s business in Italy are:

- relations with the public administration for the issue of concessions, authorizations, agreements, etc.;
- requests for public financing;
- the drafting of the financial statements, reports, accounts and corporate communications required by law;
- relations with Tax Police Officials and Public Safety Officials;
- the hiring of personnel;
- access to and presence and working in workplaces by employees, suppliers, consultants, partners and visitors, as well as the related control activities.


Considering the areas of Schaeffler Italia’s activities, it is deemed that the risk of committing the crimes set forth in the Decree that are not contemplated in the risk map have a remote likelihood of occurring in relation to Schaeffler’s business, and that in any event, the effective enactment of the principles of the Code of Conduct - Code of Ethics is an adequate tool to prevent those crimes from being committed.

5.3 General rules of conduct

In order to prevent the crimes set forth, the conduct of all Schaeffler Italia staff, consultants, partners, suppliers and all parties interacting with the company for any reason whatsoever must comply with the provisions of company regulations, this Model and the Code of Conduct (annex A).

The organization of the company must respect the fundamental requirements of clarity, separation of roles, responsibility, representation and written hierarchical lines.

The internal procedures must be characterized, if possible, as follows:

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- separation of roles within any process between whom defines it, whom carries it out and whom controls it;
- traceability of the different steps of the process;
- simple but effective formalisation.

It is forbidden, directly to the employees and to the Corporate Bodies of Schaeffler Italia S.r.l. and indirectly to the companies providing services, to the Advisors and to the Partners, by virtue of specific contractual clauses, to:

- adopt or put into effect single or collective behaviours, which directly or indirectly represent the types of offences within the scope of the Legislative Decree 231/2001;
- violate the principles and the company procedures provided for in the company, partially mentioned in the present Model.

In particular:

As far as the relationship with the Public Administration is concerned it is forbidden to:

- give money to Italian or foreign civil servants, both directly by Italian companies or by their employees, and by other individuals who act in name of such companies both in Italy and abroad;
- grant advantages of any nature in favour of representatives of the Public Administration;
- influence the decisions of the public servants during any negotiation with the Public Administration;
- render services or recognize a compensation in favour of companies providing services, of advisors and partners, which are not adequately justified in the context of the contractual relationship established with them;
- present untrue declaration to Italian or EU public bodies aiming at obtaining appropriations or public fundings;
- the Supervisory Board must be informed in writing about any critical situation or conflict of interest which may arise concerning the relationships with the Public Administration.

In the information technology management it is compulsory to:

comply with the company and group rules concerning the use of the systems, the data treatment, the rules of use of the workspace, of internet and the management of passwords;

In the management of the occupational safety and environment

The company implements, maintains and efficiently puts into practice the integrated environment and safety management system, aimed at reaching fixed goals, according to the OHSAS 18001, to EMAS and to ISO 14001 standards, which ensures and guarantees compliance with all the legal obligations concerning the two aspects.

In the relationship with contractors


The company keeps and constantly updates a register, also available in the electronic form, of the contractors who operate within its plants by means of a contract. These contracts have to be put in writing and have to include, among the different points, references to the compliances with the internal Procedure PGA 06.


In the management of the financial activity

The company introduces processes so that the Corporate Bodies, the employees, the advisors and the partners, in the execution of their activities, do not incur in committing crimes pursuant to Legislative Decree 231/2001 (... Omissis)

5.4 Amendment and supplementing procedures: reporting to the Supervisory Body


It may be necessary to update this document when new regulations are issued (amending and/or supplementing the Decree) or when organizational changes are made within Schaeffler Italia. The SB, following the procedures described below, is responsible for organizing all information received so as to suggest the most appropriate changes and updates.

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6. THE SUPERVISORY BODY

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6.1 SB characteristics, qualification, appointment and term in office

Pursuant to article 6 of the Decree, it is necessary to identify an internal body which has autonomous powers of initiative and control, with the duties of supervising the functioning and observance of the Model, and updating it.

Schaeffler Italia S.r.l., aware of its business and in compliance with the provisions of the By-laws (annex E), has appointed a Supervisory Body which remains in office for three years or until removal by the Company's Administrative Body.

The regulation does not provide specific instructions concerning the composition and nature of this Body; however, they can be found in the Confindustria Guidelines.

6.2 SB requirements, powers and duties

The members of the SB, or the single member, must be suitably qualified so that the Body can adequately conduct supervisory activities and update the Model with professionalism, competence and continuity of action, in compliance with the independence and autonomy requirements laid down by the regulation.

If the Supervisory Body is appointed with a sole member, the single representative must be chosen from among parties that have specific and proven professionalism, skills and experience relating to the business and inspection activities, and cannot be linked to the Company by employment or significant economic interest (e.g., shareholdings).

The single representative of the Supervisory Body also cannot be a member of the Company's Board of Directors.


Besides the specific professional skills, the single representative and the members of the Supervisory Body must have:

- Autonomy
- Independence
- Integrity
- Professionalism
- Experience in inspections and corporate audits.

In order to satisfy the requirements of integrity and independence, the single representative must not have any conflicts of interest and/or connections with the Company's personnel and/or related parties (including companies belonging to the same Group), which could hypothetically preclude or limit the objectivity of his or her assessments or his or her independent and autonomous judgment and action when exercising supervisory functions.

The occurrence of one of the following is cause for the removal and/or ineligibility of Supervisory Body members:

- a) one of the circumstances described in article 2382 of the Civil Code;
- b) situations in which the autonomy and independence of the Supervisory Body's single member could be seriously compromised;
- c) the launch of investigations of a Supervisory Body member for crimes punishable under Legislative Decree no. 231/2001;

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d) a conviction (or plea bargain), also not definitive, for having committed, also jointly with third parties, one of the crimes punishable under Legislative Decree no. 231/2001 or the application of a penalty, even temporary, prohibiting him or her from holding public offices or executive offices in legal entities.

Besides the aforementioned cases, the mandate conferred upon the single representative or one or more members of the Supervisory Body may be withdrawn in the following situations:

- > if the single representative or member of the Supervisory Body no longer satisfies the requirements of integrity;
- > if circumstances occur which could cause the single representative or member of the Supervisory Body to no longer satisfy the requirements of autonomy and independence;
- > if the single representative or member of the Supervisory Body is subject to an interdiction or disqualification, or an illness which would make him or her unable to perform his or her supervisory functions for more than two months;
- > if the single representative or member of the Supervisory Body commits a serious breach of his or her duties as defined in the Model.

The SB is assigned the authority to inspect and control the functioning and observance of the Model as a whole.

Therefore, the SB may conduct audits and controls at any time.

Specifically, to effectively fulfill its duties, the SB may:

- have free access to all documents and all information within all departments of the Schaeffler Group companies in Italy, deemed necessary to carry out its required duties;
- rely on the assistance of all employees of the Schaeffler Group companies in Italy, or external consultants, which will work under its supervision and responsibility.

As concerns operations, in accordance with articles 6 and 7 of the Decree, the SB is responsible for:


- periodically checking the sensitive area map in order to adjust it based on changes in the activities and/or organization of the Schaeffler Group companies in Italy;
- periodically checking for compliance with the elements set forth in the Model and documenting that activity;
- checking the Model's adequacy and effectiveness at preventing the crimes set forth in the Decree and making sure that it is updated.

Furthermore, in terms of health and safety, the SB continuously communicates with the Prevention and Protection Service Manager (RSPP), who has in its regard the same "consulting function" as he or she has in relation to the Employer. Therefore, the RSPP can be qualified as a first level technical/operating control, while the SB will be responsible for checking the efficiency and effectiveness of the relevant procedures pursuant to the Decree, or second level control.

6.3 Information Flows to the SB

The Supervisory Body is the recipient of all information, documentation and/or communications, also from third parties, regarding the implementation of the Model which could influence Schaeffler Italia's organization and this Model, or in any case inherent to the activities it carries out.

The SB must be informed by parties required to observe the Legislative Decree no. 231/2001 Organizational Model concerning events that could give rise to Schaeffler Italia S.r.l.'s liability, pursuant to Legislative Decree no. 231/2001.

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Each manager or employee must report behavior that is not in line with the principles and content of the Organizational Model by contacting the SB;

Anyone who becomes aware of information and/or news, also informal, regarding the commission of crimes set forth in the Document, or in any case regarding possible violations of the Model, must:

- contact his or her manager, who will report directly to the SB;
- contact the SB directly if, for circumstantial reasons, it is not possible to contact the Manager.

Those reporting in good faith are protected from any type of reprisal, discrimination or penalties, and in any case the confidentiality of the reporter's identity shall be ensured, without prejudice to legal obligations and the protection of the rights of companies or people accused in bad faith.

Dedicated informational channels have been established to facilitate the flow of communications and information (Annex F). Specifically, all information is addressed to

Schaeffler Italia S.r.l. Supervisory Body
Via Dr. Georg Schaeffler, 7
28015 Momo (Novara)

or

odv@schaeffler.com

6.4 SB reporting to the corporate bodies

The SB reports on the implementation of the Organizational Model, the emergence of any critical aspects and the outcome of activities carried out in fulfilling its assigned duties. The lines of reporting are as follows:

(I) continuous reporting to the Managing Director, who informs the Board of Directors in the disclosure on the exercise of assigned delegations;

(II) quarterly reporting to the Board of Directors and the single Statutory Auditor; for this purpose, it prepares a quarterly report on the activity carried out, and indicates the outcome of its inspections and the legislative innovations concerning the administrative liability of entities; at that time, dedicated meetings are organized with the Board of Directors and the single Statutory Auditor.


(III) immediate reporting to the single Statutory Auditor, after informing the Chairman and the Managing Director, if particularly material or significant events are verified.

The report must also highlight any gaps found in the Model, and indicate the corrective actions to be implemented; updating requirements and procedures must also be mentioned.

6.5 Control system and periodic inspections

On an annual basis, the SB prepares a plan of its activities, which also defines the frequency of the inspections to be completed pursuant to the Decree, in line with the principles of the Model.

The business areas to be examined are chosen based on the sensitive activities identified in the relative risk assessment.

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The SB conducts controls on the Model, and for that purpose may take advantage of the assistance of the applicable Schaeffler Italia personnel from the various areas.


Those inspections may also be carried out by personnel from outside the Company to ensure greater impartiality should circumstances so require.

The SB conducts its inspections both periodically, according to a calendar defined each year during the activity planning phase, and randomly at its own discretion, to ensure greater attention for compliance with the Model's provisions.

The results of this control are included in the SB's obligatory quarterly report, and will form the basis for the decision on whether it is necessary to update or amend the Model.


If an SB inspection brings to light a violation of the Model or, worse, the commission of one of the crimes set forth in the Decree, the perpetrator shall be sent to the Human Resources Department, which will decide on any disciplinary measures.

6.6 Compensation for Supervisory Body members (Omissis)

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7. BONUS SYSTEM AND PENALTY SYSTEM

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7.1 Bonuses and incentives

On the basis of the agreements and contracts stipulated, and in accordance with the central Schaeffler Group directives, Schaeffler Italia S.r.l. can decide to provide bonuses to its employees and Managers. Therefore, in the procedures for defining those bonuses, it is highlighted that earning them is linked to both reaching the required objective and compliance with the Model and the Code of Conduct.

Like bonuses, any incentives will also be distributed following the same criteria.

7.2 The penalty system

The establishment of penalties in proportion to the violation and applicable in the event of violation of the Legislative Decree 231/2001 Organizational Model is meant to contribute:

1. to the effectiveness of the model;
2. to the effectiveness of the SB's control actions.

The following are violations of the Legislative Decree 231/2001 Organizational Model:




- a) the implementation of actions or behaviors that are not compliant with the requirements of the Organizational Model and/or of the Code of Conduct - Code of Ethics, or the failure to carry out actions or behaviors required by the Organizational Model and/or of the Code of Conduct - Code of Ethics, when carrying out sensitive activities;
- b) the implementation of actions or behaviors that are not compliant with the requirements of the Organizational Model and/or of the Code of Conduct - Code of Ethics, or the failure to carry out actions or behaviors required by the Organizational Model and/or of the Code of Conduct - Code of Ethics, when carrying out activities related to Sensitive Activities and/or in management processes, or not complying with the obligations of disclosure to the SB set forth in the Organizational Model, which
 - exposes the Company to a situation in which there is an objective risk that one of the crimes set forth in Legislative Decree 231/2001 may be committed and/or
 - is unambiguously aimed at committing one or more of the crimes set forth in Legislative Decree no. 231/2001 and/or such so as to result in the application of the penalties set forth in Legislative Decree no. 231/2001 to the Company.

Please note that the failure to observe applicable company processes when carrying out Sensitive Activities constitutes a violation of the Legislative Decree no. 231/2001 Organizational Model.

If an Employee, Manager or any other party linked in any manner to Schaeffler in Italy violates the Model, the SB shall initiate an investigation.

If this investigation confirms that the Model has been violated, the SB, as the legitimate party responsible for verifying violations, shall refer the violator to the Human Resources Department, which will decide on whether to apply a disciplinary penalty.

That penalty shall apply regardless of whether criminal proceedings are initiated and regardless of whether the action carried out is classifiable as a crime, since this Model has been adopted by Schaeffler Italia regardless of any crime that specific conduct may result in.

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As concerns the type of penalties that can be applied, it is first specified that, if the party is an employee, all disciplinary measures shall respect the procedures set forth in article 7 of the Statute of Workers' Rights and in the National Collective Labor Agreements.

7.3 Measures against Directors, Managers and Statutory Auditors

The SB shall report to the Board of Statutory Auditors if Directors and Managers violate, or enact behavior which is not compliant with, the procedures set forth in the Model, and shall inform the Administrative Body if such behavior is adopted by one or more of the Statutory Auditors, so that the appropriate measures may be taken.

7.4 Measures against Middle Managers, Employees and Workers

Employee conduct in violation of the rules and procedures of this Model is defined as a disciplinary offense.

Therefore, the disciplinary measures that can be adopted by the Human Resources Department are those set forth in the current applicable National Collective Labor Agreement.

The penalties will be in proportion to the seriousness, and any repetition, of the violation, by applying the principle of proportionality, or:

- of the deliberateness of the behavior or the level of negligence, imprudence or lack of skill, also with regard to the predictability of the event;
- of the worker's overall behavior, particularly regarding whether or not he or she has been subject to previous disciplinary measures;
- the worker's tasks;
- the functional position of the people involved in the events constituting the shortcoming;
- the other specific circumstances of the disciplinary violation.


The disciplinary penalties envisaged by the contract applied are:

- verbal reprimand;
- written warning;
- suspension from work and compensation for up to a maximum of 3 (three) days;
- dismissal for justified reason.
-

The Human Resources Director shall notify the SB of the application of that penalty or the measures for closing the case, along with the relative reasons. All legal and contractual requirements regarding the application of the disciplinary penalty shall be respected.


7.5 Measures against Suppliers, Consultants and Partners

Any violation of the rules pursuant to this Model or the commission of the relevant crimes pursuant to the Decree by Suppliers, Consultants and Partners shall result in the consequences set forth in the specific clauses of their contracts.

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8. EMPLOYEE SELECTION AND DISSEMINATION OF THE MODEL

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8.1 Employee selection (Omissis)

8.2 Employee training (Omissis)

8.3 Selection of Contract staff, Suppliers and Partners (Omissis)

8.4 Information for Contract staff, Suppliers and Partners

A full disclosure of the principles and content of the Legislative Decree no. 231/2001 Organizational Model is provided within and outside of Schaeffler Italia S.r.l.

The Schaeffler Italia S.r.l. SB monitors the Legislative Decree no. 231/2001 Organizational Model communication and training initiatives.

The company's code of conduct, as well as an excerpt from the Legislative Decree no. 231/2001 Organizational Model, are provided to all external users on the Schaeffler Italia S.r.l. website. Contract staff, Suppliers and Partners also receive a disclosure on this Model as an integral part of their contracts with the company, and commit to complying with the organization and management principles set forth in the Code of Conduct.

8.5 Dissemination of the Model

The principles and content of the Legislative Decree no. 231/2001 Organizational Model are addressed to the members of the company bodies, to the management and to the employees of Schaeffler Italia S.r.l., as well as to all parties who work to achieve Schaeffler Italia S.r.l.'s objectives.

Employee communications and training are important requirements for the implementation of the Organizational Model. Schaeffler Italia S.r.l. commits to facilitating and promoting management and employee awareness of the Legislative Decree no. 231/2001 Organizational Model, with varying levels of detail based on the position and role, and their constructive contribution to gaining a detailed understanding of its principles and content.

Each member of the company bodies is formally notified of the Legislative Decree no. 231/2001 Organizational Model.


All managers and office heads are formally notified of the Organizational Model.

The principles and content of Legislative Decree 231/2001 and of the Organizational Model are also disclosed through training courses. Participation in the courses is mandatory. The SB approves the structure of training courses based on the proposal of the applicable company departments.

The Legislative Decree 231/2001 Organizational Model is posted near company Info-Points. Targeted information initiatives for middle managers, employees and workers are also defined.

The Legislative Decree 231/2001 Organizational Model is provided to all employees on the company intranet.

All employees must be made aware of this Model for it to be effectively suitable to prevent the crimes set forth in the Decree from being committed.

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The SB ensures that the following are carried out for Schaeffler's executives:

- an initial training course, possibly provided electronically;
- email updates;
- periodic meetings and specific training courses.




It also checks that the following are carried out for employees whose jobs involve sensitive activities:

- initial training course, especially geared toward the awareness and application of the procedures set forth in the Model;
- continuous updating on regulatory and procedural developments through internal notifications;
- periodic meetings and specific training courses.

9. DATA PROCESSING

All information, communications and reports required by the Organizational Model are kept by the SB in a dedicated hard copy and/or electronic archive.

Without prejudice to legitimate orders from the Authorities, the data and information kept in the archive is owned by the company and therefore subject to the protections established in the Privacy Law, where applicable.

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10. REFERENCES

Schaeffler Group directives (*Management Handbuch*): (Omissis)

Internal procedural references: (Omissis)

Regulatory and legislative references

- Legislative Decree no. 81 of April 9, 2008 "Implementation of article 1 of Law no. 123 of August 3, 2007, concerning occupational health and safety protection", as amended.
- Ministerial Decree of March 10, 1998 - "General safety criteria for workplace fire prevention and emergency management".
- Ministerial Decree no. 388 of July 15, 2003 "Regulation containing provisions on company first aid, in implementation of article 45, paragraph 2 of Legislative Decree no. 81 of April 9, 2008 as amended".
- Ministerial Decree no. 471 of October 25, 1999 "Regulation containing criteria, procedures and methods for the implementation of safety measures, reclamation and environmental restoration of polluted sites, pursuant to article 17 of Legislative Decree no. 22 of February 5, 1997, as amended".
- Legislative Decree no. 152 of April 3, 2006 "Environmental regulations".
- Legislative Decree no. 22 of February 5, 1997 "Implementation of directives 91/156/EEC on waste, 91/689/EEC on hazardous waste and 94/62/EC on packaging and packaging waste" as amended.
- Law no. 447 of October 26, 1995 "Framework law on noise pollution".
- Prime Ministerial Decree of March 1, 1991 "Maximum noise exposure limits in inhabited areas and the external environment".
- Presidential Decree no. 203 of May 24, 1988 "Implementation of EEC directives 80/779, 82/884, 84/360 and 85/203 concerning rules on air quality, on specific polluting agents, and on pollution produced by industrial plants, pursuant to article 15 of Law 16 no. 183 of April 16, 1987" as amended.
- Decree of the Ministry of Infrastructure and Transport of January 3, 2011. Enactment of directive 2010/61/EU of the Commission of September 2, 2010, which adapts for the first time the annexes to directive 2008/68/EC of the European Parliament and of the Council on the inland transport of dangerous goods to scientific and technical progress
- Decree of the Ministry of the Environment, Land and Sea of December 17, 2009. Establishment of the waste traceability control system, pursuant to article 189 of Legislative Decree no. 152 of 2006 and of article 14-*bis* of Decree Law no. 78 of 2009 converted, with amendments, by Law no. 102 of 2009.
- Legislative Decree no. 109 of July 26, 2012
- Law no. 190 of November 11, 2012
- EEC Regulation 1221/09 (EMAS III)
- UNI EN ISO 14001: 2004
- BSI OHSAS 18001: 2007
- Civil code
- Criminal code
- National Collective Labor Agreement

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Company subject to the management and coordination of Schaeffler Technologies AG & Co. KG