



AVIO GROUP

CODE OF CONDUCT

Approved by the AVIO S.p.A. Board of Directors

- 1st Issue March 2004 : Meeting of 29 March 2004
- 2nd Issue September 2008 : Meeting of 23 September 2008

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Foreword

AVIO is an international Group¹ operating in the sector of aerospace propulsion, committed to continuously improving the excellence of its products and services.

The Group's mission is concentrated upon growth and the creation of value through the supply of innovative products and services for maximum customer satisfaction, with due respect to the legitimate interests of all the categories of "interested parties"², fair employment practices, health and safety in the workplace, and the laws and regulations applicable to the different areas of activities in which the Group operates.

On the basis of these principles, the AVIO Group is committed to conducting its business in a fair and impartial manner. All business relations shall be established and maintained with integrity and loyalty, and without any conflict of interest between Company business and personal affairs.

To achieve this goal, the Group requires its employees to comply with the highest standards of business conduct in the performance of their duties as set out in this Code of Conduct.

The Code is a guide and a support for every employee in order to enable him/her to pursue the Group's mission in the most effective way possible.

The Code constitutes a fundamental element of the organisational model of internal control, which the AVIO Group is committed to continually reinforcing and developing.

In view of the above, the Group shall:

- ensure timely diffusion of the Code throughout the Group and to all recipients;
- guarantee that all updates and modifications are provided on a timely basis to all recipients of the Code;
- provide appropriate training and information support, relative to any doubts regarding the interpretation of the Code;
- ensure that any employee reporting Code violations shall not be subject to any form of retaliatory measures;
- take equitable measures concerning sanctions appropriate to the type of Code violation, and guarantee to enforce them indiscriminately amongst all the categories of employees subject to the provisions of law, of contract and of internal regulations in force within the jurisdiction in which it operates;
- carry out periodic checks in order to determine compliance with the rules of the Code.

The Group welcomes and encourages constructive contributions to the Code's content from both employees and third parties.

1 In this Code, "Group" refers to AVIO S.p.A. and its subsidiary Companies in accordance with Art. No. 2359 of the Italian Civil Code as well as other controlled Companies in accordance with Art. No. 26 of Legislative Decree No. 127 of 9/4/1991. The text of these regulations is described in Appendix A.

2 In this Code, "interested parties" is taken to mean an individual, a community or an organisation that influence the operations of one or more Group Companies and suffers the repercussions. The interested parties may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders or local communities).

The Group shall spare no effort to ensure that the Code's principles are shared by consultants, suppliers and any other party that has stable business relations with the Group.

The Group shall not engage in, nor continue any business relations with, any person(s) who expressly refuses to comply with the Code's principles.

1 Guide to use of the Code

What is the Code?

The Code is a document approved by the Board of Directors of AVIO S.p.A., that is applicable to the whole AVIO Group, which sets out the principles of conduct in business together with the commitments and responsibilities of Group employees.

The Code constitutes the AVIO Group programme in order to ensure effective prevention and detection of violations of laws and regulatory directives applicable to its activities.

Where regulations in force, in a particular jurisdiction, are more lenient than those in the Code, those of the Code shall prevail.

Who is the Code addressed to?

The Code applies to the Board of Directors, Board of Statutory Auditors, External Auditors of AVIO S.p.A. and its subsidiaries, to all employees of Companies belonging to the Group, and to all other parties or Companies who act in the name of or on behalf of one or more Companies of the AVIO Group.

The Group shall spare no effort to ensure that those parties it deals with in long-term business relations such as consultants, professional experts, agents and dealer, regard the Code as a standard of best practice for business conduct.

All recipients of this Code of Conduct shall respect the values set out herein, and attest to such commitment by accepting and signing it, according to the type of relations with the Companies of the AVIO Group, in Appendix C, D or E.

Where is the Code applied?

The Code is applied in Italy and all other countries in which the Group operates.

Where is the Code available from?

The Code may be consulted by all employees in an accessible place, using the most appropriate procedures and in conformity with local rules and regulations, and is available on the Group's Web Site (www.aviogroup.com), and on the Company Intranet from where it may be freely downloaded.

It may also be requested from the Personnel Department, the Legal Department or from the "Preposto" (Supervisor) of the Internal Control System.

Can the Code be modified?

The Code is subject to review by the AVIO S.p.A. Board of Directors. Any reviews take into account contributions received from employees and third parties, as well as any developments in legislation or the best international practices, and experience acquired in applying the Code itself.

Any modifications to the Code, introduced as a result of this review, are published and made available in accordance with the aforementioned procedures.

The updating of this Code of Conduct is edited by the "Preposto" of the Internal Control System.

2 Business conduct policies

The Group structures and develops its own business activities, requiring all its employees and other recipients of this Code to adapt their behaviour to the Group's values of conduct in business.

All its employees and other recipients shall pursue the AVIO business activities in compliance with the following policies:

Conflict of interest

All business decisions and choices taken on behalf of the Group shall be made in the best interest of the Group.

Therefore, employees and other recipients shall avoid any possible conflict of interest, with particular regard to personal or family interests (e.g. the existence of a vested financial or commercial interest with suppliers, customers or competitors; inappropriate advantages deriving from the role carried out within the Group; ownership of or trade in shares or securities etc.), which might affect the independence of judgement when deciding what is in the best interest of the Group and the most appropriate way to pursue it.

Any situation that constitutes or gives rise to a possible conflict of interest shall be reported immediately to the person directly in charge. Every employee shall inform, in writing, his or her immediate superior of the existence of any working activities for any other Company, or any relations of a financial, commercial, professional, family or personal nature that might influence the impartiality of his or her conduct in dealing with a third party.

Insider trading and ban of using confidential information

All employees are strictly required to comply with the laws in force on the abuse of confidential information (the so-called *Insider Trading*), under the interested jurisdiction.

Treatment of confidential information shall always be dealt with strictly in accordance with the specific procedures and regulations drawn up to that end by the AVIO Group. In order to determine when confidential information should be made public, the Group shall follow the procedures provided for by the laws in force.

Classified data

Access to classified data shall be strictly reserved to authorised persons who shall follow the procedures provided for by laws in force regarding the protection of such data.

Authorisation for access to classified data, given by the competent Authorities, is periodically reviewed.

Confidentiality obligation

Expertise and know-how developed by the AVIO Group comprise a fundamental resource that every employee and recipient must protect. In fact, in the event of improper diffusion of such expertise and know-how, the Group could suffer damage to both its assets and image.

Therefore, all employees and other recipients shall not reveal to third parties any information regarding the Group's technical, technological and commercial expertise and know-how, nor any other information relative to that which is not public, except cases in which such revelation is required by law or other regulatory directives, or where it is expressly provided by specific contractual agreements whereby the counter-parties have committed themselves to using such information exclusively for the purposes for which it was transmitted and to maintaining its confidentiality.

Confidentiality obligations, as per the Code, continue even after the termination of employment.

Bribery and illicit payments

The AVIO Group, its employees and the other recipients of the Code are committed to the highest standards of integrity, honesty and fairness in all relations inside and outside the Group.

No employee shall directly or indirectly accept, request, offer or pay any sums of money or other benefits (including gifts or favours, with the exception of commercial items universally accepted within an international framework), even if unlawful pressure has been exerted.

The AVIO Group shall not tolerate any kind of bribery to public officials, or any other party connected with or linked to public officials, in any form or manner whatsoever, in any interested jurisdiction, not even where such activities may be permitted in practice, or may not be legally prosecutable.

As regards the above, it is strictly forbidden for employees and other recipients to offer commercial give-aways, gifts or other benefits that may be in breach of the law or regulations, or are in contrast with the Code, or that may, if made public, constitute a prejudice against the Group, even in terms of image.

It is likewise forbidden for employees and other recipients (and members of their families) to accept any give-aways, gifts or other benefits, which may prejudice their independence of judgement. Consequently, every employee or recipient shall avoid all situations in which interests of a personal nature may come into conflict with the interests of the AVIO Group.

Money laundering prevention

The AVIO Group and its employees shall never carry out, nor be involved in, any activities that may implicate the money laundering (i.e. acceptance or handling) of criminal proceeds, in any form or manner whatsoever.

Before establishing any business relations, the Group and its employees shall check, with preventive measures, all available information (including financial information) on business partners and suppliers in order to determine their respectability and the legitimacy of their business activities.

The Group shall always observe the enforcement of laws against money laundering in any competent jurisdiction.

Competition

The AVIO Group acknowledges the fundamental importance of a competitive market and be committed to respecting all rules of law in force regarding competition, wherever it operates.

The Group and its employees shall avoid business practices (establishment of cartels, market divisions, limitations to production or sales and tying agreements etc.), which may represent a violation of laws on competition.

Within the framework of fair trade practices, the AVIO Group shall not knowingly infringe the intellectual property rights of any third party.

Embargo and export control laws

The AVIO Group shall ensure that its business activities never violate, in any circumstance whatsoever, international embargo and export control laws in force in the countries where it operates.

Privacy

In the execution of the business operations of the AVIO Group, a significant amount of personal data and confidential information is collected, which the Group is committed to handling in compliance with all privacy laws in force in any jurisdiction it operates in, as well as best practice procedures for the protection of privacy.

To that end, the AVIO Group shall guarantee the highest level of security in the selection and use of its information technology systems, which process personal data and confidential information.

3 Employees

The AVIO Group acknowledges that the motivation and professionalism of its employees are an essential factor for maintaining competitiveness, creating shareholders' value and customer satisfaction.

The following principles confirm the importance of respect for the individual, in compliance with the national laws and the fundamental conventions of the I.L.O. (International Labour Organisation), guaranteeing impartiality of treatment and excluding any form of discrimination.

Commitments

The Code is an integral and substantial part of the contract of employment of each Group employee.

Consequently, the AVIO Group expects all its employees to strictly comply with the regulations of the Code. Any violation of these regulations shall be severely dealt with by imposing appropriate sanctions.

Therefore, employees shall:

- learn fully the details of the Code's regulations and policies regarding their own specific job responsibilities, also attend any relevant training courses;
- act and behave in a manner consistent with the Code, and refrain from any conduct that might damage the Group or jeopardise its honesty, impartiality or reputation;
- promptly report any Code violations, following the procedures set out in Appendix B;
- comply with all internal regulations introduced by the Group Companies in order to observe the Code or identify any violations of the same;
- consult the Legal Department and/or the Personnel Department, in accordance with Appendix B, in order to obtain explanations about the interpretation of the Code;
- co-operate fully in any investigations regarding Code violations, maintaining the utmost reticence regarding the existence of said investigations, and actively participating, where requested, in audit activities on the operation of the Code.

Position of responsibility in the Group

Those persons who hold the so-called "Critical Positions", which signifies persons responsible for or, in any case, involved in, "Critical Processes" as defined in the relative "*Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001*" for the Italian Group Companies, or as defined in the "*231 Guidelines for AVIO Group foreign Companies*" and, therefore, those who hold top management positions in one or more Companies of the Group, are required, besides respecting the Code, to rigorously comply with the following requirements in carrying out the roles assigned to them:

- to work with honesty and integrity, avoiding any conflict of interest, even potential, deriving from personal or professional/business relations;
- to promptly provide his/her direct superior and, where his/her position in the Company requires, also the Independent Auditors, the Board of Directors, the Board of Statutory Auditors and the Shareholders, with complete, accurate, objective, and readily interpretable data and information;
- to report, without delay, to the appropriate person or, as the case may be, to the "Preposto" of the Internal Control System or to the Audit Committee, any violations of the Code of Conduct of which he/her has full knowledge or reliable evidence;
- to act in such a way as to guarantee complete, clear, accurate and understandable information in all the various types of documents that are to be presented to or filed with public authorities (and in all preliminary documents of such a presentation or filing), as in any other external communication;
- to work in full compliance with the rules and regulations to which the Company is subject;
- to work with the maximum professional objectivity, avoiding that his/her independent judgment is unduly influenced by external circumstances;
- to treat all information not of public domain with the maximum confidentiality, which is obtained by virtue of his/her position held in the Company, avoiding any use of this information for his/her personal advantage or the advantage of third parties;
- to promote behaviour amongst his own collaborators that is motivated by the highest standards of integrity, correctness and professionalism;
- to use Company assets and resources in the most correct and professional way.

The cited provisions constitute an integral and fundamental part of the obligations consequent to the functions held in the Company, and any derogation from the rules, even if partial or limited in time and nature, shall only be authorised by the Board of Directors of AVIO S.p.A. solely for serious and justified reasons.

Any person who holds the position of supervisor, head, chief or manager, shall perform his or her duties by setting a good example and providing leadership and guidance in accordance with the business and ethical principles of conduct contained in the Code and, as to his or her behaviour, shall demonstrate to the employees that respecting the Code is an essential aspect of their work, making sure that they are fully aware that business results shall never be separated from the respect for the principles of the Code.

In any case, all supervisors, heads, chiefs or managers:

- shall report any incident of non-compliance with the Code;
- shall be responsible for ensuring the protection of those who, in good faith, report Code violations;
- shall be responsible for proposing to the Personnel Department, after consulting the Preposto of the Internal Control System, appropriate sanctions to fit the violation committed, and sufficient enough to constitute a deterrent against any further violations.

Equal opportunities

The Group is committed to providing equal opportunities, as regards the job and professional career advancement, to all its employees.

The head of each department shall ensure that, in all aspects of job relations such as recruitment, training, salary, promotion, assignment of roles, responsibilities and objectives, assessment of performance, transfer and termination of employment, employees shall be treated according to their abilities to meet job requirements, avoiding any form of discrimination and, in particular, discrimination based on race, sex, age, nationality, religion and personal beliefs.

Harassment

Harassment or undesired behaviour of any kind such as that related to race, sex or other personal characteristics, which has the purpose and effect of violating the dignity of the person who is victim of such harassment or behaviour, is totally unacceptable to the Group whether it takes place inside or outside the workplace.

Working environment and protection of privacy

Employees shall spare no effort in maintaining a good working environment in which the dignity of each person is respected.

In particular, AVIO Group employees:

- shall not work whilst under the influence of alcohol or drugs;
- shall not smoke in the workplace (excluding the external areas where it is permitted) in order to protect their own health and that of others from the effects of "passive smoking", also in the countries where smoking in the workplace is permitted;
- shall avoid all behaviour that might create an intimidating or offensive climate towards colleagues or subordinates in order to marginalise or discredit them in the workplace.

All Group Companies, in full compliance with current legislation, shall protect the privacy of individuals in relation to information regarding the private life and opinions of each employee and, more in general, of whoever may interact with the Company.

In particular, respect for the dignity of the employee shall also be ensured through the protection of privacy in the correspondence and in the interpersonal relationships between employees, through the prohibition of any interference in conferences or discussions, and through the prohibition of any intrusion or form of control, which may be jeopardise human personality.

To this end, in each Group Company, all personal data shall be preserved in appropriate data banks, which shall be accessible to specifically authorised persons, as provided for in the Laws in force.

In particular, as regards the Group's Italian Companies, the data described by law as "critical" or "legal", shall be preserved according to the programmatic document relative to data security and shall be accessible to the supervisors and relative persons in charge of these data banks.

Company assets

Employees shall use Company assets and resources to which they have access, or the freedom to use, in an efficient and appropriate manner, so as to protect their value.

It is strictly forbidden, for any reason whatsoever, both professional and not inherent to working relations with the Group Companies, to distribute or assign, even temporarily, the said assets to external persons, unless previously justified and opportunely authorised and documented.

The use of such assets and resources is strictly forbidden if in contrast to the provisions provided for by Law, and this Code, and, therefore, the interests of the AVIO Group.

Recruitment

No employee of the AVIO Group shall accept or demand promises or transfers of money, goods, benefits, inducements or services of any kind that may be designed to promote the recruitment of anyone as an employee, or his or her transfer or promotion.

Bonus System

As regards some categories of employees, where provided for by the contractual system of reference, the gross annual pay is constituted by a variable part (after referred to as "Bonus") linked to the achievement of Company and individual objectives of a quantitative and qualitative nature, whose assessment shall meet the following requirements:

- the definition of the objectives to be established shall be made based upon the general objectives of Company performance and, in particular, always upon at least one Company objective whose achievement is a requisite condition for the allocation of the bonus;
- the objectives established may be both of a qualitative and quantitative nature but, for the allocation of the bonus, at least one of these shall be of a quantitative nature;
- the quantitative objectives shall be in keeping with the role and the responsibility of the employee and shall be defined in such a way as to be objectively attainable;

- for homogeneous classes of employees, comparable objectives shall be defined and assigned;
- the criteria regarding the establishment of the bonus in terms of performance achieved, shall be defined by Company management and promptly communicated to the interested employees;
- the assessment of performance as regards the objectives defined, shall be made by the direct chief/manager of the employee, within the principles of correctness, fairness, consistency and objectivity of judgement and, in any case, without any preference or discrimination whatsoever;
- the final approval of the total bonuses assigned shall, in any case, be subject to the decision by the Company's Top Management, who is also responsible for the initial definition of the general threshold of reference.

4 External relations

The AVIO Group and its employees are committed to maintaining and developing their own business relations with all categories of interested parties by acting in good faith, with loyalty, fairness, transparency and due respect for the fundamental values of the Group.

Customers

The AVIO Group shall fully meet the expectations of the end customer and deem it essential that its customers are always treated in a correct and honest way and therefore demand of its employees and other recipients of the Code that all relations and contacts with customers be marked by honesty, professional integrity and transparency.

All employees shall follow internal procedures in order to achieve these objectives by developing and maintaining fruitful and lasting business relations with customers, offering security, assistance, quality and value sustained by continuous innovation.

Group Companies, in all their relations with customers, shall avoid any unfair discrimination in dealing with them, and shall refrain from improper use of their bargaining power to the detriment of any customers.

Suppliers

The supplier system plays a fundamental role in improving the competitiveness of the AVIO Group.

The Group shall select Suppliers based on their ability to offer the best in terms of quality, innovation, costs and services in order to guarantee the highest level of customer satisfaction at all times.

Considering it is of primary importance for the Group that its partners share the values of the Code and the stringent respect of the laws in force, employees shall, furthermore, select Suppliers according to appropriate and objective methods.

They shall also take into account, besides the quality, innovation, costs and services offered, the subjective requisites of integrity, honourableness, professionalism, and registration on lists/associations of categories, as well as the absence of any suspicion whatsoever, past or present, of involvement in activities of terrorism or subversion of the public order (verification of non-registration on the reference lists for persons linked to international terrorism, namely persons/Companies who have been put on the so-called Black Lists issued by the European Community, the US Treasury Department and the United Nations, supporting prevention activities and opposing money laundering and the financing of international terrorism).

The Supplier chosen shall respect the values set out in this Code, and attest to such commitment by accepting and signing the specific Code of Conduct as set out in Appendix C.

No AVIO Group employee shall make any cash payments or give other favours whatsoever to Suppliers, Consultants or Partners, which are not adequately justified within the framework of the contractual relationship constituted with them.

Employees shall likewise establish and maintain stable, transparent and cooperative business relations with Suppliers.

Public institutions

Only duly delegated departments and employees shall manage relations with public institutions, which shall be transparent and inspired by Group Values.

Any gifts or favours made to representatives of any public institution (where permitted by current regulations) shall be of modest value and proportionate to the case but, however, may not be interpreted with a purpose of gaining unfair advantage for the Group.

The AVIO Group shall fully cooperate with regulatory and governmental bodies within the framework of their legitimate area of activities. Should one or more Group Companies be subjected to legitimate inspections by public authorities, the Group shall fully cooperate.

Should a public institution be a customer or Supplier of a Group Company, the latter shall act in strict compliance with the laws and regulations that govern the acquisition from or sale to that particular public institution of any goods and/or services.

Any intervention to promote the interests of the Group shall be conducted only where permitted and in strict compliance with laws in force and, in any case, in conformity with the Code and any procedures specifically established by the Group.

Trade Unions and political parties

Any relations between the AVIO Group with Trade Unions, or Political Parties and their representatives or candidates shall be marked by the highest principles of transparency and fairness.

Contributions by the Group shall only be allowed if enforced or expressly permitted by law and, in the latter case, authorised by the relevant corporate bodies of each Group Company.

Any contribution made or activity performed by Group employees shall only be intended as a personal and voluntary contribution.

Communities

The AVIO Group and its employees are strongly committed to behaving in a socially responsible manner, respecting the uncompromising values of a clean environment and a healthy and safe workplace, and ensuring that the cultures and traditions of each country in which it operates are observed and respected.

In compliance with the fundamental I.L.O. conventions, the Group shall not employ child labour, namely it does not employ persons younger than the age established for starting work by legislations of the place in which work is carried out and, in any case, younger than fifteen years of age, unless exceptions are expressly provided for by international conventions and any local legislations.

Moreover, the Group shall not establish any business relations with Suppliers that employ child labour, as defined above.

Communication and corporate information

The Group acknowledges the vital role of clear and effective communication in internal and external relations. In fact, communication and external relations influence, directly and indirectly, Company development.

It is therefore necessary that these activities are organised according to clear, uniform criteria, which take into account both the requirements of the various lines of business activities and the economic and social role of the Group as a whole.

Group employees given the task of imparting information to the public relative to Group Companies, business activities or geographical areas, in the form of speeches, participation at conferences, publications or any other type of presentation, shall follow the instructions issued by the Group and receive, where necessary, the prior authorisation of the duly designated Company department or the person in charge of external communications.

Communication to economic and financial markets, and supervising bodies, shall always be supplied promptly in an accurate, complete, correct, clear and comprehensible manner and, in any case, in compliance with the laws applicable in the relevant jurisdiction.

This form of communication shall only be managed and carried out by those employees specifically given the responsibility for communication to economic and financial markets, and supervising bodies.

Media relations

The communication of information to the media plays an important role in the creation of the AVIO Group image and, therefore, all information concerning the Group shall be supplied in a true and uniform manner, and only by those employees responsible for communication to the media.

No other employees shall impart any information relative to the Group, which is not public, to media representatives nor have any kind of contact with them to disclose confidential Company information and referring, instead, any media enquiries to the appropriate person or department.

5 Health, safety and environment

The AVIO Group shall not accept any compromise regarding the health and safety of its employees in the workplace.

No Group employee or interested party authorised in this matter, shall put other employees at unnecessary risk, which may cause damage to their health or physical safety.

The Employers, Directors/Managers and all those persons responsible for the matter in question, shall also be guided in their decisions and behaviour by the following fundamental principles:

- avoiding risks;
- assessing risks that may not be avoided;
- fighting risks at source;
- adapting work to the person, especially concerning the planning of the workplace and the choice of machinery and equipment, and working and production methods, in such a way as to mitigate boring and repetitive work and to reduce the effects of such activities on health;
- taking into account the level of technical evolution;
- systematically reducing and, where possible, completely eliminating any elements of risk or danger;
- planning prevention, aiming at a consistent situation that integrates within the same area the technique, work organisation, working conditions, external Company relations and the influence of the factors of the working environment;
- giving priority to measures of collective protection as regards the measures of individual protection;
- giving appropriate instructions/information to employees.

The Group shall pursue the aim of ensuring an effective management of health, safety and environment, which it considers critical to the success of the Group.

Everyone who works for the Group is responsible for the good management of health, safety and environment.

The Group shall adopt an effective environmental management system that complies with all relevant national and international legislative requirements.

The fundamental principles that the Group follows are:

- never pollute;
- optimise the use of resources at all times;
- develop products that are always more environmentally compatible.

Every year, the Group provides information on the implementation of environmental policies in the specific sections of the Annual Report.

6 Accounting and Internal Control

The AVIO Group is committed to maximising long-term shareholder value.

In order to honour this commitment, the Group shall maintain high standards of financial planning and control, and accounting systems consistent with and appropriate to the accounting principles applicable to Group Companies.

To fulfil these procedures, the Group shall operate, with the maximum transparency consistent with best business practices, by:

- ensuring that all operations carried out are duly authorised, verifiable, legitimate and consistent;
- guaranteeing that all operations are appropriately recorded and accounted for in conformity with the best current procedures, and properly documented;
- elaborating, in a timely way, complete, accurate, reliable, clear and comprehensible periodic financial accounts;
- operating in strict compliance with the “Internal Control System Guidelines” adopted by the AVIO S.p.A. Board of Directors;
- making its employees fully aware, by informing them of the existence, aims and importance of internal control;
- analysing and managing, with professional diligence, any risks connected to Group activities;
- establishing rigorous processes in the execution of the activities, which guarantee management decisions (including those relative to investments and disposals) based on sound economic analysis that comprises prudent risk assessments and ensure Company assets are optimally employed;
- ensuring that decisions on finance, tax and accounting issues are taken at an appropriate management level;
- preparing promptly all documentation to be sent to market supervising bodies or diffused to the public, making sure that this documentation is complete, accurate, reliable, clear and comprehensible.

The Group acknowledges the paramount importance of internal controls for a good management and for the success of the Group. To that end, the AVIO S.p.A. Board of Directors adopted the “Guidelines for the Internal Control System”, which can be consulted on the Group’s Web Site and Company Intranet.

The Group is committed to implementing processes in order to ensure the necessary training and experience for employees holding responsibilities, so as to create and maintain an efficient and coherent internal control system, consistent with the aforementioned “Guidelines for the Internal Control System”.

The Group considers transparency in the accounting methods of each single operation carried out to be of the utmost importance for its success.

Therefore, the Group insists on accurate, timely and detailed reports from its employees as regards financial operations. Employees shall keep true and accurate records of all financial operations, together with appropriate supporting documentation.

Irregular bookkeeping is a violation of the Code and is considered illegal in almost all judicial systems. It is therefore forbidden for any employee to behave in such a way, or be responsible for omissions, that may lead to:

- the recording of false operations;
- the recording of operations in a deceptive way or not sufficiently documented;
- the non-recording of commitments, also only guarantees, which may generate liabilities or obligations for Group Companies.

The Internal Audit of AVIO S.p.A., within the framework of a verification programme, or at the request of the Board of Directors, the Chief Executive Officer or the “Preposto” of the Internal Control System of any Group Company, shall check the quality and effectiveness of the Internal Control System and shall report the outcome to the person making the request and other appointed bodies.

Group employees shall assist with the monitoring activities on the quality and effectiveness of the Internal Control System. Internal Audit, Statutory Auditors, Independent Auditors and the “Preposto” of the Internal Control System shall have full access to all data, information and documentation necessary to perform their activities, within the limits and full compliance with that provided for by Laws in force, relative to classified data or “critical” in order to safeguard privacy.

Any employee asked to co-operate in preparing and presenting documents destined for supervising bodies or the public shall ensure, as far as their responsibility is concerned, that these documents are complete, accurate, reliable, clear and comprehensible.

7 Rules concerning “Administrative Responsibilities” of the Company or pertinent legal entity

This Code of Conduct represents an independent instrument generally adopted by the AVIO Group in order to express the “Company ethics” that the Group recognises as its own and on which it requires the strict observance by all its Employees, the Board of Directors, Board of Statutory Auditors, External Auditors, Consultants, Partners and, in any case, all those people or Companies who act in the name or on behalf of one or more Avio Group Companies.

Considering the improvement of Group Corporate Governance, and the safeguarding of its image, of the expectations of its shareholders and of the work carried out by its Employees and Partners, the AVIO Group, acknowledging that this conforms with its own Company policies and with the general principals of this Code, decided to proceed with the adoption and implementation of specific instruments that are applicable to the single Group Companies which, through well-defined rules and protocols to be applied within the area of the so-called “critical” activities and processes, will allow the limitation of risks and, therefore, prevent in the best possible way the commissioning of types of crimes which, seemingly committed to the advantage of the single Company or the whole Group, may bring about a criminal administrative responsibility based upon the provisions of Legislative Decree 231/2001 in force in the Italian legislation or similar laws that are in force in the foreign countries where the AVIO Group operates.

As a non-exhaustive example, Company processes are considered critical in which:

- a) relations take place with Public Authorities, Public Officials or those persons in charge of Public Services;
- b) work is carried out concerning Company and balance sheet matters;
- c) operations may be implemented that financially and operationally facilitate the commissioning of crimes relative to terrorism or subversion of the democratic order;
- d) damaging behaviour may be implemented concerning the individual personality and paedophilia or pornography;
- e) transnational operations may be implemented;
- f) situations may be identified where, in the case of an accident, the death or the serious injury of an employee takes place.

The complete list of crimes as regards the Company’s administrative responsibility, based upon the provisions of Legislative Decree 231/2001, with the relative pecuniary and disqualifying sanctions, is published in the section “Legislative Decree 231/2001” on the Company Intranet. Also published in the same section is the complete list of crimes described in a more common terminology.

As regards the regulatory provisions contained in the Legislative Decree 231/2001, all Italian Group Companies are provided (or adoption has been planned) with their own Organisation, Management and Control Model, whose rules shall be respected in order to contribute in such a way as to constitute exemption for the Company as regards the administrative responsibility, as defined in the above Decree.

The Group's foreign Companies have adopted (or adoption has been planned) the "231 Guidelines" for foreign controlled or subsidiary Companies (*231 Guidelines for AVIO Group Foreign Companies*), issued by the parent Company, in which the general and specific behaviour is defined that is to be implemented in the management of activities that are considered critical with regard to the risks of commissioning of crimes, in this case referred to local laws similar to Italian Legislative Decree 231/2001 and/or, however, behaviour that is considered a criminal act in accordance with the Company policies of the Group, even if such an act does not constitute a crime within the framework of the reference legislation.

The document cited may be consulted in the section "Legislative Decree 231/2001" on the Company Intranet and on the Group's Web Site (www.aviogroup.com).

The observance and implementation of the rules foreseen in the Organisation, Management and Control Model adopted by the Italian Group Companies and in the 231 Guidelines adopted by the foreign Group Companies, by all Employees, the Boards of Directors, the Boards of Statutory Auditors, External Auditors, Consultants and the Partners of the AVIO Group, is an integral part of the rules of this Code of Conduct.

8 Implementation and assurances

The AVIO Group is committed to achieving the highest standards of best practice relative to its moral, social and business management responsibilities towards interested parties.

The Code sets out the Group's expectations of its people and the responsibilities, which they shall take upon themselves for a consistent conduct and behaviour.

The managers of the various lines of business activities and Group functions shall be responsible for ensuring that these expectations are understood and put into practice by the employees. They shall also guarantee that the commitments described in the Code are implemented throughout all the levels of the business lines and functions.

The Group encourages employees to speak to the Legal Department and/or Personnel Department at all times as to the most appropriate behaviour to adopt regarding the Code, which they may have doubts about.

A prompt reply shall be given to all requests for explanation, without the risk of any retaliatory measures, also indirectly, against employees.

Any appropriate sanctionable measures for Code violations shall be proposed to the Personnel Department by the people directly in charge after speaking, if necessary, to the "Preposto" of the Internal Control System, consistent with laws in force and relevant national and Company labour contracts, and shall be proportionate to the particular Code violation.

Any form of retaliatory measures taken against any person who, in good faith, has reported possible Code violations or who has requested explanations regarding Code application procedures, shall be considered a Code violation. The behaviour of anyone who accuses other employees of a Code violation, in the knowledge that such a violation has not been committed, shall also be considered a Code violation.

Code violations may lead to the adoption of disciplinary sanctions and bring about the termination of the fiduciary relationship between the Group and any employee with the consequent sacking of the latter. In any case, as regards all types of violations, the Group Company may take legal action for compensation relative to any damage caused by and/or consequent to said violation.

Any departure from the Code rules, even partial and limited in time and nature, may only be authorised, exclusively for serious and justified motives, by the Board of Directors of the Group Company in which the employee, who has made such a request, works, after speaking to the "Preposto" of the Internal Control System.

The Internal Audit shall carry out periodic inspection activities on the functioning of the Code whose results, also suggesting modifications or additions to the same Code, are presented to the "Preposto" of the Internal Control System, the Chief Executive Officer and the Board of Directors of AVIO S.p.A.

APPENDICES

Appendix A – Definition of a subsidiary Company as regards Italian legislation

Art. 2359 of the Italian Civil Code:

Subsidiary Companies are considered as follows:

- 1) *Companies in which another Company possesses a majority of votes that may be exercised at an ordinary shareholders' meeting;*
- 2) *Companies in which another Company possesses enough votes to exercise a dominant influence at an ordinary shareholders' meeting;*
- 3) *Companies that are under the dominant influence of another Company by virtue of special contractual restrictions with it.*

In order to enforce numbers 1) and 2) in the first paragraph, the voting rights of subsidiary Companies, fiduciary Companies and by proxy, shall also be counted; the voting rights of third parties shall not be counted.

Companies in which another Company exercises a marked influence shall be considered subsidiary. This influence is presumed when at least a fifth of the votes can be exercised at a shareholders' meeting, or a tenth, if it is a Company listed on the stock exchange.

Art. 26 of Legislative Decree No. 127 of 9 April 1991:

- 1) *For all legal purposes of Art. 25, Companies shall be considered subsidiary that are indicated in numbers 1) and 2) of the first paragraph of Art. 2359 of the Italian Civil Code.*
- 2) *For the same purposes, those Companies shall, in any case, be considered subsidiary:*
 - a) *in which another Company has the right, by virtue of a contract or a statutory clause, to exercise a dominant influence when the effective law permits such contracts or clauses;*
 - b) *in which another Company, on the basis of agreements with other shareholders, has sole control of the majority of voting rights.*
- 3) *In order to enforce the preceding paragraph, the rights shall also be taken into account of subsidiary Companies, fiduciary Companies, and by proxy; the voting rights of third parties shall not be considered.*

Appendix B – Interpretation and reporting of violations

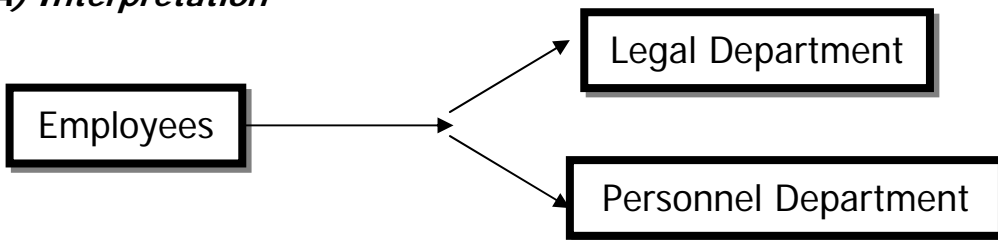
For any queries relative to specific provisions or clarification of the Code, employees are requested to contact the Legal Department and/or the Personnel Department of the relevant Group Company.

If an employee wishes to report a violation (or suspected violation) of the Code of Conduct, he/she shall contact their direct superior. Should any report of a violation remain unanswered, or an employee feels uneasy about reporting a violation to his/her superior, he/she shall report it to the “Preposto” of the Internal Control System.

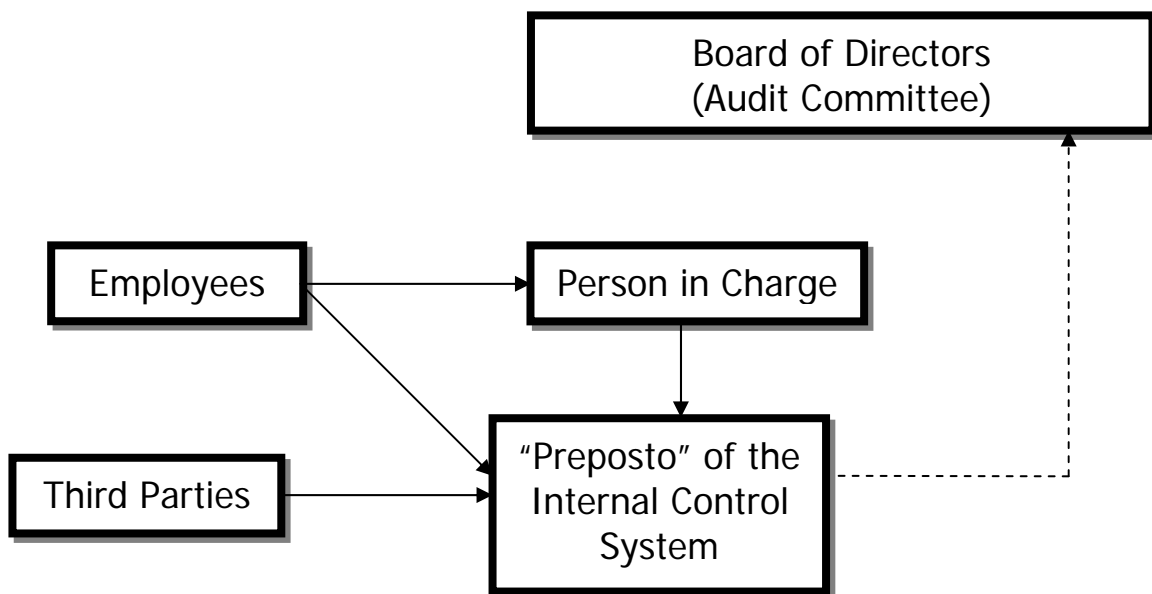
If a third party wishes to report a violation (or suspected violation) of the Code of Conduct, he/she shall contact the “Preposto” of the Internal Control System, or the specific channels that shall be identified by the Group Companies to that end.

Procedure of Interpretation or Reporting:

A) Interpretation



B) Reporting



Appendix C – AVIO Group Suppliers Code of Conduct

AVIO GROUP SUPPLIERS CODE OF CONDUCT

1. Commercial Relations between AVIO Group Companies and Suppliers

- 1.1 The AVIO Group shall select its Suppliers according to appropriate and objective methods, taking into consideration besides the quality, innovation, costs and services offered, the subjective requisites of integrity, honourableness, professionalism, and registration on lists /associations of categories, as well as the absence of any suspicion whatsoever, past or present, of involvement in activities of terrorism or subversion of the public order (with the verification of non-registration on the reference lists for persons linked to international terrorism, namely on the so-called Black Lists issued by the European Community, the United States Treasury Department and the United Nations, supporting the prevention activities and opposing money laundering and financing of international terrorism).
- 1.2 The AVIO Group shall guarantee Suppliers equal opportunities and treatment in the negotiations and closing of purchasing contracts for goods and services.
- 1.3 Suppliers shall all be treated in the same way in terms of accuracy and transparency of information, uniformity in purchasing terms and conditions, and decisional technical criteria in the assignment of suppliers.
- 1.4 Decisional technical criteria for assigning suppliers are based upon technical and economical data and on performance indices such as:
 - Punctuality in deliveries;
 - Quality of Supplies,
 - Technical capacity to produce the goods as per the subject-matter of the Request for Offers;
 - Available production capacity;
 - Production lead-time;
 - Economical competitiveness based on elements such as:
 - price
 - non-recurring costs
 - conditions of payment
 - conditions of delivery
 - warranty

2. AVIO Group Employees and ex-Employees

- 2.1 Relations between AVIO Group Companies and their Suppliers, regarding the hiring of AVIO Group employees and ex-employees by the same Suppliers, shall be regulated by maximum transparency.
Suppliers shall therefore undertake not to solicit the hiring of or collaboration agreements (such as consultancy contracts) with AVIO Group employees or ex-employees, either directly or through third parties (head-hunters, agents, subsidiaries or controlling Companies etc.).
- 2.2 In the case of non-solicited contact by the Supplier, the latter shall inform the Group Company of its intention to acquire specific skills and expertise that certain people possess who work or have worked with AVIO, through subordinated working relations or consultancy with these people. In order to conform to the Italian regulations protecting personal data (Legislative Decree No. 196/2003 and its amendments and additions), the Supplier shall undertake to obtain the express authorisation from the employee or ex-employee regarding the communication to the AVIO Group Company of the information contained in this current article.
- 2.3 The Supplier shall keep the AVIO Group Company informed, by written communication, within 30 days of the signing of the present Code and, subsequently, every six months, on the number of AVIO Group employees, consultants and ex-employees utilised during the course of the previous six months.
- 2.4 In the event of non-compliance with the above guidelines, the Supplier shall undertake to cooperate with the AVIO Group Company in good faith to resolve any problems and therefore safeguard AVIO Group interests.
- 2.5 Failure to comply with the previous paragraphs shall be considered by the AVIO Group Company as an act of unfair competition, which could result in the interruption of supply relations.

3. Gifts

- 3.1 The Supplier shall not make promises or rewards of money or goods, of any importance or non-symbolic value, to AVIO Group employees, its legal representatives, Agents and Commercial Promoters in order to directly promote or favour the interests of the Supplier or that may anyway appear as being intended for such purposes.
- 3.2 The Supplier shall not evade the requirements of the previous paragraph by resorting to different forms of gifts or benefits such as special concessions or other benefits to relatives or Companies, associations, or bodies in which AVIO Group employees, its legal representatives, Agents and Commercial Promoters have some interest.

- 3.3 The Supplier shall prepare an appropriate internal procedure in order to prevent and detect possible violations as described in the previous paragraphs, and verify its effective implementation by the Supplier's own employees, consultants, agents and commercial promoters or the like.
- 3.4 If a Supplier has good reason to believe that some violations have occurred in relation to the previous paragraphs, they shall immediately notify the AVIO Group Company's Purchasing Director of the violation.
- 3.5 The Supplier shall co-operate with any verification carried out concerning possible violations.
- 3.6 Should the Supplier fail to fulfil the requirements described in the previous paragraphs, it could result in its cancellation from the AVIO Group Companies' List of Suppliers.

4. Intellectual Property Rights and Confidential Data

- 4.1 AVIO Group Companies shall not supply Confidential Information (as defined in Art. 7) should the Supplier not sign a "Non-Disclosure Agreement" aimed at preventing unlawful use of the information.
- 4.2 The "Non-Disclosure Agreement", as described in the above paragraph, shall protect Confidential Information also given by the Supplier to the AVIO Group Company in terms of absolute reciprocity.
- 4.3 The regulations of "Intellectual Property Rights" shall be defined in the General Purchase Conditions and Long-Term Purchase Agreements.

5. Agents, Representatives and Commercial Promoters

- 5.1 The AVIO Group shall encourage direct contact with Suppliers avoiding, where possible, the use of Agents, Representatives and/or Commercial Promoters or the like.
- 5.2 Agents, Representatives and Commercial Promoters have the same obligations of Suppliers.
- 5.3 Agents, Representatives and Commercial Promoters that violate the regulations and behaviour as per this Code of Conduct shall be held responsible, jointly and severally with the Companies represented, for any damage caused to the AVIO Group, also depending on any contractual clauses set out in the respective contracts.
- 5.4 In the case in which Agents, Representatives and Commercial Promoters are asked to maintain business relations with Public Authorities (Italian or foreign), on behalf

of AVIO Group Companies, upon the appointment of the assignment, the person in charge shall assign the relevant express powers, with special authorisation clearly described in the contract and, where necessary, though recourse to special specific written power of attorney.

- 5.5 In the case of business relations with Public Authorities not authorised on the appointment of the assignment, the Agents, Representatives and Commercial Promoters shall give immediate and preventive communication to the internal person of the Group Company they report to, pointing out the criticality or conflict of interest that may arise in this area.
- 5.6 Italian Agents, Representatives and Commercial Promoters shall be informed of the contents of the Organisation, Management and Control Model or, in any case, of the general principles set out therein, and of those set out in the Group's Code of Conduct as well as the requirements of the Company, that their behaviour shall be in conformity with the provisions of Legislative Decree No. 231/2001. With regard to this, their declaration shall be contained in all contracts, in which they shall testify to: being fully acquainted with the provisions of Legislative Decree No. 231/2001; not having ever been implicated in judicial proceedings relative to crimes provided for in the same Decree (whereas, if they are or have been implicated, they shall give a full explanation concerning this issue in order to allow the Group Company to give greater attention in case it comes to an agreement regarding the establishment of consultancy relations); committing themselves to respecting Legislative Decree No. 231/2001 and the general concepts set out therein.
- 5.7 Foreign Agents, Representatives and Commercial Promoters shall be informed of the principles set out in the Group's Code of Conduct and in the document *"231 Guidelines for AVIO Group Foreign Companies"*, and that their behaviour shall be in conformity with the provisions and/or policies of the Group Companies therein contained, all the more in the management of activities that are considered "critical" also depending on local laws similar to Legislative Decree No. 231/2001. With regard to this, their declaration shall be contained in all contracts, in which they shall testify to: being fully acquainted with the 231 Guidelines and the implications for Group Companies; not having ever been tried and received a judicial sentence, and not currently standing trial for crimes as set out in the *"231 Guidelines for AVIO Group Foreign Companies"*, and for similar crimes provided for by local laws (whereas, if they are or have been sentenced or tried, they shall give a full explanation concerning this issue in order to allow the Group Company to give greater attention in case it comes to an agreement regarding the establishment of consultancy relations); committing themselves to respecting the above 231 Guidelines and the general concepts set out therein.
- 5.8 Any violations by Agents, Representatives and Commercial Promoters of the regulations applicable to them as regards the Organisation, Management and Control Model and/or the 231 Guidelines, and the contractual clauses linked to Legislative Decree No. 231/2001, or commissioning of crimes as per the Legislative Decree or similar local laws, are punishable by what is provided for in the specific contractual clauses set out in the relative contracts, except for any claim for compensation

should such behaviour bring about tangible damage to Group Companies as a consequence of the application of the measures provided for in the Italian Legislative Decree No. 231/2001.

- 5.9 No cash payments may be made and, in any case, no payments shall be recognised in favour of Agents, Representatives and Commercial Promoters, which are not adequately justified in relation to the type of work to be carried out, the type of market to which the work is directed and the procedures in force in the local area.

6. Advertising and Use of the name of AVIO Group Companies

- 6.1 AVIO Group Companies shall be promptly informed of any intended use of its name, logo or any reference that may clearly identify the Company, for the advertising of Suppliers' activities, both through commercial activities and communication means (print media, television and Internet etc.).
- 6.2 Suppliers shall not use the name of AVIO Group Companies or make reference to it, for advertising purposes (e.g. to give implicit guarantees of quality/reliability), for products supplied to AVIO Group Companies without having first obtained formal written authorisation.
- 6.3 Suppliers shall receive formal written authorisation before exhibiting any goods or manufactured products of AVIO design or, in any case, products on AVIO Group Company specifications.

7. Definitions

- 7.1 With reference to the present Code of Conduct, the expressions here below shall have the following meanings:

Confidential Information: signifies all documents, materials and information exchanged (including Intellectual Property Rights), in written or verbal form, between the Supplier and AVIO Group Companies.

AVIO Group: signifies AVIO S.p.A., its subsidiaries, associated and controlling Companies, as well as any joint ventures, temporary grouping of Companies and grouping of purposes or the like, in which AVIO is a member, partner, shareholder or the like.

Supplier: signifies not only the single Company, individual firm, professional/business consultant or the like, in the capacity of owner and/or general or special legal representative, but also its employees, consultants, agents, commercial promoters or the like.

Intellectual Properties: signifies patents, patent applications, trademarks, copyrights, know-how or the like.

G.C.P.: signifies the General Terms and Conditions of Purchase of AVIO S.p.A. (A0217).

L.T.P.A.: signifies the contractual document, when existing, between AVIO Group Companies and the Supplier, which regulates long-term supplies (Long-Term Purchase Agreement).

The Supplier hereby declares that they have read and understood in full the contents of the present Code of Conduct, thus signing it for full acceptance of the contents and the fact that it constitutes an integral part of the obligations deriving from the supply relations with Companies of the AVIO Group.

Name :

Company / Position :

Date :

Signature :

Appendix D – Acceptance and signing of the Code of Conduct
(Employees of AVIO Group Companies)

The person who receives this Code of Conduct hereby declares that he/she has read and understood in full its contents, thus signing it for full acceptance of the contents and the fact that it constitutes an integral part of his/her employment obligations.

Name :

Company / Position :

Date :

Signature :

Appendix E – Acceptance and signing of the Code of Conduct

(persons in charge of relations with Companies of the AVIO Group, different from those of Supply, for which Appendix C is applied, and subordinate jobs, for which Appendix D is applied)

The person who receives this Code of Conduct hereby declares that he/she has read and understood in full its contents, thus signing it for full acceptance of the contents and the fact that it constitutes an integral part of his/her obligations deriving from the relations with Companies of the AVIO Group.

Name :

Company / Position :

Date :

Signature :