



INTERNAL CONTROL SYSTEM

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1. Purpose

The internal control system is the set of rules, procedures and organisational structures that assure, with reasonable certainty, achievement of the following objectives:

- efficiency of corporate and entrepreneurial management;
- completeness, reliability and timeliness of accounting and management information;
- observance of laws and mandatory regulations;
- safeguard of corporate integrity, including the prevention of fraud against the Company and the financial markets.

It is an important element of the Company's statement of *Corporate Governance* as it provides suitable protection of the market and the subjects co-operating with the enterprise.

Internal auditing neither overlaps nor interacts with the decision-making processes of the company as it exclusively concerns their "legitimacy" and not their contents and merits.

2. Scope

The Internal Control System is an indispensable element and the pivot around which the Corporate Governance turns, and is the catalyst of all the subjects and functions that, each within its sphere of responsibility, contribute to the healthy and correct running of the company consistently with the objective of giving the maximum sustainable value to every activity of the organisation.

For these reasons, the Internal Control System is a process that pervades the Company, its Subsidiaries and its Associated Companies.

3. Definitions

Company: Alerion Clean Power S.p.A.

4. Responsibilities

Within Alerion Clean Power S.p.A., responsibilities are defined as follows.

1. The Board of Directors is ultimately responsible for the internal control system. In particular, the Board defines the guidelines of the internal control system, as indicated in the following paragraph, and

ensures it operates correctly with reference to corporate risk management, making use of an Internal Control Manager.

2. According to the guidelines defined by the Board, senior management defines the tools and methods of implementing the internal control system and assures its overall adequacy, true functionality and adjustment to changes in operating conditions and legislative and regulatory modifications. Senior management appoints an Internal Control Manager and the Internal Audit function.
3. The Board of Directors appoints the Company's Internal Control Manager who is responsible for assisting the Board and senior management to plan and manage the internal control system of the Company and the Group. In particular, the Internal Control Manager must:
 - ensure the internal and external rules are observed;
 - carry out monitoring activities (as more clearly defined below) by obtaining from the operating managers all the information required to assess the adequacy of the corporate organisational structures, procedures and methods, and identify any improvement opportunities;
 - ensure the penalties provided for by the internal rules are applied if they are breached.

The Internal Control Manager performs monitoring activities in order to assess the capacity of the internal control system, i.e.: its reference terms, and offer reasonable assurances that the organisation can achieve its established objectives. The adequacy of the internal control system is assessed by both gathering information from operative management and considering the results of the sample searches performed by the Manager within the sphere of his/her activities.

The Internal Control Manager is self-organised and can make use of the Company and Group's standard structures or external consultants to perform his/her tasks.

The Internal Control Manager reports directly to the Board of Directors and – whenever he/she deems fit whenever he/she deems so suitable and at least once a quarter – illustrates his/her work to the Internal Control Committee and the Board of Auditors.

Depending on the development of the Group structure, the Board of Directors will decide whether to appoint the Internal Control Managers in individual companies of the Group, and define the rules for reporting to the Manager of the Parent Company.

4. The Internal Control Committee, constituted within the Board of Directors and acting as a knowledge, information and guidance link between the members of the Board, the Internal Control Manager and

the Board of Auditors, examines and assesses, together with senior management, the reports and communications from the Manager and reports to the Board accordingly.

5. Lastly, the correct working of the control system is guaranteed by:

- All Company and Group employees and collaborators, according to their duties in the company, as self-regulating subjects who are encouraged and supported by the organisation and its rules;
- Company and Group managers, as they are responsible for the objectives to achieve and for performing their management, guidance and supervising duties.

5. Guidelines of the Internal Control System

These guidelines define the characteristics of the Company and Group's Internal Control System.

Control environment

The internal control system is based on a control environment whose terms of reference are the documents that are continuously produced and updated by the company to define rules of conduct and work, the allocation of tasks and responsibilities, objectives and performance evaluation methods.

Therefore, the terms of reference for the Company and Group's internal control system are:

- the system of proxies and powers to sign company acts;
- existing organisational provisions and corporate procedures;
- the Company and Group's administrative, accounting, financing and reporting system.

Control and monitoring activities

Control activities are performed to ensure that the rules and procedures governing the internal audit system are effectively applied and that people work to achieve the established objectives. These are:

- line (or preventive) activities, i.e.: allocated to individual employees, collaborators or managers in the sphere of their activities and responsibilities
- inspection (or subsequent) activities, i.e.: performed by the Internal Control Manager by means of random controls aiming to ensure the internal and external rules are correctly applied.

Monitoring activities are performed to assess the capacity of the internal control system, i.e.: its reference terms, to provide reasonable assurances that the organisation can achieve its established objectives. These are performed by the Control Manager. Besides collecting information from operating managers, the adequacy of the internal auditing system is assessed by considering the results of the random controls performed by the Internal Control Manager in the sphere of his/her inspection activities.

Information and communication

Each person in the organisation involved in the correct operation of the internal auditing system is put in a position to receive the information required to allow him/her to carry out his/her tasks and responsibilities.

Communication within the organisation is guaranteed by the following information flows:

- information from senior management to employees concerning corporate objectives, the roles of the business units they belong to, their tasks and responsibilities, and the identification, assessment and classification of risks;
- information from employees to management – or directly to the Internal Control Manager/Committee in case of breach of the Code of Ethics and Conduct – concerning any anomalies found, the action taken to eliminate them and the suitability of the processes used to achieve the objectives;
- periodic reports from the Manager to the Internal Control Committee and to the Board of Auditors concerning any shortcomings or improvement needs found in the processes, the action taken to assess the adequacy of the internal auditing system, and that taken to constantly update and improve it.

6. Registration and Filing

This document comes into force on the date it is approved by the Board of Directors. It is disclosed internally in a shared folder and externally via the corporate website. These rules may be amended and integrated by the Internal Audit Function and approved by the Board of Directors, bearing in mind future changes in legislation and best practices.