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# Compliance

## MANUAL



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# 1. INTRODUCTION

This Compliance Manual (hereinafter the "Compliance Manual" or the "Manual", interchangeably) establishes the NAVANTIA, S.A., S.M.E. organization, prevention, management and anti-corruption control model in regard to the commission of criminal offences. (hereinafter "Navantia", or the "Company" interchangeably).

In the light of regulatory modifications occurring in criminal matters and in line with its culture of ethics and compliance, Navantia has developed a model for preventing the commission of crimes as well as compiled the procedures and controls currently implemented for the effective prevention and mitigation of these risks. To this end, in preparing this Manual a detailed analysis has been conducted of the criminal risks that hypothetically may occur in Navantia's different areas, taking into account, on one hand, the policies and controls already in place and, on the other, the sensitivity to criminal risks detected in the specific processes, depending on the sector and the activities that Navantia performs.

This Manual elaborates on the principles of crime management and prevention within the company in accordance, among others, with the following regulations:

- Organic Law 10/1995 of 23 November 1995 of the Spanish Criminal Code;
- United States Foreign Corrupt Practices Act (FCPA);
- The UK Bribery Act;
- OECD legal texts:
  - Convention of 21 November 1997 on Combating Bribery of Foreign Public Officials in international business transactions
  - OECD Recommendation for Further Combating Bribery of Foreign Public Officials
  - Good Practice Guidance on Internal Controls, Ethics and Compliance.
- Internationally (United Nations Convention and Inter-American Convention against Corruption).
- Ethics and Compliance Anti-Corruption Programme for Companies of the United Nations Office on Drugs and Crime;
- Main international and national standards for normalization, among others ISO 19600:2015 on Compliance Management Systems, ISO 37001:2016 on Anti-Corruption Management Systems, UNE 19601:2017 on Criminal Compliance Management Systems and BSI STANDARDS PUBLICATION: specification for an anti-bribery management system (ABMS).
- Applicable regulations and/or best practices in countries of particular relevance for Navantia.

As a result, this Manual systematizes the existing control elements and those which, following the revisions performed with the collaboration of external consultants, Navantia has decided to implement, update and reinforce in order to fulfil the purpose of preventing and mitigating the commission of offences within the Company. The current Compliance Manual also includes the structure and functioning of the control and supervisory bodies responsible for the Model.

Moreover, and in order to produce this Manual, consideration has been given to the nature and characteristics of Navantia, which is a Spanish **state-owned trading company** belon-

ging to the Sociedad Estatal de Participaciones Industriales (SEPI, State-Owned Industrial Holding Company), which controls 100% of its capital and is also a global benchmark in the products it offers:

- Design and construction of hitech military and civil ships.
- Design and manufacturing of control and combat systems.
- Technology transfer.
- Overhauls and transformations of military and civil vessels.
- Support for the Lifecycle of its vessels and systems.
- Diesel engine manufacturing.
- Turbine manufacturing.
- Offshore wind power.

In addition, Navantia is a technologically cutting-edge company in which R&D & Innovation is a strategic area within the company, ultimately seeking to adapt to current and future market needs. It is also the first Spanish military naval technology company.

Navantia's main domestic client is the Ministry of Defence (Spanish Navy), with which it has been collaborating for more than 250 years. The high calibre of this Navy and its considerable operational capacity throughout the world, and with the most modern navies, means that Navantia can produce high addedvalue products.

Navantia is based on a culture that integrates innovation, client focus, quality of solutions and services, the talent of its professionals and commitment to the Company and the environment.

Moreover, and due to Navantia's strong commitment to Corporate Social Responsibility (CSR), a significant effort has been made through actions aimed at meeting all priorities in this area. Its Social Strategy is therefore mainly based on ensuring sustainability, quality, respect for the environment, training, the wellbeing of its employees and the improvement of the industrial environment.

Anyone with doubts about the application of any of the points in this Manual, or who has identified a new risk activity or identified a weakness or deficiency in the anticorruption system, should consult or inform the Compliance Committee at the following email address [comite\\_cumplimiento@navantia.es](mailto:comite_cumplimiento@navantia.es).

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## 2.OBJECTIVE OF THE MANUAL AND RISK ANALYSIS

### 2.1. REGULATORY CONTEXT:THE LEGAL ENTITY'S CRIMINAL LIABILITY

On 23 December 2010 Organic Law 5/2010 reforming the Spanish Criminal Code came into force, governing the criminal liability of legal entities with regard to certain offences as a consequence of numerous international legal instruments that had been demanding a clear response in terms of criminal matters in order to delimit this particular liability, above all in those offences where its possible intervention became more evident.

Subsequently, with the entry into force on 1 July 2015 of Organic Law 1/2015 reforming the Spanish Criminal Code (hereinafter the Criminal Code), significant changes and improvements have been made that tend towards establishing the criminal liability of legal entities. Article 31bis of the Criminal Code thus literally exempts from criminal liability any legal entity promoting compliance behaviour among its employees by developing an effective management and organizational model. The aforementioned Article 31.1bis of the Criminal Code regulates the liability of legal entities for:

The aforementioned Article 31.1bis of the Criminal Code regulates the liability of legal entities for:

- Offences committed in the name of or on behalf of the legal entity, and for its direct or indirect benefit, by its legal representatives or by those who, acting individually or as members of a legal entity's body, are authorized to take decisions in the name of the legal entity or hold powers of organization and control within it. However, it shall be relieved of liability if the following conditions are met:
  - the governing body has adopted and effectively implemented, before the offence has been committed, a set of organizational and management models that include suitable oversight and control measures to prevent offences of the same nature or to significantly reduce the risk of their being committed;
  - supervision of the functioning and fulfilment of the prevention model implemented was entrusted to a body at the legal entity with autonomous powers of initiative and control or legally entrusted with the function of supervising the effectiveness of the legal entity's internal controls;
  - individual perpetrators have committed the offence by fraudulently circumventing the organizational and preventive models; and
  - there has been no omission or insufficient exercise of its functions of supervision, monitoring and control by the body referred to in condition 2.

In cases where the above circumstances can only be accredited in part, this circumstance shall be valued for the purposes of reducing the offence.

Article 31bis, section 4, also states that the legal entity shall be exempt from liability if, before the offence was committed, they have adopted and effectively implemented an organizational and management model that is appropriate for preventing offences of the nature of the one committed or to significantly reduce their risk of being committed.

In this regard, the organizational and management models referred to in the above paragraphs shall comply with the following requirements:

- The establishment by the governing body of an organization and management model that includes appropriate oversight and control measures to prevent crime.

- The creation of a body with autonomous powers of initiative and control to supervise the functioning and fulfilment of the implemented prevention model.
- The identification (criminal risk map) of company activities within the scope of which crimes that must be prevented can be committed.
- The implementation of protocols or procedures specifying the process of training the legal entity's will to adopt decisions and implementing them in regard to it.
- The implementation of models to manage the appropriate financial resources to deter the commission of offences that must be prevented.
- The obligation to report possible risks and breaches to the body responsible for monitoring the functioning and fulfilment of the prevention model (reporting channels).
- The establishment of a disciplinary system appropriately penalizing a breach of the measures established in the model.
- Regular verification of the model and its potential modification if significant breaches of its provisions become apparent, or if changes occur in the organization, the control structure or the activities undertaken that would make them necessary.

In addition to the requirements established by the Spanish legislator, Navantia's Compliance Management System complies with the highest international organizational and management standards referred to in ISO 19600:2015 on Compliance Management Systems, ISO 37001:2016, on Anti-Corruption Management Systems, UNE 19601:2017, on Criminal Compliance Management Systems and, among others, the following requirements:

- **Understanding the organization and its context.** The organization shall determine the external and internal factors that are relevant to its purposes and to meet its criminal compliance objectives, specified and developed in the elements that make up the rest of the Compliance Management System.
- Involvement and leadership of the **Governing and Management Body** in building the culture of compliance, which is embodied in a **visible, consistent and sustained commitment** over time **to a common and published standard of behaviour required in each and every area of the organization** and demanded of its business partners.
- Understanding the needs and expectations of **stakeholders**, first determining which are relevant for the purposes of both the compliance and anticorruption policy and the requirements to consider with regard to such stakeholders.
- **Determining the scope of the compliance management system.** The organization shall determine the objective and subjective scope of the Compliance Management System. To determine this scope, the organization shall:
  - Consider the external factors
  - The results of the criminal risk assessment
- **Continuously adopt, implement, maintain and improve the compliance management system**, which includes the necessary policies, processes and procedures and their interactions. The compliance management system shall include measures designed to assess, prevent, detect and manage criminal risk at an early stage.
- The organization shall **determine and provide the necessary resources** for the adoption, implementation, maintenance and continuous improvement of the compliance management system. Resources include, at the very least, financial, technological and human resources as well as access, where appropriate, to external advice.

For these purposes, both Navantia and its Board of Directors, aware of the possibility of being criminally liable individually, and with the **firm objective** of formulating and adopting a valid

and effective compliance environment, present a clear commitment with a view to **preventing the commission** of any offence within the Company, having paid special attention to those criminal risks identified.

## 2.2. OBJECTIVE OF THE MANUAL

The compliance model in which this Manual is framed is developed with Navantia Management's firm goal to promote, establish, develop and maintain an appropriate ethical business culture, expressly subject to the legislation and regulations in force at any given time.

The purpose of this Manual is to ensure (i) the effective **ethical and compliance culture** within the Company as well as (ii) the effectiveness of **control standards and procedures** that minimize the risk of unlawful behaviour by all those providing services at Navantia in the capacity of administrators, officers and workers as well as the representatives, executives, agents and mediators acting in the interest of, or in the name and on behalf of, the company.

In this regard, in order for the aforementioned Compliance Management System to fulfil the functions of prevention, detection, reaction and monitoring of criminal risks and of the associated controls, the Company has taken as its basis the following **general principles**:

- Awareness-raising and dissemination at all levels of the principles adopted and behavioural rules enshrined in the protocols, manuals and internal policies.
- Regular review of activities that could potentially be affected by any risk.
- Establishment of appropriate controls proportional to risk in operations, and measures to supervise them.
- Segregation of functions and empowerments.
- Supervision and control of the Company's conducts, and the functioning of the criminal compliance model.
- Updating of the Company's functions and behavioural rules following potential changes to the regulations in force.

In particular, Navantia considers **raising** awareness among its employees to be a critical element in its compliance model, especially with regard to the prevention and detection of criminal risks, and therefore performs the following control activities (in addition to the training regulated in section 8 of this Manual):

- Effective communication of the policies and procedures to be implemented, involving all levels of the Company.
- The inclusion of crime prevention topics in employee training programmes.

Article 31.1bis cited above establishes a legal entity's implicit obligation to exercise due control over the actions of its employees, such that, if due diligence is demonstrated, the legal entity would not be liable for offences committed by its personnel in the pursuit of its corporate activities.

In the event that the aforementioned consideration should not apply, Article 31.1bis paragraph 4<sup>1</sup> provides, as an attenuation of the legal entity's liability, the establishment, following commission of the offence, of effective measures to prevent and uncover offences that could be committed with the means or through the coverage of the legal entity itself.

Therefore, the ultimate purpose of this Manual is to serve as a means of preventing the commission of criminal acts by Navantia's personnel and to in turn accredit that Navantia exercises due control over its activities, thus complying with the implicit requirement set out in the Criminal Code and all other applicable regulations. All of the above is achieved through the following activities:

- Optimizing and facilitating the continuous improvement of the risk management system at Navantia.
- Constituting a structured and organic prevention and control system aimed at reducing the risk of commission of offences, embodied in an effective management and organizational model.
- Informing all personnel of the importance of complying with the Manual and of adopting its operational principles in order properly to perform their professional activity.
- Informing all persons acting in the name of, on behalf of, or in any way in the inter-est of Navantia that a breach of the provisions contained in this Manual shall entail the imposition of disciplinary measures.
- Expressly and publicly putting on record Navantia's outright condemnation of any type of illegal behaviour, highlighting that, in addition to contravening legal provisions, it is contrary to the ethical principles configured as key values of Navantia to achieve its objectives.
- Adapting the existing control measures to the processes so as to allow Navantia's rapid intervention, both in terms of prevention and of intervention in the event of there being the risk of committing offences.

To this end, the Manual has been classified into:

**a) General Part** Includes the design and structure of the: (i) control and monitoring body ("Compliance Committee"), (ii) supervision and monitoring system, (iii) financial and material resource management system, (iv) policy-related control environment, procedures and general controls, (v) Breaches of the compliance model: notifications of suspicious actions and disciplinary procedure, (vi) prevention of corruption, (vii) training.

**b) Special Part** (P-CU-003 Crime Prevention Procedure): Identifies criminal risks<sup>2</sup> that could hypothetically occur at Navantia as a result of the activities it performs.

Consequently, the compliance model assumed by Navantia has been reinforced by adopting the necessary surveillance, supervision and control measures to prevent criminal risks that could be committed within the Company as a consequence of its activities. In this regard, the **Compliance Committee**, a body with sufficient initiative and control capacity, has been appointed and **charged with supervising and monitoring** the compliance management system at Navantia.

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<sup>1</sup> Organic Law 1/2015 on Criminal Code Reform introduced important changes, including in particular the new article 31bis of the Criminal Code which literally exempts a legal entity from criminal liability in cases of offences committed by representatives and administrators when they have (i) adopted organizational and management models that include suitable oversight and control measures to prevent offences, (ii) when they have entrusted their supervision to a body with autonomous powers of initiative and control, (iii) when the material perpetrators have committed the offence by fraudulently circumventing the organizational and prevention models, and (iv) provided that there has been no omission or insufficient exercise of the supervisory, oversight and control functions of the body in charge, and for cases of offences committed by employees or dependent persons when, before the commission of the offence, they have <1559>organizational and management models in place that are appropriate to prevent the offence committed, with the requirements seen above also being applicable.

<sup>2</sup> Criminal acts that may give rise to criminal liability on the part of legal entities under the current Criminal Code and applicable international standards

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## 3.SCOPE OF APPLICATION

This Manual applies to all employees and persons associated with Navantia and its legal representatives and de facto or de jure administrators (hereinafter, collectively, the “Employees”<sup>3</sup>

Navantia shall promote, within the scope applicable to it, the adoption of timely preventive measures with regard to the companies and professionals with which it may subcontract.

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## 4.RESPONSIBILITY

In line with the Company’s objective, and in order to (i) supervise the functioning of the compliance model; (ii) monitor the measures adopted in the field of prevention and their adequacy; (iii) guarantee the dissemination of the principles of this Manual at Navantia; and (iv) analyze any legislative modifications that could affect the prevention model (among other functions), the exercise of control demanded by the Criminal Code requires the establishment of a supervisory body responsible for promoting and coordinating the activity of implementation, supervision and control of the compliance model.

For the effective functioning of the compliance model, regularly overseeing it and its potential modification is necessary when significant breaches of its provisions are brought to light, or when changes occur in the organization, the control structure or the performed activity that make them necessary. Specifically, supervising and operating the model must have been entrusted to a body with autonomous powers of initiative and control.

### 4.1. CONTROL AND MONITORING BODIES

Exercising due control requires the implementation in the Company of continuous control mechanisms as well as the designation of internal control bodies to monitor the implemented controls and any potential crimes. In this regard, Navantia has the following bodies in place, whose specific compliance functions are covered by the Compliance Committee Regulation:

#### BOARD OF DIRECTORS

The Board of Directors, as Navantia’s **governing body**, shall demonstrate its commitment in regard to the compliance management system. To this end, the governing body is responsible for:

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<sup>3</sup> The term “**Employees**” is used in this Manual in a broad sense to refer to the group of persons who may act under Navantia’s authority in the terms set out in Article 31bis CC, whether they are in an employment and/or business relationship. The meaning of the term “**Employees**” may not be considered to apply to other fields outside this Manual.

- Establishing, and defending as one of the organization's fundamental values, that the actions of its members shall always comply with the legal system in general, and with the criminal system in particular, promoting an appropriate compliance culture within the organization;
- Adopting, implementing, maintaining and continuously improving an appropriate Compliance Management System to prevent and detect crime or significantly reduce the risk of its commission;
- Providing the Compliance Management System, and specifically the Compliance Committee, with adequate and sufficient financial, material and human resources to function effectively;
- To approve the company's Anti-Corruption and Compliance policy;
- To regularly review the effectiveness of the Compliance Management System, modifying it, if necessary, whenever serious breaches are detected or changes occur in the organization, in the control structure or in the performed activity;
- To set up a **compliance body** tasked with supervising the running and execution of the Compliance Management System, granting it autonomous powers of initiative and control so that it can effectively carry out its work;
- To ensure that procedures are established to specify the process for training the organization's will, taking decisions and executing them, promoting a culture of Compliance that guarantees high ethical standards of behaviour.

## COMPLIANCE COMMITTEE

The Compliance Committee is the body expressly designated by the Navantia Board of Directors to exercise due supervision and monitoring of the Company.

The Compliance Committee, working in conjunction with Senior Management, shall be responsible for:

- Advancing and continuously monitoring the implementation and effectiveness of the compliance management system in the different areas of the organization,
- Ensuring continuous training support is provided to the members of the organization to guarantee that all relevant members are regularly trained;
- Promoting the inclusion of compliance responsibilities in job descriptions and performance management processes of the organization's members;
- Initiating a criminal compliance information and documentation system;
- Adopting and implementing processes to manage information, such as claims and/or comments received through hotlines, a whistleblowing channel or other mechanisms;
- Establishing criminal compliance performance indicators and measuring criminal compliance performance in the organization;
- Analyzing performance to identify the need for corrective actions;
- Identifying and managing criminal risks, including those relating to business partners;
- Ensuring that the compliance management system is revised at planned intervals;
- Ensuring that employees are provided with access to compliance resources;
- Informing the governing body of the results derived from applying the compliance management system.

## CORPORATE MANAGEMENT COMMITTEE

The Corporate Management Committee shall demonstrate leadership and commitment to the organization's compliance management system. To this end, in performing their executive functions senior management shall:

- Ensure that the Compliance Management System is properly implemented to achieve the compliance objectives set out in the Compliance and Anti-Corruption Policies and effectively addresses the organization's criminal risks;
- Ensure that requirements arising from the Compliance Management System are incorporated into the organization's operational processes and procedures;
- Ensure that adequate and sufficient resources are available for the effective execution of the Compliance Management System;
- Comply with and enforce, both internally and externally, the Anti-Corruption and Compliance Policy;
- Communicate internally the importance of effective criminal compliance management, consistent with the objectives and requirements of the Anti-Corruption and Compliance Policy as well as the Compliance Management system;
- Lead and support staff in order to achieve compliance with the requirements and effectiveness of the compliance management system according to their role in the organization;
- Promote continuous improvement and support the various management roles to demonstrate leadership in crime prevention and criminal risk detection in their areas of responsibility;
- Encourage the use of procedures to raise awareness of potentially criminal conduct that may affect the organization and its activities;
- Ensure that no member of the organization is retaliated against, discriminated against or disciplined for communicating in good faith violations, or suspected violations, of the Anti-Corruption and Compliance Policy, or for refusing to participate in criminal activities, even if it results in the organization losing business.

## CHIEF COMPLIANCE OFFICER

The Chief Compliance Officer shall chair the Compliance Committee and enjoy the powers required to perform their functions in accordance with the terms of the Compliance Committee Regulation approved by the Navantia Board of Directors and any others delegated to them by the Compliance Committee.

## COMPLIANCE REFERENCES

Compliance References are established in support of the Chief Compliance Officer, who may delegate to them any operational functions they may deem appropriate in order to perform the daily tasks connected with the supervision and monitoring of this Manual.

## MANAGERS OF CONTROLS

An appropriate internal control system shall be regularly evaluated to test its implementation and effectiveness. This assessment can be carried out through a dynamic self-assessment process by the heads of departments affected by the corruption risk (in a broad sense), containing information on compliance with standard policies, procedures and existing controls on anti-corruption.

This assessment serves to inspire trust in this system and to analyze its progress both in terms of deficiencies and of external or internal changes in the organization. It is also a crucial tool in assisting the Compliance Committee in the process of assessing the functioning of the Anti-Corruption Manual.

These managers shall confirm whether:

- The anti-corruption policies / procedures / standards / controls for which they are responsible have been followed.
- Changes have been made in control activities; only relevant changes should be noted.
- All identified incidents have been resolved and reported at the appropriate level, where relevant.

In this regard, managers of any area or Group Management shall be obliged to provide the Compliance Committee, its Chief Compliance Officer and Compliance References with any information they may request regarding the activities of the area or department relating to the possible commission of a corruption-related conduct (in a broad sense).

## 4.2. SUPERVISION AND MONITORING OF THE COMPLIANCE MODEL

Organizational and management models shall in all cases require regular verification and possible modification if significant breaches of its provisions are detected, or if changes occur in the organization, the control structure or the performed activity that make them necessary.

Following these indications, the compliance model established in Navantia is subject to regular verifications to ascertain the effectiveness of the existing controls as well as their evolution, in such a way that Navantia has an overview at all times to allow it to take all actions required for its suitability and effectiveness.

**Supervision** The compliance model is regularly assessed by those responsible for existing controls and is supervised by the Compliance Committee at least once a year, with the help of the Compliance References.

**Monitoring:** Monitoring of the model includes in particular any necessary modifications when significant breaches of its provisions are brought to light, or when changes occur in the organization, the control structure, the performed activity or even legislative modifications that make adaptations necessary to ensure its correct functioning. To do this Navantia undertakes specific regular reviews, detecting any potential failures and recommending the corresponding changes and improvements.

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# 5. ELEMENTS OF THE COMPLIANCE MODEL

## 5.1. NAVANTIA GENERAL PREVENTIVE POLICIES, PROCEDURES AND CONTROLS

Navantia bases the prevention of criminal risks on the system's Preventive Controls that form the basis of the oversight, without prejudice to the specific measures detected with regard to the potential specific risks identified. In this way, Navantia has in place a set of essential standards applicable to all Employees, on which the crime control system is structured and implemented.

Navantia's compliance model structures the prevention of criminal risks through:

- **General Controls**, which form the basis of risk control and are effective in mitigating the generic risk of crime commission (hereinafter "General Controls").
- **Specific Controls**, comprising specific measures intended to mitigate a specific criminal risk or a group of specific criminal risks (hereinafter "Specific Controls"), which correspond to specific process controls as set out in standard P-CU-003 Crime Prevention Procedures.

The controls structured in the Manual allow the Navantia plan for preventing the commission of offences to be a structured and organic system of effective prevention and control for reducing the risk of commission of offences connected with its activities.

Navantia's compliance management system is therefore structured around the main general **policies, procedures and preventive controls** listed below, without prejudice to having specific measures implemented regarding the identified criminal risks<sup>4</sup>:

- **Corporate Code of Conduct:** Navantia Corporate Code of Conduct falls within the precepts established for implementing Codes of Business Conduct for SEPI Group companies. Specifically, it complies with the following values: legal compliance, integrity and objectivity in doing business, respect for people, protection of health and physical integrity, protection of the environment, efficient management, correct conduct in international markets, use and protection of information and quality.
- **Whistleblowing channel:** Whenever an employee wishes to inform the company of any conduct contrary to the Corporate Code of Conduct, they should address the Compliance Committee directly through this channel.
- **Segregation of functions:** For each one of the processes carried out in the company, a principle is followed of segregation of duties between different departments (proposal, supervision, awarding and decision-taking is differentiated between different persons/ departments to ensure appropriate decision-taking and business management).
- **Specific audits:** Navantia has an Internal Audit Department that under the supervision of SEPI defines and executes the Annual Audit Plans to regularly verify the company's internal control systems. In addition, the Company is subject to financial, quality, occupational health and environmental audits, personal data protection, and others defined by legislation or the various accreditations to which the Company is subject.
- **Specific training:** Navantia implements a training programme on an annual basis that includes the objectives to be met during this period and the areas of said training.
- **SEPI governing regulations:** In addition to the Planning, Monitoring and Control Manual, it includes the regulations of the authorization and supervision system for SEPI Group acts and operations, through the SEPI Management Committee, Operations Committee and Board of Directors.
- **Occupational Health and Environmental Regulation:** This specifies the actions to be carried out in the field of worker health and safety as well as environmental protection.
- **Procedure on managing conflicts of interest (P-CU-001):** The purpose of this Standard is to implement the provisions of the Navantia Corporate Code of Conduct regarding "Conflicts of Interest", analyzing the existence of such conflicts and determining Navantia's policy when managing such situations, with regard to those operations or decisions in which the particular interest of the party carrying them out collides, directly or indirectly, with Navantia's interest.

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<sup>4</sup> General policies, procedures and controls are not closed concepts

- **Anti-corruption procedure (P-CU-002):** The Anti-Corruption Procedure stands out from among the rest. It is intended for governing Navantia's actions with regard to the commitment contained in the Corporate Code of Conduct comply with the legality in force in the countries in which it operates, and in particular its commitment to comply with the laws and regulations against corruption in its relations with other companies and the Spanish Public Administration and that of third countries.
- **Crime prevention procedure (P-CU-003):** Its purpose is to govern Navantia's actions to prevent its legal representatives, its de facto or legal administrators or employees subject to the authority of those administrators, when exercising corporate activities, from performing activities, on behalf of and for the benefit of Navantia, which are classified as an offence under Organic Law 10/1995 of 23 November 1995 of the Criminal Code.
- **Procedure for action and decision in the event of breaches of the regulatory compliance system (P-CU-004):** This standard establishes the guidelines to be followed in those cases where it is ultimately confirmed that, within NAVANTIA, an unlawful conduct, of any kind or presumably criminal, is being committed or has been committed by its employees or by third parties with whom they are associated.
- **Procedure to manage transparency obligations - Law 19/2013 (P-CU-005):** This standard establishes the guidelines and requirements to ensure the transparency of, among others, this Compliance Manual.

Together with the aforementioned General Controls, Navantia has another set of Specific Controls in place that are suitable for mitigating specific offences. These Specific Controls are set out in the Crime Prevention Procedure (P-CU-003), which includes the criminal types that hypothetically, due to their scope of activity, could occur at Navantia, so that with regard to each criminal type, the main controls implemented to mitigate them are listed (manuals, policies, procedures as well as operational controls).

## 5.2. MANAGEMENT OF FINANCIAL AND MATERIAL RESOURCES

### 5.2.1. Controls in the field of financial, budgetary and liquidity management

Navantia has in place a series of policies, procedures and controls regarding financial information and expenditure that provide its system with full transparency and complement the general controls. In this regard, Navantia has a financial model in place with the following key characteristics:

- The financial resource management models adopted by NAVANTIA follow the SEPI Regulations and the established budgetary control procedures to be submitted to thatórgano.
- Existence of the Financial Department, the purpose of which is to perform economic and financial management tasks as well as financial and accounting control, overseeing the accounting tasks performed by the Navantia bodies to which functions relating to this area are assigned.
- Navantia has the legal obligation, included in its Corporate Code of Conduct, to draw up and maintain books, records and accounts recording all commercial transactions in reasonable detail and in an accurate and fair manner. It likewise prohibits the use of false invoices and documents and improper, ambiguous or misleading entries in the books as well as any other accounting procedure, technique or instrument that could conceal or mask illegal payments.

In addition, Navantia evaluates, among other information:

- **Legal Information:** It ascertains whether there are reasonable grounds, or there is evidence of it, to believe that a supplier has engaged in criminal conduct connected with corruption and money laundering. Furthermore, where deemed necessary, a formal declaration is requested, signed by the supplier's legal representative, that the company has not been involved in any criminal proceedings regarding the above offences.
- **Financial, tax and corporate information:** For national suppliers, a certificate is re-requested accrediting that they have no outstanding tax obligations.

SEPI, Navantia's shareholder, exercises control and monitoring of the Company's activities. This control is articulated in the Regulatory Standards of SEPI's relations with its companies, by virtue of the provisions of articles 10 and 11 of Law 5/1996 (Creation of Certain Public Sector Bodies).

Within the Company there are powers that limit the availability of funds, procurement and representation before Public Bodies and Courts. These powers of attorney are itemized severally or jointly by scale of amounts.

Specific audits are conducted, the purpose of which is to issue an opinion on Navantia's annual accounts, establishing whether they give a true and fair view of its net worth and financial situation.

The aforementioned control and management systems are likewise useful in ensuring proper management of financial resources on the terms demanded by the Criminal Code. All of the above to the extent that they guarantee the accurate maintenance of books, records and accounts, in addition to an appropriate internal accounting and control system in the financial sphere.

### 5.2.2. Controls in the field of financial, budgetary and liquidity management

Navantia has provided the Compliance Committee with the necessary financial and human resources for the proper and effective functioning of the compliance model, as described throughout this Manual.

In its annual budgets Navantia establishes a specific financial allocation for the proper and effective fulfilment of the compliance model.

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## 6. ASSESSMENT OF CRIMINAL RISKS, CONTROLS AND MITIGATING MEASURES

Navantia has carried out an identification of activities by department in order to prevent the commission of possible criminal offences, in accordance with the provisions of Article 31bis.4 of the Criminal Code.

The criminal risk analysis conducted by Navantia covers all offences which, according to the Criminal Code, could entail the legal entity's criminal liability if perpetrated by a legal representative or employee for the benefit of Navantia, and no control measures had been implemented to prevent and identify criminal risks.

What does the risk consist of?: article or articles of the Criminal Code to which the offence refers, followed by a brief description thereof.

Which specific controls are in place at Navantia to mitigate the identified risks?: The list and description of the specific controls per offence that help mitigate the possibility of materializing the criminal risks identified in the Company's activity is found in P-CU-003 Crime Prevention Procedures.

From a detailed study of Navantia's processes, its activity and the specific criminal types, it has been concluded that the risk of certain offences being committed within the Company's business framework is unlikely.

As a result of this analysis, and taking into account Navantia's business activity and corporate purpose described in this Compliance Manual, it is concluded that there is no relevant risk that the Company shall commit the following offences:

- Offence of illegal organ trafficking.
- Offence of human trafficking.
- Offence of prostitution, sexual exploitation and corruption of minors.
- Offence of altering the prices of raw materials or basic goods.
- Offence of fraudulent invoicing.
- Offence of price manipulation.
- Stock market offences.
- Offence of piracy of broadcasting or interactive services.
- Offence of falsification of credit and debit cards and travellers' cheques.
- Hate crimes and glorification and crimes committed in the exercise of fundamental rights and public freedoms.
- Offence of currency and securities counterfeiting.
- Obstruction of inspection activity.
- Criminal organizations and groups.
- Offences of terrorism and terrorist organizations and groups.
- Offences involving genetic manipulation

The criminal risks detected at Navantia are set out below, though it should not be understood by this that the commission of any specific offences has been detected. Rather, these are simply risks inherent to the type of business activity undertaken by Navantia.

By virtue of the above, the Crime Prevention procedure (P-CU-003) lists the main control mechanisms available to Navantia in preventing the risk of commission of the specific criminal types given below:

- Offence of bribery.
- Offence of influence peddling.
- Offence of corruption of public officials or authorities in international economic activities.
- Offence of illegal funding of political parties.
- Offence of corruption in business.
- Offence of fraud.
- Offence of misleading advertising.
- Offence of discovery and disclosure of company secrets.
- Offence of subsidy fraud.
- Offence of fraud against European Union General Budgets.
- Offence of fraud against the Tax Authorities.
- Offence of Social Security fraud.
- Offence of non-compliance and falsity of accounting obligations.
- Offence against natural resources and the environment.
- Offence of punishable insolvency.
- Offence of frustration in execution.
- Intellectual property offences.
- Industrial property offences.
- Offence of computer damage.
- Offence against territorial planning.
- Offence against personal and family privacy.
- Offences involving nuclear energy and ionizing radiation.
- Offence of risk caused by explosives and other agents.
- Offence against the rights of foreign citizens.
- Offences against public health.
- Offence of smuggling.
- Offence of money laundering and financing of terrorism.
- Offence of embezzlement
- Offence of price manipulation in public tenders and auctions.
- Offences against workers.

In addition, within the framework of the Compliance model implemented at Navantia, a specific criminal risk has been identified which, while not involving criminal liability for the legal entity in regard to the Criminal Code, is understood to be of particular relevance in terms of the Company's corporate purpose:

- Offence of disclosure of secrets relating to National Defence.

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# 7. GOOD PRACTICES IN THE FIELD OF PREVENTION OF TRANSNATIONAL CORRUPTION

In this field, Navantia complies with the provisions of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of 21 November 1997, which establishes the responsibility that all signatory states share with regard to the objective of combating in an effective and coordinated manner any bribery of foreign public officials in international economic transactions.

According to the provisions of the aforementioned Convention, in the field of transnational corruption the following are considered prohibited practices at Navantia:

- Any act to promote an offer, payment, promise to pay or authorization to pay any sum, offer, gift, promise to give or authorization to give anything of value to:

Any foreign official for the purpose of:

- influencing any act or decision of such foreign official acting in an official capacity; ii) inducing such foreign official to do or omit to do any act in violation of their legitimate duty; or iii) securing any improper advantage; or
- inducing such foreign official to influence any foreign government or instrument pertaining to it to affect any act or decision of such government or instrument in order to assist such person in obtaining or retaining business for or with any person, or in directing business to any person;

Any foreign political party or political party official or any candidate for foreign political office for the purpose of:

- influencing any act or decision of such party, official or candidate acting in an official capacity; ii) inducing such party, official or candidate to do or omit to do any act in violation of the legitimate duty of such party, official or candidate; iii) obtaining any improper advantage; or
- inducing such foreign official, foreign political party, party official or candidate to influence any foreign government or instrument pertaining to it to affect any act or decision of such government or instrument in order to assist such person in obtaining or retaining business for or with any person, or in directing business to such person.

Any person, knowing that all or any portion thereof or item of value shall be offered, given or promised, directly or indirectly, to any foreign official, any foreign political party or party official, or any candidate for foreign political office, for the purpose of:

- influencing any act or decision of such foreign official, foreign political party, party official or candidate acting in an official capacity; ii) inducing such foreign official, foreign political party, party official or candidate to do or omit to do any act in violation of the legitimate

- duties of such foreign official, foreign political party, party official or candidate; or iii) securing any improper advantage; or
- inducing such foreign official, foreign political party, party official or candidate to use his or her influence with a foreign government or instrument pertaining to it to affect an act or decision of such government or instrument to assist such issuer in obtaining or retaining business for or with any person, or in directing business to such person.
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## 8. GOOD PRACTICES IN THE FIELD OF PREVENTION OF TRANSNATIONAL CORRUPTION

In addition to regular monitoring and supervision, the organizational and management models require:

- Obligation to report potential risks and breaches to the body responsible for monitoring the operation and observance of the compliance model.
- A disciplinary system that appropriately sanctions infringements of the control and organizational measures established in the compliance model.
- To this end, Navantia has put in place a channel through which to report potential risks and breaches of the prevention model, and refers to the employment regulations in force in order to properly sanction infringements of the control and organizational measures established in the compliance model.

### 8.1. NOTIFICATIONS AND ANALYSIS OF SUSPICIOUS ACTIONS

Navantia has established a Whistleblowing Channel, the functioning of which is regulated by the standard "Procedure for action and decision in breaches of the regulatory compliance system" (P-CU-004). It specifies that the behaviours that can be reported are those relating to the Corporate Code of Conduct and establishes measures to ensure confidentiality.

Any employee who sees signs or has suspicions of an offence being committed, or of a violation of any of the principles and values recognized in the Corporate Code of Conduct and the Company's policies, shall report it to the Compliance Committee. The channels enabled for reporting incidents are email ([canaldenuncias@navantia.es](mailto:canaldenuncias@navantia.es)) and an ordinary postal address: NAVANTIA, S.A., S.M.E. (Whistleblowing channel) Velázquez, 132 28006 Madrid SPAIN.

For their part, the Chief Compliance Officer and the Compliance Committee Secretary shall be responsible for receiving complaints, and the Compliance Committee or the Chief Compliance Officer for assigning fact-checking to a Navantia body. Alternatively they may directly entrust the opening of an investigation file to internal or external personnel who is trained and experienced in the matter in question.

Once the corresponding complaint file has been processed and resolved, a report shall be issued, which shall be dealt with in accordance with the provisions of P-SE-005 Procedure for the Protection of Navantia Classified Information.

It is strictly forbidden to adopt any measure against an employee that constitutes a reprisal or any kind of negative consequence for having made a complaint. Complaints shall be based on criteria of truthfulness and proportionality.

Both the Chief Compliance Officer and the Compliance Committee Secretary shall ensure the utmost confidentiality regarding the identity of the person who has made the complaint, without prejudice to the legal obligations and the protection of rights corresponding to companies and individuals accused wrongly or in bad faith.

## 8.2. DISCIPLINARY PROCEDURE

For breaches occurring in connection with the Corporate Code of Conduct and the Compliance Manual, Navantia refers to the Company's employment regulations in force/Workers' Statute/Collective Bargaining Agreement. Likewise, in the event of breaches that have come to light through the Whistleblowing Channel, Navantia also refers to the Procedure for action and decision in breaches of the Regulatory Compliance System (P-CU-004).

Failure to comply with the principles and values recognized in the Corporate Code of Conduct and the Compliance Manual may result in employment sanctions, without prejudice to any administrative or criminal sanctions that may result from it.

The Compliance Committee shall propose disciplinary measures for potential breaches where appropriate. The Human Resources Department shall be responsible for determining and executing them in accordance with applicable disciplinary procedure and employment regulations.

In any event, the Human Resources Department shall act in coordination with the Compliance Committee in order to ensure that the disciplinary measures ultimately imposed comply with the Regulatory Compliance System and/or the Navantia compliance model.

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# 9. DISSEMINATION AND TRAINING

Lastly, in order to guarantee mechanisms that ensure the effectiveness of the measures established to prevent the commission of criminal offences by NAVANTIA employees and executives, the company guarantees dissemination of the Compliance Manual among all of its Employees, along with appropriate training in the prevention of such risks.

## 9.1. DISSEMINATION

Rigorous dissemination of the Navantia Compliance Manual among its employees is essential for properly implementing it.

In this regard, the Manual and related protocols shall be communicated to Navantia Employees who carry out activities that could be at greater risk of corruption (affected Departments). The remaining company employees shall be handed the Anti-Corruption Policy.

The dissemination of this Manual is the responsibility of the Compliance Committee, which shall ensure its dissemination to all recipients.

Employees shall be familiar with and accept this Manual as well as its mandatory compliance.

The Anti-Corruption and Compliance Policy shall be published on the Company intranet and website.

## 9.2. TRAINING

The effective implementation of the Compliance Manual requires appropriately trained and qualified employees in the Manual and its related protocols. To this end, the appropriate training activities covered by this manual must be provided, with particular emphasis on those departments and employees whose functions make them more sensitive to possible crime. This training plan shall be annual and shall be managed by the Compliance Committee, in coordination with Human Resources Department.

Navantia is aware that, through appropriate training of the workforce of the company's members, it shall be possible to raise awareness of the risks to which one may be exposed and of the change towards a new and better business culture. The company therefore aims to ensure that all employees are aware of and disseminate the appropriate rules of conduct.

Training in this area shall be annual, with regular reminders of this document and any changes to it. Attendance at this training shall be recorded through signature control. Consideration shall be given to the possibility of establishing alliances with any academic institution or external company specializing in this field in order for the training to be more specific and appropriate.

This training shall contain, at the very least, the following aspects:

- Definition of the risks associated with corruption (see purpose).
- Company policies relating to this Manual.
- Brief explanation of the Manual's contents.
- Explanation of situations of alert.
- Examples of risk situations.
- Procedure for reporting unusual or suspicious operations.
- Disciplinary consequences and responsibility of each employee.

It shall also be necessary to formally record the training received by employees. In this regard, the signature of each course attendee established in the Training Plan shall be mandatory.

This Training Plan shall be assessed annually to confirm that it is up to date on any legal changes that may be established.

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## 10. FILING AND DOCUMENTATION

The compliance model generates evidence that allows it to be implemented, monitored and supervised, and accredits that it is in operation and in a process of continuous improvement.

As a result, Navantia identifies, standardizes and guarantees the safekeeping of key evidence showing the effective application of the designed controls. All documentation generated in the compliance model is retained for a maximum period of 15 years.

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## 11. PERIODICITY OF THE COMPLIANCE MODEL REVISION

In accordance with the requirements derived from Article 31.5.6bis of the Criminal Code, the compliance model is subject to verification, the results of which are recorded in a report consisting of (i) a description of the internal control measures in place; (ii) an assessment of their operational effectiveness; and (iii) a proposal for rectifications or improvements to be adopted, where applicable.

Navantia estimates that the periodicity for the above verification is annual.

The report is submitted within a maximum period of three months from its date of issue to the Navantia Board of Directors so that it promptly adopts the necessary measures to resolve the identified deficiencies.

In the event of deficiencies that cannot be immediately resolved, the Compliance Committee shall expressly adopt and submit to Navantia's Board of Directors a plan for corrective actions to be integrated into the Annual Work Plan, and shall establish a precise timetable for their implementation. Under no circumstances may this timetable exceed one calendar year.

However, by decision of the Compliance Committee, in the two years following the issuance of the aforementioned report, it may be replaced with a follow-up report. In this case, the report shall simply examine the way the adopted measures have been adjusted to address any deficiencies which may have arisen in the previous report.

# 12. APPROVAL OF THE COMPLIANCE MANUAL

This Manual was approved by the Board of Directors of Navantia on 29 July 2020, the effective date being 1 September 2020

NAVANTIA's Board of Directors expressly delegates to the Compliance Committee the power to make any minor/inconsequential changes<sup>5</sup> relating to the General Part of this Manual as well as any appropriate modifications relating to the Special Part.

The Chief Compliance Officer shall report any changes to the Board of Directors at the meeting immediately following the date of the decision to amend the Corporate Code of Conduct by the Compliance Committee.

The changes shall not enter into force until the mandatory procedure for informing the Board of Directors has been fulfilled.

# 13. REFERENCES

<b>EXTERNAL STANDARDS</b>	
	Organic Law 10/1995 of 23 November 1995 of the Spanish Criminal Code
	Foreign Corrupt Practices Act (FCPA)
	The UK Bribery Act
	ISO 37001:2016 Anti-Bribery Management System
	ISO 19600:2015 Compliance Management System UNE 19601:2017 Compliance Management System
<b>REGULATIONS BEING IMPLEMENTED</b>	
<b>INTERNAL STANDARDS</b>	
	Navantia Corporate Code of Conduct
	Compliance Committee Regulation
N-001	Management System Standard
P-CU-001	Management of conflicts of interest
P-CU-002	Anti-corruption
P-CU-003	Crime prevention
P-CU-004	Action and decision in the event of breaches of the Regulatory Compliance System
<b>OTHER REFERENCE DOCUMENTS</b>	

<sup>5</sup>For the purposes of this Manual, "minor/inconsequential changes" shall be understood to be those that do not entail a modification of the essential elements of the C<1635>compliance</1635> Model under the terms provided for in Article 31bis of the Criminal Code.</1632>

