



**I.M.M. HYDRAULICS S.p.A.**  
*Organization, Management and Control Model*  
*pursuant to*  
*Decree 231 dated 8 June 2001*

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## GENERAL PART

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## **1 Administrative responsibility of organizations: notes on regulations**

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## 1.1 Decree 231 dated 8 June 2001

Decree 231/2001, on the “*Regulation of the administrative responsibility of legal persons, companies and associations, including those that are not legal persons*”, was issued on 8 June 2001, pursuant to art. 11 of Law 300 dated 29 September 2000, and entered into force on 4 July 2001. The intention of the legislator was to align domestic regulations on the responsibility of legal persons with the international conventions signed by Italy, including the Brussels Convention of 26 June 1995 on protecting the financial interests of the European Communities, the Convention dated 26 May 1997 (also signed in Brussels) on the fight against corruption involving officials of the European Union or Member States, and the OECD Convention of 17 December 1997 on the fight against the corruption of foreign public official in international, economic transactions.

Silencing lively discussion of the doctrine, the legislator overcame the *societas delinquere non potest* principle by recognizing in Italian law the criminal-administrative responsibility of entities, should certain types of offense be committed in their interests or for their benefit by natural persons with the power to represent them, or administer or direct their activities, or by natural persons who, de facto or otherwise, manage and control them (i.e. persons in senior roles), or by natural persons under the management or supervision of one of the above parties (i.e. persons in subordinate roles).

This new type of responsibility placed on entities is “mixed” in nature, featuring a combination of criminal and administrative penalties. In particular, pursuant to the Decree, the entity is subject to administrative penalties for administrative offenses, but the procedure for identifying the offense and applying penalties is governed by the criminal procedures code, to the extent compatible. Accordingly, the Public Prosecutor is the authority competent to challenge the offense and Criminal Court Judge determines the penalty.

The administrative responsibility of entities is separate and independent of that applying to the natural person who commits the offense, existing even if the perpetrator of the offense cannot be identified or the offense is “removed” for reasons other than an amnesty. In all cases, the responsibility of the entity is always additional to, and never instead of, that of the natural person who committed the offense.

The “subjective” scope of application of the Decree is very broad, covering all entities that are legal persons, companies, associations including those that are not legal persons, economic public bodies and the private providers of public services under concession. On the other hand, the regulations do not apply to the State, territorial public agencies, non-economic public bodies or entities that have functions of constitutional importance (e.g. political parties and trade unions).

The Decree also contain a clause, founded on the principle of universality applied in Italian law, under which an entity may be held responsible in Italy for offenses - those envisaged in Decree 231/2001 - committed abroad. Specifically, pursuant to art. 4 of the Decree, entities with headquarters in the



territory of the State are responsible for **offenses committed abroad** in the cases and on the conditions envisaged in arts. 7 to 10 of the criminal code, if the State in which the fact was committed does not take action against them<sup>1</sup>.

These rules apply if the offenses concerned were committed abroad in their entirety. The principle of territoriality established in art. 6 of the criminal code applies to all criminal conduct in part perpetrated in Italy. Pursuant to that article, the offense is deemed to have been committed in the territory of the State when the related action or omission, or event consequent to the action or omission, took place therein, regardless of whether in whole or in part.

Conversely, the Decree does not apply to **entities without an establishment in Italy**. However, in this regard and in application of the principle of territoriality, the jurisprudence has repeatedly confirmed the jurisdiction of the Italian judge with regard to offenses committed in Italy by foreign entities, affirming that foreign legal persons have a duty to comply with Italian law when they operate in Italy, regardless of whether or not their home countries have regulations that govern the same matters in a similar manner (see, merely by way of example, Milan Investigating Magistrate (GIP), ord. 13 June 2007 and, more recently, Lucca Court ruling 222 of 31 July 2017, relating to the so-called Viareggio massacre)

**The conditions for application** of the regulations contained in Decree 231 can be summarized, extremely concisely, as follows:

- a) inclusion of the entity on the list of those to which the Decree applies;
- b) commission of an offense listed in or making reference to the Decree, in the interests or for the benefit of the entity;
- c) commission of the offense by a person with senior or subordinate functions within the entity;
- d) if the offense was committed by a person in a senior position: the entity has not adopted or implemented an organizational model suitable for preventing the commitment of offenses of the type committed, or the entity has not assigned autonomous powers of action and control to a supervisory body, or that body has not supervised adequately, or the senior person avoided the prevention model adopted by the entity in a non-fraudulent manner;
- e) If the offense was committed by a person in a subordinate position: commitment of the offense was made possible by non-compliance with the requirements to manage or supervise, which the regulator excludes if, prior to commitment of the offense, the entity adopted and implemented effectively an organization, management and control model suitable for preventing offenses of the type committed.

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<sup>1</sup> With regard to the abuse of insider information and market manipulation, the legislator has established a specific regulation contained in art. 180 et seq. of Decree 58 dated 24 February 1998 on the regulation of the financial markets. In particular, with regard to the scope of application, it is noted that, pursuant to the current version of art. 182, para. 1 of the Consolidated Finance Law (TUF), «The offenses and unlawful deeds envisaged in this chapter are punished under Italian law even if committed abroad, if they relate to financial instruments admitted to trading in a regulated market in Italy or in an Italian multilateral trading system, or for which a request for admission to trading has been presented».

In the case of offenses committed by a subordinate person, the existence of each of the above-mentioned circumstances must be demonstrated by evidence obtained by the Public Prosecutor (specific burden of proof); conversely, in the case of offenses committed by a senior person, while the magistrate must still obtain evidence with regard to the conditions referred to in letters a), b) and c), the existence of the conditions referred to in letter d) is presumed and the entity wishing to be exempted from responsibility must therefore provide evidence to the contrary (inversion of the burden of proof).

If the entity is found guilty, the penalties will be particularly heavy, including in terms of importance a pecuniary administrative penalty (with a maximum of Euro 1,549,370) and preventive penalties (ranging from a temporary ban on carrying out the activity to permanent exclusion).

**With regard to the identified offenses**, the scope of application of Decree 231/2001, originally restricted to the offenses contemplated in arts. 24, 25 and 26, has subsequently been extended by amendments made to the Decree and by referrals made to its regulations.

Consequent to these extensions, Decree 231/2001 currently applies to the following categories of offense:

- Improper receipt of payments, fraud to the detriment of the State or a public body or misappropriation of public funds, IT fraud to the detriment of the State or a public body or a public body and fraud in public supplies (art. 24 of the Decree);
- Information technology crimes and unlawful data processing (art. 24-*bis* of the Decree);
- Organized crime (art. 24-*ter* of the Decree);
- Embezzlement, extortion, undue inducement to give or promise benefits, corruption abuse of office (art. 25 of the Decree);
- Money counterfeiting, falsification of public credit instruments, official stamps and instruments or signs of identification (art. 25-*bis* of the Decree);
- Crimes against industry and commerce (art. 25-*bis*.1 of the Decree);
- Corporate offenses (art. 25-*ter* of the Decree);
- Crimes related to terrorism or the creation of civil unrest envisaged by the criminal code and special laws (art. 25-*quater* of the Decree);
- Female genital mutilation (art. 25-*quater*.1 of the Decree);
- Crimes against individuals (art. 25-*quinquies* of the Decree);
- Market abuse (art. 25-*sexies* of the Decree);
- Manslaughter or serious or very serious injury in violation of the regulations governing health and safety in the workplace (art. 25-*septies* of the Decree);

- Handling, money laundering and using cash, goods or utilities of unlawful origin, as well as self - laundering (art. 25-*octies* of the Decree);
- Offenses concerning the infringement of copyright (art. 25-*nonies* of the Decree);
- Incitement to withhold information from or make false statements to the judicial authorities (art. 25-*decies* of the Decree);
- Environmental offenses (art. 25-*undecies* of the Decree);
- Employment of foreign citizens without proper residence papers (art. 25-*duodecies* of the Decree);
- Racism and xenophobia (art. 25-*terdecies* of the Decree);
- Fraud in sports competitions, unlawful organization of betting or gaming and gambling via the use of prohibited equipment (art. 25-*quaterdecies* of the Decree);
- Tax offenses (art. 25-*quinqüesdecies* of the Decree);
- Contraband (art. 25-*sexiesdecies* of the Decree);
- Transnational crimes described in art. 10 of Law 146/2006, ratifying and implementing the UN Palermo Convention against transnational organized crime;
- Crimes described in art. 12 of Law 9/2013 on “Regulations governing the quality and transparency of the value chain for virgin olive oils”.

Lastly, art. 26 of the Decree extends the administrative responsibility of entities to **attempted offenses**, for which the applicable pecuniary and preventive penalties are reduced by between one third and one half. Entities are not held responsible, however, if they voluntarily prevent the action or event from occurring.

## 1.2 Administrative offenses

### *Required elements for administrative offenses*

The special form of criminal-administrative responsibility envisaged in the Decree arises when a series of required elements are satisfied simultaneously (elements that must all be present), with the absence at the same time of certain exonerating elements (which, if present, would absolve the entity from responsibility).

With regard to the required elements, it is confirmed as stated above that the Decree applies to **all companies or associations, including those that are not legal persons, and to any other entity that is a legal person** (hereinafter, for brevity, the “Entity”), with the exception of the State, territorial public agencies, non-economic public authorities and entities that have functions of constitutional importance.

Having said this, the responsibility attributed to the Entity by the Decree arises if **an offense** is committed that:

- a) is indicated in the Decree or in laws that make reference to the Decree (hereinafter, for brevity, the “Offense”)<sup>2</sup>;
- b) was committed wholly or partially **in the interests** or **for the benefit of the Entity** (in fact, pursuant to art. 5, para. 2, of the Decree, the Entity is not responsible of the perpetrator of the offense acted solely in his/her own interests or those of third parties);
- c) was carried out by a **natural person**:
  - 1) **in a senior position** (i.e. a person who represents, administers or manages the Entity or one of its organizational units having financial and functional independence, or who performs, even on a de facto basis, the related management and control functions: hereinafter, for brevity, “**Senior Person**”); or
  - 2) **subject to the management or supervision of a Senior Person** (hereinafter, for brevity, “**Subordinate Person**”).

#### *Exonerating elements*

Even if all the above conditions are satisfied, the Entity is exonerated from responsibility if:

- I) the Offense was committed by a Senior Person and the Entity can demonstrate that:
  - a) prior to commitment of the offense, the executive body adopted and implemented effectively an organization and management model suitable to prevent Offenses of the type committed (hereinafter, for brevity, the “**Model**”);
  - b) the task of supervising the functioning of and compliance with the Model and ensuring that it is kept up to date is entrusted to a body with autonomous powers of action and control (hereinafter, for brevity, the “**Supervisory Body**” or “**SB**”).
  - c) the perpetrator committed the offense by fraudulent evasion of the Model;
  - d) the Supervisory Body did not omit to supervise or did not supervise in an insufficient manner.
- II) If the Offense was committed by a Subordinate Person, the Public Prosecutor can show that commitment of the Offense was made possible by non-compliance with the requirements to manage or supervise. In all cases, such non-compliance is waived if, prior to commitment of the

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<sup>2</sup> The Offenses that, at this time, many result in application of the penalties envisaged in the Decree, being those indicated by macro-category in section 1.1 above, are listed in Annex 4.

Offense, the Entity adopted and implemented effectively an organization, management and control model suitable for preventing offenses of the type committed.

#### ***Authors of identified offenses***

As stated, pursuant to art. 5 of Decree 231/2001, the Entity is responsible for Offenses committed in its interests or for its benefit:

- «by persons whose functions are to represent, administer or manage the entity or one of its organizational units having financial and functional independence, or who perform, even on a de facto basis, the related management and control functions» [persons in senior positions, see art. 5, para. 1, letter a) of the Decree];
- «by persons subject to management or supervision by one of the persons indicated in letter a)» [persons in subordinate positions, see art. 5, para. 1, letter b) of the Decree].

The legislation expressly excludes the Entity from responsibility if the persons indicated acted solely in their own interests or those of third parties (art. 5, para. 2 of the Decree).

#### ***Interests of benefit of the Entity***

As stated, the Entity is only responsible if certain offenses or contraventions are committed<sup>3</sup>, in its interests or for its benefit, by persons having a special relationship with the Entity.

Accordingly, the Entity is not only responsible if the offenses were committed for its benefit, whether tangible or not, but also - in the absence of a tangible benefit - if the perpetrator committed them in its interests.

With regard to the meaning of the terms “interests” and “benefit”, the government report accompanying the Decree considers the former to be subjective, reflecting the wishes of the natural person who perpetrated the identified offense (who, in other words, must have been motivated to act unlawfully in pursuit of a specific interest of the Entity), and the latter to be objective, with reference therefore to the concrete results of the offense committed by the perpetrator (while not directly pursuing a specific interest of the Entity, the conduct of the perpetrator nevertheless resulted in a benefit for the latter).

Consequently, based on the above report, investigation of the existence of an interest would require checks to be made *ex ante*. Conversely, investigation of the existence of an advantage for the Entity,

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<sup>3</sup> See also the administrative offenses of abuse of insider information and market manipulation referred to, respectively, in arts. 187-bis and 187-ter of Decree 58/1998, as referred to subsequently in art. 187-quinquies T.U.F.

even when the natural person did not act in its interests, would require checks to be made *ex post*, in order to evaluate the results of the criminal conduct.

If the identified offense was not committed, even partially, in the interests of the Entity, the above report clarifies that «if the Entity is clearly found to be uninvolved, the judge shall not check whether, by chance, a benefit was obtained (this therefore represents an exception to para. 1)».

Lastly, note that - as clarified by the jurisprudence on the problematic issue of the compatibility of the unlawful conduct with the requirements contained in art. 5 of Decree 231/2001 - in the case of event-driven offenses - such as those envisaged in art. 25-*septies* of Decree 231/01 - the concepts of interest and advantage must not be related to the event but rather to the conduct and, therefore, an advantage must be identified if a **cost saving** is obtained due to the failure to adopt safety measures or, more generally, due to prioritizing production requirements over safety needs; similarly, an interest is deemed to have been pursued if the perpetrator sought to save production costs or to **accelerate the rate of production** (see, for example, Court of Cassation, section IV, 14 June 2016, **no. 24697**; **Court of Cassation, section IV, 21 January 2016, no. 2544**; and earlier, **Court of Cassation, Unified Session, 24 April 2014 - 18 September 2014, no. 38343**, Espenhahn et al, relating to the famed Thyssenkrupp matter).

### *Applicable penalties*

The Decree envisages the following types of penalty for administrative offenses:

- a) pecuniary administrative penalties;
- b) preventive penalties;
- c) publication of the conviction;
- d) confiscation.

The above penalties are applied if the Entity is found guilty.

Preventive measures can also be applied as a precautionary measure, although never in combination with each other, on request by the Public Prosecutor to the Judge, if both the following conditions are satisfied:

- a) serious evidence to suggest that the Entity is responsible for an administrative offense;
- b) well-founded and specific elements pointing to the concrete risk that further offenses may be committed of the same nature as those in relation to which action is being taken.

When ordering precautionary measures to be taken, the Judge takes into account their suitability in relation to the nature and extent of the protection needed in the specific circumstances. Each precautionary measure must be proportionate to importance of the facts and the likely penalty to be applied to the Entity.

### ***Pecuniary penalties***

A pecuniary penalty is always levied in the case of administrative offenses.

This is determined by the Judge using a *system based on “quotas”* totaling not less than one hundred and not more than thousand, each with a value ranging from a minimum of Euro 258.23 to a maximum of Euro 1,549.37<sup>4</sup>.

The Judge determines the number of quotas, having regard for the seriousness of the facts, the degree of responsibility of the Entity and the work performed to eliminate or mitigate the consequences of the facts and prevent the commitment of further offenses.

The amount of each quota is fixed with reference to the economic condition and financial strength of the Entity, in order to ensure that the penalty is effective.

### ***Preventive penalties***

Preventive penalties consist of:

- a) ban on carrying out the activity<sup>5</sup>;
- b) suspension or revocation of authorizations, licenses or concessions needed to commit the offense;
- c) ban on contracting with the Public Administration<sup>6</sup>, except in order to the provision of a public service;
- d) exclusion from assistance, financing, grants or subsidies and possible revocation of those already awarded;
- e) ban on advertising goods or services.

The preventive penalties are only applied, even in combination, in relation to certain Offenses expressly envisaged by the Decree, when at least one of the following conditions is satisfied:

- a) the Entity has made a substantial profit from the Offense, which was committed by a Senior Person or a Subordinate Person when, in this latter case, commitment of the offense was caused by or facilitated by serious organizational weaknesses;
- b) repetition of the unlawful deeds.

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<sup>4</sup> The pecuniary administrative penalty therefore ranges from a minimum of Euro 25,823 to a maximum of Euro 1,549,370, except for those corporate crimes for which the pecuniary penalties must be doubled pursuant to art. 39, para. 5 of Law 262/2005 (the Savings Law).

<sup>5</sup> The ban on carrying out an activity involves the suspension or revocation of authorizations, licenses or concessions needed for that purpose.

<sup>6</sup> The ban on contracting with the Public Administration may also be limited to certain types of contract or certain Administrations.

Even when one or both of the above conditions are satisfied, the preventive penalties are not applicable if even just one of the following circumstances apply:

- a) the perpetrator committed the offense mainly in his/her own interests or those of third parties and the Entity did not obtain any advantage or only a negligible advantage; or
- b) the financial loss caused was extremely modest; or
- c) prior to the start of proceedings in the court of first instance, all the following conditions are satisfied (hereinafter, Conditions for impeding the application of a preventive penalty):
  - 1) the Entity has compensated in full for the loss caused and has eliminated the harmful or dangerous consequences of the offense or, in any case, has taken effective steps in this direction;
  - 2) the Entity has eliminated the organizational weaknesses that led to commitment of the offense by adopting and implementing a Model suitable to prevent offenses of the type committed;
  - 3) the Entity has made the unlawful profit available for confiscation.

#### ***Publication of the conviction***

Publication of the conviction consists in its publication just once, either in the form of an excerpt or in its entirety, by the registry office of the Judge, at the expense of the Entity, in one or more newspapers specified by the Judge in the sentence, and in posting a notice in the municipality in which the Entity has its headquarters.

Publication of the conviction may be ordered when a preventive penalty is imposed on the Entity.

#### ***Confiscation***

Confiscation consists in the forced acquisition by the State of the price or profit from the Offense, except for the part that may be returned to the party suffering the loss and, in all cases, without prejudice to the rights acquired by third parties in good faith; when confiscation in kind is not possible, this may take the form of sums of money, goods or other benefits of equivalent value to the price or profit from the Offense.





### **1.3 Responsibility following changes made to the Entity**

The Decree covers the responsibility of the Entity following transformation, merger, break-up or disposal.

In the case of transformation, the Entity remains responsible for the offenses committed prior to the effective date of the transformation. The new Entity will therefore be the recipient of the penalties applicable to the original Entity for offenses committed prior to the transformation.

In the case of merger, including absorption, the Entity resulting from the merger is liable for the offenses committed by the entities participating in the merger. If the merger is completed prior to the ruling on the responsibility of the Entity, the judge must determine the pecuniary penalty with reference to the economic conditions of the original Entity and not that resulting from the merger.

In the case of partial break-ups, the Entity broken up remains responsible for the offenses committed prior to the effective date of the break-up. The Entities benefiting from the break-up, whether total or partial, are jointly liable for payment of the pecuniary penalties inflicted on the Entity broken up that were committed prior to the effective date of the break-up, up to the actual value of the equity contributed to each Entity, except in the case of the Entity to which the line of business that committed the Offense was contributed, in whole or in part.

The preventive penalties apply to the Entity (or Entities) in possession, in whole or in part, of the line of business that committed the Offense. If the break-up is completed prior to the ruling on the responsibility of the Entity, the judge must determine the pecuniary penalty with reference to the economic conditions and financial strength of the original Entity responsible and not that resulting from the merger.

In the case of the sale or contribution of the business that committed the Offense, the buyer (or recipient) is jointly liable for payment of the pecuniary penalty, following enforced collection from the seller, up to the value of the business. The liability of the buyer (or recipient) is limited to the pecuniary penalties reported in the legal accounting books or, in any case, those due for the administrative offenses about which it knew.

#### 1.4 Organization, Management and Control Model: “exemption” in the event of an offense

The Decree - art. 6, para. 1 - introduces a **specific form of exemption from responsibility** if the Entity is able to show that:

- a) prior to commitment of the offense, the executive body adopted and implemented organization and management models suitable to prevent offenses of the type committed;
- b) it has assigned to an internal body with independent powers of action and control the task of supervising the operation of and compliance with the models, and keeping them up to date;
- c) the persons who committed the offense acted by fraudulently eluding the above organization and management models;
- d) the Supervisory Body referred to in letter b) did not omit to supervise or did not supervise in an insufficient manner.

The Decree - art. 6, para. 2 - also envisages that, in relation to the extent of the delegated powers and the risk of committing offenses, the organization, management and control models must **satisfy the following requirements**:

- 1) identify the areas at risk of committing the offenses envisaged in the Decree;
- 2) provide specific protocols for planning and implementing the decisions of the Entity regarding the offenses to be prevented;
- 3) identify methods for managing financial resources suitable for preventing the commitment of such offenses;
- 4) require reports from the body assigned to supervise the functioning of and compliance with the Model;
- 5) configure an appropriate internal disciplinary system to punish the failure to comply with the measures indicated in the Model.

In addition, the recent Law 179 dated 30 November 2017 on “*Instructions for protecting reporters of offenses or irregularities that become known in the course of a public or private working relationship*” amended art. 6 of Decree 231/2001, adding – among others - para. 2-*bis*, pursuant to which:

«The models referred to in para. 1, letter a) also envisage:

- a) one or more channels for the parties indicated in art. 5, para. 1, letters a) and b), to present, for the fundamental protection of the entity, detailed reports about unlawful conduct deemed significant pursuant to this Decree that are founded on precise and mutually-consistent facts, or about violations of the Organization and Management Model of the entity, that come to

their attention as a result of the functions performed by them; such channels guarantee, in managing each report, that the identity of the reporter is kept confidential;

- b) at least one alternate channel for reports to guarantee, with IT support, that the identity of the reporter is kept confidential;
- c) prohibition of direct or indirect reprisals and/or discrimination against the reporter for reasons related, directly or indirectly, to the report;
- d) penalties in the disciplinary system adopted pursuant to para. 2, letter e), for those who infringe the measures protecting the reporter, as well as those who make unfounded reports willfully or with gross negligence».

The Decree - art. 6, para. 3 - Decree envisages that the organization, management and control models may be adopted, guaranteeing the above requirements, on the basis of codes of conduct (for example, Guidelines) prepared by representative sector associations, communicated to the Ministry of Justice which, in liaison with the competent Ministries, can (within 30 days) issue observations on their suitability for the prevention of offenses.

In the case of subordinate persons, the Entity is only held responsible for the Offense was made possible by non-compliance with the requirements to manage or supervise, which is in all cases excluded if, prior to commitment of the offense, the Entity adopted and implemented effectively an organization, management and control model suitable for preventing offenses of the type committed<sup>7</sup>.

Lastly, it is envisaged that the functions of the supervisory body may be carried out:

- directly by the executive body in the case of small Entities;
- by the Board of Statutory Auditors, the Supervisory Board or the Management Control Committee in the case of joint stock companies<sup>8</sup>.

### 1.5 Guidelines issued by sector associations

In application of the Decree, the various sector associations have prepared specific Guidelines for developing the Model. In particular, in March 2002, **Confindustria** approved its own “**Guidelines for developing organization, management and control models pursuant to Decree 231/2001**”, which were updated on 31 March 2008 and, again, in March 2014.

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<sup>7</sup> See the combined provisions of paras. 1 and 2 of art. 7 of the Decree.

<sup>8</sup> See art. 6, paras. 4 and 4-bis of the Decree.

The above Guidelines establish that the principal phases in the system for the prevention of 231 risks should include:

- **identification of potential risks:** i.e. analysis of the business context to highlight where (in which area/activity sector) and how events might occur that are prejudicial to the goals indicated in Decree 231/2001;
- **design of the control system** (protocols for planning and implementing the decisions of the Entity): i.e. evaluation of the existing system used by the Entity for the prevention of offenses and consequent updates, as necessary, in order to counter effectively (reduce to an acceptable level) the risks identified.

Of course, differences with respect to specific points in the various Guidelines do not automatically invalidate the Model. In fact, the Model adopted must be developed with reference to the specific situation found at the Entity and, therefore, may well differ from the Guidelines that, by their nature, are generic.

The principal components of the control system identifiable from the sector Guidelines are:

- Code of Ethics and Conduct;
- organization that is sufficiently updated, formalized and clear;
- manual and IT procedures (IT systems);
- powers of authorization and signature;
- integrated control systems;
- communication to and training of personnel.

The components of the control system must be aligned with the following principles:

- assessability, documentability, coherence and congruence of each operation;
- application of the principle of the separation of functions (e.g. no one shall be allowed to manage an entire process independently);
- documentation of checks;
- provision of an adequate system of penalties to contrast violations of the terms of the Code of Ethics and the procedures specified by the Model;
- identification of requirements for the Supervisory Body, which can be summarized as follows:
  - autonomy and independence;
  - professionalism;
  - continuity of action;
  - obligations to report on the work performed.

## 1.6 Legal developments

When preparing the Model, I.M.M. Hydraulics S.p.A. took into consideration the jurisprudence formed in relation to the subject matter.

In particular, while the initial rulings on the administrative responsibility of Entities pursuant to Decree 231/2001 did not consider the adequacy of the control systems adopted, subsequent jurisprudence has checked its adequacy, the timing of adoption and the suitability of the Model with respect to the needs and characteristics of the Entities concerned (Milan Court, Criminal Section IV, 4 February 2013, no. 13976; Court of Cassation, Criminal Section V, no. 4677/2014).

Despite the variety of the various decisions issued, certain constant references emerge in relation to checking the adequacy of the Model adopted, namely the reference to the criminal conduct in relation to which action is being taken, to the organizational structure, to the dimensions, to the type of business, and to the history, including the legal history, of the company involved in the proceedings.

More specifically, the Judges have assessed:

- (i) the effective autonomy and independence of the Supervisory Body,
- (ii) analytical precision and comprehensiveness in the identification of areas at risk,
- (iii) the provision of specific protocols for planning and implementing the decisions of the Entity in relation to the offenses to be prevented,
- (iv) the reporting requirements placed on the body assigned to supervise the functioning of and compliance with the model,
- (v) the introduction of a disciplinary system capable of punishing failure to comply with the specified measures.

Accordingly, I.M.M. Hydraulics S.p.A. has prepared the Model in the light of the orientation consolidated over time and the most recent jurisprudence, having regard for the principles established therein.

## 2 Adoption of the Model

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## 2.1 I.M.M. Hydraulics S.p.A.

I.M.M. Hydraulics S.p.A. is one of the main world manufacturers of hydraulic connection systems: high pressure hoses e fittings. I.M.M. has become part of Interpump Group since 2014, the world's leader of the hydraulic power transmission sector.

Founded in 1987 in Casoli (Chieti-Italy), nowadays I.M.M. is a main industrial player with presence in more than 80 countries and with 4 manufacturing plants, of which 3 in Italy and a plant in Romania.

In particular, I.M.M. Group owns the following manufacturing plants and distribution warehouses;

- manufacturing plant of flexible reinforced steel hoses for high and very high-pressure hydraulics on a flexible core with diameters from 3/16 "to 1": ATESSA (CH) Via L'Aquila 8/10, Italy;
- manufacturing plant of high pressure fittings and adapters for all required sizes: ATESSA (CH) Via Italia 49/51, Italy;
- manufacturing plan of flexible reinforced steel hoses for high and very high pressure hydraulics on a flexible core with diameters from 1" to 4" and production plant for fittings made up of transfer machines: ASCOLI SATRIANO (FG) Zona Industriale, Italy;
- manufacturing plant of flexible reinforced steel hoses for high and very high-pressure hydraulics on a flexible core with diameters from 3/16 "to 1": CLUJ-NAPOCA, Romania;
- distribution and assembly warehouse of hoses: Schio (VI) e Atezza (CH), Italy;
- distribution warehouse in Germany near Cologne;
- distribution and assembly warehouse of hoses in France close to Strasbourg;
- distribution and assembly warehouse of hoses in Birmingham (UK);
- distribution and assembly warehouse of hoses in Genoa (Italy)
- coating plant for metal surfaces and galvanic processes in Atezza (CH), Italy;
- a plant for developing and manufacturing rubber mixtures in Montepandone (AP), Italy.

I.M.M. Group sales are mainly abroad, with only a 20% in Italy. The relevant geographic-area is Western – Europe where sales are 80% of the total. The mission of I.M.M. Hydraulics S.p.A. is to pursue excellence in its operations through the application of innovation and quality. Innovation is a permanent goal of I.M.M. collaborators and is the result of constant, scientific, and detailed research carried out into materials, techniques and products with the aid of the most sophisticated and advanced equipment.

Quality permeates all activities of I.M.M. Hydraulics S.p.A.; starting conditions for quality are the meticulous, methodical and constant control and verification of each phase of the life of the company, in each step of the production process, from the purchase of raw materials through to the completion of the finished product. The quality of Interpump is the fruit of a culture that is shared and disseminated throughout the company and reflected in the manufacture of efficient products that are easy and intuitive to use, guaranteed, able to meet the very latest requirements in their sector and limit consumption in utmost respect for their users and the environment.

Sensitive to the need to disseminate and consolidate the culture of transparency and integrity, and aware of the importance of ensuring propriety in the conduct of its business and company activities, in order to protect its position and corporate image and defend the expectations of its shareholders and contractual counterparts, I.M.M. Hydraulics S.p.A. adopts the **Organization, management and control model** envisaged by the Decree, establishing the related reference principles.

### *2.1.1 Goals and key points of the Model*

As noted, the adoption of an Organization and Management Model is not mandatory pursuant to the Decree<sup>9</sup>.

Not least, by adopting and implementing the Model effectively, I.M.M. Hydraulics S.p.A. seeks to enhance the awareness of all those who work in the name of and/or on behalf of the Company, to ensure that in the execution of their activities they adhere to correct and honest forms of conduct in order to eliminate the risk of committing the Offenses identified in the Decree.

The Model was prepared with reference to the requirements of the Decree and the Guidelines issued by Confindustria. As stated above, preparation of the Model also took account of the most significant jurisprudence to date on the subject of criminal-administrative responsibility.

The primary goal of the Model is to configure a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct liable to lead to the offenses envisaged in the Decree.

The identification of activities exposed to the risk of committing offenses (hereinafter, “sensitive activities”) and their consequent proceduralization, reflects the following objectives:

- on the one hand, ensure the full awareness of all those working in the name of and on behalf of I.M.M. Hydraulics S.p.A., that they might commit a punishable offense that is strongly condemned by the Company, since such offenses always conflict with its interests, even when an immediate economic benefit may be apparent;
- on the other hand, due to the constant monitoring of activities, enable timely action to be taken in order to prevent or oppose commitment of the offenses concerned.

In addition to the above principles, other key points of the Model include:

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<sup>9</sup> The Decree states that the Model is optional and not mandatory. However, the adoption and effective implementation of the Model is a requirement for listing and remaining listed in the STAR segment of the stock market managed by Borsa Italiana. The adoption of an Organization and Control Model pursuant to Decree 231 is also envisaged in the Code of Self-Regulation for listed companies. Additionally, with reference to adoption of the Model, Milan Court ruling no. 1774/2008 stated that, «Failure to prepare an adequate organizational model pursuant to Decree 231/2001 results in the civil liability of the directors towards the company for bad management (art. 2392 of the Italian Civil Code) ».



- the mapping of high-risk activities, i.e. those in the context of which the commitment of offenses envisaged in the Decree appears more probable, i.e. so-called “sensitive activities”;
- assignment to the Supervisory Body of specific duties of supervision over the effectiveness and correct operation of the Model;
- checking and documentation of each significant operation;
- the application and compliance with the principle of separation of functions, on the basis of which no one shall be allowed to manage an entire process independently;
- the assignment of powers consistent with the related organizational responsibilities;
- ex post verification of business conduct and the operation of the Model, with consequent periodic updating;
- the dissemination to and involvement of all company levels in the implementation of company rules of conduct, procedures and policies.

### ***2.1.2 Structure of the Model: General Part and Special Part***

**The Model is subdivided into the following parts:**

- **General Part**, which contains the key points of the Model and deals with the operation of the Supervisory Body and the penalties system, with reference also to the Code of Ethics;
- **Special Part**, which contains the sensitive activities identified in relation to the various types of risk envisaged in the Decree, which – following the *Risk Self-Assessment* carried out on the principal business processes – are considered most significant based on the type of business carried out by the Company.

### ***2.1.3 Approval of the Model***

The Organization and Control Model has been adopted by resolution of the Board of Directors of I.M.M. Hydraulics S.p.A.

### ***2.1.4 Amendments and updating of the Model***

As specified in the Decree, the Model is “a deed issued by the executive body”<sup>10</sup>. Consequently, the Board of Directors of I.M.M. Hydraulics S.p.A. is responsible for all subsequent amendments and substantial additions.

However, on a general level, the Interpump Group Internal Audit, Risk & Compliance Department - after notification to the Supervisory Body - is entitled to make any necessary modifications and/or additions of a formal nature to the text of the Model.

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<sup>10</sup> Art. 6, para. 1, letter a) of the Decree.

## 2.2 Methodological approach to the Model

The methodological approach adopted for preparing and implementing the Organization and Management Model pursuant to Decree 231/2001 envisages the following phases:

- identification of areas potentially exposed to the risk of committing offenses;
- risk assessment of the processes in the areas of risk identified, with a description of any issues identified;
- identification of solutions and actions aimed at overcoming or mitigating the issues identified;
- adaptation and documentation of the organizational procedures in the areas identified and potentially at risk, containing binding instructions for the reasonable prevention of offenses envisaged in the Decree;
- preparation of the Code of Ethics;
- preparation of a disciplinary system to punish non-compliance with the measures indicated in the Model;
- preparation of the statute and regulations of the Supervisory Body;
- preparation of the plan for communicating the Model and related training.

### 2.2.1 Risk assessment method

Effective execution of the project and the need to adopt criteria that are objective, transparent and traceable for the construction of the Organizational Model required the use of adequate and integrated methods and tools.

The activity carried out was characterized by compliance with the Decree and the other standards and regulations applicable to the Company and, in relation to unregulated aspects, by compliance with:

- the Guidelines issued by Confindustria on “organization and management” models;
- best practices in relation to controls (*C.O.S.O. Report*; *Federal Sentencing Guidelines*).

The preliminary assessment covered those processes and corporate functions that, based on the results of the preliminary risk assessment, were identified as most exposed to the risk of committing the offenses envisaged in the Decree and the regulations that make reference to it, including for example:

- the business functions that routinely maintain significant relations with Italian, foreign, or supra-national public administrations;
- the corporate processes and functions, important in the administrative and financial areas, that are most exposed to risk including those explicitly referred to in the regulations.

With regard to the method for identifying the control processes and systems for the prevention of irregularities, the approach adopted was based on an assessment model comprising eight

components developed with reference to international best practices, with an essential contribution from the US Federal Sentencing Guidelines and the resulting compliance programs.

Among other considerations, the position paper on the Decree issued by the Italian Association of Internal Auditors identifies these guidelines as the most authoritative reference for the assessment of corporate responsibility, and they were explicitly taken into consideration by the Italian legislator, as stated in the government report accompanying the Decree.

Specifically, the assessment model adopted has the following components:

#### **Governance**

Examination of the methods adopted for assigning duties to the bodies involved in managing the internal control systems.

#### **Communication**

Examination of the system of internal communications about the elements of the Model and, specifically, the adequacy of the content, the channels utilized, the frequency of communications, differentiation by level, function and degree of risk, and the understandability of the language used.

#### **Human resources**

Examination of the practices and procedures followed for the management of human resources and the principal aspects of employment relationships; assessment of other aspects key to the prevention of offenses, such as the various incentive and penalty systems envisaged by law, including the dismissal of personnel.

#### **Information**

Examination of the characteristics and methods adopted for generating, accessing and reporting information to management for the effective

#### **Code of Ethics and operating procedures**

Examination of the organizational systems adopted to check compatibility with the results of the risk assessment process, rules and regulations, the current organizational structure, and the methods adopted for managing company processes and human resources.

#### **Training**

Examination of the practices and procedures followed to train personnel in application of the Model, covering the general and specific programs developed, or to be developed, for personnel operating in the areas exposed to risk.

#### **Control**

Examination of the practices and procedures followed in order to control and monitor the performance of the various elements of the Model; accordingly, examination of the adequacy of the control processes covering the areas and operations at risk, considering any warning signs (red flags), anomalies (process audits), routine checks (performance audits) and the adequacy of the Model (compliance programs or audits of the Model).

#### **Violations**

Analysis of the characteristics and methods adopted to carry out audit activities and/or internal and external investigations, in order to

supervision of risks by the bodies concerned including, in particular, the Supervisory Body envisaged in the Decree; accordingly, analysis of the availability of the data needed for the effective ex ante and ex post supervision of the activities at risk, the existence of preferential communications channels for the reporting of operations exposed to risk by third parties and company personnel (help line), the timely reporting of changes in risk profiles (e.g. new legislation, acquisition of new activities, violations of the internal control system, access and inspections by supervisory bodies, etc.), and the proper registration and reporting of the above events, together with the related actions implemented subsequently and the result of the checks carried out.

assess their effectiveness in terms of the professional and/or qualitative standards achieved and their impact in terms of updating the internal control and corporate governance systems.

### ***2.2.2 Operating phases***

The methodological approach adopted was developed through a series of operational phases.

The start of these activities included the prior acquisition of data and information concerning the organizational system of the Company and the operative processes, useful in relation to detailed planning of individual phases.

In particular, the work involved the following phases, which are described in greater detail below:

- Planning;
- Diagnosis;
- Design;
- Preparation;
- Implementation.

#### ***Phase 1: Planning***

This phase consisted in collecting documentation and retrieving information about the activities and organizational system of the Company.

Merely by way of example, this information covered:

- Company business sectors;

- the nature of relations and activities (e.g. commercial, financial, regulatory control, representation, collective bargaining etc.) involving Italian and foreign public administrations;
- any presumed irregularities that occurred in the past (incident analysis);
- the internal regulatory and procedural framework (e.g. function mandates, decision-making processes, operational procedures, protocols, etc.);
- documentation about service orders, internal communications and all other documentary evidence useful for a better understanding of the activities carried out by the Company and its organizational structure.

The information was collected via documentary analysis, interviews with and questionnaires completed by the heads of the various business functions/divisions and any personnel whose involvement was considered useful given their specific skills.

The above information is essential for the start of risk assessment activities.

### *Phase 2: Diagnosis*

This stage was characterized by completion of the risk assessment analysis started in the previous planning stage, in order to:

- perform an analysis of the business functions/activities that are exposed to risk of committing offenses identified in Decree 231/2001;
- analyze the organization and control system overall, with special regard to the following elements:
  - Leadership & Governance of the Company;
  - Standards of conduct;
  - Information, internal reporting & Communications;
  - Training & Development;
  - Assessment of performance;
  - Internal control and monitoring;
  - Response of the Model to violations.

Concisely, the analysis and evaluation of the foregoing components is based on:

- assessment of the adequacy of the organization and control system, considering the following criteria:
  - system formalization;
  - clear definition of the responsibilities assigned and the reporting hierarchy;

- cross-checking between functions;
- consistency of the activities actually performed with those envisaged in the missions and responsibilities described in the organization chart;
- verification of the existence of protocols and formal procedures for the activities performed in the areas potentially at risk, taking account of the investigation and preparatory phases carried out prior to making business decisions;
- verification of the existence of authorization and signatory powers consistent with the organizational and managerial responsibilities assigned and/or actually exercised. The assessment was carried out by examining the powers of attorney and internal operational mandates granted;
- verification, for individual activities potentially at risk of offenses, of the existence of protocols, procedures, and rules of conduct, and identification of the improvements required for greater compliance with principles expressed in Decree 231/2001;
- verification of the adequacy of the disciplinary system in force to punish any violations of the principles and instructions designed to prevent committed of the identified offenses by employees of the Company - whether executives or not - and its directors and external consultants;
- verification of the existence of forms of communication and training for personnel, considering that initiatives designed to implement Decree 231/2001 must be planned and directed towards communication of the Organization and Control Model.

A summary document was prepared at the end of this phase containing:

- a “map” of potential risks pursuant to Decree 231/2001 relevant to the Company and the business functions concerned;
- the departments and business functions that perform activities potentially exposed to the offenses identified in Decree 231/2001;
- the responsibility centers for each of the above business activities;
- the business activities found to be theoretically and potentially more exposed to offenses identified in Decree 231/2001;
- the types of offense theoretically associated with the activities carried out;
- the potential impact (economic, reputation, operational, etc.) of the risk on the Company and the theoretical probability of commitment of the offense.

The results obtained from the foregoing analysis comprised the basis for the design of the Organization and Control Model, as specified below.

### ***Phase 3: Design***

This phase consisted in performance of the As-Is analysis on existing protocols, procedures, and/or control tools, in order to check the reasonable effectiveness of existing controls for the prevention of irregularities. This activity was based on an understanding of how well the procedures for the business activities exposed to risk are documented, and the level of awareness, application, communication, updating and control of any procedures and protocols that monitor such activities.

More specifically and in line with the results of mapping the areas at risk, this phase concerned:

- the identification/verification of existing *protocols, operational procedures and/or control tools* for each area potentially at risk, with specific reference to issues and weaknesses in existing control systems, with a view to the reasonable prevention of the risks identified in the Decree;
- the formulation of recommendations, suggestions and guidelines on the additions and improvements to be made for the management of issues in a reasonable manner.

Consistent with the methodological criteria identified above, the above verification work included a preliminary request for the structures involved to carry out a self-analysis of the potential areas of risk related to their own activities, and verification of the existing procedures and internal protocols in the areas identified. Meetings were held for this purpose with the structures involved, during which suitable clarification was given about various aspects of the regulations concerned.

Planning of the work to strengthen the elements comprising the Organization and Control Model focused, in particular, on:

- the Code of Ethics, the disciplinary system and training;
- the activities assigned to the Supervisory Body.

In particular, the planning of the reporting system allows the Supervisory Body to receive information and updates about the status of activities potentially exposed to risk.

#### ***Phase 4: Preparation***

This phase results in creation of the Organization and Control Model by preparing and/or adapting the component organizational tools considered most suitable to maximize the effectiveness of the action taken to prevent offenses, such as:

- preparation and revision of protocols/procedures for the areas/activities potentially exposed to risk;
- preparation of the Code of ethics and, therefore, ethical principles for the areas/activities potentially exposed to risk;
- preparation of the internal disciplinary system, calibrated to reflect the seriousness of violations;

- definition of the powers, duties and responsibilities of the Supervisory Body and its relations with the business structures;
- planning of initiatives concerning communications, ethics training and the prevention of offenses.

### *Phase 5: Implementation*

In this phase, the activities carried out were designed to make the overall Model operational via:

- formal adoption upon approval by the Board of Directors;
- the definitive implementation and communication of the component elements of the Model: Code of ethics, operational procedures, control system, communications and training plan, disciplinary system.

Clearly, the initial and ongoing activities of the Supervisory Body in relation to the Organization and Control Model will be to identify criteria for:

- the conduct of periodic checks on the Model and its component elements;
- updating the “map” of the areas exposed to the risk of offenses and identifying the actions necessary to ensure the effectiveness of the Model in preventing over time the commitment of offenses;
- reporting information to company bodies for the modification or addition of key components of the Model.

### **2.3 Comparison of the Model with the Code of Ethics**

The Model responds to the need to prevent, as far as possible, commitment of the offenses envisaged by the Decree through the creation of specific rules of conduct.

This highlights a difference with respect to the Code of Ethics, which is a much broader tool to promote “corporate ethics”, although without imposing any specific procedures.

However, given the contents of the Confindustria Guidelines, the Model and the Code of Ethics are actually closely integrated in order to create a corpus of internal regulations that promote a culture of corporate ethics and transparency.

The conduct of employees, collaborators of all kinds, directors and persons who, on a de facto basis or otherwise, manage and control a Group company or act in the name and/or on behalf of a Group company (“**Collaborators**”), consultants, vendors and other third parties including customers that maintain relations with companies in the Interpump Group (“**Third Parties**”) must comply with the general and specific rules of conduct envisaged in the Model and the Code of Ethics (see “Annex 1”).



## 2.4 Recipients of the Model

The rules contained in the Model apply to those who perform, on a de facto basis or otherwise, management, administration, direction or control functions in I.M.M. Hydraulics S.p.A., as well as to employees, collaborators and to those who, although not belonging to the Company, operate under mandates from the Company or are otherwise attached to it. In particular, the Recipients of the Model comprise:

- the Board of Directors and all those whose functions are to represent, administer or manage the Company or one of its organizational units having financial and functional independence, or who perform, on a de facto basis or otherwise, related management and control functions;
- all those who are directly employed by the Company;
- all those who are collaborate with the Company in a coordinated and continuous manner (e.g. apprentices, etc.);
- all those who operate under mandates or on behalf of the Company in the performance of sensitive activities, such as consultants.

I.M.M. Hydraulics S.p.A. communicates the content of this Model in suitable ways that ensure all Collaborators are fully aware of it.

The parties to whom the Model is addressed are required to comply strictly with all its provisions, not least in compliance with the duties of loyalty, propriety and diligence that derive from their legal relations with the Company.

I.M.M. condemns any conduct that does not comply with the law, the provisions of the Model and the Code of Ethics, even when such conduct is in the interests of the Company or secures an advantage for the Company.

## 2.5 Organization and Control Models within Groups

Decree 231 does not expressly address the responsibilities of entities that belong to a group of companies.

Nevertheless, the criminal jurisprudence on the subject of responsibility for offenses and groups of companies is building a consensus that «in terms of responsibility for offenses [...] the parent (or holding) company or other group companies may be deemed liable pursuant to Decree 231/2001 for offenses committed in the course of the activities of a group subsidiary, on condition the persons committing the identified offense include at least one natural person acting on behalf of the parent [...] while generic references to the group or the “interests of the group” are insufficient (see for example the Court of Cassation, Criminal Section II, 27.09.2016-09.12.2016, no. 52316; and, with regard to the relevant jurisprudence, Lucca Court, 31.01.2017-31.07.2017, no. 222, which stated that «There is no doubt [...] that the regulations specified in Decree 231/01 also apply to the parent company. But, it must be emphasized, only on certain preconditions, which can be summarized [...]

as follows “the parent company may be held liable pursuant to Decree 231/2001 for an offense committed in the course of the activities of a subsidiary, on condition that the perpetrators included at least one natural person acting on behalf of the “holding” and in pursuit of its interests”»).

The Confindustria Guidelines also address the subject of responsibility for offenses committed within groups of companies.

On this point, the March 2014 Confindustria Guidelines start from the premise that, under Italian law, the concept of “group” is considered solely in economic terms, ignoring the legal aspect, and excluding in line with the jurisprudence that a group can be attributed direct responsibility, given that the parties indicated in art. 1 of Decree 231/2001 do not include groups.

Conversely, the Confindustria document states that the entities comprising a group may be held liable for offenses committed in the course of their business activities and, in that light, the problem is to identify the circumstances in which other companies, including in particular the parent company, can be held liable for offenses committed in the course of the activities of a fellow group company.

Having excluded any requirement for the top management of the parent company to guarantee that no offenses will be committed in the course of the activities of its subsidiaries, the parent company may still be held liable for such offenses if:

- the offense was committed for the direct and immediate benefit of, or in the interests of both the parent company and the subsidiary;
- natural persons functionally linked with the parent company participated in the commitment of the offense, making a significant causal contribution (Court of Cassation, Vth Criminal Section, Sent. no. 24583/2011) that is demonstrated in a specific and concrete manner.

For example, this would apply in the case of:

- criminally improper instructions, if the essential aspects of the criminal conduct of the participants can be traced with sufficient clarity to the program of action established by senior management;
- interlocking directorates governing both the parent and the subsidiary: this increases the risk of propagating responsibility throughout the group, since companies might only be deemed separate entities from a formal standpoint, with the accumulation of appointments potentially confirming claims that the top managers of several group companies contributed to committing the identified offense.

The Confindustria Guidelines further clarify that each group company, being individually subject to the requirements of Decree 231, must independently prepare and update its own Organization and Control Model, although that activity may be carried out with reference to instructions and methodologies specified by the parent company, having regard for the organization and operations of the group. This

coordination must not, however, restrict the autonomy of subsidiaries when it comes to adopting the Model.

The Confindustria document also establishes that the adoption of an independent model by each group company has two fundamental consequences:

- development of a Model that is truly appropriate for the organizational reality found at each company. In fact, only the company concerned can precisely and effectively recognize and manage the risk of committing criminal offenses, which is essential for the model to be deemed effective pursuant to art. 6 of Decree 231;
- confirmation of the autonomy of the individual operating unit within the group, with a resulting reduction of the risk that responsibility might be attributed to the parent company.

The parent company - continues the above document - may indicate a structure for the code of conduct, as well as common principles for the disciplinary system and implementation protocols. However, these components of the Model must be implemented independently by the individual group companies and adapted to their individual circumstances, with - where appropriate - the adoption of standards of ethics and conduct based on the specific business of the company and the particular offenses to which it is exposed.

It is also advisable that the Organization and Control Model of the parent company take account of the integrated processes involving several group companies and those activities that generate a common result (e.g. consolidated financial statements) and that agreed centralized procedures and harmonized protocols be defined.

In this regard, it is important:

- on the one hand, that these procedures are based on the principles of transparency and proper accounting and respect the management powers delegated to the main boards of subsidiaries, as well as their operational and financial autonomy;
- on the other, that the procedures and protocols adopted by each company are consistent with the principles specified by the parent company, in order to guarantee appropriate coordination, not least regarding the system of controls over activities deemed to be at risk.

## **2.6 Principles established by Interpump Group for compliance with Decree 231/2001 by Italian and foreign subsidiaries.**

Interpump Group S.p.A. directly or indirectly controls the companies within the Group and, accordingly, considers it necessary to summarize here the principles and rules that apply to all Italian and foreign companies.

Interpump Group S.p.A. requires all direct and indirect subsidiaries to align their organization and management models with the principles set out below, while exercising their autonomy when determining the exact content of such models.

Interpump Group S.p.A. requires all subsidiaries to adopt a system of organization that guarantees:

- monitoring and traceability of cash flows;
- constant supervision of the processes adopted for preparing the statutory and consolidated financial statements, ensuring their accuracy and transparency;
- proper management and constant monitoring of the processes adopted for personnel selection, hiring and appraisal;
- proper management and constant monitoring of the activities associated with gifts, donations and entertaining expenses;
- proper allocation of powers and segregation of duties in the management of each business process;
- disciplinary action for failure to comply with the conduct required;
- proper management of reports received;
- traceability of processes and the filing of documentation;
- compliance with locally-applicable regulations and the rules established at Group level, if more demanding.

Each Group company must all agree to and comply with the contents of the Group's Code of ethics.

### 3 The Supervisory Body

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In order to exonerate an Entity from criminal-administrative responsibility, the Decree establishes, among other conditions, that the task of supervising the functioning of and compliance with the Model and updating it must be assigned to a corporate body with independent powers of action and control.

### 3.1 Identification of the internal Supervisory Body

Pursuant to the Decree, the body assigned this task is identified by the Board of Directors and comprises persons who satisfy the requirements of autonomy, honorability, independence, professionalism and continuity of service needed to carry out the function. The members of the Supervisory Body (hereinafter also referred to as the “**SB**”) must not have any incompatibilities or conflicts of interest caused by significant ownership interests or family ties with the Company, top management and other senior decision makers.

When identifying the members of the Supervisory Body, the Chairman of the Board of Directors and the President of the Board of Statutory Auditors jointly certify the compatibility, independent and autonomy of the persons concerned.

### 3.2 Functions and powers

The Supervisory Body is responsible for monitoring:

- compliance with the Model: i.e. exerting supervision to ensure that the conduct adopted within the Company complies with that required by the Model;
- effectiveness of the Model: i.e. checking that the Model is suitable in practice for preventing offenses envisaged in the Degree and subsequent regulations altering the scope of its application;
- need for/appropriateness of updating the Model to take account of legislative, environmental and organizational changes.

On a more practical level, the Supervisory Body is assigned the following tasks:

- periodic checking of the mapping of areas at risk of offenses (“sensitive areas”) in order to reflect any changes in the activities and/or organization. To this end, management and persons responsible for the controls over individual functions must report to the Supervisory Body all situations that might expose the Company to the risk of committing the identified offenses. All communications must be made exclusively in written form;
- periodically make checks, using external professionals or otherwise, to ensure compliance with the ethical principles and the Model and, especially, that the specified procedures, protocols and controls have been implemented and documented appropriately. Given that primary responsibility for the control activities is assigned to operational management, as an integral part of each business process (“line controls”), the importance of structured personnel training is evident;

- check the adequacy and effectiveness of the Model in preventing the offenses envisaged in the Decree and related regulations;
- periodically make targeted checks on specific operations or deeds, especially in the context of sensitive activities (the results of which are summarized in a specific report whose contents will be included in communications made to the corporate bodies);
- liaise with the other business functions (at specific meetings or otherwise) to exchange information intended to update the areas at risk/sensitive areas, in order to:
  - keep developments under control and ensure that they are monitored constantly;
  - check various aspects of implementing the Model (definition of standard clauses, personnel training, regulatory and organizational changes, etc.);
  - guarantee that necessary corrective actions to make the Model suitable and effective are taken in a timely manner;
- gather, process and preserve all the relevant information received in compliance with the Model, and update the list of information that must be transmitted to the Supervisory Body. For this purpose, the Supervisory Body has free access to all the relevant company documentation and must be kept constantly informed by management about:
  - aspects of business activities that may expose the Company to the risk of committing one of the Offenses envisaged in the Decree;
  - on relations with Consultants and Partners;
- promote initiatives for training and communication on the Model and prepare the documentation necessary for this purpose;
- interpret the relevant legislation and check the adequacy of the internal control system in relation to the relevant legislative requirements;
- report periodically to the Board of Directors and the Board of Statutory Auditors on the implementation of company policies regarding the Model.

The structure identified must be capable of satisfying the need for constant checks on the implementation of and compliance with the Model and, at the same time, the essentially need to check that the Model is properly responsive to the established prevention objectives. This **continual verification** must proceed in two directions:

- if it emerges that implementation of the operational standards required is insufficient, the Supervisory Body must take all steps necessary to correct this “pathological” condition. Depending on the circumstances, this will include:
  - inviting the heads of individual organizational units to comply with the Model;
  - specifying directly which corrections and changes must be made to routine practices and activities;

- reporting the most serious cases of non-compliance with the Model to the managers and control personnel within individual functions.
- on the other hand, if monitoring shows the Model to be fully and correctly implemented, but nevertheless unsuitable for preventing the risk of committing certain offenses envisaged in the Decree, the Supervisory Body must take steps to ensure that the Model is updated and check on the related timing and how this is done<sup>11</sup>.

As stated, in order to exercise its powers, the Supervisory Body must have unrestricted access to all corporate personnel and documentation and the ability to obtain significant data and information from senior management.

### 3.3 Reporting by the Supervisory Body to the Corporate Bodies

The Supervisory Body is responsible for communicating the following matters to the Board of Directors:

- at the start of activities and, subsequently, at the start of each year: the plan of activities to be carried out in order to complete the tasks assigned;
- periodically: the progress of the program defined and any changes made to the plan, with explanations;
- immediately: any significant problems identified by the work.

The Supervisory Body must also report on the implementation of the Model at least once every year.

The Supervisory Body may be invited to report periodically to the Board of Statutory Auditors and the Board of Directors with regard to its activities.

Depending on the circumstances, the Supervisory Body must also:

- 1) communicate the results of its checks to the heads of the functions and/or processes, if the work identifies aspects requiring improvement. In this case, the Supervisory Body must obtain an action and implementation plan from these leaders, covering the aspects requiring improvement, together with detailed specifications for the operational changes necessary;

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<sup>11</sup> Clearly, the timing and form of the changes/updates cannot be predetermined, however they must be completed as soon as possible and their content will be responsive to the observations that identified the need for them.

- 2) report any conduct/actions not in line with the Code of Ethics, company procedures and/or protocols, in order to:
  - i) obtain all the elements needed in order to inform the bodies responsible for the assessment and application of disciplinary penalties;
  - ii) avoid repetition of the event, providing indications for elimination of weaknesses.

The activities indicated in point 2) must be communicated by the Supervisory Body to the Board of Directors as rapidly as possible, requesting support from other corporate structures able to help determine and identify actions to prevent repetitions.

The Supervisory Body must inform the Board of Directors immediately if the violation involves Senior Persons within the Company or the Board of Statutory Auditors, including members of the Board of Directors and/or the Board of Statutory Auditors.

Copies of the related reports will be held on file by the Supervisory Body and the bodies involved on a case-by-case basis.

### 3.4 Reporting: general and specific requirements

Parties required to comply with the Model must **inform the Supervisory Body**, using periodic standardized reports and specific notifications, about any **events that could generate liabilities** for I.M.M. pursuant to the Decree.

#### 3.4.1 Requirements of a general nature

I.M.M. Hydraulics S.p.A. has adopted a specific procedure, "*Communications to the Supervisory Body*", that governs periodic reporting by key officers to the Supervisory Body, in order to ensure that sensitive activities are monitored pursuant and consequent to Decree 231/2001.

I.M.M. has also adopted a specific procedure for the management whistleblowing reports, "*Policy for the Management of Whistleblowing*", in line with relevant national and international best practices and the provisions of Law 170 dated 30 November 2017 on "*Instructions for protecting reporters of offenses or irregularities that become known in the course of a public or private working relationship*".

In particular, that recent law governing whistleblowing amended art. 6 of Decree 231/2001, by adding - among others - para. 2-*bis*, whereby: «The models referred to in para. 1, letter a) also envisage:

- a) one or more channels for the parties indicated in art. 5, para. 1, letters a) and b), to present, for the fundamental protection of the entity, detailed reports about unlawful conduct deemed significant pursuant to this Decree that are founded on precise and mutually-consistent facts, or about violations of the Organization and Management Model of the entity, that come to



their attention as a result of the functions performed by them; such channels guarantee, in managing each report, that the identity of the reporter is kept confidential;

- b) at least one alternate channel for reports to guarantee, with IT support, that the identity of the reporter is kept confidential;
- c) prohibition of direct or indirect reprisals and/or discrimination against the reporter for reasons related, directly or indirectly, to the report;
- d) [...]»<sup>12</sup>.

In this regard, the Company has activated two reporting channels - one paper based and one IT based - so that the Recipients of this Model can present detailed reports about any unlawful conduct that is relevant pursuant to Decree 231/2001. Both channels guarantee that the identity of the reporter is kept confidential.

Each Italian and foreign company within the Group must adopt a clear and timely process for the management of whistle-blowing reports, in order to ensure that all cases of non-compliance are known to and managed by the competent corporate bodies.

With regard to the management of reported non-compliance, Interpump Group S.p.A. requires each group company to adopt the following principles:

- the persons reporting cases of non-compliance must be protected from any form of retaliation. Each Group company must adopt an anti-retaliation policy that protects persons making reports from adverse consequences (such as dismissal, demotion, unjustified transfers or, in any case, conduct that may be construed as mobbing);
- anonymous reports must be taken into consideration, on condition that they are capable of identifying facts and situations that arose in specific contexts;
- the persons reported must receive the same protection as those making the reports;

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<sup>12</sup> Note also that art. 3 of the Law dated 30 November 2017 states that «1. In the case of reports or complaints made in the manner and within the limits established in art. 54-bis of Decree 165 dated 30 March 2001 and art. 6 of Decree 231 dated 8 June 2001, as amended by this Law, efforts to safeguard the integrity of public and private administrations, and to prevent and impede embezzlement, represent just cause for the disclosure of information covered by the obligation to maintain secrets referred to in arts. 326, 622 and 623 of the Italian Criminal Code and art. 2105 of the Italian Civil Code. 2. The provisions of para. 1 do not apply if the obligation to maintain a professional secret applies to those who become aware of the information as a consequence of a professional consultancy or support relationship with the entity, business or natural person concerned. 3. When information and documents communicated to the body designated to receive them are secrets of a business, professional or job-related nature, it is a violation of the related secrecy requirement to make revelations in an excessive manner with respect to the desire to remove the unlawful action and, in particular, to make the revelation outside of the communication channel specifically established for that purpose. [...]»

- in relation to companies that have not appointed a Supervisory Body, the reports may be sent to the Supervisory Body of Interpump Group S.p.A. at the following address (e-mail: [organismodivigilanza@interpumpgroup.it](mailto:organismodivigilanza@interpumpgroup.it));
- each Group company must manage the reports received in compliance with all the laws and regulations governing data protection;
- the reports made must be detailed and accompanied by the largest possible number of details, so that the facts can be reconstructed and checked;
- the investigation following the receipt of a report is carried out in compliance with the applicable regulations;
- penalties are envisaged for those who infringe the measures protecting the reporter, as well as those who make unfounded reports willfully or with gross negligence;
- the regulations adopted by the Supervisory Body govern the management of whistleblowing reports in a manner consistent with the contents of this section and the regulations in force from time to time;
- the data relating to reports received must be stored electronically in areas with restricted access that requires specific authentication.

In this context the following **general requirements** are applicable:

- **each Function Head** must collect any reports about the commitment of, or reasonable risk of committing, the Offenses envisaged in the Decree or, in any case, conduct that is not in compliance with the rules of conduct specified in the Model;
- **each employee** must report violations (or alleged violations) of the Model by contacting their hierarchical superior and/or the Supervisory Body (the Supervisory Body may establish “dedicated information channels” to facilitate the flow of unofficial reports and information, such as telephone numbers, e-mail addresses or mailboxes);
- with regard to their work for I.M.M. Hydraulics S.p.A., **consultants, collaborators and commercial partners** must send any reports directly to the Supervisory Body via “dedicated information channels”;
- the Supervisory Body evaluates the reports received and the action to be taken; any consequent measures are defined and applied in compliance with the disciplinary system described herein;
- for the purposes of this Model, the Supervisory Body has created an e-mail address to which the various functions can send any reports and the other specified information – [odv.imm@outlook.it](mailto:odv.imm@outlook.it).

Bona fide whistleblowers are guaranteed against any form of reprisals, discrimination, or penalization and, in any event, the secrecy of the identity of the whistleblower will be maintained, without prejudice to compliance with legal requirements and the protection of the rights of I.M.M. Hydraulics S.p.A. or persons accused maliciously.

### **3.4.2 Specific requirements**

In addition to reports about general violations of the type indicated above, the Supervisory Body must be informed about:

- any **criminal and disciplinary proceedings** initiated following reports about violations of the Model;
- any **penalties applied** (including measures adopted in relation to employees), or **decisions to close investigations** together with the related reasons;
- **inspections or actions by any public supervisory authority.**

### **3.4.3 Reporting by company exponents or third parties**

In the context of the company, the Supervisory Body must be informed about the documentation specified in the Special Part of the Model, in accordance with the procedures contemplated therein, and about all other information, of any kind, received from third parties or others about implementation of the Model in the areas of activity at risk.

In this regard the following **requirements** are applicable:

- any reports about the commitment of Offenses envisaged in the Decree during the course of business activities must be collected, together with information about any conduct incompatible with the Code of conduct adopted by the Company;
- reports, including those of an informal nature, must be routed to the Supervisory Body, which will assess them and any consequent measures at its own reasonable discretion and under its responsibility. This may include interviewing the reporter and/or the person responsible for the alleged violation, with a written explanation for any refusal to conduct an internal investigation;
- as envisaged in the Model and the Code of Ethics, whistleblowing reports can be submitted in written form and concern all violations or suspected violations of the Model;
- dedicated information channels will be established with a dual function: facilitate the flow of reports and information to the Supervisory Body and resolve doubts rapidly.

### **3.5 Collection, storage and filing of information**

All information, disclosures and reports envisaged in the Model are stored by the Supervisory Body in a specific IT database and/or in hard-copy form.

The data and information stored in the database are made available to parties external to the Supervisory Body following authorization from that body. The Supervisory Body issues specific internal instructions defining the criteria and conditions for access to the database.

### **3.6 Statute of the Supervisory Body**

See Annex “2”.

## 4 Training and dissemination of the Model

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## **4.1 Employees**

### ***4.1.1 Employee training***

I.M.M. Hydraulics S.p.A. recognizes and believes that, for the effectiveness of this Model, it is necessary to guarantee proper awareness and dissemination of the rules of conduct contained herein that apply to all Employees.

I.M.M. Hydraulics S.p.A. allocates financial and human resources for this purpose, implementing training and information programs at different levels of detail in relation to the degree of involvement of personnel in “sensitive activities”.

I.M.M. Hydraulics S.p.A. considers personnel training to be an essential condition for the effective implementation of the Model: such training is carried out periodically in a manner that ensures obligatory attendance and checks attendance, the quality of the programs and the extent of learning.

This training is managed by the Supervisory Body, in close cooperation with the Human Resources Function.

## **4.2 External Consultants and Partners**

### ***4.2.1 Information for External Collaborators and Partners***

Specific information about the policies and procedures adopted on the basis of this Organization and Control Model is supplied to parties external to I.M.M. Hydraulics S.p.A. (e.g. Consultants and Partners), together with the text of contractual clauses frequently used in this regard.

## 5 The Disciplinary System

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## 5.1 General principles

Pursuant to arts. 6, para. 2.e), and 7, para. 4.b), of the Decree, the Model can only be considered effectively implemented when it envisages a disciplinary system for punishing failure to comply with the measures specified in the Model.

Also, as mentioned, Law 179 dated 30 November 2017 on “*Instructions for protecting reporters of offenses or irregularities that become known in the course of a public or private working relationship*”, recently amended art. 6 of Decree 231/2001, by adding a new para. 2-bis, whereby: «The models referred to in para. 1, letter a) envisage:

[...]

- d) penalties in the disciplinary system adopted pursuant to para. 2, letter e), for those who infringe the measures protecting the reporter, as well as those who make unfounded reports willfully or with gross negligence»<sup>13</sup>.

This disciplinary system is addressed to employees and executives, and it contemplates adequate penalties of a disciplinary nature.

Violation of the rules of conduct specified in the Code of Ethics and the measures envisaged by the Model by workers employed by the Company, including its executives, represents a breach of the obligations deriving from the employment relationship pursuant to arts. 2104 and 2106 of the Italian Civil Code.

The application of the disciplinary penalties is unrelated to the result of possible criminal proceedings, because the rules of conduct, the protocols, and internal procedures are binding on their recipients, irrespective of the actual commission of an Offense by their conduct.

## 5.2 Measures in relation to employees

Art. 2104 of the Italian Civil Code, identifying the obligation of “obedience” to which workers are subject, states that workers must, in the execution of their work, comply with the instructions of a legal and/or contractual nature given by the employer. In the event of non-compliance with said instructions the

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<sup>13</sup> Art. 6, paras. 2-ter and 2-quater, of Decree 231/2001, as amended by Law 179/2017, also states that: «2-ter. The adoption of discriminatory measures against parties that make the reports referred to in para. 2-bis may be reported to the National Employment Inspectorate, for action to the extent of its responsibilities, by both the reporter and the trade union specified by the reporter. 2-quater. Dismissal as a reprisal/discrimination against the reporter is void. Changes of duties pursuant to art. 2103 of the Italian Civil Code are also void, as are any other reprisals or discriminatory measures adopted against the reporter. In the case of disputes linked to the imposition of disciplinary penalties, demotions, dismissals or transfers, or the subjection of the reporter to other organizational measures with direct or indirect adverse effects on his/her working conditions following presentation of the report, the employer must demonstrate that such measures were based on reasons unrelated to the report concerned».



employer is entitled to apply disciplinary penalties, proportionate to the severity of the infringement, in compliance with the provisions of the applicable national employment contract.

The disciplinary system adopted by I.M.M. Hydraulics S.p.A. complies with the limitations imposed by Law 300/1970 (the "Workers' Statute") and sector collective bargaining agreements, both with regard to the penalties that can be applied and how the related powers can be exercised.

Specifically, the disciplinary system must comply with the following **principles**:

- a) the system is duly communicated in notices placed in locations accessible to employees and may be the subject of specific refresher and training courses;
- b) the penalties are proportionate to the infringement, as determined pursuant to art. 2106 of the Italian Civil Code by sector collective bargaining;
- c) suspensions from work and remuneration must not exceed three days;
- d) workers are entitled to a defense against the allegations made.

### **5.3 Measures in relation to Directors**

In the event of violation of current regulations, the Model, or the Code of Ethics by the directors of I.M.M., the Supervisory Body informs the Board of Directors and the Board of Statutory Auditors, which will take the appropriate action envisaged in the current regulations.

### **5.4 Measures in relation to external parties: collaborators, consultants and other third parties**

All conduct by collaborators, consultants or other parties connected with I.M.M. Hydraulics S.p.A. by a contractual relationship, other than employment, that violates the provisions of the Model and/or the Code of Ethics, may, in accordance with the specific contractual clauses included in their letters of engagement, or even in their absence, result in termination of the contractual relationship without prejudice to the right to compensation for conduct causing losses to the Company, even if the contractual relationship is not terminated.

### **5.5 Disciplinary System**

[Omissis]

## SPECIAL PART

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## Introduction

Following a brief description of the system of corporate governance, this Special Part analyzes the activities considered “sensitive” pursuant to Decree 231, following the Risk Assessment carried out on the principal business processes of the Company.

Following meetings held with senior decision makers, the scope of analysis was determined to include activities exposed to risk in relation to the following types of offense:

- 1) Offenses against the Public Administration, the assets of the Public Administration and the Administration of Justice, and the Employment of illegally staying third-country nationals;
- 2) Corporate offenses and corruption among private individuals;
- 3) Crimes against the individual;
- 4) Market abuse;
- 5) Manslaughter and serious or very serious injury due to violation of the occupational health and safety regulations;
- 6) Receiving, money laundering and using cash, goods or benefits of unlawful origin, as well as self-laundering, terrorism and subversion of the democratic order;
- 7) Information technology offenses and illegal data processing;
- 8) Offenses concerning the infringement of copyright;
- 9) Offenses against industry and commerce;
- 10) Money counterfeiting, falsification of public credit instruments, duty-paid stamps and instruments or signs of identification;
- 11) Environmental offenses;
- 12) Criminal association;
- 13) Tax offenses;
- 14) Customs offenses (contraband).

With regard to the additional offenses now included in Decree 231, analysis shows that the likelihood of committing them is remote; in particular, given the way I.M.M. Hydraulics S.p.A. is organized and the nature of its business, these offenses are not deemed significant because (i) the related to processes not found in the business model adopted by the Company and (ii) if they were committed, this would most likely not be in the interests or for the benefit of the Company (e.g. offenses against the individual).

Even so, each type of offense identified in Decree 231 has been assessed in terms of probability and impact, and is also addressed in the Code of Ethics, which contains general principles for conduct in relation to each of them.

## 6 Structure of the Company and Governance

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I.M.M. Hydraulics S.p.A. adopts all necessary measures to ensure the healthy and prudent management of the business, the containment of risk and the stability of the financial situation. For this purpose, I.M.M. adopts, applies and maintains:

- a) an organizational structure that specifies clear hierarchical relationships and the segregation of functions and responsibilities;
- b) measures ensuring that significant persons are aware of the procedures to be followed in the proper exercise of their responsibilities;
- c) effective systems for internal reporting and the communication of information.

I.M.M. Hydraulics S.p.A. regularly checks and assesses the adequacy and effectiveness of the above requirements and adopts on a timely basis the measures needed to remedy any weaknesses found. All the protocols adopted by I.M.M. Hydraulics S.p.A., and referred to in the continuation of this Model as controls, are governed by the following requirements:

- ✓ *segregation of duties*
- ✓ specific identification of control *steps* and authorizations
- ✓ allocation of responsibility for managing each phase in the process
- ✓ formalization
- ✓ traceability
- ✓ reporting among the functions active within the process and to the Supervisory Body

#### 6.1 [omissis]

#### 6.2 [omissis]

## **7 Offenses against the Public Administration and the Administration of Justice, and the employment of illegally staying third-country nationals**

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## 7.1 Description of the offense

This section of the Special Part provides a brief description of the offenses contemplated in arts. 24, 25, 25-decies and 25-duodecies of the Decree, having regard for the changes introduced on the entry into force of Decree 75 dated 14 July 2020, transposing Directive (EU) 2017/1371/EC (the PIF Directive) on the fight against fraud to the Union's financial interests by means of criminal law. Reference will also be made to the General Part for examples addressing the concepts of Public Administration, public function, public official, public service and provider of a public service.

### **Common embezzlement (art. 314, para. 1, criminal code)**

This type of offense arises when public officials or the providers of a public service appropriate for themselves cash or other fungible assets that belong to others and which are in their possession or are available to them by reason of their office or service.

Embezzlement is “role-specific offense” that may be committed by public officials or the providers of a public service and which is deemed to occur at the moment in which the guilty party appropriates the cash or other fungible assets.

As established in art. 25, para. 1, of Decree 231/2001, this type of offense might only give rise to administrative responsibility for the entity if it defrauds the financial interests of the European Union.

### **Embezzlement by profiting from the mistakes of others (art. 316, criminal code)**

This type of offense represents an aggravated form of embezzlement that arises when, in the exercise of their functions or service, public officials or the providers of a public service benefit from the mistakes of others to receive or retain improperly, for themselves or others, cash or other benefits.

As established in art. 25, para. 1, of Decree 231/2001, this criminal offense might only give rise to administrative responsibility for the entity if it defrauds the financial interests of the European Union.

### **Misappropriation of public funds at the expense of the government, another public authority, or the European Union (art. 316-bis, criminal code)**

This type of offense occurs if, after having received financing or grants from the State, a public authority or the European Union, the amounts obtained are not utilized for the purposes for which they were disbursed (the unlawful conduct consists in misappropriating, even partially, the amount obtained, regardless of whether or not the planned activity was completed).

Considering that the offense is committed in the executive phase, it may also be committed with reference to funds obtained in the past that are no longer allocated to the purposes for which they were originally disbursed.

### **Improper receipt of funds from the government, another public authority, or the European Union (art. 316-ter, criminal code)**

This type of offense occurs if - through the use or submission of false declarations or documents or through the omission of due information - grants, funds, soft loans or other disbursements of the same type allowed or disbursed by the government, another public authority or the European Union are obtained without the necessary entitlement.

In this case, by contrast with the previous point (art. 316-bis), it does not matter how the funds are used, since the offense is committed when the funds are obtained. Note that this type of offense is residual with respect to the offense of fraud against the same parties, because this offense is only punishable if the crime of fraud cannot be pursued.

### **Extortion (art. 317, criminal code)**

This type of offense arises when public officials or the providers of a public service abuse their position or powers by forcing someone to give them or third parties cash or other benefits, or to promise such improper payments.

Art. 317 of the criminal code was amended in this sense by Law 69 dated 27 May 2015.

### **Corruption to obtain or obtain the omission of an official deed (arts. 318, 319 and 320, criminal code)**

This type of offense occurs if a public official or a provider of a public service receives, for themselves or for others, cash or other benefits to perform acts in breach of their official duties, or to perform, omit, or delay official deeds (resulting in a benefit for the party offering the bribe). Art. 319-bis. "Aggravating circumstances" increases the penalty if the fact addressed in art. 319 of the criminal code involves the allocation of public employment, salaries or pensions or the signature of contracts involving the administration to which the public official belongs, as well as the payment or reimbursement of taxes and/or levies.

It should be noted that the offense of corruption always involves concerted action, in which both the bribe payer and the bribe taker are punished (see art. 321, criminal code).

*The form of corruption known as "proper bribery", paid to obtain the performance of an act against the duties of a public official (for example, the acceptance of monies for the award of a tender contract), can be committed by a public official or by a person in charge of a public service, while so-called "improper bribery", i.e. bribery in which a public official is involved in carrying out a legitimate act (for example, expediting the processing of his or her official duties), can be committed by a public official and by a person in charge of a public service operating in the role of a public servant. Corruption may be active (the director or employee bribes a public official or the provider of a public service to obtain a benefit for the company) or passive (the senior person in the company receives*



*cash or other benefits in order to do or fail to do his/her duty), when the activity involved is identifiable as a public function or public service.*

These types of offense differ from extortion, because there is agreement between the bribe taker and the bribe payer aimed at securing a reciprocal advantage, while in the case of extortion the victim is merely a passive party who suffers the conduct of the public official or the person in charge of a public service.

#### **Corruption in judicial deeds (art. 319-ter, criminal code)**

This type of offense may occur in cases in which the Entity is involved in judicial proceedings and, in order to obtain an advantage in the case, one of its exponents bribes a public official (magistrate, clerk of the court or another official).

#### **Undue inducement to give or promise benefits (art. 319-quater, criminal code)**

This type of offense arises, unless the circumstances are more serious, when public officials or the providers of a public service abuse their position or powers by improperly inducing someone to give them or third parties cash or other benefits, or to promise such payments.

This article envisages punishment for both the recipients and those that give or promise cash or other benefits.

Law 69/2015 “Instructions regarding crimes against the public administration, mafia-related activity and false financial reporting” came into effect on 14 June 2015, and, in art. 1, amended the penalties for crimes against the public administration by changing, among others, arts. 318, 319, 319-ter and 319-quater.

#### **Instigation of corruption (art. 322, criminal code)**

This type of offense occurs when, in the presence of behavior intended to corrupt, public officials or the providers of a public service refuse the offer illegally made to them (*in the case of instigation to delay the performance of duties, the provider of the public service must also be a public employee, which is not necessary in the case of instigation not to perform duties*).

#### **Embezzlement, malfeasance, undue inducement to give or promise benefits, corruption and instigation of corruption by members of the international criminal court or bodies of the European Union or foreign States (art. 322-bis, criminal code)**

The provisions of arts. 314, 316, 317-320 and 322, paras. 3 and 4, also apply to:

1) members of the EC Commission, the European Parliament, the European Court of Justice and the European Court of Accounts;

2) officials and agents employed under the contract for EU officials or under the regime applicable to EU agents;

3) persons seconded to European bodies, by member States or by any public or private agency, whose functions are similar to those of EU officials or agents;

4) members and employees of agencies formed under the various EU treaties;

5) those who, in the context of other EU member States, carry out functions or activities that correspond to those of public officials and the providers of public services;

5-bis) judges, prosecutors, deputy prosecutors, officials and agents of the international criminal court, persons seconded by the States that signed the Treaty to establish the international criminal court whose functions correspond to those of the court officials or agents, the members and employees of agencies formed under the Treaty that established the international criminal court.

The provisions of arts. 319-quater, para. 2, 321 and 322, paras. 1 and 2, also apply if the cash or other benefits are given, offered or promised to:

1) the persons indicated in the first paragraph of this article;

2) persons whose functions or activities correspond to those of public officials or providers of public services in the context of other Foreign States or international public organizations, if the fact is committed in order to obtain an improper advantage for the instigator or others in relation to international economic transactions or to obtain or retain an economic-financial activity.

The persons indicated in the first paragraph are deemed to be similar to public officials if they exercise the corresponding functions, and to the providers of public services in other cases.”

#### **Abuse of office (art. 323, criminal code)**

This type of offense arises when public officials or the providers of a public service, in the exercise of their functions or service and in violation of the law or the regulations, or by failing to recuse themselves in the presence of a personal interest or that of a close relation or in other prescribed cases, intentionally obtain an unjust financial advantage for themselves or others.

Abuse of office is a role-specific offense, in that it can only be committed by a public official or the provider of a public service.

As established in art. 25, para. 1, of Decree 231/2001, this criminal offense might only give rise to administrative responsibility for the entity if it defrauds the financial interests of the European Union.

#### **Fraud in public supplies (art. 356, criminal code)**

This type of offense arises when someone commits fraud in the execution or performance of contractual obligations deriving from a supply contract signed with the State, or another public body, or the provider of a public service or a service in the public interest.

Pursuant to art. 356 of the criminal code, this is a role-specific offense, in that it can only be committed by those who have supply contracts with the State.

#### **Trafficking of unlawful influence (art. 346 *bis*, criminal code)**

This type of offense arises when, excluding participation in the offenses envisaged in arts. 318, 319 and 319-*ter* of the criminal code and in the offenses of corruption envisaged in art. 322-*bis* of the criminal code, by exploiting or claiming existing or alleged relations with a public official or a provider of a public service or one of the other parties referred to in art. 322-*bis* of the criminal code, someone improperly obtains or obtains promises of money or other benefits, for themselves or others, as the price for their unlawful mediation with a public official or provider of a public service or one of the other parties referred to in art. 322-*bis* of the criminal code, or to remunerate those persons for the exercise of their functions or powers.

The trafficking of unlawful influence is therefore a subset of the crimes of corruption in the exercise of a function (art. 318, criminal code), corruption involving deeds contrary to official duty (art. 319, criminal code), corruption in judicial deeds (art. 319 *ter*, criminal code) and international corruption (art. 322 *bis*, criminal code), and represents conduct that facilitates the commitment of those crimes.

#### **Incitement to withhold information from or make false statements to the judicial authorities (art. 377-*bis*, criminal code)**

This offense occurs if, through the use of violence or threats, or with offers of cash or other benefits, someone who is called to appear before the judicial authorities to make statements that can be used in criminal proceedings – who has the faculty to remain silent – is incited to either refrain from making statements or to make false statements.

#### **Fraud at the expense of the government, another public authority or the European Union (art. 640, para. 2.1, criminal code)**

This type of offense occurs if, to make an unlawful profit, subterfuge and deception are applied in order to deceive and cause loss to the State (or another Public Authority or the European Union).

For example, this offense may occur when, in the preparation of documents or data required to take part in contract bidding procedures, the Public Administration is supplied with untruthful information supported by forged documentation in order to secure the offered contract.

#### **Aggravated fraud for the purpose of obtaining public funds (art. 640-Bis, criminal code)**

This type of offense occurs if fraud is perpetrated to gain undue access to public funds.

These events may occur if subterfuge or deception are used, for example by communicating untruthful data or by preparing false documentation to obtain public funds.

#### **IT fraud (art. 640-ter, criminal code)**

This type of offense occurs when, by modifying the operation of a computer or telecommunications system or by manipulating the data contained in such systems, an undue profit is obtained causing a loss to the state or another public authority.

The offense may arise, for example, if, having obtained a loan, the security of the computer system is breached in order to input a loan amount that is higher than the amount obtained legally.

#### **Employment of illegally staying third-country nationals (art. 22, para. 12-bis, Decree 286, 25 July 1998)**

This type of offense when employers use foreign workers without proper residence papers, or expired papers for which no renewal has been requested or, papers that have been revoked or canceled, if:

- a. more than three workers are employed;
- b. the workers are younger than the minimum age for employment;
- c. the workers are subject to other forms of exploitation, as specified in art. 603-bis, para. 3, criminal code (unlawful intermediation and exploitation of workers).

In addition to the above, art. 25-duodecies of Decree 231/2001 adds the offenses of arranging unlawful entry and the facilitation of clandestine immigration (see art. 30, Law 161, 17 October 2017).

#### **7.2 [omissis]**

#### **7.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

## 7.4 Interpump Group “Anti-Corruption Compliance Program”

The Interpump Group firmly condemns any form of public or private corruption.

For all Interpump group companies, corruption is a phenomenon to be fought and repressed, constantly and tenaciously, and all group companies are therefore required to take all necessary action to prevent the commitment of any and all forms of corruption.

This section represents the *Anti-Corruption Compliance Program* (hereinafter, the “**ACCP**”) applicable to all companies within the Interpump group.

### 7.4.1 Procedures and Organization Model

As indicated in Section 2.6.1. above, I.M.M. Hydraulics S.p.A., also at the behest of the parent company Interpump Group S.p.A., adopts an organizational/procedural/control model commensurate with the risks identified and that, in any case, is suitable for:

- managing and monitoring the activities associated with gifts, donations and entertaining expenses;
- managing and monitoring the processes adopted for personnel selection, hiring and appraisal;
- supervising the processes adopted for preparing the statutory and consolidated financial statements, ensuring their accuracy and transparency;
- guaranteeing the monitoring and traceability of cash flows;
- guaranteeing the proper allocation of powers and segregation of duties in the management of each business process;
- taking disciplinary action for failure to comply with the conduct required;
- guaranteeing the proper management of reports (i.e. *whistle-blowing policy*, see section 2.6.4);
- guaranteeing compliance with locally-applicable regulations and the rules established at group level, if more demanding;
- guaranteeing the traceability of processes and the filing of documentation.

In order to ensure the proper implementation of the ACCP, all Interpump group companies are required to align their organization and management models with the above criteria.

### 7.4.2 Top Level Commitment

The top management of I.M.M. Hydraulics S.p.A. and that at the other companies within the Interpump group disseminate an anti-corruption culture at a grassroots level within their organizations, encouraging the reporting of cases of *non-compliance* with the ACCP and the holding of meetings on ethical standards, with particular reference to the ACCP.

#### **7.4.3 Appraisal of contractual counterparts**

In order to mitigate the risk of *non-compliance* with the ACCP, Interpump Group S.p.A. and the other Interpump group companies make appropriate assessments of each contractual counterpart, with particular reference to those parties authorized to work in the name and on behalf of the company, placing special emphasis in their appraisals on the ethical and reputational aspects.

#### **7.4.4 Communications and Training**

I.M.M. Hydraulics S.p.A. and the other companies within the Interpump group adopt communications and training programs that address the company and/or group rules and procedures designed to prevent cases of *non-compliance* with the ACCP. Evidence that the communications and training programs were properly implemented is gathered and retained.

#### **7.4.5 Monitoring and Updates**

The need to update the procedures and systems adopted by I.M.M. Hydraulics S.p.A. is reviewed periodically. Updates are considered, for example, when (i) events occur that might affect the level of risk (gravity and proportional importance), including any whistle-blowing reports; (ii) regulatory changes are made; (iii) there are organizational changes within the company; (iv) the parties involved in the process concerned consider revision to be appropriate.

### **7.5 General rules of conduct**

This Special Part places an **express obligation** on Company Exponents directly and, by means of specific contractual clauses, on external Collaborators and Partners, to comply with the following principles:

- strict observance of all laws and regulations that govern the company's activity, with special reference to activities that involve contact and relations with the Public Administration or the providers of a public service;
- the creation and maintenance of relations with the Public Administration or providers of a public service on the basis of criteria expressing the maximum fairness and transparency.

This Special Part expressly forbids Company Exponents directly and, by means of specific contractual clauses, external Collaborators and Partners, to adopt conduct:

1. that represents commitment of the offenses discussed above (arts. 24, 25, 25-decies and 25-duodecies of the Decree);
2. that, although not representing commitment of the above offenses, could potentially lead to the commitment of such offenses or, in any case, be considered doubtful;

3. that gives rise to conflict of interests with the Public Administration in relation to the situations described in the foregoing types of offenses.

In the context of the foregoing types of conduct, in particular, including via subsidiaries, associates and/or natural or legal persons that are customers of I.M.M. Hydraulics S.p.A.:

1. it is prohibited to maintain relations with the Public Administration unless so authorized in accordance with the governance structure of the Company and specific mandates;
2. it is prohibited to offer or make, either directly or indirectly, illicit payments and pledges of personal benefits, of any whatsoever nature, to representatives of the Italian or foreign Public Administration. This prohibition includes the direct or indirect offer of free services, with a view to influencing decisions or transactions;
3. it is prohibited to use any form of pressure, deception, suggestion or exploitation of the good nature of a public official in such a way as to influence the outcome of administrative acts;
4. it is prohibited to pay to anyone, by any whatsoever title, amounts of money or to furnish assets or other utilities with the aim of facilitating and/or reducing the expense of the execution and/or management of contracts with the Public Administration with respect to the obligations assumed in such contracts;
5. it is prohibited to distribute presents and gifts that go beyond normal company practices, meaning all forms of gifts that exceed normal commercial practices or courtesy, or anyway that are given to obtain preferential treatment in the pursuit of any business activity. In particular, it is forbidden to make gifts in any form to Italian or foreign public officials, or to their families, that could influence their discretionary behavior or independent judgment or lead to any advantage being obtained for the company. As envisaged in the Code of Ethics, permitted gifts are always identified by their modest value. All gifts offered must be appropriately documented, so that the Supervisory Body can perform the relevant checks;
6. it is prohibited to receive cash gratuities, gifts, presents or other benefits when carrying out public functions or public services: whosoever receives gratuities or benefits of another nature not included among the permitted types, is required, in accordance with the established practices, to communicate the matter to the Supervisory Body, which will assess their appropriateness and notify the party that provided the gratuities or benefits about the relevant I.M.M. Hydraulics S.p.A. policy;
7. it is prohibited to grant consultancy appointments to parties named by the Public Administration, with particular reference to those indicated, directly or indirectly, as a condition for obtaining any advantage and/or for the granting of loans/authorizations and/or for the awarding of contracts pursuant to public procedures.
8. it is prohibited to submit to national or foreign public bodies untruthful statements or statements in which the due information is omitted in order to obtain public financing and, in any event, to perform any act that could result in deception of the public authority in the disbursement of amounts or making of payments of any type;

- 9. it is prohibited to allocate amounts received from national or foreign public bodies in the form of grants, subsidies or loans to purposes other than the purposes for which the amounts were disbursed;
- 10. it is prohibited to pay fees to consultants, collaborators, or commercial partners of the Company that are not justified by the activities effectively carried out;
- 11. all conduct intended to influence illegally the outcome of criminal proceedings is also forbidden;
- 12. it is prohibited to use any form of black economy labor.

#### **7.6 [omissis]**

#### **7.7 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.





## **8 Corporate offenses and corruption among private individuals**

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## 8.1 Description of the offense

The offenses addressed in this section of the Special Part, indicated in art. 25 *ter* of the Decree, are described briefly below. There are five types.

### **False communications and reports**

In Law 69/2015 “Instructions regarding crimes against the public administration, mafia-related activity and false financial reporting” the legislator added new articles to the Italian Civil Code covering corporate offenses and, in particular, amending those related to false corporate reporting. These changes related to arts. 2621, 2621-bis, 2621-ter and 2622 of the Italian Civil Code.

### **False corporate communications (art. 2621, Italian Civil Code)**

*Except as envisaged in art. 2622 of the Italian Civil Code, the directors, general managers, managers responsible for preparing the corporate accounting documentation, the statutory auditors and liquidators who knowingly report significant material facts that are untrue or omit significant material facts about the economic or financial position of the company or the group to which it belongs that must be disclosed by law in the financial statements, reports and other corporate communications to shareholders or the public, in a manner that induces others to draw erroneous conclusions **so that they can obtain undue benefits for themselves or others**, are punishable by imprisonment for between one and five years.*

The liability to punishment is also extended to cases in which the false or omitted information concerns assets held by or administered by the company on behalf of third parties.

Via the addition of art. 2621-*bis* to the Italian Civil Code (Minor facts), the reform expressly envisages specific situations in which the commitment of offenses pursuant to art. 2621 of the Italian Civil Code is subject to reduced penalties:

- If the facts are deemed to be minor, the prison sentence may range from a minimum of 6 months to a maximum of 3 years. The judge considers whether or not the facts are minor with reference to the nature and size of the company, as well as to the method and effects of the criminal conduct;
- The same penalty (from 6 months to 3 years) also applies in the case of false financial reporting by companies that cannot go bankrupt. In this case, the offense may be challenged by the offended party, but not directly by the magistracy.

The addition of art. 2621-*ter* to the Italian Civil Code envisages that certain trivial facts may not be punishable, with the judge required in this case to consider, in particular, the “*scale of any losses caused to the company, the shareholders or the creditors*”.

### **False corporate communications by listed companies (art. 2622 of the Italian Civil Code)**

*The directors, general managers, managers responsible for preparing the corporate accounting documentation, the statutory auditors and liquidators of issuers of financial instruments admitted for listing in a regulated market in Italy or in another EU country, who deliberately report untrue material facts in financial statements, reports or other corporate communications intended for shareholders or the general public, or who omit material facts about the economic or financial position of the company or the group to which they belong that must be disclosed by law, in a manner that induces others to draw erroneous conclusions so that they can obtain undue benefits for themselves or others, are punishable by imprisonment for between three and eight years.*

*The following are considered equivalent to the companies indicated in the preceding paragraph:*

- 1) issuers of financial instruments for which a request has been filed for admission for listing in a regulated market in Italy or in another EU country;*
- 2) issuers of financial instruments admitted for listing on an Italian multilateral trading system;*
- 3) companies that control the issuers of financial instruments admitted for listing in a regulated market in Italy or in another EU country;*
- 4) companies that solicit investment by the public or, in any case, manage such investments.*

*The above provisions also apply if the false or omitted information relates to assets held or administered by the company on behalf of third parties.*

The principal change is that false corporate communications by any company, and not just listed companies, has become a crime once again. The new arts. 2621 and 2622 of the Italian Civil Code describe offenses that differ depending, in essence, on the type of entity concerned: the first may only be committed by unlisted companies, while the second may be committed by listed companies and those deemed to be similar.

After the changes, imprisonment in relation to listed companies ranges from 3 to 8 years, but from 1 to 5 years in relation to unlisted companies. In substance, there are two difference between arts. 2621 and 2622, both relating to false statements: only art. 2621 requires them to have been made in the context of the corporate communications 'required by law' and relate to 'significant' material facts (which seems to exclude criminal responsibility for 'judgments').

Following the amendments made in relation to false corporate communications (arts. 2621, 2622 et seq. of the Italian Civil Code), Law no. 69/2015 establishes, among other matters, a degree of coordination with the rules governing the administrative responsibility of entities deriving from the offenses identified in Decree no. 231/2001. In particular, the regulatory changes have increased the fines envisaged: (i) the fine for false corporate communications (art. 2621) now ranges from 200 to 400 quotas; (ii) the fine for minor facts (art. 2621-bis) now ranges from 100 to 200 quotas; (iii) the fine

for false corporate communications affecting listed companies (art. 2622) now ranges from 400 to 600 quotas.

### Reports

The expression “report” is used in the civil law of joint stock companies to indicate the specific disclosures made by qualified parties, characterized by their written form and their obligatory nature in circumstances established by the related legislation.

In particular, the following reports are envisaged: reports of the directors (art. 2428 c.c.) and the statutory auditors (art. 2429 c.c.) accompanying the separate financial statements; the half-yearly report of the directors on the results of operations by listed companies (art. 2428, para. 3, c.c.); the report of the directors as part of the procedure for the distribution of advance dividends (art. 2433-bis, para. 5, c.c.); the report of the directors describing proposed capital increases with the exclusion or limitation of option rights (art. 2441, para. 6, c.c.); the report of the directors and the observations of the board of statutory auditors on the balance sheet for capital reductions due to losses (art. 2446 c.c.); the report of the statutory auditors on the final liquidation balance sheet (art. 2453, para. 2, c.c.); the report of the directors on proposed mergers or spin-offs (arts. 2501-quater and 2504-novies c.c.).

The above list is not provided for general purposes, but rather to show that the term “reports” must be interpreted in a restrictive manner: in substance, it only covers the “typical reports” (i.e. reports about corporate activities that are expressly required by law).

### Financial statements

With regard to the category of “financial statements”, this undoubtedly includes the annual or ordinary financial statements (art. 2423 et seq., c.c.) “construed as an instrument of information on the equity, financial and economic situation of the company in operation, i.e. a company that is a going concern”.

In general, the category of financial statements also includes the consolidated financial statements (i.e. the accounting document that provides an overview of the economic and financial situation of the group considered as a whole), which might contain the misrepresentations referred to in art. 2621, point 1, of the Italian Civil Code, and all financial statements of an extraordinary nature, which will generally include the accounting documents that report the financial position at times other than at the end of the normal financial year or at the time of specific judicial or administrative events. Examples of special financial statements include the statement required (art. 2433-bis, para. 5, c.c.) for the distribution of advance dividends; the final liquidation balance sheet (arts. 2311 and 2453 c.c.), the balance sheet prepared in accordance with the statutory regulations governing the financial statements (art. 2501-ter, para. 1, c.c.) that must accompany a proposed merger (art. 2501, para. 3, c.c.) or spin-off (art. 2504-novies c.c.); the financial statements that must be filed together with an application for bankruptcy (art. 14, bankruptcy law).

### Other corporate communications

It must be remembered that, as a general rule, in order to identify documents that should be construed as corporate communications, the following three requirements should be taken into account, the first relating to the subject of the deed: “official nature”; the second, resulting from its relationship with the subject: “relevance to the corporate objects”; the third, concerning its recipients: “public communication”.

With regard to the first consideration, legal theory and consolidated case law are in agreement in considering that an essential requirement of the communication (relevant from a penal standpoint) is their official nature whenever issued by qualified parties in the exercise and by virtue of the specific functions assigned to them in the framework of a company that is already incorporated or in progress of incorporation.

Confidential or private information is not official in nature and any misrepresentation does not represent an offense pursuant to the Decree but, depending on the circumstances, might give rise to criminal liability for fraud or market rigging.

The second requirement, i.e. relevance to the corporate objects, concerns the contents of the declaration and assumes that the company attribution can be associated with communications having a generic link to the business of the company and therefore, for example, the declaration of the competent bodies of the corporate entity designed to provide information about the performance of the stock exchange in the country or in other countries, or a declaration stating that powers of attorney have been granted to a specified party, cannot be considered to be “corporate” in nature.

Finally, the third requirement is intended to ascribe penal relevance exclusively to information that is official and relevant to the corporate objects, that can be potentially referred to a plurality of recipients. In other words, the character of public communication is the “external relevance” that arises whenever the communication is destined to an undetermined number of parties or to shareholders, company creditors and third parties (potential shareholders or creditors), which are protected as “open categories” rather than as individuals.

With regard to the form, even though in theoretical terms this might be subject to dispute, it must be considered that even verbal statements might be considered a form of false communication to be taken into account.

For example, consider false statements made by directors or statutory auditors at the shareholders’ meeting or the bondholders’ meeting, or by the promoters at the meeting of subscribers.

Therefore, neither communications by individual members of the corporate bodies (board of directors and board of statutory auditors) nor those made by the directors to the internal control body, will be construed as “corporate” communications.

*Misrepresentation in accounting entries and the legal books*

In general terms, it must also be considered that any alterations made to the legal books, which are “created as a means to inform shareholders and possibly other parties” may result in misrepresentation violations, as defined above.

### **Protection of share capital**

#### **Undue reimbursement of contributions (art. 2626 c.c.)**

Typical conduct consists in the **return of contributions to shareholders** or their release from the obligation to make contributions, either in an open or simulated manner, **except in the case of legitimate capital reductions**.

The directors are active parties to the offense. The shareholders might also be involved<sup>14</sup>, having instigated, caused or assisted the directors in their actions.

#### **Illegal allocation of profits and reserves (art. 2627 c.c.)**

The criminal conduct of this offense consists in **distributing profits** or advances on profits **not actually earned** or allocated by law to reserves, or **distributing reserves**, also not formed from profits, that are non-distributable by law.

Reconstruction of the profits or reserves before the deadline for approval of the financial statements cancels this offense.

The directors are active parties to the offense.

#### **Illegal transactions involving shares or quotas of the company or its parent (art. 2628, c.c.)**

This offense occurs with the **purchase or subscription for shares or quotas in the parent company, with resulting damage to the integrity of the share capital** and reserves that are non-distributable by law.

The offense is canceled if the capital or reserves are reconstructed before the deadline for approval of the financial statements for the year in which the improper conduct took place.

If unlawful transactions are carried out in the shares of the parent company, the directors of the subsidiary are active parties to the offense, while the directors of the parent company are only liable as accessories to the crime. The shareholders may also be liable for the same reason.

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<sup>14</sup> Pursuant to the general rules specified in arts. 110 et seq. of the criminal code.

### **Transactions prejudicial to creditors (art. 2629 c.c.)**

This offense occurs, in violation of the laws protecting creditors, on **reductions in share capital**, mergers with other companies or spin-offs **that cause losses for the creditors**. Reimbursement of the losses caused to the creditors prior to judgment cancels the offense.

Here too, the directors are active parties to the offense.

### **Failure to notify conflicts of interest (art. 2629-bis c.c.)**

*Any director or member of the management board of a company whose shares are listed on markets regulated in Italy or another member State of the European Union or broadly held by the public as defined in art. 116 of the consolidated law created by Decree 58 dated 24 February 1998 and subsequent amendments, or any party subject to supervision as defined in the consolidated law created by Decree 385 dated 1 September 1993, the above consolidated law created by Decree 58/1998, Decree 209 dated 7 September 2005, or Decree 124 dated 21 April 1993, who violates the obligations envisaged in art. 2391, para. 1, is punished by imprisonment for between one and three years, if the violation causes losses for the company or third parties.*

### **Fraudulent formation of capital (art. 2632 c.c.)**

The offense may arise from the following types of conduct:

- a. fraudulent formation or increase in share capital through the assignment of shares or quotas in an amount that is overall higher than the total amount of the share capital;
- b. reciprocal subscriptions for shares or quotas;
- c. significant over valuation of contributions of assets in kind, receivables or company assets in the event of a transformation process.

The directors and contribution shareholders are active parties to the offense.

Failure by the directors and statutory auditors to check and audit the appraised value of the assets contributed in kind (pursuant to art. 2343, para. 3, c.c.) contained in the appraisal report prepared by a Court-appointed expert is not an offense under the Decree.

### **Undue distribution of company assets by liquidators (art. 2633 c.c.)**

This offense occurs on **the distribution of company assets among shareholders prior to the payment of company creditors** or allocation of the amounts necessary to pay them, thus resulting in a losses for the creditors. Reimbursement of the losses caused to the creditors prior to judgment cancels the offense.

Only the directors are active parties to this offense.

### **Protection for the routine operations of the company**

#### **Prevention of control (art. 2625 c.c.)**

The criminal conduct consists in **preventing or obstructing**, by concealing documents or other suitable means, **performance of the checking activities** assigned by law to the shareholders or other corporate bodies.

This offense may be committed by the directors.

#### **Corruption between private individuals (art. 2635 c.c.)**

Following the introduction of Decree 38/2017 “Implementation of framework decision 2003/568/GAI of the Council of 22 July 2003, on the fight against corruption in the private sector”, in force from 14/04/2017, art. 2635 c.c. has been reworded as follows:

*Unless the fact represents a more serious offense, the directors, general managers, managers responsible for preparing the corporate accounting documents, statutory auditors and liquidators of private companies and entities who, directly or indirectly, request or receive for themselves or others cash or other undue benefits, or who accept promises of such payments, to perform or omit a deed in violation of the duties associated with their position and the requirement for loyalty, are punished by imprisonment from one to three years. The same penalty is applied if the fact is committed by persons who perform executive functions within the private company or entity that differ with respect to the functions of the persons indicated above.*

*Imprisonment for up to eighteen months is envisaged if the offense is committed by a person under the supervision or management of one of the parties indicated in the first subsection.*

*Whosoever directly or indirectly offers, promises or pays cash or other undue benefits to the persons indicated in the first and second subsections is subject to the penalties specified therein.*

*The penalties established in the foregoing subsections are doubled in the case of companies with securities listed on markets regulated in Italy or other EU member states or broadly held by the public as defined in art. 116 of the consolidated law on financial intermediation created by Decree 58 dated 24 February 1998 and subsequent amendments.*

*Action is initiated by the offended party, unless such the fact causes a distortion of competition in the procurement of goods or services.*



*Without prejudice to the provisions of art. 2641, the value of the assets confiscated may not be lower than the value of the benefit given, promised or offered.”*

This offense may be committed not only by management and control bodies, but also by any party that, on behalf of the company, carries out an activity subject in any way, whether by law or by contract, to the management or supervision of top management.

The illegal conduct involves carrying out or omitting to carry out acts in violation of the duties assigned following the giving or promising of cash or other benefits, the criminal consequences of which depend on the cause of the event that is detrimental to the corrupted company.

It is necessary for the company to have suffered a loss, even when the offense may be challenged directly by the magistracy.

Lastly, it is emphasized that only the third subsection of this article is relevant for Law 231 purposes, being the conduct of the party belonging to the corrupting company, since both the first and second subsections are incompatible with the objective criterion established in Decree 231/2001.

#### **Instigation of corruption between private individuals (art. 2635-bis c.c.)**

Decree 38/2017 also added art. 2635-bis “Instigation of corruption between private individuals” which states:

*“Whoever offers or promises cash or other undue benefits to directors, general managers, managers responsible for preparing the corporate accounting documents, statutory auditors or liquidators of private companies or entities, or to persons who work for them with executive functions, in order to perform or omit a deed in violation of the duties associated with their position and the requirement for loyalty, is liable to the penalty established in art. 2635, para. 1, as reduced by one third if the offer or promise is not accepted.*

*The penalty referred to in the first paragraph is applied to the directors, general managers, managers responsible for preparing the corporate accounting documents, statutory auditors and liquidators of private companies and entities and to persons who work for them with executive functions, who, directly or indirectly, request for themselves or others cash or other undue benefits, or a promise of such payments, to perform or omit a deed in violation of the duties associated with their position and the requirement for loyalty, if the request is not accepted.*

*These offenses are punishable if the offended party lodges a claim.”*

The risk of committing an offense principally arises in relation to functions involved in processes that involve third parties who may be corruptible, thus damaging their companies for the benefit of I.M.M. Hydraulics S.p.A.

### **Illegal influence over the shareholders' meeting (art. 2636 c.c.)**

The typical criminal conduct involves the adoption of simulated acts or fraud to establish a majority at the shareholders' meeting (event offense) in order to secure an unjust profit for self or for others (willful misconduct).

The offense is considered to be a "common breach of law" in that it may be committed by anyone, including persons unrelated to the company.

### **Protection against fraud**

#### **Market manipulation (art. 2637 c.c.)**

This offense, involving the spread of false news or the creation of simulated transactions or other stratagems designed to alter significantly the price of financial instruments that are not listed, or for which no application for admission to trading in a regulated market has been made, or to affect significantly the confidence of the public regarding the financial stability of banks or groups of banks, is punishable by imprisonment for between one and five years.

This offense is also considered to be a "common breach of law" in that it may be committed by anyone.

### **Protection of supervisory functions**

#### **Obstruction of the duties of the public supervisory authorities (art. 2638 c.c.)**

The legislation identifies two possible types of offense, depending on the specific conduct and the time of commission of the crime:

- the first occurs on making **communications** envisaged by law to the supervisory authorities, in order to impede the performance of their functions, that contain **material facts not corresponding to the truth**, even if still subject to assessment, concerning the economic and financial position and cash flows of the entity subject to supervision, or on concealing facts, in whole or in part, by other fraudulent methods. that should have been communicated about the situation (subsection 1);
- the second involves simple obstruction of the performance of the supervisory functions, carried out deliberately in any form, including by the omission of communications due to the supervisory authorities (subsection 2).

It is specified that:

- the first hypothesis focuses on a conduct of misrepresentation that pursues the specific goal of preventing the supervisory function (willful misconduct);
- the second situation concerns an event offense (obstruction of the performance of supervisory functions) carried out in any form, including omissions, the subjective element of which is construed as general misconduct.

The perpetrators of both the possible offenses described above are directors, general managers, managers responsible for preparing company accounting documents, statutory auditors and liquidators.

## 8.2 [omissis]

## 8.3 Recipients of the Special Part

The recipients of this Special Part are the persons identified in relation to the specific offense (directors, statutory auditors, employees, etc.), “Senior Persons”, and employees subject to supervision and control by the Senior Persons in the areas of activity at risk, hereinafter together referred to as “Recipients”.

The law extends the definition of directors, responsible managers, general managers, statutory auditors and liquidators to those parties who carry out the same functions on a “de facto” basis. In fact, pursuant to art. 2639 of the Italian Civil Code, both the persons responsible for carrying out a function and those who exercise the related powers on an ongoing and significant basis are deemed to be liable if the identified corporate offenses are committed.

The objective of this Special Part is to prevent commitment of the offenses envisaged in the Decree by ensuring that:

- all the Recipients as identified above are fully aware of the significance of the reprimanded forms of conduct, and
- therefore, adopt rules of conduct that comply with the requirements of the Decree.

## 8.4 General rules of conduct

This Special Part **expressly bans** Recipients from:

- adopting, collaborating, or giving cause for the adoption of types of conduct such that could correspond to the commission of offenses as considered above (art. 25-ter of the Decree);

- adopting, collaborating, or causing to be adopted forms of conduct which, although not such as to constitute in themselves the commission of the offenses among these considered above, may potentially become so.

This Special Part consequently places an express obligation on the Recipients to:

1. behave in a proper, transparent and collaborative manner, in compliance with the law and internal company procedures, in all activities contributing to preparation of the financial statements and other corporate communications;
2. observe strictly all regulations imposed by law to protect the integrity and wholeness of the share capital and act always in compliance with the internal procedures based on such regulations, in order to avoid harming the guarantees of creditors and third parties in general;
3. ensure the proper operation of the company and the corporate bodies, guaranteeing and facilitating all forms of internal control over operations envisaged by law, and free and proper decision making at shareholders' meetings;
4. observe the rules governing proper determination of the prices of financial instruments, strictly avoiding any conduct that might cause significant price fluctuations in relation to the real market situation;
5. make, in a timely manner and with fairness and good faith, all the communications to the Supervisory Authorities envisaged by law and the regulations, without impeding in any way the performance of their supervisory functions;
6. as required for the management of relations with the public administration or the providers of public services, behave in a proper and transparent manner with all private parties with which the Company maintains relations of any kind.

In particular, in the context of the foregoing, it is forbidden:

- with reference to point 1 above:
  - i to present or transmit for processing, communication (including communication to banks) and reporting in financial statements, reports, schedules or other corporate communications, false, incomplete or, in any case, untrue data about the economic and financial position of the Company and the Group or about agreements and understandings that involve the Company and the Group in economic and financial obligations towards third parties;
  - ii to omit the communication of data and information required by law concerning the economic and financial situation of the Company and the Group;

- iii to alter data and information to be included in corporate communications, reports, schedules, etc.;
  - iv to describe data and information in a manner that does not reflect a proper assessment of the economic and financial situation of the Company and the performance of the business;
  - v to compromise the comprehensibility of corporate communications by disproportionately increasing the amount of data, information and descriptive detail provided with respect to the real information needs of users;
- with reference to point 2 above:
  - i to return contributions to shareholders, or release them from the obligation to make contributions, except in cases involving the legitimate reduction of share capital;
  - ii to distribute profits or advances on profits not actually earned or allocated by law to reserves;
  - iii to create or increase share capital in a fictitious manner;
  - iv to divert company assets on liquidation of the company away from the creditors, distributing them among the shareholders before paying the creditors or before allocating the funds needed to pay them;
- with reference to point 3 above:
  - i to behave in a manner that tangibly prevents, through the concealment of documents or the use of other fraudulent measures, or that anyway obstructs the performance of control activities or the audit of operations by the Board of Statutory Auditors or the legal auditing firms, or inspections by shareholders;
  - ii to determine or influence the adoption of resolutions at the shareholders' meeting, by performing simulated or fraudulent acts aimed at altering the proper decision-making process followed at the meeting;
- with reference to point 4 above:
  - i to publish or disseminate false information or perform simulated operations or engage in other forms of conduct of a fraudulent or deceitful nature regarding listed or unlisted financial instruments and such as to significantly affect their prices (price sensitivity);
  - ii to publish or disseminate false information or perform simulated operations or engage in other forms of conduct of a fraudulent or deceitful nature such as to disseminate distrust among the public in relation to banks or banking groups, impairing their image of stability and liquidity;
- with reference to point 5 above:
  - i to neglect to make, with the due quality and punctuality, all the periodic notifications envisaged by law and sector regulations to the Supervisory Authorities to which the

Company and/or the Group are subject, and to neglect to transmit the data and documents envisaged by the regulations and/or specifically requested by the foregoing Authorities;

- ii to describe untruthful events or facts in the foregoing communications and transmissions, or conceal significant facts about the economic, financial or commercial conditions faced by the Company;
  - iii to adopt any form of conduct that obstructs the performance of supervisory functions, including inspections by the Public Supervisory Authorities, such as conduct involving express opposition, excuses, obstructionist behavior and unhelpfulness, including delays in making communications or in making documents available.
- with reference to point 6 above:
    - i for parties other than those expressly authorized, to maintain relations with customers, vendors, commercial partners, certification agencies and any other private parties with which the company has significant - not necessarily solely in economic terms - business relations (hereinafter, “**Significant Private Parties**”);
    - ii to offer or make, directly or indirectly, improper payments or promises of personal benefits of any kind to the representatives of Significant Private Parties. This prohibition includes the direct or indirect offer of free services, with a view to influencing decisions or transactions;
    - iii to make recourse to forms of pressure, trickery, suggestion or ways to win the goodwill of Significant Private Parties;
    - iv to distribute presents and gifts that go beyond normal company practices, meaning all forms of gifts that exceed normal commercial practices or courtesy, or anyway that are given to obtain preferential treatment in the pursuit of any business activity. In particular, it is forbidden to make gifts in any form to Italian or foreign public officials, or to their families, that could influence their discretionary behavior or independent judgment or lead to any advantage being obtained for the company. As envisaged in the Code of Ethics, permitted gifts are always identified by their modest value. All gifts offered must be appropriately documented, so that the Supervisory Body can perform the relevant checks;
    - v to grant consultancy appointments to parties named by Significant Private Parties, with particular reference to those indicated, directly or indirectly, as a condition for obtaining any advantage and/or for the provision of a service.

#### 8.5 [omissis]

#### 8.6 Prevention procedures and protocols



The procedures and protocols adopted by the company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 9 Crimes against the individual

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## 9.1 Description of the offense

This Special Part refers to the crimes against the individual identified in art. 25-quinquies of the Decree, with particular reference to art. 603-bis of the criminal code.

### **Unlawful intermediation and exploitation of workers (art. 603-bis, criminal code)**

Unless the facts represent a more serious offense, imprisonment for between one and six years and a fine of between Euro 500 and Euro 1,000 for each worker recruited, for whoever:

- 1) recruits labor to be exploited by third parties, taking advantage of the needy state of the workers concerned;
- 2) uses or employs labor, whether or not via the intermediation referred to in point 1), in a manner that exploits the workers concerned and takes advantage of their needy state.

If the facts are committed using violence or threats, imprisonment for between five and eight years and a fine of between Euro 1,000 and Euro 2,000 for each worker recruited.

For the purposes of this article, one or more of the following conditions provides evidence of exploitation:

- 1) repeated payment of wages that are obviously lower than those specified in the national or territorial collective employment contracts signed by the most representative trade unions at national level, or in any case out of proportion to the quantity and quality of the work performed;
- 2) repeated violation of the regulations that govern working hours, rest periods, weekly rest days, mandatory time off, vacation time;
- 3) violations of the regulations governing occupational health and safety;
- 4) subjection of workers to degrading working conditions, methods of supervision and accommodation.

The following circumstances specifically aggravate the situation and increase the punishment by between one third and one half:

- 1) the fact that more than three workers are employed;
- 2) the fact that one or more of the workers are younger than the minimum age for employment;
- 3) exposure of the exploited workers to serious danger, having regard for the characteristics of the work to be performed and the working conditions.

## 9.2 [omissis]

## 9.3 Recipients of the Special Part

The recipients of this Special Part are the persons identified in relation to the specific offense (directors, statutory auditors, employees, etc.), "Senior Persons", and employees subject to supervision and control by the Senior Persons in the areas of activity at risk, hereinafter together referred to as "Recipients".

The objective of this Special Part is to prevent commitment of the offenses envisaged in the Decree by ensuring that:

- all the Recipients as identified above are fully aware of the significance of the reprimanded forms of conduct, and
- therefore, adopt rules of conduct that comply with the requirements of the Decree.

#### **9.4 General rules of conduct**

In the performance of sensitive activities, all Recipients of the Model are required to comply with the general rules of conduct defined by the Company, not least in accordance with the provisions of the Code of Ethics. In other words:

- prohibition of the payment of wages that are obviously lower than those specified in the national or territorial collective employment contracts signed by the most representative trade unions at national level, or in any case out of proportion to the quantity and quality of the work performed;
- compliance with the regulations that govern working hours, rest periods, weekly rest days, mandatory time off, vacation time;
- compliance with the regulations governing occupational health and safety;
- prohibition of the subjection of workers to degrading working conditions, methods of supervision and accommodation.

#### **9.5 [omissis]**

#### **9.6 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## **10 Manslaughter or serious or very serious injury due to violation of the occupational health and safety regulations**

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## 10.1 Description of the offense

This section of the Special Part relates to offenses against persons and, specifically, to cases of negligent manslaughter and serious or very serious injury due to violations of the regulations governing health and safety in the workplace, as referred to in art. 25-*septies* of the Decree and detailed below.

### **Manslaughter or serious or very serious injury due to violation of the occupational health and safety regulations**

The regulations penalize those whose conduct causes the death of a person or personal injuries.

“*Injury*” is defined as the set of pathological effects comprising illness, being the organic and functional alterations that arise as a result of violent conduct: the injury is serious if the illness jeopardized the life of the victim, required a period of convalescence in excess of forty days or permanently weakness the functional capabilities of a sense, such as hearing, or an organ, such as a set of teeth. Injury is very serious if it causes an illness that is probably incurable (with permanent effects that cannot be cured) or causes the total loss of a sense, a limb, the ability to talk correctly or procreate, the loss of use of an organ or deforms or scars the face of the victim.

Injury becomes “*manslaughter*” when violent conduct results in the death of a person.

The loss, whether represented by serious or very serious injury or by death, may result from *active conduct* (the conduct of the person responsible directly results in injury to the other), or from an *omission* (a person in a position of responsibility fails to take action to prevent the loss event). Top management that does not comply with the requirements of Decree 81/2008 and, as a result, fails to impede an event is usually responsible for an omission.

Subjectively, with regard to the administrative responsibility of entities, the manslaughter or significant injuries must arise *as a result of negligence*: this subjective determination may be *generic* (violation of rules of conduct accepted by society based on experience with reference to the need for diligence, prudence and care) or *specific* (violation of rules of conduct originally based on experience and subsequently included in legislation, regulations, orders or disciplines). This is significantly different to the subjective criteria used to identify the other offenses referred to in Decree 231/2001, all of which are punished for willful misconduct: the parties want the event to occur as a consequence of their criminal conduct, and are not merely imprudent or careless in this regard.

With regard to the omissions referred to above, parties are only responsible for omissions that threaten the life or physical safety of a person if they are in a *position that protects* the victim, which may arise from a contract or the unilateral decision of the actor. The regulations identify the *employer* as the guarantor of the “*physical safety and moral well-being of the workers*” and this position of protection is, in part, transferable to other parties, on condition that the related mandate is sufficiently specific, set down in writing and appropriately transfers all the authorization and decision-making

powers needed to protect the safety of employees (note in this regard that the risk assessment and appointment of the RSPP - safety manager - cannot be delegated). The person appointed must be capable and skilled in the matters for which responsibility is transferred.

Under the recent legislation, the improper conduct of the actor must be *aggravated*, i.e. in violation of the safety regulations and those regarding health and safety in the workplace. In order to implement the Model, it is therefore necessary to remember that:

- compliance with the minimum safety standards envisaged by specific sector regulations does not satisfy the overall requirement for diligence (aspect relating to specific negligence);
- it is necessary to guarantee the adoption of safety standards that minimize (and eliminate, if possible) all risk of accidents or illness, implementing the best techniques and science known to be available, having regard for the specific nature of the work (aspect relating to generic negligence);
- for the purposes of the Model, the entity is not exonerated from all responsibility by the conduct of the injured worker that resulted in the event, when this is attributable, in any case, to the lack of or insufficient precautions that, if adopted, would have neutralized the risks associated with that conduct. The obligation to protect is only excluded if the conduct of the worker is exceptional, abnormal or exorbitant with respect to normal working procedures, the organizational directives received and common prudence.

With regard to the parties protected, the safety regulations not only protect employees, but also all persons with a legitimate reason to visit the premises in which work is carried out.

## **10.2 [omissis]**

## **10.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

### **10.3.1 General rules of conduct**

This Model does not replace the rights and responsibilities assigned by law to the parties identified in Decree 81/2008 and the additional regulations applicable in the circumstances. It does however represent an additional tool for checking the existence, effectiveness and adequacy of the structure

and organization established pursuant to the special regulations governing accident prevention and the safeguarding of occupational health and safety.

In the execution of the above activities, all Recipients of the Model, as identified in para. 2.4 of the General Part, are required to comply with the general rules of conduct defined by the Company in accordance with the requirements of the Code of Ethics and the rules specified in the legislation protecting the hygiene, health and safety of workers.

In particular, all Recipients of the Model are required to comply with the following general measures adopted by the Company:

- a) careful assessment of all risks and their complete inclusion in the Risk Assessment Document;
- b) planning of prevention, aiming to achieve an overall system that integrates, in a coherent manner, the technical-production and organizational conditions of the company and the influence of workplace-related factors in the approach to prevention;
- c) observance of ergonomic principles in the organization of work, the design of work stations, the choice of tools and the definition of working and production methods, specifically to attenuate the effects of monotonous work and repetitive tasks on health in the workplace;
- d) elimination of risks and, where elimination is not practical, reduction of such risks to the absolute minimum in relation to the know-how acquired on the basis of technical progress;
- e) reduction of risks at source;
- f) replacement of all potentially hazardous equipment etc. with safe alternatives or at least less hazardous alternatives;
- g) limitation to the indispensable minimum of workers who are or may be exposed to risks;
- h) limited use of chemical, physical and biological agents in the workplace;
- i) greater emphasis on collective protection measures than on personal protection measures;
- j) health checks of workers;
- k) removal of workers from situations in which they are exposed to risks for reasons related to their individual conditions and assignment of alternative duties, if possible;
- l) suitable information, classroom training and on-the-job training for workers;
- m) suitable information and training for top management and persons in charge;
- n) suitable information and training for worker representatives in relation to matters concerning safety in the workplace;
- o) issue of adequate instructions to workers;
- p) consultation, participation and communication of workers;

- q) consultation and participation of worker representatives in relation to matters concerning health in the workplace;
- r) planning of measures considered to be opportune to guarantee improvement of safety levels through time, also by means of the adoption of codes of conduct and best practices;
- s) emergency measures to be adopted in the event of first aid, fire fighting, evacuation of workers and serious and imminent danger;
- t) use of warning and safety signs;
- u) regular maintenance of workplaces, equipment, machines and plant, with special attention to safety devices in compliance with the instructions of the manufacturers.

All Recipients of the Model are also required to comply with the following additional general measures adopted by the Company should a pandemic risk arise, being the risk that an epidemic disease might spread across vast geographical areas on a global scale causing, as a consequence, a large part of the world population to contract the disease or risk contracting it with, therefore, an impact on the working environment of the Company:

- i compliance with all the measures adopted by the Company, in accordance with the applicable legislation, in order to avoid the spread of pandemic risks within the working environment;
- ii compliance with all the measures adopted by the Company, in accordance with the applicable legislation, in order to manage any pandemic-related events that arise within the working environment;
- iii use of the specific personal protective equipment provided by the Company in order to avoid the spread of pandemic risks;

scrupulous compliance with all the measures contained in the specific protocol prepared and distributed by the Company should any pandemic-related events arise.

#### ***10.3.2 Prevention procedures***

The Company has implemented a system of controls designed to create an information channel in relation to the Supervisory Body in order to prevent commitment of the offenses of manslaughter or serious or very serious injury in violation of the regulations governing occupational health and safety.

The Company has adopted and effectively implemented an organizational model defined mainly in compliance with British Standard OHSAS 18001:2007. The Company has also implemented a system of controls designed to create an information channel in relation to the Supervisory Body in order to prevent commitment of the offenses of manslaughter or serious or very serious injury in violation of the regulations governing occupational health and safety.



The procedures and protocols adopted by I.M.M. Hydraulics S.p.A. and listed in Annex 4, are an integral part of this Model.



## **11 Receiving, laundering and using cash, goods or benefits of unlawful origin, as well as self-laundering, terrorism and subversion of the democratic order**

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### 11.1 Description of the offense

This section of the Special Part relates to the offenses of receiving, laundering and using cash, goods or benefits of unlawful origin, as well as self-recycling, terrorism and subversion of the democratic order referred to, respectively, in art. 25-*octies* and art. 25-*quater* of the Decree, as described below.

On 17 December 2014 the Italian Official Gazette published Law 186 dated 15 December 2014 on “Measures to strengthen the fight against organized crime and unlawful wealth”, which came into force on 1 January 2015. The Law added the offense of self-recycling to the Italian criminal code and this offense was also included in art. 25-*octies* of Decree 231/2001, thus becoming a new identified offense.

#### **Receiving (art. 648, criminal code)**

The conduct of persons is punished if, except as accessories to the offense, they purchase, receive or hide cash or other assets deriving from any crime, or are involved in arranging for them to be hidden, for the purpose of obtaining a profit for themselves or for others.

#### **Laundering (art. 648-bis, criminal code)**

The conduct of persons is punished if, except as accessories to the offense, they launder or transfer cash, assets or other benefits deriving from a deliberate crime; or if they carry out other transactions in this regard in order to impede the identification of their criminal source.

#### **Using cash, assets or other benefits of illegal origin (art. 648-ter, criminal code)**

The conduct of persons is punished if, except as accessories to the offense and in the situations envisaged in arts. 648 and 648-bis, they use cash, assets or other benefits deriving from a crime in economic or financial activities.

#### **Self-laundering (art. 648-ter.1, criminal code)**

The conduct of those who deliberately commit or contribute to the commission of an offense is further punished if they effectively impede identification of the criminal origin of the cash, assets or other benefits deriving from their crime by employing them in, exchanging them for or transferring them to economic, financial, entrepreneurial or speculative activities.

#### **Crimes related to terrorism or subversion of the democratic order**

Art. 25-*quater* (Crimes related to terrorism or subversion of the democratic order), added to Decree 231/2001 by art. 3 of Law 7 dated 14 January 2003, is described briefly below.

This article establishes fines and preventive measures for companies that commit certain offenses related to terrorism or subversion of the democratic order, or that facilitate the commitment of such offenses.

It addresses, in particular, those “crimes related to terrorism or subversion of the democratic order envisaged in the criminal code and special laws” (art. 25-*quater*, para. 1), as well as those other crimes “that are committed in violation of the provisions of art. 2 of the International convention for the suppression of the financing of terrorism signed in New York on 9 December 1999” (art. 25-*quater*, para. 4).

The general nature of the wording of art. 25-*quater* creates various problems in identifying exactly which offenses result in application of the provisions of Decree 231/2001. In this regard, many of these offenses were amended by Law 43/2015 and supplemented by additional offenses consequent to Law 153/2016.

Among these above, the following principal offenses undoubtedly give rise to responsibility pursuant to Decree 231/2001:

- art. 270-bis of the Criminal Code (Associations for the purpose of domestic and/or international terrorism or subversion of the democratic order). This regulation punishes those who promote, establish, organize, direct or finance associations that seek to carry out violent acts for the purpose of terrorism or subversion of the democratic order.
- art. 270-ter of the Criminal Code (Support for members of associations). This regulation punishes those who give refuge to or provide food, hospitality, transport or means of communication to persons that belong to terrorist or subversive organizations.
- art. 270-quinquies.1 of the Criminal Code (Financing of terrorist conduct). This regulation punishes those who collect, provide or make available assets or cash, in whatsoever way, that will be used in whole or in part for the terrorist conduct referred to in art. 270-sexies.
- art. 270-sexies of the Criminal Code (Terrorist conduct). Terrorist conduct comprises conduct that, by its nature or context, may cause serious damage to a country or international organization and that is carried out in order to intimidate the population or force public authorities or an international organization to carry out or omit to carry out any deed, or to destabilize or destroy the fundamental, constitutional, political, economic and social structures of a country or international organization, as well as the other conduct defined as terrorism or committed for terrorist purposes by agreements and other international laws that bind Italy.
- art. 280 of the Criminal Code (Attacks for the purposes of terrorism or subversion). This regulation punishes those who, for the purposes of terrorism or subversion of the democratic order, carry out attacks on the life or safety of a person.

With regard to the offenses identified in the New York Convention, this punishes anyone who, illegally and willfully, provides or gathers funds in the knowledge that they will be used, in whole or in part, to carry out:

- acts intended to kill or seriously injure civilians in order to intimidate the population or coerce a government or an international organization;
- acts representing crimes pursuant to the Conventions governing the safety of flight and navigation; the protection of nuclear materials; the protection of diplomatic staff; the suppression of attacks using explosives.

Punishment applies to all accomplices and even if the funds are not actually used to carry out the crimes described above.

#### *11.2 [omissis]*

#### **11.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

#### **11.4 General rules of conduct**

This Special Part **expressly requires** Company Exponents directly and external Collaborators, outsourcers and Partners to:

1. identify correctly all customers and vendors;
2. check that collections in cash or bank checks are supported by an order and/or contract;
3. refuse goods and/or services and other benefits without an adequately authorized order and/or contract;

This Special Part consequently **expressly bans** Company Exponents directly and external Collaborators and Partners from:

1. conduct resulting in commitment of the above offenses;
2. conduct that, although not resulting in commitment of the above offenses, might result in them in future.

#### *11.5 [omissis]*

### **11.6 Prevention procedures and protocols**

The procedures and protocols adopted by the company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 12 Information technology crimes and unlawful data processing

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## 12.1 Description of the offense

The Offenses addressed in this section of the Special Part, indicated in art. 24-*bis* the Decree, are described briefly below.

### **Digital documents (art. 491-bis, criminal code)**

If certain misrepresentations envisaged in this chapter (i.e. Chapter III, Title VII, Book II of the criminal code “Misrepresentation in deeds) concern a public or private digital document valid as evidence in court, the provisions of this chapter concerning, respectively, public deeds and private agreements are applicable.

The reference made to Chapter III of the criminal code makes misrepresentation in deeds, governed by art. 476 et seq. of the criminal code, an identified offense pursuant to the Decree.

The circumstances referred to in art. 491-bis of the criminal code could therefore arise via the alteration, forgery, false attestation, suppression or destruction and concealment of digital documents valid as court evidence (where “digital document” means the computerized representation of judicially relevant deeds, facts or data)<sup>15</sup>.

### **Illegal access to an IT or telecommunications system (art. 615-ter, criminal code)**

This type of offense occurs if an unauthorized party gains access to or remains within - against the express or tacit will of the party entitled to deny access - an IT or telecommunications system protected by security measures.

This offense is punishable by imprisonment for up to three years.

The prison term may be between one and five years if:

- a. the offense is committed by an official or person responsible for a public service with misuse of powers or violation of the duties inherent in the function or the service, or by a person conducting, also illicitly, the function of private detective, or with abuse of the role of system operator;
- b. the offender uses violence against property or persons to commit the offense, or if the offender is visibly armed;

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<sup>15</sup> The offense of misrepresentation in deeds referred to in art. 491-*bis* of the criminal code is divided into two macro categories: misrepresentation in public deeds and misrepresentation in private agreements. With the former the legislator addresses both ideological misrepresentation (construed as the untruthfulness of declarations included in the deed) and material misrepresentation (forgery and/or alteration of the deed) committed either by the public official or by a private party; on the other hand, only material misrepresentation is a crime when it comes to misrepresentation in private agreements.

- c. the action results in the destruction or damage of the system and the total or partial interruption of its operation, or the destruction or corruption of data, information, or the programs contained in the system.

**Possession and illicit dissemination of passwords to IT or telecommunications systems (art. 615-quater, criminal code)**

This type of offense occurs whenever the offending party, illicitly and with the aim of procuring a profit for self or for others, or to cause damage, procures, copies, disseminates, discloses or consigns codes, passwords or other means capable of providing illicit access to a computer or telecommunications system protected by security measures, or anyway supplies instructions or indications that are suitable for pursuit of the foregoing goal.

**Dissemination of digital equipment, devices or programs to damage or interrupt an IT or telecommunications system (art. 615-quinquies, criminal code)**

This type of Offense occurs if a party procures, reproduces, disseminates, discloses, consigns or anyway makes available to others equipment, devices, or computer programs, with the aim of illicitly damaging a computer or telecommunications system or the information, data and/or programs resident therein or pertinent to said system in order to obtain the total or partial interruption of the service or to modify the operation of the same.

**Illicit interception, prevention or interruption of computer communications or telecommunications (art. 617-quater, criminal code)**

This Offense occurs if a party fraudulently intercepts communications relating to IT or telecommunication systems or communications between multiple systems, or prevents or interrupts such communications.

This offense is punishable with a custodial sentence of between six months and four years.

The same penalty is applicable, unless the episode constitutes a more serious offense, to whosoever discloses, in whole or in part, using any type of means of public communication, the contents of the foregoing communications.

The foregoing offenses are punishable if the offended party lodges a claim. The penalty is increased (by one to five years) and action is taken by the magistrate if the offense is committed:

- (i) in violation of an IT or telecommunications system utilized by the government or by a public authority or by a private company engaged in the execution of public services or services of public necessity;



- (ii) by a public official or a person in charge of a public service, with abuse of power or with violation of the obligations implicit in the function or service, with abuse of the role of system operator;
- (iii) by a person conducting, also illicitly, the function of private detective.

This offense could occur, for example, with the illicit interception of digital communications (e-mails of employees) or by gaining access to the contents of e-mail messages transmitted between two or more parties without their knowledge.

**Installation of equipment designed to intercept, prevent or interrupt IT communications or telecommunications (art. 617-quinquies, criminal code)**

This offense occurs if a party, beyond the cases allowed in law, installs equipment designed to intercept, prevent or interrupt communications relative to an IT or telecommunications system, or to prevent or interrupt communications between several systems.

This offense is punishable with a prison term of between one and four years (except in the circumstances envisaged in the fourth subsection of art. 617-quater: in which case the prison term is from one to five years).

**Damage to IT information, data and programs (art. 635-bis, criminal code)**

This Offense occurs, unless the episode constitutes a more serious offense, if a party destroys, damages, deletes, modifies or suppresses information, data, or computer programs belonging to others. This offense is punishable, when a claim is lodged by the offended party, with a prison term of between six months and three years.

Punishment for this conduct is sought by the magistrate, with a prison term of between one and four years, if the offense is committed with the abuse of the role of system operator or if the offense is committed with actual bodily harm or threatened violence (art. 635, para. 2.1, criminal code).

This Offense may occur, for example, through the deterioration, deletion or suppression of information, data or computer programs belonging to others.

**Damage to IT information, data or programs utilized by the State or any other public body or public utility (art. 635-ter, criminal code)**

This Offense occurs, unless the episode constitutes a more serious offense, if a party performs an act aimed at destroying, damaging, deleting, altering or suppressing information, data or computer programs utilized by the government or another public authority or a body related to the state or public authorities or anyway of public utility.

This offense is punishable with a prison term of between one year and four years.

This offense may occur, by way of example, in the event of destruction, deletion, alteration or suppression of information, data or computer programs utilized by the government or another public authority or a body related to the state or public authorities or anyway of public utility.

#### **Damage to IT or telecommunications systems (art. 635-quater, criminal code)**

Unless the episode constitutes a more serious offense, any party who, through the conduct illustrated in article 635-bis, or through the input or transmission of data, information, or programs, destroys, damages, renders totally or partially unusable the IT or telecommunications systems of others or seriously obstructs their operation, is punishable with a prison term of between one and five years.

If the circumstances referred on article 635, para. 2.1, are applicable, or if the offense is committed with abuse of the role of system operator, the penalty is increased.

Also in this case the offense could be amplified, for example, by destruction, damage or any other operation that renders unusable the IT or telecommunications systems of others.

#### **Damage of IT or telecommunications systems of public utility (art. 635-quinquies, criminal code)**

This Offense occurs if the conduct governed by article 635-quater is aimed at destroying, damaging, or rendering totally or partially unusable, IT or telecommunications systems of public utility, or otherwise severely obstructing their operation.

In this case the penalty is a prison term of between one and four years.

If, however, the conduct results in the destruction or damage of IT or telecommunications systems of public utility, or if the latter are rendered totally or partly unusable, the penalty is a prison term of between three and eight years. If the circumstances referred on article 635, para. 2.1, are applicable, or if the offense is committed with abuse of the role of system operator, the penalty is increased.

This offense may occur, by way of example, through destruction or damage or any other operation that renders unusable IT or telecommunications systems of public utility.

#### **IT fraud by the party that certifies digital signatures (art. 640-quinquies, criminal code)**

This Offense occurs when a party responsible for certifying digital signatures, in order to gain an unjust profit for themselves or for others or to cause harm to others, infringes the obligations provided for in law for the issue of a proper certificate.

This offense is punishable with a prison term of up to three years and with a fine of between Euro 51 and Euro 1,032.

## **12.2 [omissis]**

## **12.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by all those who have access to the Company's IT Systems, whether they be directors, managers and/or other "Exponents" or external Collaborators and Partners, as defined in the General Part (hereinafter all referred to together as "**Recipients**").

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent the offenses envisaged in art. 24-bis of the Decree.

## **12.4 General rules of conduct**

In the execution of the activities, all Recipients of the Model as identified above are required to comply with the general rules of conduct defined by the company in accordance with the prescriptions of the Code of Ethics and the rules resulting from legislation concerning IT Crime and illegal data processing.

Specifically, the Company adopts the following general measures:

1. prohibition of installing, downloading and/or using computer programs and tools that make it possible to alter, counterfeit, falsely attest, suppress, destroy and/or conceal public or private digital documents;
2. prohibition of installing, downloading and/or using computer programs and tools that allow illicit access to computer or telecommunications systems protected by security measures or that allow the unauthorized presence within such systems, in violation of the measures applied to protect said systems by the owner of the data or the programs, which are to be protected or kept confidential;
3. prohibition of retrieving, disseminating, sharing and/or disclosing passwords, access codes, or other means capable of allowing the conduct as at the preceding points 1) and 2);
4. prohibition of using, retrieving, disseminating, sharing and/or disclosure of the methods of use of equipment, devices or computer programs designed to damage or interrupt the operation of an IT or telecommunications system;

5. prohibition of using, retrieving, disseminating, installing, downloading, sharing and/or disclosure of the methods of use of equipment, devices or computer programs designed to intercept, prevent or interrupt, illicitly, computer communications or telecommunications, also when they take place between several systems;
6. prohibition of destroying, damaging, deleting, making totally or partially unusable, altering, or suppressing the data and computer programs or others or serious obstruction of their operation;
7. prohibition of using, installing, downloading and/or disclosure of computer techniques, programs or tools that make it possible to alter the sender field or any other information relative to the sender or that make it possible to conceal the identity of the sender or to modify the settings of the computer tools supplied by the Company to the Recipients of the Model;
8. prohibition of using file sharing software and/or chat software and accessing game or recreational websites;
9. compliance with licenses, copyrights and all local, national and international laws and regulations that protect intellectual property rights and on-line activities.
10. obligation to check the accuracy, truth and completeness of all the information transmitted by telematic means.

#### **12.5 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 13 Offenses concerning the infringement of copyright

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### 13.1 Description of the offense

Law 99/2009 added to the offenses identified in Decree 231/2001 a series of offenses identified in Law 633/1941 on the “Protection of copyright and rights relating to the exercise of that right” (from art. 171 to art. 171-octies), which are described below.

#### **Art. 171, para. 1, letter a-bis) and para. 3 (Law 633/1941)**

This regulation punishes the offense of making all or part of protected intellectual property available to the public, via input to a telematic network or connections of any whatsoever type. The penalty is aggravated if the foregoing offenses are committed in relation to a third-party work that is not destined for use in advertising, or by usurping the property rights of the work, or with deformation, mutilation or other alterations of the work in question, if such actions offend the good name and reputation of the author.

This regulation protects the property rights of the author of the work, whose earnings expectations might be frustrated by free circulation of the work on the Internet.

The addition of this offense to Decree 231/2001 seeks to assign responsibility to all firms that administer servers which could be used to make works protected by copyright available to the public.

#### **Art. 171-bis (Law 633/1941)**

This regulation punishes the unauthorized duplication, for profit, of computer programs or who, for the same purpose, imports, distributes, sells, holds for commercial or entrepreneurial purposes or leases programs stored on media not marked by Società Italiana degli Autori e degli Editori (SIAE); or who, for profit, using media not bearing the SIAE mark, copies, transfers to other media, distributes, communicates, presents or shows in public the contents of a database in violation of the provisions of arts. 64-quinquies and 64-sexies, or makes extracts from or reuses the database in violation of the provisions of arts. 102-bis and 102-ter, or distributes, sells or rents a database.

This regulation provides criminal law protection for software and databases. The term “software” means original computer programs, in whatever form, deriving from the intellectual creativity of the author; while the term “database” means the collection of works, data or other independent elements that are systematically or methodically organized and individually accessible using electronic or other means.

#### **Art. 171-ter (Law 633/1941)**

This regulation punishes whoever, for profit:

- a) illicitly duplicates, reproduces, transmits or disseminates publicly using any system, entirely or partly, an original work destined for the television or cinematographic circuits, for sale or rental, disks or analogous media or all types of media containing phonograms or videograms of musical, cinematographic, or audiovisual works composed of or similar to sequences of moving images;
- b) illicitly reproduces, transmits or disseminates publicly using any system, entire or parts of literary, theatrical, scientific or didactic, musical or theatrical-musical works or multimedia works, even when such works are including in collective or composite works or databases;

- c) although not having assisted with the duplication or reproduction, introduces into the country, retains for sale or for distribution, or distributes, places on the market, grants under license, or transfers under any whatsoever title, shows in public, broadcasts by television using any whatsoever procedure, broadcasts by radio, plays in public the illicit copies or reproductions as at letters a) and b);
- d) holds for sale or distribution, markets, sells, hires, or transfers under any whatsoever title, shows in public, broadcasts by radio or by television using any whatsoever procedure, videocassettes, music cassettes, any whatsoever medium containing phonograms or videograms of musical, cinematographic or audio visual works or sequences of moving images, or any other media for which, in compliance with the provisions of the present law, the application of the SIAE mark is prescribed, without said mark or bearing counterfeit or altered marks;
- e) in the absence of agreement with the legitimate distributor, distributes, re-broadcasts or disseminates by any means, an encrypted service received by means of equipment or parts of equipment suitable for decoding broadcasts subject to conditional access;
- f) introduces into the country, retains for sale or distribution, distributes, sells, grants under license, transfers for any whatsoever title, promotes commercially, installs devices or elements for special decoding that allow access to an encrypted service without payment of the duly levied charge;
- f-bis) manufactures, imports, distributes, sells, hires, transfers under any whatsoever title, advertises for sale or for hire, or holds for commercial purposes, equipment, products or components or renders services having the prevailing aim or commercial use of avoiding effective technological measures referred to in art. 102-quater or that are principally designed, produced, adapted or made for the purpose of making possible or facilitating the above measures. The technological measures include those that are applied, or that remain, after the removal of the said measures as a consequence of voluntary initiative of the owners of the rights or in agreement between these latter and the beneficiaries of exceptions, or further to the execution of provisions of the administrative of judicial authority;
- g) illicitly removes or alters the electronic information as at art. 102-quinquies, or distributes, imports for the purpose of distribution, diffuses by radio or by television, discloses or places at the disposal of the public, works or other protected materials from which said electronic information has been removed or altered;
- h) reproduces, duplicates, transmits or diffuses illicitly, sells or otherwise markets, transfers under any title or illicitly imports more than fifty copies or items of works protected by copyright and associated rights;
- h-bis) in violation of art. 16, for financial gain, discloses to the public, by input into a system of computer networks by means of connections of any whatsoever type, an original work protected by copyright, or part of such a work;
- i) exercises in entrepreneurial form activities of reproduction, distribution, sale or marketing, importation of works protected by copyright and associated rights, becomes responsible for the acts covered by subsection 1;

l) promotes and organizes the above activities.

This regulation is intended to protect a numerous series of intellectual works created for radio, television and cinema, as well as music, literature and scientific and educational works. The punishments relate to the non-personal use of the intellectual property in the willful pursuit of profit.

#### **Art. 171-septies (Law 633/1941)**

This regulation punishes the producers or importers of media not marked in accordance with art. 181-bis, that do not send SIAE, within thirty days of placement on the market in Italy or of importation, the data needed to identify that media unambiguously; or anyone who falsely confirms satisfaction of the obligations arising under art. 181-bis, para. 2, of this law.

#### **Art. 171-octies (Law 633/1941)**

This regulation punishes whosoever, for fraudulent purposes, produces, offers for sale, imports, promotes, installs, modifies, utilizes for public and private applications, equipment or parts of equipment designed to decode audiovisual broadcasts subject to conditional access transmitted on the airwaves, via satellite, via cable, in analogue or digital form. Conditional access is construed as access to all audiovisual signals broadcast by Italian or foreign broadcasters in such a form as to make the information visible exclusively to closed groups of users selected by the party that releases the signal, irrespective of the application of a charge for the use of the service in question.

This type of identified offense exists in the context of functions that can access/utilize and/or administer software licenses, audio-visual support, corporate telematic networks, etc.

### **13.2 [omissis]**

### **13.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

### **13.4 General rules of conduct**

I.M.M. Hydraulics S.p.A. safeguards the rights of authors, complying with the policies and procedures envisaged for their protection; the Company requires rigorous respect for the copyright regulations,





with particular reference to the development and use of software and intellectual property, activating all ex ante and ex post checks needed to ensure compliance with the regulations.

I.M.M. Hydraulics S.p.A. respects the restrictions specified in the license agreements signed with software vendors and forbids the reproduction or use of software or documentation, except as allowed under the terms and conditions of each license agreement.

I.M.M. Hydraulics S.p.A. condemns any conduct intended to cause the loss, theft, unauthorized dissemination or improper use of the industrial and intellectual property, including confidential information, owned by the Company or others.

### **13.5 [omissis]**

### **13.6 Prevention procedures and protocols**

The procedures and protocols adopted by the company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 14 Offenses against industry and commerce

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## 14.1 Description of the offense

This Special Part contains a brief description of the Offenses envisaged in art. 25-bis.1 of the Decree.

### **Impediment of free industrial and commercial activities (art. 513, criminal code)**

This type of offense occurs if a party uses violence against property or fraudulent means to prevent or impair the operation of an industrial or commercial activity. Unless the episode constitutes a more serious offense, this offense is punishable, when a claim is lodged by the offended party, with a prison term of up to two years and a pecuniary fine of between Euro 103 and Euro 1,032.

### **Unlawful competition with threats or violence (art. 513-bis, criminal code)**

This type of offense occurs if a party, in the exercise of a commercial, industrial or productive activity, performs acts of competition with violence or threats. In this case the offense is punishable with a prison term of between two and six years.

The penalty is increased if the acts of competition are carried out against an activity that is financed entirely or partly or in any whatsoever manner by the government or other public bodies.

### **Fraud against national industries (art. 514, criminal code)**

This type of offense occurs when a party harms the national industry by offering for sale or otherwise placing in circulation, on domestic or foreign markets, industrial products with names, trademarks or distinctive features that are counterfeit or altered.

### **Fraud in commercial activities (art. 515, criminal code)**

This type of offense occurs if a party, in the exercise of a commercial activity, or in a retail outlet open to the public, consigns to the purchaser a movable asset in place of another, i.e. a movable asset that in terms of its source, place of origin, quality or quantity, differs from the stated or agreed good. Unless the episode constitutes a more serious offense, this offense attracts a prison term of up to two years with the levying of a fine of up to Euro 2,065.

### **Sale of non-genuine food substances disguised as genuine products (art. 516, criminal code)**

This type of offense occurs if a party offers for sale or otherwise markets as genuine products, food products that are not genuine. This offense is punishable with a prison term of up to six months or with a fine of up to Euro 1,032.

### **Sale of industrial products with false distinguishing signs (art. 517, criminal code)**

This type of offense occurs if a party offers for sale or otherwise markets original works or industrial products, with domestic or foreign names, marks, or distinctive features, such as to deceive the purchaser with regard to the source, origin or quality of the work or product. Unless the episode is classified as a criminal activity by virtue of other articles of law, this offense is punishable with a prison term of up to two years and a fine of up to Euro 20,000.

### **Manufacture and commerce of goods created by violating industrial property rights (art. 517-ter, criminal code)**

Subject to the application of arts. 473 and 474 of the Criminal Code, this type of offense occurs when a party, in a position to know of the existence of the title of industrial property, manufactures or uses in an industrial activity objects or other goods made by usurping or infringing an industrial property right.

This offense is punishable, when a claim is lodged by the offended party, with a prison term of up to two years and a fine of up to Euro 20,000.

The same penalty is applicable to parties who, for motive of profit, introduce into the country, retains for sale, markets with direct offering to consumers or otherwise place in circulation the goods as at the first paragraph.

### **Counterfeiting of geographical indications or denominations of origin of agribusiness products (art. 517-quater, criminal code)**

This type of offense occurs if a party forges or otherwise alters geographical indications or designations of origin of agribusiness products and is punishable with a prison term of up to two years and a fine of up to Euro 20,000.

The same penalty is applicable to parties who, for motive of profit, introduce into the country, retains for sale, markets with direct offering to consumers or otherwise place in circulation the same products with the counterfeit indications or designations.

This type of identified offense may be committed within functions involved in the sale and/or offer to the public of products with Italian or foreign names trademarks or distinctive signs, that might mislead purchasers about the origin, source or quality of the product and, also, in the processes that use products protected by the intellectual property regulations.

## **14.2 [omissis]**

## **14.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

#### **14.4 General rules of conduct**

It is essential for I.M.M. that the market operates on the basis of proper and fair competition. All functions are required to comply scrupulously with the relevant laws and collaborate with the market supervisory authorities.

I.M.M. Hydraulics S.p.A. condemns any form of unlawful or unfair conduct carried out for the purpose of obtaining commercial secrets or knowledge about other aspects of the economic activities of third parties. In addition, the Company does not employ persons sourced from competitors in order to obtain confidential information or induce the personnel or customers of competing firms to reveal information that they should not disclose.

I.M.M. Hydraulics S.p.A. requires rigorous compliance with the regulations governing industrial and intellectual property, with particular reference to the development and patenting of products (goods and/or software).

#### **14.5 [omissis]**

#### **14.6 Prevention procedures and protocols**

The procedures and protocols adopted by the company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## **15 Currency counterfeiting, falsification of public credit instruments, duty-paid stamps and instruments or signs of identification**

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## 15.1 Description of the offense

The above offenses were introduced by the addition of art. 25-bis to Decree 231/2001 by art. 6 of Decree 350 dated 25 September 2001, as enacted with amendments by Law 409 dated 23 November 2001. Law 99 dated 23 July 2009 then extended art. 25-bis by referencing the offenses identified in arts. 473 and 474 of the criminal code.

A brief description of these offenses is given below.

### **Counterfeiting of currency, falsification of spending and introduction into the State, via concerted action, of counterfeited currency (art. 453, criminal code)**

This regulation punishes the counterfeiting or alteration of money (Italian or foreign), introduction into the State of altered or counterfeited money, and the purchase of counterfeited or altered money in order to put it into circulation.

### **Alteration of currency (art. 454, criminal code)**

This regulation punishes whoever alters currency, reducing its value in any way, or who commits one of the facts indicated in the previous article with regard to the resulting altered currency.

### **Spending and introduction into the State, without concerted action, of counterfeited currency (art. 455, criminal code)**

Excluding the cases envisaged in the previous articles, this regulation punishes whoever introduces into the territory of the State, purchases or holds counterfeited or altered currency for the purpose of spending it or, in any case, putting it into circulation.

### **Spending counterfeit currency received in good faith (art. 457, criminal code)**

This regulation punishes persons who spend or otherwise put into circulation counterfeit or altered currency received in good faith.

### **Forging of official stamps, introduction into the State, purchase, possession or circulating forged official stamps (art. 459, criminal code)**

This regulation punishes the conduct envisaged in arts. 453, 455 and 457 of the criminal code in relation to the counterfeiting or alteration of official stamps and the introduction into the State, purchase, possession, holding and circulation of forged official stamps.

### **Counterfeiting of watermarked paper for making currency or official stamps (art. 460, criminal code)**

This regulation punishes the counterfeiting of watermarked paper used for the manufacture of currency or official stamps, as well as the purchase, holding and disposal of such watermarked paper.

**Manufacturing or possession of watermarks or instruments for the purpose of counterfeiting currency, official stamps, or watermarked paper (art. 461, criminal code)**

This regulation punishes the manufacture, purchase, holding or disposal of watermarks, IT equipment or tools dedicated solely to the counterfeiting or alteration of currency, official stamps or watermarked paper, as well as holograms and other components of money used to protect against counterfeiting or alterations.

**Use of counterfeit or altered official stamps (art. 464, criminal code)**

This regulation punishes the use of counterfeit or altered official stamps, even if received in good faith.

**Counterfeiting, alteration or use of trade marks or distinguishing signs or patents, models and designs (art. 473, criminal code)**

The regulation punishes the counterfeiting or alteration of the domestic and foreign trademarks or distinctive signs of industrial products, and the use of such counterfeited or altered trademarks or signs. The regulation also punishes the counterfeiting or alteration of domestic and foreign patents, designs and industrial models, and the use of such counterfeited or altered patents, designs or models.

The offenses envisaged in the first two paragraphs are punishable on condition that the entitled party has complied with the domestic laws, EU regulations and international conventions on the protection of intellectual and industrial property.

**Introduction into the country and trade in products bearing false markings (art. 474, criminal code)**

Aside from participation in the offenses envisaged in art. 473, this regulation punishes the introduction into the country, for profit, of industrial products with counterfeit or altered trademarks or other distinctive signs, whether registered in Italy or abroad. Aside from participation in counterfeiting, the regulation also punishes the alteration, the introduction into the country, the holding for sale, the sale or in any case the distribution, for profit, of the products referred to in the first paragraph.

The offenses envisaged in the first two paragraphs are punishable on condition that the entitled party has complied with the domestic laws, EU regulations and international conventions on the protection of intellectual and industrial property.

These offenses reflect the objective need to protect the public trust in trademarks and distinctive signs that identify intellectual works and industrial products, and that guarantee their circulation.

The offense referred to in art. 473 of the Criminal Code presents a real risk, given that it is not actually necessary to breach the public trust, but merely to adopt deliberate conduct intended to generate confusion among the majority of consumers. The trademark/patent must be registered in accordance with domestic, EU and international regulations, otherwise the offense cannot be recognized.



Accordingly, the regulation punishes conduct that counterfeits or alters trademarks, distinctive signs and patents that are registered. The first addresses conduct intended to vest false trademarks with qualities that engender confusion about the real source of the product and possibly mislead consumers, while the second addresses the modification of a genuine trademark, even if only in part.

The circumstances covered by art. 474 are subordinate to those addressed by art. 473, in that only those that have not participating in counterfeiting may be punished for introducing products into the country or selling them. In particular, the regulation punishes the introduction into the country of goods with counterfeit trademarks, as well as the holding for sale, the sale and in any case the distribution of counterfeit products. The punishment is determined with reference to the existence of specific malfeasance, represented by the profit motive, and generic malfeasance represented by knowing that the trademark is a counterfeit.

In terms of identifying the offenses, *business trademarks* comprise all signs that can be presented graphically (words/names of people, designs, letters, forms, tones of color) in order to distinguish the products of a business from those of another; *distinctive signs* comprise everything that more generically identifies the business e.g. company name, signage, brand identity. *Patents*, on the other hand, related to new inventions that imply creative activity and are suitable for industrial applications; lastly, *designs and models* are identified by characteristic lines, borders, colors, forms, surfaces, materials used or ornamentation, on condition that they are new (*no identical design or model has been disseminated before*) and have individual character (*i.e. the general impression created for an informed user differs from that created for the same user by any other design or model already registered, displayed, put on sale or made public in any other way*).

In terms of the situation relating to I.M.M. Hydraulics S.p.A., the only significant risk of offenses relates to the protection of public trust in trademarks and distinctive signs that identify intellectual works or industrial products and guarantee their circulation.

Art. 473 of the Criminal Code punishes conduct intended to vest false trademarks with qualities that engender confusion about the real source of the product and possibly mislead consumers (counterfeiting); or conduct that modifies a genuine trademark, even if only in part, to create confusion (alteration). The article also punishes cases in which patents are usurped.

Art. 474 of the Criminal Code punishes "*the holding for sale, the sale and in any case the distribution of intellectual property or industrial products with counterfeit or altered trademarks or of other distinctive signs, whether registered in Italy or abroad*".

The trademark/patent must be registered in accordance with domestic, EU and international regulations, otherwise this offense cannot be recognized.

## **15.2 [omissis]**

## **15.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

## **15.4 General rules of conduct**

For I.M.M. it is essential to protect its own intellectual property and avoid violating that of others; all functions are required to comply scrupulously with the relevant laws and collaborate with the market supervisory authorities.

I.M.M. Hydraulics S.p.A. condemns any form of unlawful conduct carried out for the purpose of counterfeiting or altering in any way the distinctive signs associated with intellectual property.

I.M.M. Hydraulics S.p.A. requires rigorous compliance with the regulations governing intellectual property, with particular reference to the development of software and products.

## **15.5 [omissis]**

## **15.6 Prevention procedures and protocols**

The procedures and protocols adopted by the company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 16 Environmental offenses

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## 16.1 Description of the offense

With the publication of Decree no. 121 dated 7 July 2011, on “Implementation of Directive 2008/99/EC on the protection of the environment through criminal law, and Directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for violations”, that entered into force on 16 August 2011, the Italian legislator adopted the EC directive on the protection of the environment through criminal law, which seeks to tackle better all forms of environmental crime. Decree 121/2011 added art. 25-undecies to Decree 231/2001, envisaging further administrative responsibilities for various environmental offenses, including those indicated further below.

Law no. 68 dated 22 May 2015, published in Italian Official Gazette no. 122 on 28 May 2015, has reformed the list of environmental offenses with a view to improving greatly the protection of health and natural assets.

This measure introduced a new title to the criminal code dedicated to “Environmental crimes” (Book II, Title VI-bis, arts. 452-bis-452-terdecies), which include the following new offenses:

- Environmental pollution;
- Environmental disaster;
- Traffic in and abandonment of radioactive materials;
- Obstruction of checks;
- Failure to make good.

The amendments made have been included in Decree 231/2001, which identifies the offenses indicated below in art. 25-undecies.

### **Environmental pollution (art. 452-bis, criminal code)**

*Imprisonment for between two and six years and a fine of between Euro 10,000 and Euro 100,000 are envisaged for anyone who unlawfully damages or causes a significant and measurable deterioration:*

- 1) of the waters or the air, or extended or significant portions of the soil or the sub-soil;*
- 2) of an ecosystem, biodiversity in agriculture or otherwise, flora and fauna.*

*The penalties are increased if the pollution is generated in a protected natural area or an area subject to restrictions in order to protect views or the environment, or for historical, artistic, architectural or archaeological reasons, or causes damage to protected animal or vegetable species.*

### **Environmental disaster (art. 452-quater, criminal code)**

*Aside from the cases envisaged in art. 434, anyone who unlawfully causes an environmental disaster is punished by imprisonment for between five and fifteen years.*

*Each of the following represent environmental disasters:*

- 1) irreversible alteration of the equilibrium of an ecosystem;*
- 2) alteration of the equilibrium of an ecosystem that is particularly onerous to correct and can only be done by exceptional measures;*
- 3) endangerment of public safety due to the significance of the event in terms of the area damaged or its adverse effects or the number of persons affected or exposed to danger.*

*The penalties are increased if the disaster is generated in a protected natural area or an area subject to restrictions in order to protect views or the environment, or for historical, artistic, architectural or archaeological reasons, or causes damage to protected animal or vegetable species.*

### **Environmental negligence (art. 452-quinquies, criminal code)**

*If any of the offenses envisaged in arts. 452-bis and 452-quater are committed due to negligence, the penalties envisaged in those articles are reduced by between one-third and two-thirds.*

*If the offenses referred to in the previous paragraph give rise to the risk of environmental pollution or environmental disaster, the penalties are further reduced by one third.*

### **Traffic in and abandonment of highly radioactive materials (art. 452-sexies, criminal code)**

*Unless the facts represent a more serious offense, imprisonment for between two and six years and a fine of between Euro 10,000 and Euro 50,000 are envisaged for anyone who unlawfully assigns, purchases, receives, transport, imports, exports, obtains for others, holds, transfers, abandons or improperly disposes of highly radioactive materials.*

*The penalties envisaged in the first paragraph are increased if the facts give rise to the risk of damage or deterioration:*

- 1) of the waters or the air, or extended or significant portions of the soil or the sub-soil;*
- 2) of an ecosystem, biodiversity in agriculture or otherwise, flora and fauna.*

*The penalties are increased by up to one half if the facts endanger the lives or the physical safety of individuals.*

**Aggravating circumstances (art. 452-octies, criminal code)**

*When the association referred to in art. 416 is intended, whether exclusively or partly, to commit one of the offenses envisaged in this title, the penalties envisaged in art. 416 are increased.*

*When the association referred to in art. 416-bis is intended to commit one of the offenses envisaged in this title by acquiring the management of or in any case the control of economic activities, concessions, authorizations, contracts or public services in relation to environmental matters, the penalties envisaged in art. 416 are increased.*

*The penalties envisaged in the first and second paragraphs are increased by between one third and one half if the association includes public officials or providers of a public service who carry out functions or provide services in relation to environmental matters.*

**Killing, destruction, capture, removal, custody of specimens of protected wild fauna or flora (art. 727-bis, criminal code)**

*Unless the facts represent a more serious offense and except as permitted, anyone who kills, captures or holds specimens of protected wild fauna<sup>16</sup> is punished by imprisonment for between one and six months or by a fine of up to Euro 4,000, unless the action relates to a negligible quantity of specimens and has a negligible impact on the state of conservation of the species.*

*Except as permitted, anyone who destroys, removes or holds specimens of protected wild flora is punished by a fine of up to Euro 4,000, unless the action relates to a negligible quantity of specimens and has a negligible impact on the state of conservation of the species.*

Fine of up to two hundred and fifty quotas.

Accordingly, the regulation punishes anyone who: (i) kills, captures or holds specimens of protected wild fauna; (ii) destroys, removes or holds specimens of protected wild flora.

The legal asset protected by the regulation is identified as “the state of conservation of the species”.

Further, the offense arises in the case of “risk”: in fact, actual loss or damage is not necessary, since the offense is committed by the mere fact of endangering the state of conservation of the species.

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<sup>16</sup>The species of protected wild fauna and flora are listed in Attachment IV to Directive 92/43/EC and Attachment I to Directive 2009/147/EC.

### **Destruction or degradation of habitats in a protected site (art. 733-bis, criminal code)**

*Except as permitted, anyone who destroys a habitat in a protected site<sup>17\*</sup> or who in any case degrades it and endangers its state of conservation, is punished by imprisonment for up to eighteen months and fine of not less than Euro 3,000.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

The regulation punishes “*except as permitted, anyone who destroys a habitat in a protected site or who in any case degrades it and endangers its state of conservation*”.

The regulation punishes a common offense of damage or endangerment (since the offense is committed on destroying or degrading the habitat), of an immediate nature with permanent effects.

Further, this is a contravention (punishment by imprisonment and a fine) and the punishment for malfeasance or negligence is the same, since it is not necessary for the actor to be aware of the naturalistic importance of the site damaged (although the prohibited conduct would seem to be typically malicious in nature).

The typical offenses are: a) destruction of a habitat (being a place whose physical or abiotic characteristics allow a given living species, whether flora or fauna, to live and grow); b) degradation of a habitat that endangers its state of conservation<sup>18</sup>. The legal asset protected by the regulation is represented by “the habitat in a protected site” and, more generally, the protection of the natural wealth of the State<sup>19</sup>.

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<sup>17</sup> Habitat in a protected site” means any habitat for a species for which a special protection zone has been established pursuant to art. 4, paras. 1 or 2, of Directive 2009/147/EC, or any natural habitat or a habitat for a species for which a special conservation zone has been established pursuant to art. 4, para. 4, of Directive 92/43/EC.

<sup>18</sup> To assess the endangerment of the state of conservation, it is necessary to evaluate “the effect of the degradation on the ecological function represented by the habitat concerned”. As an example, the state of conservation of a wood used for nesting by a protected species of bird may be said to be endangered if the felling of many but not all trees results in the site, at least in part, no longer being used by the species for rest and reproduction. Endangerment exists even if the habitat can be restored subsequently, over an extended period of time, either by man (e.g. reforestation, making good etc.) or by the slow passage of time (spontaneous regrowth of plants).

<sup>19</sup> There are two aspects to the concept of *habitat*: regulatory, in relation to the two EU directives mentioned, and “naturalistic” given use of the wording “any natural *habitat*”, which apparently allows for the concrete assessment of the judge, regardless of specific administrative deeds or definitions/classifications/legislation. In fact, para. 3 of the regulation considered states that “For the purpose of applying art. 733-bis of the Criminal Code, “*Habitat* in a protected site” means any *habitat* for a species for which a special protection zone has been established pursuant to art. 4, paras. 1 or 2, of Directive 79/409/EC, or any natural habitat or a habitat for a species for which a special conservation zone has been established pursuant to art. 4, para. 4, of Directive 92/437/EC”.

## **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

### **Art. 137 “Water discharges”**

#### **Sub-section 2**

This regulation punishes anyone who, without authorization, opens or in any case makes new discharges<sup>20</sup> of industrial waste water<sup>21</sup> containing hazardous substances belonging to the families and groups of substances indicated in tables 5 and 3/A of Attachment 5 to the third part of this decree, or who continues to make or maintain such discharges after their authorization has been suspended or revoked.

Fine of between two hundred and three hundred quotas. On conviction, the actor may be banned from the activities concerned for up to six months.

The actor is any party that actually makes the discharge, regardless of the formal ownership of the location and/or the named holder of the permit that was suspended/revoked.

Reference is only made to the place of production of industrial waste waters, which must only derived from a manufacturing-commercial facility.

Actual environmental damage is not necessary, since the offense is committed by the mere fact of discharging with authorization or when authorization has been suspended/revoked.

This is a contravention, involving imprisonment and a fine.

#### **Sub-section 3**

*Without prejudice to the situations envisaged in sub-section 5, this regulation punishes by imprisonment for up to two years anyone who, without complying with the requirements of the authorization, or the other requirements of the competent authority appointed pursuant to arts. 107, para. 1, and 108, para. 4, discharges industrial waste water containing hazardous substances belonging to the families and groups of substances indicated in tables 5 and 3/A of Attachment 5 to the third part of this decree.*

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<sup>20</sup> Discharge means “any emission exclusively from a stable collection system that connects, without interruption, the production cycle of waste water with the recipient of surface waters, in the soil, the sub-soil and the drainage network, regardless of their polluting nature and even if treated beforehand”.

<sup>21</sup> Waste waters are defined as waters whose quality has been degraded by anthropic action after use in domestic, industrial or agricultural activities, becoming unsuitable for direct use. Organic or inorganic substances often found in such waters could be hazardous for the environment if disseminated. Such waters can only acquire their original characteristics after purification processes (including the removal of contaminants) and, in some cases, recovery is not possible since the nature of the water has been irreversibly changed.



Fine of between one hundred and fifty and two hundred and fifty quotas.

This regulation punishes anyone who, without complying with the requirements of the authorization, or the other requirements of the competent authority appointed pursuant to arts. 107, para. 1, and 108, para. 4, discharges industrial waste water containing hazardous substances belonging to the families and groups of substances indicated in tables 5 and 3/A of (Attachment 5, part III of the Consolidated Law). The doctrine considers reference to the substances contained in the two tables to be binding; in substance, an offense is not committed on the discharge of substances not listed in the tables, even if they are hazardous.

#### **Sub-section 5**

*This regulation punishes by imprisonment for up to 2 years and a fine of between Euro 3,000 and Euro 30,000, anyone who, in relation to the substances indicated in table 5 of Attachment 5 to Part III of this Decree, discharges industrial waste water containing in excess of the maximum values established in table 3 or, in the case of discharge into the soil, in table 4 of Attachment 5 to Part III of this Decree, or of the more restrictive limits established by the Regions or the Autonomous Provinces or by the competent authority appointed pursuant to art. 107, para. 1. If the maximum values established for the substances in table 3/A of Attachment 5 are also exceeded, the punishment involves imprisonment for between six months and three years and a fine of between Euro 6,000 and Euro 120,000.*

Fine of between one hundred and fifty and two hundred and fifty quotas (first sentence) and between two hundred and three hundred quotas (second sentence). On conviction (for the cases envisaged in the second sentence), the actor may be banned from the activities concerned for up to six months.

#### **Sub-section 11**

*Anyone who does not comply with the discharge prohibitions contained in arts. 103 (discharges into the soil) and 104 (discharges into the sub-soil and the underground waters) is punished by imprisonment for up to three years.*

Fine of between two hundred and three hundred quotas. On conviction, the actor may be banned from the activities concerned for up to six months.

Punishment is given to anyone who violates the general prohibitions on discharges into the soil or the surface strata of the sub-soil, and on direct discharges into the underground waters and the sub-soil.

#### **Sub-section 13**

*This regulation punishes by imprisonment for between two months and two years any discharges into the sea by ships or aircraft of substances and materials that are absolutely banned from discharge by the relevant international conventions ratified by Italy, unless physical, chemical and biological*

*processes that normally occur in the sea will rapidly render innocuous the quantities concerned, and on condition that prior authorization has been given by the competent authority.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

Punishment is given to anyone who discharges into the sea, from ships or aircraft, substances and materials that are absolutely banned from discharge by international conventions.

### **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

#### **Art. 256 “Unauthorized management of waste”**

##### **Sub-section 1**

*Anyone who collects, transports, recycles, disposes of, trades in and brokers waste without the required authorization, registration or communication pursuant to arts. 208, 209, 210, 211, 212, 214, 215 and 216 is punished:*

- a) by imprisonment for between three months and one year or by a fine of between two thousand six hundred euro and twenty-six thousand euro, if the waste is not hazardous;*
- b) by imprisonment for between six months and two years and by a fine of between two thousand six hundred euro and twenty-six thousand euro, if the waste is hazardous.*

Fine of up to two hundred and fifty quotas (letter a) or between one hundred and fifty and two hundred and fifty quotas (letter b). The penalty is halved “for failure to comply with the requirements contained in or referred to in the authorizations, and for inadequacies in meeting the requirements and conditions required for registration or communications.” (Decree 152/2006, art. 256, para. 4).

The first para. of art. 256 penalizes anyone who carries out activities related to the management of waste (collection, transport, recycling, disposal, trade and brokerage), without the required authorizations, registrations or communications.

Further, this is an offense committed on a spot and non-recurring basis that arises when a single instance of the typical conduct occurs, since even just one transportation of waste is a crime<sup>22</sup>.

##### **Sub-section 3**

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<sup>22</sup> The offenses of creating and managing a landfill without authorization and of the storage of waste without authorization must be committed actively; they are not committed by merely managing the landfill and storage on behalf of third parties, even in the knowledge of their existence, unless any form of participation can be demonstrated or there is a legal obligation to prevent the event, pursuant to art. 40, para. 2, of the Criminal Code. (Court of Cassation, Criminal Section, no. 31401, 8 June 2006)

*This regulation punishes anyone who creates or manages an unauthorized landfill by imprisonment for between six months and two years and a fine of between Euro 2,600 and Euro 26,000. The punishment is imprisonment for between one and three years and a fine of between Euro 5,200 and Euro 52,000 if the landfill is used, even just in part, for the disposal of hazardous waste.*

*On conviction or sentencing pursuant to art. 444 of the Criminal Procedures Code, the area used for the authorized landfill is confiscated if owned by the author of or participant in the crime, without prejudice to the requirement to restore or make good the location.*

Fine of between one hundred and fifty and two hundred and fifty quotas (first sentence) and between two hundred and three hundred quotas (second sentence). The penalty is halved “for failure to comply with the requirements contained in or referred to in the authorizations, and for inadequacies in meeting the requirements and conditions required for registration or communications.” (Decree 152/2006, art. 256, para. 4). On conviction (for the cases envisaged in the second sentence), the actor may be banned from the activities concerned for up to six months.

The third sub-section of art. 256 punishes an offense, whether committed due to malfeasance or negligence (since it is a contravention), that is committed by creating or managing an unauthorized landfill (the creation of an unauthorized landfill is one aspect of the management of waste). Accordingly, this sub-section punishes an offense that must actually be committed, possibly on an ongoing basis, by preparing and equipping an area for the illegal purpose.

#### **Sub-section 5**

*This regulation punishes anyone who, in violation of the prohibition in art. 187, carries out the unauthorized mixing of waste, with the penalties listed in sub-section 1, letter b).*

Fine of between one hundred and fifty and two hundred and fifty quotas. The penalty is halved “for failure to comply with the requirements contained in or referred to in the authorizations, and for inadequacies in meeting the requirements and conditions required for registration or communications.” (Decree 152/2006, art. 256, para. 4).

This regulation governs a common offense, since the ban on mixing waste and the related penalties apply to anyone with access to waste.

The regulation prohibits the mixing of different categories of hazardous waste and hazardous waste with non-hazardous waste, but probably does not cover the mixing of different categories of non-hazardous waste or the same category of hazardous waste (mixing means the union of waste in a way that makes it extremely difficult, if not impossible, to separate and differentiate it later).

#### **Sub-section 6, first sentence**

*This regulation punishes anyone who temporarily stores hazardous sanitary waste in the place of production, in violation of art. 227, para. 1, letter b), by imprisonment for between three months and one year or a fine of between Euro 2,600 and Euro 26,000.*

An administrative fine of between Euro 2,600 and Euro 15,500 is levied for quantities that do not exceed two hundred liters or their equivalent.

Fine of up to two hundred and fifty quotas.

The regulations governing the offense are principally contained in art. 8 and art. 17 of Presidential Decree no. 254 dated 15 July 2003, which governs the temporary storage (in the place of production) of hazardous sanitary waste carrying a risk of infection, specifying that the maximum duration is five days from the closure of the container, with a possible extension to thirty days for quantities of less than two hundred liters (the timing of the temporary storage commences from the closure of the container, marking recognition of the existence of the sanitary waste, and the conduct is only punishable if the temporary storage involves quantities of sanitary waste of two hundred liters or more or their equivalent - threshold determined by the legislator for determining if the temporary storage of sanitary waste should be punished as a crime).

Although the regulation refers to “anyone”, this does not appear to be a common offense. The jurisprudence is clear in believing that the offense is attributable solely to the managers of healthcare facilities, whose position of responsibility and control requires them to carry out the degree of supervision necessary to prevent the storage of waste (this requirement is specified in art. 17 of Presidential Decree no. 254/2003, which clearly makes the managers of healthcare facilities, whether public or private, responsible for failure to comply with the instructions given on the subject of sanitary waste).

## **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

### **Art. 257 “Restoration of sites”**

#### **Sub-section 1**

*This regulation punishes anyone who pollutes the soil, sub-soil, surface waters or underground waters in concentrations that exceed the threshold of risk by imprisonment for between six months and one year or by a fine of between two thousand six hundred euro and twenty-six thousand euro, if they do not arrange to restore the site in compliance with a project approved by the competent authority as part of the procedure envisaged in arts. 242 et seq. In the event of failure to make the communication required by art. 242, the culprit is punished by imprisonment for between three months and one year or a fine of between Euro 1,000 and Euro 26,000.*

Fine of up to two hundred and fifty quotas.

Art. 257 governs the offense of failure to restore polluted sites in accordance with the administrative procedure described in art. 242 of Decree 152/2006.

The instructions issued by the competent authority must be followed precisely by the party deemed responsible for polluting the soil, sub-soil, surface waters or underground waters. The offense is only committed if the “concentrations exceed the threshold of risk” (CSRs)<sup>23</sup>. The penalties are increased if the pollution involves hazardous substances.

## **Sub-section 2**

*The punishment is imprisonment for between one and two years and a fine of between Euro 5,200 and Euro 52,000 if the pollution is caused by hazardous waste.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

## **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

### **Art. 258 “Violation the requirements to make communications and keep mandatory registers and data sheets”**

#### **Sub-section 4, second sentence**

*This regulation punishes firms that collect and transport their own non-hazardous waste pursuant to art. 212, para. 8, without voluntarily joining the system for checking the traceability of waste (SISTRI) pursuant to art. 188-bis, para. 2, letter a), and transport such waste without the data sheet specified in art. 193, or which indicate incomplete or inexact information on the data sheet, by a fine of between Euro 1,600 and Euro 9,300. The penalty indicated in art. 483 of the Criminal Code is applied to those who, in preparing a waste analysis certificate, provide false information about the nature, composition and chemical-physical characteristics of the waste and to those who use a false certificate during the transportation of waste.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

The fourth sub-section of the regulation punishes those who, in preparing a waste analysis certificate, provide false information about the nature, composition and chemical-physical characteristics of the waste and those who use a false certificate during the transportation of waste.

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<sup>23</sup> The CSRs represent levels of environmental contamination, to be determined case by case, with the performance of a specific site risk analysis in accordance with the principles described in Attachment 1 in Part IV of Decree no. 152/06 and reference to the characteristics of the pollution. If the threshold concentrations are exceeded, the site must be made safe and restored. The concentration levels established in this way represent the levels of acceptability for the site (see art. 240, para. 1, letter c)).

The fourth sub-section of the regulation therefore punishes two offenses:

- 1) the preparation of false documentation concerning the nature of the waste;
- 2) the use of a false certificate to transport the waste.

**Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

**Art. 259 “Illegal trafficking in waste”**

**Sub-section 1**

*This regulation punishes anyone who transports waste as part of illegal trafficking pursuant to art. 2 of Regulation (EEC) no. 259 dated 1 February 1993, or transports waste listed in Attachment II to that Regulation in violation of art. 1, para. 3, letters a), b), c) and d) of the Regulation, by imprisonment for up to two years and a fine of between Euro 1,550 and Euro 26,000. The penalty is increased if hazardous waste is transported.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

In substance, the first sub-section of art. 259 punishes the illegal trafficking of waste (relating exclusively to the cross-border transportation of waste), with increased penalties for the transportation of “hazardous waste”.

“Illegal trafficking in waste” is defined in art. 26 of Regulation 259/1993, which specifies: “any shipment of waste made in violation of specific requirements imposed by community regulations” (notification of all competent authorities, agreement from the competent authorities, cross-border shipment specifically indicated in the transport documentation etc.).

The second offense envisaged in the first sub-section of art. 259 relates to the transportation of waste to be recycled that is listed in Attachment 2 to Regulation 259/93 (so-called green list), if that shipment is made in violation of the conditions envisaged in art. 1, para. 3 letters a), b), c) and d) of that Regulation (the waste must be taken to authorized plant, must be available for environmental or sanitary checks, etc.).

**Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

## **Art. 260 “Organized activities for the illegal trafficking in waste”<sup>24</sup>**

### **Sub-section 1**

*This regulation punishes anyone who, seeking unjust profit via multiple transactions and the ongoing organization of equipment and activities, assigns, receives, transports, imports, exports or in any case unlawfully manages massive quantities of waste, by imprisonment from between one and six years.*

Fine of between three hundred and five hundred quotas. On conviction, the actor may be banned from the activities concerned for up to six months. If the entity or one of its organizational units is regularly used for the sole or principal purpose of allowing or facilitating commitment of the offenses addressed by this article, they shall be punished by a permanent ban on carrying out the activities concerned.

The object of the repeated conduct is the “management of massive quantities of waste”, with reference to the total quantity of materials managed via the various activities.

The subjective element required for the conduct to be penalized is the existence of specific malfeasance, as described in art. 260 “for the purpose of seeking and unjust profit”. The offense is committed regardless of whether or not the improper advantage sought by the actor is obtained, and such advantage need not be financial, since its nature could be different.

### **Sub-section 2**

*The punishment for trafficking in highly radioactive waste is imprisonment for between three and eight years.*

Fine of between hundred and eight hundred quotas. On conviction, the actor may be banned from the activities concerned for up to six months. If the entity or one of its organizational units is regularly used for the sole or principal purpose of allowing or facilitating commitment of the offenses addressed by this article, they shall be punished by a permanent ban on carrying out the activities concerned.

## **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

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<sup>24</sup> Consequent to Decree 21/2018, art. 260 of Decree 152/2006 has been moved to art. 452-quaterdecies of the criminal code. This offense is still deemed to be an offense identified in Decree 231/2001 due to the coordination arrangements established in Decree 21/2018, whereby “From the date of entry into force of this decree, any references to the provisions abrogated from art. 7 are understood to be made to the corresponding provisions of the criminal code, as indicated in table A annexed to this decree” (text of art.8 of Decree 21/2018).

## **Art. 260-bis “IT system for controlling the traceability of waste”**

### **Sub-section 6**

*The penalty indicated in art. 483 of the Criminal Code is applied to those who, in preparing a waste analysis certificate, used by the system for controlling the traceability of waste, provide false information about the nature, composition and chemical-physical characteristics of the waste and to those who include a false certificate among the data provided to ensure the traceability of the waste.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

### **Sub-section 7, second and third sentence**

*The transport firm that omits to transport the waste together with a hard copy of the SISTRI - MOVEMENT AREA form and, when required by current regulations, a copy of the detailed certificate identifying the characteristics of the waste, is punished by an administrative fine of between Euro 1,600 and Euro 9,300. The penalty indicated in art. 483 of the Criminal Code is applied if hazardous waste is transported. This last penalty is also applied to those who, during the transportation of waste use a waste analysis certificate containing false information about the nature, composition and chemical-physical characteristics of the waste transported.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

### **Sub-section 8**

*The transport firm that transports waste together with a fraudulently altered hard copy of the SISTRI - MOVEMENT AREA form is punished by the fine envisaged in arts. 477 and 482 of the Criminal Code, taken together. The penalty is increased by up to one third if hazardous waste is transported.*

Fine of between one hundred and fifty and two hundred and fifty quotas (first sentence) and between two hundred and three hundred quotas (second sentence).

## **Decree 152 dated 3 April 2006 “Regulations on environmental matters”**

## **Art. 279 “Atmospheric emissions”**

### **Sub-section 5**

*The punishment for the cases envisaged in sub-section 2 is imprisonment for up to one year if exceeding the emissions threshold also results in exceeding the air quality limits envisaged in the current regulations.*



Fine of up to two hundred and fifty quotas.

The fifth sub-section of art. 279 of Decree 152/2006 punishes those who, in the situations envisaged in sub-section 2 (being “those who, in the operation of a factory, *violate the emission limits or the requirements established in the authorization*, in Attachments I, II, III or V of Part V of this Decree, in the plans, programs or regulations referred to in art. 271 or the other requirements imposed by the competent authority pursuant to this title...”), by exceeding the emission limits, also cause the air quality limits envisaged in the current regulations to be exceeded.

“Factory” means a unified and stable production complex, under the management of a single manager, containing one or more plant or where one or more activities are carried out that generate emissions via, for example, mobile devices, manual operations, deposits and movements.

By “emission limit”, the legislator means “the emission factor, the concentration, the percentage or the flow of polluting substances in the emissions that must not be exceeded”. Emission limits expressed as concentrations are established “by reference to the functioning of the plant in the most intensive operating conditions and, unless specified otherwise, are stated as an average hourly rate”.

**Law 150 dated 7 February 1992 “Regulation of offenses regarding the application in Italy of the Convention on international trade in endangered species of wild fauna and flora”**

**Art. 1, sub-section 1**

*Unless the facts represent a more serious offense, whoever violates the provisions of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, by doing any of the following in relation to the species listed in Attachment A to the Regulation and subsequent amendments, is punished by imprisonment for between three months and one year and a fine of between 15 million lire and 150 million lire:*

- a) imports, exports or re-exports specimens, under any customs regime, without the required certificate or license, or with a certificate or license that is not valid pursuant to art. 11, para. 2a, of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments;*
- b) fails to comply with the requirements regarding the physical safety of the specimens, as specified in a license or certificate issued in compliance with Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments;*
- c) utilizes the above specimens in a manner different to the requirements specified in the authorizations or certificates issued together with the import license or subsequently;*
- d) transports or arranges the transportation of specimens, directly or on behalf of third parties, without the required license or certificate issued in compliance with Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments*

*and, in the case of exports or re-exports from a third Country that signed the Washington Convention, issued in compliance with that Convention, or without sufficient proof of their existence;*

- e) trades in plants reproduced artificially in contrast with the requirements established with reference to art. 7, para. 1, letter b) of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments;*
- f) holds, uses for profit, purchases, sells, displays or holds for sale or commercial purposes, offers for sale or in any case assigns specimens without the required documentation.*

Fine of up to two hundred and fifty quotas.

## **Sub-section 2**

*In the case of repeated offenses, the culprit is punished by imprisonment for between three months and two years and a fine of between 20 million lire and 200 million lire. If the above offense is committed in the course of a business activity, conviction results in suspension of the license for between a minimum of six months and a maximum of eighteen months.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

## **Law 150 dated 7 February 1992 “Regulation of offenses regarding the application in Italy of the Convention on international trade in endangered species of wild fauna and flora”**

### **Art. 2, sub-sections 1 and 2**

*Unless the facts represent a more serious offense, whoever violates the provisions of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, by doing any of the following in relation to the species listed in Attachments B and C to the Regulation and subsequent amendments, is punished by imprisonment for between three months and one year or a fine of between 20 million lire and 200 million lire:*

- a) imports, exports or re-exports specimens, under any customs regime, without the required certificate or license, or with a certificate or license that is not valid pursuant to art. 11, para. 2a, of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments;*
- b) failure to comply with the requirements regarding the physical safety of the specimens, as specified in a license or certificate issued in compliance with Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments;*
- c) utilizes the above specimens in a manner different to the requirements specified in the authorizations or certificates issued together with the import license or subsequently;*

- d) *transports or arranges the transportation of specimens, directly or on behalf of third parties, without the required license or certificate issued in compliance with Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments and, in the case of exports or re-exports from a third Country that signed the Washington Convention, issued in compliance with that Convention, or without sufficient proof of their existence;*
- e) *trades in plants reproduced artificially in contrast with the requirements established with reference to art. 7, para. 1, letter b) of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, and Regulation (EC) 939/97 of the Commission of 26 May 1997, and subsequent amendments;*
- f) *holds, uses for profit, purchases, sells, displays or holds for sale or commercial purposes, offers for sale or in any case assigns specimens without the required documentation, but solely in relation to the species referred to Attachment B to the Regulation.*
- g) *In the case of repeated offenses, the culprit is punished by imprisonment for between three months and one year and a fine of between 20 million lire and 200 million lire. If the above offense is committed in the course of a business activity, conviction results in suspension of the license for between a minimum of four months and a maximum of twelve months.*

Fine of up to two hundred and fifty quotas.

**Law 150 dated 7 February 1992 “Regulation of offenses regarding the application in Italy of the Convention on international trade in endangered species of wild fauna and flora”**

**Art. 6, sub-section 4**

*Whoever contravenes the provisions of sub-section 1 (“Without prejudice to the provisions of Law 157 dated 11 February 1992, it is prohibited for anyone to hold live specimens of wild mammals and reptiles and live specimens of mammals and reptiles born in captivity that represent a danger for the health and safety of the public”) is punished by imprisonment for up to three months or a fine of between 15 million lire and 200 million lire.*

Fine of up to two hundred and fifty quotas.

**Law 150 dated 7 February 1992 “Regulation of offenses regarding the application in Italy of the Convention on international trade in endangered species of wild fauna and flora”**

**Art. 3-bis, sub-section 1**

*The offenses envisaged in art. 16, para. 1, letters a), c), d), e) and l), of Regulation (EC) 338/97 of the Council of 9 December 1996 and subsequent implementations and amendments, regarding the falsification or alteration of certificates, licenses, import notices, declarations, communications of*

*information in order to obtain a license or certificate, and the use of false or altered certificates or licenses are subject to the penalties envisaged in Book II, Title VII, Section III of the Criminal Code.*

Fine of up to two hundred and fifty quotas if offenses are committed that are punishable by imprisonment for not more than one year;

Fine of between one hundred and fifty and two hundred and fifty quotas if offenses are committed that are punishable by imprisonment for not more than two years;

Fine of between two hundred and three hundred quotas if offenses are committed that are punishable by imprisonment for not more than three years;

Fine of between three hundred and five hundred quotas if offenses are committed that are punishable by imprisonment for more than three years.

**Law 549 dated 28 December 1993 “Measures to protect atmospheric ozone and the environment”**

**Art. 3 “Cessation and reduction of the use of harmful substances”**

**Sub-section 6**

*Anyone who violates the provisions of this article is punished by imprisonment for up to two years and a fine of up to three times the value of the substances used in production, imported or sold. In the most serious cases, upon conviction, the authorization or license under which the illegal activity was carried out shall be revoked.*

Fine of between one hundred and fifty and two hundred and fifty quotas.

**Decree 202 dated 6 November 2007 “Implementation of Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements”**

**Art. 8 “Willful pollution”**

*Unless the facts represent a more serious offense, the captain of a ship sailing under any flag, as well as the members of the crew, the owner and the charter party, if the offense was committed with their cooperation, who willfully violate the provisions of art. 4 are punished by imprisonment for between six months and two years and a fine of between Euro 10,000 and Euro 50,000.*

*If the violation referred to in para. 1 causes permanent or in any case particularly serious damage to the quality of the waters, fauna and flora, or to some of these, the offense is punishable by imprisonment for between one and three years and a fine of between Euro 10,000 and Euro 80,000.*

Fine of between one hundred and fifty and two hundred and fifty quotas (first paragraph) and between two hundred and three hundred quotas (second paragraph). On conviction, the actor may be banned from the activities concerned for up to six months. If the entity or one of its organizational units is regularly used for the sole or principal purpose of allowing or facilitating commitment of the offenses addressed by this article, they shall be punished by a permanent ban on carrying out the activities concerned.

**Decree 202 dated 6 November 2007 “Implementation of Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements”**

**Art. 9 “Negligent pollution”**

*Unless the facts represent a more serious offense, the captain of a ship sailing under any flag, as well as the members of the crew, the owner and the charter party, if the offense was committed with their cooperation, who negligently violate the provisions of art. 4 are punished by a fine of between Euro 10,000 and Euro 30,000. If the violation referred to in para. 1 causes permanent or in any case particularly serious damage to the quality of the waters, fauna and flora, or to some of these, the offense is punishable by imprisonment for between six months and two years and a fine of between Euro 10,000 and Euro 30,000.*

Fine of up to two hundred and fifty quotas (first paragraph) and between one hundred and fifty and two hundred and fifty quotas (second paragraph). On conviction (for the cases envisaged in the second paragraph), the actor may be banned from the activities concerned for up to six months.

**16.2 [omissis]**

**16.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “Exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

**16.4 General rules of conduct**

I.M.M. Hydraulics S.p.A. adopts principles and instruments aimed at guaranteeing fairness, transparency and traceability in all the operations carried out.



With regard in particular to the activities at risk of committing a waste management offense, the Code of Ethics commits the Company to using authorized parties (waste management companies, waste transporters, etc.) that satisfy the most demanding requirements of reliability, professionalism and ethics, as well as to training employees to produce less waste and consume fewer resources.

With regard to environmental matters taken as a whole, the conduct of I.M.M. Hydraulics S.p.A. is based on the following principles:

- promotion of environmental protection and compliance with environmental legislation by all employees and collaborators of any kind, customers, vendors and partners;
- orientation of corporate decisions to guarantee the greatest possible compatibility of economic initiatives with environmental requirements, not merely complying with current regulations but developing sustainable synergies with the territory, natural elements and the health of workers;
- utilization in activities of recycled / recyclable materials and products whenever possible;
- definition and maintenance of programs for the design and management of Company structures that comply with and, where possible, improve on the standards defined by laws and regulations;
- consideration of environmental matters in all principal business operations carried out by the Company;
- utilization of resources in an efficient manner.

Specific audit activities are envisaged regarding the suitability and application of the controls established over the above activities.

#### **16.5 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 17 Offenses of organized crime

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## 17.1 Description of the offense

Law 94 dated 15 July 2009 (“Instructions on public safety”) extended, by adding art. 24 *ter* to Decree 231/2001, the administrative responsibility of entities for offenses that depend on organized crime committed in the country, even though lacking the requirement of trans-nationality.

The commission of certain offenses of organized crime in the interests of or for the benefit of the entity already involved a form of co-responsibility between natural persons and legal entity, if the offense was committed in more than one country or in a single country, but with part of the conduct (conceptualization, preparation, management or control) carried out elsewhere, with the implication of an organized crime group engaged in illegal activities in more than one country or the effects of which occur in a different country (arts. 3 and 10 of Law 146/2006 “Ratification and implementation of the Convention and Protocols of the United Nations against transnational organized crime”).

The new article 24-ter of Decree 231/2001 envisages, on the contrary, pecuniary and prohibitory penalties for the entity that commits any of the offenses depending on organized crime as listed below, without any constraints concerning the place of commission of the crime or concerning the perpetration:

- Criminal association (art. 416, criminal code)
- Crimes of criminal association aimed at imposing or maintaining a condition of slavery, trafficking in human beings, the purchase or sale of slaves and the crimes concerning the violation of provisions concerning clandestine immigration as at art. 12 of Decree 286/1998 (art. 416, para. 6, criminal code);
- Mafia-type activity including foreign associations (art. 416-bis, criminal code);
- Political-mafia type vote rigging (art. 416-ter, criminal code);
- Kidnapping of persons for the purpose of extortion (art. 630, criminal code);
- Criminal association for the purpose of trafficking in narcotics or psychotropic drugs (art. 74 Pres. Decree 309/90);
- Offenses concerning the manufacture and trafficking of weapons of war, explosives and clandestine weapons (art. 407, para. 2, letter a), criminal procedures code).

A description of the offenses in question is given below:

**Criminal association (art. 416, criminal code)** Punishes those who, in a minimum of three or more persons, enter into association with the aim of committing a plurality of crimes, or those who promote or constitute or organize the association between three or more persons.

In addition, the sixth paragraph of the regulation punishes criminal association for the commitment of specific offenses, such as *the reduction or retention of persons in enslavement of servitude* (art. 600, criminal code), *the kidnapping of persons* (art. 601, criminal code) and *the purchase and sale of*



slaves (art. 602, criminal code)<sup>25</sup>.

**Mafia-type activity including foreign associations (art. 416-bis, criminal code)** Punishes membership of mafia-type associations comprising three or more persons; or the conduct of those who promote, direct or organize such associations.

**Political-mafia type vote rigging (art. 416-ter, criminal code)** Punishes the conduct of persons who obtain the promise of votes in exchange for the payment of money.

**Kidnapping of persons for the purpose of extortion (art. 630, criminal code)** Punishes the conduct of persons who kidnap a victim with the aim of gaining an illicit profit for themselves or for others in the form of a ransom payment for release of the hostage.

**Criminal association for the purpose of trafficking in narcotics or psychotropic drugs (art. 74 Pres. Decree 309/90)** Punishes the conduct of those who associate, in groups of at least three persons, in order to commit various offenses among those envisaged in art. 73 of the Presidential Decree (unlawful production, trafficking in and holding of narcotic and psychotropic drugs), or those who promote, direct, organize or finance such associations.

**Offenses concerning the manufacture and trafficking of weapons of war, explosives and clandestine weapons (art. 407, para. 2, letter a), criminal procedures code)** Punishes the conduct of those who manufacture, introduce into the country, offer for sale, transfer, retain and transfer to public places or places open to the public, weapons of war or components of weapons of war, explosives, clandestine weapons, and common firearms.

## 17.2 [omissis]

## 17.3 Recipients of the Special Part

This Special Part refers to conduct adopted by directors, managers and “exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

## 17.4 General rules of conduct

I.M.M. Hydraulics S.p.A. adopts principles and instruments aimed at guaranteeing fairness,

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<sup>25</sup> Consequent to Law 236 dated 11 December 2016, the sixth paragraph of art. 416 of the criminal code now makes reference to art. 601-bis of the criminal code, which punishes trafficking in organs taken from living persons.

transparency and traceability in all the operations carried out.

With special reference to activities at risk of commission of acts of organized crime, the Code of Ethics establishes that business relations must be entertained only with customers, consultants, companies, partners and vendors of certain reputation engaged in legal commercial activities and whose income is derived from legitimate sources. The rules established in this regard ensure the proper identification of customers and specific procedures for the selection and evaluation of target companies.

In the cases of criminal association aimed at committing the offenses identified in Decree 231/2001 (e.g. fraud, corruption, etc.), reference is also made to all the checks already evidenced in the relevant special parts and designed to manage the risk of identified offenses targeted by the criminal association. Indeed, as also suggested by prevailing legal theory on this subject, the controls put in place to cover the commitment of these offenses consequently make it possible to prevent the formation of criminal associations for this purpose.

By contrast, in the case of internal or external criminal association aimed at committing offenses not identified in Decree 231/2001, the conduct of I.M.M. Hydraulics S.p.A. is based on the following principles:

- pay attention to *integrity and ethics* in the execution of activities;
- assign *decision-making responsibilities* commensurate with the degree of responsibility, authority and autonomy granted;
- define, assign and communicate properly the *powers of authorization and signature*, determining as necessary thresholds for the approval of expenses, so that no person is assigned unlimited powers;
- guarantee the principle of *segregation of duties* in the management of processes, assigning the crucial phases of each process to different persons, separating in particular the phases of authorization, accounting recognition, implementation and control.
- envisage suitable control points in the performance of activities (balancing, reporting mechanisms, reconciliations, etc.);
- ensure the verifiability, documentability, consistency and reasonableness of each operation or transaction. For this purpose, the *traceability* of the activity must be guaranteed by means of a suitable documentary support on the basis of which the execution of checks can proceed at any time.
- ensure the *documentability of the checks* carried out;
- guarantee the existence of specific *reporting mechanisms* that allow systematic reporting by personnel who carry out sensitive activities;
- envisage *periodic monitoring* of the propriety of the activities carried out by the individual functions in the context of the process considered (compliance with the rules, proper use of powers of signature, expenditure, etc.);
- ensure appropriate selection of the external consultants to which the Company outsources work, guaranteeing the transparency of the assignment process and satisfaction of the honorability



and professionalism requirements, as well as the reliability of all persons who are involved in business processes in any way.

The Company adopts all necessary tools and controls so that:

- decision centers within the Company act and make decisions based on codified rules and keep a record of their work (meeting minutes, reports, etc.);
- all documentation about customers, consultants, vendors, partners, etc. is carefully recorded and retained in order to ensure the completeness, availability and confidentiality of the information;
- the use of cash is limited to petty expenditures.

Specific audit activities are envisaged regarding the suitability and application of the controls established over the above activities.

#### **17.5 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.



## 18 Tax offenses

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## 18.1 Description of the offense

Law 157/2019 (applicable from 25 December 2019), which enacted Decree 124/2019 (the “Tax Decree”) introduced various important changes, including the addition of certain tax offenses identified in Decree 74/2000 to those for which entities may have administrative responsibility (new art. 25-*quinqüesdecies* of Decree 231/2001, introduced by art. 39, para. 2, of Decree 124/2019).

Specifically, art. 25-*quinqüesdecies*, para. 1, of Decree 231/2001 extends the range of identified offenses for which entities may have administrative responsibility to include:

- fraudulent declarations using invoices or other documents for non-existent transactions (art. 2, paras. 1 and 2-*bis*, Decree 74/2000), punished by a fine of up to five hundred quotas in the case envisaged in art. 2, para. 1, or up to four hundred quotas in the case envisaged in art. 2, para. 2-*bis*;
- fraudulent declarations by other means (art. 3, Decree 74/2000), punished by a fine of up to five hundred quotas;
- issue of invoices or other documents for non-existent transactions (art. 8, paras. 1 and 2-*bis*, Decree 74/2000), punished by a fine of up to five hundred quotas in the case envisaged in art. 8, para. 1, or up to four hundred quotas in the case envisaged in art. 8, para. 2-*bis*;
- hiding or destruction of accounting documents (art. 10, Decree 74/2000), punished by a fine of up to four hundred quotas;
- fraudulent failure to pay taxes due (art. 11, Decree 74/2000), punished by a fine of up to four hundred quotas.

In addition, if the entity has obtained a considerable profit as a result of commitment of the above offenses, the fine is increase by up to one third.

The legislator has also envisaged the application of forms of interdiction pursuant to art. 9, para. 2, letters c), d) and e), of Decree 231/2001, such as prohibition to contract with the public administration, exclusion from assistance, financing, grants or subsidies and possible revocation of those already awarded, as well as prohibition to advertise goods and services.

Additional legislative changes were made by Decree 75/2020 (published in the Italian Official Gazette on 15 July 2020), which transposed Directive (EU) 2017/1371, better known as the “PIF Directive”, on the fight against fraud to the Union’s financial interests by means of criminal law, which is included within a unified European framework intended to (i) harmonize the criminal law of EU member States that protects financial interests and (ii) introduce, within the legal framework of each member State, forms of criminal responsibility for entities following the commitment of a “serious” offense against the common VAT system or a fraud to the Union’s financial interests.

In particular, with reference to the category of identified tax offenses for which entities may have administrative responsibility, art. 5 of the Decree transposing the PIF Directive added para. 1-*bis* to art. 25-*quinqüesdecies* of Decree 231/2001, which states that, “*On commitment of the offenses envisaged in Decree 74 dated 10 March 2000 in the context of fraudulent cross-border systems and*

*in order to evade VAT totaling not less than Euro 10 million, the following fines are levied on the entity:*

- *for the crime of untrue declaration envisaged in art. 4, fine of up to three hundred quotas;*
- *for the crime of omitted declaration envisaged in art. 5, fine of up to four hundred quotas;*
- *for the crime of improper offset envisaged in art. 10-quater, fine of up to four hundred quotas”.*

Pursuant to para. 3 of art. 25-*quinquiesdecies*, the interdictions envisaged in art. 9, para. 2, letter c), d) and e), of Decree 231/2001 may also be applied to the above crimes.

The tax offenses envisaged in para. 1 of art. 25-*quinquiesdecies* apply “for 231 purposes” if the relevant criminal conduct was carried out in the interests or for the benefit of the entity (art. 5, para. 1, Decree 231/2001) while, on the other hand, the tax offenses envisaged in para. 1-*bis* only apply “for 231 purposes” if two additional conditions are satisfied: the crime was committed (i) in the context of fraudulent cross-border systems (i.e. in the territories of two or more member States) and (ii) in order to evade VAT totaling not less than € 10,000,000.

A description of the offenses in question is given below.

**Fraudulent declarations using invoices or other documents for non-existent transactions (art. 2, paras. 1 and 2-*bis*, of Decree 74/2000).**

This type of offense is committed by whoever, in order to evade income or value-added taxes by using invoices or other documents for non-existent transactions, includes fictitious expenses in the related tax declarations.

The offense is “instantaneous” and is deemed to occur on presentation by the taxpayer of tax declarations (relating to income taxes or VAT) that include fictitious expenses supported by false invoices or other false documents issued for transactions that, in whole or in part, did not take place, or that indicate consideration or VAT in excess of the true amounts or that relate the transactions to parties other than those actually involved, which are recorded in the mandatory accounting records or, in any case, retained as evidence for the tax authorities. There is no threshold for the punishment of this criminal offense and, accordingly, the penalties are levied regardless of the amount of tax evaded.

Fraudulent declarations using invoices or other documents for non-existent transactions represent a “role-specific” offense. Given its instantaneous nature, the party who commits the offense can only be the taxpayer (or its representative) who signs and presents the income tax or VAT declaration, whether or not required to keep accounting records.

The offense is evidenced by the income tax or VAT declaration that uses false supporting documents in order to impede the verification work of the tax authorities.

For this offense to occur, it is also necessary that the false invoices or other documents refer to “non-existent transactions”.

Lastly, with regard to the psychological element, the offense of fraudulent declarations pursuant to art. 2 of Decree 74/2000 is punished as a specific willful deed; it follows that, in addition to demonstrating knowledge of and desire to use false invoices or other documents for non-existent transactions, it is also necessary to show that this was deliberate in order to “evade income or value-added taxes”.

#### **Fraudulent declarations by other means (art. 3, Decree 74/2000)**

Except in the cases envisaged in art. 2, this type of offense is committed by whoever, in order to evade income or value-added taxes, puts in place subjectively or objectively untrue operations or uses false documents or other fraudulent means to impede verification or mislead the tax authorities and, consequently, understates income in the related tax declarations or includes fictitious expenses, tax credits or withholdings in them, when both of the following conditions are satisfied:

- a) the tax evaded in relation to each tax considered separately exceeds Euro 30,000;
- b) the total income hidden from taxation, including via the indication of non-existent expenses, exceeds 5% of the total income declared or, in any case, exceeds Euro 1,500,000, or the total amount of the fictitious credits or withholdings deducted from the tax exceeds 5% of the amount of that tax or, in any case, Euro 30,000.

The offense is deemed to have been committed using false documents when they are recorded in the mandatory accounting records or, in any case, retained as evidence for the tax authorities.

The general elements of the offenses specified in arts. 2 and 3 of Decree 74/2000 are the same in terms of when and how committed and their structure.

The subjective element required by law is represented by the specific willful deed i.e. intention to evade income or value-added taxes, which must be demonstrated in order to determine that the offense was committed.

#### **Issue of invoices or other documents for non-existent transactions (art. 8, paras. 1 and 2-bis, of Decree 74/2000)**

This type of offense is committed by whoever, in order to enable third parties to evade income or value-added taxes, issues or provides invoices or other documents for non-existent operations.

The issue of invoices or other documents for non-existent transactions is a “common breach of law”, in that it may be committed by any party registered for VAT that issues an invoice for a non-existent transaction, or by any natural person who issues an invoice for the non-existent supply of occasional freelance services.

The issue of invoices or other documents for non-existent transactions is deemed to be an “instantaneous” offense founded on mere conduct and “real risk”, given that the conduct is only criminal if, in practice, it may be detrimental to the protected interest (interest of the tax authorities in collecting taxes).

The crime is committed on the issue or provision of fictitious invoices or documents (instantaneous offense), given that their actual subsequent use in the tax declarations of the third party concerned is

not relevant.

With regard to the subjective element, art. 8 of Decree 74/2000 requires the conduct to be carried out “in order to enable third parties to evade income or value-added taxes”. The psychological element needed for the crime to exist consists of the specific willful deed.

#### **Hiding or destruction of accounting documents (art. 10, Decree 74/2000)**

This type of offense is committed by whoever, in order to evade income or value-added taxes, or enable third parties to evade them, hides or destroys, in whole or in part, mandatory accounting records or documents that must be retained, in order to prevent the reconstruction of their income or volume of business.

The crime of hiding or destruction of accounting documents is penalized in order to safeguard “fiscal transparency”, being the interest of the tax authorities to prevent impediments to their verification of the existence and size of a taxable amount (protected legal asset).

This offense represents a “common breach of law”, in that it may be committed by the taxpayer with regard to “accounting documents” that must be retained, or by parties other than the taxpayer to which such documents belong.

Commitment of the offense requires the hiding or destruction of accounting records or documents that, by law, must be retained.

The offense is committed instantaneously, when accounting records are destroyed, and is permanent if documents are hidden, with different consequences with respect to determination of the timing of the event. In this regard, commitment of the offense requires conduct carried out “in order to prevent the reconstruction of income or the volume of business”. Beyond general knowledge of the hiding or destruction of mandatory accounting records or documents that must be retained, the offense of hiding or destruction of accounting documents requires the existence of a specific willful intention to evade income or value-added taxes or enable third parties to evade them.

#### **Fraudulent failure to pay taxes due (art. 11, Decree 74/2000)**

This type of offense is committed by whoever, in order to evade income or value-added taxes, or interest or administrative penalties relating to those taxes totaling more than Euro 50 thousand, fraudulently sells or carries out other fraudulent deeds relating to their assets, or those of others, in order to render the enforced collection procedure ineffective, in whole or in part.

Commitment of this offense requires the tax debtor (perpetrator) to make specific arrangements that impede collection by the tax authorities.

In terms of the subjective element, the deed must be willful i.e. with a desire to evade the payment of taxes via conduct designed to frustrate the enforced collection procedure.

Para. 2 of art. 11 of Decree 74/2000 identifies and penalizes as a separate offense the understatement of income or the indication of fictitious expenses in excess of Euro 50 thousand, in order to obtain directly or for others the partial payment of taxes, interest and penalties in the context of a tax settlement procedure pursuant to art. 182-ter of Royal Decree 267/1942 (so-called



Bankruptcy Law) and art. 63 of Law 14/2019 (so-called Business Crisis Code).

#### **Untrue declarations (art. 4, Decree 74/2000)**

This type of offense is committed by whoever, in order to evade (income or) value-added taxes, understates income in a related annual tax declaration or includes non-existent expenses.

Following the inclusion in Decree 75/2020 of the offense referred to in art. 4 of Decree 74/2000, this offense could result in administrative responsibility for entities if committed in relation to fraudulent cross-border systems in order to evade VAT totaling not less than Euro 10 million.

The legal asset protected is the financial interest of the tax authorities, being their interest in collecting taxes. This is a role-specific offense, in that it can only be committed by the party required to present the annual income or value-added tax declaration.

The subjective element required by law is represented by the specific willful deed i.e. intention to evade the taxes being declared. “231 significance” arises if the offense is committed “in order to evade value-added tax” in the context of the broader fraudulent cross-border system within which the conduct is carried out.

Untrue declarations pursuant to art. 4 of Decree 74/2000 are a type of instantaneous offense that is committed upon presentation of an untrue declaration.

#### **Omitted declaration (art. 5, Decree 74/2000)**

This type of offense is committed by whoever, in order to evade (income or) value-added taxes, fails to file a related mandatory tax declaration in relation to those taxes.

Decree 75/2020 included the offense pursuant to art. 5 of Decree 74/2000 among those identified in art. 25-*quinquiesdecies* of Decree 231/2001, if committed in the context of fraudulent cross-border systems in order to evade value-added taxes totaling not less than Euro 10 million. For these reasons, the omitted declaration must relate to the territories of two or more member States and the offense must be committed within a fraudulent system designed to obtain undue advantages from the common VAT system that exceed the materiality threshold of Euro 10 million in evaded taxation.

#### **Improper offsets (art. 10-*quater*, Decree 74/2000)**

This type of offense is committed by whoever fails to pay amounts due by offsetting, pursuant to art. 17 of Decree 241/1997, undue or non-existent credits.

If committed in the context of fraudulent cross-border systems in order to evade value-added taxes totaling not less than Euro 10 million, this offense is also included by art. 5 of Decree 75/2020 among those identified in art. 25-*quinquiesdecies* of Decree 231/2001.

### **18.2 [omissis]**

### **18.3 Recipients of the Special Part**

This Special Part refers to conduct adopted by directors, managers and “Exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

#### 18.4 General rules of conduct

This Special Part **expressly bans** Recipients from:

- adopting, collaborating, or giving cause for the adoption of types of conduct such that could correspond to the commission of offenses as considered above (art. 25-*quinqüesdecies* of the Decree);
- adopting, collaborating, or causing to be adopted forms of conduct which, although not such as to constitute in themselves the commission of the offenses among these considered above, may potentially become so.

This Special Part consequently places an express obligation on the Recipients to:

1. observe strictly all regulations imposed by law in the management of tax and tax-related requirements and act always in compliance with the internal procedures that *inter alia* are based on such regulations;
2. behave in a proper, transparent and collaborative manner in all activities contributing to the management of tax and tax-related requirements;
3. ensure that the roles, responsibilities and activities related to the management of tax and tax-related requirements are carried out in compliance with the principles of objectivity, transparency and traceability, and that a system of mandates and delegated powers is defined in order to identify the persons who carry out, check and authorize such activities;
4. ensure the existence and effective functioning of information flows between the Recipients, as defined above, involved in managing and carrying out the tax and tax-related requirements, and ensure the traceability of those flows;
5. ensure that the deadlines for satisfying the tax and tax-related requirements are monitored;
6. ensure the monitoring and traceability of the cash flows significant for the management of tax and tax-related requirements;
7. ensure the existence and functioning of periodic checks on the proper satisfaction of tax and tax-related requirements;
8. ensure that the accounting records for statutory and tax purposes are kept properly and updated and that accounting entries are checked periodically and/or on a sample basis;

9. ensure the traceability and retention of documentation relating to specific costs and expenses that enable the Company to obtain tax credits/tax relief;
10. ensure the traceability and retention of suitable documentation evidencing all transactions involving the import and export of goods;
11. identify the persons responsible for the management of special transactions, including any with related parties, ensure the involvement of those business functions assigned duties with regard to the operational management of tax and tax-related requirements, and ensure that the related decision-making powers are assigned to persons holding suitable powers within the system of mandates and delegated powers;
12. ensure that activities associated with the management of special transactions, including any with related parties, and the related operational (tax and tax-related) requirements, are carried out in compliance with all relevant regulations imposed by law, internal corporate procedures and the principles of truth, propriety and completeness;
13. ensure, prior to carrying out a special transaction, including any with related parties, that checks are made regarding the existence of tax assessments and/or tax inspections in progress by the tax authorities, and ensure that the special transaction is not being carried out to evade the payment of income or value-added taxes, or interest or administrative penalties in relation to those taxes;
14. ensure the verifiability, documentability, consistency and reasonableness, in general, of each transaction (for this purpose, the traceability of the activity must be guaranteed by the existence of adequate documentary support, so that checks can be carried out at any time);
15. make, in a timely and proper manner and in good faith, all the communications to the authorities competent for tax and tax-related matters envisaged by law, without impeding in any way the performance of their supervisory functions;
16. behave in a proper and transparent manner with all public parties with which the Company maintains relations of any kind on tax and tax-related matters;
17. behave in a proper, transparent and collaborative manner, in compliance with corporate rules and procedures, when carrying out activities that might be preparatory to/useful for the commitment of tax offenses identified in Decree 231/2001, as described above, and therefore by way of example (i) ensure the proper identification of customers and suppliers, checking the activities actually carried out by them, their financial sustainability and their commercial and professional reliability, (ii) check that invoices issued and/or received are supported by an order and/or a contract, that the data stated on them is correct, that they are addressed to the parties actually involved in the underlying order and/or contract, and that they refer to goods and services actually supplied and/or received, and (iii) ensure the segregation of duties between those who select and qualify the supplier of goods and services, managing the related master file details, those who authorize purchases by signing the related contracts/legal instruments, and those who check that the goods/services acquired, the contract/legal instrument and the related invoice are all in agreement.

#### **18.5 *[omissis]***

#### **18.6 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.

## 19 Customs offenses (contraband)

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## 19.1 Description of the offense

Decree 75/2020 which transposed Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law (so-called PIF Directive) introduced Contraband as an identified offense for which entities may have administrative responsibility.

In particular, para. 1.d) of art. 5 of the above Decree establishes that: *"The following changes are made to Decree 231 dated 8 June 2001: [...]"*

*d) art. 25-quinquiesdecies is followed by: «Art. 25-sexiesdecies (Contraband) 1. With regard to commitment of the offenses envisaged in Presidential Decree 43 dated 23 January 1973, the entity is fined up to two hundred quotas. 2. When the border duties due exceed Euro 100 thousand, the entity is fined up to four hundred quotas. 3. In the cases envisaged in paras. 1 and 2, the interdictions envisaged in art. 9, para. 2, letters c), d) and e), are imposed on the entity».*

Specifically, the offenses of contraband are governed by Title VII Chapter I, arts. 282-301, of the Consolidated Customs Law, Presidential Decree 43/1973 (CCL). Note that the Decriminalization Decree (Decree 8 dated 15 January 2016, decriminalized contraband offenses so they are now only penalized by fines, thus transforming them into unlawful administrative conduct (except in the circumstances envisaged in points (ii) and (iii) below).

Accordingly, the offenses indicated in Decree 231/2001 only include:

- i. offenses identified in the CCL that envisage imprisonment (arts. 291-*bis*, 291-*quater*);
- ii. offenses identified in the CCL committed under one or more of the aggravating circumstances envisaged in art. 295 CCL;
- iii. offenses envisaged in Title VII Chapter I CCL when the border duties evaded, pursuant to art. 1, para. 4, of Decree 8/2016, exceed Euro 10 thousand.

Given the activities carried out by the Company, it is only considered appropriate to mention some of the offenses envisaged in the CCL:

- Art. 282, Contraband in the movement of goods across land borders and within customs areas;
- Art. 287, Contraband in the improper use of goods imported under favorable customs rules;
- Art. 290, Contraband in the export of goods eligible for the repayment of duties;
- Art. 291, Contraband in relation to temporary imports or exports;
- Art. 292, Other cases of contraband.

A description of the offenses in question is given below.

### **Contraband in the movement of goods across land borders and within customs areas (art. 282, Presidential Decree 43 dated 23/01/1973)**

This type of offense is committed by whoever, evading border duties in excess of Euro 10 thousand or under one of the aggravating circumstances envisaged in art. 295 CCL: a) imports foreign goods across land borders in violation of the instructions, prohibitions and restrictions established in art. 16 CCL; b) unloads or deposits foreign goods in the area between the frontier and the nearest customs office; c) is caught with foreign goods hidden on their person or in baggage, parcels or furniture or among goods of another type or in any means of transport, in order to avoid customs inspection; d) removes goods from customs areas without having paid the duties due or guaranteed their payment,

except as envisaged in art. 90 CCL; e) removes from the customs territory, in the circumstances envisaged in the preceding points, domestic goods or those transformed into domestic goods that are subject to border duties; f) holds foreign goods in the circumstances envisaged in art. 25 for the offense of contraband.

**Contraband in the improper use of goods imported under favorable customs rules (art. 287, Presidential Decree 43 dated 23/01/1973)**

This type of offense is committed by whoever, evading border duties in excess of Euro 10 thousand or under one of the aggravating circumstances envisaged in art. 295 CCL, gives foreign goods - imported within the authorized limit and with the related reduction in duties - a different use, in whole or in part, to that for which the authorized limit or reduction was granted.

**Contraband in the export of goods eligible for the repayment of duties (art. 290, Presidential Decree 43 dated 23/01/1973)**

This type of offense is committed by whoever, evading border duties in excess of Euro 10 thousand or under one of the aggravating circumstances envisaged in art. 295 CCL, uses fraudulent means to obtain the undue repayment of duties levied on the importation of raw materials used to make domestic goods that are exported.

**Contraband in relation to temporary imports or exports (art. 291, Presidential Decree 43 dated 23/01/1973)**

This type of offense is committed by whoever, **when carrying out temporary import or export operations or re-export or re-import operations, subjects the goods to artificial processing or uses other fraudulent means to avoid the payment of duties that would be due on them**, thereby evading border duties in excess of Euro 10 thousand or under one of the aggravating circumstances envisaged in art. 295 CCL.

**Other cases of contraband (art. 292, Presidential Decree 43 dated 23/01/1973)**

This catch-all offense is committed by whoever, except in the cases envisaged in the above articles of the CCL, evading border duties in excess of Euro 10 thousand or under one of the aggravating circumstances envisaged in art. 295 CCL, arranges for goods to avoid payment of the border duties due.

**Aggravating circumstances (art. 295, Presidential Decree 43 dated 23/01/1973)**

This article governs the aggravating circumstances applicable to the offense of contraband, which is aggravated if:

- a) the guilty party uses means of transport belonging to persons not party to the offense;
- b) when committing the offense, or immediately afterwards in the supervised zone, the guilty party is caught bearing arms;
- c) when committing the offense, or immediately afterwards in the supervised zone, three or more persons guilty of contraband are caught together, in conditions that impede the activities of the police;

- d) the fact is connected with another offense against public trust or against the public administration;
- e) the guilty party is a member of an association established to commit contraband offenses and the offense committed was among those for which the association was formed;
- f) the amount of the border duties due exceeds Euro 100 thousand.

## 19.2 [omissis]

## 19.3 Recipients of the Special Part

This Special Part refers to conduct adopted by directors, managers and “Exponent” employees of I.M.M. Hydraulics S.p.A. in the areas of activities at risk, and by external Collaborators, outsourcers and Partners, as already defined in the General Part (hereinafter all referred to as “Recipients”).

The goal of this Special Part is to ensure that all the Recipients, as identified above, adopt rules of conduct that are in compliance with the requirements contained herein, in order to prevent occurrence of the offenses envisaged in the Decree.

## 19.4 General rules of conduct

This Special Part **expressly bans** Recipients from:

- adopting, collaborating, or giving cause for the adoption of types of conduct such that could correspond to the commission of offenses as considered above (art. 25-*sexiesdecies* of the Decree);
- adopting, collaborating, or causing to be adopted forms of conduct which, although not such as to constitute in themselves the commission of the offenses among these considered above, may potentially become so.

This Special Part consequently places an express obligation on the Recipients to:

1. observe strictly all regulations imposed by law in the management of customs requirements and act always in compliance with the internal procedures that *inter alia* are based on such regulations;
2. behave in a proper, transparent and collaborative manner in all activities contributing to the management of customs requirements;
3. ensure that the roles, responsibilities and activities related to the management of customs requirements are carried out in compliance with the principles of objectivity, transparency and traceability, and that a system of mandates and delegated powers is defined in order to identify the persons who carry out, check and authorize such activities;



4. ensure the existence and effective functioning of information flows between the Recipients, as defined above, involved in managing and carrying out the customs requirements, and ensure the traceability of those flows;
5. ensure the monitoring and traceability of the cash flows significant for the management of customs requirements;
6. ensure the existence and functioning of periodic checks on the proper satisfaction of customs requirements;
7. ensure the verifiability, documentability, consistency and reasonableness of each operation or transaction significant for the management of customs requirements. For this purpose, the traceability of the activity must be guaranteed by the existence of adequate documentary support, so that checks can be carried out at any time;
8. make, in a timely and proper manner and in good faith, all the communications to the authorities competent for customs matters envisaged by law, without impeding in any way the performance of their supervisory functions;
9. behave in a proper and transparent manner with all public parties with which the Company maintains relations of any kind on customs-related matters.

#### **19.5 [omissis]**

#### **19.6 Prevention procedures and protocols**

The procedures and protocols adopted by the Company are an integral part of this Model. The procedures and protocols are communicated to all parties involved in the processes to which they relate. All parties involved in the process are required to comply with and respect the procedures and protocols governing their sphere of activities, implementing them rigorously.



## **ANNEXES**

*[omissis]*