

ORGANIZATION MANAGEMENT AND CONTROL MODEL

(pursuant to Italian Legislative Decree 231/2001 and subsequent amendments and additions)

Organization, management and control manual

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INTRODUCTION

Structure of the manual

This manual is made up of a detailed and organized series of documents that should be treated as a single volume.

In detail the manual is structured as follows:

- **Current document**, descriptive part of the Organization, management and control manual.
- **Annex 1** - Text of Italian Legislative Decree 231/2001 and subsequent amendments and additions
- **Annex 2** - List of predicate offences triggering liability under Italian Legislative Decree 231/2001
- **Annex 3** - 231 risk identification and assessment
- **Annex 4** - Disciplinary Framework
- **Annex 5** - Code of Conduct under Italian Legislative Decree 231
- **Annex 6** - Preventive procedures against Decree 231 risks and tax risks
- **Annex 7** - Procedure for information flows to the Supervisory Board

The organization of the model in a "central" document and a series of annexes is to facilitate updates (the various documents can be updated separately; each will carry a version number to keep track of the update) and to safeguard the confidentiality of some of them (e.g. Decree 231 Risk Assessment Document).

These documents, together with the various Regulations in force in the Company, the Procedures of the ISO 9001 and ISO 14001 Management System and the UNINAIL Guidelines and other applicable rules, which are expressly referred to in this Model and which form an integral part thereof, implement the preventive measures designed to counter risks of predicate offences (for simplicity, the term "Model" in the rest of this document means all of such rules, whether contained in the Code of Conduct, in the Protocols, in the Procedures, in the Regulations or in other corporate documents).

Italian Legislative Decree 231/2001

Italian Legislative Decree 231 of 8 June 2001 (the "**Decree**" or "**Decree 231/2001**") has introduced a new type of liability into the Italian legal system: the administrative liability of entities, companies, associations and legal persons for specific offences that are committed (or even only attempted) by individuals acting in their interest or to their benefit.

According to the **Decree**, if an individual commits a specific offence in a company's interest or to its benefit, the offence will give rise not only to the criminal liability of the individual who committed it, but also the administrative liability of the company.

The law clearly identifies the offences, committed in an entity's interest or to its benefit, which trigger its administrative liability (the "**Offences**").

EBARA PUMPS EUROPE S.p.A. (hereinafter the "Company" or "EPE") was established on 1 December 1988 and operates both as a manufacturer and as a distributor of industrial and domestic pumps, acting as the point of reference for the Japanese multinational EBARA Group in the EMEIA region (Europe, Middle East, India and Africa). The Company conducts its business in factories in Cles (Trento - Italy), also the location of its registered office, and in Gambellara (Vicenza - Italy).

In Europe, EPE is an important player for the industrial and domestic pumps market and over the years has developed an innovative range of stainless steel products that offer considerable advantages over conventional cast iron pumps. This is clearly the result of the high level of technology developed for these products, particularly where the casting and welding processes are concerned.

These results have been and are achieved through the application of a Business Management System that also aims to improve internal communications between the various business functions.

The Company belongs to the category of legal entities that may incur the administrative liability in question and has therefore adopted a model of organization, management and control able to prevent the commission of the **Offences** and that, in the event of commission, prevents, under the terms of the **Decree**, its administrative liability from being triggered.

On 20 March 2014, the Board of Directors of *EBARA PUMPS EUROPE S.p.A.* approved an **Organization, Management and Control Model**, drawn up in accordance with and for the purposes of Decree 231/2001.

The Company has therefore adopted an organizational model, an internal control system and appropriate standards of conduct that can prevent the commission of offences covered by the Decree both by individuals (the Company's directors, employees or other collaborators) at the top of the Company and by those under their supervision or management.

On 24 July 2017, the Board of Directors approved an updated version of the Model as a result of the following legislative changes:

- under Law 186 of 15 December 2014, the addition to the list of 231 offences of Self-laundering (Art. 648-ter.1 Italian Penal Code);
- under Law 68 of 22 May 2015, the addition of a number of Eco-crimes to the list of environmental offences triggering liability under Decree 231/01;
- under Law 69 of 27 May 2015, the amendment of the offences envisaged by Art. 2621 and 2622 of the Italian Civil Code (False corporate communication), already predicate offences triggering liability under Decree 231/2001 (this law has also introduced Art. 2621-bis "Minor deeds" to the Civil Code and to the List of Decree 231 offences, providing for the application of a reduced penalty taking into account the nature and size of the company as well as the methods and effects of the

criminal conduct; Law 69/2015 has also increased the financial penalties imposed on entities that commit the new offences envisaged by Art. 2621 and Art. 2622 of the Italian Civil Code.

Subsequently, the Company approved a revised edition of the Model on 14/03/2019, further updated to reflect the following intervening legislative changes:

- Legislative Decree 7 of 15 January 2016 has amended Art. 491-bis of the Italian Penal Code ("Digital documents") - referred to as a predicate offence triggering 231 liability - limiting the relevance of falsifying conduct to cases involving public digital documents of evidential value (and no longer also private documents of such value);
- Law 199 of 29 October 2016 has introduced in Art. 25-quinquies par. 1 (a) of Decree 231/01 the offence envisaged by Art. 603-bis of the Italian Penal Code "Illicit brokering and exploitation of labour"(so-called "gangmaster system");
- Law 236 of 11 December 2016 has inserted in the Italian Penal Code Art. 601-bis ("Trafficking of human organs taken from living persons") and extended the scope of the Penal Code's Art. 416 par. 6 ("Criminal conspiracy"), already a predicate offence triggering the administrative liability of corporate entities under Decree 231/2001;
- Legislative Decree 238 of 15 March 2017 has amended the offence of Private-to-private corruption (Art. 2635 of the Italian Civil Code) and introduced the offence of Incitement to private-to-private corruption (Art. 2635-bis of the Italian Civil Code), with the latter's inclusion in the list of predicate offences triggering liability under Decree 231/2001.
- Law 161 of 17 October 2017 (reform of Antimafia Code) has amended Art. 25-duodecies of Decree 231/2001;
- Law 179 of 30 November 2017 has amended Art. 6 of Decree 231/2001 to provide that Models must now envisage a reporting system that guarantees the protection and privacy of informants (so-called whistleblowers);
- Law 167 of 20 November 2017 has expanded the list of Decree 231/2001 predicate offences with the insertion of Art. 25-terdecies entitled "racism and xenophobia";
- Legislative Decree 21 of 1 March 2018 has deleted:
 - Art. 3 of Law 654/1975 (reflected in art. 25-terdecies of Decree 231, "Racism and xenophobia") replacing it with Art. 604-bis of the Italian Penal Code "Propaganda and instigation to commit crimes on grounds of ethnic, religious and racial discrimination";
 - Art. 260 of Legislative Decree 152/2006 (reflected in Art. 25-undecies, "Environmental offences") replacing it with Art. 452-quaterdecies of the Italian Penal Code "Activities organized for illicit waste trafficking";
- Law 3 of 9 January 2019 has expanded the list of 231 offences by introducing the offence of Undue influence peddling (Art. 346-bis of the Italian Penal Code).

1. PURPOSE OF THE ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The Organization, Management and Control Model:

- provides information about the contents of the Decree, which introduces into the Italian legal system the liability of companies and entities for offences committed, in their interest or to their benefit, by their representatives or employees;
- sets out the *EPE* organization, management and control model, in order to provide information about the contents of the law, to direct business activities in line with the Model and to supervise the operation of and compliance with the Model itself.

In particular, its objective is to:

- make all those who operate in the name and on behalf of *EPE* in "sensitive" activities under Legislative Decree 231/2001, aware that, in the event of violating the law, they will commit an offence punishable by disciplinary measures against them and against the company (if it has benefited from the commission of the offence, or if the latter has been committed in its interest);
- stress that illegal conduct is condemned by *EPE* because it is contrary to the law and the principles by which *EPE* intends to abide in fulfilling its corporate mission;
- present these principles and explain the organization, management and control model in use;
- allow internal monitoring and control, particularly in the business areas most exposed to Decree 231/2001, in order to prevent and counter the commission of the offences themselves.

Accordingly, the document takes due account of the contents of the Company's By-Laws, the principles of the Company's management and administration and its organizational structure, and refers to the corpus of existing internal procedural rules and controls.

Since the business environment is constantly evolving, the extent of the Company's exposure to the legal consequences of Decree 231/2001 may also vary over time. As a result, the identification and mapping of risks must be regularly monitored and updated. Such updating will take into account factors such as:

- the entry into force of new rules and legislation affecting the Company's operations;
- variations in external interlocutors and changes in the approach to business and markets, competitive factors and market communication;
- changes in the internal system of organization, management and control.

The regular updating of the Model is "stimulated" by the Supervisory Board. This Board operates on the basis of the existing risk maps, reports on the current situation (control environment, etc.), measures gaps between the former and the latter and recommends that the assessment of potential risk be updated. The Supervisory Board informs and reports to the Board of Directors at least once a year on the performance and results of its monitoring activities and recommendations.

2. GOVERNANCE AND UPDATING OF THE ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The Organization, Management and Control Model and all updates, amendments, additions and variations thereto are approved by the Board of Directors.

The Board of Directors may delegate to one or more of the directors:

- the powers needed to make:
 - insubstantial amendments (i.e. without potential impacts on the Model's suitability and preventive effectiveness);
 - substantial amendments that strengthen the effectiveness of the Model, its protocols and any other business procedures that are relevant to the prevention of Decree 231 offences;
- the powers needed to implement the Model's implementation plan, if any;
- the powers needed to implement the training and information activities contemplated by the Model or, in any case, such training and information activities that are necessary or appropriate.

Any other decision regarding the Model or its implementation (in particular, any amendment to identification of the areas in which offences may be committed) is the exclusive prerogative of the Board of Directors, which is able to assign to one or more of its members the power to enforce the Board's resolutions.

The directors to whom the above powers have been delegated shall report promptly to the Board of Directors on the exercise of their powers.

The Board of Directors may identify a representative responsible for relations with the Supervisory Board.

Amendments, additions, variations and updates to the Model are also adopted at the recommendation of the Supervisory Board (or the Board of Statutory Auditors, if it exists and performs the duties of Supervisory Board).

The Supervisory Board may be required to provide its non-binding opinion regarding the Model's amendment.

The Model and procedures concerning the sensitive processes listed therein must be promptly amended for any major changes in the law and in corporate structure and/or company organization that necessitate changes in the Model's provisions for its continued efficiency.

The Model must also be amended in the event of any significant violations or circumvention of its prescriptions, that indicate the inadequacy of the organization, management and control model in ensuring effective risk prevention.

The heads of company functions are required to regularly review, within their own sphere of responsibility, the efficacy and effectiveness of the procedures designed to prevent the commission of Offences, and to propose amendments to the Board of Directors should such procedures require amending and updating. If the Board of Directors delegates to one of its members the powers to modify and implement the Model referred to in par. 1 of

the present section 2, or if the Board of Directors has a representative member for relations with the Supervisory Board, the proposed amendments must be submitted to such person. In any case, the Supervisory Board must be informed (or the Board of Statutory Auditors, if it exists and performs the duties of Supervisory Board).

The Supervisory Board (or the Board of Statutory Auditors, if it exists and performs the duties of Supervisory Board) can request the heads of company functions to report the outcome of these regular reviews.

3. CONTENTS OF THE DECREE, IDENTIFICATION OF THOSE TO WHOM IT APPLIES

Decree 231/2001 is a highly innovative device for the Italian legal system, bringing Italian legislation on the liability of legal persons (and other entities without legal personality) into line with a number of important international conventions and European Union directives and superseding the traditional principle of *societas delinquere non potest* (a legal entity cannot be blameworthy).

Decree 231/2001 and its subsequent amendments and additions, has introduced into Italian law the principle whereby legal persons answer financially and directly, and not just in civil law, for offences committed, in their interest or to their benefit, by those who work for them, or who nonetheless have relationships with them.

An Entity's administrative liability under Decree 231/2001 does not depend on the commission of whatever offence, but exclusively on the commission of one or more of those offences specifically referred to in Chapter I, section III, Articles 24, 24-bis, 24-ter, 25, 25-bis, 25-bis(1), 25-ter, 25-quater, 25-quater(1), 25-quinques, 25-sexies, 25-septies, 25-octies, 25-novies, 25-decies, 25-undecies and 25-duodecies and 25-terdecies of Decree 231/2001 (so-called "predicate offences").

Originally envisaged for offences against the Public Administration or against the property of the Public Administration, an Entity's liability has been extended to other types of offence under other legislation enacted after Decree 231/2001 (Italian Legislative Decree 61 of 11 April 2002 on criminal and administrative offences relating to commercial companies, Italian Law 7 of 14 January 2003 in relation to the international Convention for the suppression of the financing of terrorism, Italian Law 228 of 11 August 2003 concerning measures against human trafficking, Italian Law 62 of 18 April 2005, Italian Law 262 of 28 December 2005 on the protection of savings, Italian Law 146 of 16 March 2006 on transnational organized crime, Italian Law 123 of 10 August 2007 on manslaughter and serious and very serious negligent injury related to occupational health and safety, Italian Legislative Decree 231 of 21 November 2007 on the prevention of the use of the financial system for the purpose of laundering the proceeds of criminal activities and of financing terrorism, Italian Law 48 of 18 March 2008 on cybercrime, Italian Law S.733-B on public security provisions, Italian Law S.1195-B Provisions for the development and internationalization of businesses as well as of the energy industry, Italian Law 116 of 3 August 2009 in relation to the United Nations Convention against Corruption, Italian Legislative Decree 121 of 16 August 2011 on the protection of the environment under criminal law, Italian Legislative Decree 109 of 16 July 2012 on the employment of foreign

nationals who are not legally resident, Italian Law 190 of 6 November 2012 on the prevention and suppression of corruption, Italian Legislative Decree 93 of 14 August 2013 on safety and the fight against gender-based violence, Italian Legislative Decree 39 of 4 March 2014 on combating the sexual abuse and exploitation of minors and child pornography, Italian Law 186 of 15 December 2014 on self-laundering, Italian Law 68 of 22 May 2015 on environmental crime and Italian Law 69 of 27 May 2015 on crimes against the public administration, of mafia-like conspiracy and false accounting), Legislative Decree 7 of 15 January 2016 concerning digital documents, Law 199 of 29 October 2016 concerning the combating of illegal work and exploitation of labour, Law 236 of 11 December 2016 on organ trafficking, Legislative Decree 38 of 15 March 2017 concerning the fight against private sector corruption, Law 161 of 17 October 2017 containing amendments to the antimafia code, Law 167 of 20 November 2017 concerning obligations arising from Italy's membership of the European Union, Law 179 of 30 November 2017 concerning the protection of those who report offences or irregularities, Legislative Decree 21 of 1 March 2018 containing amendments to the Penal Code and Law 3 of 9 January 2019 containing measures to combat offences against the public administration). The text of Italian Legislative Decree 231/2001 ("Decree 231/2001") and its subsequent amendments is reproduced in **Annex 1**.

The categories of offence currently envisaged by the Decree are:

- fraudulent misrepresentation to obtain public funds, fraud to the detriment of the State or a Public Entity or to obtain public funds, computer fraud to the detriment of the State or a Public Entity (Art. 24 of Decree 231/2001);
- computer crimes and unlawful data processing (Art. 24-bis of Decree 231/2001);
- offences involving organized crime (Art. 24-ter of Decree 231/2001);
- transnational offences (provisions against illegal immigration, etc. introduced by the 2005 EC Law approved under Italian Law 29 of 25 January 2006);
- extortion, improper inducement to give or promise advantages and bribery (Art. 25 of Decree 231/2001);
- forgery of money, government bonds, tax stamps and identification marks or instruments (Art. 25-bis of Decree 231/2001);
- crimes against trade and industry (Art. 25-bis (1) of Decree 231/2001);
- corporate crimes (Art. 25-ter of Decree 231/2001);
- crimes for the purpose of terrorism or subversion of democracy (Art. 25-quater of Decree 231/2001);
- female genital mutilation practices (Art. 25-quater.1 of Decree 231/2001);
- crimes against the individual (Art. 25-quinquies of Decree 231/2001);
- market abuse (Art. 25-sexies of Decree 231/2001);
- manslaughter and serious and very serious negligent injury committed through violation of occupational health and safety regulations (Art. 25-septies of Decree 231/2001);

- receipt of stolen goods, money laundering and employment of money, goods or advantages of illicit origin, and self-laundering (Art. 25-octies of Decree 231/2001);
- crimes involving breach of copyright (Art. 25-novies of Decree 231/2001);
- inducement not to testify or to bear false witness to the judicial authorities (Art. 25-decies of Decree 231/2001);
- environmental offences (Art. 25-undecies of Decree 231/2001);
- employment of foreign nationals who are not legally resident (Art. 25-duodecies of Decree 231/2001);
- racism and xenophobia (Art. 25-terdecies of Decree 231/2001).

Annex 2 contains an exhaustive list of the predicate offences and related penalties.

Decree 231/2001 nonetheless allows the Entity to be exempt from such administrative liability (the so-called "protective shield"), if it proves that it was absolutely extraneous to the criminal act covered by the Decree, with the consequence that the liability is laid solely with the individual who committed the offence.

Such extraneousness of the Entity to the criminal act must be proved by demonstrating that it has adopted and effectively implemented a set of organizational and conduct rules (the so-called "Organization, Management and Control Model") capable of preventing the commission of the offences in question.

The Model must:

- identify the activities in the context of which offences may possibly be committed;
- establish specific procedures to plan how to make and implement the Entity's decisions regarding the offences to be prevented;
- identify ways of managing financial resources capable of preventing the commission of offences;
- establish a duty to provide information to the body responsible for overseeing the operation of and compliance with the Model;
- introduce a disciplinary framework capable of punishing any failure to comply with the measures contained in the Model.

If the offence contemplated by the Decree has been committed by persons holding representative, administrative or managerial roles within the Entity or one of its financially and functionally autonomous organizational units, or by persons exercising actual or de facto management or control thereof (so-called "**Top Management**"), the Entity is not liable if it can prove that:

- the governing body has adopted and effectively applied, before the deed was committed, organization and management models capable of preventing the type of offences that have occurred;
- the task of overseeing the operation of and compliance with the Model and of seeing to its updating has been entrusted to a body (the Supervisory Board) of the Entity with independent powers of action and control;

- the individuals have committed the offence by fraudulently circumventing the Model;
- there has been no omission or insufficient oversight by the Supervisory Board.

If the offence is committed by individuals under the direction or supervision of one of the aforementioned persons, the Entity is liable if commission of the offence was enabled by their failure to observe their duty of direction and supervision.

Such failure is nonetheless exempt if, prior to the commission of the offence, the Entity has adopted and effectively implemented a Model capable of preventing the type of offences that have occurred.

As can be seen from the above outline, there are two different types of relationship that "connect" the company, in whose interest or to whose benefit an offence can be committed, and the perpetrator of the offence itself. Art. 5, par. 1, refers to the so-called "top management" defined as "persons holding representative, administrative or managerial roles within the entity". They are generally directors, chief operating officers, managers of secondary offices, division directors with financial and functional autonomy. Paragraph 2 of the same article refers instead to "persons under the direction or supervision of one of the persons referred to in (a)".

The different position of the persons involved in the commission of the offences entails different criteria for attributing liability to the company itself. Art. 6 of the Decree places the burden on the entity of proving that preventive measures have been adopted only if the perpetrator is a person in a so-called "top" position. However, based on the interpretation of the letter of the law, if the perpetrator is under the direction or supervision of another, the burden of proof lies with the public prosecutor.

It is therefore possible to identify the top managers using the company organization chart, accessible to all employees of *EPE* by consulting the documents published on Lotus Notes.

Lastly, under the provisions of Art. 4 of Decree 231/2001, a company may also be required to respond in Italy for offences committed abroad in the presence of the following circumstances:

- 1) the offence is committed by a person functionally linked to the company, pursuant to Art. 5, par. 1 of Decree 231/2001;
- 2) the company has its main office in the territory of the Italian State;
- 3) occurrence of the circumstances and conditions foreseen by articles 7,8,9 and 10 of the Italian Penal Code (in cases when the law provides that the culprit is punished at the request of the Minister of Justice, for action to be also taken against the company, the request must be also made to the company itself) and, also in compliance with the principle of legality referred to in Art. 2 of Decree 231/2001, only against offences for which it is liable under a legal provision¹;
- 4) the State of the place where the offence was committed does not take action against the company.

¹ Ministerial report on Decree 231/2001

4. METHODOLOGICAL APPROACH TO IDENTIFYING BUSINESS AREAS EXPOSED TO 231 RISK

A task force of internal staff and external consultants was set up to assist Management and the heads of the various business functions in analysing the context, in identifying the business areas most exposed to the punitive consequences of the Decree and in determining the magnitude of the relevant risks.

In particular, Management, the Heads of function and the task force:

- examined the content and interpretation of the legislation, as well as the types of offence contemplated by the Decree;
- identified the business areas where, in the absence of safeguards, the offences contemplated by the Decree could most likely be committed;
- subdivided the Company's activities into processes (in order to map the entire business systematically);
- accepted the existing organizational, procedural and administrative arrangements adopted which help prevent the type of conduct at risk (governing bodies and internal organization, delegated authority and spending powers, operational practices and written procedures);
- identified the principles and requirements for a suitable system of controls (see Section 6.1);
- evaluated the suitability and completeness (with respect to the principles of control) of the existing organizational, procedural and administrative arrangements;
- evaluated the residual "231 risk" with reference to the offence, probability of occurrence and its importance and impact (**Annex 3** - 231 risk identification and assessment);
- identified additional points of control (e.g. introduction of first, second or third level controls, formalization of practice in preventive procedures, etc.);
- gathered the above information into a specific 231 Risk Assessment Document (for internal use).

The Company then made the Model (see Section 1) more robust by:

- conducting risk analysis for the types of offence included in the 231 list
- implementing the improvements identified.

A company employee was then appointed to execute the Implementation Plan prior to the Model's formal adoption.

5. ADDRESSEES OF THE MODEL

The contents of the Model apply, without exception, to the following parties (**the "Addressees"**):

- *Internal Parties ("Personnel")*: who have an ongoing finite or indefinite relationship with the Company; by way of example, board members, employees, collaborators (including freelance workers), interns and trainees;
- *Third Parties ("Third Parties")*: external professionals, business partners, suppliers and consultants, temporary employment agencies, and in general those who, by engaging

with the Company in carrying out activities in the name and/or on behalf of EBARA, or in any case, in the conduct of their activities for the Company, are exposed to the risk of committing offences under Decree 231/2001 in the interest of or for the benefit of the Company.

6. RELATIONSHIP BETWEEN THE MODEL AND THE 231 CODE OF CONDUCT

The conduct of Addresses must comply with the rules of conduct envisaged by the Model to prevent occurrence of the offences.

In particular, *EPE* has drawn up a specific Code of Conduct (Annex 5), which identifies specific conduct liable to disciplinary measures since considered to weaken the Model, even potentially.

The rules defined in the Code of Conduct also complement those of the Code of Ethics adopted by the Company as a "charter of fundamental rights and duties" through which the Company identifies and clarifies its ethical responsibilities and commitments towards internal and external stakeholders.

Although the Model and Code of Ethics are complementary, they have a different scope of action; in particular:

- the Code of Ethics is an autonomously adopted tool that can be applied on a general level and is intended to express the principles of corporate ethics that the Company adopts; it deals with principles of conduct that may not be directly relevant from a 231 perspective but which contribute to creating an "environment" conducive to the prevention of such offences.
- the Model responds to specific requirements contained in the Decree, aimed at preventing the commission of particular types of offences, and is intended to allow the Company to benefit from the exemption under Art. 6 and Art. 7 of the Decree.

7. ORGANIZATIONAL STRUCTURE

An organizational structure meeting the preventive aims of the Decree is characterized by the following principles:

- clear and precise determination of duties, related responsibilities, and reporting lines;
- powers of representation granted to the extent strictly necessary and in any case consistent and compatible with the duties carried out by the person to whom they are granted;
- spending powers granted with spending limits and/or joint signature;
- multi-member governing body.

Based on the picture emerging from the context analysis, the assessment of the control environment and the identification of the risks, persons involved and potential offences, the prevention systems and mechanisms used by *EPE* have been identified and documented. Details can be found in subsequent paragraphs.

7.1. Company officers and boards

These are provided for in the Company's current By-Laws. The duties of the company

officers and boards are governed by the Company's By-Laws and current legislation. Management of the Company is entrusted to a Board of Directors which has delegated its powers under Art. 2381 of the Italian Civil Code to executive directors excluding those matters that by law or under the By-Laws are the prerogative of the Board of Directors. Their duties and powers are established and governed respectively by the By-Laws and by formally granted powers of attorney.

7.2. Definition of responsibilities, organizational units, powers

An organizational Model that satisfies the specific preventive purpose of Decree 231/2001 must codify **the organization and company positions** in line with certain principles:

- unambiguous representation of hierarchical relationships and indication of the business areas/ functions including their managers and staff
- description of the main activities performed by the various functions, including those that are sensitive from a 231 perspective, making a distinction between the positions of "manager" and "staff member"; these roles must be encoded in specific job descriptions.

The general rules with which good business organization must conform to prevent offences are as follows:

- assignment of company activities to persons with the skills needed to do them properly
- implementation, where possible, of the segregation of authorization, execution and control activities (within a business process, separate opposite functions should decide and authorize a transaction, execute it, record it, check it, pay or collect the price)

The clear assignment of any activity to a specific person or organizational unit excludes legitimate intervention by individuals other than those identified, and clearly identifies responsibilities in the event of deviations from procedures/rules.

It is also necessary to formalize the rules of the decision-making framework relating to the organization (who intervenes in deciding the assignment of responsibilities/changes to the organization chart, how the related communications take place, etc.).

EPE has constructed its Organization Chart and Job Descriptions in compliance with these principles.

This document is constantly evolving and subject to continuous updating to reflect changes in the running of the business. It is the duty of the Quality and Environment Manager to keep the organization chart and related documents updated at all times to ensure a clear formal definition of duties assigned to each unit of the Company's structure. The Organization Chart and Job Descriptions form an integral part of the present Model.

In addition, an organizational model that responds to the preventive purpose of Decree 231/2001 must apply certain general principles of risk prevention to **delegations of authority and powers of attorney**:

- no individual is given unlimited powers
- powers and responsibilities are clearly defined and known within the organization
- authorization and signatory powers are consistent with the organizational responsibilities assigned to the individuals concerned

- clear and precise determination of duties, related responsibilities, and reporting lines
- delegation of authority delimited according to functional boundary (limitation of authority by area of responsibility) and horizontal boundary (limitation of authority by hierarchical level)
- segregation of authorization, execution and control activities.

Based on the operating needs of the Company and in accordance with the above principles, the *EPE* Board of Directors has defined delegations of authority and powers of attorney, also in relation to areas of relevance for 231 purposes (as identified by the Risk Assessment conducted by the Company).

The structure of powers forms an integral part of the present Model.

8. PRINCIPLES OF PREVENTION AND STRUCTURE OF CONTROLS

8.1. Principles of prevention

The constituent parts of the Organizational Model are based on the principles listed below:

- the presence of procedures and rules that establish how to operate and clarify the conduct to adopt;
- clear assumption of responsibility: every activity must refer to a person or organizational unit responsible for it in order to clearly identify responsibilities in the event of deviations from procedures/rules;
- segregation, where possible, of the activities of authorization, execution and control;
- traceability of the process and controls: every transaction or business operation must be documented, such that it is possible to identify at any time the responsibility of the person who has acted (evaluated, decided, authorized, executed, recorded in the accounts, checked);
- independent checks of the transactions carried out: both by persons within the organization but not involved in the process, and by persons outside the organization;
- compliance with the system of delegated authority and signatory and authorization powers established by the company, which must be faithfully reflected in the operational procedures and verified by the system of controls;
- proper and transparent use of financial resources, which must be employed according to quantitatively and qualitatively determined limits (budgets, sales plans) and documented, authorized and unambiguously referable to issuing and receiving parties and to the specific purpose.

The principles have been appropriately combined and reflected in the system of business controls adopted by the company in question, in order to make it effective and efficient for the purposes of 231/2001 risk prevention.

8.2. Procedures

EPE has adopted, by virtue of its structure, a series of written procedures that ensure compliance with applicable laws and obligations applying to a medium-sized unlisted enterprise. These procedures aim, on the one hand, to govern actions involved in performing the various activities, and on the other, to allow preventive and subsequent controls on the correctness of the transactions carried out.

In this way, uniformity of conduct is ensured across the Company, in compliance with the legal requirements governing the Company's business.
The procedures form an integral part of the present Model.

All employees must be aware of the Procedures applying to their sphere of activity, and must comply with them in the performance of their assigned duties.

EBARA has defined for each of the processes considered at risk of committing 231 offences, specific Protocols and Preventive Procedures for implementing decisions and for controlling the processes themselves. These protocols and procedures aim, on the one hand, to govern actions involved in performing the various activities, and on the other, to allow preventive and subsequent controls of the correct performance of the transactions carried out.

The above contents are found in **Annex 6** and form an integral part of the present Model. **Annex 6** also refers to additional Procedures and internal regulations, which must also be treated as an integral part of the Model.

EPE personnel are obliged to comply with the contents of the above document in the conduct of their duties.

In this way, uniformity of conduct is ensured across the Company, in compliance with the legal requirements governing the Company's business.

8.3. Types of control

The Model defines three types of control according to the person who performs these controls:

- 1st level controls: these are controls carried out within the function responsible for the proper execution of the activity in question. Without prejudice to the guiding principle of segregation between those who control and who operate, this category typically includes the checks carried out by the function manager/director on the work of their staff.
- 2nd level controls: these are controls carried out, within normal business processes, by separate functions from that responsible for the activity being controlled. In the flow of processes that describes a chain of internal suppliers-customers, second level controls are typically conducted by the internal customer to verify that their supplier has been working properly (inbound controls). The aforementioned principle of "opposite functions" applies to these controls.

- 3rd level controls: these are controls carried out by internal or external functions that are not part of the production process. This type of control includes, for example, audits by the Supervisory Board, audits by certifying bodies and audits by the Board of Statutory Auditors.

In addition, it is of paramount importance that the system of preventive control is known to all persons in the organization and that this system is such that it cannot be circumvented except intentionally (hence not by human error, negligence or inexperience). Specific information/training activities have been envisaged for this purpose (see Section 8).

9. SUPERVISORY BOARD AND REPORTING OBLIGATIONS

9.1. Composition and rules

The task of continuous oversight of the effective operation of and compliance with the Model, as well as proposing updates, is entrusted to a corporate body able to act independently with an expert membership and continuity of action.

For this purpose, EPE must establish a "Supervisory Board" to perform the duties contemplated by Art. 6 par. 1b) of Decree 231/2001 or, alternatively, under Art. 6 par. 4bis of Decree 231/2001, it must attribute these duties to the Board of Statutory Auditors. If EPE decides not to exercise the option contemplated by Art. 6 par. 4bis of Decree 231/2001, the Board of Directors must establish a specific multi-member body, in compliance with the following rules:

- The Supervisory Board ("SB") shall consist of a minimum of 3 members, two of whom are external to EPE and the EPE group;
- the Board of Directors shall appoint the Supervisory Board, with a reasoned decision for each of its members, chosen exclusively on the basis of the characteristics of professionalism, integrity, expertise, independence and functional autonomy;
- the Board of Directors shall also appoint one of the named members of the SB as its Chairman. The Chairman must be an external member;
- if, for whatever reason, the employment relationship ceases between the Company and the person appointed as an internal member of the SB, that person will automatically be removed as a member of the SB and must be promptly replaced.

The following rules apply to the Supervisory Board or to the Board of Statutory Auditors, if it performs the duties of SB:

- The resolution appointing the Supervisory Board shall also establish its remuneration and duration of its term in office.
- Members of the SB may only be dismissed for due cause and may be re-elected; the Supervisory Board cannot have the same composition for more than 6 consecutive years. A member who has been dismissed or who has resigned must be replaced promptly; the replacement member remains in office until the end of the term of the Supervisory Board in office at the time of their appointment.

- The Supervisory Board reports directly to the Board of Directors, unless otherwise provided.
- The Supervisory Board has autonomous powers of action and control within the Company so as to allow the effective exercise of the duties contemplated by law and the Model, as well as by subsequent measures or procedures adopted in implementation thereof.
- In order to perform its duties, objectively and independently, the Supervisory Board has autonomous spending powers on the basis of an annual budget approved and made available by the Board of Directors as proposed by the SB itself. At the first meeting after using this budget, the Supervisory Board shall report on such use to the Board of Directors.
- The Supervisory Board may commit resources exceeding its spending power in the presence of exceptional and urgent situations, with the obligation to promptly inform the Board of Directors.
- Members of the Supervisory Board, as well as the persons engaged by it for whatever reason, are required to be bound by confidentiality with regard to all information they learn in the exercise of their duties or activities.
- The Supervisory Board carries out its duties by ensuring and fostering rational and efficient cooperation with the Company's other control bodies and functions.
- The Supervisory Board shall not have power to undertake any managerial, decision-making, organizational or disciplinary activities relating to the conduct of the Company's business, nor can it be granted such powers, even on a temporary basis.
- The activities carried out by the SB cannot be controlled by any other body or company structure.

9.2. Powers and duties

In pursuit of the purpose of overseeing the effective implementation of the Model adopted by the Company, the Supervisory Board or the Board of Statutory Auditors, if it performs the duties of Supervisory Board, has the following powers of action and control, which it exercises in compliance with the law, as well as with respect for the individual rights of workers and the persons concerned:

- to conduct regular inspections, the minimum frequency of which is decided in view of the various sectors of intervention;
- to access all information concerning activities at risk;
- to request information or the presentation of documents relevant to activities at risk from the Company's senior managers as well as from all employees who perform or oversee activities at risk;
- if necessary, to request information or the presentation of documents relevant to activities at risk, from the board directors, from the Board of Statutory Auditors or equivalent body, and from the firm of external auditors;
- to request information or the presentation of documents relevant to activities at risk from collaborators, consultants and representatives outside the Company and generally from all parties required to comply with the Model; accordingly, the Company intends

to obtain a contractual undertaking from such parties to comply with the Supervisory Board's requests;

- to periodically receive information from managers in charge of activities at risk;
- to call in external consultants for issues of particular complexity or requiring specific expertise;
- to submit to the Board of Directors any failures to comply with the Model, so that the Company can evaluate whether to adopt disciplinary measures and how to eliminate the shortcomings observed; if the Board of Directors grants a Chief Executive Officer the powers to modify and implement the Model referred to in par. 1 of Section 2 above, or if the Board of Directors appoints one of its members to liaise with the Supervisory Board, such failures to comply should be presented to this Director for evaluation of the actions to take within the scope of their authority.

In addition to these persons, the Supervisory Board may also report failures to comply with the Model to the manager in charge of the function in which the shortcoming has been found;

- to review the Model periodically and make recommendations for its updating.

In order to ensure an effective and efficient performance of its duties, in addition to any general provisions dictated by the Board of Directors, the Supervisory Board or the Board of Statutory Auditors, if it performs the duties of SB, shall establish specific rules of procedure and adopt its own internal rules to guarantee its maximum autonomy of organization and action.

9.3. Guidelines for the Supervisory Board's Rules of Procedure

The Rules of Procedure must ensure the continuity and effectiveness of the Supervisory Board's action; to this end the rules must establish:

- a minimum number of annual meetings and a schedule of activities;
- at least annual frequency of the report to the Board of Directors on the work performed;
- how to prepare the expenditure plan and the fund for urgent actions;
- how to manage the resources assigned to it and how to draw up the report;
- how to manage and conserve the documentation relating to the Supervisory Board's activities;
- measures to guarantee the Board's effective autonomy even if its membership includes company personnel;
- how to gather, handle and conserve any communications, including anonymous ones, that report circumstances relevant to the Model's implementation or to the Company's administrative liability.

In addition, the Rules of Procedure must also establish that:

- the Supervisory Board shall exercise its duties and powers in accordance with the procedures laid down in the Rules themselves
- the Supervisory Board shall draw up the Rules of Procedure, approve them unanimously and send them to the Board of Directors and the Board of Statutory Auditors (if this is separate from the Supervisory Board).

9.4. Reporting to the Supervisory Board

Every Addressee of the Model has a duty to report:

- relevant illicit conduct under Decree 231/2001;
- behaviour or events that may constitute a violation of the Model or which are generally relevant for the purposes of Decree 231/2001.

In particular, Addressees of the Model are required to report to the Supervisory Board conduct at risk of offences under Decree 231/2001, relating to processes under their charge, of which they become aware, due to the functions performed, directly or through their staff, that may involve:

- the commission, or the reasonable danger of commission, of offences envisaged by Decree 231/2001;
- the substantial breach of the rules of conduct/procedures/protocols issued by the Company and/or in any case a violation of the Model.

Reports should be addressed:

- to the direct superior
- directly to the Supervisory Board in the following cases: i) lack of action by the direct superior; ii) if the employee feels unable to contact the superior himself, due to the fact that is being reported; iii) if there is no or no identifiable direct superior.

Addressees of the Model shall also be required to provide the Supervisory Board with all the information or documents requested in the performance of its duties.

If function managers officially learn information, including from police authorities, about crimes or offences impacting the business, they must report this to the Supervisory Board.

Reports to the Supervisory Board must be made in writing to one of the following communication channels established by the Company to keep the informant's identity private:

- **Supervisory Board, c/o EBARA Pumps Europe S.p.A., Via Torri di confine no. 2/1 (C), 36053 Gambellara (Vicenza), Italy**
- **OdV@ebaraeurope.com**

Reports to the Supervisory Board, which can also be made anonymously, must be detailed and based on precise, concordant facts that allow the Board to investigate. If insufficiently detailed, the Board will evaluate whether to take notice of the report.

With reference to the news of a reported actual or attempted violation of the Model's rules, EBARA will ensure that nobody in the workplace will suffer direct or indirect reprisal, unfair pressure, discomfort or discrimination for reasons linked, directly or indirectly, to the report.

The Company adopts appropriate measures to guarantee that the confidentiality of the informant's identity is always guaranteed, including when dealing with the report, also in compliance with privacy law. In fact, a special procedure is contained in **Annex 7**.

It should be noted that the following also constitute a violation of the Model:

- any form of reprisal against those who have reported in good faith possible violations of the Model;
- any accusation, with malice and gross negligence, against other employees of violation of the Model and/or of illicit conduct, knowing that such violation and/or conduct does not exist;
- violation of the measures to protect the informant's privacy.

The above violations are therefore punishable (see **Annex 4**).

In addition to the reports of general breaches described above, it is compulsory to inform the Supervisory Board immediately of:

- measures and/or notices received from police authorities, or any other authority, inferring the conduct of investigations, including against unknown persons, into "231" offences (also with respect to parent companies, subsidiaries and associates);
- requests for legal assistance from employees or directors in the event of legal proceedings for "231" offences (also with respect to parent companies, subsidiaries and associates);
- reports prepared by managers of other corporate functions concerning their control activities and from which critical facts, acts, events or omissions could emerge with respect to "231" offences.

9.5. Reporting by the Supervisory Board to the Board of Directors and Board of Statutory Auditors

The Supervisory Board, or the Board of Statutory Auditors performing the duties of SB, shall report (at least annually) to the Board of Directors and the Board of Statutory Auditors (if separate from the SB). Whenever the need arises, the SB may nonetheless report to the Board of Directors and propose amendments and/or additions to the Organizational Model; if the Board of Directors grants a Director the powers to amend and implement the Model referred to in par. 1 of Section 2 above, or if the Board of Directors appoints a representative of the Board of Directors for relations with the SB, the SB shall make the above reports to this Director, notifying the Board of Directors thereof in the very next periodic report (in the event of reports of non-compliance with the Model, the SB shall specifically identify the procedures in question and the type of non-compliance).

In addition to the above parties, the Supervisory Board may also report instances of non-compliance to the head of the function in which the non-compliance has been encountered.

The periodic reports prepared by the Supervisory Board, or by the Board of Statutory Auditors performing the duties of SB, are also prepared to let the Board of Directors duly evaluate the need for any updates to the Model and as a minimum must contain or report:

- any problems regarding the procedures for implementing the procedures contemplated by the Model or adopted in implementation or in light of the Model;
- a summary of the reports received from internal and external parties in respect of the Model;

- disciplinary procedures and/or penalties applied by the company, with sole reference to activities at risk;
- an overall evaluation of the Model's operation with possible proposals for additions, corrections or amendments.

10. COMMUNICATION AND TRAINING RELATED TO THE ORGANIZATIONAL MODEL

To guarantee the effectiveness of the Model, the Company aims to ensure that everyone involved in so-called sensitive activities is properly informed about it, also according to their different levels of involvement in such sensitive processes.

In particular, it is of utmost importance that the system of preventive control is known to everyone within the organization, in particular its top management and persons under their direction or supervision. Given the positions of the above persons, the level of risk of the area in which they work, and whether or not they represent the Company, top management, other employees and staff must receive at least the following information:

- theoretical fundamentals underlying the administrative liability of corporate Entities (Reference document: present Manual of the 231 Model)
- policy of the *EPE* Board of Directors concerning prevention of offences and adoption of the 231 Model
- summary of risks identified and types of specific offences in the areas of activity of the various persons involved (Reference document: **Annex 3** - 231 risk identification and assessment)
- relevant preventive procedures
- standards of conduct (Reference document: **Annex 5** - Code of Conduct)
- disciplinary measures faced by the various persons for breaching the Model's provisions (Reference document: **Annex 4** - Disciplinary framework).

The activities identified for correct and comprehensive communication of the Model inside and outside the Company are as follows:

- Internal communication upon adopting the Model:
 - all employees to be sent a letter (together with the Code of Conduct and the Disciplinary Framework) together with their payslips informing them that the Company has adopted an Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001;
 - communication of the Model's adoption at the earliest next Shareholders' Meeting;
 - education and training of function managers by top management, followed by education and training of all other employees by function managers;
 - accessibility to the Model by all employees through internal intranet system and conservation of a hard copy in the Finance & Administration department, with display of the Code of Conduct and the Disciplinary Framework on company noticeboards.

- Continuous internal communication:
 - training sessions for all staff if the Model is updated and, in any case, at least every 2 years;
 - provision of training courses to new employees and collaborators to ensure they know and understand the mechanisms and rationale of Italian Legislative Decree 231/2001 and of the Company's Organizational Model.

- External communication upon adopting the Model:
 - publication of the present Manual on the Company's website;
 - communication of the Model's adoption to the main commercial partners and qualified suppliers of goods and services, at the same time as sending them a summary of the Model's contents of specific interest to them (in relation to sensitive areas in which they are involved);
 - signature by main commercial partners and qualified suppliers of goods and services of a declaration stating their awareness of the provisions of Decree 231/2001 and of the Code of Conduct adopted by *EPE*, as well as a statement that they will abide by the Code of Conduct, violation of which will result in the suspension and/or termination of their contracts (under the 231 safeguard clause).

11. DISCIPLINARY FRAMEWORK

The present Model is an integral part of the disciplinary framework regulating every type of working relationship with *EPE*. Conduct by employees or collaborators in breach or circumvention of the individual rules of conduct established in the Model or in obstruction of their operation is defined as a disciplinary offence for employees, liable to punishment with the penalties established in collective bargaining agreements, including dismissal. For collaborators, consultants or any other third party with whom the Company has relationships other than permanent employment, breach of the rules of conduct established by the Model is punished with legal remedies (e.g. specific termination clause).

The application of these penalties is independent of any criminal prosecution of active parties to the offence. In fact, the rules of conduct imposed by the Model are adopted by *EPE* in complete autonomy, irrespective of the criminal offence in which any deviant conduct might result.

For all other details, please refer to **Annex 4**.

12. REFERENCES

- Text of Italian Legislative Decree 231/2001 and subsequent additions.
- Confindustria Guidelines for the Implementation of the Organization, Management and Control Model under Italian Legislative Decree 231/2001, as updated in March 2014.
- Consolidated Law on Occupational Health and Safety (Italian Legislative Decree 81/2008).
- *EPE* By-Laws.

SPECIAL PART – OFFENCES UNDER DECREE 231/2001 IN EPE**1. OFFENCES AGAINST THE PUBLIC ADMINISTRATION****1.1. Definition of Public Administration, Public Officials and Public Service Agents**

The victim of this kind of offence is the Public Administration (the "PA") in the wide sense identified by case law, which has provided some revealing indicators concerning the public nature of an Entity such as:

- its subjection to control and direction for social purposes by the State or other public entities, which have the power to appoint and dismiss directors;
- its operation under convention and/or concessions granted by the Public Administration;
- presence of a financial contribution by the State;
- its business activity serves a public interest.

The practical application of these identification principles is often problematic. Given the importance attributed by Decree 231/2001, *EPE* has opted for a broad interpretation of the concept of Public Administration, including those organizations which, although formally of a private nature, nonetheless perform a public function or have a significant proportion of public shareholders.

A wide, although not exhaustive, list of public entities is provided below.

- Public companies and private entities that perform a public function, such as:
 - Eni S.c.ar.l., Enel S.c.ar.l., Telecom Italia S.c.ar.l., etc.;
 - Poste Italiane S.c.ar.l., RAI – Radiotelevisione Italiana, Ferrovie dello Stato;
- State, regional, territorial and local administrative authorities, other non-governmental organizations, public law bodies and their associations, such as:
 - Italy's Upper and Lower Houses of Parliament, Ministries, Regional, Provincial and Municipal governments;
 - Italy's Judiciary, Armed Forces and Police (Finance Police, Military Police, State Police, Municipal Police, etc.);
 - Italy's Competition and Markets Authority, Personal Data Protection Authority, Communications Authority, and Electricity and Gas Authority;
 - Italian Revenue Agency, Customs and Territory Agency, National Health Service authorities, agencies and entities, Chambers of Commerce, Industry, Crafts and Agriculture and their associations, institutes and schools of all types and levels and educational institutions, universities;
 - ACI (*Automobile Club d'Italia* - Automobile club of Italy), ASI (*Agenzia Spaziale italiana* - Italian space agency), CNEL (*Consiglio Nazionale dell'Economia e del Lavoro* - Italian national economic and labour council), CNR (*Consiglio Nazionale delle Ricerche* - Italian national research council), CONI (*Comitato Olimpico*

Nazionale - Italian national Olympics committee), CRI (*Croce Rossa Italiana* - Italian red cross), ENEA (*Ente per le Nuove tecnologie, l'Energia e l'Ambiente* - Italian government agency for new technology, energy and the environment), ENPALS (*Ente Nazionale di Previdenza e di Assistenza per i Lavoratori dello Spettacolo* - Italian state social security institute for entertainment workers), ICE (*Istituto nazionale per il Commercio Estero* - Italian state institute for foreign trade), INAIL (*Istituto Nazionale Assicurazioni Infortuni sul Lavoro* - Italian state institute for occupational accident insurance), INPDAP (*Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione Pubblica* - Italian state social security institute for public administration employees), INPS (*Istituto Nazionale della Previdenza Sociale* - Italian state social security institute), ISS (*Istituto Superiore di Sanità* - Italian higher institute of health), ISAE (*Istituto di Studi e Analisi Economica* - Italian institute of economic studies and analysis), ISTAT (*Istituto nazionale di Statistica* - Italian state institute of statistics), IPZS (*Istituto Poligrafico e Zecca dello Stato* - Italian State Mint), State Monopolies Office;

- Bodies of the European Commission, Public Administrations of foreign states.

In relation to the offences against the PA considered by the Decree, the figures of Public Officer and Public Service Agent are also of relevance.

Public Official is someone who fulfils a public legislative, judicial or administrative function. Public sector administration is a function regulated by public law and authorizing statues which involves decision-making by the public sector, the expression of the decisions taken and their implementation by means of authorizing or certifying powers.

The formal nature of the person is irrelevant, being not only someone who is required to exert, alone or in collaboration with others, duties of the authority, but is also required to carry out activities, that although not immediately serving the purpose of office, are of an incidental or related nature because serving the implementation of the same purpose (Court of Cassation Section VI, sentence 85/172198). In addition, the notion of public function includes activities that, although not denoted by the actual exercise of authorizing or certifying powers, constitute the most complete and intrinsic implementation of the purpose of the organization, so that they cannot be isolated from the overall context of the functions of the organization itself (Court of Cassation Section VI, sentence 172191/85).

For example, the law has defined the following as Public Officials:

- employees of credit institutions - normally excluded from the public sphere - for activities carried out by these institutions as agent or delegate banks of the financial administration (Court of Cassation Section VI, sentence 3882 dated 24.4.1997);
- the governing bodies and chairman of private motorway management companies, or ANAS concession holders, as these companies fulfil the function of protecting the public interest originally entrusted to the concession owner (Court of Cassation Section III, sentence 1806 dated 13.9.1993);

- members of procurement committees for local health services, which have certifying powers that reflect the administration's intent (Court of Cassation Section VI, sentence 96 dated 4.1.1996).

Public Service Agent is someone who, in whatever way, provides a public service. A public service is defined as an activity governed by the same legislation as a public function but without the powers typical of the latter, although not consisting of the performance of simple routine tasks and provision of mere labour.

By way of example, the law has defined the following as Public Service Agents:

- directors of trade fair organizations, since they carry out an activity characterized by social purposes (Court of Cassation Section VI, sentence 3403 dated 11.4.1997);
- post office employees who select and sort correspondence, even after the post office's transformation into a public limited company, since postal and telecommunications services belong to the category of public services (Court of Cassation Section VI, sentence 10138 dated 25.9.1998).

In brief, the key factor for establishing whether or not a party is a Public Service Agent lies not in the legal status of the Entity, but in the functions assigned to it, which must consist of serving the public interest or satisfying needs of general interest.

Therefore, the persons addressed by the Model must pay very close attention to relationships of any type and level with the above listed persons and their managers, employees and collaborators.

1.2. Type of offences

This section refers to the offences against the Public Administration listed in the following articles of Decree 231/2001: Art. 24 "*Fraudulent misrepresentation to obtain public funds, fraud to the detriment of the State or a Public Entity or to obtain public funds, computer fraud to the detriment of the State or a Public Entity*" and Art. 25 "*Extortion, improper inducement to give or promise advantages and bribery*".

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences. For the sake of effective disclosure and understanding, the following is a brief description, including examples, of the principal offences which could theoretically apply to EPE.

Misappropriation to the detriment of the Italian State or the European Union (Art. 316-bis of the Italian Penal Code)

This offence occurs if grants, subsidies or funding received from the Italian State, other public entities or the European Union are not used for their intended purposes (i.e. if even part of the sum received is not spent as specified, regardless of whether or not the planned activity nonetheless took place).

Since the offence is committed at the time the moneys are actually utilized, it may also occur with regard to sums already received in the past, which are then not allocated for the purposes for which they were granted.

Fraudulent misrepresentation to obtain funds from the Italian State or the European Union (Art. 316-ter of the Italian Penal Code)

This offence occurs if subsidies, grants, funding or other financial aid are obtained by the perpetrators, or others - without being so entitled - from the Italian State, other public entities or the European Union through the use or presentation of false statements or documents, or failure to provide the necessary information.

In this case, unlike with the previous type of offence (Art. 316-bis of the Italian Penal Code), the actual use of the funds is irrelevant, since the offence is committed at the time when the funds are obtained.

Lastly, it should be noted that this offence has residual status in relation to the offence of fraud against the State, in the sense that it only applies if the preconditions for the offence of fraud against the State are not met.

Fraud to the detriment of the Italian State, another Public Entity or the European Union (Art. 640, par. 2 (1) of the Italian Penal Code)

This type of offence occurs in the event that, in order to secure an unfair gain, subterfuge and deception are applied to deceive and defraud the state (or another public entity or the European Union).

For example, this offence 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 (for example supported by forged documentation) in order to secure the contract.

Aggravated fraud to obtain public funding (Art 640-bis of the Italian Penal Code)

This type of offence occurs when fraud is perpetrated to gain unlawful access to public funds.

Since this is fraud, the offence envisaged by Art. 640-bis of the Italian Penal Code differs from that governed by Art. 316-bis of the Italian Penal Code in terms of the use of "subterfuge and deception" such as to mislead. Thus, as clarified by precedent and case law, this offence requires not only exposure to false data, but also a *quid pluris* likely to frustrate or make the task of controlling requests by the competent authorities less easy.

Computer fraud to the detriment of the Italian State or another Public Entity (Art. 640-ter of the Italian Penal Code)

This type of offence occurs when unfair profit is obtained to the detriment of the Italian State or public entity by modifying the operation of an IT or communications system or interfering with the data contained therein.

The offence may arise, for example, if, after the award of funding, an IT system is hacked into in order to enter a funding amount that is higher than the amount obtained legally.

The offence of computer fraud to the detriment of the Italian State and another public entity also includes the replacement of digital identity.

OFFENCES COMMITTED IN DEALINGS WITH PUBLIC OFFICIALS OR PUBLIC SERVICE AGENTS

Extortion (Art. 317 of the Italian Penal Code)

This offence is committed when a Public Official or Public Service Agent takes advantage of their position to coerce another to give him or others money or another unwarranted advantage.

This form of offence (of residual relevance in the context of the offences considered by Decree 231/2001) could occur when an employee is a party to an offence committed by a Public Official or a Public Service Agent who takes advantage of their position to demand undue favours from third parties (provided that such conduct in some way benefits the Company or was performed in the interests of the Company itself).

Improper inducement to give or promise advantage (Art. 319-quater of the Italian Penal Code)

Unless the deed constitutes a more serious crime, this type of offence occurs when a Public Official or Public Service Agent abuses his position or powers to induce someone to illegally give or promise money or other unwarranted advantage to himself or a third party. Anyone who gives or promises money or other advantage is punished with up to three years of imprisonment.

Bribery to obtain performance of a duty or an action in breach of an official duty (Art. 318, 319, 320 and 321 of the Italian Penal Code)

This offence is committed when a Public Official, unduly receives, for himself or for others, money or other advantages, or accepts the promise thereof, in exchange for performing his duties (giving rise to a benefit to the party paying the bribe) or for performing an act in breach of his official duties.

The action of the Public Official may consist of the performance of a duty (for example: speeding up the processing of a matter under his jurisdiction) or an action in breach of his duties (for example: accepting cash to ensure the award of a contract).

This type of offence differs from extortion in that it involves an agreement between the briber and the bribee, aimed at achieving a mutual benefit (with the briber punished under Art. 321 of the Italian Penal Code), while in the case of extortion, a private person is the victim of the corrupt behaviour of the Public Official or Public Service Agent.

Incitement to corruption (Art. 322 of the Italian Penal Code)

This type of offence is committed when, in the face of conduct aimed to corrupt (as far as 231 is concerned, by a top manager or member of the organization), the Public Official or Public Service Agent refuses the offer illegally made.

Bribery in judicial proceedings (Art. 319-ter of the Italian Penal Code)

The offence triggers "*Bribery to obtain performance of a duty*" and "*Bribery for an action in breach of an official duty*" when committed to favour or damage one of the parties in civil, criminal or administrative proceedings.

If such corruption results in an unfair sentence of imprisonment, the punishment for the offence is increased.

Undue influence peddling (Art. 346-bis of the Italian Penal Code)

Except for complicity in crimes of corruption, this offence applies to anyone who, by exploiting or claiming existing or alleged relations with a public official or public service agent or other such party listed in Art. 322-bis, improperly obtains the gift or promise, to himself or others, of money or other advantage, as the price of their own illicit mediation with the public party or to remunerate the latter for the exercise of their functions or powers.

The same punishment applies to those who improperly give or promise money or other advantages.

The penalties are increased if the offence is committed in relation to the exercise of judicial activities or to remunerate the public official or public service agent or other such party listed in Art. 322-bis for the performance of an act contrary to official duties or for the omission or delay of an act of their office.

The offence occurs in each of the following circumstances:

- the gift of money or other advantages is aimed at remunerating the mediator for his/her undue act of influence on the public official/public service agent (so-called onerous undue influence peddling);
- the gift of money or other advantages is aimed at remunerating not the mediator but the public official/public service agent (so-called gratuitous undue influence peddling).

Art. 322-bis of the Italian Penal Code extends the applicability of offences by Public Officials and Public Service Agents against the Public Administration to members of the International Criminal Court and EU bodies and to EU or foreign officials; under **par. 2**, the briber will be liable for the above offences of corruption or incitement to corruption with regard to such parties.

1.3. Processes at risk

The offences considered presuppose the existence of relationships with the Public Administration, meaning in the broad sense and so also include the Public Administration of foreign States and EU Bodies.

EPE's sensitive business areas and processes more specifically at risk with regard to offences against the public administration are as follows:

Area	Process
Strategic & Corporate	<ul style="list-style-type: none"> - Intercompany management - Professional engagements - Personnel selection and management - Marketing - Gifts, donations and sponsorships - Concessions, permits and licences - Relationships with inspection bodies (public and non-public)
Finance & Administration Internal Control	<ul style="list-style-type: none"> - Management of litigation and relations with judicial authorities - Financial reporting and tax compliance - Sales and collection cycle and credit management - Purchases and payments cycle - Cash and financial resources management - Expense claims and entertaining expenses - Relationships with inspection bodies (public and non-public) - Government grants, subsidies, funding
Supply Chain	<ul style="list-style-type: none"> - Procurement of goods and services
Quality & Environment	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)
Plant Management	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)
Research & Development	<ul style="list-style-type: none"> - Product design
IT	<ul style="list-style-type: none"> - IT system management - Management of certified email - Management of digital signature certificates and devices

1.4. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o RELATIONS WITH INSTITUTIONS, PUBLIC ADMINISTRATION AND ASSOCIATED ENTITIES.
- For each sensitive process:
 - o the respective 231 preventive protocol (described below);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Intercompany management

- Preparation and updating of a group organization chart which shows the positions/powers that any same EPE person (board members and employees) holds in different group companies (interlocking directorates)
- Use of formalized contracts to govern intercompany relationships
- Traceable execution of intercompany contracts (in writing and by mail) and concluded through regular invoicing
- Traceable regular controls of cash flows involving intercompany payments and receipts
- For every intercompany activity, identification of a person responsible for the outsourced activity at the service of group companies
- Adoption of internal rules laid down by the parent company and preparation of voluntary documentation (master file and national documentation) on transfer prices, in full compliance with the following principles:
 - mapping of transactions (including loans) and analysis of the relevant terms of payment
 - functional analysis of the group
 - method of pricing in intercompany transactions and comparability analysis
 - involvement of top management (all paper and electronic documents must be signed on each page by the Legal Representative)
 - verification of the essential characteristics of the reference sector for the individual subsidiaries
 - rules for drawing up, updating and communicating the Documentation

Professional engagements

- Clear identification of company figures that may require professional advice (functional perimeter)
- Involvement of several parties during the authorization phase
- Obtaining of several quotes for advisory services above a certain limit
- Objective definition of the service required by individual function managers
- Contractualization of the relationship
- Insertion of 231 safeguard clauses into contracts
- Acquisition and conservation of documentation attesting the effectiveness of the services

Personnel selection and management

- Traceability of staffing requirements (budget, resource request form), of shortlisted candidates and of final approval

- Involvement of several people in the various stages of recruitment request, definition of job description, identification of candidate shortlist, job interviews and final approval
- Formalization of criteria for the incentive system

Marketing

- Relationships with any public bodies for the registration of new trademarks owned by EPE shall follow the rules contained in the protocol "Data processing and communication with the PA"
- Any engagement of external consultants to assist in the registration of new proprietary brands shall follow the rules contained in the protocol "Professional engagements"
- Other relevant protocols can be found in the controls already identified in relation to the offences of bribery and corruption and in particular to activities preventing the formation of off-balance sheet funds (improper management of sales and purchase invoices and of expense claims).

Gifts, donations and sponsorships

- Clarification of the concept of gifts and identification of the value limits that the goods in question must have
- Traceability of requests/recommendations for gifts by proposing persons
- Identification of the internal staff member in charge of managing corporate gifts
- Preparation and updating of a document summarizing the names of recipients and gifts made
- Accounting for gifts in accordance with proper accounting procedure that complies with tax rules
- Traceability of the making of donations in the form of a specific contract or request to issue a receipt
- Effective verification of the beneficiary in receipt of the donation
- Sponsorships: procedures designed to document the sponsorship activity itself.

Concessions, permits and licences

- Immediate notification of Top Management of the need or request to renew or grant new concessions, permits and public licences
- Separation of duties within the process, in particular between:
 - o who authorizes the request
 - o who prepares the request and related documentation
 - o who presents the request to the P.A.
- Traceability of actions and sources of information
- Report on the state of progress of the request for sharing with Top Management and the Supervisory Board
- Engagement of internal and external persons (e.g. consultants, third-party representatives or other) to assist the Company in the performance of the activities in compliance with the internal controls envisaged for "Professional engagements" and "Data processing and communication with the PA" and related preventive procedures

Relationships with inspection bodies (public and non-public), particularly during audits by any public (or similar) entity:

- identification of the person assigned by the Company to manage relationships with inspection bodies; it is appropriate for this person to hold a top position within the

Company and to be formally provided with a special power of attorney for managing such relationships

- in the case of inspections by the competent bodies, obligation to notify (in a traceable manner) the Chief Executive Officer (CEO) and to keep the CEO updated about subsequent developments and outcomes of the inspection
- separation between those who manage assistance to inspection processes operationally and those who discuss the conclusions at the end of the inspection
- control and verification of the accuracy and correctness of documents addressed to the Supervisory Authorities (e.g. involvement of several persons in the preparation of documents and related review)

Management of litigation and relations with judicial authorities

- Involvement of top management and head of the function involved in any litigation
- Selection of legal counsel in full compliance with the procedures applying to professional engagements

Financial reporting and tax compliance

- Relations with any public inspection bodies shall follow the protocol for "Relations with inspection bodies (public and non-public)"
- Any engagement of external consultants to assist in corporate and tax litigation shall follow the protocol for "Professional engagements"
- Other relevant protocols can be found in the controls already identified in relation to the offences of bribery and corruption and in particular to activities preventing the formation of off-balance sheet funds (improper management of sales and purchase invoices and of expense claims).

Sales and collection cycle and credit management

- Compliance with the principle of separation and segregation of duties between:
 - who receives an order or enters into a sales contract
 - who performs the work and services
 - who prepares and issues invoices
 - who receives the cash and records it
- Predominant use of banking instruments for cash collection (bank transfers, cheques)
- Procedures to record goods in/out and check their presence in stock (making it difficult to input data to the system other than actual shipments made)
- Centralization of data management in the IT system containing contract details, goods in/out, payments

Purchases and payments cycle

- Compliance with the principle of separation and segregation of duties between:
 - who orders a good or a service
 - who receives and communicates the receipt
 - who receives the invoice or supporting document and matches it with the order and the receipt
 - who authorizes the expense
- Documentability of movements (documents in support of transactions)
- Use of banking instruments for payment transactions
- Payment limit for remote banking (automatic block on payment)

Cash and financial resources management

- Use of banking instruments for payment transactions
- Payment limit for remote banking (automatic block on payment)
- Compliance with the principle of separation and segregation of duties between:
 - who authorizes the expense
 - who prepares the bank transfer/cheque
 - who authorizes the bank transfer/signs the cheque
 - who performs bank reconciliations
- Clear responsibilities for custody of cash
- Documentability of movements (documents in support of transactions)
- Use of remote banking to perform current account transactions
- Custody of cheques in the safe
- Regular reconciliation of bank statements with the accounting records
- Formally granted signatory and operating powers on bank accounts (to top managers)

Expense claims and entertaining expenses

- Compliance with the principle of separation and segregation of duties between:
 - who authorizes (function director)
 - who uses (employee; involvement of General Affairs function)
 - who controls (Administration function)

Government grants, subsidies, funding

- Involvement of several persons in the following stages/activities of the process:
 - preparation of the request for grants/funding and related documentation
 - execution of the activity for which the grant/funding was received
 - preparation of expenditure summaries
- Reconciliation of figures and related verification of the eligibility for funding of the expenditure presented
- Traceability of actions and sources of information

Procurement of goods and services

- Presence of a process to evaluate and select suppliers (this process, codified within the quality management system, is an important system of control for 231 purposes as it reduces the possibility of qualifying suppliers "complicit" with corrupt actions)
- Presence of a purchasing office responsible for managing financial negotiations
- Involvement of several business functions

Product design

- Relationships with any public bodies for the registration of new patents owned by EPE shall follow the rules contained in the protocol "Data processing and communication with the PA"
- Any engagement of external consultants to assist in the registration of new proprietary patents shall follow the rules contained in the protocol "Professional engagements"
- Other relevant protocols can be found in the controls already identified in relation to the offences of bribery and corruption and in particular to activities preventing the formation of off-balance sheet funds (improper management of sales and purchase invoices and of expense claims).

Data processing and communication with the PA

- Identification of persons authorized to manage direct and indirect relations with the PA
- Written authorization of third parties that deal in any way with the PA in the name and on behalf of the Company
- Assignment of duties to supervise correct management of the relevant databases for relations with the PA and proper processing
- Assignment of duties to supervise the use of IT and data communication systems and relevant communications in dealings with the PA

Management of certified email and digital signatures

- Specific rules for the selection, implementation and management of certified email and digital signature certificates and devices with:
 - o requirement for explicit authorization (primary and replacement signatory)
 - o governance of recordkeeping
 - o governance of incoming and outgoing certified emails and of use of digital signatures
 - o supervision.

2. CORPORATE CRIMES

2.1. Type of offences

This section refers to the "*Corporate crimes*" envisaged by Art. 25-ter of Decree 231/2001. The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, the following is a brief description, including concrete examples in some cases, of those offences which could theoretically apply to EPE.

False corporate communication (Art. 2621 and Art. 2622 of the Italian Civil Code)

There are two types of offence whose typical conduct is the same but which differ according to the type of company in which the offence is committed (listed or unlisted²). The two offences occur when financial statements, reports or other company communications required by law addressed to the shareholders or to the general public (report on operations, consolidated financial statements, extraordinary financial statements, third-party assets) contain untrue material facts, or omit relevant material facts, disclosure of which is required by law, capable of misleading the recipients as to the actual economic and financial position of the company or of the group it belongs to.

Active parties to this offence are directors, chief operating officers, senior managers responsible for drawing up the company's accounts, statutory auditors and liquidators.

It is clarified that:

- the criminal conduct is carried out with the clear intent of generating unfair gains for the perpetrator or others;
- false or omitted information must be material and capable of significantly misrepresenting the economic and financial situation of the company or group to which it belongs;
- the offence also extends to information concerning assets held or managed by the company on behalf of third parties.

Minor deeds (Art. 2621-bis of the Italian Civil Code)

The penalty is reduced if the deeds under Art. 2621 of the Italian Civil Code can be classified as minor taking into account the nature and size of the company as well as the methods and effects of the criminal conduct.

In particular, the reduced penalty is applied to those companies which do not exceed the limits set out in Art. 1, par. 2 of Royal Decree 267 dated 16 March 1942. In such a case,

² Offences under Art. 2622 of the Italian Civil Code apply to companies issuing financial instruments admitted to trading on a regulated market in Italy or another EU country. According to Art. 2622 par. 2, the following companies fall under its scope: companies issuing financial instruments for which an application for admission to trading on a regulated market in Italy or another EU country has been submitted; issuers of financial instruments admitted to trading on a multilateral trading facility in Italy; companies that control companies issuing financial instruments admitted to trading on a regulated market in Italy or another EU country; companies that solicit investment from the general public or which nonetheless manage savings of the general public.

the offence is open to the bringing of lawsuit by the company, shareholders, creditors or other recipients of the corporate communication.

Obstruction of inspection (Art. 2625 of the Italian Civil Code)

This offence consists of obstructing or preventing the performance of control and/or audit activities – assigned by law to the shareholders, other corporate bodies or an independent firm of auditors – by concealing documents or using other means of deceit.

Only the company's directors are regarded as active parties to this offence.

Since Decree 231/2001 makes explicit reference to just par. 2 of Art. 2625 of the Italian Civil Code, the company will be liable for the commission of the offence only if the impediment or simple obstruction, created by the directors against inspection activities under Art. 2625, has caused damage to the shareholders.

Unlawful restitution of capital contributions (Art. 2626 of the Italian Civil Code)

This offence is intended to safeguard the entirety and effectiveness of share capital, as a guarantee of the rights of creditors and third parties; it involves the actual or simulated return of capital contributions to shareholders, or their release from the obligation to make the contributions, except in the event of legally permitted reductions in the company's share capital.

Only the directors are regarded as active parties to this offence: the law therefore does not intend to punish shareholders benefiting from the restitution or release, unless they have been complicit. Shareholders may also be liable for this offence, under the general complicity rules of Art. 110 of the Italian Penal Code, if they have instigated, decided or facilitated the illegal conduct of the directors.

Illegal distribution of profits and reserves (Art. 2627 of the Italian Civil Code)

The offence occurs in two circumstances:

- in the event of a distribution of profits or advances on profits, which have not been actually earned, or which must be appropriated by law to reserves;
- in the event of a distribution of reserves, including those not set aside out of profits, which cannot be distributed by law.

The offence is cancelled if the profits are repaid, or the reserves reinstated, before the deadline for approval of the financial statements.

Only the directors are regarded as active parties to this offence. The possibility of shareholder liability also exists in this case if the shareholders have instigated, decided or facilitated the illegal conduct of the directors.

Illicit transactions in shares of the company or of the holding company (Art. 2628 of the Italian Civil Code)

The offence involves the purchase of or subscription for, except in cases permitted by law, the company's own shares or shareholdings or those of the holding company, in such a way as to cause an improper reduction in share capital and the reserves that are not legally distributable.

The offence is cancelled if share capital or the reserves are reinstated before the deadline for approval of the financial statements for the financial year in which the offence was committed.

Transactions in defraud of creditors (Art. 2629 of the Italian Civil Code)

This offence is committed in the event of a reduction of the share capital or mergers with other companies, or demergers, in breach of creditor protection legislation, that result in losses to creditors (this is a so-called event-related offence, in which the occurrence of the harmful event that damages the protected legal asset is punished).

The offence is cancelled if the creditors are compensated for the loss before going to court.

Only the directors are regarded as active parties to this offence.

Fictitious capital formation (Art. 2632 of the Italian Civil Code)

This offence is committed when the directors and contributing shareholders form or increase share capital in a fictitious manner, by adopting at least one of the following methods:

- allocation of shares for amounts less than their nominal value;
- reciprocal subscription for shares;
- significant overvaluation of contributions in kind or of receivables;
- significant overvaluation of the company's assets in the event of a corporate transformation.

The directors and contributing shareholders are regarded as active parties to this offence.

It should be noted that the directors and statutory auditors are not incriminated for their failure to control and revise, under Art. 2343 par. 3 of the Italian Civil Code, the valuation of the contributions in kind contained in the appraisal report prepared by the court-appointed expert.

Unlawful influence over shareholders' meetings (Art. 2636 of the Italian Civil Code)

This offence is committed through simulated or fraudulent acts that involve the formation of an artificial majority in the shareholders' meeting in order to achieve unfair gains for the perpetrator or for others.

The offence can be committed by anyone, and therefore also by persons outside the company (only when it is committed by the company's top management or subordinates is there a presumption of liability for the company itself).

Market rigging (Art. 2637 of the Italian Civil Code)

The offence consists of the distribution of false information, the simulation of transactions or other deceitful acts actually capable of causing a significant alteration in the prices of unlisted financial instruments or financial instruments for which no application for admission to listing on a regulated market has been submitted, or of significantly affecting public confidence in the financial soundness of banks or banking groups.

The offence can be committed by anyone, and so also by parties outside the company.

Obstruction of the duties of public supervisory authorities (Art. 2638 of the Italian Civil Code)

The offence can be committed in two different ways, both designed to obstruct the supervisory activities of public authorities:

- by communicating to the supervisory authorities, false information about the economic and financial situation, or by concealing, in whole or in part, facts that should have been disclosed;
- merely by obstructing, in any manner, the performance of the supervisory duties.

In both cases, the active parties involved in the commission of the offence are the directors, the chief operating officers, the statutory auditors and the liquidators.

Private-to-private corruption (Art. 2635 of the Italian Civil Code)

Unless the deed constitutes a more serious offence, directors, chief operating officers, senior managers responsible for drawing up the company's accounts, statutory auditors and liquidators of companies or private entities who, also through a third party, solicit or receive, for themselves or for others, money or other unwarranted advantage, or accept the promise thereof, to perform or to omit an act, in breach of their duties of office or duties of loyalty, shall be punished. The offence also occurs if committed by:

- anyone within the organizational sphere of the company or private entity who carries out management functions other than their own of the persons named in the previous point;
- anyone under the direction or supervision of one of the persons named above.

Also punishable are persons who offer or promise money or other unwarranted advantages, including through a third party, to the persons named above.

Incitement to corruption (Art. 2635-bis of the Italian Civil Code)

Anyone who offers or promises money or other unwarranted advantage to directors, chief operating officers, senior managers responsible for drawing up the company's accounts, statutory auditors and liquidators of companies or private entities, as well as to those who carry out managerial functions, so that such persons perform or omit an act in breach of their duties of office or duties of loyalty, even if the offer or promise is not accepted, shall be punished.

The penalty also applies to directors, chief operating officers, senior managers responsible for drawing up the company's accounts, statutory auditors and liquidators of companies or private entities, as well as to those who carry out managerial functions, who solicit for themselves or others, including through a third party, a promise or gift of money or other advantages, to perform or omit an act in breach of their duties of office or duties of loyalty, even if the solicitation is not accepted.

2.2. Processes at risk

The EPE business areas and processes sensitive to corporate crimes (excluding private-to-private corruption covered below) are as follows:

Area	Process
Strategic & Corporate	<ul style="list-style-type: none"> - Corporate management - Intercompany management
Finance & Administration Internal Control	<ul style="list-style-type: none"> - Financial reporting and tax compliance

The sensitive areas and processes with regard to the offence of **Private-to-private corruption** are:

Area	Process
Strategic & Corporate	<ul style="list-style-type: none"> - Corporate management - Intercompany management - Professional engagements - Personnel selection and management - Gifts, donations and sponsorships - Business development - Relationships with inspection bodies (public and non-public)
Finance & Administration Internal Control	<ul style="list-style-type: none"> - Financial reporting and tax compliance - Sales and collection cycle and credit management - Purchases and payments cycle - Cash and financial resources management - Expense claims and entertaining expenses - Relationships with inspection bodies (public and non-public)
Sales	<ul style="list-style-type: none"> - Sales
Supply Chain	<ul style="list-style-type: none"> - Procurement of goods and services
Quality & Environment	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)
Plant Management	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)
IT	<ul style="list-style-type: none"> - IT system management

2.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT INVOLVING ACCOUNTING RECORDS;
 - o CONDUCT INVOLVING CORPORATE MANAGEMENT;
 - o RELATIONS WITH INSTITUTIONS, PUBLIC ADMINISTRATION AND ASSOCIATED ENTITIES;
 - o CONDUCT INVOLVING PRIVATE-TO-PRIVATE CORRUPTION.
- For each sensitive process:

- the respective 231 preventive protocol (**described below**);
- the respective preventive procedures (**Annex 6**);
- the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Corporate management

- Traceability/recording of the decisions taken by the corporate bodies (Shareholders' Meeting, Board of Directors, Board of Statutory Auditors) with particular reference to shareholder financing transactions or capital increases where a detailed and specific justification is required, indicating exactly how the transaction takes place
- Concerning the conduct of meetings:
 - the Board of Statutory Auditors are sent all documents relating to items on the agenda of meetings of the shareholders or Board of Directors or on which it has to issue an opinion in accordance with the law
 - formalization and/or updating of internal rules and procedures concerning compliance with company law
 - regular meetings between the Board of Statutory Auditors, the Supervisory Board and the heads of individual business areas to verify compliance with company law and corporate governance rules
- If extraordinary corporate actions (mergers, demergers, take-over bids, initial public offerings) are proposed, or if it is decided to initiate a process of admission to listing on regulated and unregulated markets:
 - the CEO must explicitly identify a person responsible for gathering the information and preparing the prospectuses
 - the information and data used to prepare these prospectuses must be validated by the Finance department in an explicit communication that must be attached to the documentation
 - the proposal must be approved by the Board of Directors, filed together with the final version of the prospectus and a copy sent to the Supervisory Board
 - the authorization to proceed must be given by the Shareholders' Meeting, convened in ordinary or extraordinary session
- Traceability of contacts with the Board of Statutory Auditors and written records of the requests addressed to it and the responses received
- In the case of new acquisitions (e.g. equity interests, companies, extraordinary transactions), performance of legal, technical and economic-financial due diligence, including with the assistance of external professionals (selected in compliance with the protocol pertaining to professional engagements).

Intercompany management

- Preparation and updating of a group organization chart which shows the positions/powers that any same EPE person (board members and employees) holds in different group companies (interlocking directorates)
- Use of formalized contracts to govern intercompany relationships
- Traceable execution of intercompany contracts (in writing and by mail) and concluded through regular invoicing
- Traceable regular controls of cash flows involving intercompany payments and receipts
- For every intercompany activity, identification of a person responsible for the outsourced activity at the service of group companies

- Adoption of internal rules laid down by the parent company and preparation of voluntary documentation (master file and national documentation) on transfer prices, in full compliance with the following principles:
 - mapping of transactions (including loans) and analysis of the relevant terms of payment
 - functional analysis of the group
 - method of pricing in intercompany transactions and comparability analysis
 - involvement of top management (all paper and electronic documents must be signed on each page by the Legal Representative)
 - verification of the essential characteristics of the reference sector for the individual subsidiaries
 - rules for drawing up, updating and communicating the Documentation

Financial reporting and tax compliance

Based on the Confindustria 231 Guidelines, there is:

- Existence of a clear and organized procedure for closing off the financial accounts.
- Obligation - for the function manager who provides data and information relating to the financial statements or other corporate communications - to sign a declaration of the truthfulness and completeness of the information provided. In this declaration, the manager swears each time what he can objectively and concretely demonstrate with documentation (also following ex-post audit) on the basis of data in his/her possession.
- Prompt provision of the draft financial statements to all members of the Board of Directors, prior to the Board meeting for their approval.
- Provision to the function managers involved in drawing up the financial statements of the audit opinion (or such similar sufficiently clear and detailed representation) issued by the independent firm of auditors.

Rules for managing inventories of goods, semi-finished and finished products formalized in a specific procedure:

- Traceability of controls to match actual inventories with the accounting records, with definition of how and when with the involvement of the external auditors to carry out the annual physical inventory count
- Periodic monitoring of data relating to scrap inventory
- Presence of a dedicated financial controllership function that prepares and manages the budget, variance analysis and performance measurement system

With particular reference to **private-to-private corruption**:

Sales

- Formalization of sales contracts
- Regulation of commissions on referrals and formalization of referral-making relationships
- Regulation of "financial outflows" (e.g. business referral bonuses)
- Contractualization of agent relationships
- Exclusion of expense reimbursements for agents and referrers
- Agreement between several parties of the reward policy for sales employees
- Formal ban on having business relationships with parties resident in Iran (until further orders from the parent company)

- IT-based price management
- Obligation that all acts involving an expression of the company's intent must be signed exclusively by persons with the power to represent the company itself.

Business Development

- Verification that the technical data used for commercial purposes corresponds with that validated by the technical area or provided by suppliers for goods purchased for resale
- Prior verification of the legality of the use of third-party trademarks and of the manipulation of images, videos and multimedia works
- In order to avoid the purchase of products with counterfeit trademarks, products are procured directly from the manufacturers, with a few exceptions. In any case, products must undergo a "qualification" process
- Formalization of supplier relationships through contracts containing a 231 safeguard clause
- Purchases governed according to the procedures for "Procurement of goods and services" and "Professional engagements"
- Sales governed according to the procedures for "Sales"

IT system management

- Any engagement of external IT consultants involving access to company or third-party IT or data communication systems shall be governed by the protocol "Professional engagements"
- Other relevant protocols can be found in the controls already identified in relation to the offences of bribery and corruption and in particular to activities preventing the formation of off-balance sheet funds (improper management of sales and purchase invoices and of expense claims).

In addition, like in the *Special Part: 1 - Offences against the Public Administration*, reference should be made to the preventive procedural protocols relating to:

- **Professional engagements**
- **Personnel selection and management**
- **Gifts, donations and sponsorships**
- **Relationships with inspection bodies (public and non-public)**
- **Sales and collection cycle and credit management**
- **Purchases and payments cycle**
- **Cash and financial resources management**
- **Expense claims and entertaining expenses**
- **Procurement of goods and services**

3. CRIMES COMMITTED THROUGH VIOLATION OF OCCUPATIONAL HEALTH AND SAFETY LEGISLATION

3.1. Type of offences

Art. 25-septies of Decree 231/2001 (*"Manslaughter and serious and very serious negligent injury committed through violation of occupational health and safety regulations"*) came into force on 25 August 2007, as amended by the Consolidated Law on Occupational Health and Safety (Italian Legislative Decree 81/2008 or "Decree 81/2008"). The predicate offences to which Decree 231/2001 applies also include the crimes covered by the Italian Penal Code's Art. 589 (manslaughter) and Art. 590, par. 3 (serious or very serious negligent injury), committed in violation of accident prevention and occupational health and safety standards.

The **injury** is considered to be **serious** (Art. 583 par. 1 Italian Penal Code) in the following cases:

- 1) *if the event leads to an illness that endangers the life of the injured person, or, to an illness or an inability to live a normal life for a period lasting longer than forty days;*
- 2) *if the event leads to the permanent weakening of a sense or organ.*

The **injury** is considered to be **very serious** (Art. 583 par. 2 Italian Penal Code), if the event gives rise to:

- 1) *an incurable or probably incurable illness;*
- 2) *the loss of a sense;*
- 3) *the loss of a limb, or a mutilation that renders the limb unusable, or the loss of the use of an organ or of the ability to procreate, or a permanent and severe speech impairment;*
- 4) *deformation or permanent disfigurement of the face.*

The offence of **manslaughter** is covered by Art. 589 of the Italian Penal Code:

"Anyone culpably causing the death of another is punished with imprisonment from six months to five years.[...]"

The common element of the three types of offence is the **culpability**, as defined by Art. 43 of the Italian Penal Code:

"A crime:

*- is **malicious**, i.e. according to intention, when the harmful or dangerous event, which is the result of the act or omission, and on which the law makes the existence of the crime depend, is foreseen and desired by the perpetrator as a consequence of his own act or omission;*

*- is **preterintentional**, i.e. goes beyond the intention, when an act or omission gives rise to a harmful or dangerous event that is more serious than the one intended by the perpetrator;*

*- is **negligent**, i.e. contrary to intentional, when the event, even though not foreseen, is not intended by the perpetrator, and occurs due to negligence, imprudence or lack of skill, or failure to observe laws, regulations, orders or instructions."*

Art. 30 of Italy's Consolidated Law on Occupational Health and Safety 81/2008 provides as follows:

"1. An organization and management model capable of having an effective impact on the administrative liability of legal persons, companies and associations, including those without legal personality, as per Legislative Decree 231/2001, must be adopted and effectively implemented, ensuring a system that complies with all legal obligations related to:

- compliance with legal technical and structural standards relating to equipment, installations, workplaces, and chemical, physical and biological agents*
- risk assessment and introduction of consequent prevention and protection measures*
- activities of an organizational nature such as emergencies, first aid, contractor management, regular safety meetings, consultation of workers' health and safety representatives*
- health monitoring activities*
- worker education and training activities*
- supervisory activities with regard to worker compliance with safety procedures and instructions*
- acquisition of legally required documentation and certifications*
- regular audits of the application and effectiveness of the procedures adopted.*

2. The organization and management model in par. 1 must include suitable systems for recording the actual performance of the activities in par. 1.

3. In any case, insofar as required by the nature and size of the organization and the type of activity performed, the organizational model must contain a structure of functions that assures the technical skills and powers required to verify, evaluate, manage and control risk, as well as a disciplinary framework capable of punishing failure to comply with the measures set out in the model.

4. The organization model must also contain an appropriate system of control over the model's implementation and for keeping suitable measures in place over time. The organization model must be reviewed and even modified when significant violations of the rules on accident prevention and workplace hygiene are exposed, or when changes occur in the organization and business involving scientific and technological progress.

5. On first-time application, business organization models defined in accordance with UNI-INAIL Guidelines for Occupational Health and Safety Management Systems dated 28 September 2001 or the British Standard OHSAS 18001:2007 are presumed to comply with the requirements of this article for the corresponding parties. Other models of business organization and management for the same purposes may be indicated by the Commission mentioned in Art. 6 of Decree 81/2008.

5-bis. The Permanent Advisory Committee on Occupational Health and Safety shall prepare simplified procedures for the adoption and effective implementation of safety organization and management models in small and medium-sized enterprises. These procedures shall be implemented by decree of the Ministry of Labour, Health and Social Policy.

6. The adoption of the present Article's organization and management model by enterprises with up to 50 workers shall be one of the activities eligible for financing under Article 11".

3.2 Table of correlation between Art. 30 of Decree 81/2008 and the UNI-INAIL Guidelines

The Company has adopted an Occupational Health and Safety Management System (OHSMS) in accordance with the UNI-INAIL standard issued by INAIL (Italian national agency for insurance against occupational accidents).

The following table correlates the contents of Art. 30 of Decree 81/2008, with the relevant parts of the UNI-INAIL standard and with the OHSMS documents of EPE.

REF. ART. 30 DECREE 81/2008	REF. UNI-INAIL GUIDELINES (2001)	Ref. EPE Documents
Par. 1 (a): compliance with legal technical and structural standards relating to equipment, installations, workplaces, and chemical, physical and biological agents.	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy D. Planning E.1 The management system E.6 Documentation E.7 Integrating occupational health and safety in business processes and operating activities	IPG 9008 IPG 9013 IPG 9007
Par. 1 (b): risk assessment and introduction of consequent prevention and protection measures.	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy D. Planning E.1 The management system E.7 Integrating occupational health and safety in business processes and operating activities	IPG 9007 IPG 9002 IPG 9004 IPG 9005 IPG 9009
Par. 1 (c): organizational activities such as:	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy D. Planning E.2 Definition of duties and responsibilities	SAFETY AND ENVIRONMENT ORGANIZATION CHART
- emergencies, first aid	E.7 Integrating occupational health and safety in business processes and operating activities	IPG 9011
- contractor management	E.5 Communication, information flow and cooperation E.7 Integrating occupational health and safety in business processes and operating activities	IPG 9010
- regular safety meetings	E.3 Staff involvement	IPG 9002
- consultation of workers' health and safety representatives	B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.3 Staff involvement	IPG 9002
Par. 1 (d): health monitoring activities	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system E.7 Integrating occupational health and safety in business processes and operating activities	IPG 9014



REF. ART. 30 DECREE 81/2008	REF. UNI-INAIL GUIDELINES (2001)	Ref. EPE Documents
Par. 1 (e): education and training activities	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system E.4 Education, training, awareness E.5 Communication, information flow and cooperation	IPG 9002
Par. 1 (f): supervisory activities with regard to worker compliance with safety procedures and instructions	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system E.7 Integrating occupational health and safety in business processes and operating activities F.1 Internal monitoring of safety (1st level) F.2 Characteristics and responsibilities of auditors F.3 Monitoring plan	IPG 9004 IPB (Brendola), IPC (Cles) – SAFETY PROCEDURES
Par. 1 (g): acquisition of legally required documentation and certifications	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy D. Planning E.1 The management system E.6 Documentation	IPG 9008
Par. 1 (h): regular audits of the application and effectiveness of the procedures adopted	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system F.1 Internal monitoring of safety (2nd level) F.2 Characteristics and responsibilities of auditors F.3 Monitoring plan	IPG 9004 IPG 9006
Par. 2: the organization and management model in par. 1 must include suitable systems for recording the actual performance of the activities in par. 1	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system E.6 Documentation	IPG 9003
Par. 3: in any case, insofar as required by the nature and size of the organization and the type of activity performed, the organizational model must contain a structure of functions that assures the technical skills and powers required to:	A. Purpose B. Cyclical sequence of an OHSMS C. Occupational safety and health policy E.1 The management system E.2 Definition of duties and responsibilities E.4 Education, training, awareness	IPG 9001

REF. ART. 30 DECREE 81/2008	REF. UNI-INAIL GUIDELINES (2001)	Ref. EPE Documents
- verify, evaluate, manage and control risk;	D. Planning E.7 Integrating occupational health and safety in business processes and operating activities F.1 Internal monitoring of safety F.2 Characteristics and responsibilities of auditors F.3 Monitoring plan	IPG 9004 IPG 9007 DECREE 81/2008
- a disciplinary system suitable for punishing the failure to comply with the measures contained in the model.	No correspondence	
Par. 4: the organization model must also contain an appropriate system of control over the model's implementation and for keeping suitable measures in place over time.	F.1 Internal monitoring of safety F.2 Characteristics and responsibilities of auditors F.3 Monitoring plan	IPG 9004
the organization model must be reviewed and even modified when significant violations of the rules on accident prevention and workplace hygiene are exposed, or when changes occur in the organization and business involving scientific and technological progress.	A. Purpose B. Cyclical sequence of an OHSMS C. Policy E.1 The management system F.4 Management review	IPG 9006 IPG 9007 IPG 9008 IPG 9016

The Circular Letter of the Ministry of Labour and Social Policies dated 11 July 2011 provides the following information with respect to Art. 30, par. 4 of Decree 81/2008:

"Art. 30, par. 4, of Decree 81/2008 provides that: "[...] The organization model must contain an appropriate system of control over the model's implementation and for keeping suitable measures in place over time. The organization model must be reviewed and even modified when significant violations of the rules on accident prevention and workplace hygiene are exposed, or when changes occur in the organization and business involving scientific and technological progress".

*Therefore, if a company has adopted an occupational health and safety management system compliant with the requirements of the UNI-INAIL Guidelines or of BS OHSAS 18001:2007, it has implemented its control system as required by par. 4 of Art. 30 of Decree 81/2008, by combining two processes that are strategic for the effectiveness and compliance of the management system itself: **Internal Monitoring/Audit** and **Management Review**.*

It should be noted, however, that such processes represent a suitable control system for the purposes of Art. 30 par. 4 of Decree 81/2008 only if they provide for the active and documented role, not only of all persons within the organizational structure responsible for safety, but also of top management (understood as an organizational position possibly above the employer) in assessing the objectives and results achieved, as well as any possible critical areas in terms of health and safety at work. The term "documented" means that the participation of top management is proven by company actions and documents.

Lastly, it should be noted that internal audit must also verify the effective application of the disciplinary system [...]".

In addition, Art. 30 par. 5 implicitly states that the 231 Model has additional structural elements compared with those of the management systems referred to in the same paragraph. Therefore, for these management systems to be duly extenuating, they must necessarily be integrated with those structural elements which they are inherently devoid of, namely:

- a disciplinary system suitable for punishing the failure to comply with the measures contained in the model
- methods of managing financial resources able to prevent the commission of offences
- reporting obligations to the body appointed to oversee the operation and observance of the models.

3.3. Processes at risk

The Company's sensitive areas and processes more specifically at risk of the crimes committed through violation of occupational health and safety legislation are as follows:

Area	Process
Strategic & Corporate	- Governance of occupational health and safety
Plant Management	- Operational management of occupational health and safety

3.4. Elements of governance and control

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT INVOLVING OCCUPATIONAL HEALTH AND SAFETY.
- For each sensitive process:
 - o the procedure for governance of occupational health and safety (contained in **Annex 6**)
 - o the documents and procedures forming part of the Occupational Health and Safety Management System (referred to in the **Table of correlation** in the earlier **par. 3.2**)
 - o the respective information flows to the Supervisory Board (**Annex 7**).

To complete the Model, the following have been introduced:

- Supervisory Board (see Chapter 9 of the General Part of the present Organization, Management and Control Model Manual);
- Disciplinary Framework (see Chapter 11 of the General Part of the present Organization, Management and Control Model Manual).

4. ENVIRONMENTAL OFFENCES

4.1. Type of offences

In accordance with the provisions of Art. 25-undecies of Decree 231/2001 ("*Environmental offences*"), this section refers to the unlawful conduct punishable under the Italian Penal Code to protect the environment in general, to the provisions contained in the Environmental Code (Italian Legislative Decree 152/2006) on water, waste and atmospheric emissions, to the regulations protecting endangered animal and plant species (Italian Law 150/1992), to the ozone protection measures (Italian Law 549/1993) and to the provisions against marine pollution caused by ships (Italian Legislative Decree 202/2007).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by examples, is provided below of the principal offences which could theoretically apply to EPE.

Unauthorized waste management (Art. 256 of Italian Legislative Decree 152/2006)

This involves waste management, creation or operation of landfills without authorization, registration or notification.

Similarly, the legislation punishes unauthorized waste mixing activities and temporary storage of hazardous medical waste at the place of production.

Site remediation (Art. 257 of Italian Legislative Decree 152/2006)

This involves failure to decontaminate soil, ground, surface water or groundwater pollution, with risk threshold concentrations exceeded, and failure to notify the competent authorities of the occurrence of an event potentially able to contaminate a site.

Breach of obligations with regard to reporting and the keeping of compulsory records and forms (Art. 258 of Italian Legislative Decree 152/2006)

This involves preparation of a waste analysis certificate with false information about the waste or use of a false certificate during the transportation of waste.

All such offences are more serious in the case of hazardous waste.

Illicit waste trafficking (Art. 259 of Italian Legislative Decree 152/2006)

This involves shipment of waste pursuant to Art. 26 of Regulation EEC 259/1993: the punishment for this offence is greater if hazardous waste is involved.

The conviction results in the compulsory confiscation of the means of transport.

Organized illicit waste trafficking (Art. 452-quaterdecies of the Italian Penal Code)

This involves the organized conduct of illicit waste trafficking. This type of offence is more serious in the case of highly radioactive waste.

Waste combustion (Art. 256-bis of Italian Legislative Decree 152/2006)

This involves setting abandoned or deposited waste alight in an uncontrolled fashion. The party responsible is required to restore the state of the location, to pay compensation for environmental damage and to pay for clean-up costs, including by way of recourse.

With respect to the above it is clarified that, even though the legislator has not explicitly included such an offence in the 231 offence list, the article in question calls for the application of the proscriptive measures provided for in Art. 9 par. 2 of Decree 231/2001.

IT system for monitoring the traceability of waste (Art. 260-bis of Italian Legislative Decree 152/2006) - For applicability of the provisions contained in this article, reference should be made to the repeals ordered, as from 1 January 2019, by Art. 6, par. 2 a), b) and c) of Legislative Decree 135 of 14 December 2018, converted, with amendments, into Law 12 of 11 February 2019, and to the provisions of Art. 6, par. 3 to 3-quinquies, of the same Legislative Decree 135/2018.

Discharge of industrial wastewater (Art. 137 of Italian Legislative Decree 152/2006)

This involves the discharge of industrial wastewater containing hazardous substances exceeding the values set out in the tables in Annex 7 to Part III of Italian Legislative Decree 152/2006, without authorization and without complying with the authorization or other requirements of the competent authority, or by exceeding the more restrictive limits set by the Regions or Autonomous Provinces or the competent authority.

Similarly, the legislation punishes the violation of the ban on discharging into the soil, ground and groundwater and discharges into the sea by ships or aircraft of substances or materials prohibited by international conventions ratified by Italy.

Atmospheric emissions (Art. 279 of Italian Legislative Decree 152/2006)

This involves atmospheric emissions that violate the emission limit values and at the same time exceed the air quality limit values established by current regulations.

Cessation and reduction of the use of ozone-depleting substances (Art. 3 Law 549/1993)

The production, consumption, import, export, holding and sale of the harmful substances listed in Table A annexed to this law are governed by the provisions of Regulation (EC) 3093/94.

The article envisages a ban on the authorization of facilities which use the substances listed in Table A annexed to this law, except as provided by Regulation (EC) 3093/94.

If the above provisions are violated, the punishments are imprisonment for up to two years and a fine of up to three times the value of the substances used in production,

imported or offered for sale. In the most serious cases, a guilty verdict will result in the withdrawal of the permit or licence under which the activity constituting the offence was carried out.

Negligent criminal offences against the environment refer in particular to the causing of events contemplated by Penal Code **Art. 452-bis (Environmental Pollution)** and **Art. 452-quater (Environmental Disaster)** due to imprudence, negligence, inexperience, disregard of laws, regulations, orders and instructions, i.e. where violation of a precautionary provision has given rise to the recognizable and foreseeable occurrence of environmental pollution or environmental disaster.

Such criminal offences can also be committed through omission. In this case, the party who had the legal obligation as a guarantor to prevent the occurrence of the polluting conduct is liable for these offences. Conduct involving relevant omissions can be found in regulatory sources or in the provisions contained in environmental permits held by the company.

By way of example, liability for such negligent deeds will fall on those who produce the above events or the danger of such events through:

- failure to recognize that the substances used in the Company's activity emitted into the environment present a relevant environmental risk based on the contents of the more important publicly accessible databases;
- violation of specific legal provisions or authorized prescriptions or failure to adopt every operational safety precaution permitted by the latest available technology;
- disregard of the obligation to "take appropriate steps to prevent the technical measures adopted from posing risks to the health of the population or deteriorating the external environment by periodically verifying the continuing absence of risk" (specific obligation under Art. 18, par. 1 (q) of Italian Legislative Decree 81/2008).

Environmental pollution (Art. 452-bis of the Italian Penal Code)

This involves illegally causing significant and measurable harm or deterioration to:

- 1) water or air, or extensive or significant portions of the soil or subsoil;
- 2) an ecosystem, biodiversity, including agricultural biodiversity, flora or fauna.

The penalty is increased if the pollution is produced in a protected natural area or an area subject to landscape, environmental, historical, artistic, architectural or archaeological constraints, or if it damages protected animal or plant species.

Environmental disaster (Art. 452-quater of the Italian Penal Code)

This involves illegally causing an environmental disaster. Environmental disaster means:

- 1) any irreversible alteration of the equilibrium of an ecosystem;
- 2) any alteration of the equilibrium of an ecosystem whose elimination can only be achieved through exceptional and costly measures;
- 3) any contravention of public safety due to the significance of the damage to the environment or its harmful effects, or to the number of persons injured or exposed to danger.

The punishment is increased if the disaster is produced in a protected natural area or an area subject to landscape, environmental, historical, artistic, architectural or archaeological constraints, or if it damages protected animal or plant species.

Although the following offences also form part of the list of predicate offences triggering Decree 231/2001 liability and could theoretically apply to the Company, in view of the Company's business activities, these are considered to represent an entirely negligible risk:

- marine pollution caused by ships (Italian Legislative Decree 202/2007);
- temporary storage of hazardous medical waste at the place of production in breach of the provisions of Italian Presidential Decree 254 dated 15 July 2003 (Art. 256 par. 6 of Italian Legislative Decree 152/06 - Unauthorized waste management activities);
- illegal trafficking and abandonment of highly radioactive waste (Art. 452-sexies of the Italian Penal Code);
- killing, destruction, trapping, picking or possession of protected plant and animal species (Art. 727-bis of the Italian Penal Code);
- international trade in endangered animal and plant species/ Keeping of live specimens of mammals and dangerous reptiles (Italian Law 150/92, Art. 1, par. 1 and 2, Art. 2, par. 1 and 2, Art. 6, par. 4 and par. 3 (a) and (b));
- alteration of certificates for the import of protected species into the European Community (Italian Law 150/92 Art. 3-bis par. 1 (referring to Penal Code) and Art. 3-bis par. 3 (c)).

4.2. Processes at risk

The Company's business areas and processes sensitive to environmental offences are as follows:

<u>Area</u>	<u>Process</u>
Strategic & Corporate	- Governance of environmental protection
Quality & Environment	- Operational management of environmental protection

With reference to "predicate offences" under Decree 231/2001 contained in the Environmental Code (Legislative Decree 152/2006), the multiple activities carried out within the production cycle include numerous operations that may involve risks of violation, in particular:

- activities that give rise to discharges of industrial waste (at Cles purified process water is discharged into the sewerage system, under an authorization from the Cles municipal authorities)
- activities that give rise to atmospheric emissions (both Cles and Brendola have authorized emission points)
- the production and management of waste (including relevant activities for the purpose of tracking waste);
- management of purification systems for atmospheric emissions and of environmental controls in general;

- the keeping of authorizations under control.

As for the risks of environmental crimes (Section VI-bis of the Italian Penal Code), being event-related offences and not purely conduct-related, the risks of offence have been identified and assessed through detailed analysis of the production process, taking into account not only the effects it may have (has or had) on the external environment but also its impact on public health, since the latter constitutes to all effects a component of environmental protection.

The activities of identifying sources of danger and of assessing environmental risk have been conducted in terms of both probability and severity and documented using a state-of-the-art analysis not only for normal operating conditions but also for abnormal ones and for every stage of the activities (including, where appropriate, subcontracted activities), based on a "Life Cycle Perspective" whereby the assessment of environmental impacts goes beyond the individual production sites.

The analysis has involved:

- identification of the legal assets protected by the new environmental laws (water, air, soil, subsoil, ecosystem, biodiversity, including agricultural biodiversity, flora, fauna, public safety);
- definition of the reference context, meaning the presence of protected natural areas, landscape, environmental, historical, artistic, architectural and archaeological constraints and animal or plant protected species, ecosystems, natural habitats, biodiversity (including agricultural biodiversity);
- identification of sources of danger (or probability of harm) to the legal assets protected by the new environmental laws, taking into account the activities involved in performing the business activities: industrial and production processes, substances and how they are used and stored, past events, springs, accumulation and bioaccumulation, etc.

The following risks have been identified, but are not limited to:

- failures of environmental controls
- transformer fire
- fire in the depleted oils and chemicals store
- malfunction of Cles purifier
- spillage of hazardous substances
- fire of flammable material such as paper, cardboard, pellets
- meteoric water contaminated by production residues (paint powders) discharged into surface water
- pollution of surface water due to vehicle breakdown in the forecourt
- run-off from casting equipment oil-lubricated parts stored outdoors, etc.).

4.3. Elements of governance and control

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT INVOLVING THE ENVIRONMENT.
- For each sensitive process:
 - o the procedure for governance of environmental protection (contained in **Annex 6**);
 - o the documents and procedures forming part of the Environmental Management System (referred to in the following **Table of correlation**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

4.4 Table of correlation between 231 requirements, Environmental Management System and Procedures

Since 2012, the company has implemented specific procedures that cover all "sensitive processes" that impact the environment and involve the risk of environmental offences being committed.

The procedures cover all the sensitive processes identified, and in particular:

- identification and evaluation of environmental aspects;
- analysis of risk of offence;
- management of environmental controls;
- waste management (including arrangements for managing temporary waste storage);
- regular monitoring of environmental parameters (self-audits);
- management of plant and system modifications;
- management of environmental emergencies;
- management of environmental communications.

In 2014, the Company adopted an Environmental Management System (EMS) in accordance with ISO 14001:2004, designed to achieve substantial compliance with the environmental legislation applicable to the Organization.



The following table correlates the requirements of the 231 Model, the requirements of ISO 14001 and the EMS documents of EPE.

Constituent elements 231 Model		Constituent elements	ISO 14001 reference	EPE Documents
Inventory of business areas of interest and risk assessment	Identification of sensitive areas/activities	Environmental aspects	4.3.1	ILG0008 A - Analysis and evaluation of environmental aspects
	Evaluation of risk of offence	Legal and other requirements	4.3.2	ILG0007 - Management and Assessment of Legal Requirements
Introduction/ updating of the Code of Conduct	Code of conduct	Environmental policy	4.2	ILG0001 – Environmental policy
Development/ updating of general and specific protocols	Organization and management of financial resources	Resources, roles, responsibilities and authority Objectives, goals and programme(s)	4.4.1 4.3.3	ILB0001 B - Environmental Management System organization chart - Brendola factory ILC0001 C - Environmental Management System organization chart - Cles factory ILX0010 - Waste management personnel Brendola (Cles not updated)
	Training	Competence, training and awareness	4.4.2	ML0001 A – Environmental Management System Manual – par. 4.4.2
	Communication and involvement	Communication	4.4.3	ILG0006 - Management of Corporate Communications
	Documentation and traceability	Documentation Checking of documents Checking of registrations	4.4.4 4.4.5 4.5.4	IQG0000 B – Issue of checked documents IQG0001 C - Hard copy distribution of checked documents
	Operational procedures for sensitive activities	Operational control Preparation for and response to emergencies	4.4.6 4.4.7	ILG1001 - Management of equipment containing fluorinated greenhouse or ozone-depleting gases ILC1001 A - Atmospheric emissions and extractor fan management

				IMC1031 - Extractor fan maintenance IMC1009 A - Heating plant IMC1008 A - Purification plant IMB1008 B - Paint booths IMB1010 B - Pump transformation line paint booth IMB1017 - Tecnofirma washing system IMB1021 - Drying furnace paint system IMB1022 - Line 50 paint booth and drying furnace IMB1023 - Line 51 paint booth and drying furnace IMB1024 - Group line paint booth IMB1025 - Air conditioners IMB1026 - Thermoelectric generators IPG9011 B - Management of emergencies
Establishment/activation of monitoring, verification and supervisory system	Monitoring and verification (Level I)	Supervision and measurements	4.5.1	Brendola schedule Cles schedule IMX0039 - Purifier controls recording card ILX0009 - Weekly controls on extractor fan operation ILX0007 - Fire loading List of waste (Brendola storage control)
		Internal audit	4.5.5	ILG0004 - Management of environmental audits ILX0003 – Check list (by area) ILX0008 – Audit report
		Non-conformities, corrective and preventive actions	4.5.3	ILG0002 - Management of environmental non-conformities ILG0003 - Management of corrective and preventive actions ILX0002 - Cles register of actions ILX0002 – Brendola register of actions
		Assessment of compliance with requirements	4.5.2	Brendola schedule Cles schedule ILG0007 - Management of legal requirements and assessment of requirements
		System review	4.6	ILG0005 - Management of management review

5. MONEY LAUNDERING OFFENCES

5.1. Type of offences

This section refers to the offences, envisaged by Art. 25-octies of Decree 231/2001 (*"Receipt of stolen goods, money laundering and employment of money, goods or advantages of illicit origin, and self-laundering"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by examples, is provided below of the principal offences which could theoretically apply to EPE.

Receipt of stolen goods (Art. 648 of the Italian Penal Code)

This offence is committed through the purchase (the effect of a transaction for or without consideration), receipt (any form of obtaining possession even if only temporarily or through mere favour) or concealment (hiding of the goods after receiving them) of money or the proceeds of any type of crime (nonetheless excluding complicity in the crime itself, for example theft) or by involvement in their purchase, receipt or concealment.

Money laundering (Art. 648-bis of the Italian Penal Code)

This offence is committed by substitution (conduct involving the replacement of money, goods or other advantages of illicit origin with different amounts) or transfer (conduct aimed at cleaning up money, goods or other advantages through the performance of transactions) of money, goods, or other advantages deriving from wilful crime, or the performance of other transactions in their regard, so as to obstruct the identification of their criminal origin.

Employment of money, goods or other advantages of illicit origin (Art. 648-ter of the Italian Penal Code)

This offence is committed by employing capital of illicit origin in economic or financial activities. Although "employing" is synonymous with "using however", i.e. "use for any purpose", since the legislator's ultimate aim is to prevent the economic system and competitive balance from being upset through the use of illicit capital obtained at lower costs than lawful capital, it is nonetheless considered that "employing" really means "investing" (i.e. "use for profit").

Self-laundering (Art. 648-ter (1) of the Italian Penal Code)

Anyone who, having committed, or been complicit in committing a wilful crime, then employs, substitutes or transfers money, goods or other advantages originating from the commission of such a crime in economic, financial, business or speculative activities, so as to concretely obstruct the identification of their criminal origin.

5.2. Processes at risk

The EPE business areas and processes sensitive to money laundering offences are indicated below.

It should be noted that for the purposes of the offence of self-laundering, wilful crimes giving rise to illicit proceeds for the Company are of relevance (eg. corrupting actions described earlier, fraud, etc); the consequent use by the Company of such illicit advantage in economic, financial, business or speculative activities in such a way as to concretely obstruct the identification of its criminal origin (e.g. through account transfers), may constitute the foregoing offence.

Area	Process
Strategic & Corporate	<ul style="list-style-type: none"> - Corporate management - Intercompany management - Governance of occupational health and safety - Governance of environmental protection - Professional engagements - Personnel selection and management - Gifts, donations and sponsorships - Relationships with inspection bodies (public and non-public)
Finance & Administration Internal Control	<ul style="list-style-type: none"> - Financial reporting and tax compliance - Sales and collection cycle and credit collection - Purchases and payments cycle - Cash and financial resources management - Expense claims and entertaining expenses - Relationships with inspection bodies (public and non-public) - Government grants, subsidies, funding
Sales	<ul style="list-style-type: none"> - Sales
Supply Chain	<ul style="list-style-type: none"> - Procurement of goods and services
Quality & Environment	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)
Plant Management	<ul style="list-style-type: none"> - Relationships with inspection bodies (public and non-public)

5.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT INVOLVING MONEY-LAUNDERING
 - o CONDUCT INVOLVING ACCOUNTING RECORDS;
 - o CONDUCT INVOLVING CORPORATE MANAGEMENT;
 - o RELATIONS WITH INSTITUTIONS, PUBLIC ADMINISTRATION AND ASSOCIATED ENTITIES;
 - o CONDUCT INVOLVING PRIVATE-TO-PRIVATE CORRUPTION;
 - o CONDUCT INVOLVING OCCUPATIONAL HEALTH AND SAFETY;
 - o CONDUCT INVOLVING THE ENVIRONMENT.
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Corporate management

- Traceability/recording of the decisions taken by the corporate bodies (Shareholders' Meeting, Board of Directors, Board of Statutory Auditors) with particular reference to shareholder financing transactions or capital increases where a detailed and specific justification is required, indicating exactly how the transaction takes place
- In the case of new acquisitions (e.g. equity interests, companies, extraordinary transactions), performance of legal, technical and economic-financial due diligence, including with the assistance of external professionals (selected in compliance with the protocol pertaining to professional engagements).

Gifts, donations and sponsorships

- Donations: traceability of the making of donations in the form of a specific contract or request to issue a receipt
- Effective verification of the beneficiary in receipt of the donation
- Sponsorships: procedures designed to document the sponsorship activity itself.

Professional engagements

- Clear identification of company figures that may require professional advice (functional perimeter)
- Involvement of several parties during the authorization phase
- Obtaining of several quotes for advisory services above a certain limit
- Objective definition of the service required by individual function managers
- Contractualization of the relationship
- Insertion of 231 safeguard clauses into contracts
- Acquisition and conservation of documentation attesting the effectiveness of the services

Financial reporting and tax compliance

- The Tax Manager has a duty to keep track of the evaluations made concerning the full or partial tax deduction of a particular cost - for items involving greater uncertainty -

by expressly indicating (for example in a specific schedule) the references to law, accounting practice and/or case law underlying the tax decision made.

Cost review process

- When preparing tax returns, the Tax Manager must review all the costs and perform a final evaluation of whether individual costs qualify for tax deduction, namely that they are certain, precise and above all relevant.

Sales and collection cycle and credit management

- Compliance with the principle of separation and segregation of duties between:
 - who receives an order or enters into a sales contract
 - who performs the work and services
 - who prepares and issues invoices
 - who receives the cash and records it
- Predominant use of banking instruments for cash collection (bank transfers, cheques)
- Procedures to record goods in/out and check their presence in stock (making it difficult to input data to the system other than actual shipments made)
- Centralization of data management in the IT system containing contract details, goods in/out, payments
- Operating procedures against tax fraud in sales transactions

Purchases and payments cycle

- Compliance with the principle of separation and segregation of duties between:
 - who orders a good or a service
 - who receives and communicates the receipt
 - who receives the invoice or supporting document and matches it with the order and the receipt
- Documentability of movements (documents in support of transactions)
- Use of banking instruments for payment transactions
- Payment limit for remote banking (automatic block on payment)

Cash and financial resources management

- Use of banking instruments for payment transactions.
- Payment limit for remote banking (automatic block on payment)
- Compliance with the principle of separation and segregation of duties between:
 - who authorizes the expense
 - who prepares the bank transfer/cheque
 - who authorizes the bank transfer/signs the cheque
 - who performs bank reconciliations
- Clear responsibilities for custody of cash
- Documentability of movements (documents in support of transactions)
- Use of remote banking to perform current account transactions
- Custody of cheques in the safe
- Regular reconciliation of bank statements with the accounting records
- Formally granted signatory and operating powers on bank accounts (to top managers)

Expense claims and entertaining expenses

- Compliance with the principle of separation and segregation of duties between:
 - who authorizes (function director)

- who uses (employee; involvement of General Affairs function)
- who controls (Administration function)

Relationships with inspection bodies (public and non-public), particularly during audits by any public (or similar) entity:

- identification of the person assigned by the Company to manage relationships with inspection bodies; it is appropriate for this person to hold a top position within the Company and to be formally provided with a special power of attorney for managing such relationships
- in the case of inspections by the competent bodies, obligation to notify (in a traceable manner) the Chief Executive Officer (CEO) and to keep the CEO updated about subsequent developments and outcomes of the inspection
- separation between those who manage assistance to inspection processes operationally and those who discuss the conclusions at the end of the inspection
- control and verification of the accuracy and correctness of documents addressed to the Supervisory Authorities (e.g. involvement of several persons in the preparation of documents and related review)

Government grants, subsidies, funding

- Involvement of several persons in the following stages/activities of the process:
 - preparation of the request for grants/funding and related documentation
 - execution of the activity for which the grant/funding was received
 - preparation of expenditure summaries
- Reconciliation of figures and related verification of the fundability of the expenditure presented
- Traceability of actions and sources of information

Sales

- Formalization of sales contracts
- Regulation of commissions on referrals and formalization of referral-making relationships
- Regulation of "financial outflows" (e.g. business referral bonuses)
- Contractualization of agent relationships
- Exclusion of expense reimbursements for agents and referrers
- Agreement between several parties of the reward policy for sales employees
- Formal ban on having business relationships with parties resident in Iran (until further orders from the parent company)
- IT-based price management
- Obligation that all acts involving an expression of the company's intent must be signed exclusively by persons with the power to represent the company itself
- Management of documentation concerning international transactions
- Management of contract preparation process (review by the Tax Manager)

Procurement of goods and services

- Presence of a process to evaluate and select suppliers (this process, codified within the quality management system, is an important system of control for 231 purposes as it reduces the possibility of qualifying suppliers "complicit" with corrupt actions)
- Presence of a purchasing office responsible for managing financial negotiations

- Involvement of several business functions
- Effective monitoring by a dedicated function of prices offered, in order to safeguard against the risk of acquiring material originating from illegal activity
- Procedures to prevent tax fraud in procurement

6. COMPUTER CRIMES

6.1. Type of offences

This section refers to crimes under Art. 24-bis of Decree 231/2001 (*"Computer crimes and unlawful data processing"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by concrete examples, is provided below of the offences which could theoretically apply to EPE.

Illicit access (Art. 615-ter and Art. 615-quater Italian Penal Code)

This offence occurs in the case of illicit access to a computer or data transmission system or the possession and dissemination of access codes to computer or data transmission systems.

Illicit access can be:

- to an external system (e.g. manipulation of data of competitors or of the Public Administration)
- to a company system from outside (e.g. by collusive suppliers/consultants by circumventing the system of controls)
- to a company system from inside (e.g. access to restricted area to modify authorization and circumvent system of controls)

The offence of possessing and disseminating access codes can be committed through fraudulent impersonation on a computer system by retrieving another person's credentials (e.g., using privileges and authorizing transactions by circumventing the system of internal controls).

Theft and disclosure of codes/credentials through impersonation (see above).

Causing of damage (Art. 615-quinquies, Art. 635-bis, Art. 635-ter, Art. 635-quater, Art. 635-quinquies of the Italian Penal Code)

The offences concern the physical damage of computer, data transmission or data processing systems, for example:

- Distribution of programs designed to cause damage via email (e.g. sent to competitors, the Public Administration, Supervisory Authority, etc.).
- Destruction of data or IT systems (e.g. of competitors).

Tapping, prevention, blocking (Art. 617-quater, Art. 617-quinquies of the Italian Penal Code)

This offence involves and punishes the installation of equipment for fraudulently tapping communications (e.g. both inside and outside systems, as a basis for committing one of the aforementioned offences or for obtaining confidential information).

Falsification of contents of digital documents (Art. 491-bis of the Italian Penal Code)

This offence involves the fraudulent falsification or alteration of a digital document (e.g. by false declarations for the purpose of obtaining an advantage).

6.2. Processes at risk

The EPE business areas and processes sensitive to computer crimes are as follows:

Area	Process
IT	- IT system management

6.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT INVOLVING IT SYSTEM MANAGEMENT.
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

IT system management

- Adequate organization of functions to prevent privacy risk (unlawful processing of personal data) and information security
- Definition, updating and application of the "privacy system", created to prevent the risks envisaged by European and Italian personal data protection legislation (risks such as destruction or even accidental loss of data, unauthorized access, unauthorized processing, processing not in compliance with the purpose for which the data was obtained, by adopting logical security and organizational security measures)
- Introduction of a company safeguard clause in contracts with suppliers, which in some capacity have access to company IT systems (software suppliers, hardware maintenance providers, etc.)
- Adoption of a Regulation for the use of IT systems (communicated to employees and any other users of company IT systems), which in turn requires IT users to adopt mandatory prudential rules of conduct for data and IT tools
- Formalization of specific codes of conduct for the proper use of IT tools

7. INDUCEMENT NOT TO TESTIFY OR TO BEAR FALSE WITNESS TO THE JUDICIAL AUTHORITIES

7.1. Type of offences

This section refers to the type of offence contemplated by Art. 25-decies of Decree 231/2001, (*"Inducement not to testify or to bear false witness to the judicial authorities"*).

Inducement not to testify or to bear false witness to the judicial authorities (Art. 377-bis Italian Penal Code)

Unless a more serious offence has been committed, the legislation punishes anyone who uses violence or threats, or offers or promises money or other advantages to induce another person, who is entitled to remain silent, not to testify or to bear false witness when called to give statements before the judicial authorities in criminal proceedings.

7.2. Processes at risk and possible illicit conduct

The EPE areas of activity and business processes sensitive to this type of offence are as follows:

Area	Process
Finance & Administration Internal Control	- Management of litigation and relations with judicial authorities

7.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o RELATIONS WITH INSTITUTIONS, PUBLIC ADMINISTRATION AND ASSOCIATED ENTITIES
 - o RELATIONS WITH POLITICAL ORGANIZATIONS AND TRADE UNIONS
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

The relevant protocols can be found in the controls already identified in relation to the offence of bribery and corruption and in particular to activities preventing the formation of off-balance sheet funds (improper management of sales and purchase invoices and of expense claims).

8. CRIMES AGAINST TRADE AND INDUSTRY

8.1. Type of offences

This section refers to the offences envisaged by Art. 25-bis (1) of Decree 231/2001 (*"Crimes against trade and industry"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by concrete examples, is provided below of the principal offences which could theoretically apply to EPE.

Fraud against domestic industries (Art. 514 of the Italian Penal Code)

The offence involves harm to domestic industry by offering for sale or otherwise putting in circulation industrial products with counterfeited or forged names, brands or identification marks on domestic or foreign markets.

If the provisions of domestic laws or international conventions on the protection of industrial property rights have been complied with in relation to the brands or identification marks, the punishment is increased.

Fraud in the conduct of trade (Art. 515 of the Italian Penal Code)

The offence occurs when, during the conduct of commercial activity, or in a factory shop open to the public, a purchaser is sold a movable asset under the pretence that it is another, or a movable asset different in origin, production history, quality or quantity from that declared or agreed. [This offence shall apply unless a more serious offence has been committed].

Sale of industrial products with misrepresentation (Art. 517 of the Italian Penal Code)

This involves the offering for sale, or otherwise putting in circulation, of intellectual property or industrial products with national or foreign names, brands or identification marks intended to mislead the purchaser with regard to the origin, production history or quality of the intellectual property or product. [This offence is punishable under this article unless the offence constitutes a crime under other legislation].

Manufacture and sale of goods by infringing industrial property rights (Art. 517-ter of the Italian Penal Code)

This offence involves the manufacture or use for industrial purposes of objects or other goods produced by usurping or infringing an industrial property right, and so knowing the existence of the industrial property right. [This type of offence shall not apply when Art. 473 or Art. 474 of the Italian Penal Code is applicable].

Equally, anyone who, for the purposes of making a profit, brings goods as described above into the country, holds them for sale, offers them for sale by direct marketing or nonetheless puts them in circulation is liable to punishment under Art. 517-ter of the Italian Penal Code.

The offences covered by Art. 517-ter are liable to punishment on condition that the provisions of domestic law, EU regulations and international conventions on the protection of intellectual or industrial property have been complied with.

8.2. Processes at risk

The EPE business areas and processes sensitive to the above offences against trade and industry are as follows:

Area	Process
Strategic & Corporate	- Marketing - Business Development
Supply Chain	- Procurement of goods and services
Research & Development	- Product design

8.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT CONCERNING COPYRIGHT, INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS AND FAIR TRADING
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Marketing

- Verification that the technical data used for commercial purposes corresponds with that validated by the technical area.

Business Development

- Verification that the technical data used for commercial purposes corresponds with that validated by the technical area or provided by suppliers for goods purchased for resale
- In order to avoid the purchase of products with counterfeit trademarks, products are procured directly from the manufacturers, with a few exceptions. In any case, products must undergo a "qualification" process
- Formalization of supplier relationships through contracts containing a 231 safeguard clause

- Purchases governed according to the procedures for "Procurement of goods and services" and "Professional engagements"
- Sales governed according to the procedures for "Sales"

Procurement of goods and services

- In order to avoid the purchase of products with counterfeit trademarks, products are procured directly from the manufacturers, with a few exceptions. In any case, products must undergo a "qualification" process.

Product design

- When innovative technical solutions are developed, an anteriority search regarding product characteristics is conducted by a specialist firm of consultants.

9. FORGERY OF MEANS OF PAYMENT OR IDENTIFICATION MARKS

9.1. Type of offences

This section refers to the crimes envisaged by Art. 25-bis of Decree 231/2001 (*"Forgery of money, government bonds, tax stamps and identification marks or instruments"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, the following is a brief description, accompanied in some cases by concrete examples, of the principal offences which could theoretically apply to EPE.

Forgery of money, spending and introduction into the State, with prior complicity, of counterfeit money (Art. 453 of the Italian Penal Code)

Among the cases constituting the offence in question, of particular prominence is the conduct of those who purchase, or in any case receive counterfeit or forged money from those who forged them, or from an intermediary, in order to put it into circulation.

Spending of counterfeit money received in good faith (Art. 457 of the Italian Penal Code)

The offence involves and punishes the spending or putting into circulation of counterfeit or forged money, received in good faith.

Spending and introduction into the State, without prior complicity, of counterfeit money (Art. 455 of the Italian Penal Code)

Also punishable is the introduction into the State, the acquisition or possession of counterfeit or forged money, for the purposes of putting it into circulation, or the spending or putting into circulation thereof.

Counterfeiting, forgery or use of trademarks or identification marks or patents, models and designs (Art. 473 of the Italian Penal Code)

The offence involves the forgery of registered trademarks or identification marks (word, letter, number, design, photograph, form, colour, logo, label or combination of these signs with a distinctive character and used to distinguish products or services) belonging to third parties.

Introduction into the State and trade in products with false identification marks (Art. 474 of the Italian Penal Code)

The offence involves the introduction into the State, for the sake of personal gain, of industrial products with counterfeit or forged national or foreign trademarks and identification marks.

9.2. Processes at risk

The EPE business areas and processes sensitive to the above offences involving the forgery of money and identification marks are as follows:

<u>Area</u>	<u>Sensitive processes</u>
Strategic & Corporate	- Marketing - Business Development
Finance & Administration Internal Control	- Cash and financial resources management
Supply Chain	- Procurement of goods and services

9.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 6**), in particular:
 - o CONDUCT CONCERNING COPYRIGHT, INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS AND FAIR TRADING;
 - o CONDUCT CONCERNING CURRENCY COUNTERFEITING.
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Marketing/Business Development

Anteriority search regarding the use of new trademarks or their registration in the domestic and international market

Procurement of good and services

In order to avoid the purchase of products with counterfeit trademarks, products are procured directly from the manufacturers, with a few exceptions. In any case, products must undergo a "qualification" process.

10. CRIMES INVOLVING BREACH OF COPYRIGHT

10.1. Type of offences

This section refers to the crimes envisaged by Art. 25-novies of Decree 231/2001 ("*Crimes involving breach of copyright*").

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by concrete examples, is provided below of the offences which could theoretically apply to EPE.

Protection of copyright or other rights related to its exercise (Art. 171-bis of Italian Law 633 of 22.4.1941)

The provision in question punishes anyone who, for personal gain, illegally copies computer programs or, for the same purposes, imports, distributes, sells, holds for commercial or business purposes or rents out programs contained on media not bearing the mark of the Italian society of authors and publishers (SIAE).

Protection of copyright or other rights related to its exercise (Art. 171-ter of Italian Law 633 of 22.4.1941)

The provision in question punishes anyone who, for non-personal use and for profit, amongst other things:

- illegally reproduces, broadcasts or publicly disseminates the whole or parts of scientific or educational, even if they are included in composite works or databases.
- introduces in the territory, holds for sale or distribution, distributes [...], even without having taken part in the duplication or reproduction, the illegal duplications or reproductions referred to above;
- holds for sale or distribution, sells or rents [...] works which by law requires affixation of the SIAE mark and which carries no such mark or a forged or modified one;
- manufactures, imports, distributes, sells, rents [...] holds for commercial purposes, devices, products or components [...] whose main purpose or commercial use is to circumvent effective technological protection measures (Art. 102-*quater* Law 633/1941), or which are primarily designed, produced, adapted ... for the purpose of facilitating the circumvention of the aforementioned measures;
- illegally removes, tampers with the digital information on the type of rights (under Art. 102-*quinquies* Law 633/1941), or distributes or imports [...] works or other protected materials from which the digital information itself has been removed or tampered with;
- communicates to the public, by uploading to a system of digital networks a copyright-protected intellectual work or its contents, in violation of Art. 16 Law 633/1941 (exclusive right of communication to the public).

Protection of copyright or other rights related to its exercise (Art. 171 of Italian Law 633 of 22.4.1941)

Anyone who is not a copyright holder is liable to punishment if they:

- reproduce, transcribe, broadcast, otherwise put into commerce [...] another's work,
- makes available to the public, by uploading to a digital network system [...], a protected intellectual work or its contents,
- reproduces a larger number of copies [...] than they are entitled to reproduce,
- nonetheless take actions - in relation to another's work not intended for publication - that usurp the authorship of the work, deform, mutilate or otherwise modify it, if the results offend the honour or reputation of the author.

In relation to Art. 171 par. 1 a-bis), which punishes anyone who is not a copyright holder *who makes available a protected intellectual work or its contents to the public by uploading it to a digital network system, over any kind of connection*, this is considered to refer to the widespread practice of online sharing of material protected by copyright legislation (for example, file sharing). Since the profit motive is lacking (otherwise it would fall under the more serious offences covered by articles 171-bis and ter) and thus doubting that that such conduct may trigger liability for the entity, this predicate offence is treated as an invitation by the Legislator to adopt a corporate policy generically designed to respect copyright when using digital networks.

10.2. Processes at risk

The EPE business areas and processes sensitive to the above breach of copyright offences are as follows:

Area	Processo
Strategic & Corporate	- Marketing - Business Development
Research & Development	- Product design
IT	- IT system management

10.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT CONCERNING COPYRIGHT, INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS AND FAIR TRADING
- For each sensitive process
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Marketing

- Prior verification of the legality of the use and manipulation of images, videos and music and multimedia works, even if included in collective or composite works or databases
- Anteriority search regarding the use of new trademarks or their registration in the domestic and international market

Business Development

- Prior verification of the legality of the use of third-party trademarks and of the manipulation of images, videos and multimedia works

Product design

- When innovative technical solutions are developed, an anteriority search regarding product characteristics is conducted by a specialist firm of consultants

IT system management

- Continuous monitoring of the legality of installed software and the need to purchase new licences
- Formalization of specific rules of conduct for the proper use of IT tools.

11. CRIMES AGAINST THE INDIVIDUAL

11.1. Type of offences

This section refers to the crimes envisaged by Art. 25-quinquies of Decree 231/2001 ("*Crimes against the individual*").

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, the following is a brief description, accompanied in some cases by concrete examples, of the principal offences which could theoretically apply to EPE.

Child prostitution (Art. 600-bis of the Italian Penal Code)

This offence is committed against anyone who induces into prostitution a person under the age of eighteen or encourages or exploits prostitution.

Child pornography (Art. 600-ter of the Italian Penal Code)

This offence is committed against anyone who exploits children under the age of eighteen in order to obtain pornographic images or to produce pornographic material or anyone who trades in the pornographic material referred to in the first paragraph.

Also punished is anyone, except the cases referred to in the first and second paragraphs, who use any method, including electronically, to distribute, divulge or publicize the pornographic material referred to in the first paragraph, or to distribute or divulge facts or information aimed at grooming or sexually exploiting children under the age of eighteen; or anyone, except the cases referred to in the first, second and third paragraphs, who knowingly gives to others, even free of charge, pornographic material produced through the sexual exploitation of children under the age of eighteen.

Possession of pornographic material (Art. 600-quater of the Italian Penal Code)

This offence is committed by anyone, in addition to the cases envisaged by Art. 600-ter of the Italian Civil Code, who knowingly obtains or possesses pornographic material produced through the sexual exploitation of children under the age of eighteen.

Exploitation of child prostitution in tourism (Art. 600-quinquies of the Italian Penal Code)

This offence is committed by anyone who organizes or promotes travel aimed at the enjoyment of prostitution to the detriment of minors or in any case including such activity.

People trafficking (Art. 601 of the Italian Penal Code)

This offence is committed by anyone who traffics in people in the conditions described in Art. 600 of the Italian Penal Code or, who for the purpose of committing the crimes in this same article, induces them by deception or force using violence, threats, abuse of

authority or taking advantage of a situation of physical or mental inferiority or of a situation of need, or by promising or giving sums of money or other advantages to persons in authority, to enter, remain or leave the territory of the State or move within it.

Illicit brokering and exploitation of labour (so-called "gangmaster system") (Art. 603-bis of the Italian Penal Code)

The offence involves punishing anyone who:

- 1) recruits workers for the purpose of putting them to work for third parties under exploitative conditions, taking advantage of their state of need;
- 2) uses, hires or employs workers, including through the brokering activity in 1) above, subjecting the workers to exploitative conditions and taking advantage of their state of need.

For the purposes of this offence, the existence of one or more of the following conditions is an indication of exploitation:

- 1) repeated payment of salaries in a manner that is clearly different from the national or territorial collective agreements agreed by the most representative trade union organizations nationally, or in any case disproportionate to the quantity and quality of the work performed;
- 2) repeated violation of the legislation governing working hours, rest periods, weekly rest, mandatory leave, holidays;
- 3) existence of violations of occupational health and safety legislation;
- 4) the subjection of the worker to degrading working conditions, forms of surveillance or degrading accommodation.

11.2. Processes at risk

The EPE business areas and processes sensitive to the above offences against the individual are as follows:

<u>Area</u>	<u>Sensitive processes</u>
Strategic & Corporate	- Personnel selection and management
Plant Management	- Operational management of occupational health and safety
Supply Chain	- Procurement of goods and services
IT	- IT system management

11.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT TOWARDS WORKERS AND IN DEFENCE OF THE INDIVIDUAL
- For each sensitive process:
 - o the respective 231 preventive protocol (**described below**);

- the respective preventive procedures (**Annex 6**);
- the respective information flows to the Supervisory Board (**Annexes 6 and 7**)

Personnel selection and management

- Verification that the proposed grade and remuneration match those envisaged by the National Collective Labour Agreement applied by the Company, with any exceptions notified to Top Management
- Traceable verification of compliance with current regulations concerning working hours, rest periods, weekly rest, mandatory leave and holidays; any anomalies detected are reported to Top Management

Procurement of goods and services/Operational management of occupational health and safety

- With regard to purchases relating to occupational health and safety and to environmental prevention and protection, decisions are taken, in a traceable manner, by the Employer with the involvement of the safety and protection officer in order to make the necessary assessments of impact in the area of occupational health and safety.
- For specific aspects and obligations concerning protection of health, safety and the environment, the related safety and environment procedures must be strictly observed (management of contractors and compliance with the requirements of Art. 26 of Legislative Decree 81/2008, chemical agents, waste, infrastructure, change management, plant and machinery, PPE, etc.)

IT system management

- Adoption of a Regulation for the use of IT systems (communicated to employees and any other users of company IT systems), which in turn requires IT users to adopt mandatory prudential rules of conduct for data and IT tools
- Formalization of specific codes of conduct for the proper use of IT tools

12. EMPLOYMENT OF FOREIGN NATIONALS WHO ARE NOT LEGALLY RESIDENT

12.1. Type of offences

This section refers to the offence contemplated by Art. 25-duodecies of Decree 231/2001 (*"Employment of foreign nationals who are not legally resident"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, the following is a brief description, accompanied in some cases by concrete examples, of the principal offences which could theoretically apply to EPE.

Employment and freelance work (Art. 22 par. 12-bis of Italian Legislative Decree 286 of 25 July 1998)

The offence involves punishing the employment of foreign workers who do not hold a residence permit, or whose permits have expired and not been submitted for renewal within the legal term, or have been withdrawn or cancelled,

- a) if more than three workers are employed;
- b) if the workers employed are juveniles below working age;
- c) if the workers employed are subjected to other employment conditions classified as exploitative under Art. 603-bis of the Italian Penal Code.

Provisions against illegal immigration (Art. 12 of Legislative Decree 286 of 25 July 1998)

The offence is committed through the promotion, management, organization, financing or transport of foreigners into the territory of the State or the performance of other actions aimed at illegally obtaining their entry into the territory of the State, or of another State of which the person is not a citizen or in which they are not entitled to permanent residence, if:

- it involves the illegal entry or stay in the territory of the State of five or more people;
- the person transported has had their life or safety put in danger to obtain their illegal entry or stay;
- the person transported has been subjected to inhuman or degrading treatment to obtain their illegal entry or stay;
- it is committed by three or more people acting together or by using international transport services or forged or counterfeit or otherwise illegally obtained documents;
- the perpetrators of the offence have access to weapons or explosive materials.

The punishment increases if the offence is committed for the purpose of recruiting people destined for prostitution or in any case for sexual or labour exploitation, or if it involves the entry of minors for exploitation in illicit activities.

Also punished is the favouring of a foreigner's illegal stay in the country in violation of the provisions of Italy's Consolidated Act concerning immigration regulations and rules on the status of foreigners.

12.2. Processes at risk and possible illicit conduct

The EPE business areas and processes sensitive to the above offences of employing foreign nationals who are not legally resident are as follows:

Area	Process
Strategic & Corporate	- Personnel selection and management

12.3. Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT TOWARDS WORKERS AND IN DEFENCE OF THE INDIVIDUAL
- For each sensitive process:
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

Personnel selection and management

With reference to controls over the employment of irregular foreign personnel:

- o identification of a worker's nationality
- o conservation of the residence permits of foreign workers employed
- o monitoring, by the office responsible, of residence permits and related expiry dates and any changes (withdrawal, cancellation or non-renewal).

13. CRIMES OF RACISM AND XENOPHOBIA

13.1 Type of offences

This section refers to the crimes envisaged by Art. 25-terdecies of Decree 231/2001 ("*Racism and xenophobia*").

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, the following is a brief description, accompanied in some cases by concrete examples, of the principal offences which could theoretically apply to EPE.

This offence is committed by anyone who participates in organizations, associations, movements or groups whose aims include inciting discrimination or violence on racial, ethnic, national or religious grounds, as well as propaganda or instigation and incitement, committed so that it results in real danger of spreading, of the full or partial denial, serious minimization or condoning of the Holocaust or crimes of genocide, crimes against humanity and war crimes.

13.2 Activities at risk

The activities at risk, meaning those that could potentially and theoretically expose the company to the risk of commission of the relevant offences, which must be voluntarily committed in the company's interest or to its advantage, are:

- wide dissemination and use - via means of communication referable to EPE (e.g. social networks, social media, corporate blogs, flyers or other internal paper communication tools, etc.) - of expressions that could incite discrimination or violence on racial, ethnic, national or religious grounds as well as, more generally, that could be seen as racist and xenophobic propaganda.

13.3 Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - CONDUCT REGARDING RACISM AND XENOPHOBIA

14. OFFENCES RELATED TO ORGANIZED CRIME AND CRIMES FOR THE PURPOSE OF TERRORISM OR SUBVERSION OF DEMOCRACY

14.1. Type of offences

This section refers to offences related to offences contemplated by Art. 24-ter of Decree 231/2001 (*"Offences involving organized crime"*) and Art. 25-quater of Decree 231/2001 (*"Crimes for the purpose of terrorism or subversion of democracy"*).

The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by concrete examples, is provided below of the principal offences which could theoretically apply to EPE.

Criminal conspiracy (Art. 416 of the Italian Penal Code) (excluding the crimes in par. 6)

This offence involves and punishes the association of three or more people for the purpose of committing multiple crimes.

Mafia-like organizations, including foreign ones (Art. 416-bis of the Italian Penal Code)

This crime occurs in the event of participation, promotion, management, organization of a mafia-type organization. A criminal organization is defined as mafia-like when its members use the power of intimidation arising from the membership bond and the resulting condition of subjugation and conspiracy of silence for the purpose of committing crimes, of securing directly or indirectly the management or nonetheless control of economic activities, concessions, permits, public contracts and services or of achieving unfair profits or advantages for itself or others, or in order to prevent or hinder free voting or to secure votes for itself or others in elections.

Political collusion with mafia in exchange for votes (Art. 416-ter of the Italian Penal Code)

This offence is committed through accepting the promise of votes, using the methods described above (typical of mafia-like organizations), in exchange for the payment or promise of payment of money or other benefits.

Other crimes committed in the circumstances envisaged by Art. 416-bis (mafia-like organization) or facilitation of the activities of mafia-like organizations.

Criminal conspiracy aimed at smuggling foreign manufactured tobacco (Art. 291-quater of Presidential Decree 43/1973) or aimed at illicit trafficking in narcotic drugs or psychotropic substances (Art. 74 of Presidential Decree 309/1990)

This involves punishing those who, as part of a criminal conspiracy, hold, including on behalf of third parties, a quantity of foreign contraband tobacco or narcotic drugs or psychotropic substances exceeding the limits established by law.

Provisions against illegal immigration (Art. 12 of Legislative Decree 286/1998)

This offence punishes those who, as part of a criminal organization, perform acts aimed at illegally procuring the entry or stay in the territory of the State of persons without a permanent residence permit.

Assistance to members (Art. 270-ter of the Italian Penal Code) of organizations whose purpose is domestic or international terrorism or subversion of democracy

The offence takes the form of offering shelter or providing food, hospitality, transport and means of communication to people who participate in organizations whose purpose is domestic or international terrorism or subversion of democracy.

14.2 Processes at risk

It should be noted that the offence of criminal conspiracy is considered "transversal" to the various activities/processes; in fact, this offence is committed "when three or more people conspire for the purpose of committing multiple crimes" and therefore in the presence of any crime, even those not included in those specifically contemplated by Decree 231/2001.

Given the above, the principal company processes exposed to organized crime are as follows:

Area	Sensitive processes
Strategic & Corporate	<ul style="list-style-type: none"> - Professional engagements - Intercompany management - Personnel selection and management - Concessions, permits and licences - Relationships with inspection bodies (public and non-public)
Finance & Administration Internal Control	<ul style="list-style-type: none"> - Sales and collection cycle and credit management - Purchases and payments cycle - Cash and financial resources management

	- Relationships with inspection bodies (public and non-public)
Sales	- Sales
Supply Chain	- Procurement of goods and services
Quality & Environment	- Relationships with inspection bodies (public and non-public)
Plant Management	- Relationships with inspection bodies (public and non-public)

14.3 Elements of prevention

The elements of prevention specific to the 231 Model consist of:

- Do's and Don'ts contained in the Code of Conduct, (**Annex 5**), in particular:
 - o CONDUCT AGAINST ORGANIZED CRIME (INCLUDING TRANSNATIONAL CRIME);
 - o RELATIONS WITH INSTITUTIONS, PUBLIC ADMINISTRATION AND ASSOCIATED ENTITIES;
 - o CONDUCT TOWARDS WORKERS AND IN DEFENCE OF THE INDIVIDUAL.
- For some sensitive processes:
 - o the respective 231 preventive protocol (**described below**);
 - o the respective preventive procedures (**Annex 6**);
 - o the respective information flows to the Supervisory Board (**Annexes 6 and 7**).

15. "INTERNATIONAL" OFFENCES

15.1. Type of offences

This section refers to types of offence that can be classified as "international". The complete list of predicate offences can be found in **Annex 2** - List of predicate offences.

For the sake of effective disclosure and understanding, a brief description, accompanied in some cases by examples, is provided below of the offences which could theoretically apply to EPE.

Offences committed abroad (Art. 4 of Decree 231/2001)

In the cases and under the conditions provided for in Articles 7, 8, 9 and 10 of the Italian Penal Code, entities whose principal place of business is in the territory of Italy are also accountable for offences committed abroad, unless the State in which the crime was committed brings a prosecution in their regard.

Where the law provides that the culprit is punished at the request of the Minister of Justice, the prosecution is brought against the entity alone if the request is also made against the latter.

International corruption (Art. 322-bis of the Italian Penal Code)

The provisions relating to the offences of embezzlement (Art. 314 and Art. 316 of the Italian Penal Code), extortion (Art. 317 of the Italian Penal Code), inducement to give or promise advantages (Art. 319-quater of the Italian Penal Code, bribery (Art. 317 to Art. 320 of the Italian Penal Code) and incitement to corruption (Art. 322, par. 3 and 4 of the Italian Penal Code) also apply to:

- 1) members of the Commission of the European Communities, the European Parliament, the European Court of Justice and the European Court of Auditors;
- 2) officers and agents hired under contract under the statute of officials of the European Communities or the regulations applicable to agents of the European Communities;
- 3) persons assigned by the member states or any public or private body of the European Communities, who carry out duties equivalent to those of officials or agents of the European Communities;
- 4) members and staff of bodies established under the founding Treaties of the European Communities;
- 5) those who, within the context of other European Union Member States, perform functions or activities equivalent to those of public officials and public service agents.

5-bis) judges, prosecutors, assistant prosecutors, officials and agents of the International Criminal Court, persons commanded by states party to the founding treaty of the International Criminal Court who perform functions equivalent to those of officials or agents of the Court itself, members and staff of bodies established under the founding treaty of the International Criminal Court.

The provisions of Art. 319-quater par. 2, Art. 321 and Art. 322 also apply if the money or other advantage is given, offered or promised to:

- 1) the persons referred to in the first paragraph of this article;
- 2) persons who fulfil functions or perform activities corresponding to those of public officials and public service agents for other foreign states or international public organizations, if the action is taken with the aim of procuring an unlawful advantage for themselves or others in international financial operations or to obtain or maintain an economic financial activity.

The persons referred to in the first paragraph are classified as public officials when they fulfil equivalent functions, and as public service agents in all other cases.

Transnational offences (Art. 3 and Art. 10 of Italian Law 146 of 16 March 2006)

An offence is regarded as transnational when the commission of the offence involves an organized criminal group and it is:

- a) committed in more than one State; or
- b) committed in one State but has been substantially prepared, planned, directed or controlled in another State; or
- c) committed in one State but with the involvement of an organized criminal group which engages in criminal activities in more than one State; or
- d) committed in one State but has substantial effects in another State.

The offences that, if transnational, would entail an administrative liability for the company are:

Criminal conspiracy (Art. 416 of the Italian Penal Code)

Mafia-like conspiracy (Art. 416-bis of the Italian Penal Code)

Association of three or more people for the purpose of committing multiple crimes; a criminal association is defined as mafia-like when its members use the power of intimidation arising from the membership bond and the resulting condition of subjugation and conspiracy of silence for the purpose of committing crimes.

People trafficking offences (Art. 12 paragraphs 3, 3-bis and 5 of Italian Legislative Decree 286 of 25 July 1998)

The commission of actions intended to enable a person to gain illegal entry to Italian state territory or to another foreign state.

Perversion of the course of justice: inducement not to testify (Art. 377-bis of the Italian Penal Code)

Inducement not to testify or to bear false witness to the judicial authorities.

Perversion of the course of justice: Aiding and abetting (Art. 378-bis of the Italian Penal Code)

Assisting someone to evade investigation by the authorities or to escape when sought by the authorities after committing a crime.

The presence of subsidiaries/affiliates and foreign branches may affect 231 risk in the following senses:

1. it increases the risk of any 231 offence being committed abroad in EBARA's interest;

2. it increases the risk of committing the specific offence of international corruption (e.g. bribery of a foreign public official but committed in Italy);
3. it increases the risk of committing specific transnational offences (criminal conspiracy, people trafficking, aiding and abetting).

Given the activities of the Company and its subsidiaries/affiliates and foreign branches, the likelihood of committing the offences in 3) can continue to be treated as negligible for EPE.