

# **The Guidelines of Organizational, Management and Control Model for MR and MHI**

*in implementation of art. 6, 3rd paragraph,  
of Italian Legislative Decree 231/2001 June 8th, 2001, n. 231*

« Discipline of administrative responsibility of legal persons, of companies and associations »

September 21, 2015

(Amendments on 22 March 2018, 18 June 2018, 16 July 2019, 12 November 2020 and 17 March 2022)

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## **1. Preface**

Further to the Board of Directors' decision dated April 22<sup>nd</sup> 2008, subsequently amended with the decisions dated November 13<sup>th</sup> 2008, March 22<sup>th</sup> 2012, March 14<sup>th</sup> 2013, March 22<sup>th</sup> 2016, July 25<sup>th</sup> 2017 and March 22<sup>th</sup> 2018, subsequently amended by act of the managing director dated June 18<sup>th</sup> 2018 and July 16<sup>th</sup> 2019 and by resolution of the Board of Directors dated November 12<sup>th</sup> 2020 and dated 17<sup>th</sup> March 2022, Manuli Rubber Industries S.p.A., now Manuli Ryco S.p.A. (hereinafter “*MR*”) adopted a system of rules, defined as Organizational, Management and Control Model, in observance of the Italian law, and more precisely of the Italian Legislative Decree dated June 8<sup>th</sup> 2001, n. 231.

Manuli Hydraulics Italia S.r.l. (hereinafter “*MHI*”) adopted its Organizational, Management and Control Model with the Board of Directors' decision dated January 20<sup>th</sup>, 2016. The Model has been subsequently amended with the decisions of the Board of Directors dated July 25<sup>th</sup>, 2017, and February 22<sup>nd</sup>, 2018, and by act of the managing director dated June 18<sup>th</sup>, 2018, and July 18<sup>th</sup>, 2019; it has been subsequently amended by resolution of the Board of Directors dated November 12<sup>th</sup>, 2020, and dated 17<sup>th</sup> March 2022.

The lately amended organisational Models respond to requirements of prevention, and constitute a performance of a duty imposed by the Italian law on all corporate bodies, companies and associations, even those deprived of legal status, that may be summarized as a duty for an entity to avoid commission of some typologies of crimes and thus to organize itself in an adequate manner for such purpose.

Within this document (“The Guidelines of Organizational, Management and Control Model for *MR* and *MHI*”, hereinafter also the “Guidelines”), *MR* and *MHI* intend to communicate to proper foreign controlled affiliates and to the personnel posted abroad the fact of having adopted the Model, and to appeal to the group's personnel to observe the rules therein contained (save for respect of laws and principles that rule those issues in analogous way in a country of reference).

The Guidelines are in particular addressed to sensitize the current personnel of foreign companies, that find themselves to perform under the management or surveillance of *MR* and *MHI* top level management or in relations of co-workers with *MR* and *MHI* personnel.

These Guidelines replace and supersede both the Italian and English versions of the previous guidelines, as issued on December 15<sup>th</sup>, 2009, June 14<sup>th</sup>, 2013, September 21<sup>st</sup>, 2015.

These Guidelines are issued only in the English version.

## **2. The Italian law: Legislative Decree 231/2001 June 8th, 2001, n. 231**

The Legislative Decree June 8<sup>th</sup>, 2001, n. 231 (hereinafter “the Decree”) introduced into the Italian law responsibility of entities – corporate bodies, companies and associations, those deprived of legal status included – for administrative illicit depending on crime.

The Decree has been issued in compliance with duties imposed by some important **international acts**:

- Convention on the protection of the financial interests of the European Communities, July 26<sup>th</sup>, 1995;
- Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union, Brussels May 26<sup>th</sup>, 1997;
- OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions, September 17<sup>th</sup>, 1997.

The Decree has since been extensively amended to comply with other relevant Italian and European legislation.

Aligning itself with other European countries' legal systems (France, United Kingdom, Netherlands, Denmark, Portugal, Ireland, Sweden, Finland and Switzerland), the Decree ratifies a form of responsibility that attributes to corporate bodies for some offences, committed in their interest or for their benefit, by the persons functionally related to the latter.

In light of the above illicit behaviours committed by: a) individuals with representative, administrative or management roles, only of-fact included, in a corporate body (so-called persons of a "top level management", for instance executives, managers etc.), and b) individuals involved in the management or surveillance of any of the above parties (for instance employees but also individuals that though not being functionally related to the corporate body, act under the management or surveillance of company's top level management) are to be taken into consideration.

Corporate body's responsibility does not follow however each offence committed but only those peremptorily listed by the Decree and by other laws that refer to the latter.

Against a corporate body found responsible of an illicit depending on crime, the Decree sets forth severe sanctions and assigns duty of an appropriate verification in charge of the penal judge that prosecutes the corporate body and its legal representative.

The sanctions are of two types: **pecuniary** and **disciplinary**.

Among them, must be highlighted measures that are highly prejudicial for corporate body's activities (and its existence), like suspension or retraction of authorizations, licenses or concessions; ban on contract with the Public Administration; interdiction from tax relief, financing, financial contributions or subsidies and retraction of those already granted; ban on advertising goods and services; interdiction, definitive included, on running company's activity. Furthermore, **forfeiture** of a price or profit deriving from crime that the corporate body gained, in any equivalent form, has been established, as well as the official **publication** of **condemnation sentence**.

The corporate body responds for an administrative illicit depending on crime even when the author of the crime has not been identified or the crime is not attributable to the latter, or the crime extinguishes for a cause different than amnesty (for instance for death of the agent or prescription).

In cases and under conditions set forth by the Decree, corporate bodies having their headquarters in Italy may be called to respond also for **crimes committed abroad** (provided that the State on the territory of which the fact has been committed does not proceed against them).

First of all, in order to be able to attribute to the corporate body sanctions defined by the Decree, the following cases contemplated by the Italian Penal Code that integrate behaviours capable to offend Italian State's interests and deserve the most extensive protection are to be considered:

- a. Offences involving counterfeit money performed on the territory of Italy, public credit documents and stamp duties (exception made for offences of forgery of State's stamp and use of forged stamp not included in the group of offences presumption of corporate body's responsibility).
- b. Crimes with scope of terrorism or subversion of the democratic order.
- c. Bribery and corruption offences, prodding to corruption (in case public official on State's service is involved as a complicity and acts abusing of proper powers or in breach of proper duties deriving from its function).
- d. Offences against individual personality (slavery, human trade, purchase or alienation of slaves, juvenile prostitution and pornography).

With reference to such crimes, punishment is unconditional and prosecution is absolute.

Outside these hypotheses, the applicability of Italian penal law to common crimes committed abroad is subject to specific limits and conditions (the presence of reo on the territory of the State and/or the request of the Ministry of Justice and a legal action on behalf of offended person). Such cases and conditions limit also the possibility to attribute to the corporate body a consequent responsibility under the Decree.

In any case, crimes integrally committed abroad must be considered as long as whichever element of fact (for instance any typical behaviour or act of participation of at least one of the authors or co - participants in crime) has been completed in Italy; these elements will justify the applicability of the Italian law.

In such cases (cases of **crimes committed on the territory of the Italian State**) the law does not set any limitations on the Italian jurisdiction by the penal judge: the discipline of responsibility of corporate bodies pursuant to the Decree, in such cases, is being applied both in cases of foreign and Italian corporate bodies and whether the crime has been committed by an Italian citizen or by a foreigner.

In conclusion, for crimes integrally committed abroad, corporate bodies that have their headquarters abroad (this is the case, for instance, of multinational groups) shall not be prosecuted in Italy, though the fact committed has been qualified under the Italian penal law and is to be abstractly prosecuted on the Italian territory.

In addition, under certain conditions, the holding company which has its registered office in Italy may be held liable for an offence committed by the foreign subsidiary where: a) a relevant offence under the Decree has been committed in the interest or advantage not only of the subsidiary but also of the parent company; b) the person

functionally linked to the parent company has participated in the commission of the underlying offence by making a causally relevant contribution (e.g. by giving illegal instructions to the managers or employees of the subsidiary).

It is very important to highlight that the Decree sets forth the possibility for corporate bodies of exoneration from responsibility if the same demonstrate they have adopted and efficiently set up an **organisational, management and control model** (a system of rules) for the purpose of preventing crimes of the kind committed.

The adoption of an appropriate and efficient model acts like a “framework” of corporate body’s responsibility. For such purpose, the Italian legislator not only requires that the model is adopted but also efficiently implemented through concrete actions respectful of laws and that is being arranged an adequate control and verification system.

### **3. The MR and MHI Organizational Models**

In compliance with the Decree’s provisions, throughout Board of Directors’ first decision dated April 22<sup>nd</sup>, 2008, MR adopted a proper organizational, management and control model (the Model).

The Model represents a system of rules concerning organization, management and control of Company’s activities, aimed at preventing (as far as possible) the commission of illicit under the Decree that, in cases and on conditions therein set forth, expose the Company to responsibility and a risk of application of sanctions, also severe ones.

The Model has been subsequently updated with the Board of Director’s decisions dated November the 13<sup>th</sup> 2008, 22 March 2012, 14<sup>th</sup> March 2013. On 22 March 2016 the Model has been amended by the Board of Directors to take account of the changes in MR corporate activities with the transfer of the Hydraulics business assets to the subsidiary MHI and the new role of MR as a holding company. Afterwards amendments of the Model have been made on 25<sup>th</sup> July 2017 and 22<sup>nd</sup> March 2018, and then on 18<sup>th</sup> June 2018, 16<sup>th</sup> July 2019, 12<sup>th</sup> November 2020, 17<sup>th</sup> March 2022, following new laws and the increased number of criminal offences that are considered relevant by the Decree for the purpose of corporate responsibility.

With regard to MHI, the company adopted its own Organizational, Management and Control Model with the Board of Directors’ decision dated January 20<sup>th</sup>, 2016. The Model has been subsequently amended with the decisions dated July 25<sup>th</sup>, 2017, and February 20<sup>th</sup>, 2018, dated June 18<sup>th</sup>, 2018, July 18<sup>th</sup>, 2019, November 12<sup>th</sup>, 2020, 17<sup>th</sup> March 2022, following new laws and the increased number of criminal offences that are considered relevant by the Decree for the purpose of corporate responsibility.

#### **3.1 The Models’ scope and their addressees**

The Models, together with the Code of ethical conduct of MR group and other procedures in use by MR group as well as with the provisions of a separate “Anti-Corruption Code”, form organic *corpus* of internal laws and principles, aimed at diffusion of an ethic culture, correctness and legality.

The Models are addressed to those persons that carry out representative, administrative and managerial functions in MR and MHI and to employees of the two companies (thus to all personnel in *a broad sense*), as well as to individuals that though not being functionally related to the above mentioned companies, act under the management or surveillance of MR and MHI top level management (for instance co-workers and consultants).

The Models are also addressed to employees of group's foreign companies that find themselves to perform under surveillance or management of MR and MHI top level managers or in a relation of co-workers with MR and MHI personnel.

**Therefore, employees of group's foreign companies** that act under management or surveillance of the Italian companies' top level managers, while performing sensitive activities, **are due** to enforce principles and rules contained in the Models (other than procedures and internal regulations in use by MR group).

**The MR and MHI top level managers** that manage or supervise employees of group's foreign companies, while performing sensitive activities, **are due** to give a wide range information to their foreign colleagues regarding principles and rules adopted by MR and MHI through the organizational Models, calling at the same time for their straight observance, being aware of consequences regarding responsibilities that might affect the companies deriving also from their actions.

The Models call all their addressees to strict obedience and compliance with all rules and procedures. The Models also require all addressees to report to the Control Body set up in MR and MHI any **violation** of the rules and any crime committed that are considered by the Decree which come to their knowledge in the context of their activity.

Individuals who report such potential or suspected violations can be confident that all reports will be dealt with and treated with absolute confidentiality, in accordance with the provisions of the Models and the MR group's whistleblower policies. The Models and the procedures protect any individual who make good faith complaint of violations from retaliation or discrimination of any kind and provide disciplinary sanctions against individuals who intentionally make false complaints.

### **3.2 Identification of sensitive areas and relevant offences**

Elaboration of the Models required a range of preparatory actions within MR and MHI structure, among which stands out in particular individuation of activities where theoretically exists the possibility to commit crimes that result in corporate body's responsibility (so-called **mapping** of sensitive activities).

Taking into consideration MR and MHI activities, the following crimes have been considered relevant for the purpose of corporate responsibility pursuant to the Decree:

- Crimes against the Public Administration and fraud against property to the detriment of the Italian State, another Italian public entity or the European Union;
- Company offences;

- Manslaughter and culpable injuries, serious or very serious, committed in breach of laws on prevention from accidents and wardship of hygiene and health at work;
- Fencing, laundering, self-laundering<sup>1</sup> and use of money, goods or utilities derived from criminal offences;
- IT crimes and illicit treatment of data;
- Copyright crimes;
- Environmental crimes<sup>2</sup>;
- Crimes against the industry and the commerce<sup>3</sup>;
- Corruption in the private sector;
- Tax crimes;
- Customs offences<sup>4</sup>.

As far as other crimes under the Decree that are not contained in the Models are concerned, MR and MHI deemed that, in such case, the ensemble of conduct principles contemplated within the Code of ethical conduct, *corporate governance* rules and other procedures in use by the two companies, does already constitute an efficient prevention system.

For offences that do not concern MR and MHI's business, but that may possibly concern foreign controlled companies, MR and MHI, through the Guidelines for foreign countries, recommends to those companies to comply not only with national laws, but also with the European legislation.

Therefore for the new offences relating to non-cash payment instruments which were introduced by Legislative Decree no. 184/2021 implementing the EU Directive 2019/713 on combating fraud and counterfeiting of non-cash means of payment, MR and MHI recommend that the controlled foreign companies using e-commerce in retail sales take appropriate measures to counter any: (a) fraudulent use of a stolen or otherwise unlawfully appropriated payment instrument; (b) fraudulent use of a counterfeited or falsified payment instrument; (c) theft or other unlawful appropriation of a payment instrument; (d) counterfeiting or falsification of a payment instrument in order for it to be used fraudulently; (e) possession, procurement for use, import, export, sale, transport, distribution or otherwise making available of a stolen or otherwise unlawfully appropriated, or of a counterfeited or falsified payment instrument in order for it to be used fraudulently; (f) performing or causing a transfer of money, monetary value or virtual currencies in order to make an unlawful gain for the perpetrator or a

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<sup>1</sup> On 15 December 2014, Italy introduced the crime of self-laundering i.e. laundering by the person who committed or participated in the commission of the offence that produced the money, assets or benefits (predicate offence). By this provision Italy comply with the international conventions on laundering and the legislation of the other leading countries.

<sup>2</sup> These crimes are considered relevant only in the course of MHI business activity.

<sup>3</sup> These crimes are considered relevant only in the course of MHI business activity.

<sup>4</sup> These crimes are considered relevant only in the course of MHI business activity.



third party by hindering or interfering without right with the functioning of an information system, or introducing, altering, deleting, transmitting or suppressing computer data; (g) fraudulent making, receiving, obtaining, sale or transfer to another person or possession of instruments, articles, computer programmes and any other means peculiarly adapted for the commission of any of the offences described above; (h) fraudulent making, receiving, obtaining, sale or transfer to another person or possession of computer programmes the purpose of which is the commission of any of the offences described above; (i) participating in and instigating or attempting the conduct referred above.

### **3.2.1 Sensitive areas and principles of behaviour in relations with the Public Administration<sup>5</sup>**

The activities, within the field of crimes against Public Administration, that both MR and MHI individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

Those activities are:

- a. participation in public evidence procedures (bids and tenders)<sup>6</sup>;
- b. sales of goods outside public evidence procedures<sup>7</sup>;
- c. credit's management and credit collection plans<sup>8</sup>;
- d. public funding;
- e. management of representative costs and souvenirs;
- f. purchase of goods and services;
- g. management of agencies' network<sup>9</sup>;
- h. management of industrial assets and buildings;
- i. administration of personnel and relations with Labour Offices and social security agencies;
- j. relations with surveillance Authorities;
- k. relations with public authorities concerning inspections and controls;
- l. relations with Finance Administration and with public agencies concerning tax issues;
- m. marketing activity in collaboration with public agencies;

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<sup>5</sup> These crimes include crimes against property to the detriment of the Italian State, another Italian public entity or the European union.

<sup>6</sup> This activity is relevant only for MHI business.

<sup>7</sup> This activity is relevant only for MHI business.

<sup>8</sup> This activity is relevant only for MHI business.

<sup>9</sup> This activity is relevant only for MHI business.

- n. relations with judiciary authorities and the forces of law and order;
- o. relations with consultants and co-workers;
- p. management of informative systems;
- q. access to information systems managed by the Public Administration;
- r. relationships with EU organisms;
- s. customs obligations<sup>10</sup>.

The list of sensitive activities is constantly up-dated with regard to potential new prevention requirements.

While performing sensitive activities, all addressees of the Models must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour in respect of all laws and internal corporate procedures has been made a duty of corporate body's members and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities.

For those purposes, it has been prohibited to:

- keep relations with Public Authorities, exception made for persons performing such activities pursuant to Company's organizational chart (that indicates also activities performed), internal orders and proxies;
- offer or perform, either directly or indirectly, undue payments and promises of personal vantages, of any nature, to Public Administration representatives. Such prohibition includes the offer, direct or indirect, of service availability free of charge aimed at influencing decisions or transactions;
- distribute to Italian or foreign Public Administration representatives souvenirs and gifts, exception made to small souvenirs of symbolic and not significant value that may not compromise integrity and reputation of the parties and that may not be considered as aimed at improper acquisition of benefits;
- promising, offering or giving to a public official directly or through an intermediary an advantage of any kind whatsoever, for himself or for a third party, in order that the official should perform or refrain from performing an act relating to his duties or in the exercise of those duties, which damages or is likely to damage the European Union's financial interests;
- comply to a solicitation and/or request made by a public official, directly or through an intermediary, for the offer or promise of an advantage of any kind whatsoever, either for the official himself or for a third party, in order that the official perform or omit to perform an act relating to his duties or in the exercise of his functions which damages or is likely to damage the financial interests of

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<sup>10</sup> This activity is relevant only for MHI business.

the European Union;

- present to national and foreign public organs false declarations and lacking information due for the purpose of achievement of public funding, and in any case to commit any action that may mislead the public agency while granting funding or performing payments of any kind;
- using and/or submitting false, incorrect or incomplete statements or documents or failing to provide required information in breach of specific obligations, in order to misappropriating funds or assets from the European Union budget, and/or budgets managed by or on behalf of the European Union, or obtaining the misappropriation or wrongful retention of funds or assets from the European Union budget, and/or budgets managed by or on behalf of the European Union
- intentionally misappropriating funds or assets from the budget of the European Union and/or budgets managed by it or on its behalf by using them for purposes other than those for which they were initially granted;
- commit any fraudulent act against the European Union budget and/or budgets managed by it or on its behalf;
- commit any infringement of the European law which has or would have the effect of prejudicing the general budget of the European Union or budgets managed by them, either by reducing or eliminating revenue from own resources collected directly on behalf of the European Communities, or by an unjustified expenditure;
- assigning amounts received from national and foreign public agencies under the form of contributions, subventions or financings for purposes different than those for which designated;
- use forms of pressure, deceive, suggestion or to endear the public functionary in order to influence conclusions of administrative activity;
- pay to anybody, and in any form, amounts or to give goods or other utilities aimed at facilitating and/or rendering less onerous the execution and/or the management of agreements with the Public Administration with respect to duties assumed within such agreements;
- participating in and instigating the unlawful conduct of a public official (or a person in charge with a public service) who misappropriates the money or assets of others that he/she has in his/her possession or at his/her disposal by reason of his/her office or service; this prohibition is to be understood as absolute and is not limited only to the appropriation of funds and assets from the budget of the European Union or from budgets managed by the latter, or on its behalf;
- participating in and instigating the unlawful conduct of a public official (or a person in charge with a public service) who taking advantage of the error of others unduly receives or withholds for himself/herself or for a third party money or other benefits; this prohibition is to be understood as absolute and is not limited to the appropriation of funds and goods coming from the budget of the

European Union or from budgets managed by the latter, or on its behalf;

- aiding and abetting in any way whatsoever in the breach of the law committed by a public official (or a person in charge with a public service) for the purpose of procuring for himself or others an unfair pecuniary advantage or causing damage to others and/or in breach of his duty to refrain from taking decisions in the presence of his own interest or that of a close relative; this prohibition is to be understood as absolute and is not limited to the case in which funds and assets from the budget of the European Union or budgets managed by the latter, or on its behalf, are at stake;
- entrust consultants and co-workers activities that exceed authority limits given within consultancy mandates;
- recognize compensations to consultants, co-workers or commercial partners that are not justified by activities actually performed;
- perform payments in cash, exception made for petty expenses, and prior to Administration Finance and Control Department' authorization;
- modify in any form the IT and data transmission systems of the Company or to manipulate the data even in order to transfer money, any other monetary value or virtual currency.
- present false statements and/or certifications in the applications submitted electronically to the Public Administration and in the supporting documentation in order to obtain the release of any administrative measure (license, authorization, etc.) in the interest of MR and MHI;
- submit untrue data in electronic communications to the fiscal Authority or the other competent authorities in tax or social security matters in relation of a computerised modification of data (e.g. tax and/or social security) of interest to the company, already transmitted previously.
- submit false declarations or incomplete or counterfeit documents to the public social security authorities, and in any case carry out any act that may mislead the public authorities in the granting of compensation payments;
- carry out fictitious transfers of personnel and/or demotion in pre-retirement operations in order to obtain undue advance payment of pensions by social security institutions and thus unduly reduce the cost of personnel;
- carry out any other illegal act to the detriment of the public administration.

The prohibitions listed above are given by way of example only.

Rules and principles of behaviour are completed by those contained in the “Anti-Corruption Code” adopted by MR and its subsidiaries on March 25<sup>th</sup>, 2014.

### 3.2.2 Sensitive areas and principles of behaviour in company's performances

The activities, within the field of company crimes that both MR and MHI have individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

Those activities can be grouped in the following manner:

- a. registration and representation of company's activities within accountant books, balance sheets, reports and other corporate documents containing Company's economic, financial and patrimonial situation, as well as communication of the above information to third parties;
- b. drafting of economic, patrimonial and financial situations for the purpose of performance of extraordinary operations;
- c. relations with the shareholders, with the Board of Directors, with statutory auditors and external auditing company;
- d. management of IT systems security;
- e. relations with Surveillance Authorities (Guarantee Authority for Competition and the Market, etc.);
- f. relations with press and media in general;
- g. management of Company's financial resources;
- h. relations with goods and services vendors;
- i. relations with agents<sup>11</sup>;
- j. participation in public evidence procedures (bids and tenders)<sup>12</sup>;
- k. sales of goods outside public evidence procedures<sup>13</sup>.

The list of sensitive activities is constantly up-dated with regard to potential new prevention requirements.

All addressees of the Models must observe general principles of behaviour that both MR and MHI have individuated, also in compliance with the Code of ethical conduct, Company's Act of Association's rules and all other applicable internal rules and regulations.

Correct and transparent behaviour, in respect of all laws and internal company procedures, has been made a **duty** of corporate body's members and all employees', consultants' and co-workers' that, in fulfilment of company's duties, are involved in performance of operations concerning sensitive activities.

It is considered duty of the above mentioned persons to:

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<sup>11</sup> This activity is relevant only for MHI business.

<sup>12</sup> This activity is relevant only for MHI business.

<sup>13</sup> This activity is relevant only for MHI business.

- respect the law and company's internal procedures, in all activities aimed at preparation of the balance sheet and other social communications in the manner to guarantee the shareholders and third parties the possibility to dispose of a clear and faithful representation of Company's economic, patrimonial and financial situation;
- observe the law aimed at preservation of the integrity of social capital, Company's estates, as well as aimed at protection of the shareholders, the creditors and, more in general, other third parties;
- secure the regular functioning of the Company and its bodies, guaranteeing and favouring any form of control over company's management set forth by the law, as well as independent and correct formation of shareholders' resolutions;
- inform the Board of Directors and Statutory Auditors Council of any interest that the Directors might have in a concrete Company's operation or transaction;
- duly and clearly fulfil all communication duties established by the law and regulations towards Surveillance Authorities, and more in general, towards agencies.

For those purposes, pursuant to the penal law, it has been prohibited to:

- commit or omit acts against the duties and responsibilities of an MR and MHI function or the duty of loyalty;
- in any relations with commercial partners and private sector entities (companies, enterprises, trusts and other entities, which are entirely or to a determining extent owned by private persons), whether or not in the course of business activity, offer or promise, either directly or indirectly, or through an intermediary, payments, benefits or other advantages to personnel of MR and MHI commercial partners or private sector entities (both managers and personnel acting under the direction or surveillance of the managers) with the scope of inducing them to perform improperly any function or activity connected with the business or rewarding them for the improper performance of such a function or activity; request or accept the promise or the offer of payments, benefits or other advantages to/by the above mentioned individuals or through an intermediary to act against the duties and responsibilities of a MR and MHI function or the duty of loyalty;
- expose false facts or to omit the obligatory information to be contained in balance sheets and other communications set forth by the laws including the group consolidated financial statements and any other extraordinary financial statements or accounting schedules whose preparation is required by law;
- intentionally misrepresent in the consolidated financial statements and/or omit material facts concerning the assets and liabilities and profit and loss situation of group companies<sup>14</sup>;

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<sup>14</sup> The provision applies to MR, which is required by law to prepare consolidated group financial statements.

- manage money or other goods of Company's property without leaving any evidence of such operations in accountant books;
- return contributions to shareholders or to relieve them from a duty to execute the contributions, outside cases of legitimate company capital decrease. The ban includes also sales of company goods in benefit of one or more shareholders in exchange of derisory compensation, payment to shareholders of compensations for operations non actually promoted by such shareholders, acknowledgement of inexistent debt in favour of one or more shareholders;
- allocate profits or down payments on profits non actually generated or designated under the laws as reserves;
- purchase or subscribe Company's shares outside cases set forth by the laws in a manner to damage company capital's integrity or reserves not distributable under the laws. The ban includes conclusion of fiduciary legal transactions or other agreements aimed at making the Company to purchase, by means of fiduciary companies or interjected persons, proper shares;
- execute company capital decreases, mergers or divisions in breach of creditor's guardianship laws;
- proceed with formation or fictitious increase of company capital, attributing shares for a value superior to company capital amount or value of contributions actually executed;
- obstruct, in any way, control activity on behalf of shareholders, corporate bodies and external auditors;
- obstruct in any way public surveillance Authorities in performance of their tasks (by exposing false facts, to be more precise, by omitting information due to such authorities within communications transmitted to them and in general by obstruct behaviours like for instance delay in transmitting communications, opposition of refusals used as an excuse or offer of requested documentation);
- influence in an illicit manner, with simulated or deceitful acts, formation of a majority in shareholders' meeting. The ban includes, for instance, admission to voting in shareholders' meeting persons that, with respect to a concrete decision in question or in definitive, may not exercise the right of vote; paralyzing shareholder's legitimate right to exercise the right of vote; introducing into shareholders' meeting minutes among shareholders attending and voting persons that never attended the meeting or never voted or voted differently then indicated; attribution to one or more shareholders of number of shares different from the real one with consequent acknowledgement of major number of votes;
- diffuse false notices or to put into action simulate operations or others in a manner to provoke alteration of Company's financial instruments' price.

The prohibitions listed above are given by way of example only.

### 3.2.3 Sensitive areas and principles of behaviour in wardship of health and security on work sites

The activities, within the field of crimes of manslaughter and negligent injuries, serious or very serious, committed in breach of laws on prevention from accidents and wardship of hygiene and health at work, that both MR and MHI individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

Those activities can be grouped in the following manner:

- a. management of activities in the field of health and security;
- b. Covid-19 emergency management in workplace.

The list of sensitive activities is constantly up-dated with regard to potential new prevention requirements.

All addressees of the Models must observe general principles of behaviour that both MR and MHI have individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour, in respect of all laws and internal company procedures, has been made a **duty** of corporate body's members' and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities like the ones mentioned in previous paragraph.

In particular, there exists a duty to strictly observe **health and security guardianship on work sites** laws, by respecting in particular the following legal duties regarding:

- technical - structural law standards concerning facilities, installations, work sites, chemical, physical and biological agents;
- risk assumption activities and predisposition of subsequent prevention and protection measures;
- organizational activities like emergencies, medical aid, management of tender contracts, periodic security meetings, consultations of workers' representatives for security;
- sanitary surveillance activities;
- workers' formation and information activities;
- surveillance activities with reference to safe work procedures and instructions;
- acquisition of documents and certificates obligatory under the laws;
- periodic controls on application and efficiency of procedures.
- health surveillance of workers most at risk of infection, including from Covid-19, due to certain factors such as age, risk conditions resulting from immunosuppression, oncological pathologies, use of life-saving therapies, and comorbidities that may characterize a greater risk.



### **3.2.4 Sensitive areas and principles of behaviour in fencing, laundering, self-laundering and use of money, goods or utilities derived from criminal offences**

The activities, within the field of crimes of fencing, laundering, self-laundering and use of money, goods or utilities derived from criminal offences, that both MR and MHI individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

Those activities can be summarized as follows:

- a. purchase and/or sales agreements, financial transactions and investments with counterparts;
- b. sponsorships;
- c. inter-company purchase and/or sales agreements;
- d. management of financial flows;
- e. relations with providers and commercial and financial partners;
- f. relations with consultants and co-workers.
- g. Intercompany financing;
- h. financing guaranteed by the Italian State, public entities and the European Union;
- i. management of collections and payments, petty cash and company credit cards;
- j. opening and closing of company current accounts;
- k. tax and social security obligations;
- l. health and safety on the workplace and environmental obligations;
- m. financial statements;
- n. all other sensitive activities identified in this Model, and not expressly referred to herein, where it is possible (theoretically) the commission of any crimes in the interest or to the advantage of MR and MHI from which the unlawful availability of money, goods or other benefits may result.

The list of sensitive activities is constantly up-dated with regard to potential new prevention requirements.

It should be noted, however, that for the purposes of the offences of money laundering, receiving stolen goods, use of money, goods or other utilities of unlawful origin and self-laundering, all the "sensitive" activities considered by this Model are potentially relevant, since the characteristic feature of these offences is the activity of material disposition that is carried out with regard to money, goods or other utilities deriving from a committed offence.

Moreover, the recently introduced regulatory amendments to the Italian criminal code have extended the scope of application of the above-mentioned criminal offences since, on the one hand, receiving, laundering, using money, goods or other utilities of illegal origin, and self-laundering can also concern money or things deriving from a contravention and no longer only from a crime (on the condition that the contravention is punished with a certain penalty), on the other hand, money laundering and self-laundering become punishable crimes even if they are committed on goods or other utilities coming from any crimes and not only the intentional ones.

All addressees of the Models must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour in respect of all laws and internal company procedures has been made a **duty** of corporate body's members' and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities like the ones mentioned in previous paragraph.

For those purposes it has been **prohibited** to:

- purchase, receive, occult, by means of third parties included, money or goods derived from or obtained, directly or indirectly, from any crime, whether intentional or negligent;
- convert, transfer money, goods or other benefits derived from or obtained, directly or indirectly from any crime, whether intentional or negligent, for the purpose of concealing or disguising the illicit origin of the property;
- engage into economic or financial activities money, goods or other benefits derived from or obtained, directly or indirectly from any crime, whether intentional or negligent.

The prohibitions listed above are given by way of example only.

### **3.2.5 Sensitive areas and principles of behaviour in IT crimes prevention**

The activities, within the field of IT crimes and illicit treatment of data, that both MR and MHI individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

In brief, the activity consists in:

- a. management of informative systems.

While performing sensitive activities, all addressees of the Models must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour in respect of all laws and internal company procedures has been made a **duty** of corporate body's members and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities.

For those purposes it has been **prohibited** to:

- modify electronic documents, public or private, for evidence and forensic purpose;
- access, without having proper authorization, an IT or data transmission system or to restrain oneself against express or tacit will of whom has a right to exclude such access (the ban includes access to public or private competitors' intranet network for the purpose of gaining information on commercial or industrial progresses) also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- intercept, prevent or illegally interrupt IT or data transmission communications also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- destroy, deteriorate, cancel, alter or suppress information, data and IT programmes (the ban includes non authorized intrusion into competitor's IT system for the purpose of altering its information and data) also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- destroy, deteriorate, cancel, alter or suppress information, data and IT programmes used by the State or other public agency, or by agencies belonging to them, or in any case agencies of public utility;
- destroy, damage, render, totally or in part, non useful someone else's IT or data transmission systems or obstruct severally their functionality also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- destroy, damage, render, totally or in part, non useful public utilities' IT or data transmission systems or obstruct severally their functionality also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- provide oneself, reproduce, diffuse, communicate or, more precisely, inform third parties of codes, passwords or other appropriate means of access to someone else's IT or data transmission systems protected by security measures, or to deliver indications of instructions aimed at allowing third parties access to IT or data transmission systems protected by security measures also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- provide oneself, produce, reproduce, import, diffuse, communicate, deliver or, in any case, offer to others equipment, devices or IT programs in order to damage illegally IT or data transmission systems, information, data or programs therein contained and related, or, more precisely, to encourage total or partial interruption, alteration of their functionality (the ban includes transmission of virus aimed at damaging information systems of competitors) also possibly for the purpose of transferring money, any other monetary value or virtual currency;
- use the IT systems to present untrue statements/certifications in applications submitted electronically to the Public Administration and in supporting documentation in order to obtain the issue of any administrative act or measure

(licence, authorisation, etc.) in the interest of MR and MHI;

- use the IT systems to submit untrue data and information in electronic communications to tax and social security authorities.

The prohibitions listed above are given by way of example only.

### 3.2.6 Sensitive areas and principles of behaviour in copyright crimes prevention

The activities, within the field of IT crimes and illicit treatment of data, that both MR and MHI individuated as sensitive, are indicated in detail in the companies' records, preserved and stocked by the MR *Internal Audit's* offices.

In brief, the activity consists in:

- a. management of IT systems

While performing sensitive activities, all addressees of the Models must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour in respect of all laws and internal company procedures has been made a **duty** of corporate body's members and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities.

For those purposes it has been **prohibited** to:

- insert in a IT network through connections of any kind and make available to the public, without having the right, a creative work protected by copyright or a part of it. It also prohibited to insert in a IT network a creative work of any kind protected by copyright, including software, database, and audiovisual works;
- reproduce without authorization software and database if only for personal purpose and for reasons not related to MR business (for example it is prohibited to duplicate a software in order to use the program on a different computer or give it to others and it is also prohibited to install a program regularly purchased with a single license that restricts the use to one computer on others computers);
- distribute computer programs and database illegally duplicated or contained in carriers without SIAE's sticker (SIAE is the Italian authority protecting copyrights);
- hold computer programs and database contained in carriers without SIAE's sticker for commercial and entrepreneurial reasons;
- hold for sale and distribution, market, sell, rent, transfer under whatever title, publicly show, broadcast through radio or television videocassettes, musicassettes, any carrier containing phonograms or videograms of musical, cinematographic or audiovisual works or sequences of images in motion, or any other carrier that according to Italian

law should bear SIAE's sticker, without or with a counterfeited or altered SIAE stamp;

- import, reproduce, illegally copy, devices or decryption systems that allow the access to a scrambled service without paying the fee or broadcast a scrambled signal received by systems able to decode conditional access transmissions. It is also prohibited to produce, distribute under whatever title, hold for commercial purpose, devices, products or components which main purpose is to circumvent any technological measure of protection;
- promote or organize the above mentioned activities.

The prohibitions listed above are given by way of example only.

### **3.2.7 Sensitive areas and principles of behaviour in environmental crimes prevention<sup>15</sup>**

The activities, within the field of environmental crimes, MHI individuated as sensitive, are indicated in detail in Company's records, preserved and stocked by the MR *Internal Audit's* offices.

In brief, the activities consist in:

- a. drainage of industrial sewage;
- b. emissions to the atmosphere (including the substances damaging the ozone);
- c. waste management;
- d. reclamation of plants.

The addressees of the Model undertake to behave in a proper and transparent manner, in compliance with the provisions of the law, the Model and the internal procedures of the Company.

Correct and transparent behaviour in respect of all laws and internal company procedures has been made a **duty** of corporate body's members' and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities like the ones mentioned in previous paragraph.

With particular reference to the environmental matters, compliance with the law implies the compliance with national and regional laws and all the technical and regulation standards, as well as the requirements prescribed by the competent Authorities to the Company, and those included in the authorization measures provided by the relevant entities.

The legal representatives of the Company are responsible to take all necessary measures suited to ensure the compliance with the environmental law, also by means of establishing an appropriate and effective Company function in charge of the tasks

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<sup>15</sup> These crimes are considered relevant only in the course of MHI business activity.

relating to compliance with said law which shall be headed by a responsible manager with adequate powers of intervention and expenditure and technical and professional skills.

The persons responsible for each production site of the compliance with the environmental law are in charge of performing all necessary and due activities, within the scope of the functions assigned, also by performing suitable controls and checks on the activities devolved to the technicians of the Company, to external companies in charge of analysis, measurements, sampling, monitoring, inspections, and maintenances, to the persons who operate within the waste's management process, the reclamations, the enterprises and the self-employed workers which operate on behalf of the Company inside and outside the Company's plants.

With reference to the **industrial sewage**, and without prejudice to the law obligations, the requirements of the Authority and the prohibitions provided for by applicable law, for the specific purposes of preventing the liability under the Decree, the Company prohibits to perform the following activities:

- drainages of industrial sewage without the required authorization or the maintenance of said drainages despite the revocation and/or suspension of the authorization, when the produced industrial sewage contains the dangerous substances listed in chart 3/A under Annex 5 to part three of the Italian Legislative Decree 152/2006 (among which persistent mineral oils and persistent hydrocarbons of petroleum origin are included). The submission of an application for the authorization to the drainage not being in accordance with the requirements of the law is equivalent to the non-submission of the application itself;
- drainages of industrial sewage containing the dangerous substances listed in chart 5 and chart 3/A under Annex 5 to part three of the Italian Legislative Decree 152/2006 without complying with the requirements of the authorization, or without complying with the requirements issued by the competent Authorities (technical rules, regulatory requirements, emission limit values) with reference to the drainages into the sewerage system and the requirements regarding the maximum substance's quantity allowed for the drainages of the dangerous substances listed in chart 3/A under Annex 5 to part three of the Italian Legislative Decree 152/2006 deriving from the production cycles specified in the same chart;
- drainages of industrial sewage exceeding the emission limit values to surface water and sewerage as listed in chart 3, or in case of drainage on the ground in chart 4 under Annex 5 to part three of the above mentioned decree (emission limit values for urban and industrial sewage ending up on the ground), or exceeding the more restrictive limits set forth by the Region or by the competent Authority (technical rules, regulatory requirements, emission limit values), in relation to the substances listed in chart 5 and chart 3/A under Annex 5 to part three of the Italian Legislative Decree 152/2006;
- drainage on the ground or on the surface layers of the underground and direct drainage into the underground waters and the underground.

With reference to the **emissions to the atmosphere**, and without prejudice to the obligations provided for by the law, the requirements of the Authorities, and the prohibitions provided for by applicable law (in particular, those relating to the authorizations related to the running of the plant, the notices and the authorizations for the eventual change of the registered office, and any other amendment, either substantial or not of the plant), for the specific purposes of preventing the liability under the Decree, the Company prohibits to perform, in particular, the following activities:

- to breach the limit values or the requirements provided for by the authorizations, the rules of Annexes I, II, III, IV, V part five of the Italian Legislative Decree 152/2006, the air's quality plans or programs, the requirements set forth for the systems and activities, or the requirements otherwise imposed by the competent Authorities.

The prohibition includes the use of monitoring methods and systems other than, or not in compliance with, the requirements of the authorization in performing the relevant controls, as well as omitting the availability of the results to the competent Authority in order to enable this latter to execute the controls set forth by the law; and the lack in the communication to the competent Authority itself, within the prescribed term, of eventual dissimilarities noticed while verifying the compliance between the measured values and the mandatory limit values.

With reference to the **waste**, and without prejudice to the obligations provided for by the law, the requirements of the Authorities, and the prohibitions provided for by applicable law, for the specific purposes of preventing the liability under the Decree, the Company prohibits to:

- give wastes to persons without the authorizations, registrations, communications necessary to the collection, transportation, recycling, disposal, trade and brokerage of the wastes themselves;
- take part in any manner (collection, transportation, recycling, disposal, trade and brokerage) in non authorized waste management activities, including by means of a negligent behaviour and, in particular, without adopting proper measures to ensure the compliance with the law;
- allow to anybody else the continuous and regular deposit, the unlimited storage and the abandonment of wastes in the area owned by or belonging to the Company, without taking positive actions as noticing or reporting those facts to the authority and, in any case, not taking measures to remove said breach of law;
- carry out not allowed waste blending activities. The prohibition includes, where not permitted under the relevant authorizations, the blending of dangerous wastes with different dangerousness specifications or even dangerous with non-dangerous wastes. The blending includes the dilution of dangerous materials;
- carry out or allow, including by means of a negligent behaviour, the storage, even if provisional, of dangerous medical wastes;
- carry out shipments of wastes (either dangerous or non-dangerous) as to constitute illicit trade of wastes under the relevant EC rules. The prohibition

includes, by way of an example, the shipment of wastes not actually detailed in the cover letter or with false notices to the relevant authority, as well as in case of intention or unintentional mixture (“blending of wastes”) of two or more types of wastes identified by different codes in order to give origin to a blend not identified by a specific code;

- organize or take part in the organization of illicit trades of wastes. The prohibition includes any conduct that may in any manner ease said organization, also for other goals than economic returns purposes, related to, by way of an example, a saving on costs or a profit of any other kind.

With reference to the **reclamation of plants**, and without prejudice to the obligations provided for by the law, the requirements of the Authorities, and the prohibitions provided for by the reference law (in particular, those relating to the duties of intervening and securing the polluted sites, the authorizations related to the running of the plant, the notices and the authorizations for the eventual change of the registered office, and any other substantial, or not, amendment of the plant), for the specific purposes of prevention of the liability charge under the Decree, the Company prohibits to perform the following activities and in particular to:

- pollute the ground, the underground of either surface or subterranean waters, and exceed the risk thresholds concentration through any “polluting mean” (draining of industrial sewage, containing dangerous and non-dangerous material, and wastes pollution) without remedying in compliance with the law and the relevant provisions. The prohibition includes the non-implementation of the characterization plan in order to hamper or encumber the realization of the project of reclamation;
- omit to give the compulsory notice in case of potential site-polluting events.

With reference to the **waste monitoring information system (SISTRI)**, as referred to by Italian regulations), and without prejudice to the obligations provided for by the law, the requirements of the Authorities, and the prohibitions provided for by the reference law (in particular, those relating to the subscription to the system, the related contribution and the filling in of the form), for the specific purposes of preventing of the liability under the Decree, the Company prohibits to perform the following activities in particular:

- give false information on the waste type and chemical-physical composition in the drafting of a waste analysis certificate used in the SISTRI, and enclose false certificates in the documents provided for the monitoring of the wastes;
- transfer dangerous wastes;
- use a waste analysis certificate that includes false information on the waste type and chemical-physical composition for a transportation;
- transfer of either dangerous or non-dangerous wastes without a print copy of the SISTRI form – Fraudulently modified handling AREA;

With reference to the **cessation and reduction of the use of substances damaging the**



**ozone**, the Company prohibits to perform any activities aimed at infringing:

- the provisions set forth by the Italian Law no. 549/1993 and the EC Regulations for the production, use, importation, exportation, possession and trading of the damaging substances listed in chart A of said Law;
- the provisions concerning the prohibition to manufacture equipment which use the substances listed in chart of the Italian Law no. 549/1993;
- the provisions governing the use of the substances listed in chart A for the maintenance and refill of devices and equipment already sold and installed at the date of coming into force of the Italian Law no. 549/1993;
- the provisions governing the terms and conditions for the cessation of the use and the essential use of the substances listed in chart B of the Italian Law no. 549/1993;
- the provisions concerning the terms of the production, use, importation, exportation and trading of the substances listed in charts A and B of the Italian Law no. 549/1993;
- the provisions concerning the restrictions of use in the field of the fire-fighting of the hydrochlorofluorocarbons (HCFC), perfluorocarbons (PFC) and hydrofluorocarbons (HFC) in order to reduce the emission of high greenhouse potential gases.

The prohibitions listed above are given by way of example only.

### **3.2.8 Sensitive areas and principles of behaviour in crimes against industry and commerce prevention<sup>16</sup>**

The activities, within the field of the crimes against industry and commerce, MHI individuated as sensitive, are indicated in detail in Company's records, preserved and stocked by the MR *Internal Audit's* offices.

In brief, the activities consist in:

- a. customer relationship management and sale contracts;
- b. sale of goods and services;
- c. definition of the characteristics of goods and services;
- d. quality customer service and claims management;
- e. e-commerce;
- f. web site management;
- g. brochures and catalogues creation;

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<sup>16</sup> These crimes are considered relevant only in the course of MHI business activity.

h. advertising campaign.

While performing sensitive activities, all addressees of the Model must observe general principles of behaviour that MHI has individuated, also in compliance with the Code of ethical conduct.

Correct and transparent behaviour in respect of all laws and internal company procedures has been made a **duty** of corporate body's members' and all employees', consultants' and co-workers' that are involved in performance of operations concerning sensitive activities like the ones mentioned in previous paragraph.

It has been **prohibited** to:

- sell or distribute a product different for origin, quality and quantity from the ones advertised or declared;
- state in the MHI advertising, web site, brochures and catalogs of products, commercial agreements, and in general in all the communications related to an offer of goods and services, false information about characteristics, country of origin, quality and quantity of the goods and services;
- sell or trade either in Italy or abroad products or creative works with names, distinction signs and trademarks forged or counterfeit even when trademarks are not registered or signs are not protected under the law;
- sell or trade products or creative works with names, trademarks, distinction signs (Italians or foreigners) able to mislead customers about the country of origin, quality or quantity of the product or the creative work. It is also prohibited to copy others' trademarks and distinction signs (and not only to counterfeit or alter) even when trademarks are not registered or signs are not protected under the law.

The prohibitions listed above are given by way of example only.

### **3.2.9 Sensitive areas and principles of behaviour for the prevention of corruption in the private sector**

MR and its subsidiaries (including MHI) have adopted a specific "Anti-Corruption Code" that contains rules and principles of behaviour for the prevention of corruption both in the private and in the public sector.

The Anti-Corruption Code applies to MR and its subsidiaries personnel (employees and managers) both in Italy and abroad.

### **3.2.10 Sensitive areas and principles of behaviour for the prevention of tax crimes**

The relevant activities within the scope of tax crimes identified by both MR and MHI are listed in detail in the documents held in the offices of MR Internal Audit.

These activities can be summarized as follows:

- a. tax compliance;
- b. recognition, recording and representation of corporate activities in the accounting records, financial statements, reports and other corporate documents representing the economic and financial situation and assets of the Company, as well as the communication of the above-mentioned information to third parties;
- c. relations with public authorities concerning inspection, verification or control activities (Guardia di Finanza, Revenue Agencies, etc.)
- d. relations with the Italian Revenue Agency and public authorities concerning tax matters;
- e. management of financial resources;
- f. credit management;
- g. management of litigation and relations with the judicial authorities;
- h. finance and treasury services;
- i. personnel management;
- j. management of gifts and entertainment expenses;
- k. management of sponsorships and contributions;
- l. management of information systems;
- m. strategic group management;
- n. group legal and tax services;
- o. brand management;
- p. management of financing operations;
- q. management of extraordinary transactions;
- r. relations with suppliers of goods and services;
- s. participation in public procedures (tenders and contracts);
- t. sale of goods outside of public procedures.
- u. purchase of goods and services in intragroup transactions;
- v. strategic management, research and development and other shared management services provided by MR and MHI to the companies of the group;
- w. provision of brand management services by MR to group companies;
- x. intragroup loans;
- y. transfer pricing in intercompany transactions;

- z. all other sensitive activities identified in this Model, and not expressly referred to herein, which may be affected by the misrepresentation of the underlying economic transaction for the purposes of tax evasion.

The list of sensitive activities is updated, in relation to new and possible prevention requirements, in accordance with the provisions of the General Section of this Model (see paragraph 3, General Section).

While performing sensitive activities, all addressees of the Model must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct and the Anticorruption Code.

In particular, the members of the corporate bodies, and all those employees, consultants and collaborators of MR and MHI who are engaged in carrying out operations concerning sensitive activities, as described in paragraph 2 of this section, are obliged to behave correctly and transparently, in compliance with all legal provisions and internal company procedures.

All persons, as identified above, are required to:

- comply with the general principles of the legal system, the law and company procedures in keeping books, registers, accounting entries and other documents that are evidence before the tax authorities, so that they faithfully reflect all economic transactions carried out in the interest of both MR and MHI;
- comply with the general principles of the legal system, the law and company procedures in preparing financial statements and in the related activities concerning the reconciliation of current accounts, the preparation of monthly financial statements, the preparation of half-yearly financial statements and the annual report;
- adopt responsible behaviour in tax matters, in accordance with the OECD recommendations for multinational companies, comply with both the letter and the spirit of the tax laws and regulations in all countries in which MR group conducts its business; an enterprise complies with the spirit of the tax laws and regulations if it takes reasonable steps to determine the intention of the legislature and interprets those tax rules consistent with that intention in light of the statutory language and relevant, contemporaneous legislative history;
- transactions should not be structured in a way that will have tax results that are inconsistent with the underlying economic consequences of the transaction unless there exists specific legislation designed to give that result; in this case, the transaction should be structured in a way that gives a tax result for MR and MHI which is not contrary to the intentions of the legislature;
- treat tax governance and tax compliance as important elements of the oversight and broader risk management systems; adopt tax risk management strategies to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated;
- cooperate with tax authorities and provide them with the information they require to ensure an effective and equitable application of the tax laws; such cooperation

should include responding in a timely and complete manner to requests for information made by a competent authority pursuant to the provisions of a tax treaty or exchange of information agreement; information to be provided is limited to that which is relevant to or required by applicable tax laws;

- cooperate with tax authorities in providing information they may need from outside their jurisdiction in order to be able to evaluate relationships among members of the same multinational enterprise group in other countries and determine the tax liability of the member of the multinational group in their jurisdiction; again, the information to be provided is limited to that which is relevant to or required by law for the proposed evaluation of those economic relationships for the purpose of determining the correct tax liability of the member of the multinational group;
- correctly fulfil invoicing and/or registration obligations in accordance with tax legislation;
- check, record and keep invoices payable and relevant documents taking care to verify that invoices and documents faithfully represent the underlying economic transactions and correctly describe the economic transaction also with regard to its legal qualification;
- issuing, accounting for and recording invoices receivable and relevant documents taking care to check that invoices and documents faithfully represent the underlying economic transactions and correctly describe the economic transaction also with regard to its legal qualification;
- strictly comply with the Italian regulations on transfer pricing and the relative implementation provisions, as well as the OECD Guidelines, in determining the transfer pricing in commercial and/or financial transactions; prepare all the appropriate documentation required on the matter of transfer pricing by the reference legislation;
- carry out all the duties required to a tax payer.

MR and MHI also prohibit a series of behaviours that constitute offences under Italian criminal law, which are listed below by way of example only. Many of these behaviours have already been indicated in the context of the sensitive activities identified by this Model and are expressly referred to herein for the specificity of tax offences (in particular offences committed through false declarations), characterised by the untruthful/false representation of the business activity in order to obtain an undue reduction of the tax due.

In this respect, it is prohibited, in accordance with the provisions of the Italian criminal law, to:

- presenting incomplete or untrue data in the MR and MHI accounting records;
- issue and/or record, receive and/or register in the MR and MHI accounting records (or in any case hold as a proof against the financial administration) invoices or other documents for transactions that have not been carried out in whole or in part or which indicate the amounts or the VAT to a greater extent

than is actually the case, or which refer the transaction to persons other than the actual ones;

- issue and/or annotate, receive and/or record in the MR and MHI accounts, or in any case hold as a proof against the financial administration, invoices or other documents for operations which are in any case different from those actually carried out, even only in terms of their legal qualification;
- issue and/or record, receive and/or register in the MR and MHI accounts, or in any case hold as a proof against the tax authorities, invoices or other documents for simulated operations or for transactions carried out with the intention of not carrying them out, in whole or in part, or referring to fictitiously interposed persons;
- issue and/or annotate, receive and/or record in the MR and MHI accounts, or in any case hold as a proof against the financial administration, false documents attesting material facts not corresponding to the truth;
- present incomplete and/or untrue data in communications to the Italian Revenue Agency; carry out through MR and MHI information systems any conduct to the detriment of the tax authorities;
- report in MR and MHI income tax return (in any declaration and not only in the Corporate Income Tax, Ires, and Regional Production Tax, Irap, declarations or in the declarations for VAT purposes, but also in the declarations of intra-European purchases of goods or in the declarations concerning transformation, merger and demerger of companies) fictitious costs making use of the invoices or other documents relating to simulated or non-existent transactions;
- report in MR and MHI income tax return (in any declaration and not only in the Corporate Income Tax, Ires, and Regional Production Tax, Irap, declarations or in the declarations for VAT purposes, but also in the declarations of intra-European purchases of goods or in the declarations concerning transformation, merger and demerger of companies) fictitious costs carrying out simulated transactions or making use of false documents or any fraudulent instruments in order to hide the assessment of material facts;
- reporting in MR and MHI income tax return (in any declaration and not only in the Corporate Income Tax, Ires, and Regional Production Tax, Irap, declarations or in the declarations for VAT purposes, but also in the declarations of intra-EU purchases or in the declarations concerning transformation, merger and demerger of companies) assets for an amount lower than the actual amount or non-existent costs; the prohibition is to be understood as absolute although thresholds of criminal relevance of the conduct are provided for on the basis of the value of the evaded tax and the total amount of the assets removed from taxation;
- carrying out fictitious transactions in order to achieve an undue tax advantage;
- violate transfer pricing criteria in commercial and/or financial operations between controlled companies resident in different countries; fail to prepare the documentation required by the law and by OECD Directives; omit and/or

provide incomplete or untrue information in transfer pricing documentation; falsify any documents related to transfer prices;

- setting up of a company in the countries with a more favourable tax regime compared to the Italian one, with the aim of imputing the income in the foreign country which would otherwise be taxed in Italy (relocation abroad); usually the income invested abroad consists of the capital gains resulting from the transfer of stocks;
- engage in any activity, lacking of valid economic reasons, aimed at avoiding obligations or prohibitions envisaged by the tax system and at obtaining tax reductions, which would not be otherwise due;
- assigning and/or using tax credits for activities which have not actually been carried out;
- make undue offsetting of tax credits that do not exist or are not due according to tax regulations; the prohibition includes both so-called vertical offsetting, concerning credits and debts relating to the same tax (e.g. VAT with VAT) and so-called horizontal offsetting, concerning credits and debts relating to a different tax; the prohibition also includes undue offsetting of non-existent or not due tax credits with non-tax debts, such as, for example, social security and welfare contributions and/or certain specific insurance premiums, taxes, duties or surcharges provided for by special laws; the prohibition is to be understood as absolute although a threshold of criminal relevance of the conduct is provided for on the basis of the amount of the offsetting credit;
- evading VAT tax in transactions involving the import of goods from non-EU countries;
- issuing declarations of intent not having the requisites provided for by tax regulations for the import of goods and services without applying VAT and/or using false VAT plafonds;
- providing invalid and/or incomplete VAT information in the goods import declaration;
- not submitting, being obliged to do so, one of the declarations relating to income tax or VAT tax or omitting the declaration of the withholding agent (withholding agents are obliged to annually declare the amounts withheld by means of a special tax return); the prohibition is absolute and exists regardless of the criminally relevant threshold of the evaded tax;
- concealing or destroying, in whole or in part, accounting records or documents whose preservation is mandatory so as not to allow the reconstruction of income or turnover;
- fictitiously disposing of or performing fraudulent acts on assets in order to avoid paying tax, completely or in part, or penalties and interest relating to such taxes;
- reporting in the documents submitted for the purposes of the tax settlement procedure assets of an amount lower than the actual amount or fictitious

liabilities, in order to obtain for oneself or others a partial payment of taxes and related accessories;

- making undue tax savings with reference to all the amounts due that can be entered in the appropriate form (including those relating to social security and welfare contributions) by tax offsetting, i.e. by drafting false documents with which to set off amounts that could not have been set off either because they are not due or because the relevant credit does not exist.

### **3.2.11 Sensitive areas and principles of behaviour for the prevention of custom crimes<sup>17</sup>**

The relevant activities within the scope of tax crimes identified by both MR and MHI are listed in detail in the documents held in the offices of MR Internal Audit.

These activities can be summarized as follows:

- a. management of customs duty;
- b. relationships with suppliers of goods and services;
- c. relationships with consultants;
- d. warehouse management;
- e. tax compliance;
- f. relationships with public authorities concerning inspection, verification or control activities (Guardia di Finanza, Revenue Agency, Customs Agency, etc.).

The list of sensitive activities is updated, in relation to new and possible prevention requirements, in accordance with the provisions of the General Section of this Model (see paragraph 3, General Section).

While performing sensitive activities, all addressees of the Model must observe general principles of behaviour that MR and MHI have individuated, also in compliance with the Code of ethical conduct and the Anticorruption Code.

In particular, the members of the corporate bodies, and all those employees, consultants and collaborators of MR and MHI who are engaged in carrying out operations concerning sensitive activities, as described in paragraph 2 of this section, are obliged to behave correctly and transparently, in compliance with all legal provisions and internal company procedures.

All persons, as identified above, are required to:

- strictly comply with all customs legislation, meaning not only the Union Customs Code (EU Regulation no. 952/2013) and the provisions supplementing or implementing it adopted at Union or national level which define the legal framework for customs rules and procedures in the EU customs territory, but

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<sup>17</sup> These crimes are considered relevant only in the course of MHI business activity.



also: (a) the Common Customs Tariff; (b) the legislation setting up a Union system of reliefs from customs duty; (c) international agreements containing customs provisions, insofar as they are applicable in the Union

- fulfil all customs formalities to be understood as all the operations which must be carried out by a person and by the customs authorities in order to comply with the customs legislation;
- cooperate fully in customs controls in order to ensure compliance with customs legislation and other rules governing the entry, exit, transit, movement, storage and end-use of goods moved through customs;
- in the performance of customs duties or customs controls, provide the customs authorities, at their request and within the prescribed period, with all the documentation and information prescribed, in the appropriate form, and with all the assistance necessary for the performance of such duties or controls; the same obligation shall apply to the provision of any information requested by or communicated to the customs authorities in any other form;
- in submitting any customs declaration, notification or application, ensure the accuracy and completeness of the information given in the declaration, notification or application; the authenticity, accuracy and validity of the documents supporting the declaration, notification or application; and, where applicable, compliance with all obligations relating to the placing of the goods in question under the customs procedure concerned or to the conduct of the authorized operations;
- where a customs representative submits the declaration, notification or application or provides the information, he shall also comply with the obligations set out in the preceding paragraph; the customs representative shall also be required to specify to the customs authorities the form of representation (direct or indirect representative) and provide evidence of the authorisation conferred on him;
- in decisions concerning the application of customs legislation taken upon application, to provide the competent customs authorities with all the information they require in order to take the decision; the holder of the decision is required to comply with the obligations resulting from that decision and to inform the customs authorities without delay of any factors arising after the adoption of the decision which may affect the continuation or content of the decision;
- keep records of commercial invoices and any customs paperwork;
- keep all documents and information provided to the customs authorities for the purpose of customs controls for at least three years by any means accessible by and acceptable to the customs authorities; where a customs control relating to a customs debt reveals the need to correct the relevant entry in the accounts, the documents and information shall be retained for a further three years beyond the period provided for; where an appeal has been lodged or where court proceedings are in progress, the documents and information shall be kept for at

least three years or until the appeal procedure is terminated or the court proceedings are concluded, whichever is the later;

- fulfil the prescribed obligations to prove the origin of the goods in accordance with customs or other specific Union legislation;
- pay exactly the amount of import or export duty which applies to specific goods under the customs legislation in force (the obligation is also referred to the customs debt incurred as a result of non-compliance with one of the obligations laid down in the customs legislation and/or the conditions laid down for the exemption or reduction of duties);
- comply with all the other provisions of the Customs Code and the supplementary and implementing provisions concerning the special procedures under which goods may be placed (external and internal transit; customs warehousing and free zones; temporary admission and end-use; inward and outward processing);
- correctly fulfil invoicing and/or annotation obligations in compliance with tax regulations;
- verify, record and keep invoices payable and relevant documents taking care to ascertain, with the assistance of the corporate departments, that invoices and documents faithfully represent the underlying economic operations also with reference to the correct legal classification of the operations;
- issue, account for and keep invoices receivable and relevant documents, taking care to ascertain, with the assistance of the corporate departments, that invoices and documents faithfully represent the underlying economic transactions, also with reference to the correct legal classification of the transactions in question.

MR and MHI also prohibit a series of behaviours that constitute offences under Italian criminal law, which are listed below by way of example only.

In this respect, it is prohibited, in accordance with the provisions of the Italian criminal law, to:

- engage, also through an intermediary, in any conduct aimed at removing the goods from customs duties either by omitting the prior declaration for release for free circulation, or by subjecting the goods to the prescribed duties but carrying out fraudulent behaviours such as to mislead the customs authorities on the nature, quantity, quality or destination (e.g. use of invalid certificates of origin)
- using false documents and thus falsely representing in the customs declaration (which constitutes a public deed), the elements taken as the basis for the customs assessment and relating to the value, quantity, quality and origin of the goods;
- making false statements in any customs declaration, whether it be a customs declaration, a temporary storage declaration, an entry summary declaration, an exit summary declaration, a re-export declaration or a re-export notification or an application to the customs authority for an authorisation or any other decision;
- engage in any fraudulent scheme or deception so as to impair the regularity of the

control or otherwise obstruct the customs authorities in the exercise of their duties;

- evade import or export duties;
- employing fraudulent scheme aimed at obtaining an undue refunding of an amount of import or export duty that has been paid including by presenting a false customs declaration in which the payment of the amount of customs duties is falsely attested;
- attributing to the goods in the customs documents a value lower than that normally indicated for similar products from the same country of origin where the declaration was made in order to avoid payment of the customs duties due;
- assigning the foreign goods imported free of duties and with a reduction in customs duties to a use other than that for which the exemption or relief was granted, even if a similar tax relief was provided for that different use;
- presenting untruthful certificates to the customs authorities;
- forging and/or making use of acts and documents sent to the customs authorities; for example drawing up a false certificate of origin of the goods in order to obtain a more favourable treatment on duties;
- concealing or destroying, in whole or in part, records of commercial invoices and any customs paperwork
- evading VAT tax in transactions involving the import of goods from non-EU countries;
- issuing declarations of intent not having the requisites provided for by tax regulations for the import of goods and services without applying VAT and/or using false VAT plafonds;
- providing invalid and/or incomplete VAT information in the goods import declaration;
- not submitting, being obliged to do so, one of the declarations relating to income tax or VAT tax or omitting the declaration of the withholding agent (withholding agents are obliged to annually declare the amounts withheld by means of a special tax return); the prohibition is absolute and exists regardless of the criminally relevant threshold of the evaded tax;
- carrying out fictitious transactions in order to achieve an undue tax or customs advantage;
- issue and/or record, receive and/or register in the MR and MHI accounting records or in any case hold as a proof against the financial administration invoices or other documents for transactions that have not been carried out, in whole or in part, or which indicate the amounts or the VAT tax to a greater extent than is actually the case or which refer the transaction to persons other than the actual ones;

- issue and/or annotate, receive and/or record in the MR and MHI accounts, or in any case hold as a proof against the financial administration, invoices or other documents for transactions which are in any case different from those actually carried out even only in terms of their legal qualification;
- issue and/or record, receive and/or register in the MR and MHI accounts, or in any case hold as a proof against the tax authorities, invoices or other documents for fictitious operations or for transactions carried out with the intention of not carrying them out, in whole or in part, or referring to fictitiously interposed persons;
- issue and/or annotate, receive and/or record in the MR and MHI accounts, or in any case hold as a proof against the financial administration, false documents attesting material facts not corresponding to the truth;
- present incomplete and/or untrue data in communications to the Italian Revenue Agency;
- carry out through MR and MHI information systems any conduct to the detriment of the tax or customs authorities;
- violate transfer pricing criteria in commercial and/or financial operations between controlled companies resident in different countries; fail to prepare the documentation required by the law and by OECD Directives; omit and/or provide incomplete or untrue information in transfer pricing documentation; falsify any documents related to transfer prices;
- engage in any activity, lacking of valid economic reasons, aimed at avoiding obligations or prohibitions envisaged by the tax system and at obtaining tax reductions, which would not be otherwise due;
- assigning and/or using tax credits for activities which have not actually been carried out;
- make undue offsetting of tax credits that do not exist or are not due according to tax regulations; the prohibition includes both so-called vertical offsetting, concerning credits and debts relating to the same tax (e.g. VAT with VAT) and so-called horizontal offsetting, concerning credits and debts relating to a different tax; the prohibition also includes undue offsetting of non-existent or not due tax credits with non-tax debts, such as, for example, social security and welfare contributions and/or certain specific insurance premiums, taxes, duties or surcharges provided for by special laws; the prohibition is to be understood as absolute although a threshold of criminal relevance of the conduct is provided for on the basis of the amount of the offsetting credit;
- not submitting, being obliged to do so, one of the declarations relating to income tax or VAT tax or omitting the declaration of the withholding agent (withholding agents are obliged to annually declare the amounts withheld by means of a special tax return); the prohibition is absolute and exists regardless of the criminally relevant threshold of the evaded tax;
- concealing or destroying, in whole or in part, accounting records or documents

whose preservation is mandatory so as not to allow the reconstruction of income or turnover;

- fictitiously disposing of or performing fraudulent acts on assets in order to avoid paying tax, completely or in part, or penalties and interest relating to such taxes.

#### **4. The disciplinary system**

In compliance with the Decree, both MR and MHI have adopted a disciplinary system in order to sanction lack of respect of measures indicated in the Models. MR and MHI provide for sanctions also for the attempt to violate the rules of the Model by adopting disciplinary measures for acts or omissions unequivocally aimed at violating the rules of the Model, when the action is not carried out or the event does not occur.

The disciplinary measures and respective sanctions against breach of the Models' rules are individuated by the companies on the basis of criteria that take into consideration different personnel's grade (employees or managers, directors, statutory auditors or co-workers), conditions and circumstances under which breach has been committed (negligence, imprudence, inexperience, predictability of an event, disciplinary precedents if any), appropriateness of the sanction in order to reflect proportionality principle.

The disciplinary measures are being adopted by the companies' bodies and offices resulting competent in virtue of powers conferred to them on the basis of Act of Association and Company's internal regulations and in respect of laws in force and National Collective Labour Agreements.

Application of disciplinary system set forth by the Models is independent from carrying out and from results of any other civil, penal or administrative action promoted against a person responsible for breach. The application of sanctions therein does not exclude any other potential penal, civil or administrative sanctions established by the law for the same event.

Against violations committed by employees, the subsequent disciplinary measures are foreseen:

- a. Measures against employees different from managers.*
- b. Measures against managers.*
- c. Measures against employees of foreign companies.*

Measures against employees of foreign companies belonging to MR group are being adopted by the person entitled with disciplinary powers, in collaboration with the Italian Area Manager and its foreign correspondent, in compliance with countries' laws of reference and employee's job agreement.

The Models set forth also disciplinary measures against breaches committed by the companies' **Directors** and **Statutory Auditors**, as well as disciplinary measures against **breaches committed by service providers, consultants, co-workers and partners.**

## 5. The Control Body in MR and MHI Models

Adoption of the Model both in MR and MHI requested institution of an internal organ (the Control Body), with surveillance and control tasks over functionality and compliance of the Model and its efficient implementation.

At the beginning the Board of Directors of MR nominated a collegial body composed of three members, in respect of autonomy and impartiality requisites requested by the Decree. MR's Statutory Auditors Council's Chairmen, group General Counsel and Chairman to the Statutory Audit were called to be members of the Control Body. On 22 March 2016, however, taking account of the changes in the corporate activities, the Board of Directors entrusted the tasks of surveillance and control over functionality and compliance of the Model to the Board of Statutory Auditors of MR.

In MHI the Board of Directors appointed a collegial body actually composed of three members: the General Counsel of MR, the Internal Audit Manager of MR and a person outside the company.

The Control Body both in MR and in MHI responds directly to the Board of Directors:

- a) whenever retains necessary to inform the Board, in order to guarantee correct functionality and compliance with the Model;
- b) annually, by means of written report that contains also information regarding the state of the Model.

The Models set forth the flow of information from and towards the Control Body and the companies' internal structures and **communication duties** in charge of Models' addressees (members of corporate and control bodies included) regarding also breaches of the Models and crime notices and/or notices of administrative illicit that may result in corporate responsibility under the Decree.

**MR and MHI top level managers** that manage or supervise employees of group's foreign companies, while performing sensitive activities, **are due** to give a prompt notice to the Control Body of any kind of anomaly occurred in the relationship that might involve a breach or a non exact observance of Model's rules.

The Control Body duly informs MR and MHI Board of Directors with respect to adoption of necessary measures:

- regarding Model's ensured breaches and any crime notice relevant under the Decree of which the same has been informed by proper initiative or by means of communication defined by the Model;
- regarding necessity to proceed with Model's updating or adjustments;
- regarding any information useful for the purpose of correct performance of proper functions and efficient implementation of the Model.