

**PENTAIR MANUFACTURING ITALY S.R.L.**

**ORGANIZATIONAL,  
MANAGEMENT AND CONTROL  
MODEL**

**AS OF LAW NO. 231 OF JUNE 8, 2001**

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## - GENERAL PART I -

### **THE LEGISLATIVE FRAMEWORK**

#### **1. LAW NO. 231 OF JUNE 8, 2001**

##### **1.1. ADMINISTRATIVE LIABILITY OF ENTITIES**

Law of June 8, 2001, no. 231, which sets the “*Rules for the administrative liability of Bodies, Companies and Associations, also without legal personality*” (hereinafter also “**Law 231/2001**” or only the “**Law**”), effective since July 4, 2001, pursuant to the article 11 of the Law n. 300 dated September 29, 2000, has introduced into the Italian legal system, in compliance with the relevant European legislation, the administrative liability of entities, where “Entities” are referred to companies, partnerships and associations, also without legal personality.

Such new form of liability, even though usually defined “administrative” by Italian Laws, holds all the criminal liability’s characteristics, being a duty of the competent Criminal Court to ascertain those crimes leading to the liability, and being the Entity granted with the same guarantees of a criminal suit.

The administrative liability arises from the commission, *in the interest or to the advantage of the entity*, of crimes, specified by the Law 231/2001, committed by individuals granted with powers of representation, management or direction of the entity or an organizational unit provided with financial and operative autonomy, or people that, as a matter of fact, manage and direct such Entities (the so-called “*persons in a senior position*”), or by individuals subjected to the direction or supervision of one of the above-mentioned (identified as “*persons reporting to senior*”).

In addition to the requirements mentioned above, the Law 231/2001 requires, in order to assert the liability of the Entity, the ascertainment of its culpability. Such requirement can be defined as an “*organizational fault*”, which consists in lack of implementation, by the entity, of adequate measures, with the purpose to prevent the commission of the crimes specified in the following paragraph, by the subjects individuated by the Law.

In case the Entity is able to demonstrate to have adopted and actually applied an adequate organizational, management and control model, as provided by the Law 231/2001, with the purpose to prevent the commission of crimes, the same Entity cannot be considered liable of administrative liability.

##### **1.2. CRIMES IDENTIFIED IN THE LAW**

The crimes, from the commission of which the administrative liability of an Entity can arise are explicitly and specifically identified by the Law 231/2001 and subsequent amendments and integrations.

The following list identifies the crimes that are included in the scope of application of the Law 231/2001, taking into account however that the list will be likely extended in the near future:

###### **1. Crimes against Public Administration (Articles 24 and 25):**

- Misappropriation to the detriment of the State or other public body or the European Union (Article 316-*bis* of the Italian Criminal Code);
- Inappropriate receipt of sums to the detriment of the State or other public body or the European Union (Article 316-*ter* of the Italian Criminal Code);

- Fraud to the detriment of the State or a public body (Article 640, paragraph 2, no. 1 of the Italian Criminal Code);
- Aggravated fraud to obtain public money (Article 640-*bis* of the Italian Criminal Code);
- Information fraud to the detriment of the State or other public body (Article 640-*ter* of the Italian Criminal Code);
- Extortion (Article 317 of the Italian Criminal Code);
- Induction to give or promise utilities (Article 319-*quarter*);
- Corruption (Articles 318, 319, 319-*bis*, 320, 321, and 322-*bis* of the Italian Criminal Code);
- Inducement to corrupt (Article 322 of the Italian Criminal Code);
- Corruption in legal acts (Article 319-*ter* of the Italian Criminal Code);

2. Cybercrimes and unlawful data processing, introduced by Law 48/2008 (Article 24-*bis*):

- Improper access to a computer or telematics system (Article 615-*ter* of the Italian Criminal Code);
- Unlawful detention of access codes to computer or telematics systems (Article 615-*quater* of the Italian Criminal Code);
- Diffusion of equipment, devices or computer programs with the purpose to damage or disrupt a computer or telematics system (Article 615-*quinquies* of the Italian Criminal Code);
- Interception, obstructing or illicit interruption of computer or telematics communications (Article 617-*quater* of the Italian Criminal Code);
- Installation of equipment intended to intercept, prevent or interrupt computer or telematics communications (Article 617-*quinquies* of the Italian Criminal Code);
- Information, data and computer programmes corruption (Article 635-*bis* of the Italian Criminal Code);
- Corruption of information, data and computer programmes used by the State or by other public Entity, or by any means of public utility (Article 635-*ter* of the Italian Criminal Code);
- Information or telematics system corruption (Article 635-*quater* of the Italian Criminal Code);
- Corruption of information or telematics system of public utility (Article 635-*quinquies* of the Italian Criminal Code);
- Information fraud of the subject performing services of certification of electronic signature (Article 640-*quinquies* of the Italian Criminal Code).

3. Criminal association crimes, introduced by Law 94/2009 (Article 24-*ter*):

- Criminal associations aimed to the commission of crimes provided by Articles 600, 601 and 602 of the Italian Criminal Code, as well as by Article 12, paragraph 3-*bis* of the Consolidated Law on Immigration and Foreigner Condition, as to Law dated July 25, 1998, no. 286 (Article 416 of the Italian Criminal Code);
- Mafia associations included foreign associations (Article 416-*bis* of the Italian Criminal Code);



- Electoral exchange between politicians and mafia associations (Article 416-ter of the Italian Criminal Code);
  - Kidnapping with purpose of robbery or extortion (Article 630 of the Italian Criminal Code);
  - Criminal associations aimed at the illicit traffic of narcotic drugs and psychotropic substances (Article 74 of the Presidential Law dated October 9, 1990, no. 309);
  - Crimes of illicit manufacturing, introduction into the State, put on sale, transfer, detention and carrying in places open to the public of war arms and similar or their parts, explosives, illegal arms, as well as more than one common firearm, except those provided by Article 2, paragraph 3 of Law April 18, 1975, no. 110 (Article 407, paragraph 2, letter a), no. 5 of the Italian Criminal Procedure Code).
4. Crimes resulting in counterfeiting money, credit cards, stamped paper and other identification instruments, introduced by Law 409/2001 and modified by Law 99/2009 (Article 25-bis):
- Counterfeiting money, spending and introducing into the State, with prior agreement, counterfeit money (Article 453 of the Italian Criminal Code);
  - Altering money (Article 454 of the Italian Criminal Code);
  - Spending and introducing into the State, without prior agreement, counterfeit money (Article 455 of the Italian Criminal Code);
  - Spending counterfeit money received in good faith (Article 457 of the Italian Criminal Code);
  - Counterfeiting revenue stamps, introducing into the State, acquiring, holding or circulating counterfeit revenue stamps (Article 459 of the Italian Criminal Code);
  - Counterfeiting watermarked money used to produce credit cards or stamps (Article 460 of the Italian Criminal Code);
  - Manufacturing or keeping watermarks or tools to counterfeit money, stamps or watermarked paper (Article 461 of the Italian Criminal Code);
  - Using counterfeit or forged stamps (Article 464 of the Italian Criminal Code);
  - Counterfeiting, altering, using trademarks, hall marks or patents, models or drawings (Article 473 of the Italian Criminal Code);
  - Introducing into the State and trading industrial products with counterfeited marks (Article 474 of the Italian Criminal Code).
5. Crimes against trade and industry, introduced by Law 99/2009 (art. 25-bis.1):
- Disturbance (nuisance) of industrial or trade freedom (Article 513 of the Italian Criminal Code);
  - Unlawful competition with threat or violence (Article 513-bis of the Italian Criminal Code);
  - Fraud against national industries (Article 514 of the Italian Criminal Code);
  - Trade Fraud (Article 515 of the Italian Criminal Code);
  - Sale of unwholesome food products as if they were wholesome (Article 516 of the Italian Criminal Code);

- Sale of industrial products bearing false marks (Article 517 of the Italian Criminal Code);
- Manufacturing and trade of goods realized infringing patent rights (Article 517-ter of the Italian Criminal Code);
- Counterfeiting of geographical indications or denominations of origin of agricultural and food products (Article 517-quater of the Italian Criminal Code).

6. Corporate crimes, introduced by Law 61/2002 and modified by Law 262/2005 (Article 25-ter):

- False corporate communications (Article 2621 of the Italian civil Code);
- False company communications to the detriment of the company, shareholders and creditors (Article 2622 of the Italian civil Code);
- Prevented control (Article 2625, paragraph 2 of the Italian civil Code);
- Improper return of corporate contributions (Article 2626 of the Italian civil Code);
- Unlawful allocation of profits and reserves (Article 2627 of the Italian civil Code);
- Unlawful transactions regarding shares or quotas of the company or of the parent company (Article 2628 of the Italian civil Code);
- Operations in prejudice to creditors (Article 2629 of the Italian civil Code);
- Failure to communicate conflict of interest (Article 2629-bis of the Italian civil Code);
- Fictitious formation of capital (Article 2632 of the Italian civil Code);
- Unlawful allocation of corporate assets by liquidators (Article 2633 of the Italian civil Code);
- Corruption in the private sector (Article 2635 of the Italian civil Code);
- Undue influence over the shareholders' meeting (Article 2636 of the Italian civil Code);
- Stock-jobbing (Article 2637 of the Italian civil Code);
- Hindering the performance of the duties by public supervisory bodies (Article 2638, paragraphs 1 and 2 of the Italian civil Code).

7. Crimes with purpose of terrorism or against the democratic order, introduced by Law 7/2003 (Article 25-quater):

- Associations with purposes of terrorism, included international terrorism, or against the democratic order (Article 270-bis of the Italian Criminal Code);
- Assistance to partners of the association (Article 270-ter of the Italian Criminal Code);
- Enrolment aimed at terroristic purposes, included international terrorism (Article 270-quater of the Italian Criminal Code);
- Training aimed at terroristic purposes, included international terrorism (Article 270-quinquies of the Italian Criminal Code);
- Behaviours aimed at terroristic purposes (Article 270-sexies of the Italian Criminal Code);
- Outrage aimed at terroristic or subversive purposes (Article 280 of the Italian Criminal Code);
- Terroristic action by means of deadly or explosive devices (Article 280-bis of the Italian Criminal Code);

- Kidnapping aimed at terroristic or subversive purposes (Article 289-*bis* of the Italian Criminal Code);
  - Urgent measures aimed at the protection of democratic order and public safety (Article 1 of Law of December 15, 1979, no. 625, converted with amendments in Law of February 6, 1980, no. 15);
  - International Convention for the suppression of the financing of terrorism, New York, December 9, 1999 (Article 2).
8. Female genital mutilation, introduced by Law 7/2006 (Article 25-*quater.1*):
- Female genital mutilation practices (Article 583-*bis* of the Italian Criminal Code).
9. Crimes against individuality, introduced by Law 228/2003 and modified by Law 38/2006 (Article 25-*quinquies*):
- Enslavement or maintenance of individuals in a state of slavery or servitude (Article 600 of the Italian Criminal Code);
  - Exploitation of under-age prostitution (Article 600-*bis*, paragraphs 1 and 2 of the Italian Criminal Code);
  - Under-age pornography (Article 600-*ter* of the Italian Criminal Code);
  - Possession of pornographic material (Article 600-*quater* of the Italian Criminal Code);
  - Virtual pornography (Article 600-*quater.1* of the Italian Criminal Code);
  - Tourist initiatives aimed at exploitation of under-age prostitution (Article 600-*quinquies* of the Italian Criminal Code);
  - Unlawful traffic of individuals (Article 601 of the Italian Criminal Code);
  - Purchase and sale of slaves (Article 602 of the Italian Criminal Code).
10. Market abuses, as introduced by Law 62/2005 and amended by Law 262/2005 (Article 25-*sexies*):
- Abuse of privileged information (Article 184 Law 58/1998);
  - Market manipulation (Article 185 Law 58/1998).
11. Transnational crimes, introduced by Law 146/2006:
- Criminal association (Article 416 of the Italian Criminal Code);
  - Mafia associations, included foreign ones (Article 416-*bis* of the Italian Criminal Code);
  - Criminal association aimed at illegal contraband of tobaccos produced abroad (Article 29-*quater* of the Presidential Law 43/1973);
  - Association for illicit traffic of narcotic drugs and psychotropic substances (Article 74 of the Presidential Law 309/1990);
  - Provisions against illegal immigration (Article 12 of the Law 286/1998);
  - Induction not to render declarations or to render false declarations to the judicial authority (Article 377-*bis* of the Italian Criminal Code);

- Personal abetment (Article 378 of the Italian Criminal Code).
12. Crimes committed with negligence, in breach of rules on accident prevention and on protection of health and safety on work, introduced by Law 123/2007 (Article 25-*septies*):
- Culpable homicide (Article 589 of the Italian Criminal Code);
  - Unintentional serious or very serious personal injuries (Article 590 of the Italian Criminal Code).
13. Crimes related to receiving of stolen goods, money-laundering, usage of money of unlawful origin and self-laundering, introduced by Law 231/2007 and amended by Law 186/2014 (Article 25-*octies*):
- Receiving of stolen goods (Article 648 of the Italian Criminal Code);
  - Money-laundering (Article 648-*bis* of the Italian Criminal Code);
  - Use of money, goods or assets of unlawful origin (Article 648-*ter* of the Italian Criminal Code);
  - Self-laundering (Article 648-*ter.1* of the Italian Criminal Code).
14. Crimes committed with the infringement of copyright protection, introduced by Law 99/2009 (Article 25-*novies*):
- Introduction of intellectual works protected by copyright, or part of them, by a connection of any kind, on public computer networks (Article 171, paragraph 1, letter a-*bis*) of Law 633/1941);
  - Commission of a crime indicated in the previous point, on someone else's work not destined to be published, through encroachment of the work's authorship, or through corruption, defacement or other modification of the work, when the author's honour or reputation should be offended (Article 171, paragraph 3 of Law 633/1941);
  - Unauthorized duplication, with purpose to obtain a profit, of computer software; import, distribution, sale, possession for commercial purposes or entrepreneurial purposes, or rental, of software held by supports not marked by SIAE (Authors and Editors Italian Society); preparation of equipment with the sole purpose to allow or facilitate the removal or the functional avoidance of software protection systems (Article 171-*bis*, paragraph 1 of Law 633/1941);
  - Reproduction, transfer on a different support, distribution, communication, presentation or public demonstration of a database content, with an infringement of the provisions of Articles 64-*quinquies* and 64-*sexies* of Law 633/1941, with the purpose to obtain a profit, and on supports not marked by SIAE; extraction or re-employment of a database with infringement of Articles 102-*bis* and 102-*ter* of Law 633/1941; distribution, sale and rental of a database (Article 171-*bis*, paragraph 2 of Law 633/1941);
  - Unlawful duplication, reproduction, transmission or public diffusion, by any means, fully or partially, of an original work addressed to the TV or movie sector, to the sale or rent, discs, tapes, or similar supports, or any other support containing phonograms or videograms, of music works, movies or similar audio-video works, or image sequences in

movement; unlawful reproduction, transmission or public diffusion, by any means, of literary, dramatic, scientific or didactic, music, music-dramas or multimedia works or part of them, even if such works are inserted in collective works or composite works, or databases; detention with purpose to sale, or distribution, trade, rent or transfer by any means, public showing, transmission through television by any means, transmission through radio, public listening of the mentioned unlawfully duplicated or reproduced works; detention, with purpose to sale or distribute, trade, sale, rent, transfer by any means, transmission through radio or television by any means, of videotapes, music tapes, or any support containing phonograms or videograms of music works, films or similar audio-video works, or any other support for which Law 633/1941 imposes the apposition of SIAE sign, which have not been provided with such sign or provided with a false or counterfeited sign; retransmission or diffusion, by any means, without agreement with the legitimate distributor, of an encrypted service received through instruments or part of them being able to decode and transmit with conditioned access; introduction into the State, detention for sale and distribution, distribution, sale, rent, transfer by any means, commercial promotion, installation of devices or special elements being able to decode and allowing the access of an encrypted service without payment of the relevant fee; production, import, distribution, sale, rent, transfer by any means, advertising for sale or rent, detention with commercial purposes, of devices, products or spare parts, or carrying out of services having the main purpose, through commercial use, to escape the effective technological measures provided by Article 102-*quater* of Law 633/1941, or being mainly designed, produced adapted or realized with the purpose to allow the escape from the mentioned measures; unlawful removal or alteration of the electronic information provided by Article 102-*quinquies* of the mentioned Law, or distribution, importation with the purpose to distribute, diffusion through radio or television, communication or public diffusion, of works or other protected materials, from which the electronic information have been removed or counterfeited (Article 171-*ter*, paragraph 1 of Law 633/1941);

- Reproduction, duplication, transmission or unlawful diffusion, sale or trade, transfer by any means, or unlawful import of more than fifty copies or exemplars of original works protected by copyright and connected rights; communication to the public, with the purpose to obtain a profit, put it into a system of computer networks, by way of connections of any kind, of an original work protected by copyright, or part of it; commission of one of the crimes indicated in the previous point, carrying on professionally a business consisting in the activity of reproduction, distribution, sale or trade, importation of works protected by copyright and connected rights; execution or organization of criminal activities provided by the previous point (Article 171-*ter*, paragraph 2 of Law 633/1941);
- Omitted communication to SIAE, by editors or import agents, of supports not subject to mark as to Article 181-*bis* of Law 633/1941, within thirteen days from the commercialization date on the national territory or from the import date, of the identification data of supports not subject to mark, or communication of false data on fulfilment of duties under Article 181-*bis*, paragraph 2 of mentioned data (Article 171-*septies* of Law 633/1941);
- Unlawful production, sale, importation, promotion, installation, modification, for public or personal usage, of equipment in whole or in part, with the purpose to decode audio-video transmissions with limited access, transmitted through ether, satellite, cable, both in analogical and digital form (Article 171-*octies* of Law 633/1941).

15. Induction not to render declaration or to render false declarations to the judicial authority (Article 377-*bis* of the Italian Criminal Code), introduced by Law 116/2009 (Article 25-*decies*):

- Induction not to render declaration or to render false declarations to the judicial authority (Article 377-*bis* of the Italian Criminal Code).

16. Environmental crimes, introduced by Law 121/2011 (Article 25-*undecies*):

- Killing, destruction, seizure, taking possession of protected wild fauna and flora specimens (Article 727-*bis* of the Italian Criminal Code);
- Destruction or deterioration of a habitat within a protected site (Article 733-*bis* of the Italian Criminal Code);
- Waste of industrial sewages containing harmful substances, without any authorization, or after suspension or revocation of the relevant authorization, as well as waste in sea waters, by ships or aircrafts, of substances or materials whose dumping is strictly forbidden (Article 137 paragraphs 2, 3, 5, 11 and 13 of Law 152/2006);
- Unauthorized waste management activity (Article 256 paragraphs 1, 3, 5 and 6 second part of Law 152/2006);
- Omitted drainage of sites in compliance with the project approved by the competent authority (Article 257 paragraphs 1 and 2 of Law 152/2006);
- Breach of the duties of communication, keeping of mandatory registers and forms (Article 258 paragraph 4 second part of Law 152/2006);
- Illegal waste trade (Article 259 paragraph 1 of Law 152/2006);
- Organized activities aimed at unlawful trading of waste (Article 260 paragraph 1 and 2 of Law 152/2006);
- Counterfeiting declarations of a waste analysis certificate, used even within the so called “SISTRI” - Movement Area, as well as counterfeiting the declarations or the contents of the form issued by SISTRI - Movement Area (Article 260-*bis* of Law 152/2006);
- Overcoming of emission limits, thereby exceeding the air quality maximum limits (Article 279 paragraph 5 of Law 152/2006);
- Importation, exportation or re-exportation of specimens belonging to the protected species listed in Attachments A, B and C of EC Regulation No. 338/97 of the Council, dated December 9, 1996, and subsequent amendments and integrations; non-compliance with provisions aimed at safeguarding protected specimens; usage of mentioned specimens in a manner deemed contrary to the provisions laid down in the relevant authorization or certification measures; transport and transit of specimens without the relevant certificate or permit required; trade of artificially reproduced plants in breach of provisions under Article 7 paragraph 1 letter b) of EC Regulation no. 338/97 of the Council, dated December 9, 1996, and subsequent amendments and integrations; detention, usage for lucrative purposes, purchase, sale, exposition or detention for sale or trade purposes, offer in sale or transfer of specimens without the required documentation (Articles 1 and 2 of Law 150/1992);
- Falsification or corruption of certificates, permits, importation notices, declarations, communications of information provided by Article 16, letter a), c), d), e), and l) of EC Regulation no. 338/97 of the Council, dated December 9, 1996, and subsequent amendments and integrations (Article 3 of Law 150/1992);



- Possession of alive specimens of wild mammals and reptiles, and alive specimens of mammals and reptiles borne in captivity and being dangerous for public health and safety (Article 6 of Law 150/1992);
- Stoppage and reduction in the usage of harmful substances (Article 3 of Law 549/1993);
- Fraudulent pollution caused by ship sailing under any flags whatsoever (Article 8 of Law 202/2007);
- Negligent pollution caused by ship sailing under any flags whatsoever (Article 9 of Law 202/2007).

17. Crime consisting in the employment of citizens of foreign countries holding an irregular residence permit, included in the Law by Article 2, paragraph 1 of Law dated July 16, 2012, no. 109 (Article 25-*duodecies*):

- Employment of citizens of foreign countries holding an irregular residence permit (Article 22 paragraph 12-*bis* of Law no. 286/1998).

### **1.3. SANCTIONS INFLICTED BY THE LAW**

The system of fines described by Law 231/2001, to be applied as a result of the commission of the above-mentioned crimes, provides for the application of the following administrative sanctions depending on the crime committed:

- monetary sanctions;
- interdictory sanctions;
- confiscation;
- publication of the court decision.

The interdictory sanctions, which can be inflicted only when specifically provided, imply the following:

- preventing activities from being exercised;
- suspension or revocation of authorizations, licenses or concessions considered functional to perform illegal acts;
- prohibition to negotiate with the Public Administration;
- exclusion from borrowing facilities, funding, contributions and subsidies, and/or revocation of those already granted;
- prohibition to advertise goods or services.

The Law 231/2001 further provides that, in case the requirements for the application of an interdictory sanction interrupting the activity of the company are met, the judge, instead of inflicting the sanction, may decide that the business is prosecuted by a judicial commissary (Article 15 of the Law) appointed for a period of time equal to the duration of the interdictory sanction which would have been applied, provided that at least one of the following conditions occurs:

- the company carries out a public service or a service of public necessity and its interruption may cause a serious prejudice to the community;

- the interruption of the activity may lead to serious consequences on the employees, considering the dimension of the company and the economic conditions of the area where it is located.

#### **1.4. EXEMPTION FROM ADMINISTRATIVE LIABILITY**

Article 6 of the Law 231/2001 provides that the Entity may be exempted from administrative liability in case it is able to prove that:

- the management body has adopted and actually implemented, before the commission of the crime, organizational and management models eligible to prevent crimes of the same kind of that occurred;
- a corporate body, entrusted with autonomous powers of initiative and control (so called Supervisory Body), has been charged with the task of monitoring the functioning and the compliance of the models, as well as of updating the same;
- the persons who committed the offence acted fraudulently getting over the Organizational Model;
- the control performed by the Supervisory Body neither was neither omitted nor insufficient.

The adoption of the organizational, management and control model gives therefore the Entity the possibility to be discharged by the administrative liability. However, the simple adoption of such document, through a resolution of the company's administrative body, is not sufficient for excluding the administrative liability; it is, also, necessary that the model is effectively and actually enforced.

With reference to the organizational, management and control model's efficacy in preventing the commission of the crimes identified by Law 231/2001, it is requested that the model:

- identifies corporate activities in which crimes may be committed;
- includes specific protocols aimed at programming the formation and enforcement of the Entity's decisions as regards to the crimes to be prevented;
- identifies financial resource management methods, able to prevent the commission of crimes;
- includes information duties towards the corporate body charged with the task to control the models' functioning and the compliance with them;
- implements a disciplinary system being able to sanction failure to respect the provisions imposed by the organizational, management and control model.

With reference to the effective enforcement of the above mentioned model, Law 231/2001 requires:

- a periodic control, and a possible amendment to the document in case significant infringements of the relevant provisions laid down in the model are discovered, or modifications in the organization or activity of the Entity or in the legislation occur;
- infliction of sanctions in case of infringements to the provisions laid down in the organizational, management and control model.



### 1.5. ITALIAN MANUFACTURING COMPANIES ASSOCIATION GUIDELINES (“LINEE GUIDA” DI CONFINDUSTRIA)

Article 6 paragraph 3 of Law 231/2001 states that organizational, management and control models may be adopted on the basis of behavioural codes drafted by associations which represent certain categories of businesses.

For the purpose of duly structuring the model, the “*Guidelines for the building of organisational, management and control models pursuant to L. Decree 231/2001*” (hereinafter only the “Guidelines”) drawn up by the Italian Manufacturing Companies Association (“*Confindustria*”) and approved by the Italian Minister of Justice with Ministerial Law dated December 4, 2003, are considered. The following update, published by *Confindustria* on May 24, 2004, has been approved by the Italian Ministry of Justice, which has considered such guidelines suitable to reach the purposes provided by the Law. Such guidelines have been updated by *Confindustria* on March 31, 2008 (approved by the Ministry of Justice on April 2, 2008) and on March 31, 2014 (approved by the Ministry of Justice on July 21, 2014).

In adopting an organizational, management and control model, *Confindustria* guidelines list the following implementation steps:

- identification of risks, to be intended as the analysis of the corporate structure, with the purpose to identify the activities in which the crimes provided by Law 231/2001 may occur and the modalities by which the crimes can be committed within the corporate environment;
- the implementation of a controlling system suitable to prevent the risks identified in the previous step, to be performed through the evaluation of the existing internal control system of the Entity and its adequacy to the prevention needs laid down by Law 231/2001.

The main elements of the controlling system, outlined by the *Confindustria* Guidelines for the purpose to guarantee the efficacy of the organizational, management and control model, are summarized as follows:

- a Code of Ethics providing for ethical principles and behavioural rules;
- a sufficiently formalized and clear organizational system, with particular reference to the assignment of responsibilities, the hierarchic employment lines and description of tasks providing specific controlling principles;
- manual and/or computerized procedures, being able to support the deployment of activities, providing adequate controls;
- authorization and signature powers in compliance with the organizational and management responsibilities of the entity, providing, if relevant, expenses limits;
- control and management systems, able to timely identify possible criticisms;
- information and training of employees.

*Confindustria* Guidelines further point out that the different elements described above shall be in compliance with several principles, among which:

- verifiability, tracking, consistence and compliance of any operation, transaction and act;
- applicability of the principles of separation of functions and segregation of duties (nobody can individually manage an entire process);

- planning, performance and documentation of the audit activity regarding the processes and the criminal-risky activities.

## - GENERAL PART II -

### THE ORGANIZATIONAL MODEL

## 2. ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL OF PENTAIR MANUFACTURING ITALY S.R.L. WITH SOLE SHAREHOLDER

### 2.1. PURPOSE OF THE MODEL

**Pentair Manufacturing Italy S.r.l.** with sole shareholder (hereinafter also “Pentair Manufacturing” or the “Company”), whose corporate capital is wholly owned by the company Pentair Water Italy S.r.l. (hereinafter also only “Pentair Water” or the “Parent Company”), and part of the group controlled by the company Pentair plc with registered office in Ireland, mainly performs the activity consisting in the production of surface, submerged and circulating electro pumps and water treatment machineries.

Pentair Manufacturing and its Parent Company Pentair Water Italy S.r.l. are part of the European sub-group called "Pentair Water EMEA", coordinated by the company Pentair International S.a.r.l., based in Lausanne, Switzerland.

The organization of the activities of Pentair Manufacturing and Pentair Water falls into a specific business model based on the centralization within a separate legal entity of the functions that add the highest value. In particular, the model predicts the following figures:

- a so-called "**Principal**", which manages key functions of the organization. In the present case, as regards the sub-group Pentair Water EMEA, these functions are located in the company Pentair International S.a.r.l.;
- the various "**Plants abroad**" divided into two distinct categories: manufacturing companies (CM - Consignment Manufacturing), represented in Italy by Pentair Manufacturing Italy S.r.l., and commercial companies (LRD - Low Risk Distributor), represented in Italy by Pentair Water .

On the basis of the organization described above, the production activities of Pentair Manufacturing are managed by operating according to a "Consignment Manufacturing Agreement" signed with the company Pentair International S.a.r.l., which retains ownership of the products manufactured by Pentair Manufacturing.

Stated the above, Pentair Manufacturing, aware of the importance to adopt and effectively implement an organizational, management and control model pursuant to Law 231/2001, suitable to prevent the commission of unlawful behaviours in the business context, approved, with resolution of the Board of Directors, dated 19 March 2015, its own Organizational, Management and Control Model (hereinafter the "**Model**"), provided that the same represents a valid instrument aimed at making the recipients (as defined under paragraph 2.2) aware of the need to behave correctly and transparently, thereby preventing the risk related to the commission of those crimes leading to the administrative liability of entities.

Through the adoption of the Model, the Company intends to pursue the following purposes:

- prohibit behaviours which may lead to the commission of crimes under the Law;

- spread the awareness that the infringement of the provisions of the Law, as well as of the provisions of the Model and the principles of the Code of Ethics, may lead to the application of sanctions (monetary and interdictory) even to the Company;
- allow the Company, as a consequence of the implementation of system of procedures and controlling protocols and of a constant monitoring of the correct enforcement of such system, to prevent and/or timely react to the commission of relevant crimes provided in the Law.

## 2.2. MODEL RECIPIENTS

The provisions of this Model are binding for the whole Board of Directors and for all people in charge of representing, managing or directing roles (also *de facto*) of Pentair Manufacturing, for employees (to be intended as all people being connected with the Company on the basis of an employment relationship, including managers), and for third parties (i.e. collaborators, consultants, etc.) subject to the control or the supervision of the corporate management of the Company (hereinafter referred to as the “**Recipients**”).

## 2.3. MAIN ELEMENTS OF THE MODEL

The main points developed by Pentair Manufacturing in implementing the Model, explained in details herein below, can be summarized as follows:

- mapping activity of Company’s risky activities (so called “sensible” activities), including individuation of examples of the different ways through which a crime can be committed and examples of auxiliary/functional processes from which conditions and/or means for the commission of crimes listed in the Law may occur, laid down in a document called “Map of the crime-risky activities”, under paragraph 2.5;
- a set of procedures covering all the corporate activities, including in particular, for the purpose of the present Model, those activities that, following the mentioned mapping activity, result to be under a potential risk of commission of crimes under Law 231/2001;
- setting up of a Supervisory Body, composed by a board of members and assigned with specific controlling on the effective implementation and enforcement of the Model in accordance with the Law;
- a system of sanctions being able to guarantee an effective enforcement of the Model and containing disciplinary provisions applicable in the event of failure to respect the provisions of the same Model;
- the provision of information and training activities regarding the contents of the present Model;
- the provision of specific protocols of control aimed at regulating the decisions of Pentair Manufacturing under the SPECIAL PART Section of this Model.

## 2.4. CODE ETHICS AND MODEL

Pentair Manufacturing, taking care of the need to manage the corporate activities in full respect of the Laws and Regulations in force, adopted its own Code of Ethics (hereinafter the “**Code**” or the “**Code of**

**Ethics**”), ensuring full consistency with the principles laid down in the “*Code of business conduct and ethics*” of Pentair plc, to be complied with by the companies of the Group.

The Code of Ethics includes several rules of “corporate deontology” that the Company recognizes as its own; the Company also requires the respect of such rules by its corporate bodies and its employees as well as by third parties that, by any means, have commercial relationships with the Company.

The Model, the provisions of which are consistent and compliant with the principles of the Code of Ethics, represents an answer to the specific provisions of the Law, being aimed at preventing the commission of crimes covered by the scope of application of the Law 231/2001.

The Code of Ethics of Pentair Manufacturing sets principles of fair management of corporate businesses also suitable to prevent the unlawful behaviours under the Law, having such document a preventive importance even for the purposes of the Model, and therefore representing a complementary element of the Model.

## **2.5. METHODOLOGICAL WAY FOR BUILDING THE MODEL: MAPPING OF CRIME RISKY ACTIVITIES - AUXILIARY PROCESSES AND PROTECTIONS**

Law 231/2001 expressly provides, under Article 6, paragraph 2, letter a), that the Organizational, Management and Control Model of the Entity identifies corporate activities in which crimes listed in the Law could be committed.

- As a consequence, the Company carried out a deep analysis of its own corporate activities, availing itself of the support of an external consultant. In the context of such analysis, the Company has firstly analysed its organizational structure, represented by the corporate organizational chart, where corporate Functions are individuated, focusing on roles and hierarchical-functional lines. Such document is kept by the Human Resources Function, and it is available for consultation.
- Pentair Manufacturing has afterwards analysed its corporate activities, on the basis of the information collected by corporate representatives (i.e. Function Leaders) who, as a consequence of their role, are deeply and thoroughly informed on the functioning of their respective corporate sector.

As anticipated, the results of the above mentioned activity have been collected in a specific document being an integral part of the Model, called “**Matrix of Risky Activities**”, illustrating in details the risky profiles for the potential commission of crimes pursuant to Law 231/2001, with specific reference to Pentair Manufacturing’s activities.

In particular, such Matrix of Risky Activities indicates the corporate areas (declined in several examples of sub-activities) with regard to the possible commission of crimes identified by the Law 231/2001 (so called “**sensitive activities**”), the connected crimes, the examples of possible modalities and purposes of commission, as well as the processes from which, in principle, conditions, instruments and/or means for the commission of crimes may arise (so called “**auxiliary/functional processes**”).

In particular, such Matrix of Risky Activities is held by the Finance Function, which is responsible for filing the document and allowing the consultation to Directors, Statutory Auditors, members of the Supervisory Body, as well as any other possible person authorized to consult the same.

### **▪ Crime Risky Areas of Activity**

In particular, the potential risk of commission of crimes provided by the Law 231/2001 has been identified in the corporate areas listed below in the same way as indicated in the Matrix of Risky Areas:

- A. Management of “high profile” relationships with subjects belonging to the Public Administration;
- B. Management of relationships with third companies and Group companies, related to the core business;
- D. Management of the health and safety system pursuant to Law 81/2008 (Italian Consolidated Act on Health and Safety on Work);
- E. Management of fulfilments required under the Laws and Regulations in force, not connected with the core business, even during controls and inspections;
- F. Management of fulfilments related to recruitments, dismissals, salaries, tax withholdings, welfare and social contributions, related to employees and staff;
- G. Management of judicial disputes and related matters;
- H. Use and maintenance of corporate information technology system;
- J. Management of general accounting system and drafting of the financial statements;
- K. Corporate fulfilments.

Considering the corporate activities indicated above, the following crimes have been deemed to be potentially committed:

- **Article 24:** *Fraud to the detriment of the State or other public entity (Article 640, paragraph 2, no. 1 of the Italian Criminal Code);*
- **Article 24-bis:** *Improper access to a computer or telematics system (Article 615-ter of the Italian Criminal Code), (False in) information technology documents (Article 491-bis of the Italian Criminal Code);*
- **Article 25:** *Undue induction to give or promise utilities (Article 319-quarter), Corruption and Inducement to Corrupt (Articles 318, 319, 320, 322, 322-bis of the Italian Criminal Code), Corruption in judiciary deeds (Article 319-ter of the Italian Criminal Code);*
- **Article 25-ter:** *False corporate communications (Article 2621 of the Italian civil Code), False company communications to the detriment of the company, shareholders and creditors (Article 2622 of the Italian civil Code, Prevented control (Article 2625 paragraph 2 of the Italian civil Code), Improper return of corporate contributions (Article 2626 of the Italian civil Code), Unlawful allocation of profits and reserves (Article 2627 of the Italian civil Code), Unlawful transactions regarding shares or quotas of the company or of the parent company (Article 2628 of the Italian civil Code), Operations in prejudice to creditors (Article 2629 of the Italian civil Code), Fictitious formation of capital (Article 2632 of the Italian civil Code), Private-to private corruption (Article 2635 of the Italian civil Code);*
- **Article 25-septies:** *Unintentional homicide, Unintentional personal injuries (Articles 589-590 of the Italian Criminal Code);*

- **Article 25-octies:** *Receiving of stolen, Money-laundering, Use of money, goods or assets of unlawful origin, Self-laundering (Articles 648, 648-bis, 648-ter and 648-ter.1 of the Italian Criminal Code);*
- **Article 25-novies:** *Breach of Article 171-bis of Law 633/1941 (“Protection of copyright and other rights related to its exercise”);*
- **Article 25-decies:** *Induction not to render declarations or to render false declarations to the judicial authority (Article 377-bis of the Italian Criminal Code);*
- **Article 25-undecies:** *Unauthorized waste management activity (Article 256 of Law 152/2006), Breach of the duties of communication, keeping of mandatory registers and forms (Article 258 paragraph 4 second part of Law 152/2006), Overcoming of emission limits, thereby exceeding the air quality maximum limits (Article 279 of Law 152/2006);*
- **Article 25-duodecies:** *Employment of citizens of foreign countries holding an irregular residence permit (Article 22 paragraph 12-bis of Law no. 286/1998).*

Considered the core business of Pentair Manufacturing, no important risky profiles have been identified with regard to the commission of crimes under Article 24-ter (*Criminal association crimes*), Article 25-bis (*Crimes resulting in counterfeiting money, credit cards, stamped paper and other identification instruments*), 25-bis.1 (*Crimes against trade and industry*), 25-quarter (*Crimes with purpose of terrorism or against the democratic order*), 25-quarter.1 (*Female genital mutilation*) 25-quinquies (*Crimes against individuality*), Article 25-sexies (*Market abuses*), Article 10 of Law 146/06 (*Transnational crimes*), as well as other crimes not expressly mentioned above and provided under Articles 24, 24-bis, 25, 25-novies, 25-undecies. The principles set forth by the Code of Ethics are deemed to be suitable to protect against the risk of commission of said specific crimes.

The Matrix of Risky Activities is expressly recalled for further details on the sensitive activities, the possible ways the crimes thereunder may be committed and the purposes hypothetically pursued by the Company through the commission of the same crimes.

- **“Auxiliary/functional” corporate processes**

Within the framework of the activity described above, the Company individuated the so called auxiliary/functional processes, to be intended as those corporate processes where, in principle, the conditions for the commission of the crimes provided by the Law may occur and/or the means for the commission of such crimes may be found.

Such processes are reported as follows:

- 1) Management of relationships with Public Administration and Independent Administrative Authorities and performance of relevant fulfilments;
- 2) Qualification of suppliers, management of indirect purchases and consultancies;
- 3) Selection, hiring and management of personnel and expense refunds;
- 4) Management of liberalities;
- 5) Management of financial flows;
- 6) Management of intragroup relationships;



- 7) Management of health, safety and environmental fulfilments;
- 8) Management of IT security;
- 9) Drawing up of the financial statements and management of relationships with the Shareholder and the Board of Statutory Auditors.

In order to prevent or mitigate the risk of commission of such crimes, Pentair Manufacturing prepared specific controlling protocols for each ancillary/functional process identifies. The controlling protocols are listed in specific Sections of the SPECIAL PART.

## **2.6. THE STRUCTURE OF THE ORGANIZATIONAL AND CONTROL SYSTEM**

While preparing the Model and on the basis of the corporate process deemed remarkable for 231 purposes, the Company re-examined the existing organizational and control system, structured in a complex series of protections, adopted at both a local and group level, in order to verify that the same is suitable to prevent specific crimes provided by the Law in the corporate areas of activities identified as risky.

In particular, the organizational and control system of Pentair Manufacturing is based not only on the behavioural rules under paragraph 2.7 and on the control protocols in the SPECIAL PART, but also on the following elements:

- the normative and regulatory framework applicable to Pentair Manufacturing, included the provisions applicable to the business sector where the Company operates, duly complied with by the Company;
- the Code of Ethics, that - as mentioned above under paragraph 2.4 - is consistent with the Code adopted at a Group level;
- the existing system of powers of attorney and proxies;
- the hierarchic-functional system (see the corporate organizational chart);
- the set of management and operational procedures part of the quality system certified in compliance with norm ISO 9001/UNI EN ISO 9001:2008;
- the appointment of an Internal Controls Specialist, to whom is assigned the task of facilitating and verifying corporate compliance with the legislation, supporting also Pentair Manufacturing and the Supervisory Body with the formalities required by the Law 231;
- the appointment of a Quality Assurance Manager monitoring application of qualitative standards in the management of corporate processes;
- policies and procedures of the Group aimed at the management of administrative-accounting and ICT processes;
- the control protocols specified, for each auxiliary/functional process, in the Sections of the Special Part of the present Model;
- the implementation of integrated informative system, aimed at the separation of functions, as well as a high level of standardization of processes and protection of information contained therein, with reference both to management and accounting systems and to systems supporting operational activities related to the business;



The current organizational and control system of Pentair Manufacturing, to be intended as a system aimed at managing and monitoring the main corporate risks, ensures that the following objectives are met:

- efficacy and efficiency in the employment of corporate resources, in the protection of losses and in the safeguard of the assets of the Company;
- compliance with the laws and regulations applicable to any operations and actions of the Company;
- reliability of information, to be intended as prompt and true communications safeguarding the due performance of each decisional process.

The following principles, recalled and specified in the corporate procedures and in the controlling protocols, are the basis of the mentioned system:

- each operation, transaction and action shall be verifiable, supported by proper documentation, proper and adequate;
- the system warrants, also through a proper assignment of powers and proxies levels of authorization, the application of principle of tasks segregation (pursuant to which an entire process may not be managed autonomously by any subject) and functional independence;
- the internal system of control provides documentary evidence of the performance of controls, included supervision controls.

Each Function is responsible for the due functioning of the system of internal controls for all the processes assigned to the same.

The existing structure of corporate controls is composed by:

- line controls, performed by each Function on the processes whose managerial liability is assigned to the same Function, aimed at ensuring the due performance of the operations;
- functional reporting of the Group;
- periodical audit activity carried out by the appointed corporate function.

## 2.7. BEHAVIOURAL RULES

- ***Behaviours to be kept in managing relationships with Public Administration and with Independent Administrative Authorities***

The following behavioural rules apply to the Recipients of this Model who, by any means, and on behalf and or in the interest of Pentair Manufacturing, should have relationships with public officers, subjects charged with a public service or, in general, with the Public Administration and/or with the Independent Administrative Authorities. In general, it is forbidden to the Recipients to execute, or co-operate to perform, or perform behaviours that, individually or collectively, represent or may represent, directly or indirectly, crimes under Articles 24 and 25 of the Law 231/2001.

In particular, in accordance with the corporate deontological principles set out in this Model and the Code of Ethics adopted by the Company, it is forbidden to:

- offer or give money in favour of representatives of Italian or foreign Public Administration or Independent Administrative Authorities, either Italian or foreign, for the purpose of obtaining advantages for the Company;
- offer or give any kind of advantage in favour of Italian or foreign Public Administration representatives or Independent Administrative Authorities representatives, in order to manipulate their independent judgment or to induce them to guarantee any kind of advantage to the Company;
- perform services or make payments in favour of collaborators, suppliers, consultants, partners or other third parties who work on behalf of the Company, at Public Administration entities or Independent Administrative Authorities, that are not justified by the contractual relationship in force with the latter or in connection with the type of assignment to be performed and with local practices;
- favour, within the purchasing processes, collaborators, suppliers, consultants, partners or other third parties, as indicated by representatives of the Public Administration or Independent Administrative Authority;
- take into consideration or offer an employment opportunity which may advantage a representative of Italian or foreign Public Administration or Independent Administrative Authority, in order to induce or ensure any kind of advantage for the Company;
- give gifts and presents to subjects belonging to the Public Administration or to Independent Administrative Authority; in case of situations where offering or issuing any kind of present or entertainment to public officers is necessary due to typical commercial practice in a foreign country's customs, proper authorization shall be requested according to Group policies;
- behave in such a way to mislead the Public Administration or Independent Administrative Authorities in the technical and economic assessment of the documents submitted;
- make use of false or counterfeited documents or false information;
- omit mandatory information with the purpose to obtain a favourable decision of the Public Administration or Independent Administrative Authorities.

It is a specific duty of the Recipients who, on behalf of Pentair Manufacturing, have relationships with the judicial authority (in any kind of judicial proceeding), to respect the same behavioural rules also in such relationships.

▪ ***Behavioural rules in connection with the “sensitive” activities regarding cybercrimes and unlawful personal data handling introduced by Law 48/2008***

The following behavioural apply to the Recipients of the present Model who, for any reason, are assigned or charged with the management and maintenance of servers, applications, clients and communication networks, as well as subjects who have been provided with passwords and keys required for the access to the corporate information system:

- personnel shall contribute to promote an adequate safeguard level of informative and data transmission assets of the Company and of thirds, both private and public, in

accordance with preventive and subsequent controlling instruments activated by the company and refrains therefore from any conduct that may threaten security, privacy and integrity of corporate or third parties' information and data;

- personnel refrains from any conduct aimed at overcoming or bypassing the protections of the corporate or third parties' IT system;
- personnel refrains from any conduct aimed at altering or counterfeiting IT documents of any kind;
- personnel shall not use connections other than those provided by the Company, in performing the activity in favour of the Company.

▪ ***Behavioural rules in connection with the “sensitive” activities regarding corporate crimes, introduced by Law 61/2002 and amended by Law 262/2005***

The following general behavioural rules shall apply to the Recipients of this Model who, by any means, are involved in the “sensitive” activities regarding corporate crimes (mainly addressed to the members of the Board of Directors) as of Article 25-ter of Law 231/2001.

In general, such subjects are required to:

- behave correctly and transparently, and co-operate in accordance with the Law and internal company procedures, in all activities aimed at drawing up the financial statements and other corporate communications, in order to provide the Shareholder and the general public with a true and correct economic, patrimonial and financial situation of Pentair Manufacturing;
- comply with all those laws and regulations aimed at safeguarding integrity and effectiveness of the corporate capital, in order not to prejudice creditor and third party guarantees in general;
- ensure that Pentair Manufacturing and the corporate bodies work properly, guaranteeing and facilitating any form of internal audit over the corporate management provided by the Law.

It is explicitly forbidden to the Recipients to:

- represent or transmit, when drawing up company balance sheets, false, incomplete or not reflecting the truth, reports or other company communications or data, or draw up corporate communications not reflecting the true economic, patrimonial and financial situation of the Company;
- omit data or information requested by the Law, regarding the economical, assets and financial situation of Pentair Manufacturing;
- return contributions to the Shareholder or free them from their obligation, except for situations when the company capital is legitimately reduced;
- distribute profits or advances on profits not truly existing or destined by Law to a reserve;
- buy or subscribe shares owned by the Company;

- perform corporate capital reductions, mergers or demergers, in breach of the provisions of the Law protecting creditors, thus causing damage to the latter;
- proceed to fictitious increasing of the corporate capital, by attributing shares at a value lower than their nominal value;
- behave in such a way as to materially prevent, through the hiding of documents or the use of other unlawful means, or as to hinder by any means, the carrying out of the monitoring activity by the Shareholder and the Board of Statutory Auditors;
- grant money or other utilities, such as presents or promises regarding a possible hiring, in favour of relatives and/or subjects indicated by directors, general managers and persons subject to the control of the latter in charge of managing the commercial relationships with clients, with the sole purpose to condition their independence.

▪ ***Behavioural rules in connection with the “sensitive” activities regarding crimes introduced by Law 123/2007***

In the light of the business performed, Pentair Manufacturing promotes the circulation of safety principles, as well as the consciousness of the risks connected to the activities carried out in its structure, asking, at each level of its organization, to behave responsibly and respectfully with regard to the corporate procedures adopted with regard to safety at work issues.

In general, it is specific duty of all Recipients involved by any means in the management of the safety system adopted by the Company, to enforce, each of them with regard to the belonging function, the powers of attorney and proxies received, as well as to the corporate procedures implemented, the prevention and protection procedures drawn up against the risks connected to safety and identified in the Risks Evaluation Report (hereinafter, the “DVR”, “*Documento di Valutazione dei Rischi*”).

In particular, for effective risk prevention and in accordance with requirements provided by Law 81/2008 and subsequent integrations and amendments, and in compliance with the roles, assignments and responsibilities with regard to safety issues, it is explicitly requested:

- to the Employer and corporate Functions involved in the safety management, to perform the relevant duties within the powers granted by the power of attorney or proxy, within the limits provided by the prevention sanctions adopted and existing corporate procedures, intended that this subjects and Functions shall inform and train the staff, exposed to risks connected to safety at work in the execution of work activity;
- to the subjects appointed by the Company pursuant to Law 81/2008 (for example the Prevention and Protection Service Manager, the Prevention and Protection Delegates; Delegates for the enforcement of the sanctions of fire prevention and evacuation of the employees for case of danger; First Aid Delegates) and to the Employees’ Representatives to perform, each within its own skills and duties, the specific safety functions assigned by the Laws in force and provided by the safety system adopted by the Company;
- to the people charged with the duty to supervise the due compliance, by all Employees, with the safety procedures adopted by the Company, giving notice of possible lacks or misalignments of the safety system, as well as behaviours contrary to the system;
- to all employees, to take care of their own safety and health and of the safety and health of other people who have access to the Company’s structures, and to observe the provisions, the safety procedures and the corporate instructions.

- ***Behavioural rules in connection with the “sensitive” activities regarding crimes of receiving stolen goods, money-laundering and use of money goods or assets of unlawful origin, introduced by Law 231/2007***

The following general behavioural principles apply to the Recipients of the present Model involved for any reason in “sensitive” activities regarding crimes of receiving stolen goods, money-laundering and use of money goods or assets of unlawful origin under Article 25-*octies* of Law 231/2001.

Recipients are expressly forbidden to:

- transfer, by any means, except through banks or other electronic money institutes or through Poste Italiane S.p.A., cash or bearer’s bank or postal books, or other bearer securities, both in Euro or foreign currency, when the total value of the operation, also fractioned, is equal or higher than the value provided by the laws and regulations in force;
- draw bank or postal cheques, for amounts equal or higher than amounts provided by the relevant laws and regulations in force, if not provided with information about the name or corporate name of the beneficiary, and the non-transferability clause;
- perform payments on foreign bank accounts in favour of natural persons residing in Italy or in favour of entities with registered office in Italy;
- perform payments on coded bank accounts or on accounts kept at banks without physical offices;
- perform payments on accounts kept by banks operating in countries included in “tax heaven” lists and in favour of “off-shore” companies.

- ***Behavioural rules in connection with the “sensitive” activities regarding crimes committed with the infringement of copyright protection, introduced by Law 99/2009***

The following behavioural rules shall apply to the Recipients who, in performing their activities, are involved for any reason in “sensitive” activities regarding crimes committed with the infringement of copyright protection, under Article 25-*novies* of Law 231/2001.

In general, such subjects are requested to:

- ensure compliance with internal, European and international rules on intellectual property protection;
- promote the due use of all the original works, included software and databases;
- duly perform any administrative fulfilments necessary in order to ensure a due usage of works under copyright protection, in the framework of management of corporate IT system and web usage.

Recipients are expressly forbidden to:

- keep any behaviour generally aimed at duplicating software protected by copyrights or databases on the computer’s hard disk;
- install software without previous information given to the corporate function competent for the management of IT security.

- ***Behavioural rules in connection with the “sensitive” activities regarding the crime of induction not to render declaration or to render false declarations to the judicial authority, introduced by Law 116/2009:***

The following behavioural rules of general scope shall apply to the Recipients who, in performing their activities, are involved for any reason in “sensitive” activities regarding the crime of induction not to render declaration or to render false declarations to the judicial authority, under Article 25-*decies* of Law 231/2001.

In general, such subjects are requested to:

- timely, correctly and in good faith execute any requests from judicial police organs and judicial authority, both investigating and judging, providing any useful information, data and news;
- keep a friendly and co-operative behaviour in any situations involving officers belonging to judicial police and judicial authorities.

Recipients are expressly forbidden to use strength, threaten, intimidate, offer or give undue advantages in order to induce a subject, who may avail itself of the right not to answer in a criminal proceeding, not to render declarations or to render false declarations to the judicial authorities, with the purpose to obtain an advantageous decision for the Company or any other advantage.

In addition, Recipients are forbidden to:

- be in contact with subjects under preliminary investigations and on criminal trial, in order to disturb their freedom to auto determinate;
- grant liberalities or other utilities to employees or thirds under preliminary investigations and on criminal trial, in order to induce them to omit declarations or give false declarations, in favour of Pentair Manufacturing;
- grant career promotions, wage increases or incentives to employees or collaborators, not duly justified by the human resources development plans and by corporate incentives, or however not grounded on objective reasons justifying such initiatives.

- ***Behavioural rules in connection with the “sensitive” activities regarding crimes introduced by Law 121/2011***

The following general behavioural rules shall apply to Recipients involved for any reason in “sensitive” activities in respect of environmental crimes under Article 25-*undecies* of Law 231/2001.

In particular, Recipients are requested to:

- perform the fulfilments and prepare the documents addressed to Public Administration Entities charged with the control on the compliance with the environmental discipline, in accordance with the national, European and international laws and regulations in force, with the utmost diligence and professionalism, so as to provide clear, accurate, faithful and true information;
- manage the relationships with officers of Public Administration Entities charged with the control of the environmental norms (i.e. ARPA - the Regional Agency for Environmental Protection), within the framework of the powers granted, pursuant to principles inspired to the utmost transparency, collaboration, availability and in full compliance with the institutional role of the Public Administration, giving timely and prompt execution to the required instructions and fulfilments.

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In case doubts arise in connection to the correct construction of the behavioural rules indicated, the interested subject will be entitled to request clarifications either to his own responsible person or directly to the Supervisory Body, contacting the latter following the means under paragraph 3.4 of General Part II.

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### 3. SUPERVISORY BODY

Article 6, paragraph 1 of the Law 231/2001 requests, as condition for the exemption from being considered administratively liable, that the monitoring activity on the functioning and updating of the Model should be assigned to an 231 Supervisory Body that, having independent powers of initiative and control, carries out the duties assigned on a regular basis.

The Law also requires that the Supervisory Body performs its activity outside the corporate operating processes, periodically reporting to the Board of Directors, free from any hierarchical relationship with the people responsible for corporate Functions.

Pursuant to the provisions of the Law 231/2001, the Board of Directors of Pentair Manufacturing - through decision dated 19 March 2015 - appointed a collective Supervisory Body composed by two members, in a staff position to the Board of Directors.

In particular, the Supervisory Body has been appointed in compliance with the following requirements:

- *Autonomy and independence*: such requirements are ensured by the reporting activity of the Supervisory Body directly towards the Board of Directors, without holding a subordinate role towards such body.
- *Professionalism*: such requirement is met by the particular professional, technical and practical skills owned by the members of the Supervisory Body. In particular, the members appointed ensure to be in possession of proper legal knowledge and of principles and controlling and monitoring techniques.
- *Continuity of action*: with reference to this requirement, the Supervisory Body shall continuously monitor, through inspection powers, on the respect of the Model by the Recipients, taking care of its enforcement and updating, representing a constant point of reference for all Pentair Manufacturing's employees.

#### 3.1. DURATION, LOSS OF ASSIGNMENT AND REVOCATION

The Supervisory Body shall remain in charge for two years, and it may be re-appointed, provided that the same members are confirmed. The members of the Supervisory Body are chosen among individuals with an outstanding ethical and professional profile, and they shall neither be married, nor have any other family relationship, with any Director of the Company.

The functions of the Supervisory Body may be assigned to Company's employees and external professionals. The latter shall not have such relationships with the Company to lead to any conflict of interests and not to hold an independent position.

The remuneration due to the members of the Supervisory Body, both internal and external to the Company, does not constitute a case of conflict of interests.

Interdicted, incapable, bankrupt people or anyone condemned, even if with a not final decision or with a decision issued pursuant to article 444 of the Italian Criminal Procedure Code (so called "*patteggiamento*", implying penalty infliction on request), to a penalty implying interdiction, also temporary, from public offices or the incapacity to exercise managerial offices, or has been condemned, even if with a not final decision or with a decision issued pursuant to article 444 of the Italian Criminal Procedure Code (so called "*patteggiamento*", implying penalty infliction on request), for the commission of one of the crimes provided by Law 231/2001, cannot be appointed as member of the Supervisory Body and, if appointed, is revoked from the office.

Members of the Supervisory Body who are subordinate employees of the Company are automatically revoked from the office, in case of termination of the employment relationship and regardless of the relevant grounds of termination.



The Board of Directors is entitled to terminate, in any moment, the appointment of the members of the Supervisory Body only due to a just cause and upon obtainment of the opinion issued by the Board of Statutory Auditors on the matter.

Just causes for termination are identified as follows:

- omitted notice to the Board of Directors regarding a conflict of interests hindering the maintenance of the membership to the Supervisory Body;
- infringement of confidentiality obligation related to news and information collected during the exercise of functions attributed to the Supervisory Body;
- as regards the member being a subordinate employee of the Company, commencement of a disciplinary proceeding which may lead to the dismissal sanction.

In case termination occurs without just cause, the terminated member is entitled to request immediate reintegration.

Just causes for termination of the whole Supervisory Body are identified as follows:

- a material breach of the Supervisory Body in the performance of its verification and control duties;
- the decision against the Company, even though not definitive, or a decision issued pursuant to article 444 of the Italian Criminal Procedure Code (so called "patteggiamento"), acknowledges omitted or insufficient control performed by the Supervisory Body.

Each member may withdraw in any moment from the appointment giving at least a 30 days written notice, by means of registered letter with return receipt addressed to the Chairman of the Board of Directors, who will inform to the Board of Directors accordingly.

The Supervisory Body autonomously regulates its functioning in a specific Regulation, providing for the operational means governing the exercise of functions attributed to the same. The Regulation is subsequently submitted to the Board of Directors for acknowledgement purposes.

### **3.2. TASKS AND POWERS OF THE SUPERVISORY BODY**

The Supervisory Body is entrusted with the following tasks:

- monitoring diffusion, acknowledgement and comprehension of the Model within the Company;
- monitoring Recipients' compliance with the Model, with particular regard to activities in crime risky areas;
- monitoring the validity and effectiveness of the Model, with regard to its effective suitability in preventing the commission of those crimes referred to in the Law;
- give notice to the Company of the opportunity to update the Model, in case the latter needs to be rendered compliant with changed corporate and/or normative conditions.

In order to execute its tasks, the Supervisory Body shall in particular perform the following activities:

- coordinate and cooperate with the corporate Functions (also by means of specific meetings) with the purpose to realize a better monitoring of the possible crime-risky corporate activities;
- verify the setting up and functioning of specific “dedicated” informative means (i.e. e-mail address), aimed at facilitating reporting and information flows towards the Body;
- perform specific controls on certain operations or specific activities, performed in the framework of corporate activity areas deemed potentially crime-risky, with the support of the corporate Functions if needed;
- monitor the performance of informative and training activities on the Model carried out by the Company, supporting Pentair Manufacturing - upon request - in the control of the relevant suitability;
- immediately give notice to the Board of Directors on any possible infringement to the Model, deemed grounded, by the Directors of the Company or persons in senior position;
- immediately inform the Board of Statutory Auditors of any possible infringement of the Model, deemed grounded, by the whole Board of Directors.

In order to execute the above mentioned tasks, the Body is granted with the following powers:

- issue dispositions and service orders, with the purpose to regulate its own activities and draw up and update the list of the information, called “**Information Flows**” (as defined under paragraph 3.4), that shall be given to the Body by the corporate Functions;
- have a free access, without any preventive authorization, to any remarkable corporate document, with the purpose to perform the functions assigned to the same pursuant to Law 231/2001;
- impose, to the corporate Functions leaders, and in any case to all the Recipients, to timely give information, data and/or notices which may be requested, with the purpose to identify issues connected to the different corporate activities, which are remarkable pursuant to the Model and for the verification of the effective enforcement of the Model by the Company;
- appoint external consultants of proved professionalism, in cases such appointment is necessary to perform the control, audit or update activities on the Model.

For a better execution of its duties, the Body might delegate one or more specific tasks to its single members, who will perform such activities in name and on behalf of the Body. With regard to the tasks delegated by the Body to its single members, the liability that may arise from such tasks has to be charged to the whole Body.

The Supervisory Body has a specific annual budget recognised by the Board of Directors of the Company equal to the amount proposed by the same Body, which in any case shall be adequate to perform the functions assigned to the Body. The Body autonomously resolves upon the expenses to be made and, in case of expenses exceeding the defined budget, it shall be authorized directly by the Board of Directors.

### 3.3. REPORTING OF THE SUPERVISORY BODY

As above anticipated, with the purpose to assure full autonomy and independence in performing the relevant functions, the Supervisory Body communicates directly with the Board of Directors of the Company.

In particular, the Supervisory Body communicates the level of enforcement of the Model and the results of the monitoring activity through the following procedures:

- periodically to the Managing Director, in order to ensure alignment with the corporate top management on the activities performed;
- once a year, to the Board of Directors, through a written report, in which the monitoring activities performed by the Body, the criticisms arisen, and the possible modifications or improvements that seem to be suitable for the Model's implementation, are illustrated;
- occasionally to the Board of Statutory Auditors, when deemed necessary, with reference to infringements carried out by top managers or by members of the Board of Directors; the Body, in such situations, shall be able to receive from the Board of Statutory Auditors information or clarifications requests with regard to the mentioned apparent infringements.

The Supervisory Body may be at any moment called both by the Board of Directors and by the Board of Statutory Auditors, being from its side entitled to request to these corporate entities to be heard when it is deemed appropriate to report about issues related to the functioning and the effective enforcement of the Model, with regard to specific situations.

As a guarantee of a correct and effective information flow, as well as of a complete and correct performance of its own duties, the Body shall also ask clarifications or information directly to subjects having remarkable operating roles within the Company.

### 3.4. INFORMATION FLOWS AND NOTICES TO THE SUPERVISORY BODY

Law 231/2001 states that the Model shall set up specific information duties to the Supervisory Body by the Company's Functions, with the purpose to allow the Body to perform its monitoring and verification activities.

In particular, the following information must be communicated to the Supervisory Body:

- periodically, the information, data, notices and documents constituting waivers and/or exceptions to the corporate procedures, previously identified by the Supervisory Body and by the same Body formally requested to the single Directions/Functions (the so-called "**Information flows**"), within the formalities and timing defined by the same Body;
- within the controlling activity of the Supervisory Body, any information, data, news and document deemed useful and/or necessary for the performance of the mentioned controls, previously identified by the Body and officially requested to the single Functions;
- occasionally, any other information, of any kind and nature, regarding the enforcement of the Model in the crime-risky areas, as well as the respect of the provisions of the Law, which shall be useful for the purpose to fulfil the duties of the Body (the so-called "**Notices**"). To this regard, indeed, the Recipients shall report to the Supervisory Body any information related to the behaviours that may constitute infringements to the provisions of the Law and/or the Model, or specific crimes.

To such purpose, the Company set up a dedicated communication channels to be consulted by the Supervisory Body. In particular, communications can be made through the following channels:

- e-mail box (**odv.pmi@pentair.com**), the access to which is reserved only to members of the Supervisory Body;
- by post to the address of the Company's registered office - Corso Europa 2, angolo via Trieste, 20020 Lainate (MI) - marked for the attention of the Supervisory Body.

Such way of transmission of the notices has the purpose to guarantee the strictest privacy of the notices, also to prevent retorts or any other form of discrimination or penalization against people who submit the notices.

The Supervisory Body will evaluate the notices received, included anonymous ones, and shall convey, when it is deemed appropriate, both the subject who has submitted the notice, if known, to obtain more information, and the supposed author of the infringement, performing any ascertainment and investigation which is necessary to ascertain the reasonableness of the notice.

Once ascertained that the notice received is grounded, the Body:

- as regards infringements performed by employees, informs forthwith in writing the corporate Function charged with the task to start the consequent disciplinary actions;
- as regards infringements to the Model, deemed grounded, performed by managers and/or subjects in a senior position, informs forthwith the Managing Director;
- as regards infringements to the Model, deemed grounded, by the Directors and persons in senior position in the Company, informs forthwith the Board of Directors and the Board of Statutory Auditors.

In addition to the above-mentioned information, notices concerning the following issues must be submitted to the Supervisory Body:

- measures and/or information issued by judicial police, or by any other authority, including administrative ones, involving the Company or of persons in a senior position, from which the execution of investigations, also against unknown subjects, is inferred, regarding crimes provided by Law 231/2001, safe the respect of privacy and secrecy duties imposed by the Law;
- requests for legal assistance submitted by managerial staff and/or by employees when a judicial proceeding is started after the supposed commission of a crime listed in Law 231/2001;
- amendments to the power of attorney and proxy system, amendments to the By-Laws or the organization chart;
- outcomes of possible actions started upon written notice to the Supervisory Body regarding an ascertained infringement to the Model, issuance of disciplinary sanctions due to infringements to the Model, as well as renounces to take actions and relevant grounds;
- notices of serious personal injuries (culpable homicide, serious or very serious personal injuries, and in general any personal injury implying a prognosis higher than 40 days) occurred to employees and collaborators of Pentair Manufacturing, and more in general, to all people who have access to the Company's structure.

The Body, with the assistance of the Company, formally defines the formalities of transmission of such information, notifying the relevant Functions which have the duty to make the communications.

Omitted transmission of information to the Supervisory Body shall be deemed an infringement to the present Model.

All information, documentation, included reports provided by the Model, and all notices collected by the Supervisory Body - and received by the same - in performing its institutional duties shall be archived by the Supervisory Body in a dedicated archive at the registered office of the Company and shall be kept for ten years.

## 4. DISCIPLINARY SYSTEM

Setting out a disciplinary system applicable in case of infringement of the provisions of this Model is a necessary condition for guaranteeing the effective enforcement of the Model, as well as an essential requirement to allow the Company to benefit of the exemption from the administrative liability.

The enforcement of the disciplinary sanctions sets aside from the beginning and the results of a criminal proceeding possibly started, in cases in which the infringements represent a remarkable case of crime included in the Law 231/2001. The applicable sanctions are different depending on the nature of the relationship between the author of the infringement and the Company, as well as on the importance and seriousness of the infringement committed, and on the role and responsibilities of the author.

In general, the infringements can be included in the following behaviours and are classified as follows:

- a) behaviours representing a negligent infringement of the provisions of the Model, including corporate orders, procedures and instructions;
- b) behaviours representing a serious and intentional infringement of the provisions of the Model, eligible to threaten the reliance relationship between the author and the Company, being exclusively aimed at the commission of a crime.

The competent Function and/or corporate bodies decide the procedure to be followed in order to apply the sanctions.

### ▪ *Sanctions for employees*

With regard to employees, the Company shall respect the limits set forth by Article 7 of Law 300/1970 (Workers' Statute of Rights) and the provisions of the National Collective Labour Agreement for workers employed in the "*private metal work and equipment installation industry*" (hereinafter only the "applicable CCNL"), with regard to the applicable disciplinary sanctions and to the conditions of exercise of the disciplinary power.

The infringement - by the employees - of the provisions included in the Model and of all the documentation included therein, represents a breach to the obligations arising from the employment relationship as to Article 2104 of the Italian Civil Code, as well as a disciplinary offence.

In particular, the behaviour of a Company's employee representing, on the basis the conducts pointed out in the previous paragraph, a disciplinary infringement shall be deemed an infringement of the duty, for the employee, to perform with the maximum diligence the assigned tasks, in compliance with the Company's orders, as provided by the **applicable CCNL** in force.

The following sanctions can be applied to the employees:

- i) oral warning;
- ii) written warning;
- iii) fine up to 3 hours of normal salary calculated on the basis of the minimum payroll;
- iv) suspension from work and salary up to a maximum of 3 days;
- v) dismissal.

In order to point out the connections between infringements and disciplinary sanctions, it has to be underlined that:

- i) shall incur in oral warning sanction, the employee who:

- infringes the provisions of the Ethics Code due to mere negligence, or adopts, during the performance of activities in crime-risky areas, a behaviour not compliant with the provisions of the Model, in case the relevant infringement does not have external relevance;
- i) shall incur in written warning sanction, the employee who:
  - results to be relapsing, within a two-years period, in committing infringements leading to oral warning sanctions;
  - infringes the provisions of the Ethics Code due to mere negligence or adopts, during the performance of activities in crime-risky areas, a behaviour not compliant with the provisions of the Model, in case the relevant infringement has external relevance;
- ii) shall incur in fine sanction up to 3 hours of hourly salary calculated on the basis of the minimum payroll, the employee who:
  - results to be relapsing, within a two-years period, in committing infringements leading to written warning sanctions;
  - due to his hierarchical or technical level of responsibility, or in case of aggravating circumstances, violates the Model's efficacy by behaviours such as:
    - non-compliance with information duty towards the Advisory Body;
    - continued non-compliance to fulfilments under the Model's provisions, in case they relate a proceeding or a relationship where the Public Administration is involved;
- iii) shall incur in suspension from work and salary sanction up to 3 days, the employee that:
  - results to be relapsing, within a two-years period, in committing infringements leading to fine sanction up to 3 hours calculated on the basis of the minimum payroll;
  - infringes provisions on signature powers and the system of proxies issued on acts and documents addressed to the Public Administration;
  - submits false or ungrounded notices regarding infringements to the Model and the Code of Ethics;
- iv) shall incur in sanction consisting in disciplinary dismissal, the employee that:
  - fraudulently evades the provisions of the Model through a behaviour expressly aimed at commission of a crime listed among those provided under Law 231/2001;
  - infringes the internal control system through stealing, destruction, or corruption of documentation, or through preventing competent bodies, included the Supervisory Body, from controlling or getting access to information and documentation, so as to prevent transparency and verifiability of the same information and documentation.

The Company shall not apply any disciplinary sanction against an employee without compliance with the procedures provided, for any single case, by the **applicable CCNL**.

The principles of connection and proportionality between the infringement committed and the sanction inflicted are ensured by the respect of the following criteria:

- seriousness of the infringement committed;
- task, role, responsibility and autonomy of the employee;
- foreseeability of the infringement;
- intentionality of the behaviour or level of negligence, imprudence and incompetence;



- general behaviour of the infringement's author, with regard to the existence of disciplinary precedent within the terms provided by the **applicable CCNL**;
- other particular circumstances of the infringement.

All employees shall be informed, thorough the formalities deemed more appropriate by the Company, of the existence of a disciplinary system connected with infringements of the Model, and of the documentation composing the Model.

▪ ***Sanctions form managerial employees***

Infringements - by managerial staff - of the provisions and of the procedures of the Model, and of all the documentation included therein, including infringements of the information duties towards the Supervisory Body and controlling duties towards collaborators, imply the application of sanctions provided by collective labour agreements for the other categories of employees, pursuant to Articles 2106, 2118 and 2119 of the Italian Civil Code, as well as to Article 7 of Law 300/1970.

In general, the following sanctions shall be applied to the managerial staff:

- i) suspension from work;
- ii) anticipated withdrawal from the job relationship.

The ascertainment of possible infringements, as well as of non-adequate monitoring and of the lack of timely information to the Supervisory Body, shall determine, against employees with the quality of managerial staff, the precautionary suspension from work, safe the right of the manager to the salary, as well as, always temporary and precautionary, and for a period of time lower than three months, the assignment of different duties in compliance with Article 2103 of the Italian Civil Code.

In case of serious infringements, the Company could terminate in advance the employment agreement, without preliminary advice, pursuant to and in accordance with Article 2119 of the Italian Civil Code.

▪ ***Measures applicable to Directors***

In case of ascertained infringement of the Model, included infringements of the documentation therein, by one or more Directors, the Supervisory Body shall inform without delay the whole Board of Directors and the Board of Statutory Auditors, so that they may assume or promote the most appropriate and adequate actions, with regard to the seriousness of the infringement and in accordance with the powers provided by the Laws in force, and by the Company's By-Laws.

In particular, in case of infringements of the Model, and of the documentation therein, by one or more Directors, the Board of Directors shall directly apply the sanctions of formal written warning or revocation, also partial, of the powers or the proxy granted, having regard to the proportion and the seriousness of the committed infringement.

In case of infringements of the Model, included infringements of the documentation therein, by one or more Directors, performed with the specific purpose to facilitate or induce the commission, or to commit a crime provided by Law 231/2001, the sanctions (only by way of example, the temporary suspension from the office and, in the most serious cases, the revocation of the office) shall be inflicted by the Shareholders' Meeting, upon proposal of the Board of Directors or of the Board of Statutory Auditors.



In case of ascertained infringement of the provisions laid down in the Model by the whole Board of Directors, included infringements of the documentation therein, the Supervisory Body informs forthwith the Board of Statutory Auditors, so that the latter may take the consequent actions.

▪ ***Measures applicable to people in a senior position***

In any case, also the infringement, by persons in senior position, of the specific monitoring duty towards the subordinate employees, will imply the infliction, by the Company, of the sanctions deemed more appropriate with regard, on one side to the nature and seriousness of the committed infringement, and on the other side to the qualification of the person in a senior position, who would commit an infringement.

▪ ***Sanctions for staff submitted to direction and monitoring***

The infringement - by the staff submitted to the direction or monitoring by subjects holding a senior position within the Company (i.e. collaborators, consultants, etc.) - of the provisions laid down in the Model, including the infringement of the information duties towards the Supervisory Body, implies, in accordance to what provided by in the single agreement, the termination of the relevant agreement, safe the possibility for the Company to ask the damage compensation as a consequence of the mentioned behaviours, including damages caused by the infliction of the sanctions provided by Law 231/2001.

## 5. COMMUNICATION OF THE MODEL AND TRAINING

Pentair Manufacturing, aware of the importance of training and information in a prevention perspective, defined a communication and training programme, with the purpose to guarantee the circulation, to all the employees, of the main issues of the Law and of the purposes and duties arising from it, as well as of the provisions of the Model.

Information and training activities towards all employees are organized providing several levels of detail, with regard to the different level of involvement of the employees in the crime-risky activities and to the respective tasks and responsibilities.

With regard to the Model's circulation within the corporate context, Pentair Manufacturing:

- submits a notice to all employees and staff, to communicate the adoption of this Model and of the Code of Ethics, as well as the appointment of a Supervisory Body;
- makes available for viewing the Model and the Code of Ethics in print and in electronic format;
- organizes training activities with the purpose to promote the knowledge of the Law 231/2001 and the provisions of the Model, as well as to plan training sessions for employees and staff in case of updating and/or modifications of the Model, with the formalities which are deemed more appropriate.

In any case, the training activity aimed at spreading the knowledge of the Law 231/2001 and the provisions of the Model has different contents and means of circulation depending on the qualification of the Recipients, the risk level related to the area where they operate and the circumstance that they hold or nor representation and management functions within the Company.

The training activity involves all the staff employed, as well as all the resources hired from time to time within the corporate organization. To such purpose, the relevant training activities are foreseen and performed upon hiring, and on the occasion of any possible change of the employment duties, as well as upon updates and/or amendments to the Model.

Pentair Manufacturing constantly provides mandatory and constant training to all the staff (included newly hired staff) not only in those fields strictly regarding "*compliance 231*", but also related to those issues related to the prevention purposes laid down in the Law, such as, for instance, those regarding health and safety on workplaces, impacts of the corporate activity on the environment and a guarantee of quality of production processes.

The documentation regarding the information and training activities will be kept by the Human Resources Function, available for consultation of the Supervisory Body and any other legitimate.

The adoption of the Model is also communicated and disseminated to all external parties with which Pentair Manufacturing has relations, including suppliers, partners, consultants, etc.

Proof of communication and the formal commitment of all internal and external parties (insofar as applicable to the latter) to adhere to the principles of the Code of Ethics and the Model takes the form of appropriate documentation, such as - for example, declarations of understanding of and compliance with the Model and specific contractual clauses.

Pentair Manufacturing shall neither enter into nor pursue relations with any party that does not undertake to comply with the principles established in the Code of Ethics and the Model of Organization, Management and Control (confined, in the latter case, to those aspect that are applicable on a time-by-time basis).

## **6. MODEL ADOPTION AND UPDATING**

Adopting the Model is specific duty of the Board of Directors of Pentair Manufacturing.

The Board of Directors of the Company is therefore competent for any further material amendment and/or integration to the present Model. Among such kind of amendments, are those modifications arising from:

- significant infringements of the Model's provisions;
- identification of new risky activities, connected with the beginning of new activities by the Company or modification of the activities previously identified;
- changes to the organizational structure of the Company leading to consequences on the Model;
- identification of possible improvement areas of the Model, identified by the Supervisory Body during periodic verifying and monitoring activities.

In any case, amendments regarding composition, duration and efficiency of the Supervisory Body, as well as amendments regarding the disciplinary system, shall be deemed as material.

The Managing Director is competent for amendments and/or integrations having a mere formal value, regarding, by way of example, the list of crimes under paragraph 1.2.









