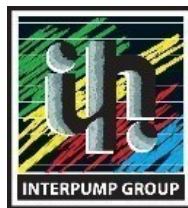


Consolidated disclosure of non-financial information
in accordance with Italian Legislative Decree 254/2016
as at 31 December 2017

prepared by Interpump Group S.p.A.



INTERPUMP GROUP S.p.A.
Registered Office: S. Ilario d'Enza (RE)
Via E. Fermi 25

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1) Note on methodology

Interpump Group's **Consolidated disclosure of non-financial information (hereinafter also NFS – Non Financial Statements)** complies with the requirements of Italian legislative decree 254/2016 concerning the obligation of public-interest entities that are parent undertakings of a large group to report their non-financial information. The information in question is aimed at ensuring understanding of the Group's activity, performance, position and impact produced, covering environmental, social, and employee-related themes, respect for human rights, and active and passive anti-corruption initiatives, taking account of the activities and characteristics of the Interpump Group.

1.1) Scope of reporting and standards

This NFS concerns the FY 2017 (from 1 January to 31 December), in line with the **reference period** of the Consolidated Financial Statements, and it also contains data on non-financial performance for 2016 to provide a comparison with the past. For easier understanding of the comparison, the notes supporting the indicators show the changes in the scope of reporting due to the entities acquired in 2017. In compliance with the provisions of the Italian decree, the **boundary** of reporting coincides with that of the Consolidated Financial Statements, i.e. it includes the fully-consolidated subsidiaries for financial reporting (see the Interpump Group structure at 31/12/2017 in paragraph "Description of the corporate organization model"). To date, no themes have been identified having a significant impact on entities external to the group.

The **reporting principles** adopted by Interpump Group in preparing this NFS are the *GRI Sustainability Reporting Standards* published in 2016 by Global Reporting Initiative (GRI); specifically, in compliance with the matters provided by *Standard GRI 101: Foundation*, section 3, this document has been prepared in accordance with the following GRI Reporting Standards¹ ("GRI Referenced"):

- *GRI 102: General Disclosures 2016* (102-1, 102-3, 102-4, 102-5, 102-6, 102-8, 102-9, 102-15, 102-16, 102-17, 102-18, 102-45, 102-47, 102-50, 102-52);
- *GRI 103: Management Approach 2016* (103-1, 103-2);
- *GRI 205: Anti-corruption 2016* (205-3);
- *GRI 206: Anti-competitive Behavior 2016* (206-1);
- *GRI 301: Materials 2016* (301-1);
- *GRI 302: Energy 2016* (302-1, 302-3);
- *GRI 303: Water 2016* (303-1, 303-3);
- *GRI 305: Emissions 2016* (305-1, 305-2, 305-4, 305-7);
- *GRI 306: Effluents and Waste 2016* (306-1, 306-2);
- *GRI 307: Environmental Compliance 2016* (307-1);
- *GRI 401: Employment 2016* (401-1);
- *GRI 403: Occupational Health and Safety 2016* (403-2);
- *GRI 404: Training and Education 2016* (404-1);
- *GRI 405: Diversity and Equal Opportunity 2016* (405-1);
- *GRI 406: Non-discrimination 2016* (406-1);
- *GRI 412: Human Rights Assessment 2016* (412-3);
- *GRI 415: Political Contribution* (415-1)
- *GRI 416: Customer Health and Safety 2016* (416-2).

¹ The detailed disclosures from the individual GRI Standards are shown in parentheses

1.2) Reporting process and calculation methods

The qualitative-quantitative information given in this initial non-financial statement was selected by a dedicated Interpump Group team based on **relevance analysis** (for more details in this regard refer to the paragraph “Common qualitative information – Relevant themes” on page 11) and collected by means of specifically defined data collection forms, to ensure that the indicators master data is aligned with the disclosures of the GRI Standards; in operational terms, collection and aggregation of the information has been supported/facilitated by the use of an additional module of the existing software used to collect economic-financial data for the Consolidated Financial Statements.

The following are the main **methods of calculation and assumptions** for the non-financial performance indicators reported in this statement, in addition to the matters already indicated in the text of the NFS (e.g. specific calculation formulas – by way of example see indicator 401-1 concerning in/out turnover rates, 403-2 concerning rates of injury and 302-3 related to energy intensity, and assumptions applicable in specific cases – by way of example refer to indicator 301-1 concerning incoming materials, and 306-1 concerning water discharge).

- Where specific environmental data were unavailable conservative estimates have been used, choosing assumptions potentially connected to the least positive environmental performances for the company.
- The calculation of greenhouse gas emissions was performed by means of the following formula: activity value (m³ of natural gas, kWh of electrical energy, etc.) multiplied by the corresponding emission factor. Also, losses of refrigerant gas (kg) were considered, multiplied by the corresponding global warming potential (GWP).
- The emission factors and GWP values utilized for calculation of GHG emissions were as follows:
 - Scope 1 Emissions: for emission factors of fuels and GWP of refrigerant gases the values were taken from the annually updated database of the UK Department for Environment, Food and Rural Affairs (Defra).
 - Scope 2 Emissions: for electrical power purchased from the grid the conversion factors were taken from the Terna International Comparisons document on data supplied by Enerdata, which is updated annually.
- Data concerning personnel (e.g. workforces) are referred to natural persons (i.e. not using standardized FTE²s) at 31/12 of the reporting period.
- The number of injuries occurred and the related indices (injury rate and lost day rate) do not include commuting injuries and injuries that did not result in more than one working day lost.

² Full-time equivalent

2) Introduction

On 6 December 2014 **Directive 2014/95/EU** of the European Parliament and Council came into force (hereinafter also the “Directive”), concerning the obligation of public-interest entities that are parent undertakings of a large group to disclose non-financial information and information concerning diversity policies. The Directive reflects the desire of the EU legislator to contribute to the transition toward a sustainable global economy that combines long-term profitability, social justice and environmental protection, promoting the growth of companies that implement transparent management policies oriented toward the attainment of improved performance also in the non-financial sphere.

The Directive has been transposed in Italy with **legislative decree no.254** of 30 December 2016 (hereinafter also the “Decree” or “D.lgs. 254/2016”), which requires public-interest entities that are parent undertakings of a large group³ to publish a NFS that covers, to the extent necessary to ensure understanding of the company's activities, its operations, its results and the impact produced by it, relating to five different topics: environmental, social, personnel-related, related to respect for human rights, and to active and passive anti-corruption activities, to an extent considered relevant in consideration of the group's activities and characteristics. In particular, in relation to these five topics the Decree requires a description of at least the primary risks, generated or sustained, any policies applied, the associated performance indicators and the corporate model of management and organization of the activities (Art. 3 c. 1).

As a large public-interest entity, the Interpump Group is subject to the provisions of the Decree starting from the 2017 reporting, although it has always paid close attention to the above-mentioned topics of the Decree.

This consolidated NFS of Interpump Group S.p.A. as at 31 December 2017 is a separate document with respect to the Board of Directors' Annual Report.

This document has been verified by a suitably authorized third party entity. The audit was performed in compliance with the procedures shown in the “Independent Auditors' Report” included at the end of the document.

The Board of Directors of Interpump Group S.p.A. approved this NFS on 15 March 2018.

The NFS is published in the Governance section.

³ As defined by Art. 1 c. 1 of the Decree

3) The Interpump Group

In compliance with the requirements of Art. 19 (2) c. 1 a) of Directive 2013/34/EU, as amended by Art. 1 of Directive 2014/95/EU, a concise description of the corporate model adopted by the Interpump Group (hereinafter also “the Group”, “Interpump”, or “IPG”) is provided below.

The Group, set up by Fulvio Montipò in 1977 at S. Ilario d'Enza (RE), Italy, where the parent company **Interpump Group S.p.A.** (hereinafter also “IPG S.p.A.”) has its headquarters to this day, enjoys a position of world leadership in the sectors of high and very high-pressure pumps and is active in the field of hydraulic components and systems.

The strategy of the Interpump Group is aimed at further strengthening this position, also by means of targeted acquisitions.

The Interpump Group **manufactures and markets** high and very high-pressure plunger pumps, very high pressure systems (Water Jetting Sector), power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hydraulic hoses and fittings and other hydraulic components (Hydraulic Sector).

3.1) Water jetting sector and Hydraulic sector focus

The **Water jetting sector** includes companies active in Interpump's historic core business: the production and sale of plunger pumps rated from 1 to 1500 HP (from 0.7 to 1100 kW), and the related accessory components. The smaller models are primarily used in pressure washers; as the power rating increases, and hence the available pressure, the range of applications is extended to include car washes, misting, road cleaning and jet rodding of sewers, seawater desalination, descaling of steel; even higher pressures allow the use of the fluid (water or another medium) to bore holes, make cuts, remove paint, deburr metal components and even for demolition works. Finally, plunger pumps are suitable for use in all industrial processes (chemical, food, cosmetic, manufacturing) that require very high pressures to homogenize or separate foods or compounds, to make chemical reactions possible, and for countless other types of process. The higher efficiency of plunger technology compared to other types of pump leads to better performance and savings in energy usage; moreover, in many of the applications mentioned water technology brings benefits related to hygiene, the environment, or processing time compared to alternate methods customarily employed.

Since 2017 the Water Jetting sector also includes companies engaged in the production of special pumps, mixers, agitators, cleaning systems, valves and tanks for the food, cosmetics and pharmaceutical industries: these products offer obvious commercial synergies and significant technological affinities with the historic core business of plunger pumps.

The **Hydraulic sector**, inaugurated in 1997, includes companies active in the production and sale of a continually expanding range of hydraulic components: power take-offs (mechanical device connected to the engine or gearbox of an industrial vehicle, used to drive a pump that powers the hydraulic circuit), gear pumps, cylinders, hydraulic motors, oil tanks, directional control valves (the central component that assures at any time the correct distribution of oil among all the segments of a complex hydraulic system) and related electronic or mechanical control systems, hydraulic lines (flexible rubber hoses, flexible metal pipes, and rigid pipes), flanges and fittings.

Hydraulic technology is used in almost all mechanized aspects of human activity: in industrial vehicles (dumpers, truck cranes, waste compactors...), in agricultural vehicles, earthmoving machines, forklift trucks and telehandlers with work platforms, and also in fixed applications including cranes, elevators, in the mining sector, marine sector, industrial automation, and even for funfair rides. Pipes and fittings have an even broader range of application (including a large number of applications in the Water Jetting sector), and some

companies in the Group offer complete services of design, construction and maintenance of simple or extremely complex piping systems.

Manufacturing and commercial activities are integrated and supported by the **research and development** area. In addition to a strategic direction provided by the parent company, R&D activities are performed by the group's production companies for specific products (e.g. Interpump Group S.p.A. and Hammelmann GmbH for the Water Jetting Sector; Walvoil S.p.A. , Interpump Hydraulics S.p.A. and IMM Hydraulics S.p.A. for the Hydraulic Sector) with the aim of continually improving the quality and performance of the products, creating new products and identifying different applications for existing products in order to penetrate new sectors. Over the next few years, Group strategy is aimed at continuing with high levels of expenditure in the area of research and development activities in order to ensure renewed impetus to internal growth.

3.2) Interpump Group Structure

As at 31 December 2017 Interpump Group was made up of a structure headed by Interpump Group S.p.A., a company incorporated under Italian law and listed in the STAR segment of the Milan Stock Exchange, holding direct and indirect controlling shares in 81 subsidiaries (five of which being wound up to a process of internal rationalization) operating in the two business sectors described above.

The Interpump Group can be concisely represented as at 31/12/2017 as follows:

Group Structure



The Group is composed of a large number of companies, including small size entities, that primarily perform production and/or sales activities under the strategic and operating coordination of the group parent company.

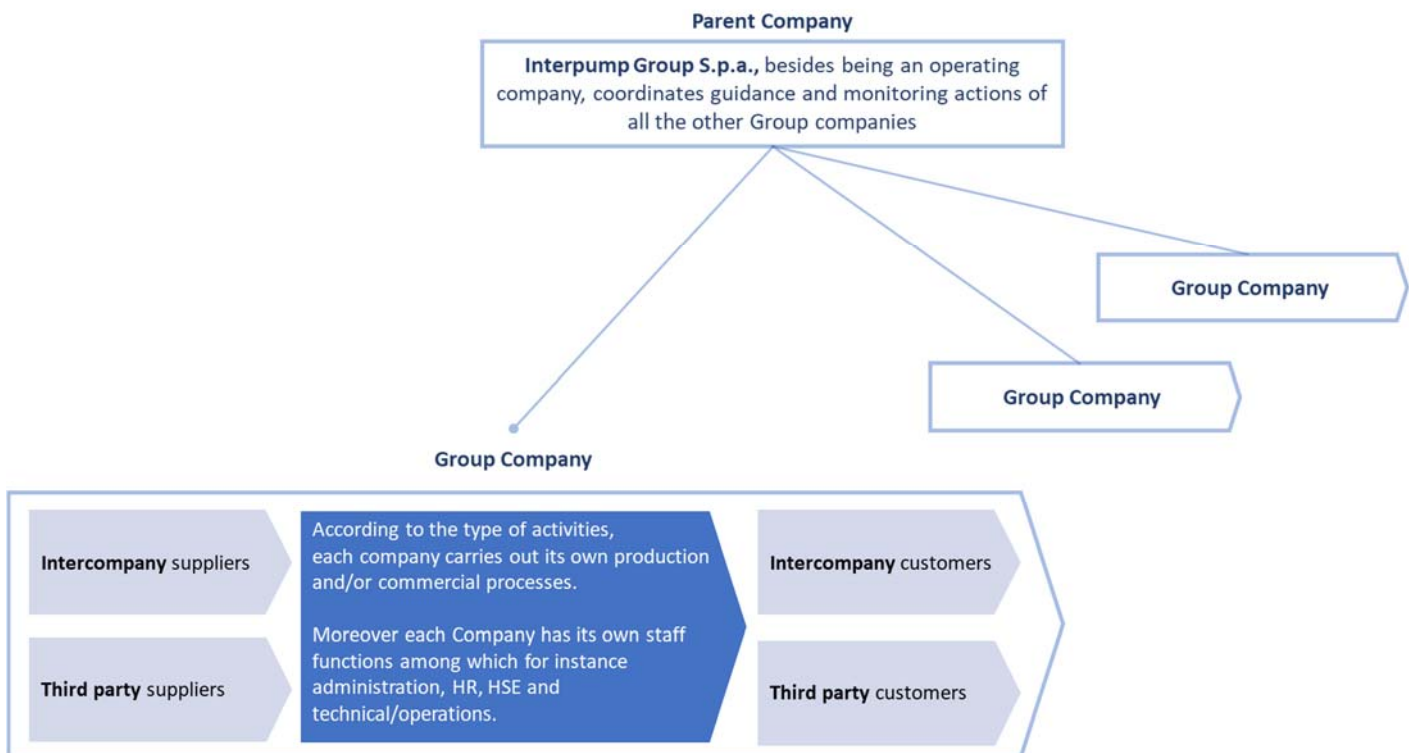
The Group owns production facilities in Italy, US, Germany, China, India, Brazil, Bulgaria, Romania, South Korea, Portugal, France and Spain, and a direct presence in 26 countries overall. The geographical areas in which the Group operates, both in terms of manufacturing and sales activities, are defined by the following groups:

- Italy;
- Rest of Europe;
- North America;
- Far East and Oceania;
- Rest of the World.

For further details concerning the geographical location of the various Group companies, refer to the institutional website www.interpumpgroup.it.

3.3) Interpump Group value chain

The following is a simplified representation of Interpump's value chain, functional to the mapping and description (given in the following sections of this document) of the risks, corporate management model and any policies practiced with reference to the significant themes related to the five topics explicitly indicated by the legislator in legislative decree 254/2016 art. 3 par 1 (environmental, social, employee matters, respect of human rights, and anti-corruption and bribery matters).



Interpump Group value chain

⁴ <https://www.interpumpgroup.it/interpump-nel-mondo.aspx>

The main elements of the Interpump value chain are:

- suppliers, which can be small/medium-size companies or large multinationals. Among the Group's main procurement categories, we list the following, by way of example but non-exhaustive: raw materials, components and intermediates, finished products, packaging, work processes (e.g. surface coating, heat treatment, assembly, etc.), utilities, machine manufacturers, services (e.g. transport, consultancy, waste management, etc.).
- The Interpump Group companies that are primarily engaged in production activities (essentially mechanical production and assembly of components) and/or sales activities.
- Customers, 30% of whom are distributors and dealers and 70% are OEMs⁵. Overall, the number of customers exceeds 20,000, spread over more than 130 countries. In 2017 the top customer in terms of sales accounted for about 1.5% of the total, while the top 15 customers accounted for 10% overall.

It should be noted that major transformations occurred in the Interpump Group from 2016 to 2017, such as the addition of new companies with different products that had an impact on the change of certain indicators. In particular, in February 2017 Interpump acquired the Inoxpa Group, active in manufacturing and sales of process equipment and systems for the treatment of fluids in the food, cosmetics and pharmaceutical industries.

3.4) Corporate Governance

In relation to corporate governance, Interpump Group's model is based on the provisions of the Code of Corporate Governance⁶ promoted by Borsa Italiana.

As indicated in the Report on Corporate Governance and the Ownership Structure for 2017, which can be consulted on the Group's institutional website in the "Governance" section, to which we invite you to refer for more details, Interpump Group S.p.A. has adopted a traditional form of administration and control:

- company management is ascribed to the Board of Directors;
- supervisory functions are handed by the Board of Statutory Auditors;
- auditing of the accounts and accounting control were performed by the independent auditing company appointed by the shareholders' meeting;
- Supervisory Body pursuant to Italian legislative decree 231/2001.

Interpump Group S.p.A. exercises the activity of management and as defined in art. 2497 of the Italian civil code in relation to its Italian subsidiaries, which retain their legal independence and apply the principles of correct corporate and business management.

The composition of the board of directors of Interpump Group S.p.A. and, specifically, the information required by art. 10⁷ c. 1 of legislative decree 254/2016 concerning gender diversity of the administrative, management and controlling bodies is illustrated in the Report on Corporate Governance and the company ownership structure for 2017 in paragraph 4.2. "Composition of the Board of Directors" and 14 "Composition and Operation of the Board of Statutory Auditors".

With regard to gender diversity, the statutory provisions and the matters provided for by art. 147-(3) legislative decree no. 58 of 24 February 1998 are complied with in full.

The Board of Directors has set up, within its ranks, the Remuneration Committee, the Control and Risks Committee, the Nomination Committee, and the Committee for Transactions with Related Parties.

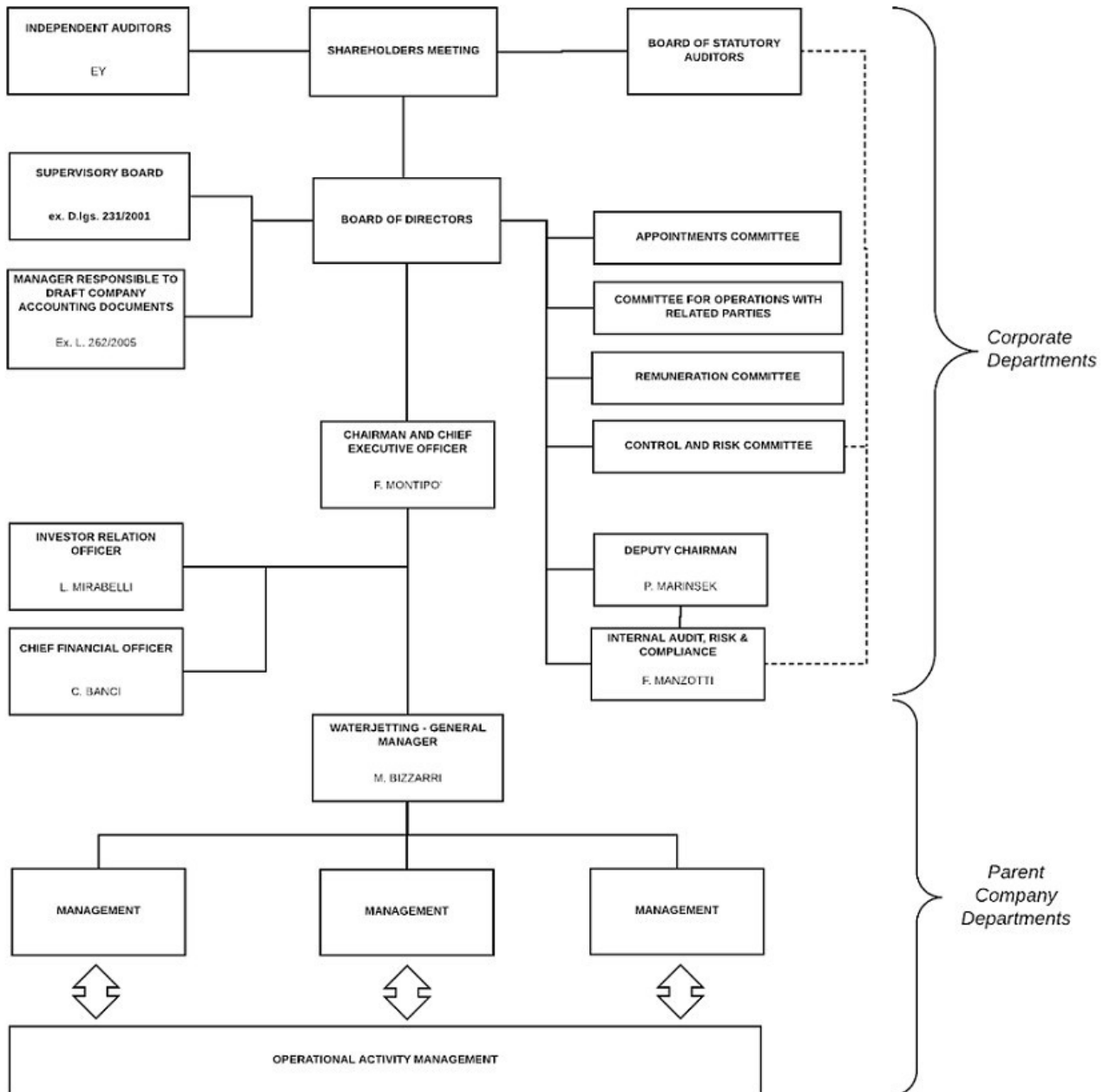
⁵ Original Equipment Manufacturers

⁶ Published in July 2015

⁷ "Amendments to Italian legislative decree no. 58 of 24 February 1998"

In line with the prescriptions in the Code of Corporate Governance promoted by Borsa Italiana, at least one of the members of the Control and Risks Committee, and hence of the Board of Directors, is in possession of experience in accounting and financial matters or in the area of risks management.

The organizational structure of Interpump Group S.p.A. at 31 December 2017 is illustrated below.



4) Qualitative-quantitative description of risks, policies practiced, the corporate model and performance indicators

In line with art. 3 of the Decree, subsections 1 and 2, this NFS includes both descriptive aspects (e.g. policies, risks, governance) and results in terms of performance.

The program implemented by IPG to comply with legislative decree 254/2016 is developed with reference to the five topics indicated by the legislator:



This non-financial statement was drafted by means of the following key stages:

- identification of the significant themes;
- mapping of the main risks, generated or sustained, that derive from the business activity, from the products, services or commercial relationships, including the chain of supply;
- identification of the policies practiced and the governance adopted for arrangement of the five topics;
- definition and implementation of a process (on Group level) of collection, aggregation and transmission of the information required by the essential performance indicators selected based on the significant themes for IPG and envisaged by the chosen reporting standard.

Even though the analysis conducted is specific in relation to the five topics identified by the legislator, in order to guarantee greater usefulness of the text it was decided to present the **common qualitative information** first and the area-specific qualitative-quantitative information in the following chapters.

4.1) Significant themes

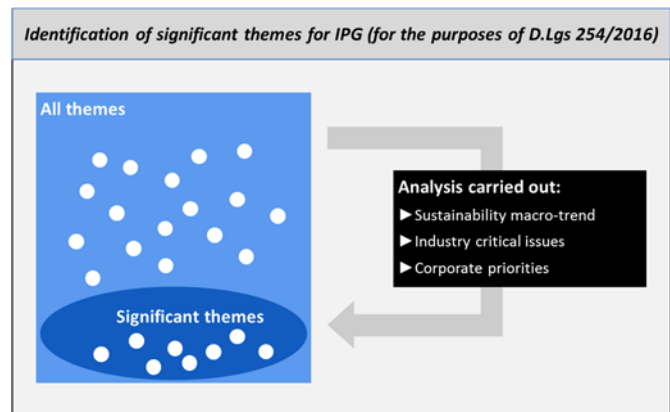
The significant themes for the Interpump Group, with reference to the 5 topics of the decree, were selected starting from the list of aspects covered by GRI Standards and taking into consideration, among other aspects:

- **sustainability trend at the global level**, i.e. key non-financial aspects considered by the main stock exchanges that have published guidelines for sustainability reporting, by the sustainability rating indices (DJSI, MSCI, etc.), by international organizations (GRI, World Economic Forum, etc.) and by supranational bodies (EU, UN, etc.).

- **sector performance**, i.e. non-financial aspects that have emerged as significant for the reference sector of IPG. In particular, the indications present on the Europump⁸ website and the publications of several international organizations (RobecoSam, SASB, etc.) were analysed.
- **company priorities**, with reference to the five topics of legislative decree 254/2016, that emerged through analysis of the main corporate documents (Code of Ethics, Model 231, Risk assessment, etc.) and interviews with management.

The combination of the results of the foregoing analyses led to definition of the non-financial aspects of the greatest significance and necessary to ensure comprehension of the activities of the company, its performance, its results and the impact it produces, taking account of the activities and characteristics of the Interpump Group and, therefore, subject to reporting within this NFS.

For a list of the themes that emerged as significant, we invite you to refer to the detailed paragraphs related to the individual topics of legislative decree 254/2016.



4.2) Risks

The main risks identified for the 5 topics identified by the legislator, that may become of significance in relation to the pursuit of the Interpump Group strategy in the medium/long-term, are identified in the related paragraphs.

Interpump Group however considers common risks (applicable to the environmental, social, personnel, human rights and anti-corruption topics), and as such listed in this paragraph and not repeated in correspondence with the individual topics:

- reputational risks that arise from the risks listed for each topic;
- risks linked to the possible non-adoption of the most suitable measures, or noncompliance with laws and/or regulations or the reference best practices;
- risks linked to possible issues –whether environmental, social, product quality related, concerning anti-corruption, etc. – concerning the supply chain.

In this regard, note that in the context of the internal control and risk management system, a process of Risk Assessment has been implemented of business risks originating from external and internal sources based on self-assessment of the risk by the risk owners, identified among the top management of the main group companies. The analysis starts from a catalogue of risks developed specifically for the Group, based on the typical business areas and the operating and compliance problems. The business risks examined, i.e. all risks that may become significant in terms of the medium/long-term sustainability of the activities of the Issuer, are classified as strategic, financial, compliance or operational. This Risk Assessment process makes it possible to identify the business risks, to evaluate the degree of risk and to monitor any corrective actions adopted.

⁸ European Association of Pump Manufacturers

4.3) Policies

In addition to the “whistleblowing management policy”⁹, applicable to the Group, which regulates the method of execution and management of whistleblowing concerning presumed irregularities or offences, the Code of Ethics adopted by all Group companies (in the case of China, taking account of country specific factors), defines the principles of conduct and the guidelines concerning the 5 topics referenced by legislative decree 254/2016 (environmental, social, personnel, respect for human rights, and anti-corruption). The top management is evaluating the formalization of Group policies with reference to the non-financial aspects of the greatest significance for IPG, taking into account the marked diversification of the companies/production sites and their independence. For further details, see the Global Compliance Program described in the next paragraph.

4.4) Model

Given the company structure of the Interpump Group, composed of multiple companies, also of small size, that work in different countries with diversified areas of business and taking account of the variable perimeter of the Group from one year to the next, to date it has not been deemed appropriate to define a centralized management model of the themes related to the 5 topics specified by legislative decree 254/2016.

Interpump Group S.p.A. has adopted the Organization and Management Model in compliance with legislative decree 231/2001 (hereinafter also "231 Model"), which constitutes, together with the Code of Ethics, an additional valid instrument for promoting awareness among all employees and all those who collaborate for various reasons with the Company, in order to ensure adherence, in the execution of their activities in pursuit of the corporate objectives, with correct and transparent forms of conduct in line with the Company's ethical-social values and, in any event, such as to prevent the risk of committing the offences contemplated by the Decree. The 231 Model was implemented after using the same methodology to assess the degree of risk for commission of the offences contemplated by the Model, by the Italian subsidiaries which, in consideration of the dimensions and organizational complexity, have a level of relative risk that is greater with respect to the offences considered by legislative decree 231/2001.

Due to the desire to always achieve higher levels of compliance with all the applicable standards and in the spirit of respect for legality and ethics during the pursuit of its business activities, Interpump Group plans to implement a Global Compliance Program to define a corporate model of management and organization of the activities in line with international best practices to prevent misconduct within the topics of the decree, i.e. environmental, social, employee matters, respect of human rights and anti-corruption and bribery matters.

With the exception of the matters indicated above, operational management of the themes concerning the 5 topics referenced by legislative decree 254/2016 is thus devolved to the single group companies / facilities, where applicable.

Several Group companies have adopted and implemented quality management systems certified in compliance with international standard EN ISO 9001¹⁰; some facilities are certified to ISO/TS 16949:2009¹¹. In addition, several companies have adopted and implemented environmental management systems certified in compliance with international standard EN ISO 14001:2004 – in certain cases the system update

⁹ Available on the company website

¹⁰ At the time of preparation of this NFS, 41% of the companies included in this report, which account for 70% of consolidated sales, have implemented quality management systems, most of which certified in compliance with ISO 9001.

¹¹ “Special requirements for application of ISO 9001:2008 for series production and the production of spare parts in the automotive industry”

process has been launched to comply with the new requirements of standard 14001:2015 – and safety management systems certified in compliance with international standard OHSAS 18001.

The input provided by the Group, which constitutes the minimum requirement that must be guaranteed by all companies without any margin of derogation, is compliance with locally applicable legislation.

4.5) Performance indicators

In conformity with the decree, the Interpump Group has selected several GRI indicators that can aid correct and balanced understanding of the performance of the company, of its results and the impact of its activity in relation to the topic in question.

The purpose of the set of GRI indicators is to maximize the comparability and uniformity of the data presented, while it also guarantees a consistent representation of environmental and social performance in the various sectors in which the Group conducts its business.

The associated reporting should therefore include an integrated reading of the economic-financial aspects, thereby developing a more thorough understanding of the company's activities and their social-environmental impacts.

5) Environment

Significant themes

Based on the analyses carried out (for the relevant details refer to the common description applicable to the 5 topics of legislative decree 254/2016), the significant environmental themes for IPG were found to be:

- emissions (greenhouse gases and pollutant emissions);
- energy consumption;
- water withdrawals;
- water discharge;
- wastes;
- consumption of materials;
- environmental compliance.

Risks

The main risks identified in the company area, such that can become of significance in relation to the pursuit of the company strategy in the medium/long-term, are related to:

- **operating** risks, linked in particular to natural events that can destroy critical assets and hence undermine production continuity. Operating risks may be connected also to the absence of certified environmental management systems (where such systems are required by the market), and the inadequate diffusion and application of best practices related to the operating management of environmental aspects (e.g. consumption of resources, management of wastes, etc.) that could result in avoidable environmental impacts and omitted economic savings.
- **compliance** risks, making a distinction between risks of potential impact/damage generated in relation to environmental media (soil, air, water) and the risk of failure to comply with normative requirements (e.g. documentary requirements). Events of this type could expose the company to penalties and legal proceedings, including criminal charges (e.g.: offences included in legislative decree 231/01).

In the framework of the internal control and risk management system, the Risk Assessment described in the paragraph "Common qualitative information" supports the monitoring of the risks of compliance with regulations concerning the environment and the prevention of natural events that can involve the risk of destruction of critical assets in the main Group companies.

Policies

Despite the absence of a formal environmental policy, as indicated in the Code of Ethics, Interpump is committed to protecting the environment and adopts the most suitable measures to preserve it, by means of ongoing orientation towards the progressive reduction of direct and indirect impacts of its activities, both on the local level (quality of the soil, air and water in the area in which the company operates) and also with reference to global challenges (biodiversity and climate change).

In addition, environmental policies are adopted on the company/plant level wherever environmental management systems have been implemented.

Model

As motivated in the common description applicable to the 5 topics of legislative decree 254/2016 it has not been deemed appropriate to date to implement a centralized model, so operational management of

environmental aspects (such as emissions, waste management, etc.) is handled by individual companies/facilities.

Several Group companies have adopted and implemented environmental management systems certified in compliance with international standard EN ISO 14001:2004¹² and in certain cases the system update process has been launched to comply with the new requirements of standard 14001:2015.

In integration of the management systems and with reference to the parent company Interpump Group S.p.A. and the other Italian companies for which the opportunity has been assessed in consideration of the activity performed and the level of risk, we draw your attention to the presence of a special ad hoc part related to the prevention of environmental offences within the 231 Organization and Management Model and/or adoption of specific measures¹³.

Finally, insurance policies have been taken out to cover accidental cases of air or underground pollution.

Performance indicators

The performance indicators show almost all trends following an upward tendency over the two-year reporting period, as a consequence of the growth strategy of IPG, both internal and external (due to acquisitions).

Use of energy sources

[302-1] In 2017 the Interpump Group used energy sources for 472,885 GJ (+9.9% compared to 2016). This consumption breaks down as follows: 62% electricity drawn from ¹⁴the network, 29% natural gas, 7% automotive diesel fuel, and petrol for the remaining 2%. The “other energy consumption” item includes fuel oil, self-generated electricity used, and hot water purchased.

| Energy consumption | U.M. | 2016 | 2017 |
|------------------------------|-----------|----------------|----------------|
| Electric energy | MWh | 74,112 | 81,209 |
| Natural Gas | m3 | 3,192,047 | 3,655,122 |
| Gasoline | Lit | 311,492 | 316,606 |
| Diesel | Lit | 947,138 | 921,434 |
| Other | GJ | 1,513 | 2,202 |
| Total expressed in GJ | GJ | 430,321 | 472,885 |

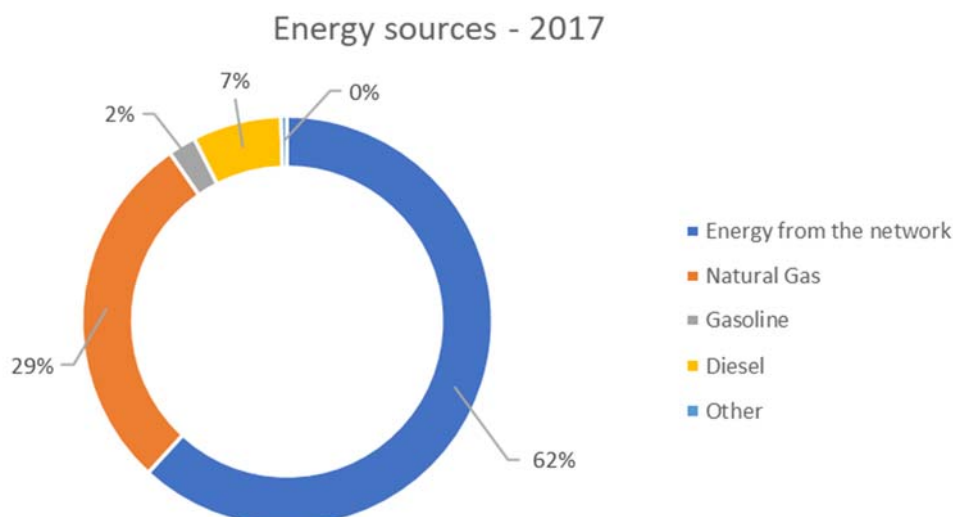
Total energy consumption increased by 9.9%, of which around 1% due to the contribution of newly-acquired companies.

For comparative purposes, mainly due to the production volume increase, consolidated sales rose by 9.3% organically (net of the currency exchange effect), and by a further 9.1% due to perimeter expansion.

¹² At the time of preparation of this NFS, 22% of the companies included in this report, which account for 47% of consolidated sales, had implemented environmental management systems (most of which certified in compliance with ISO 14001).

¹³ E.g.: company procedures for checking compliance in relation to environmental protection requirements

¹⁴ The percentage of electricity generated from renewable sources and consumed by the Group depends on the various national electricity generation mixes. Also, own consumption of renewable electricity produced by PV plants must be considered for Italy, as more fully illustrated on the next page.



Note therefore that the energy intensity of the previously existing member companies has decreased, while that of the acquired companies is significantly lower than the average value for the Group.

Even though energy consumption takes place in sites distributed all over the world having extremely diversified energy profiles, in order to provide a description of the main consumption and give more color to the numerical data, the majority of electricity is used in production, even though some is used for office equipment and in some cases also heating. On the other hand, the lion's share of natural gas consumption is primarily due to heating requirements and on a minor scale to industrial applications. Conversely, the consumption of diesel and petrol is related mainly to the use of company vehicles.

The increase in energy consumption has been accompanied by an increase in the proportion of renewable energy generated internally through the installation of photovoltaic panels which, overall, have led to production of 2,281 MWh, of which 25% was consumed internally, while the remainder was injected into the grid.

[302-3] At Group level, energy intensity¹⁵ was 0.44 GJ/ k€ in 2017, decreased by 6.4% with respect to the previous year for the reasons illustrated above. It should be noted that since energy intensity is calculated on sales expressed in euro, it is impacted by the exchange effect (negligible in 2017).

| Energy intensity | U.M. | 2016 | 2017 |
|-----------------------|-------|---------|-----------|
| Energy consumption | GJ | 430,321 | 472,885 |
| Consolidated revenues | k€ | 922,818 | 1,086,547 |
| Energy intensity | GJ/k€ | 0.47 | 0.44 |

Use of water sources

[303-1] The overall withdrawal of water totaled around 333 thousand cubic meters in 2017, up by 26% compared to 2016, used primarily for civil, productive and firefighting applications. One third of the increase recorded in 2017 is due to the change in the boundary of reporting, while the remainder is due to the increase

¹⁵ Calculated as follows: *total energy consumption [GJ] / sales [k€]*, where total energy consumed is construed as the total energy consumed as per GRI disclosure no. 302-1

in production requirements. This requirement is satisfied in almost identical measure through municipal water supplies and withdrawals from wells (company property or used under license).

Water withdrawal

| Sources | U.M. | 2016 | 2017 |
|--------------------|-------------|----------------|----------------|
| Public Network | m3 | 143,959 | 160,625 |
| Ground water | m3 | 119,290 | 172,019 |
| Other sources | m3 | 718 | - |
| Removal of surface | m3 | - | 176 |
| Totale | m3 | 263,967 | 332,820 |

The correlation of water withdrawals with sales reveals a slight increase of the indicator in 2017 versus the previous year: from 0.29 m³/k€ to 0.31 m³/k€, with the same negligible currency effect indicated in the disclosure [302-3].

| Water withdrawal intensity | U.M. | 2016 | 2017 |
|-----------------------------------|-------------|-------------|-------------|
| Water withdrawal | m3 | 263,967 | 332,820 |
| Consolidated revenues | k€ | 922,818 | 1,086,547 |
| Water withdrawal intensity | m3/k€ | 0.29 | 0.31 |

[306-1] Process water¹⁶ discharged in 2017, for a total of approximately 219 thousand cubic meters (+32% compared to the previous year), is almost entirely destined to sewers, in accordance with the applicable authorizations.

Water discharges

| By destination | U.M. | 2016 | 2017 |
|-----------------------|-------------|----------------|----------------|
| Sewer system | m3 | 164,194 | 216,934 |
| Surface bodies | m3 | - | - |
| Other | m3 | 2,378 | 2,402 |
| Totale | m3 | 166,572 | 219,336 |

Emissions

The Group's emissions of greenhouses gases (hereinafter also GHG) were calculated in terms of the following emission types:

- Scope 1 - direct emissions
- Scope 2 - indirect energy emissions

[305-1] Scope 1 emissions in the Group correspond to GHG emissions deriving from:

- the use of fuel (petrol, diesel, fuel oil and natural gas);
- leakages of refrigerant gas from air conditioning/refrigeration systems.

¹⁶ In line with the master data of GRI Standards disclosure 306-1, domestic sewage and rainwater discharges were disregarded. As explained in section 4, the quality of water discharges must comply with the locally applicable normative provisions.

In 2017 emissions from fuels totaled 10,866 tons of CO_{2eq}, while the contribution related to refrigerant refilling was 321 tons of CO_{2eq}. Total Scope I emissions of the Interpump Group were therefore 11,187 tons CO_{2eq} (13% increase versus the previous year).

| GHG - Direct emissions | U.M. | 2016 | 2017 |
|--------------------------------|-----------------------------|--------------|---------------|
| From fuel consumption | ton CO _{2eq} | 9,810 | 10,866 |
| From refrigerant gases | ton CO _{2eq} | 95 | 321 |
| Total emissions Scope 1 | ton CO_{2eq} | 9,905 | 11,187 |

The higher emissions deriving from fuels with respect to 2016 were due to the change in the boundary of reporting and the production increase.

[305-2] Scope 2 emissions are mainly related to purchased electrical energy and only marginally to purchased thermal energy. Considering that the energy required for Group activities, with the exception of energy produced internally by PV plants, is supplied by external entities, in 2017 Scope 2 emissions stood at 34,148 tons of CO_{2eq} (up by 10% compared to the previous year).

| GHG - Energy Indirect emissions | U.M. | 2016 | 2017 |
|--|-----------------------------|---------------|---------------|
| From electricity | ton CO _{2eq} | 30,908 | 34,146 |
| From heating cooling and steam | ton CO _{2eq} | 3 | 2 |
| Total emissions Scope 2 | ton CO_{2eq} | 30,911 | 34,148 |

The higher Scope 2 emissions compared to 2016 are due to the change in the reporting boundary and the increase in production; in this regard it is stressed that the increase in China and India was modest thanks to the new facilities, which have better energy efficiency coefficients compared to the past.

[305-4] The intensity of GHG¹⁷ emissions in 2017 is slightly lower than the 2016 value: 0.042 tCO₂/k€ compared to 0.044 tCO₂/k€ related to the previous year, thanks to the improved energy efficiency coefficients described above, with the same negligible currency effect shown in the disclosure [302-3].

| GHG emissions intensity | U.M. | 2016 | 2017 |
|--------------------------------|-----------------------|-------------|-------------|
| GHG total emissions | ton CO _{2eq} | 40,816 | 45,335 |
| Consolidated revenues | k€ | 922,818 | 1,086,547 |
| GHG emissions intensity | GJ/k€ | 0.044 | 0.042 |

[305-7] In addition to GHG, another environmental impact generated by the Group concerns direct pollutant emissions into the atmosphere. Among atmospheric emissions, the emission of dust is the most significant contribution, both in terms of quantity and the representativeness in relation to the type of activity conducted in Interpump's manufacturing facilities.

¹⁷ Calculated as follows: *total GHG emissions [tonCO_{2eq}] / sales [k€]*

In 2017 dust emissions totaled 3.42 tons, with an 8% increase compared to 2016, substantially because of the rise in production volume, while emissions of nitrogen oxides (NOx) have increased from 1.56 to 2.21 tons for the same reason.

Raw materials consumption and wastes produced

[301-1] The materials used to manufacture Interpump's products are shown¹⁸ in the table below for the two-year reporting period.

| Raw materials | U.M. | 2016 | 2017 |
|---------------------------------|-------------|----------------|----------------|
| Ferrous alloys | ton | 65,509 | 89,101 |
| Copper alloys | ton | 1,254 | 1,560 |
| Aluminum alloys | ton | 2,249 | 2,563 |
| Rubber | ton | 3,275 | 3,529 |
| Components | ton | 2,901 | 3,351 |
| Scrap | ton | 991 | 841 |
| Plastic | ton | 223 | 812 |
| Hydraulic lubricating oil-based | ton | 201 | 1,185 |
| Alumina | ton | 46 | 45 |
| Ptfe | ton | 29 | 37 |
| Other raw materials | ton | 89,311 | 96,849 |
| Totale | ton | 165,989 | 199,873 |

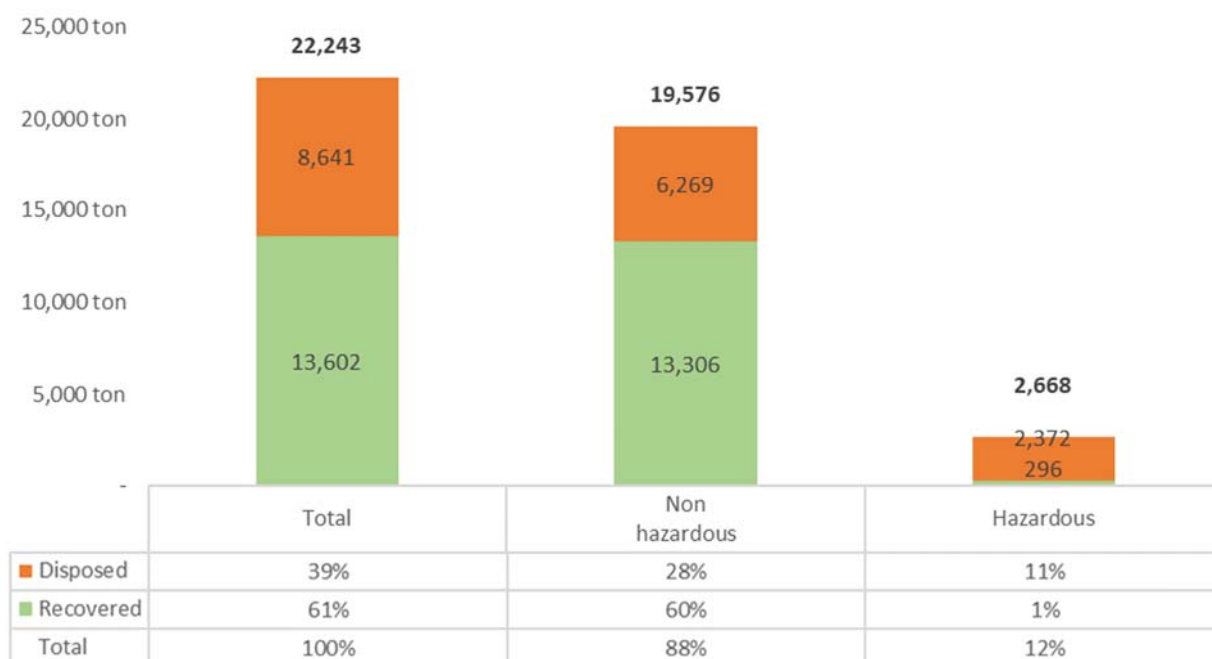
*The "Other raw materials" category includes all finished and semi-finished products that cannot be broken down with greater level of detail.

The higher consumption of iron alloys compared to 2016 is largely due to the change in the reporting boundary.

[306-2] In 2017 the Group generated a total of around 22 thousand tons of waste, of which 88% non-hazardous and 12% hazardous waste. The change compared to the previous year, equivalent to 12%, is largely due to the increase in production volumes.

¹⁸ Intercompany purchases not included.

Wastes 2017



The main type of waste produced by the Group in terms of quantity is represented by ferrous metal filings and turnings, the quantity of which, essentially in line with the previous year because it is marginally influenced by the different scope of reporting, was 11 thousand tons in 2017 (equivalent to 50% of the overall total amount of wastes generated).

Some of the main categories of non-hazardous wastes are given below:

| Non-hazardous waste | U.M. | 2016 | 2017 |
|---|------------|---------------|---------------|
| 12.01.01 - Ferrous metal filings and turnings | ton | 10,965 | 11,596 |
| 12.01.02 - Ferrous metal dust and particles | ton | 717 | 749 |
| 12.01.99 - Wastes not otherwise specified | ton | 665 | 1,090 |
| 15.01.01 - Paper and cardboard packaging | ton | 756 | 679 |
| 17.04.05 - Iron and steel | ton | 860 | 1,651 |
| 20.03.01 - Mixed municipal waste | ton | 768 | 1,499 |
| Others | ton | 2,482 | 2,311 |
| Total | ton | 17,213 | 19,576 |
| <i>% of total wastes</i> | <i>%</i> | <i>87%</i> | <i>88%</i> |

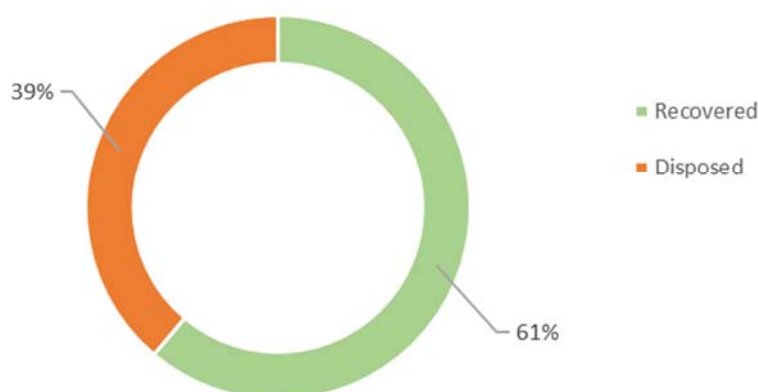
Conversely, concerning hazardous wastes, emulsions and solutions for machinery are the substances generated in the greatest quantity (equivalent to 7% of overall total wastes generated in 2017, unchanged compared to 2016).

| Hazardous waste | U.M. | 2016 | 2017 |
|---|------------|--------------|--------------|
| 12.01.09* - Machining emulsions and solutions halogens free | ton | 1,374 | 1,550 |
| 12.03.01* - Aqueous washing liquids | ton | 497 | 412 |
| 15.02.02* - Absorbents and filter materials | ton | 145 | 145 |
| 08.01.19* - Aqueous suspensions containing paint or varnish | ton | 92 | 64 |
| Others | ton | 461 | 496 |
| Total | ton | 2,569 | 2,668 |
| <i>% of total wastes</i> | <i>%</i> | <i>13%</i> | <i>12%</i> |

Overall, in 2017, approximately 13,602 tons of wastes were recovered and 8,641 tons were transferred for disposal.

In particular, with regard to the final destination of **non-hazardous** wastes, in 2017 around 68% were allocated for recovery (13,306 tons) versus 32% of wastes sent for disposal (6,269 tons). Of the 2,668 tons of **hazardous** wastes produced (4% more than in 2016), 296 tons (equivalent to 11% of the total amount of hazardous wastes) were sent for recovery and 2,372 tons allocated for disposal.

Waste by disposal method - 2017



Finally, based on best practices connected to the environmental management systems implemented in some Group companies and given the growing level of attention to sustainability themes, some IPG suppliers were subjected to an environmental assessment in the two-year reporting period; in particular, there was an increase in this practice between 2016 and 2017.

[307-1] In the two-year period of reference the number and value of monetary fines regarding cases of noncompliance with environmental laws and/or regulations was not relevant.

6) Social

Significant themes

Based on the analyses carried out (for details refer to the common description applicable to the 5 topics of legislative decree 254/2016), the significant themes for IPG in the social area, which have not already been discussed in detail in more specific areas (this is the case, for example, of aspects concerning the management of personnel and occupational health and safety), are connected to health and safety of customers as a result of using the products sold by the Group.

Risks

The main risks identified in the social area, suitable to become significant in relation to the pursuit of the company strategy in the medium/long-term, are related to:

- operational risks linked to safety in end customers' use of the products sold by the Group companies, product labelling (i.e. the information that accompanies the product and describes its characteristics), and market policy (e.g. unfair and unethical conduct in relation to competitors).
- compliance risks and legal risks due to the non-respect of normative requirements, also due to the widespread geographical distribution of the Group's companies and the entry into new sectors (e.g. Food and Pharmaceuticals), and due to damages to properties or injuries to persons as a result of the use of IPG products.

In the context of the internal control and risks management system, the risk assessment described in the "Common qualitative information" paragraph supports the monitoring of the risks identified in the social sphere.

Policies

Despite the absence of a formalized company policy, as indicated in the Code of Ethics, the Interpump Group puts into practice policies to guarantee adequate quality standards of the services/products offered based on the predetermined levels, periodically monitors the quality perceived and provides full and scrupulous observance of the anti-trust rules and the provisions of the market regulatory authorities. Moreover, again based on the Code of ethics, all relations with competitors are characterized by principles of fairness and integrity, and the Company disapproves any form of conduct that may prevent or disrupt the company activities. The company undertakes to ensure that its business activities are conducted in such a way as to avoid violating, under any circumstances, international laws of embargo and control of exports in force in the countries in which it operates.

Model

We invite you to refer to the common description applicable to the 5 topics of legislative decree 254/2016.

Performance indicators

[206-1] In the two-year period of reference no legal proceedings were initiated related to unfair competition, anti-trust and monopoly practices concerning or involving the Interpump Group.

[416-2] At Group level, no cases of nonconformity to regulations were identified in 2017 concerning the safety of products such that to require activation of the product recall policy.

Finally, during the two-year reporting period, several suppliers of IPG were subjected to assessment in relation to social themes. In any case, the principles concerning respect for social themes are set down in the IPG Code of Ethics, which is distributed to the main suppliers.

7) Employee matters

Significant themes

Based on the analysis carried out (for the relevant details refer to the transverse description applicable to the 5 topics of legislative decree 254/2016), the significant personnel related themes for IPG are:

- occupational health and safety;
- personnel management (management of the workforce, including employees and temporary workers);
- workforce development and qualification;
- diversity and equal opportunities.

Risks

The main risks identified regarding personnel, such that may become significant in relation to the pursuit of the company strategy in the medium/long-term, are related to:

- operating risks, connected to change management (e.g. risks linked to inability/difficulty in finding new qualified/specialized staff), to the protection of minorities (gender - given the group's core business, language groups, etc.) and in general, to the management of the workforce (employees and temporary workers) in various world countries, and also possible disputes, including disputes from employees (e.g. in the area of occupational health and safety, employment and salaries, etc.).
- compliance risks due to failure to respect normative requirements related to regulations concerning employment and occupational health and safety. Events of this type could expose the company to penalties and legal proceedings, including criminal charges (e.g.: offences included in legislative decree 231/01).

In the context of the internal control and risk management system, the risk assessment described in the paragraph "Common qualitative information" supports the monitoring of the identified risks concerning personnel and respect for normative compliance with reference to regulations concerning employment and occupational safety.

Policies

Despite the absence of a formal personnel policy, as indicated in the Code of ethics, Interpump puts into practice policies to ensure equal opportunities and bases its conduct on principles designed to acknowledge the value of human resources, with special reference to the physical and moral integrity of workers and correct management of personnel, ensuring that each manager values the personnel activities, requesting duties that are consistent with their job descriptions and with the work organization plans. In addition, again based on the Code of Ethics, Interpump undertakes to diffuse and consolidate a culture of safety, performing actions of a technical and organizational nature and basing its conduct on principles aimed at preventing risks and avoiding all potentially hazardous situations.

Policies have been adopted in relation to occupational health and safety on the company/facility level where safety management systems have been implemented.

Model

As motivated in the common description applicable to the 5 topics of legislative decree 254/2016, currently there is not a centralized model, so operational management of aspects related to personnel (from

occupational health and safety to the management of personnel and related topics – turnover, diversity, salary, training, etc.) is handled directly by the individual companies.

Some Group companies have adopted and implemented safety management systems certified in compliance with international standard OHSAS 18001¹⁹.

In integration of the management systems and with reference to the parent company Interpump Group S.p.A. and the other Italian companies for which the opportunity has been assessed in consideration of the activity performed and the level of risk, we draw your attention to the presence of a special ad hoc part related to crimes and serious or very serious injuries within the 231 Organization and Management Model and/or the adoption of specific measures²⁰.

Performance indicators

Almost every performance indicator shows an increasing trend over the two-year reporting period, as a consequence of the growth strategy of IPG, both internal and external (due to acquisitions).

Occupational Health and Safety

[403-2] In 2017, 145 employee injuries were recorded (+22% compared to 2016), none of which fatal; net of the change of the reporting boundary, the increase in injuries in 2017 was approximately 20%. Below are shown the main injury data and rates²¹ for the two-year reporting period, with a breakdown by gender.

| Health and Safety | | 2016 | | | 2017 | | |
|-------------------|---------------------------------|------|--------|-------|------|--------|-------|
| | | Male | Female | Total | Male | Female | Total |
| Employees | Injuries (num.) | 104 | 15 | 119 | 128 | 17 | 145 |
| | Injury rate (IR) | 2.8 | 2.1 | 2.7 | 2.9 | 2.0 | 2.7 |
| | Occupational disease rate (ODR) | 0.1 | 0.3 | 0.1 | - | - | - |
| | Lost day rate (LDR) | 61.8 | 34.8 | 57.1 | 59.7 | 40.5 | 56.5 |
| | Fatalities (num.) | - | - | - | - | - | - |

¹⁹ At the time of preparation of this NFS, 16% of the companies included in this report, which account for 32% of consolidated sales, had implemented occupational health and safety management systems (some of which certified in compliance with ISO 18001).

²⁰ E.g.: company procedures for assessment of compliance in relation to safety in the workplace

²¹ Injury rate (IR) = *no. injuries / no. hours worked * 200,000*

Occupational disease rate (ODR) = *no. occupational diseases / no. hours worked * 200,000*

Lost day rate (LDR) = *no. of lost days due to injury or occupational disease / no. of workable hours * 200,000*, where lost days are the calendar days lost starting from the day after the injury event

In terms of geographical area, the values above can be broken down as follows:

| Health and Safety By geographical area | | 2017 | | | | | |
|---|--------------------------------|-------|-------|----------------|---------------|----------------------|-------------------|
| | | Total | Italy | Rest of Europe | North America | Far east and Oceania | Rest of the world |
| Employees | Injuries (num.) | 145 | 100 | 19 | 9 | 2 | 15 |
| | Injury rate (IR) | 2.7 | 4.3 | 2.0 | 1.1 | 0.6 | 1.8 |
| | Occupational desase rate (ODR) | 0.0 | - | 0.1 | - | - | - |
| | Lost day rate (LDR) | 56.5 | 92.2 | 22.0 | 30.5 | 39.3 | 30.1 |
| | Fatalities (num.) | - | - | - | - | - | - |

Injury data and the injury rate are supplied also for temporary workers; in this case, there were a total of 6 injuries in 2017.

| Health and Safety By geographical area | | 2017 | | | | | |
|---|--------------------------------|-------|-------|----------------|---------------|----------------------|-------------------|
| | | Total | Italy | Rest of Europe | North America | Far east and Oceania | Rest of the world |
| Contract labors | Injuries (num.) | 6 | 5 | - | 1 | - | - |
| | Injury rate (IR) | 0.7 | 2.3 | - | 3.5 | - | - |
| | Occupational desase rate (ODR) | - | - | - | - | - | - |
| | Lost day rate (LDR) | 10.8 | 42.2 | - | - | - | - |
| | Fatalities (num.) | - | - | - | - | - | - |

The employee absentee²² rate was 3% in 2017.

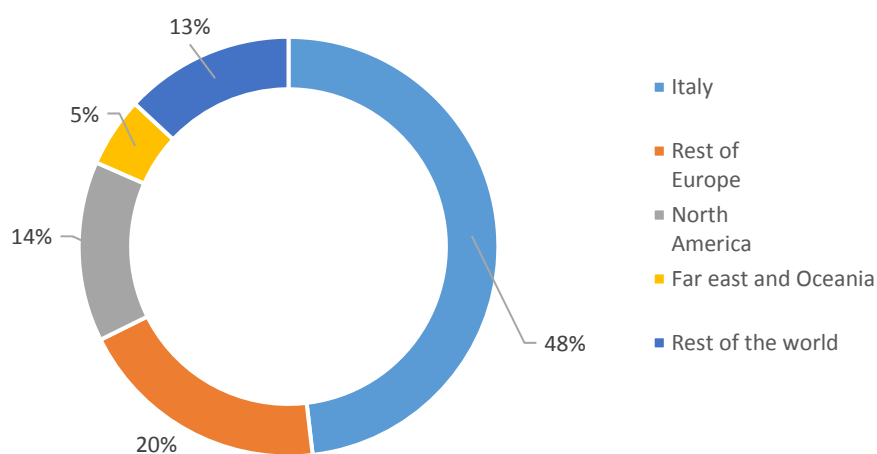
| Absentee rate for employees (AR) | 2016 | 2017 |
|----------------------------------|-------------|-------------|
| Male | 3.1% | 2.9% |
| Female | 3.4% | 3.4% |
| Total | 3.2% | 3.0% |

Employment

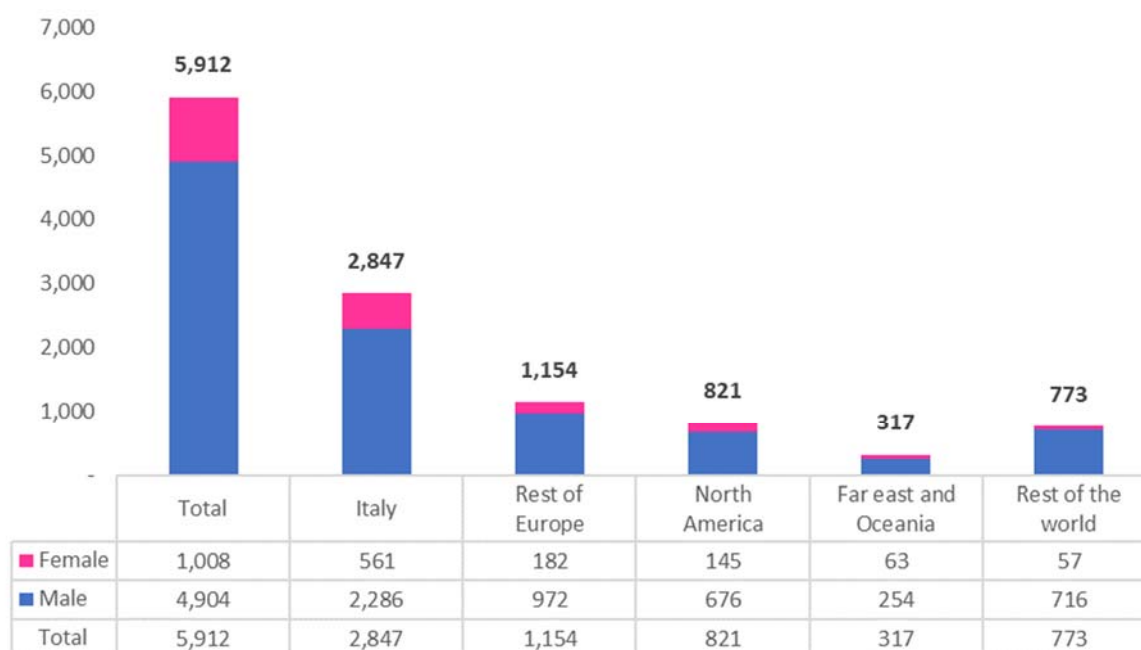
[102-8, 405-1_b] The Interpump Group workforce has grown steadily over the years, more than doubling in the last decade (refer to the 2017 Board of Directors' Report for more details). As at 31 December 2017 the workforce numbered 5,912, 15% higher than in the previous year. The increase recorded in the year is mainly due to the change in the scope of reporting; in fact, net of this change, the increase was 5%. Also due to the social perception of the mechanical industry, a large proportion of the employees are men (83% in 2017). The personnel data breakdown by geographical area shows that Italy alone accounts for around 50%.

²² Absentee rate (AR) expressed as a percentage: *number of days of absence (days lost for sickness + unjustified absence) / number of workable days*

Employees breakdown by geographical area - 2017

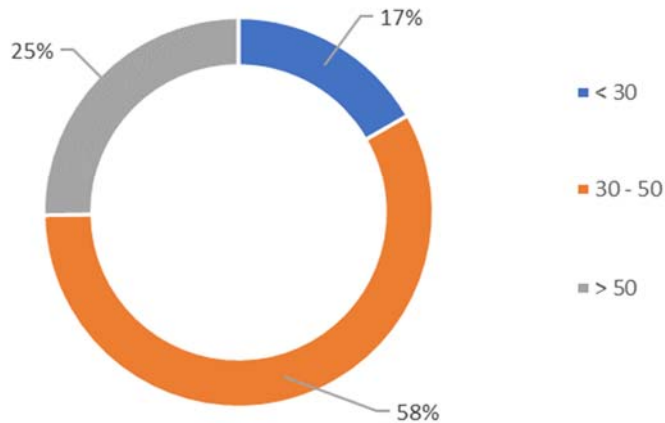


Employees breakdown by geographical area and gender - 2017



The breakdown of personnel by age shows a majority (58%) in the 30 to 50 age group; 25% are above the age of 50, while the remaining part (17%, or 988 individuals) are under 30.

Employees breakdown by age - 2017

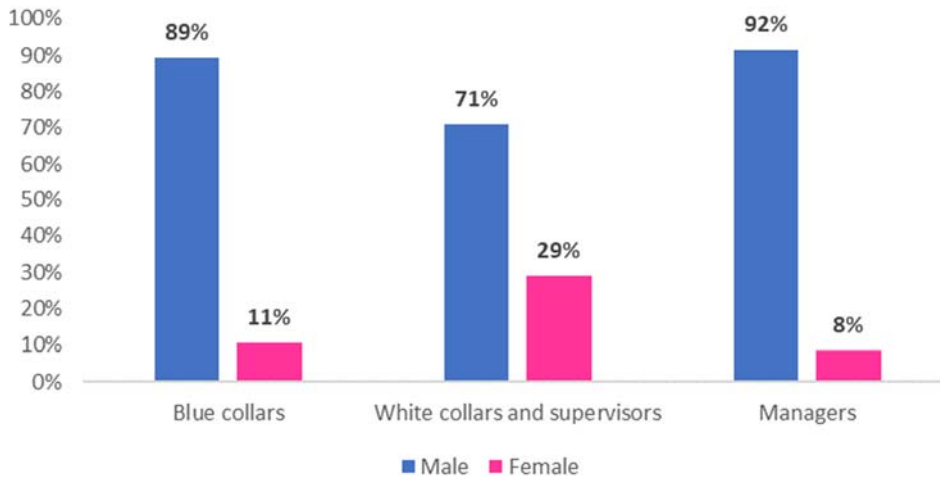


| Employees | | 2016 | | | | 2017 | | | |
|-----------------------|-------------------------------|------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|
| | | < 30 | 30 - 50 | > 50 | Total | < 30 | 30 - 50 | > 50 | Total |
| Professional category | Blue collars | 625 | 1,903 | 780 | 3,308 | 697 | 2,084 | 899 | 3,680 |
| | White collars and supervisors | 236 | 1,029 | 437 | 1,702 | 291 | 1,287 | 524 | 2,102 |
| | Managers | - | 56 | 64 | 120 | - | 59 | 71 | 130 |
| Total | | 861 | 2,988 | 1,281 | 5,130 | 988 | 3,430 | 1,494 | 5,912 |

With regard to the composition of personnel by category, the data show constant trends over the period 2016-2017; specifically, 62% are blue collar workers, 36% white collars and supervisors, while the remaining proportion are management.

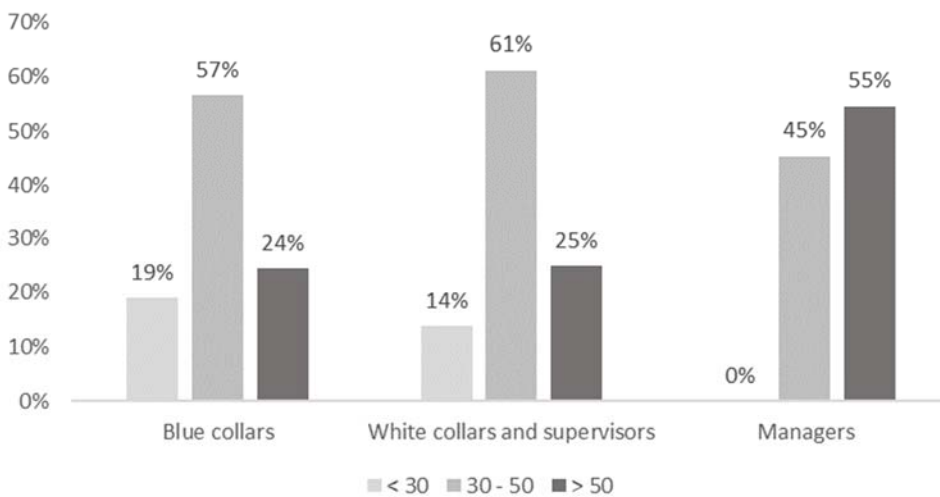
| Employees | | 2016 | | | 2017 | | |
|-----------------------|-------------------------------|--------------|------------|--------------|--------------|--------------|--------------|
| | | Male | Female | Total | Male | Female | Total |
| Professional category | Blue collars | 2,915 | 393 | 3,308 | 3,293 | 387 | 3,680 |
| | White collars and supervisors | 1,206 | 496 | 1,702 | 1,492 | 610 | 2,102 |
| | Managers | 106 | 14 | 120 | 119 | 11 | 130 |
| Total | | 4,227 | 903 | 5,130 | 4,904 | 1,008 | 5,912 |

Employees breakdown by professional category and gender - 2017



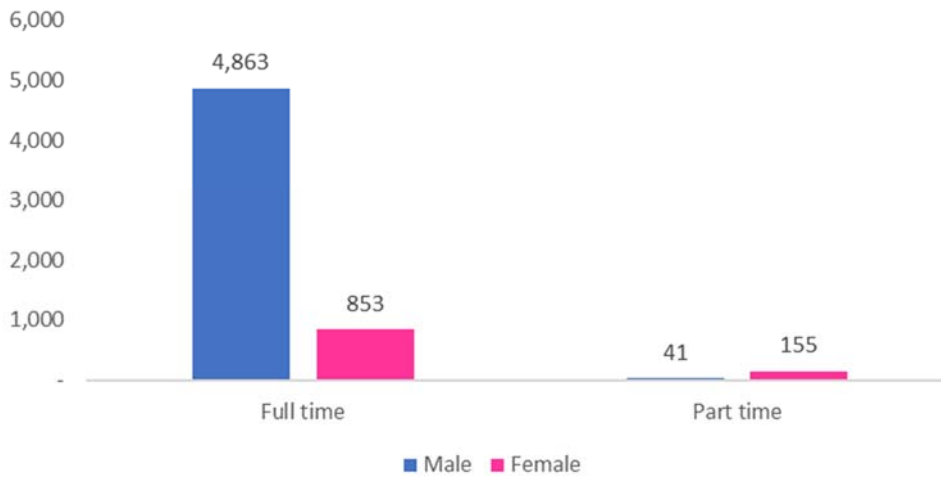
Managers are almost equally distributed in the 30-50 and over-50 age groups, while the category of blue collar workers and that of white collar workers and supervisors are represented, respectively, by the intermediate age group (57% and 61% respectively), by over-50s (24% and 25% respectively), and by under-30s (19% and 14% respectively).

Employees breakdown by professional category and gender - 2017



Most employees are on permanent (94%) and full time (97%) contracts; part-time contracts (196 individuals in 2017) are mainly granted to women (79%).

Employees breakdown by contract type and gender - 2017



| Employees | | 2016 | | | 2017 | | |
|---------------|-----------|--------------|------------|--------------|--------------|--------------|--------------|
| | | Male | Female | Total | Male | Female | Total |
| Contract type | Full-time | 4,199 | 749 | 4,948 | 4,863 | 853 | 5,716 |
| | Part-time | 28 | 154 | 182 | 41 | 155 | 196 |
| Totale | | 4,227 | 903 | 5,130 | 4,904 | 1,008 | 5,912 |

The Interpump Group's workforce is composed, in addition to employees (87%), also of temporary workers, totaling 854 in 2017.

Total workforce - 2017



Of these personnel, 96% are white collar workers, the majority of whom (92%) are men. 61% of temporary workers are under 30, while 36% are in the 30 to 50 age group.

[401-1] First of all it should be noted that the number of new hires and terminations is strongly influenced by the turnover of fixed term employees.

The total number of new hires in 2017 was 897, +32% compared to 2016, this increase being primarily due to the following factors:

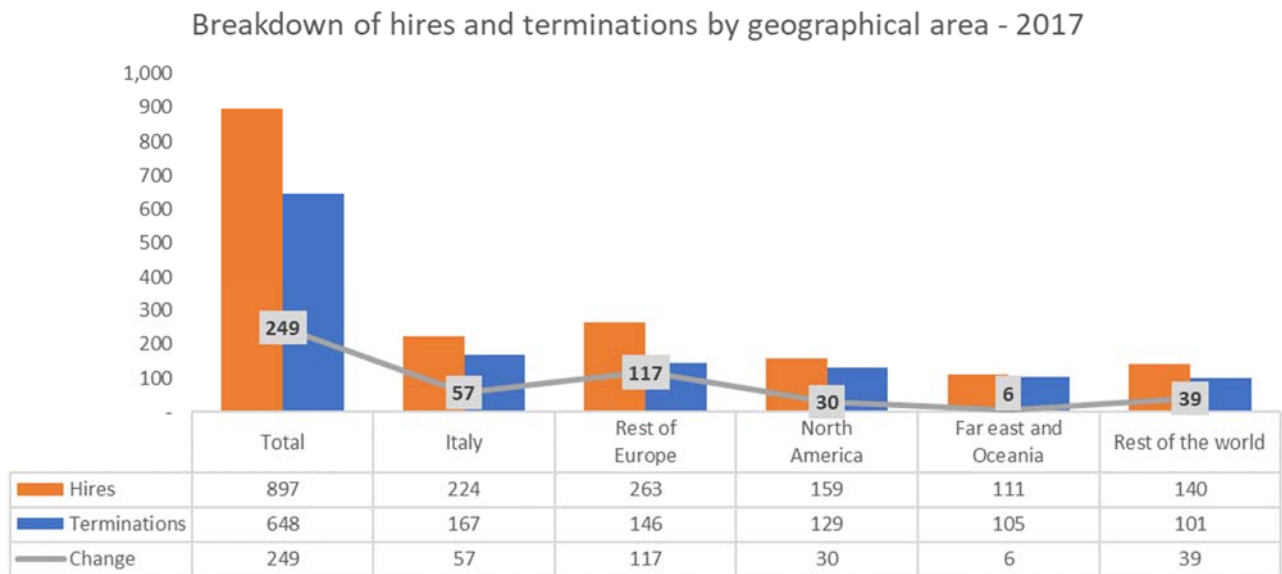
- increase in the production volume recorded in the current year and greater use of workers on fixed term contracts;
- start-up of the new fittings department at the Romanian facility of the subsidiary IMM Hydro Est, which resulted in the hiring of 130 new employees;
- change in the reporting boundary.

| Employee hires | | 2016 | | 2017 | |
|----------------|---------|------------|------------|------------|------------|
| | | Number | Rate | Number | Rate |
| Gender | Male | 611 | 14% | 793 | 16% |
| | Female | 71 | 8% | 104 | 10% |
| Total | | 682 | 13% | 897 | 15% |
| Age | < 30 | 348 | 40% | 436 | 44% |
| | 30 - 50 | 270 | 9% | 372 | 11% |
| | > 50 | 64 | 5% | 89 | 6% |
| Total | | 682 | 13% | 897 | 15% |

Conversely, in 2017 terminations totaled 648, up by 22% compared to 2016 (+12% net of the change in the reporting boundary).

| Employee terminations | | 2016 | | 2017 | |
|-----------------------|---------|------------|------------|------------|------------|
| | | Number | Rate | Number | Rate |
| Gender | Male | 471 | 11% | 546 | 11% |
| | Female | 61 | 7% | 102 | 10% |
| Total | | 532 | 10% | 648 | 11% |
| Age | < 30 | 224 | 26% | 247 | 25% |
| | 30 - 50 | 216 | 7% | 302 | 9% |
| | > 50 | 92 | 7% | 99 | 7% |
| Total | | 532 | 10% | 648 | 11% |

The following details concern new hires and terminations for the reporting period and the consequent incoming and outgoing turnover rates²³; 2017 hires and terminations are also shown with a breakdown by geographical area.



The Interpump Group believes that a transparent and responsive industrial relation has been set up , and that is anyway in compliance with the law in the various countries in which the companies operate.

Development and qualification of the workforce

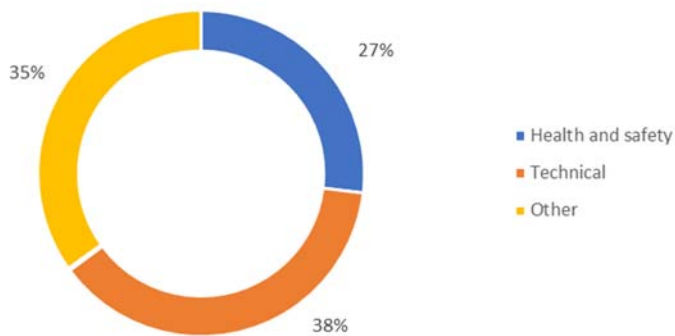
[404-1] A significant aspect of personnel management is the attention paid to resources, which can take multiple forms; among these, one of the main activities is training of employees.

In 2017 more than 58,000 training hours were delivered, increased by 9% compared to 2016; the increasing trend over the two-year reporting period is due to both a greater number of course participants of +4% net of the change in the scope of reporting, and to a greater focus of the Group on the theme. In 2017 pro-capita training hours were 10, in line with the training delivered in 2016.

The main areas of training in Interpump regards occupational health and safety and technical courses.

²³ Incoming turnover rate calculated as follows: $(\text{number of hires} / \text{total employees}) \times 100$;
 Outgoing turnover rate calculated as follows: $(\text{number of terminations} / \text{total employees}) \times 100$

% hours of training by topic - 2017



Details concerning the per capita training hours delivered in the reporting period are shown below.

| Hours of training per person | | 2016 | 2017 |
|------------------------------|-------------------------------|-------------|-------------|
| | | # | # |
| Gender | Male | 10.6 | 9.4 |
| | Female | 9.9 | 12.8 |
| Total | | 10.5 | 10.0 |
| Categori | Blue collars | 8.1 | 7.8 |
| | White collars and supervisors | 14.7 | 13.5 |
| | Managers | 14.0 | 13.5 |
| Total | | 10.5 | 10.0 |

[405-1_a] With regard to administrative bodies diversity , information is supplied concerning the subdivision of the members of the Group's board of directors in terms of gender and age. In particular, in 2017 out of a total of 214 individuals (several of whom sitting on several administrative bodies), 93% were men (-3% compared to 2016); with reference to age, 53% are over 50, while the remainder are in the 30 to 50 range.

[406-1] At Group level, in 2017 there were no instances of discrimination reported, compared to two episodes in 2016, which concerned two cases of racial harassment, resulting in a process of investigation after which the company proceeded to hand out the "Zero tolerance for harassment Policy" and also to make a verbal reprimand in one of the two cases.

8) Respect of human rights

Significant themes

Based on the analysis carried out (for details refer to the common description applicable to the 5 topics of legislative decree 254/2016), no significant specific themes for IPG emerged in relation to respect of human rights. Despite this fact, since this is one of the 5 areas expressly indicated by the Italian legislator, concise information in this regard is provided below.

Risks

The main risks identified in with reference to the respect of human rights, such that can become of significance in relation to the pursuit of the company strategy in the medium/long-term, concern:

- operating risks, linked to improper management of any criticalities related to the abuse of human rights, whether real or presumed.
- legal and compliance risks, in case of management of any causes associated with respect of human rights, such as in the case of possible violations (real or presumed) of universally recognized human rights, whether linked to direct or indirect workforce (supply chain) or to the local communities in which the Group operates, especially in higher risk geographical zones. Failure to comply with human rights may involve, for example, child labour, forced labour, or extremely negative impact on local communities.

Policies

The Interpump Group, as indicated in the Code of Ethics, ensures equal employment opportunities in the recruitment of personnel (avoiding discrimination on the basis of race, colour, gender, creed, nationality, and age); undertakes to protect the moral integrity of its workers, guaranteeing the right to working conditions that are respectful of personal dignity; does not tolerate any form of illegal labour practices. Moreover, the Group guarantees respect of equal opportunities also in employment relationship management and in the maintenance of discrimination-free workplaces.

Model

We invite you to refer to the common description applicable to the 5 topics of legislative decree 254/2016.

Performance indicators

[412-3] Contracts with suppliers follow different approval procedures based on the significance of the contract in question and hence, the more important the contract the more it is subject to a stringent hierarchy of checks and approval steps. At Group level, in 2017 and 2016 a total of 13 and 24 significant contracts were entered into²⁴. One of these contracts, which was signed in 2016, includes precise clauses concerning the respect of human rights.

²⁴ For the purposes of this report, purchase orders or contracts having overall value greater than 500,000 euro (per single order or contract) are classified as significant.

9) Anti-corruption and bribery matters

Significant themes

Based on the analyses carried out (for details refer to the common description applicable to the 5 topics of legislative decree 254/2016), the anti-corruption theme is relevant for IPG, not because of the number of cases identified but rather for to the current public relevance of the theme.

Risks

In the context of anti-corruption activities, the main risks that can become significant in the context of pursuit of the medium/long-term corporate strategy are related to the commission of acts of corruption from/toward the public administration and from/toward members of the public.

In particular, these risks can comprise:

- operating risks
- compliance risks and consequent exposure of the organization to criminal charges in countries with anti-corruption legislation.

Corruption-related risks can affect multiple company processes, from selection of contractual counterparties to the management of gifts, donations and entertainment expenses, the recruitment of personnel or lack of transparency in company reporting, management of cashflows, and so forth.

In the context of the internal control and risks management system, the risk assessment described under “Common qualitative information” paragraph supports monitoring of the risks of commission of acts of corruption.

Policies

The Anti-Corruption Program (“ACP”) defined within the Code of Ethics states the position of IPG²⁵ with respect to anti-corruption activities and defines the aspects to focus the attention on in order to remove the risk of cases of noncompliance in this area.

Moreover, Interpump is resolute in its condemnation of any form of public and/or private corruption, requiring each Group Company to implement the necessary actions aimed at preventing the commission of offences of corruption of any whatsoever type.

The Group prohibits any conduct, irrespective of the party concerned, involving direct or indirect promises or offers of cash or other benefits to private parties, public officials and/or local or foreign public servants, such that could result in an undue or illicit interest or advantage for Interpump. These types of conduct are not permitted either if adopted directly by the Company, by its corporate bodies or by its employees, or if adopted by persons acting on behalf of Interpump and/or on behalf of any of the Group Companies.

Model

As stated in the Anti-Corruption Program, the top management of IPG S.p.A. and of the other Group Companies diffuse a culture of anti-corruption throughout the organization, incentivizing best practices and encouraging whistleblowing of any cases of noncompliance with the ACP.

²⁵ The IPG S.p.A. 231 Organization and Management Model states that *“The Interpump Group firmly condemns any form of public or private corruption. For all Interpump group companies, corruption is a phenomenon to be opposed and repressed, constantly and resolutely, and all group companies are therefore required to take all the necessary action to prevent the commission of any and all forms of corruption.”*

In order to mitigate the risk of occurrence of cases of noncompliance with the ACP, Interpump Group S.p.A. and the other Group companies are required to perform the necessary assessments in relation to each contractual counter-party, to adopt specifically designed communication and training campaigns, and to periodically check for any possible need to update the system implemented to prevent the occurrence of acts of corruption.

Finally, the Anti-Corruption Program sets out the general principles of conduct that must be complied with by internal personnel and by external collaborators.

Operational management and the identification and implementation of the actions needed to prevent the commission of offences of corruption in all its forms is devolved to the responsibility of the individual Group Companies.

Performance indicators

[205-3] At Group level, Interpump did not identify any events of corruption [415-1] or any cases of payments made to political parties in the two-year reporting period.

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree 254/2016 and with article 5 of Consob Regulation adopted with resolution 20267

(Translation from the original Italian text)

To the Board of Directors of Interpump Group S.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Interpump Group S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 15th March 2018 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or non-intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Interpump Group's consolidated financial statements;
4. understanding of the following aspects:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regards to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF. In particular, we have conducted interviews and discussions with the management of Interpump Group S.p.A. and with the personnel of IMM Hydraulics S.p.A. and Hammelmann GmbH and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the sites of Atessa of IMM Hydraulics S.p.A., Oelde (Germany) of Hammelmann GmbH and Sant'Ilario d'Enza of Interpump Group S.p.A., that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Interpump Group for the year ended on 31st December 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF.

Other Information

The comparative information presented in the DNF for the year ended on 31st December 2016 has not been examined.

Bologna, 28th March 2018

EY S.p.A.

Marco Mignani
(Partner)

This report has been translated into the English language solely for the convenience of international readers.