



Organization Management & Control Model and Anti-bribery Compliance Program

Summary

Compliance Office

Italtel S.p.A.

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1 THE ADMINISTRATIVE RESPONSIBILITY OF COMPANIES IN ITALY

The Legislative Decree no. 231 of 8th June 2001 introduced in Italy rules and regulations concerning the administrative responsibility of companies. These rules and regulations state that companies can be held responsible and consequently subject to penalties, for any offences committed in the interest or for the advantage of the company, by company's directors or employees. Companies can therefore adopt an organizational management and control model designed to prevent these offences.

The principles of these Model can be based on the code of practice (guidelines) drawn-up by Confindustria (Italian manufacturer's associations).

On Art. 6 the Decree sets forth a sort of liability "exemption" in favor of the entities able to prove "to have adopted and effectively implemented the appropriate organizational, management and control model in order to prevent offences". Legislative Decree 231/2001 stipulates that, where all the requirements for "administrative" liability are met, the company is not held liable if it can demonstrate that:

- i. prior to the commission of the crime, its governing body (Boards of Directors) has adopted and effectively implemented a model of organization and management (231 Model) suitable for preventing the crimes of the type that has occurred;
- ii. a supervisory board (OdV) with autonomous powers of initiative and control has been vested, by the company, with the task of monitoring the functioning of and compliance with the model, as well as of updating it;
- iii. the offenders have fraudulently avoided compliance with the above model of organization and management;
- iv. the supervisory board has not omitted to exercise oversight or has not exercised inadequate oversight.

Currently the crimes provided by the Decree no. 231-2001 are the following:

- i. **crimes committed within the sphere of the relations with the Public Administration** (i.e. fraud against the State or other Governmental Agency; theft of public funds; fraud aimed at obtaining public financings; bribery).
- ii. as per Article 6 of Law no. 409 dated November 11, 2001, **crimes concerning the forgery of coinages, banknotes and duty stamps**;
- iii. as per Legislative Decree no. 61 dated April 11, 2002, **corporate crimes** (so called "white-collars" crimes) as misrepresentation of company accounts; forgery of a prospectus; falseness in statements or communications of the audit company; obstructed control; fictitious capital formation; fraudulent restitution of contributions; etc.);
- iv. as per Law no. 7 dated January 14, 2003, **crimes committed with purposes of terrorism and eversion of democratic order**;
- v. as per Law no. 228 dated August 11, 2003, **crimes against the fundamental rights of freedom**;
- vi. as per Law no.62 dated April 18, 2005 **crimes relevant to "Market Abuse"**;
- vii. as per Law no. 146 dated March 16, 2006 **transnational crimes**;

- viii. as per Law no. 123 dated August 3, 2007, **crimes committed in violation of the protection of health and safety at work** (manslaughter and negligently causing serious or very serious injuries)
- ix. as per Legislative Decree no. 231, art. 63 co. 3, dated November 21 2007, **crimes concerning receiving, laundering and use of money, goods or usefulness of unlawful origin;**
- x. as per Law no. 48, dated March 18, 2008, **cyber-crimes;**
- xi. as per Law no. 94, dated July 15, 2009, **organized crimes;**
- xii. as per Law no. 99, dated July 23, 2009, **crimes against industry and trade and crimes against copyright;**
- xiii. as per Law no. 116, dated August 3, 2009, **induction not to make statements or to make false statements to the court;**
- xiv. as per Legislative Decree no. 121, dated July 7, 2011, **environmental crimes;**
- xv. as per Law no.190, dated November 6 ,2012, **undue induction to give or promise utility, private corruption, employment of citizens of third countries staying illegally;**
- xvi. as per Legislative Decree no.38, dated March15, 2017, **instigation of corruption among individuals;**
- xvii. as per Law no.199, dated October 29, 2016, , **Illicit brokering and labor exploitation;**
- xviii. as per Law no. 286, dated July 25,1998, **transport of foreign and other acts intended to procure the illegal entry, aiding the permanence of illegal immigrants;**
- xix. as per Law no. 654, dated October 13, 1975, **racism and xenophobia.**

Among the penalties provided by the Decree no.231/2001, the most serious are: ban from business activity, suspension or withdrawal of licenses and permits, prohibition to contract with the State or Governmental agencies, exclusion or revocation of financing and subsidies, prohibition to advertise goods and services, confiscation of profits, as well as fines up to 1.5 million of Euro.

2 ITALTEL 231 MODEL

231 Model has been applied in Italtel since 2002. Following are reported the ten editions:

- First edition, Board of Directors' Meeting of November 5, 2002
- Second edition, Board of Directors' Meeting of December 11,2006
- Third edition, Board of Directors' Meeting of July 24,2008
- Fourth edition, Board of Directors' Meeting of September 15, 2009
- Fifth edition, Board of Directors' Meeting of February 23, 2011
- Sixth edition, Board of Directors' Meeting of March 27, 2013
- Seventh edition, Board of Directors' Meeting of November 15, 2013
- Eighth edition, Board of Directors' Meeting of March 29, 2016
- Ninth edition, Board of Directors' Meeting of March 12, 2018
- Tenth edition, Board of Directors' Meeting of September 26, 2019

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The Organizational Management & Control Model implemented in Italtel in its present edition (March 12, 2018) consists of the following parts:

- General Part
- Special Parts:
 - Part A- Offences towards Public Administration
 - Part B- Corporate offences
 - Part C- Offences contemplated under health and safety at work regulation
 - Part D- Cyber crimes
 - Part E- Offences from money laundering prosecution
 - Part F- Offences regarding counterfeiting of distinctive marks
 - Part G- Offences against industry and trade
 - Part H- Offences against copyright
 - Part I- Offences against justice administration
 - Part J- Offences of organized crime
 - Part K- Environmental crimes
 - Part L- Employment of citizens of third countries staying illegally
 - Part M- Offences against individual personality.

2.1 SUPERVISORY BOARD

As previously said, the Supervisory Board (OdV) task is to monitor the adequacy of the 231 Model with regard to the entity's operations and its effectiveness in preventing offences from occurring. The entity's operations are addressed in a dynamic way since they involve legislative amendments, change of activities, employment of new personnel, transformations, etc..

Drawing once more from the Confindustria guidelines, the main requirements for supervisory board are: autonomy and independence, high professionalism, continuity of action.

The OdV in Italtel is constituted by:

- two external member, having large experience in finance and administration, in risk management and control, in the analysis of control systems and about D. Lgs.231/2001 crimes prevention
- an internal member, responsible for Internal Audit and Compliance Office, having large experience in audit activity, risk analysis and prevention, process analysis, questionnaires and interview techniques, methodologies for the detection of fraud.

The OdV activities are regulated by internal Regulations, approved by the Company Board of Directors.

Communication to OdV in Italtel

Every employee can contact the Supervisory Board through a dedicated e-mail, or phone number.

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3 IMPLEMENTATION AND UPDATING OF THE 231 MODEL

3.1 PROCEDURES TO IMPLEMENT 231 MODEL

In relation to the list of the offences provided by the Decree, Italtel, in order to define the Model and related procedures, performed the following steps:

- a) Interviews to Managers based on questionnaires
- b) Risk analysis
- c) Definition of potential risk areas
- d) Preparation of Special Part of the Model (specific for each type of crime)
- e) Preparation of Protocol (specific for each type of crime) including periodic information flows to OdV
- f) Periodic audit in order to control every specific risk area
- g) Identification and monitoring of Corrective Actions

3.2 PROCEDURES TO UPDATE 231 MODEL

The 231 Model is prepared and updated by Compliance Office with the cooperation of Legal Department, Human Resources and a consultant with wide experience on the specific matter.

Afterwards the Model is analyzed and approved in a first step by the OdV and finally by the Company Board of Directors.

The Model is available through Italtel intranet to all the employees, partners, suppliers and customers.

The Procedures related to 231 Model are available on internal Compliance Office web site.

Continuous training is provided to all employees involved in Risk Areas.

4 ANTI-BRIBERY INTERNAL CONTROLS

Offences towards Public Administration and in particular, bribery crimes are treated in **Special Part A of the 231 Model and specific Protocols**.

The main contents of Part A are:

- List of the offences
- Explanation of each offence defining which are hypothetically applicable to the company and examples with reference to Italtel activities
- List of risk areas, defined as Italtel activities within offences could be committed as follows:
 - 1) Business relation with Public Administration (PA)
 - 2) Public financing for Research & Development activities
 - 3) Inspections performed by Representatives of Public Authorities
 - 4) Supply of products and technical projects covered by Secret of State
- List of further internal activities in relation to the risk areas above mentioned (relation with PA):
 - 1) Advices and professional services
 - 2) Trade Partnerships
 - 3) Purchasing of goods and services
 - 4) Free gift management
 - 5) Entertainment expenses
 - 6) Sponsorships
 - 7) Financial flows management
 - 8) Judicial and arbitration procedures management
 - 9) Personnel selection and recruiting
- General rules of practice that must be respected by all employees and Company Boards

For each Risk Area above listed, a specific control procedure (231 Protocol), approved by the OdV and by the Company Board of Directors has been issued.

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In these Protocols are defined the control elements, the rules of conducts and the flows of information toward the OdV in order to prevent the commission of the offences.

Each 231 Protocol defines the flow of information that each internal department involved in a Risk Area, has to sent, periodically or on event occurrence, to Supervisory Board.

Such flows are monitored and verified by the Supervisory Board.

Finally, the Company has introduced an internal system for reporting wrongdoing (so called "Whistleblowing"), in accordance with the Italian Law no. 179/2017, aimed at ensuring the confidentiality of the whistleblower's identity through an information tool as well as banning retaliation directly or indirectly linked to the report and providing for penalties against those who violate protection measures for the whistleblower and also against those who intentionally makes unfounded reports.