



**SPECIAL SECTION "A"**

**CRIMES TOWARDS THE PUBLIC ADMINISTRATION**

**CRIME OF INCITEMENT NOT TO MAKE STATEMENTS OR TO  
MAKE FALSE STATEMENTS TO THE JUDICIAL AUTHORITY**

CEO Approval
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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "A", the definitions of the General Section remain valid.

### **A.1 TYPES OF CRIMES: CRIMES AGAINST THE PUBLIC ADMINISTRATION (Articles 24 and 25) AND CRIMES INVOLVING INCITEMENT NOT TO MAKE STATEMENTS OR TO MAKE FALSE STATEMENTS TO THE JUDICIAL AUTHORITY (Article 25-*decies* of the Decree)**

Here follows a brief description of the crimes included in this Special Section "A", as provided by Articles 24, 25 and 25-*decies* of the Decree.

- ***Embezzlement against the State or the European Union (Article 316-bis of the Italian Criminal Code)***

This crime is committed when the funds or grants obtained from the Italian Government or from another public authority or from the European Union are not used for the purposes they were intended for (the conduct consists in stealing, even partially, the funds received, even without implementing the planned activities).

As the commission of crime coincides with its execution phase, the crime may also relate to funds obtained in the past and not used at present for the purposes they had been granted for.

- ***Misappropriation of funds to the detriment of the State or of the European Union (Article 316-ter of the Italian Criminal Code)***

This crime is committed when grants, financing, facilitated loans or other funds of similar nature - awarded or granted by the Government, by other public authorities or by the European Community - are obtained by means of the use or submission of false statements or documents, or by means of the omission of due information, without having right thereto. Unlike the case above described (Article 316-*bis*), this crime is committed as the grant is obtained, and it does not matter the use made of these grants.

Lastly, it should be noted that the crime in question is residual with respect to the case referred to in Article 640-*bis* of the Italian Criminal Code (aggravated fraud to obtain public funds); this means that misappropriation is committed only when the illegal behavior is not included in the above-mentioned crime.

- ***Graft (Article 317 of the Italian Criminal Code)***

This crime is committed when a public official or person in charge of public services, abuses his/her position or power to force someone to provide, for him/herself or other persons, money or other undue benefits.

- ***Corruption for official acts or in acts against official duties (art. 318-319 of the Italian Criminal Code.)***

This crime is committed when a public official receives (or accepts the promise to receive), for his/herself or for other persons, money or other benefits in exchange of performing, not performing or delaying his/her office duties (thus causing an advantage to the person who offered the money or other benefits).

The public official's activity may be expressed either through a purposeful act (e.g. giving priority to the processing of a file of his/her own concern), or through an act contrary to the public officer's duties (e.g. accepting money in exchange of guaranteeing the award of a tender), or through conduct that, while not constituting a specific and predetermined act, falls within his/her functions of public official (e.g.: offer of money to the public official to secure future favors).

This crime is different from graft, since here an agreement exists to reach a mutual advantage between the receiver of the money or property and the corrupter, while in graft, the private party suffers against its will the conduct of the public official or of the person in charge of a public service.

- ***Aggravating circumstances (Article 319-bis of the Italian Criminal Code)***

This provision states that the penalty is increased if the facts referred to in Article 319 of the Italian Criminal Code is based on the assignment of public offices or salaries or pensions or the signing of contracts involving the public authority to which the public official belongs.

- ***Corruption in judicial acts (Art. 319-ter of the Italian Criminal Code)***

This crime is committed when, in order to privilege or damage a party in legal proceedings and in order to obtain an advantage in the proceeding itself (not expressly provided for by the law), a public official is corrupted (not only a judge, but also a judicial clerk or any other official). This crime is also committed when an advantage is sought for a company that is not necessarily a party in the proceedings.

- **Undue incitement to give or promise benefit (Article 319-*quater* Italian Criminal Code)**

This crime is committed when a public official or a person in charge of a public service, abuses of his/her position or power to force someone to provide, for himself/herself or other persons, money or other undue benefits.

In addition to the public official and the person in charge of a public service, this crime also applies to the private individual who, unlike in the situation of graft, is not obliged, but only incited to make the promise or pledge and consequently still has the possibility of making a criminal choice, which justifies the application of a penalty.

- ***Corruption of a person in charge of a public service (Article 320 of the Italian Criminal Code)***

This crime is committed when a person in charge of a public service receives or accepts the promise of receiving money or other benefits, for himself or for others, in exchange for not performing or delaying, having delayed or not having performed an official act or for performing or having performed an act that is contrary to his/her official duties.

- ***Penalties for the corrupter (Article 321 of the Italian Criminal Code)***

This article provides that penalties as indicated in the first section of Art. 318 of the Italian Criminal Code, in Art. 319, in Art. 319-*bis*, in Art. 319-*ter*, and in Art. 320 in relation to crimes as stated in Articles 318 and 319

of the Italian Criminal Code, are also applied to everyone who gives or promises money or other public benefits to a public official or to a person in charge of a public service.

- ***Incitement to corruption (Article 322 of the Italian Criminal Code)***

This crime is committed when money or another benefit is offered or promised to a public official or to a person in charge of a public service (to induce him to perform, delay or not perform an office act or an act that is contrary to his office duties) and this offer or promise is not accepted.

- ***Peculation, graft, undue incitement to give or promise benefits, corruption and incitement to corruption of members of the International Criminal Courts or the European Community bodies or international parliamentary assemblies or those organized at an international level and officials of the European Community and of foreign states (Article 322-bis of the Italian Criminal Code)***

On the basis of Article 322-bis contained in Article Article 25, the above-mentioned crimes are also considered as having been committed in cases in which money, or another benefit, is given, offered or promised, also following incitement to do so, to:

1. officers and agents contracted in compliance with the Staff Regulations of the European Community or with the rules applicable to agents of the European Community;
2. persons entrusted by member countries or by any public or private body in the European Community which exercise functions corresponding to those of officers or agents of the European Community;

3. members and personnel of corporations founded on the basis of Treaties which established the European Community;
4. those who, in other member states of the European Union, perform functions and carry out activities corresponding to those of public officials and those in charge of a public service;
5. judges, prosecutors, deputy prosecutors, officers and agents of the International Criminal Court, to persons entrusted by countries belonging to the Treaty which established the International Criminal Court that exercise functions corresponding to those of officers or agents of said Court, to members and personnel of bodies founded on the basis of the Treaty which established the International Criminal Court;
6. persons who perform function or activities corresponding to those of public officials and those in charge of a public service in international public organizations;
7. members of international parliamentary assemblies or those organized at an international or supranational level and judges and agents of the international courts.

- ***Trading in illicit influence (Article 346-bis of the Italian Criminal Code)***

This crime punishes any person, aside from cases of complicity in the crimes as per Articles 318, 319, 319-ter and in the crimes of corruption as per Article 322-bis, exploiting or benefiting from existing or alleged relations with a public official or a person in charge of a public service or one of the other parties as per Article 322-bis, to unduly secure obtainment or promise, for themselves or for others, of money or other benefit, as the price of their illegal mediation with the public official or person in charge of a public service as per Article 322-bis, or as payment for performance of his/her duties or powers.

- ***Fraud against the State, a public authority or the European***



***Union (Article 640, par. 2 No. 1, of the Italian Criminal Code)***

This crime is committed when devises or tricks are carried out in order to obtain an undue profit, misleading and causing damage to the government (or another public authority or the European Union).

For instance, this crime may be committed when documents or information prepared to bid in tenders with the Public Administration contain untrue statements (e.g. supported by false documents), in order to be awarded the tender.

- ***Aggravated fraud to obtain public funds (Article 640-bis of the Italian Criminal Code)***

This crime is committed when a fraud is carried out in order to obtain undue public funds.

This circumstance may occur when devises or tricks are carried out, e.g. submitting false information or false documents, in order to obtain public funds.

- ***Computer fraud against the State or other public bodies (Article 640-ter of the Italian Criminal Code)***

This crime is committed when an undue profit is obtained by altering the operation of a computer or online system or by manipulating the data contained therein, and a damage is caused to third parties as a consequence thereof.

In fact, the crime is committed when, once the financing is granted, the computer system is violated in order to enter a higher amount for the financing compared with the one lawfully obtained.

The crime as per art. 640-ter of the Italian Criminal Code is punished on the basis of charges laid by another party.

- ***Incitement not to make statements or to make false statements to the Judicial Authority (Article 377-bis of the Italian Cassation Code)***

The provision included in Article 377-bis of the Italian Cassation Code intends to fine every conduct aiming at influencing a person who has been called before the Judicial Authority to make statements useful in a criminal proceeding or in other related proceedings. Said influence can have as its objective incitement not to make statements or to make false statements in order to conceal “compromising” elements for a certain organization, with evident interest on its part.

The provision aims at ensuring that proceedings are carried out properly by protecting against every form of undue interference.

Such crime occurs even if “transnational” in nature, in compliance with Article 10 of Law No. 146 of March 16, 2006, which ratified and implemented the United Nations Convention and Protocols against Transnational Organized Crime.

In this regard, it should be emphasized that, pursuant to Article 3 of the above-mentioned law, the crime is considered “transnational” when it is punished by imprisonment for a period of not less than four years, when it involves an organized criminal group, and:

- it is committed in more than one State;
- or it is committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State;

- or it is committed in one State but involves an organized criminal group that engages in criminal activities in more than one State;
- or it is committed in one State but has substantial effects on another State.

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With respect to the penalties that can be applied to the organization, should crimes be committed in relations with the Public Administration, they can be of a monetary nature, up to 800 shares (and, therefore, up to a maximum of nearly € 1,240,000.00) or of a disqualifying nature, which may obviously vary depending on the type of crime committed.

Specifically, for the crimes included in Article 24, Italian Legislative Decree 231/01 an administrative-pecuniary penalty is envisaged of up to five-hundred shares (therefore up to a maximum of € 780,000).

In relation to commission of the crimes as per Articles 318, 321 and 322, first and third sections, and 346-*bis* of the Italian Criminal Code Decree, and Art. 25 of the Decree, a pecuniary penalty of up to two hundred shares applies.

For the crimes as per articles 317, 319, 319-*ter*, 319-*quater*, 322, sections 2 and 4, the interdictory penalties defined by Article 9, section 2 apply, for a duration of no less than four years and not longer than seven years if the crime has been committed by one of the parties described in Article 5, section 1, part a), and for a duration of no less than two years and no longer than four years if the crime has been committed by one of the parties described in Article 5, section 1, part b).

Lastly, if before sentencing by a lower court, the corporation has acted appropriately so as to avoid further consequences of the criminal activity, to guarantee evidence of the crimes and to identify the parties responsible, or to seize amounts of money or other benefit transferred, and has removed

organizational shortcomings that led to the crime by adopting and implementing organizational models suitable to prevent crimes of the type which occurred, the interdictory penalties have the duration established by Article 13, section 2.

## **A.2 CRITERIA FOR DEFINING PUBLIC ADMINISTRATION, PUBLIC OFFICIALS AND PERSONS IN CHARGE OF A PUBLIC SERVICE**

Crimes under Articles 24 and 25 of the Decree are all premised on the establishment of relations with the Public Administration (foreign State Public Administrations are also included in the definition).

Indicated hereinafter are some general criteria for defining “Public Administration”, “Public Officials” and “Persons in Charge of a Public Service”.

### **A.2.1 Public Bodies**

With respect to criminal law, a “Public Body” is commonly considered as any juridical person who is entrusted with attending to public interests and who performs legislative, judicial or administrative activities by virtue of public law rules and authorization deeds.

The Italian Criminal Code does not include a definition of a public body. In the Ministerial Report on the code itself, and in relation to crimes provided for therein, organizations are considered as belonging to the public administration if they carry out “all the activities of the State and of other public bodies”.

In an effort to draft a preliminary classification of juridical persons belonging to said category, reference can be made, finally, to Article 1, section 2 of Legislative Decree No. 165/2001 that deals with labor regulations for employees of public administrations, which defines public administrations as all State administrations.

By way of an example, the following organizations or category of organizations can be indicated as public bodies:

1. institutes and schools of all orders and levels, and education authorities;
2. State entities and administrations having autonomous structures, such as:
  - 2.1. Presidency of the Council of Ministers
  - 2.2. Ministries;
  - 2.3. Chamber of Deputies and Senate of the Republic;
  - 2.4. Department for Community Policies;
  - 2.5. Antitrust Authority;
  - 2.6. Italian Regulatory Authority for Energy, Networks and Environment;
  - 2.7. Communications and Media Authority;
  - 2.8. Bank of Italy;
  - 2.9. CONSOB;
  - 2.10. Data Protection Authority;
  - 2.11. Revenues Agency;
  - 2.12. ISVAP: Institute for the Supervision of Private Insurance and of the Collective Interest;
3. Regions;
4. Provinces;
5. Municipalities;
6. Mountain Communities, their consortia and associations;
7. Chamber of Commerce, Industry, Handicraft and Agriculture and its associations;
8. the European Community and Institutes connected thereto;
9. all national, regional and local non-economic public bodies, such as:
  - 9.1. INPS (Italian state body which coordinates national insurance funds);
  - 9.2. CNR (Italian national research council);

- 9.3. INAIL (national institute for the insurance against occupational injuries);
- 9.4. ISTAT (Central Statistics Institute);
- 9.5. ENASARCO (National Entity for Assistance of Commerce Agents and Representatives);
- 9.6. ASL (local health authority);
- 10. State Monopolies and bodies;
- 11. RAI (Italian national TV and radio corporation).

Being understood that the above mentioned list of public bodies is only provided by way of an example, it should be noted that not all natural persons who act within the activity field and in relation to said bodies are persons against whom (or for whom) criminal offenses can be punished under Legislative Decree No. 231/2001.

In particular, the individuals that are relevant for this purpose are only "Public Officials" and "Persons in charge of a Public Service".

### **A.2.2 Public Officials**

Under the terms of Article 357, section 1 of the Italian Criminal Code, a person is considered a public official *"for all effects of criminal law"* if he/she carries out *"a public legislative, judicial or administrative function"*.

Section 2 defines the concept of "public administrative function". There has not been, however, a similar definition for "legislative function" or "judicial function".

Therefore, for the criminal law *"an administrative function is considered public when it is regulated by public law provisions and by authorization*

*deeds and when it is characterized by the expression of the will of the public administration or by it being carried out by means of authorizing or certifying powers”.*

The aforementioned legislation definition identifies, first of all, the “external” demarcation of the administrative function. Said demarcation is implemented by recourse to formal criteria referencing the nature of the regulation, specifying that an administrative function is public when it is provided for by “public law provisions”, namely by those provisions aimed at the pursuit of a public goal and at protecting the public interest and, as such, are juxtaposed to private law provisions.

Section 2 of Article 357 of the Italian Criminal Code acknowledges some of the broad principal criteria identified by the law in order to differentiate between the concept of “public function” and that of “public service”. Therefore, Administrative activities are defined as public functions if they respectively and alternately perform: (a) deliberative powers; (b) authoritative powers; (c) certifying powers.

With reference to the above mentioned criteria, the following crimes can be included (crimes which can be committed only by or against public officials):

- Extortion (art. 317 of the Italian Criminal Code);
- Corruption for official acts (art. 318 of the Italian Criminal Code);
- Corruption in acts against official duties (Article 319 ICC);
- Corruption in judicial acts (Art. 319-*ter* of the Criminal Code);
- Undue incitement to give or promise benefit (Article 319-*quater* ICC);
- Inducement to corruption (art. 322 of the Italian Criminal Code);
- Peculation, graft, undue incitement to give or promise benefits, corruption and incitement to corruption of members of the International Criminal Courts or the European Community bodies or international parliamentary assemblies or those organized at an



international level and officials of the European Community and of foreign states (Article 322-*bis* of the Italian Criminal Code)

### **A.2.3 Persons in charge of a public service**

The definition of the category of *"persons in charge of a public service"* can be found in Article 358 of the Italian Criminal Code, which states that *"persons in charge of a public service are those who carry out a public service, with any professional qualification. Public service must be considered an activity regulated in the same ways as a public function, but characterized by a lack of power which is typical in the latter, and with the exclusion of carrying out simple secretarial duties and performance of merely material work"*.

The legislator defines the concept of "public service" through two criteria, one positive and one negative. According to the first criterion, the "service", to be defined as public, must be governed by public law, and according to the other, second criterion, to classify as a public service, it must be free from powers of a certifying, authorizing and deliberative nature, which are typical of "public functions".

Examples of persons in charge of a public service include: employees of the supervisory authorities which do not contribute to form the will of the authority and which do not have authoritative powers, the employees of organizations that perform public services even if of a private nature, clerks in public offices, etc.

Moreover, the legislator specified that neither *"simple secretarial duties"* nor the *"performance of merely material works"* may ever represent a "public service".

With reference to activities that are performed by private individuals based on a concessionary relation with a public individual, it is deemed that for the purposes of qualification as “public service” of the entire activity performed under the concessionary relation, it is necessary to verify whether the individual activities are subject to public governance, as the existence of an authoritative act of subjective vesting is not sufficient.

In this regard, case law proposes the objective interpretation of the concept in question, evaluating the character of the instrumentality and relating to priority of the activities with respect to the public one.

In other words, the person in charge of a public service may be the party making a concrete contribution to the aims of the public service, exercising, in fact, a public function.

In order to support identification of the public nature of an organization, case law has therefore developed “identifying factors”, used above all in the context of cases concerning public joint-stock companies.

Specifically, reference is made to:

- a. being subjected to checks and guidance for social purposes, as well as to the power of the State or other public bodies to appoint and revoke directors;
- b. the existence of an agreement and/or a concession with the public administration;
- c. financial contribution from the State;
- d. the presence of public interests within the economic activity.

On the basis of the indications herein above, the discriminating element to assess whether an individual does or does not possess the qualification of a “person in charge of a public service” can be seen not

by the juridical nature taken on or held by the corporation, but rather by the functions that have been entrusted to the individual, which must consist in handling public interests or satisfying the needs of general interest.

Regarding the aforementioned subjective qualification, the following crimes are relevant:

- Extortion (art. 317 of the Italian Criminal Code);
- Corruption for official acts (art. 318 of the Italian Criminal Code);
- Corruption in acts against official duties (Article 319 of the Italian Criminal Code);
- Corruption in judicial acts (Art. 319-*ter* of the Italian Criminal Code);
- Undue incitement to give or promise benefit (Article 319-*quater* ICC);
- Inducement to corruption (art. 322 of the Italian Criminal Code);
- Peculation, graft, undue incitement to give or promise benefits, corruption and incitement to corruption of members of the International Criminal Courts or the European Community bodies or international parliamentary assemblies or those organized at an international level and officials of the European Community and of foreign states (Article 322-*bis* of the Italian Criminal Code).

### **A.3 AT-RISK AREAS**

Crimes under Articles 24 and 25 of the Decree are premised on the establishment of relations with the Public Administration (as defined in chapter A.2) or the performance of activities which could imply carrying out a public service. Furthermore, considering the variety of relations between the various Group companies and the Public Administrations in Italy and abroad, and the fact that institutional activities of Group Companies are already duly regulated, - with the aim, as already pointed out, for TERNAL to pursue the "best practices" in performing its activity - the areas considered to be more specifically at risk, have been limited, for the purposes of the Special Section "A" of this Model, to the following:

1. participation in direct tendering or negotiation procedures called by Italian or foreign public authorities for awarding orders (contracts, supplies or services), grants, partnerships, assets (companies, shareholdings, etc.) or other similar dealings, even in association with a Partner (for example: a joint venture, including in the form of a temporary business association, consortium, etc.)<sup>1</sup>; and where consultancy and/or representative roles are appointed. In the event of awarding, At-Risk Areas also include: i) performing the order; ii) relations with any sub-contractors and iii) testing activities;
2. application to obtain subsidized grants, funds or financing from public authorities and their utilization;
3. carrying out procedures for the purpose of obtaining authorizations from the Public Administration (for example, building licenses, authorizations to build new lines,

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<sup>1</sup>above all where such activities are carried out in geographic areas where the procedures do not guarantee appropriate transparency (taking into account the classification given by Transparency International to determine country risk)

authorizations for highways crossings, etc.);

4. maintaining relations with representatives of the Public Administration involved in legislative, regulatory or administrative procedures (for example, ARERA, CONSOB, Antitrust Authority, Judicial Authority etc.), when such relations (including the submission of data or information) may lead to obtaining significant advantages for the Group itself, with the exception of purely informative activity, the participation in institutional events and the exchange of opinions related to particular policies or regulations;
  5. the management of customs procedures;
  6. participation in inspections, investigations and evaluations performed by representatives of the Public Administration, with specific reference to ASL, ARPA, ARERA, Agenzia dell'Entrate, Law Enforcement Agencies, GSE.
  7. managing relations with the Electricity Sector Operators and in particular:
    - a. a) the dispatching of electricity, as well as the management of information obtained in the course of such activity, in particular as regards determining the resources and reserves to be supplied, determining the demand and preparing the unavailability plans;
    - b. grid planning and development;
    - c. plant identification and maintenance;
    - d. metering, as well as recording the amount of energy entered into the grid by individual Electricity Sector Operators;
    - e. management of electrochemical storage plants on the Italian National Grid.
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2. the performance of delegated powers of expropriation that the Ministry of Economic Development can grant to TERNA pursuant to Article 6 of Italian Presidential Decree 327/2001 in the context of individual authorization procedures for the development and

renewal of the Italian National Grid, including the management of constitution and service procedures;

3. managing relations with owners of transmission grids that are different from the transmission system operator; this implies, among others, collecting useful data from them for determining tariffs and assessing the adequacy of the remuneration required for development investments carried out by them.

With reference to the crime described in Article 25-*decies*, the identified At-Risk Area refers to:

4. managing relations with the Judicial Authority in Italy and abroad.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted by the individual Companies.

Any additions to the abovementioned At-Risk Areas shall be provided by the Chief Executive Officer of TERNAL on the basis of the powers assigned to him/her.

#### **A.3.1 Instrumental areas**

Furthermore, the following areas have been deemed instrumental to the afore-mentioned crimes:

1. the management of public tender procedures in the role of the Contracting Authority, for the awarding of contracts for corporate activities and non-instrumental contracts;
2. the appointment of professional and consultancy roles;
3. the selection, management and incentivization of personnel;
4. corporate giving activities;
5. management of real-estate assets.

#### **A.4 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to the conduct of the Recipients of the Model.

The purpose of this Special Section is to ensure that all the Recipients, to the extent they may be involved in carrying out activities in At-Risk Areas, act in compliance with conduct rules as established in this Section. This, in order to prevent the occurrence of crimes in relations with the Public Administration and with other parties when TERNAL carries out institutional tasks, considering as well the different position of each Recipient in relation to the Group and, therefore, with their different duties, as specified in the Model.

This Special Section has the aim of:

- providing specific general and procedural rules which the Recipients, in relation to the type of relation existing with the Group, must comply with for the proper application of the Model;
- provide the VB and the Directors of other company departments cooperating with the latter, the operational tools to control, monitor and verify the activities established.

While performing all the tasks related to the company management, in addition to the regulations included in this Model, Company Representatives –with reference to their respective activities- must, in general, know and respect all the rules and principles set forth in the following documents:

- the Code of Ethics;
- the Anti-Corruption Guidelines;
- the whistleblowing policy;



- informative procedures for hiring and training personnel;
- the disciplinary system applicable to the National Collective Labor Contract;
- the rules, procedures and operational instructions adopted by TERNA concerning the qualification and selection of suppliers, among which, by way of an example:
  - a) TERNA's Regulations for the qualification of companies;
  - b) Monitoring of qualified companies;
  - c) TERNA's Regulations on procurement;
  - d) Transparency in the procurement process;
- regulations, procedures and operational instructions adopted by TERNA for managing authorization procedures and communication with the Public Administration;
- the Grid Code;
- regulations, procedures and operational instructions adopted by TERNA for the dispatching activity and for grid planning and development;
- procedures relating to the assignment of consulting and professional services to third parties;
- procedures for the organization of the Group's events;
- procedures concerning the policy and management of corporate giving requests;
- procedures for the management of requests for transfer free of charge of corporate assets;

Furthermore, in order to ensure the appropriateness and effectiveness of its anti-corruption management system as well as its compliance with current legislation, TERNA has obtained the certification ISO-37001, issued by the Italian Certification Body following the positive outcome of its assessments.

Standard ISO-37001 defines the requirements of an anti-corruption management system, providing directives to establish, implement, maintain, update and improve management systems aimed at preventing corruption.

This Special Section provides that Company Representatives in direct form, and External Collaborators by means of specific agreement terms, shall expressly refrain from:

1. behaving in such a way as to fall under the crimes described above (art. 24, 25 and 25 -*decies* of the Decree);
2. implementing a conduct that, while non representing one of the crimes as described above, may become a crime;
3. implementing any situation of conflict of interests towards the Public Administration related to the above-mentioned crime cases;
4. obstruction of justice through intimidation.

This Special Section defines that relations with the PA shall be managed transparently.

#### **A.4.1 Anti-Corruption Guidelines**

All the principles described above are included in the Anti-Corruption Guidelines adopted by TERNA and by all Italian and foreign companies of the Group in order to prevent corrupt activities at a national and international level.

The Guidelines are based on the most applicable international and Community legislation regarding the fight against corruption, as well as the United States' FCPA and the UK Bribery Act.

Moreover, this applies to all parties who operate in the name or on behalf of TERNAL or a Group company, including consultants, brokers and Suppliers.

Exceptions are allowed for the special precautionary measures established within individual Group companies for carrying out activities in At-Risk Areas in the name of and/or on behalf of the Parent Company by virtue of service agreements signed.

## **A.5 SPECIFIC PROCEDURAL RULES**

Regarding conduct described in the aforementioned risk areas, the following is prohibited:

1. With reference to the risk area regarding participation in direct tendering or negotiation procedures, including, in the event of success, also performing the order, relations with any sub-contractors and testing activities, the following is expressly prohibited:
  - making payments - on one's own initiative or upon solicitation – to public officials and/or persons in charge of a public service;
  - presenting documentation containing false data or information and/or omitting data or information in order to ensure the Company's success in the tender procedure.

Furthermore, in the case that the Company uses agents for promotion or representation in order to close contracts, for the performance of the aforementioned activity, there is an obligation to take particular care to ensure the professional and reputational reliability of these parties.

2. With reference to the risk area regarding application to obtain subsidized grants, funds or financing from public authorities and their utilization, there is an obligation to:
  - provide declarations containing true data and information;
  - issue a relative report in the case of being awarded the aforementioned grants or funds.

In the context of the aforementioned activity, it is prohibited to allocate amounts received from public authorities as funds, grants or loans for purposes different from those they were intended for. Specifically, audit managers in charge of the obligations related to performing these activities must pay particular attention to them and immediately report

any irregularity to the VB.

3. With reference to the risk area regarding performing procedures to obtain authorizations, the following is prohibited:
  - making payments - on one's own initiative or upon solicitation – to public officials and/or persons in charge of a public service;
  - presenting documentation containing false data or information and/or omitting data or information to favor the Company's success in obtaining authorization.
4. With reference to the risk area regarding maintaining relations with representatives of the Public Administration involved in legislative, regulatory or administrative or legal procedures, it is prohibited to make payments—on one's own initiative or upon solicitation—to public officials and/or persons in charge of a public service, in order to obtain a benefit for the Company.
5. With reference to participation in inspections, investigations and evaluations performed by representatives of the Public Administration, (with specific reference, for example to ASL, ARPA, ARERA, GSE, GME, Consob, Agenzia dell'Entrate, Law Enforcement Agencies, NUVEC, European Commission, etc.), it is prohibited to make payments or provide other benefits—on one's own initiative or upon solicitation—to public officials and/or persons in charge of a public service, with the aim of inducing an individual to perform an act contrary to his/her duties of office or omit an act of office for the benefit of the Company.

In relation to the aforementioned activities, an obligation exists to:

- participate in inspections, investigations and evaluations performed by representatives of the Public Administration, with at least two individuals, one of whom must be competent in the area relevant to the specific case;

- engage support from a lawyer, where necessary or appropriate;
  - prepare reports and guarantee the traceability of activities performed during the inspection, investigation or evaluation;
  - store reports and any other documents regarding the procedure in question.
6. With reference to the risk area regarding managing relations with Electricity Sector Operators, it is prohibited to obtain funds from such Operators that are not justified in relation to the duty they have to perform;
7. With reference to the risk area regarding managing criminal proceedings brought before Judicial Authority in Italy and abroad, it is prohibited to:
- Induce persons called to make statements before the judicial authority, using violence or threats, to omit such statements or make false statements;
  - Offer or promise money or other benefits to persons called to make statements before the judicial authority, omit such statements or make false statements;
  - Hold direct relationships with persons called to make statements before the judicial authority, even during preliminary investigations.
8. With reference to performance of the delegated powers of expropriation that the Ministry of Economic Development can grant to TERNA pursuant to Article 6 of Italian Presidential Decree 327/2001 in the context of individual authorization procedures for the development and renewal of the Italian National Grid, including the management of constitution and service procedures, it is prohibited to:
- abuse powers assigned with reference to the expropriation for public utility procedures in which TERNA could be involved as expropriation

authority, forcing or leading whomever to unduly give or promise money or other benefits for personal or third-party gain.

Furthermore, within the expropriation for public utility procedures in which TERNA is involved as expropriation authority, it is very important to guarantee the traceability of every phase of the procedure, with the exception of those of ministerial competence (see declaration of public utility, prearranged constraint to the expropriation or to the compulsory subjection).

Within the Company, a strong law procedure structure is provided for performing expropriation powers, in order to prevent the commission of crimes described in this Special Section "A".

9. With specific reference to the "Management of Customs Procedures", the regulation of the same must include:
  - a. identifying the department appointed to represent the Company towards the granting Public Administration, which is given a special proxy and power of attorney;
  - b. the duties of the department in charge of controls for the application and management of authorization documents, with particular reference to the prerequisites, in fact and in law, for the submission of the relative application;
  - c. specific protocols for controlling and checking the truthfulness and accuracy of the documents that must be produced to obtain the authorizations;
  - d. specific information flows between the company departments and the Consultants involved in the activity, in a view of collaboration, mutual vigilance and coordination;
10. Lastly, regarding specifically the management of criminal proceedings brought before judicial authorities involving Company Representatives or other Recipients (in relation to activities carried out for the Company) it is

compulsory for each Recipient not to commit acts of violence, threats (or other similar forms of coercion) nor give or promise donations in money or in any other form so that the person charged or under investigation:

- does not cooperate in making statements that are true, transparent and correctly represent the facts;
- does not freely explain the facts, exercising his/her legal right to remain silent, by virtue of the above-mentioned types of influence.

11. With reference to the instrumental area for managing public tender procedures in the role of the Contracting Authority, for awarding contracts for corporate activities and non-instrumental contracts, all Recipients are obligated to comply with applicable legislation, "Terna's Regulations on procurement" and procedure regarding non-instrumental contracts.

Specifically, it is mandatory to:

- observe the provisions of the "Public Contracts Code" for assignment of activities attributable to the electricity sector and subject to licensing;
- respect the provisions of the Italian Civil Code regarding assignment of contracts which are non-instrumental to Terna's institutional activities;
- identify, for each initiative governed by a public contract, one or more parties whom shall be assigned the role of Sole Works Manager (SWM), to cover the phases of planning, design, assignment and execution;
- assign contracts for institutional activities following the provisions of procedures above EU limits or below EU limits;
- guarantee transparency in identification of awarding criteria, and therefore in selection of the winning party;



- define evaluation criteria regarding the nature, subject and characteristics of the contract (objective criteria) if the criterion of best economic offer is used;
- perform an evaluation of economic suitability before awarding to the operator that has made the lowest offer, if the criterion of lowest economic offer is used;
- not introduce subjective requirements as criteria for evaluating offers, except when these do not directly affect contract execution;
- acquire documentation from the economic operator required based on the tender procedure employed.

12. In relation to the instrumental area regarding assignment of professional and consultancy roles, it is mandatory to:

- respect the authorization procedures applicable for the type of service and amount, as defined by the procedures;
- indicate the criteria used for assignment;
- guarantee rotation among professionals selected for individual types;
- outline the roles and consulting activities in writing, with indication of the agreed fees;
- include a clause in which they undertake, in the performance of their activities, not to make donations that exceed a modest value that could be interpreted as exceeding the normal business practices or courtesy, or are designed to obtain favorable treatment in the performance of those activities;
- fulfill all reporting obligations as per procedures.

Lastly, it is mandatory for all relevant company departments to verify *ex-post* that the service has been effectively provided in line with the amount agreed.

13. In relation to the instrumental area regarding selecting, managing and incenting personnel, it is prohibited to hire any personnel or promise to

hire personnel, as well as to incent personnel through promotion, monetary bonuses or other benefits, except based on criteria of objectiveness, skills and professional experience. Any action that leads to favoritism, nepotism or any form of patronage that could influence the independence of a public official or employee of a public service or induce them to guarantee any advantage for the Company is prohibited.

14. In relation to the instrumental area regarding corporate giving, it is prohibited to distribute and/or receive gifts or presents or grant other benefits of any kind, outside of what is provided for in the company policies. In particular, it is prohibited to offer any type of gift—made on one's own initiative or upon solicitation—to Italian and foreign public officers (even in Countries where gift-giving is a widespread practice) or to their relatives, which may affect their impartiality of judgement or induce them to ensure any kind of advantage to the Company.

Gifts that are allowed shall always be of low value or be intended to promote social, environmental, humanitarian and cultural initiatives, or the Group's brand image. Gifts offered or received must be sufficiently documented as per procedures.

In any case, it is prohibited to pay fees or provide services that are not sufficiently justified in relation to the duties performed, fees received and the characteristics of the partnership agreement.

15. In relation to the instrumental area regarding managing real-estate assets, it is mandatory that every Recipient acts according to organizational communications and the procurement system, as well as to verify possession of the appropriate legal acts authorizing usage of the properties.

Specifically, according to the provisions of company procedures on purchase, divestment and transformation transactions and real-estate transactions, it is mandatory to:

- communicate with relevant company departments;
- provide for fulfillment of relative tax obligations;
- respect the defined authorization procedures (including issuing special powers of attorney as necessary) and applicable obligations for establishment and execution of contracts, as well as establishment, amendment and termination of property rights.

## **A.6 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA's Vigilance Body shall:

- A. evaluate—also through hearings and/or documentary checks—the suitability of the procedures adopted in this regard, for regulation of relationships maintained with representatives of the PA, the procedure for obtaining authorizations, grants, public funding, including for reporting; procedures aimed at regulation of managing relationships with representatives of the police, law-enforcement agencies, public

supervisory authorities, established for evaluations, inspections and investigations, as well as the procedure for management of easements and establishment of usage rights;

- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

The Company guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be called upon as and when the VB deems it appropriate.

The information to the VB shall be provided promptly in the case of discovery of violations of the specific procedural principles as indicated in the dedicated Chapter of this Special Section, or significant violations to company procedures

regarding the risk areas indicated in this special section.

In particular, Control Model 231 prescribes the submission of an annual report to the VB regarding any breaches of the Anti-Corruption Guidelines or critical issues related to 231 matters.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "B"**

**CORPORATE CRIMES**

CEO Approval Luigi Ferraris
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January 29, 2019
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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "B", the definitions of the General Section remain valid.

### **B.1 TYPES OF CORPORATE CRIMES (art. 25-ter of Decree)**

This Special Section "B" includes a brief description of the crimes considered and defined under article 25-ter of the Decree (hereinafter defined "Corporate Crimes"), grouped into five different categories to describe them better.

#### **1. FALSE CORPORATE COMMUNICATIONS**

- ***False statements in company notices (Article 2621 of the Italian Civil Code)***

The crime defined by Article 2621 of the Italian Civil Code is committed when, outside the cases established in Article 2622, directors, general managers, managers in charge of preparing the company's financial statements, auditors and liquidators, who, in the financial statements, reports or other company notices and announcements as provided for by the law, addressed to shareholders or the public and with the purpose of obtaining for themselves or for others an unlawful profit, willfully provide material information not corresponding to the truth, or omit material information that is mandatory according to the law regarding the economic, property or financial situation of the company or of the group to which it belongs, in a way that leads addressees to a misinterpretation of the above-mentioned situation.

Liability also extends to the eventuality that the false statements or omissions concern assets owned or managed by the company on the behalf of third-parties.



- **Minor events (Article 2621-*bis* of the Italian Civil Code)**

The crime referred to in Article 2621-*bis* is committed, with the exception whereby it constitutes a more serious crime, if the events referred to in Article 2621 are minor in nature, considering the type and size of the company and the means and the effects of the conduct, or concerning companies not subject to bankruptcy as they do not exceed the limits given in section 2 of Article 1 of Italian Royal Decree no. 267 of March 16, 1942 and subsequent amendments and integrations. In this case the crime is prosecutable upon action taken by the company, shareholders, creditors or other recipients of company notices.

- **False statements in company notices of listed companies (Article 2622 of the Italian Civil Code)**

The crime defined by Article 2622 of the Italian Civil Code is committed when directors, general managers, managers in charge of preparing the company's financial statements, auditors and liquidators of companies issuing financial instruments admitted to trading in a regulated market - Italian or of another EU member state - who, in the financial statements, reports or other company notices and announcements addressed to shareholders or the public and with the purpose of obtaining for themselves or for others an unlawful profit, willfully provide material information not corresponding to the truth, or omit material information that is mandatory according to the law regarding the economic, property or financial situation of the company or of the group to which it belongs, in a way that leads addressees to a misinterpretation of the above-mentioned situation.

The companies specified in the previous section are:

- 1) companies issuing financial instruments for which an application has been made for admission to trading in a regulated market - Italian or of another EU member state;

- 2) companies issuing financial instruments which have been admitted to trading in an Italian multilateral trading system;
- 3) parent companies of companies issuing financial instruments which have been admitted to trading in a regulated market - Italian or of another EU member state;
- 4) companies that call for publicly raised capital or that otherwise manage it.

Liability also extends to the eventuality that the false statements or omissions concern assets owned or managed by the company on the behalf of third parties.

- ***Non-disclosure of any conflict of interests (Article 2629-bis of the Italian Civil Code)***

This crime is represented by the violation of obligations set forth in Article 2391, section 1 of the Italian Civil Code on the part of the managing director of a company with shares listed on the Italian regulated markets or of other EU member states (or other bodies subject to controls), if the above-mentioned violation is detrimental to the company or to third parties.

Article 2391, section 1 of the Italian Civil Code obligates directors of joint stock companies to notify the other directors and the Board of Statutory Auditors on any interest that, on their behalf or on a third party's behalf, they might have in a specific company transaction, specifying its nature, terms, origins and extent. CEOs must also refrain from carrying out the transaction, assigning it to the body in charge. The Sole Administrator must inform about such transactions during the first meeting to be held.

## **2. PROTECTION AFFORDED BY THE CRIMINAL LAW OVER COMPANY SHARE CAPITAL**

- ***Undue return of contributions (Article 2626 of the Italian Civil Code)***

This crime is committed, with the exception of the cases considered to represent legitimate reductions of the share capital according to the law, through returning capital to shareholders -including simulated returning-, or releasing them from their obligations to do so.

Only company directors are defined as being punishable for having committed the crime. The law thus does not provide for punishment for shareholders benefiting from the return of capital or from being released from their obligations in that regard. However, the event is foreseen, of possible participation in the crime. In such circumstances, in compliance with the general rules applying to participation in a crime under Article 110 of the Italian Criminal Code, shareholders may also be considered guilty of the crime if their conduct has instigated or determined the illegal conduct of the Directors.

- ***Illegal distribution of profits or reserves (Article 2627 of the Italian Civil Code)***

The crime is defined as the distribution of profits (or advances on profits) which have not actually been accrued or which the law requires to be allocated to reserves, or the distribution of reserves (including those not made up from profits) which cannot be allocated according to the law.

In particular:

- returning profits or replenishing reserves prior to the term established for the approval of the Company's financial statement cancels the crime.

The only persons defined as being punishable for having committed this crime are the Directors. The law does not provide for punishing shareholders benefiting from the distribution of profits or reserves, excluding the possibility of necessary participation in the crime. However, the event is foreseen, of possible participation in the crime. In such circumstances, in compliance with the general rules applying to participation in a crime under Article 110 of the Italian Criminal Code, shareholders may also be considered guilty of the crime if their conduct has instigated or determined the illegal conduct of the Directors.

- ***Unlawful transactions concerning the Company's or Parent Company's shares or quotas (Article 2628 of the Italian Civil Code)***

Such a crime will be committed upon the purchase or subscription of shares or stakes issued by the company (or by its holding company), with the exception for cases provided for by the law, damaging the integrity either of the share capital or of reserves which may not be allocated according to the law.

In particular:

- if the share capital or reserves are replenished prior to the term established for the approval of the Company's financial statement referring to the accounting period to which the conduct related, the crime will be cancelled.

The only persons defined as being punishable for having committed this crime are the Directors. Furthermore, it is possible to foresee a situation

where directors of a holding company participate in committing the crime together with those of a subsidiary, in the event illegal transactions on the shares owned by the holding company itself are carried out by the subsidiary's directors on the instigation of the directors of the holding company.

- ***Transactions to the detriment of creditors (Article 2629 of the Italian Civil Code)***

This crime is committed when transactions are carried out, in violation of the law for the protection of creditors, resulting in the reduction of the company's share capital, the merger with other companies or the splitting up of the company in such a way as to cause loss or damage to creditors.

In particular:

- The payment of compensation for damages to creditors prior to court judgement cancels the crime.

The crime will be punished upon charges filed by another party.

The only persons punishable for having committed this crime in this case too, are the directors.

- ***Fictitious formation of corporate capital (Article 2632 of the Italian Civil Code)***

This crime is represented through the following conduct: a) fictitious formation or increase of the share capital, also partly, by means of the allocation of shares or quotas higher than the company's share capital b) mutual subscription of shares or quotas; c) excessively high

appraisal/evaluation of contributions in kind, receivables or assets of the company in the case of transformation.

The only persons punishable for having committed this crime are directors and contributing shareholders.

- ***Undue distribution of corporate assets by liquidators (Article 2633 of the Italian Civil Code)***

This crime is committed when company property is divided among shareholders prior to the payment of company creditors or before the amounts necessary to meet their debts have been set aside, thus causing damage to the creditors.

In particular:

- the crime will be punished upon charges filed by the injured party;
- The payment of compensation for damages to creditors prior to court judgement cancels the crime.

The persons punishable for this crime are only the liquidators.

### **3. PROTECTION AFFORDED BY THE CRIMINAL LAW OVER THE PROPER OPERATION OF THE COMPANY**

- ***Obstruction to supervision (Article 2625 of the Italian Civil Code)***

The crime is committed when control activities legally attributed to shareholders or to other company bodies are prevented or obstructed by the concealment of documents or other methods.

For this crime, an administrative pecuniary sanction is envisaged.

Penalties are increased (with imprisonment up to 1 year and doubled for companies with shares listed on the regulated Italian markets or of another country of the European Union) if such conduct has been detrimental to shareholders. In this case, the crime is punished only upon charges filed by another party.

Directors are the only persons that can be punished for the commission of the crime.

- ***Illicit influence on the General Meeting (Article 2636 of the Italian Civil Code)***

This crime occurs whenever the majority in the meetings is reached by means of simulated or fraudulent acts, in order for the offender, or for a third party, to obtain unjust profit.

The crime is defined as a common crime which may be committed by “anyone” carrying out the defined criminal conduct.

#### **4. PROTECTION AFFORDED BY THE CRIMINAL LAW AGAINST FRAUD**

- ***Agiotage (Article 2637 of the Italian Civil Code)***

This crime is committed when false information is disseminated or simulated transactions or other artificial acts are carried out, which are concretely capable of causing a significant change in the price of unlisted financial instruments or financial instruments with respect to which no request for admission to trading on a regulated market has been submitted, or of having a material impact upon the public’s reliance upon the economic stability of banks or banking groups.

This crime, too, is defined as a common crime which can be committed by “anyone” carrying out the criminal conduct as indicated.

Regarding the extent of this crime for listed companies and regarding the measures to be established to avoid it from occurring, please also refer to the provisions included in Special Section “E”.

## **5. PROTECTION AFFORDED BY THE CRIMINAL LAW OVER SUPERVISORY FUNCTIONS**

- ***Obstruction to the exercise of Public Supervisory Authorities’ functions (Articles 2638 of the Italian Civil Code)***

Two crimes are defined here, distinguished by the manner in which they are carried out:

- the first is committed (i) when material facts not corresponding to the truth relating to the assets or the economic or financial situation of the company under supervision have been included in notices required to be made by law to Public Supervisory Authorities (for the purpose of preventing such bodies from performing their duties), or (ii) when facts are concealed by other fraudulent means, concerning the same assets or the economic or financial position of the company, which should have been so communicated.

The crime may also be committed in circumstances where the information relates to property held or managed by the company on behalf of third parties;

- the second crime is committed by simply and intentionally preventing a Public Authority from performing its supervisory duties, including in any way, the omission of notices required to be made to such authorities.

Subjects that can be punished for this crime are directors, general managers, managers in charge of drawing up the company’s accounting



statements, auditors and liquidators; this crime is different from the one provided for by Article 170- *bis* of the Consolidated Law on Finance, not including the list given in Article 25-*ter* of the Decree, which penalizes the conduct of “whoever”, outside of those cases described by Article 2638 of the Italian Civil Code, such to compromise the supervisory activities entrusted to CONSOB.

## **6. PROTECTION AFFORDED BY THE CRIMINAL LAW AGAINST CORRUPTION**

- ***Corruption between individuals (Article 2635 of the Italian Criminal Code)***

This crime is included in the list of Predicate Crimes solely for active conduct. Consequently, a person is punishable under the Decree who gives or promises money or other benefits to one of the following persons (to the extent they belong to a joint stock company pursuant to Book V, Title XI, Chapter IV of the Italian Civil Code):

- a manager;
- a director;
- a manager in charge of preparing the accounting statements;
- a statutory auditor;
- a liquidator;
- a person who carries out different managerial activities to those of the persons listed above;
- a person subject to the management or supervision of one of the persons listed above.

The regulation incriminates all those who solicit or receive (including through intermediaries) money or another benefit not justifiably owed to them, or undertake to perform or omit an action in breach of the obligations of their office or loyalty obligations to their group.

Finally, it is noted that the crime may be prosecuted *ex officio*.

- ***Incitement to corruption between individuals (Article 2635-bis of the Italian Civil Code).***

Italian Legislative Decree no. 38 of March 5, 2017 regarding the Implementation of the framework decision 2003/568/GAI of the Council, dated July 22, 2003, in relation to the fight against corruption in the private sector, introduced the cases of "Incitement to corruption between individuals" which penalizes those who offer or promise money or another unjustified benefit to senior management figures or persons with managerial roles in private companies or institutions aimed at the performance or omission of an act in breach of the obligations of the office or the obligations of loyalty in the case that said offer or promise is not accepted (section 1), and those who solicit, for themselves or others, including as intermediaries, a promise or payment of money or another benefit in exchange for the performance or omission of an act in breach of the obligations of their office or the obligations of loyalty, in the case that the solicitation is not accepted (section 2).

In both cases, the penalties provided for corruption between individuals, reduced by one third, apply.

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As for penalties attributable to the Organization in the event of Corporate Crimes, these can consist of pecuniary penalties and interdictory penalties pursuant to Article 9, section 2.

In particular, in the case of crimes of corruption between individuals, penalties of a pecuniary nature for a minimum of four hundred up to a maximum of six hundred shares and interdictory penalties as per Article 9, section 2, shall apply.

In the case of incitement to corruption, a pecuniary penalty of a minimum of two hundred up to a maximum of four hundred shares shall be applied to the Organization, as shall the interdictory penalties pursuant to Article 9, section 2.

## **7. Extension of subjective qualifications**

- ***Extension of subjective qualifications (Article 2639 of the Italian Civil Code).***

The law extends the subjective application of the offenses envisaged in the present special section, equalizing the formal holder of an office or role with both the person who is required to perform the same role, otherwise qualified, and the person who in fact exercises the typical powers relating to the qualification or role in a continuous and significant way.

Furthermore, except in cases where the laws regarding crimes committed by public officials against the Public Administration apply, the punitive provisions relative to administrators also apply to persons who are legally charged by the judicial authority or the public supervisory body to manager to company or the assets held by the same or managed on behalf of third parties.

## **B.2 AT-RISK AREAS**

In relation to the crimes and criminal conduct detailed above, the areas that are more specifically considered to be at risk, also on the basis of activities performed for other Group Companies, are the following:

1. the preparation of notices addressed to shareholders or to the general public regarding TERNA's assets or its economic or financial position and that of the other Group companies, even if different from periodic accounting documents (financial statements, consolidated financial statements, quarterly and half-year reports, etc.);
2. the preparation of notices to Public Supervisory Authorities and managing relations with such bodies (Consob, Borsa Italiana, ARERA, ANAC, etc.);
3. the conclusion of extraordinary transactions, significant or internal transactions with both third parties and related parties.

In relation to the crime of corruption between individuals, the areas considered more specifically exposed to risk, also taking into account activities carried out for other Group companies, are the following:

4. the management of procurement, with particular regard to the definition and subsequent fulfillment of contractual provisions, including through intermediaries;
5. the management of relations with credit institutions;
6. the management of relations with insurance companies (solely for the definition of compensations);

7. investment activities, in Italy and abroad, with particular regard to the negotiation stages in direct dealings or competitive bidding sales processes;
8. the management of relations with investors and with financial analysts;
9. the management of relations with the media;
10. the management of relations with ratings agencies;
11. the management of relations with certification bodies;
12. the management of relations with the auditor and/or auditing company;
13. the management of relations with trade unions;
14. participation in tenders;
15. the management of disputes with counterparties, particularly with regard to the definition of settlement agreements;
16. the management of industrial, civil, instrumental and other real-estate assets, including the acquisition, divestment or transformation of the same through operations to modify works;
17. the sale, in Italy and abroad, of transformers, with particular regard to the negotiation stages in direct dealings or sales processes, including competitive bidding\*;

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\* This activity refers to the subsidiary Tamini Trasformatori S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.

18. the management of relationships with clients for realization of energy-efficiency works\*.

Any additions to the Risk Areas may be defined by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

In the Parent Company's At-Risk Areas, those activities are also included –as a caution- that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

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\* The management of relationships with clients for realization of energy-efficiency works refers to the company Atei The Energy Innovator S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

#### **B.2.1 Instrumental areas**

Furthermore, the following areas have been deemed instrumental to the aforementioned crimes of corruption between individuals:

1. the appointment of professional and consultancy roles:
2. the selection, management and incentivization of personnel;
3. corporate giving activities.

### **B.3 RECIPIENTS OF THIS SPECIAL SECTION - GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to the conduct of the Recipients as already defined in the General Section.

The purpose of this Special Section is to ensure that these Recipients, to the extent in which they may be involved in activities in At-Risk Areas, follow rules of conduct consistent with the provisions set out herein in order to prevent the occurrence of Corporate Crimes, while considering the different positions held by them with regard to the Group and, therefore, the different obligations they may have as specified in the Model.

In particular, the function of this Special Section is to:

- a. provide a list of general and specific procedural principles which Company Representatives, Suppliers and Clients will be required to comply with to ensure a correct application of the Model, based on the type of relationship they have with the Group;
- b. provide the VB and the directors of other company departments cooperating with the latter, the operational tools to control, monitor and verify the activities established.

In carrying out all activities regarding the management of the company, in addition to the rules in this Model, Company Representatives – with respect to their activity - will generally be expected to be familiar with, and comply with, all the rules, procedures and principles – that must be considered as implementing and integrating the Model – included in the following documents, whose terms for approval and change are those currently in force:



- the Code of Ethics;
- the Corporate Governance rules adopted in compliance with the Governance Code for Listed Companies and with relevant company rules;
- the Anti-Corruption Guidelines;
- the whistleblowing policy;
- Procedure for managing, processing and communicating corporate information relating to Terna S.p.A. and its subsidiaries;
- the Procedure on Internal Dealing;
- the procedures for drawing up financial statements and quarterly and interim financial reports;
- the 262 Audit Model;
- the regulations of the Financial Reporting Manager;
- administrative and accounting procedures for drawing up the financial statement and consolidated financial statements as well as the half-year reports;
- the General Accounting plan;
- the Industrial Accounting Manual;
- the procedures for approving significant transactions and managing situations of interest;
- the procedure for Transactions with Related Parties;
- the procedures for the conduct of tenders and "non-instrumental" tenders;
- the procedures for the management systems for certifications and accreditations;
- the procedures for Group's media relations activities;
- procedures relating to the assignment of consulting and professional services to third parties;
- the procedures for the organization of the Group's events;
- procedures concerning the policy and management of corporate giving requests;

- procedures for the management of requests for transfer free of charge of corporate assets;
- the Trade Compliance Policy;

In particular, in carrying out activities considered to be at risk, Company Representatives, directly, and Consultants, Partners, Suppliers and Clients according to specific contract provisions, must comply with the following general conduct principles, based on the type of relationship they have with the Group:

1. avoiding conduct representing Corporate Crimes;
2. avoiding conduct that is not in itself such as to represent the commission of one of the above Crimes, but has the potential to become so;
3. adopting proper and transparent conduct, ensuring full compliance with both the regulating law and the internal company procedures when carrying out all activities forming part of the drafting of the Accounts, of periodical accounting documents and other company notices, in order to provide shareholders and the public in general with truthful, complete and appropriate information concerning TERNA's and the Group's assets and economic and financial position.

As a consequence of the above, the following is prohibited:

- (i) preparing, presenting and communicating untrue material information, false or incomplete data or data which may in any case provide an incorrect description of the real situation, regarding TERNA's and the Group's assets or economic or financial position;
- (ii) failing to present or communicate relevant material information or data and information required by the law and by existing procedures regarding TERNA's and the Group's assets or economic or financial position;

- (iii) failing to comply with the principles and provisions included in the instructions for drawing up financial statements, interim and quarterly reports, in the administrative and accounting procedures, in the General Accounting plan and in the Industrial Accounting Manual;
- 4. maintaining correct and transparent conduct, ensuring full respect of the legal and customary rules and of the internal company procedures in carrying out all the activities aimed at managing, handling and communicating to the external world the information necessary to allow investors obtaining a well-grounded opinion on TERNA's and the Group's financial status on the whole and on the progress of the related activities, as well as on TERNA's financial instruments and relative rights.
- 5. ensuring the proper operation of the Company and of company bodies, guaranteeing and favoring all types of internal control on company management as required by the law, in addition to ensuring the free and proper application of the indications of the General Meeting.

As a consequence of the above, the following is prohibited:

- (i) conduct which hinders or obstructs, through concealment of documents or other fraudulent means, activities involved in checking, audit and managing company activities by the Board of Statutory Auditors or the Auditing Company or the shareholders;
- (ii) carrying out simulated or fraudulent acts during General Meetings intended to alter the proper procedure involving the application of the indications of the General Meeting;
- 6. making all notices, as required by law and regulations, with the Public Supervisory Authorities, in a correct, complete, proper and expeditious manner, not preventing them, in any way, from performing their duties.

As a consequence of the above, the following is prohibited:

- (i) failing to carry out the following in relation to the Authorities concerned with the necessary requirement of clarity, completeness and expedition: all notices, whether of a periodical nature or not, provided for under the law and by additional sector regulations, and the transmission of data and documents required under the law in force and/or specifically requested by the above-mentioned Authorities;
  - (ii) the inclusion of material information not corresponding to the truth or the omission of relevant material information concerning TERNA's and the Group's assets and economic and financial situation, in the above notices or in any documentation sent;
  - (iii) the adoption of any conduct to prevent the Public Supervisory Authorities from performing its duties even in the context of inspections (express opposition, unreasonable refusal, obstructive conduct or failure to give collaboration in the form of delays in notices and in making documents available);
7. careful compliance with all the provisions provided for by the law for the protection of the integrity of the share capital and always behaving with respect for company procedures that are based on such provisions with the aim to not damage the interests of creditors and third parties on this matter.

As a consequence of the above, the following is prohibited:

- (i) returning capital contributions to the shareholders or freeing them from the obligation to implement them, except for the cases of the legal reduction of the share capital;
- (ii) distributing profits (or advances on the profits) not actually earned or intended for reserves according to the law and distributing reserves (even not set up with profits) that cannot be distributed pursuant to the law;

- (iii) purchasing or underwriting TERNA's shares except for the cases provided for by the law, damaging the integrity of the share capital or of reserves that cannot be distributed according to the law;
  - (iv) implementing reductions in the share capital, carrying out mergers or split-offs in violation of the law for the protection of creditors;
  - (v) carrying out fictitious capital formation or increase;
  - (vi) distributing corporate assets among shareholders – during the winding-up phase – before paying creditors or allocating to reserves the necessary sums to pay them;
8. refraining from performing simulated or fraudulent transactions and spreading false or incorrect information, which could cause a significant price modification in non-listed financial instruments or in instruments for which an admission request to the negotiations was not submitted for a regulated market. With reference to the above, it is prohibited to publish or spread false information, or carry out simulated transactions or other fraudulent, deceiving conduct which can influence non-listed financial instruments or instruments for which an admission request to the negotiations was not submitted for a regulated market and suitable to considerably change their price.
- With reference to listed financial instruments or to instruments for which an admission request has been submitted for negotiations or for a regulated market, please refer to Special Section E;
9. ensuring, during the implementation of significant transactions carried out both with third parties and with related parties, transparency and compliance with essential and procedural correctness criteria and the approval terms provided for by internal provisions;

## **B.4 SPECIFIC PROCEDURAL RULES**

### **B.4.1 Procedural rules to be complied with in individual At-Risk Operations**

Specific procedural rules have been set out hereunder. These have to be complied with by all Company Representatives for each At-Risk Area (as identified under B.2) through existing company procedures.

1. A) the Manager in Charge of preparing the company's accounting statements (hereunder the "Manager in Charge"):
  - a) through an appropriate identification process of the principal risks concerning the preparation and distribution of the financial reports (financial statements and, if necessary, consolidated financial statement and any other financial report), ensures that the internal accounting control system aims at reaching the truthfulness and correctness objectives of the reports. These elements belong to the system:
    - the administrative and accounting procedures for drawing up financial statements and consolidated financial statements;
    - the certification - pursuant to Article 154-*bis* of Legislative Decree dated 24 February 1998, section 5 - issued by the appointed administrative body and by the Financial Reporting Manager of preparing financial statements.
    - the self-assessment of the individual departments included in the certification process for the Financial Reporting Manager;
    - the verification process implemented by the Manager in Charge on the effective application of administrative and accounting procedures pursuant to Article 154-*bis*, TUF; the communication process and all the documents aiming at giving evidence of control effectiveness and of the results of evaluations;
  - b) together with the appointed administrative body, issues - for drafting TERNA's deeds and notices intended for the market, that include TERNA's

and the Group's accounting data concerning assets and the economic and financial situation, and for drafting TERNA's financial statements, concise financial statements, abbreviated half-year reports and any other periodical financial documents, as well as for the Group's consolidated financial statement – a written declaration stating compliance with accounting books and records of TERNA's deeds and notices intended for the market and relative to the accounting reports, also periodical.

- c) verifies and certifies the following, together with the appointed administrative bodies, for the financial statement, for the Group's consolidated financial statements and for the interim report:
- i. compliance on the basis of the firm's nature and of the effective application of the administrative and accounting procedures for drawing up financial statements or abbreviated half-year reports during the period and that these documents correspond to the accounting books and records and are suitable to provide for a truthful and correct description of TERNA's assets and economic and financial situation and that of all companies included in the consolidation;
  - ii. that the documents are drawn up in compliance with the international accounting principles applied in the European Community according to EC Regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
  - iii. for the separate financial statements and the consolidated financial statements, the report on operations includes a reliable analysis of the trend and results of the operation and of the situation of the Company and of all the companies included in the consolidation, together with the description of the principal risks and uncertainties to which they are exposed;

- iv. for the abbreviated interim financial report, that the interim report on operations includes a reliable analysis of the information set forth by Article 154-ter, section 4, TUF.

The certification shall be drafted on the basis of the model provided by CONSOB<sup>1</sup>.

In subsidiaries, these certifications will have to be sent in original copy to TERNA's Financial Reporting Manager who in turn will send copy of them to TERNA's VB.

B) TERNA's Board of Directors has to supervise to ensure that the Financial Reporting Manager has, for his/her duties and the responsibilities attributed to him/her, adequate powers and means, ensuring adequate compliance of functions and relations within the Company's organizational structure.

C) In performing his/her duties, the TERNA Financial Reporting Manager:

- provides for the coordination of the procedures described above under points a), b) and c), as far as they can be applied, inside the Group;
- has access to the company's documentation necessary for the implementation of his/her activity;
- reports periodically to the Board of Directors;
- draws up a periodical operational memorandum for defining the contents and timing of the draft financial statement and of the Group's consolidated financial statements, and of any other financial documents as indicated in this point 1;
- prepares an appropriate training program, addressed to anyone who, within the departments involved, contributes, inside the Group, to drawing up the financial statement and the other financial documents indicated under this point 1, including the principal information and

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<sup>1</sup>The model is presently provided in Attachment 3C-ter of Article 81-ter of the Issuer Regulations implementing Legislative Decree no. 58 dated February 24, 1998 regarding regulations for Issuers (hereinafter "Issuer Regulations").



problems concerning the drawing up of the accounting documents; this structure also follows training for new employees and their professional updating with periodical courses.

2. In the activities involved in the preparation of informative reports, the following procedures should be complied with:
  - where controls are not possible in that the data to be used in the reports originate from external sources, it will be necessary to obtain a document certifying the truthfulness of the information from the parties from whom the information originates;
  - carrying out an assessment of the professional skills of those responsible for the preparation of such documents;
  - each company will be required to submit a declaration of veracity, correctness, precision and completeness of the information and data supplied during the collection of the necessary documentation for the preparation of the informative statements. Such declarations should be based on the same procedural principles as those set out under previous point 1. of this paragraph B.4.

Prior to starting the work for preparing the reports, an appropriate training program should be carried out for all parties involved in the activities concerned, aimed at increasing awareness of the law provisions in force and providing an explanation in practical terms of the elements involved in crime of rendering false statements. This should also include sufficient support and technical information to allow the activities to be carried out satisfactorily.

3. In the activities regarding information or data processing, management and communication to the external public concerning the Group, Company Representatives shall act in compliance with:

- a) the *"Procedure for managing, processing and communicating corporate information of Terna S.p.A and its subsidiaries"* (LG005) adopted by the Board of Directors of TERNA with resolution of December 22, 2006 as amended;
- b) the *"Procedure on Internal Dealing"* LG010, adopted by the Board of Directors of TERNA with resolution of July 27, 2016 as amended.

4. In preparing notices to Public Supervisory Authorities and in managing relations with such bodies, particular attention must be devoted to the following:

- a) legal and regulatory provisions governing notices, whether of a periodical nature or not, to be sent to such Authorities;
- b) the obligation to send to the above-mentioned Authorities the documents and data required by the law in force or specifically requested by such Authorities (e.g. Company accounts and minutes of company bodies);
- c) the obligation to collaborate with such authorities during any inspections and assessments.

Moreover, TERNA adopts procedures for managing and checking notices to Public Supervisory Authorities.

4.1 The procedures to be respected to ensure compliance with the principles set out under point 4. above must be consistent with the following criteria:

- a) all organizational and accounting measures must be implemented which are necessary to ensure that the acquisition and processing of data and information guarantees correct and complete preparation of notices and their timely forwarding to Public

Supervisory Authorities, in compliance with the procedures and time limits provided for by sector regulations;

- b) the procedures followed in the implementation of the measures described under point 1 above, must be adequately underlined, with particular reference to the identification of the managers who carried out the collection and processing of the data and information referred to;
- c) in the event of investigative inspections carried out by the authorities involved, collaboration must be provided by the relevant company departments. In particular, for each inspection established by the relevant authorities, a manager within the Company must be identified with the responsibility to ensure coordination among personnel in the different business structures for their proper implementation of the activities they are responsible for. The manager will be entrusted with the task of coordinating the different competent business units and the officers of the Authority concerned to allow the latter to obtain the elements they require;
- d) the manager appointed pursuant to point c) above will be required to draw up a special informative report on the investigations undertaken by the Authority which must be periodically up-dated in relation to the on-going progress of the investigation itself and its final outcome; this report must be sent to the VB and to the other business structures with competence in relation to the matters dealt with.

5. In managing transactions concerning assignments, distribution of profits or reserves, shares or stakes' subscription or purchase, transactions on

the company's share capital, mergers and acquisitions, assets distribution during winding-up, the following procedural principles must be respected:

- a) each activity concerning the establishment of new companies, the acquisition or sale of significant shareholdings, assignments, profits or reserves distribution, transactions on share capital, mergers and acquisitions and assets distribution during winding-up, must be submitted to the administrative body of the company involved (also a delegated body), whose decisions shall be submitted to TERNA's prior evaluation (in particular, to the Administrative Department, to the Finance, Control and M&A Department in agreement with the Legal and Corporate Affairs Department);
- b) all the documentation concerning the transactions under point a) shall be kept at the VB's disposal.

- 6. In carrying out relevant transactions with both third parties and related parties, performed directly by TERNA or through a company of the Group, Company Representatives are obliged to comply with the Guidelines for the *"Approval of significant transactions and managing situations of interest"*, adopted by TERNA's Board of Directors with resolution dated 22 February 2007 and subsequent integrations and the *"Procedure for Related-Party Transactions"* adopted by TERNA's Board of Directors with resolution dated 12 November 2010 and subsequent integrations.
- 7. In managing procurement activities and relations with credit institutions, the Company Representatives undertake to comply with the corporate procedures adopted by TERNA aimed at preventing corruptive conduct designed to obtain particularly favorable contractual conditions.
- 8. In relation to the management of investment processes (e.g. acquisitions and disposals) the Company Representatives undertake to adhere to the principles of professionalism, integrity and fairness, through:

careful analysis of the asset object of the investment process, carrying out appropriate due diligence activities whose results are properly reflected in the contractual provisions;

- identification and monitoring of any conflicts of interest;
- the involvement of several departments in the negotiation process and the subsequent signing of the agreements.

9. In relations with investors and financial analysts the Company Representatives shall provide clear, prompt and consistent information over time that must be shared with top management with the support of several departments.
10. Unless expressly authorized, Company Representatives undertake not to express opinions, make statements or provide information to the media on behalf of TERNA outside the channels and procedures established. The organization of corporate events dedicated to the media is regulated in such a way as to avoid providing gifts or forms of entertainment that could affect the objectivity of judgement and independence of the media participants.
11. The contacts with company representatives of rating agencies and certification companies must be limited to the exchange of information that is necessary - on the basis of agreed contractual provisions - for the fulfillment of the engagement, avoiding any conduct prejudicial to any behavior potentially capable of undermining their independence.
12. The selection and management of relations with the auditing company and/or the auditor is performed in compliance with the company policy and current legislation<sup>2</sup>. In particular, TERNA adopts control measures

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<sup>2</sup>Please note that Italian Legislative Decree no. 39 of January 27, 2010 reformed the legislation concerning the statutory auditor and the audit company, introducing new crimes (yet, not included in Decree 231): false statements in the reports or communications of the audit company (Article 27); corruption of auditors (Article 28); obstructed control (Article 29); illegal payments (Article 30); illegal financial relations with the audit company (Article 31).

aimed at ensuring compliance with the professional perquisites, incompatibilities and non-compliances provided for by law.

13. In the management of partnership relationships, TERNAL adopts measures aimed at preventing: 1) the Company from being held responsible for corruption activities carried out by its partners; 2) the Company from committing corruptive conduct aimed at obtaining particularly favorable contractual conditions.
14. When participating in tenders, Company Representatives shall refrain from maintaining relationships with representatives of the commissioning entity or the principal competitors for reasons other than professional motives and not attributable to the skills and functions assigned and the use of any preferential pathways - including legitimate - or personal knowledge acquired even outside of their professional environment. TERNAL also requires the person responsible for the process:
  - to complete and comprehensively inform the head of the competent department regarding the progress of the individual steps of the process;to inform the head of the competent department, without delay, of any behavior by the counterparties aimed at obtaining favors, illegal cash donations or other benefits also with respect to third parties.
15. In managing disputes with counterparties and concluding settlement agreements, Company Representatives undertake to act in order to ensure maximum transparency and traceability of the decision-making process.
16. In relation to the area regarding management of real-estate assets, there is an obligation upon every Recipient to act in observance of organizational communications and the procurement system, as well as to

verify possession of the appropriate legal acts legitimizing usage of the properties.

Specifically, according to the provisions of company procedures on purchase, divestment and transformation transactions and real-estate transactions, it is mandatory to:

- communicate with relevant company departments;
- provide for fulfillment of relative tax obligations;
- respect the defined authorization procedures (including issue of special powers of attorney, as necessary) and applicable obligations for establishment and execution of contracts, as well as establishment, amendment and termination of property rights.

17. In carrying out intra-group transactions, the Company Representatives undertake to ensure that they are preceded by an adequate evaluation and subsequent motivation by the competent bodies.

In relation to the management of these relations the provisions set out in paragraph 5 of Chapter B.3 shall apply in any event.

18. In relation to the instrumental area regarding assignment of professional and consultancy roles, it is mandatory to:

- respect the authorization procedures applicable for the type of service and amount, as defined by the procedures;
- indicate the criteria used for assignment;
- guarantee rotation among professionals selected for individual types;
- outline the roles and consulting activities in writing, with indication of the agreed fees;
- include a clause in which they undertake, in the performance of their activities, not to make donations that exceed a modest value that could be interpreted as exceeding the normal business practices or courtesy, or

are designed to obtain favorable treatment in the performance of those activities;

- fulfill all reporting obligations as per procedures.

Finally, there is an obligation for all relevant company departments to verify *ex-post* that the service has been effectively provided and in line with the amount agreed.

19. In relation to the instrumental area regarding the selection, management and incentivization of personnel, it is prohibited to hire any personnel or promise to hire personnel, as well as to incent personnel via promotion, monetary bonuses or other benefits, except on the basis of criteria of objectiveness, skills and professional experience. Any action that leads to favoritism, nepotism or any form of patronage capable of influencing the independence of a public official or employee of a public service or inducing them to guarantee any advantage for the Company is prohibited.
20. In relation to the instrumental area regarding corporate giving activities, it is prohibited to distribute and/or receive gifts or presents or grant other benefits of any kind, outside that provided for in the company policies. In particular, it is prohibited to offer any type of gift—made on one’s own initiative or upon solicitation—to Italian and foreign public officers (even in Countries where gift-giving is a widespread practice) or to their relatives, which may affect their impartiality of judgement or induce them to ensure any kind of advantage to the Company.

Gifts that are allowed shall always be of low value or be intended to promote social, environmental, humanitarian and cultural initiatives, or the Group’s brand image. Gifts offered or received must be sufficiently documented as per procedures.



In any case, it is prohibited to pay fees or provide services that are not sufficiently justified in relation to the duties performed, fees received and the characteristics of the partnership agreement.

## **B.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA S.p.A.'s Vigilance Body shall:

- A. evaluate the suitability of procedures adopted in this regard through hearings or documentary checks;
- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. provide the management with recommendations about the most appropriate upgrades to the financial resources (both in and out) already used by the Group, and introducing devices to detect atypical financial flows characterized by greater-than-expected margins of discretion.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be called upon as and when the VB deems it appropriate.

The information to the VB shall be provided promptly in the case of discovery of violations of the specific procedural principles as indicated in the dedicated Chapter of this Special Section, or significant violations to company procedures regarding the risk areas indicated in this special section.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "C"**

**TERRORISM CRIMES  
AND OF SUBVERSION OF DEMOCRACY**

CEO Approval

Luigi Ferraris

January 29, 2019

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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "C", the definitions of the General Section remain valid.

### **C.1 TYPES OF TERRORISM CRIMES AND OF SUBVERSION OF DEMOCRACY**

This Special Section "C" refers to crimes aimed at terrorism or at the subversion of democracy.

Art. 3 of Law no. 7 of January 14, 2003 ratified and rendered effective in Italy the International Convention for the suppression of the financing of terrorism, signed in New York on December 9, 1999, introducing Art. 25-*quater* to the Decree.

#### **1. CRIMES INCLUDED IN THE ITALIAN CRIMINAL CODE**

- ***Subversive Associations (Article 270 of the Italian Criminal Code.)***

This crime is committed when, within the territory of the State, any person promotes, forms, organizes or manages associations aimed at violently establishing a dictatorship of one social class over another, or violently eliminating a social class or violently subverting the economic and social orders of the State having as their aim the violent suppression of any political and legal system in the society.

- ***Associations with terrorist or subversive purposes, also of an international nature, against the democratic order (Article 270-bis of the Italian Criminal Code)***

This crime is committed when any person promotes, forms, organizes, manages or funds associations that are set out to perform acts of violence aimed at terrorism or at the subversion of democracy.

According to the Criminal law, terrorism objectives also include those acts of violence addressed against a foreign nation, institution or international organization.

- ***Crime involved in assisting the associates (Article 270-ter of the Italian Criminal Code.)***

This crime is committed when any person, with the exception of cases of participating in or facilitating a crime, offers refuge or hospitality, means of transportation or means of communication to any person who participates in the associations specified in the above-mentioned Articles 270 and 270-bis of the Italian Criminal Code.

If the person commits the crime in support of a close relative, he/she is not punishable.

- ***Recruitment with the aim of terrorism, also of an international nature (Article 270-quater Italian Criminal Code.)***

This crime is committed when any person, with the exception of the cases specified in Article 270-bis, recruits one or more persons for carrying out acts of violence or for the sabotage of crucial public services, aimed at terrorism, even if addressed against a foreign nation, institution or international organization and, with the exception of training, is also committed by the person recruited.

- ***Organization of transfers with the aim of terrorism (Article 270-quater 1 of the Italian Criminal Code)***

This crime is committed when any person, with the exception of cases specified in Articles 270-*bis* and 270-*quater* of the Italian Criminal Code, organizes, funds or advertises travel to foreign territories aimed at carrying out acts of terrorism included within Article 270-*sexies* of the Italian Criminal Code

- ***Training and activity aimed at terrorism, also of an international nature (Article 270-*quinquies* of the Italian Criminal Code.)***

This crime is committed when any person, with the exception of cases specified Article 270-*bis*, trains or provides instructions on the preparation or use of explosive materials, fire weapons, or other weapons, of chemical or bacteriological weapons that are harmful and dangerous, as well as any other technique or method for performing acts of violence aimed at terrorism, even if against a foreign nation, institution or international organization.

- ***Conduct with terrorist purposes (Article 270-*sexies* of the Italian Criminal Code.)***

Conduct that owing to its nature or context can seriously damage a nation or an international organization and that is performed with the purpose of intimidating the population and forcing public authorities or an international organization to perform or not perform any act or destabilize or destroy the fundamental public, constitutional, economic and social structures of a nation or of an international organization, as well as other conduct defined as terrorism or committed with terrorist purposes is defined as having terrorist purposes by conventions or other international law provisions in force in Italy.

- ***Act of terrorism or subversion (Article 280 of the Italian Criminal Code)***



This crime is committed when any person, for purposes of terrorism or of subverting democracy, attempts against the life or safety of another person.

The crime becomes aggravated if the attempt against the safety of any person causes a serious injury or the death of the person, or if the action is addressed against persons who perform legal or penitentiary functions, i.e. for public safety while they are performing their duties.

- ***Terrorist act with lethal or explosive devices (Article 280-bis of the Italian Criminal Code)***

This crime is committed when any person, for terrorist purposes, carries out any acts aimed at damaging tangible or intangible property belonging to another person, through the use of lethal or explosive devices.

- ***Unlawful restraint for terrorist or subversive purposes (Article 289-bis of the Italian Criminal Code)***

This crime is committed when any person kidnaps another person for terrorist purposes or for subverting democracy.

The crime is aggravated by the death, intentional or unintentional, of the person kidnapped.

- ***Incitement to commit one of the crimes against the figure of the State (Article 302 of the Italian Criminal Code)***

This crime is committed when someone instigates any person to committing one of the unintentional crimes envisaged in the chapter of the Italian Criminal Code devoted to crimes against the figure of the State, for which the law establishes life-imprisonment or imprisonment. Mitigating circumstances are the cases in which the instigation is not accepted, or if accepted, the crime is not however committed.

- ***Political conspiracy by means of an agreement or of an association (Articles 304 and 305 of the Italian Criminal Code.)***

This crime is committed when any person agrees upon or associates with others for the purpose of committing one of the crimes described in the above-mentioned point (Article 302 Italian Criminal Code).

- ***Armed band: establishment and participation and assistance to the participants in conspiracy (Articles 306 and 307 of the Italian Criminal Code)***

These crimes are committed when any person (i) promotes, establishes or organizes an armed band with the purpose of committing one of the crimes described in Article 302 of the Italian Criminal Code (ii) with the exception of participation in the crime or of complicity, offers refuge, board, hospitality, means of transportation or of communication to any person participating in the association or the band, as stated in Articles 305 and 306 of the Italian Criminal Code.

## **2. CRIMES WITH THE OBJECTIVE OF TERRORISM OR SUBVERTING DEMOCRACY AS ESTABLISHED BY SPECIAL LAWS**

Along with the cases expressly ruled by the Italian Criminal Code and in compliance with the terms stated in Italian Legislative Decree 231/2001, crimes included in provisions contained in special laws must also be considered.

- The above-mentioned provisions include Article 1 of Law no. 15 of February 6, 1980 which states that an aggravating circumstance

applicable to any crime is the fact that the crime itself was “committed with objectives of terrorism and of subverting democracy”. Consequently, any crime included in the Italian Criminal Code or in special laws, even if different from those expressly aimed at punishing terrorism, can become, provided it is committed with these objectives, one of those crimes representing, as stated in Article 25-*quater*, basis for establishing the Corporation’s responsibility.

- Other provisions specifically aimed at preventing crimes committed with terrorist objectives are contained in Law no. 342 of May 10, 1976 regarding crimes against air traffic safety and in Law no. 422 of December 28, 1989, regarding crimes against maritime navigation safety and crimes against the safety of fixed installations on the intercontinental platform.

### **3. CRIMES WITH TERRORIST PURPOSES IN VIOLATION OF ARTICLE 2 OF THE NEW YORK CONVENTION DATED DECEMBER 9, 1999**

In compliance with the above-mentioned Article, a crime is committed when any person by any means, directly or indirectly, provides or collects funds with the intention of utilizing them or knowing that such funds are intended to be utilized, fully or partially in order to perform:

- (a) an act representing a crime according to the terms and as defined in one of the treaties listed in the attachment; or
- (b) any other act aimed at causing the death or serious physical injury to a civilian, or any other person not having an active part in situations of armed conflict, when the objective of such act is to intimidate a population, or to obligate a government or international organization to perform or refrain from performing a certain action.

In order for an act to involve one of the above-mentioned definitions, it is not necessary that the funds be actually utilized to perform the provisions described in points (a) and (b).

A crime is considered committed, anyhow, by any person who attempts to commit one of the above-mentioned crimes.

A crime is also committed by any person who:

- (a) participates as an accomplice in committing one of the above-mentioned crimes;
- (b) organizes or directs other persons with the objective of committing one of the above-mentioned crimes;
- (c) contributes to committing one or more of the above-mentioned crimes with a group of persons that act with a common objective. This act must be intentional and:
  - (i) must be committed with the objective of facilitating the group's criminal objectives, where such activity or objective implies the committing of the crime; or
  - (ii) the person must have a full awareness that the group's intention is that of committing a crime.

In order to determine whether or not the risk of committing such a type of crime is recognizable, it is necessary to examine the subjective profile requested by the rule regarding the identification of a crime.

From a subjective point of view, terrorist crimes are considered as willful crimes. Therefore, in order for willful crimes to be committed, from the point of view of the person's psychological representation, the latter must be aware of the action's illegality and must want to perform such action through a conduct that is traceable to him. Therefore, in order for the types of crimes in question to be identified, it is necessary that the person is aware of the terrorist nature of the action and that he/she has the intention to support it.

The above being considered, in order to identify criminal conduct that is part of a terrorist crime, it is necessary that the person is aware of the fact that the association to which the funding is being donated has objectives of terrorism or of subversion and that he/she has the intention of supporting such activity.

Moreover, this type of crime would also occur if the subject acts willfully. In this case, the person should foresee and accept the risk of the occurrence of the event, while not wishing for it directly. Foreseeing the risk of the occurrence of the event and the willful intention of adopting criminal conduct must however be inferable from univocal and objective elements.

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For crimes of terrorism or subversion of democracy, the pecuniary penalty that can be applied to the Corporation ranges from a minimum of 200 to a maximum of 1000 shares; therefore, considering that the amount of a share may vary from around € 258 to around € 1,549, the pecuniary penalty may reach around € 1.5 million. Moreover, for these crimes, disqualifications can be applied to the Corporation as established by Article 9, section 2, of the Decree, for at least one year, in addition to indefinite disqualifications from performing its business activity pursuant to Article 16, section 3, of the Decree.

## **C.2 AT-RISK AREAS**

With regard to the criminal conduct described above, the areas that are considered to be more specifically at-risk are -in relation to this Special Section "C" of the Model- the financial or commercial transactions involving TERNA and/or other Group Companies with:

1. individuals and legal entities residing in at-risk countries identified in the so-called "Lists of Countries" and/or individuals or legal entities indicated in the so-called "Nominative Lists" (hereinafter collectively the "Lists") connected to international terrorism and listed on the Bank of Italy website (Financial Intelligence Unit (FIU) > combating the funding of terrorism > lists) and also indicated in the Lists published by the Office of Foreign Assets Control.
2. companies controlled directly or indirectly by the above-mentioned subjects.

Special reference is made to transactions carried out within international merger & acquisition activity that can originate financial flows directed towards foreign countries.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

Any additions to the abovementioned At-Risk Areas shall be provided by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

### **C.3 RECIPIENTS OF THIS SPECIAL SECTION - GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to conduct carried out by Company Representatives and External Collaborators.

The objective of this Special Section is that these subjects, if they are involved in carrying out activities in At-Risk Areas, respect conduct rules in compliance with the provisions stated in this Special Section in order to prevent and avoid Terrorist Crimes from occurring, while considering the different position of each of the subjects with respect to the Group and, therefore, of their obligations as specified in the Model.

In particular, the function of this Special Section is to:

- a. provide a list of the general and specific procedural rules which the Recipients, in relation to the type of relation they have with the Group, must comply with for correctly applying the Model;
- b. provide the VB and the Directors of other company departments cooperating with the latter, the operational tools to control, monitor and verify the activities established.

In carrying out all the operations regarding company management, in addition to the rules included in this Model, Company Representatives must in general know and respect –with reference to their respective activities- all the rules and principles contained in the following documents:

- The Code of Ethics;
- the whistleblowing policy;
- the Trade Compliance Policy;
- procedures adopted by TERNA concerning the qualification and selection of suppliers, among which, by way of an example:



- a) Terna's Regulations for the qualification of companies;
- b) Monitoring of qualified companies;
- c) Terna's Regulations on procurement;
- d) Transparency in the procurement process;
- procedures regarding evaluation of counterparties.

Specifically, in carrying out At-Risk activities, this Special Section explicitly prohibits Company Representatives and External Collaborators from:

1. engaging in, promoting, collaborating or causing conduct that if taken individually or collectively integrate directly or indirectly the types of Crimes that fall under those considered in this Special Section (Article 25-*quater* of the Decree);
2. utilizing, even if occasionally, TERNA or one of its organizational units with the purpose of allowing or facilitating a crime included in this Special Section being committed;
3. promoting, establishing, organizing or managing associations that intend to commit acts of violence particularly with the aim of subverting democracy;
4. providing, directly or indirectly, funds in support of subjects that intend to carry out Terrorist Crimes;
5. taking on or assigning orders or carrying out any type of commercial and/or financial transactions, either directly or through an intermediate person, with subjects – natural persons or corporations – whose names are included in the Lists or controlled by subjects included in the Lists and this type of control is known;

6. taking on or assigning orders or carrying out any type of commercial and/or financial transactions, either directly or through an intermediate person, with subjects – natural persons or corporations - residing in the countries included in the Lists;
7. carrying out transactions, taking on or assigning orders that present anomalous characteristics according to type or object and establishing or maintaining relations with anomalous profiles from the point of view of reliability and reputation of the subjects and of the transactions to be concluded.

## **C.4 SPECIFIC PROCEDURAL RULES**

### **C.4.1 Procedural rules to be complied with in individual At-Risk Operations**

Below the procedural rules are listed that, in relation to each At-Risk Area (as identified in paragraph C.2), must be implemented in specific company procedures that the Company Representatives must comply with:

1. any financial transaction must provide for the beneficiary's knowledge, at least directly, of the relative sum;
2. significant transactions must be carried out with natural persons or corporations who have been preventively checked through appropriate controls, assessments and verifications (for example, presence in the Lists; personal references; etc.);
3. in the event TERNA involves in its transactions those subjects whose names are included in the Lists or who are notoriously controlled by subjects included in the Lists, such transactions must be submitted to the VB;
4. in the case that irregular transactions are proposed within the context of the Company, the VB must be promptly informed;
5. contracts with External Collaborators must include a specific statement according to the terms established in the company procedures and/or to the VB's indications, which must clearly indicate that the parties are fully aware of their mutual commitment to establish conduct aimed at implementing initiatives based on transparency principles in the strictest compliance with legal provisions;

6. in the case that the Company uses agents for promotion or representation in order to close contracts, for the performance of the aforementioned activity, there is an obligation to take particular care to ensure the professional and reputational reliability of these parties;
7. data collected relative to relations with customers and External Collaborators must be complete and updated, both to properly and immediately identifying them, and to correctly evaluate their profile.

## **C.5 INSTRUCTIONS AND INSPECTIONS OF THE VB**

The VB's duties in relation to compliance with the Model regarding Terrorist Crimes are as follows:

- A. evaluate the suitability of procedures adopted in this regard through hearings or documentary checks;
- B. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to assess their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- C. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- D. provide the management with recommendations about the most appropriate upgrades to the financial resources (both in and out) already used by the Group, and introducing devices to detect atypical financial flows characterized by greater-than-expected margins of discretion.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be contacted as and when the VB deems it appropriate.

The information to the VB shall be given timely should violations to specific procedural principles be detected as indicated in Chapter C.4 of this Special Section, or significant violations to company procedures regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "D"**

**CRIMES AGAINST THE INDIVIDUAL, AGAINST EQUALITY AND IN  
VIOLATION OF THE CONSOLIDATED LAW ON IMMIGRATION**

CEO Approval

Luigi Ferraris

January 29, 2019

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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "D", the definitions of the General Section remain valid.

## **D.1 CRIMES AGAINST THE INDIVIDUAL, EQUALITY AND IN BREACH OF THE CONSOLIDATED LAW ON IMMIGRATION**

### **A) CRIMES AGAINST INDIVIDUALS**

Article 5 of Law no. 228 dated 11 August 2003 introduced Article 25-*quinquies* in the Decree, which establishes the application of relative sanctions to the Organizations in which representatives commit crimes against individuals (if the Corporation or one of its organizational units is steadily utilized with the sole or prevalent purpose of allowing or facilitating crimes being committed as considered in this Special Section, the penalty of indefinite disqualification from performing business activity is applied).

- ***Reducing to slavery or enslaving (Article 600 of the Italian Criminal Code)***

This crime is committed when someone exercises over a person powers corresponding to those of the right of ownership, or reduces or keeps a person in a condition of continuous subjection, forcing that person to perform work or sexual activity, or begging, or any illegal activity that involves exploitation or the removal of organs.

Reducing or maintaining in a condition of subjection occurs when such conduct is carried out through violence, threats, deceit, abuse of authority or exploitation of a situation of physical or psychological inferiority or of a situation of need, or through promises or giving amounts of money or other benefits by the person having authority over the other person.

- ***Juvenile Prostitution (Art. 600-bis Italian Criminal Code)***

This crime is committed when any person:

- a) recruits or induces a person under the age of eighteen to prostitution;
- b) encourages, exploits, manages, organizes or controls the prostitution of a person under the age of eighteen, or otherwise profits from the same.

The crime in question punishes anyone, with the exception of where the deed constitutes a more serious crime, who has performed sexual acts with a child between the ages of fourteen and eighteen, in exchange for money or other benefits, even merely promised.

- ***Juvenile Pornography*<sup>1</sup>(Art. 600-ter Italian Criminal Code)**

This crime includes any person who:

- a) realizes pornographic performances or exhibitions or produces pornography using children under the age of eighteen;
- b) recruits or induces children under the age of eighteen to participate in pornographic performances or exhibitions or makes a profit from the above-mentioned performances;
- c) trades above-mentioned pornographic material.

In addition to the cases established in the first and second sections, punishment is inflicted also to any person who, through any means, also via computer, distributes, circulates, disseminates or advertises pornographic material as stated in section one, or distributes or circulates news or information aimed at luring or sexually exploiting children under the age of eighteen; or who, in addition to the cases established in the first, second and third sections, offers or gives others, even free of charge, the pornographic material produced and referred to in section one, or anyone assisting in pornographic performances or exhibitions that involve children under the age of eighteen, with the exception of where the deed constitutes a more serious crime.

- ***Possession of pornographic material (Article 600-quater of the Italian Criminal Code)***

This crime is committed when a person, in addition to the cases established in Article 600-ter of the Italian Criminal Code, willfully obtains or is in

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<sup>1</sup> Juvenile pornography refers to any representation, through any means, of a child under the age of eighteen engaged in explicit sexual activities, whether real or simulated, or any representation of the sexual organs of a child under the age of eighteen for sexual purposes.

possession of pornographic material produced using minors under the age of eighteen. Large quantities of material entail an increased punishment.

- ***Virtual Pornography (Article 600-quater of the Italian Criminal Code)***

The crimes mentioned in Articles 600-ter and 600-quater also include pornographic material consisting of virtual images made using the images of children under the age of eighteen or parts thereof. Virtual images refer to images created using graphic techniques which are not associated, in whole or in part, to real situations, the quality of which, however, make them look like real situations.

- ***Tourist projects aimed at the exploitation of juvenile prostitution (Art. 600-quinquies Italian Criminal Code.)***

This crime is committed when a person organizes or advertises travel aimed at prostitution activities harmful to children or inclusive of such activity.

- ***Slave trade (Art. 601 Italian Criminal Code.)***

This crime is committed when a person recruits, introduces into the territory of the country, or moves out of the same, transports, gives authority over the person or hosts one or more people that find themselves in the conditions stated in Article 600 of the Italian Criminal Code, or behaves in the same way towards one or more persons through deceit, the use of violence, threat, abuse of authority or the exploitation of a situation of vulnerability (physical or psychologically inferior condition, or situation of need) or through promises of or giving money or other benefits, to the person over which they have authority, in order to induce or force them to perform work or sexual activity, or begging, or any illegal activity that involves exploitation or the removal of organs.

The same punishment is applied to anyone who behaves in the same way towards minors, even outside the criteria referred to in section 1.

- ***Purchase and disposal of slaves (art. 602 Italian Criminal Code.)***

This crime is committed when a person, in addition to the cases envisaged in Article 601 of the Italian Criminal Code, purchases or sells, or transfers a person who is found to be in one of the conditions as stated in Article 600 of the Italian Criminal Code.

- ***Illicit mediation and exploitation of labor (illegal recruitment) (Article 603-bis of the Italian Criminal Code)***

This type of offence aims to protect workers who are recruited in order to be exploited by a third-party employer.

In particular, the law penalizes those who recruit workers to work for third parties in exploitative conditions, taking advantage of the state of need of the workers, or rather the recruiter; and those who employ or engage workers, including through intermediaries as per point 1), subjecting the workers to exploitative conditions and taking advantage of their state of need, or rather the employer.

- ***Child grooming<sup>2</sup> (Article 609-undecies of the Italian Criminal Code)***

This crime is committed when, if the deed does not constitute a more serious crime, a person, for the purposes of committing crimes referred to in Articles 600, 600-bis, 600-ter and 600-quater, also in relation to pornographic material referred to in Articles 600-quater-1, 600-quinquies, 609-bis, 609-quater, 609-quinquies and 609-octies, grooms a child of sixteen years or younger.

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<sup>2</sup> Grooming refers to any act aimed at eliciting the trust of a minor through artifice, flattery or threats made also through the use of the Internet or other networks or communication means.

With regard to the above-mentioned crimes, it is necessary to bear in mind that not only those persons who directly engage in criminal activity are to be considered as being responsible, but also those persons who willfully engage in, even if only financially, the same conduct.

Consequently, crimes considered above could include any financial disbursement granted to third parties, made by TERNA with the awareness that such disbursement could be utilized by such parties for criminal purposes.

For Crimes against individuals, a pecuniary sanction may be applied to the Organization ranging from 200 to 1000 shares; therefore, considering that the value of a share may vary from around € 258 to around € 1,549, the pecuniary penalty may reach around € 1.5 million. Moreover, for these crimes, disqualifications can be applied to the Corporation as established by Article 9, section 2, of the Decree, for at least one year, in addition to indefinite disqualifications from performing its business activity pursuant to Article 16, section 3, of the Decree, should the organization or its organizational unit be steadily used for the sole or prevailing purpose of allowing or facilitating these crimes.

## **B) CRIMES AGAINST EQUALITY**

Italian Law no. 167 of November 20, 2017 (European Law 2017), containing "*Regulations for fulfillment of obligations deriving from membership of Italy in the European Union*" introduced art. 25-terdecies, entitled "*racism and xenophobia*", adding the offense *Propaganda and instigation to commit a crime for reasons of racial, ethnic or religious discrimination*" amongst the crimes defined by Italian Legislative Decree 231/01, such offense being defined and punished by Art. 604-bis of the Italian Civil Code.

- ***Propaganda and instigation to commit a crime for reasons of racial, ethnic or religious discrimination (art. 604-bis Italian Criminal Code)***

This crime punishes all conduct of propaganda, instigation, incitement, commission, organization, association, movement or group founded on racial, ethnic, national or religious grounds.

In particular, the following activities are punished:

- those that promote ideas based on racial or ethnic superiority or hatred, or that instigate commission of or commit acts of discrimination for racial, ethnic, national or religious reasons;
- those that in any way instigate or commit violence or acts provoking violence for racial, ethnic, national or religious reasons;
- those participating, supporting, promoting or managing an organization, association, movement or group that includes incitement of discrimination or violence for racial, ethnic, national or religious reasons amongst its aims.

A pecuniary penalty from 200 to 800 shares and the interdictory penalties defined by Article 9, section 2 for a duration of no less than one year apply to the organization. Furthermore, the definitive interdictory penalty regarding exercise of the activity applies as per Art. 16, section 3 in the case that the organization or one of its organizational units is used on an ongoing basis for the sole or prevailing purpose of allowing or facilitating these crimes.

### **C) CRIMES SET FORTH BY THE CONSOLIDATED LAW ON IMMIGRATION**

Legislative Decree no 109 dated 16 July 2012, entitled "*Implementation of Directive 2009/52/EC providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals*", in Article 2, by inserting in the Decree Article 25-*duodecies*, provides the extension of administrative responsibility for the Entities violating certain standards relating to the employment of illegally staying third-country nationals, as established in Legislative Decree no. 286 dated 25 July 1998 (the Consolidated Law on Immigration).

Furthermore, Law no. 161 of October 17, 2017 referring to *“Amendments to the anti-mafia law and preventative measures, pursuant to Italian Legislative Decree no. 159 of September 6, 2011, the Italian Criminal Code and regulations, including temporary regulations, regarding the implementation and coordination of the criminal procedure and other provisions. Powers of the Government for the protection of jobs in seized and confiscated companies”* introduced as crimes those provided for by Article 12, sections 3, 3-bis, 3-ter and 5 of the Consolidated Law on Immigration.

- ***Employment of citizens of other countries illegally residing in Italy (Article 22, section 12 and 12-bis, Italian Legislative Decree no. 286/1998)***

This crime is committed when the employer which hires foreign workers without residence permit or whose permit has expired and has not been requested, in accordance with the law, to be renewed or has been revoked or cancelled.

Article 22, section 12-*bis*, Italian Legislative Decree 286/1998 provides for an increase of the penalties by a third to half if the following assumptions occur:

- if the hired workers are more than three;
- if the hired workers are children in non-working age;
- if the hired workers are subject to the other particularly exploitative working conditions under section 3 of Article 603-*bis* of the Italian Criminal Code (i.e., in addition to the assumptions above, if workers are exposed to situations of serious danger, having regard to the characteristic of the performances to be undertaken and working conditions).

The organization’s responsibility occurs, therefore, when the crime is aggravated by the number of the hired subjects or by their non-working age or, lastly, by work performed in conditions of serious danger.



For Crimes of employment of illegally staying third-country nationals, a pecuniary penalty may be applied to the organization ranging from 100 to 200 shares, within the limit of € 150,000.

- ***Provisions against illegal immigration (Article 12, sections 3, 3 bis, 3 ter and 5, Legislative Decree no. 286/1998).***

Such offenses are intended to incriminate the illegal trafficking of migrants, which applies in the case of direct acts to facilitate the entry of immigrants into the country in breach of the Consolidated Law on Immigration no. 286/1998 or, in any case, the case of direct acts to facilitate the illegal entry to another country of which the person is not a citizen nor has the right of permanent residency in order to derive direct or indirect profit.

In particular, Article 12, sections 3, 3-*bis* and 3-*ter* penalizes those who *"...promote, direct, organize, finance and carry out the transportation of foreign nationals into the country or commit other direct acts to facilitate the illegal entrance of foreign nationals into the country or any other country of which the person is not a citizen nor has the right of permanent residency"*.

Article 12, section 5 penalizes those who *"in order to derive an unfair profit from the illegal status of the foreign national or in the context of activities punishable by law [article 12], facilitate the residence of such foreign nationals in the country in breach of the regulations"* set forth by the Consolidated Law on Immigration.

As regards penalties, in the first circumstance a pecuniary penalty of between 400 and 1000 shares is applied to the organization; in the second circumstance, a pecuniary penalty of between 100 and 200 shares is applied.

In both cases, disqualification sanctions apply pursuant to Article 9, section 2 of Italian Legislative Decree 231/2001 for a duration of no less than one year.

Finally, under the terms of Article 10 of Law no. 146 of 2006, the aforementioned circumstances and the aiding and abetting pursuant to Article 378 of the Italian Criminal Code are also applicable to this Special Section in cases of an international nature as defined by Article 3 of Law no. 146/06.

In particular, the offense of aiding and abetting pursuant to Article 378 of the Italian Criminal Code incriminates those who, after an offense punishable by life imprisonment or confinement has been committed and asides from cases of accomplices in the same, help such persons to avoid investigation by Italian or international authorities.

The company may be held responsible not only for acts of omission (such as withholding or falsifying the identity of the guilty party) but also direct actions such to represent the creation of obstructions to the investigations.

As regards the penalties, an administrative pecuniary sanction from two hundred to one thousand shares is applied to the organization in the case of international trafficking of migrants and a pecuniary penalty of up to a maximum of 500 shares in the case of international aiding and abetting.

## **D.2 AT-RISK AREAS**

According to the terms of this Special Section “D” of the Model and in relation to the above-mentioned crimes and criminal conduct, the areas that are more specifically considered to be at-risk are the following:

1. management of commercial activity, also in partnership with third parties or by relying on local entrepreneurs, in Countries where individual rights are not fully protected;
2. signing of contracts with companies that utilize unskilled personnel coming from countries outside of the European Union;
3. personnel selection;
4. the qualification of suppliers;
5. operational management of sites, with specific reference to access control.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

Any additions to the abovementioned At-Risk Areas shall be provided by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

### **D.3 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to conduct established by Company Representatives and by External Collaborators.

The objective of this Special Section is that such parties, to the extent in which they can be involved in carrying out activities in At-Risk Areas, comply with conduct regulations in order to prevent and avoid the occurrence of Crimes against Individuals and the Crime of employment of illegally staying third-party nationals, while considering the different position of each party with respect to the Group and therefore their different obligations as specified in the Model.

In particular, the function of this Special Section is to:

- a. provide a list of general rules as well as specific procedural rules which the Company Representatives and the External Collaborators, with regard to the type of relation existing with the Group, should comply with in order to properly apply the Model;
- b. provide the VB and the Directors of other company departments cooperating with the latter, the operational tools to control, monitor and verify the activities established.

In carrying out all the operations pertaining to company management, in addition to the regulations included in this Model, Company Representatives should in general know and respect all the regulations and principles contained in the following documents, with reference to their respective activities:

- a. the Code of Ethics;
- b. the whistleblowing policy;
- c. procedure on the Protection of Human Rights within the Terna Group;

- d. procedures concerning the ways in which recruitment and external selection are conducted;
- e. informative procedures for hiring and managing personnel;
- f. the CCNL (National Collective Labor Contract) in force;
- g. procedures adopted by TERNAL concerning the qualification and selection of suppliers, among which, by way of an example;
- h. procedures relative to management of site security;
- i. procedures on the Organization of Occupational Health and Safety in the context of the activities carried out abroad by the Terna Group;
- l. any other internal regulation concerning the Group's internal control system.

Specifically, in carrying out at-risk activities, the Recipients are expressly prohibited to:

1. maintain, promote, collaborate in or cause conduct that, if taken individually or collectively, integrate directly or indirectly the types of crimes that fall under those considered in this Special Section (Article 25-*quinqies* and 25-*duodecies* of the Decree);
2. engage in conduct that, even if not considered as representing per se the types of Crimes included in the above-mentioned ones, can potentially become such;
3. utilize, even if occasionally, TERNAL or one of its organizational units with the purpose of allowing or facilitating a crime included in this Special Section being committed.

## **D.4 SPECIFIC PROCEDURAL RULES**

### **D.4.1 Procedural rules to be complied with in individual At-Risk Operations**

With reference to each single At-Risk Area (as identified in section D.2), the procedural rules are indicated hereunder that must be implemented in specific company procedures and respected by all Company Representatives:

1. External Collaborators should respect law provisions regarding the protection of child labor and of women, hygienic-sanitary conditions, safety, union rights or right to form associations and to representation included in the regulations of the country where they work, with the exception of the provisions stated below;
2. the selection of counterparts for providing special services (as for example companies with a high amount of unskilled labor), whether Partners or Suppliers, should be conducted with particular attention and on the basis of appropriate internal procedures. Specifically, the reliability of such Partners or Suppliers should be evaluated in order to prevent the Crimes included in this Special Section, also through specific *ex ante* investigations;
3. in case of personnel being directly hired, the respect of labor provisions and union agreements for hiring employees should be verified as well as the labor relation in general. It is also necessary to verify compliance with the conduct regulations in the work place and in any case special attention should be placed to abnormal work situations;
4. if a Partner has a registered office abroad and carries out work for TERNA abroad, the Partner should comply with local rules or, if stricter, with the ILO conventions on the minimum age for employment and on

the worst forms of child labor ("C138 Minimum Age Convention, 1973" and "C182 Worst Forms of Child Labor Convention 1999");

5. in the case that a maintenance works manager discovers the irregular management of employees used the Partner, the manager must immediately inform his/her own manager who shall conduct an evaluation and take, where necessary, the appropriate action;
6. The appointed person shall monitor work accesses and prevent the entry of those without the necessary authorization;
7. Partnership and Supplier contracts should contain a clause through which Partners and Suppliers expressly declare to comply with the principles provided by the 231 Model and the TERNA Code of Ethics. Furthermore, External Collaborators must declare any definitive convictions of a 231 offence and any ongoing criminal proceedings relating to a 231 offence.
8. all Company Representatives should comply with the term of the Code of Ethics aimed at prohibiting any conduct that is in contrast with the prevention of Crimes included in this Special Section;
9. in case violations of the provisions of the Decree are reported concerning its Company Representatives and/or External Collaborators, TERNA should undertake the most appropriate initiatives to acquire every related useful information;
10. in case doubts persist regarding the proper conduct of External Collaborators, the VB will issue notification for the CEO and/or the Executive Bodies of the Companies involved.





## **D.5 INSTRUCTIONS AND INSPECTIONS OF THE VB**

TERNA's Vigilance Body shall:

- A. evaluate the suitability of procedures adopted in this regard, through hearings and/or documentary checks;
- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be contacted as and when the VB deems it appropriate.

The information to the VB shall be given timely should violations to specific procedural principles be detected as indicated in Chapter D.4 of this Special Section, or significant violations to company procedures regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "E"**

**MARKET ABUSE**

CEO Approval
Luigi Ferraris
January 29, 2019

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## DEFINITIONS

With the exception of the new definitions included in this Special Section “E”, the definitions of the General Section remain valid.

### **E.1 TYPES OF CRIMES AND THE ADMINISTRATIVE CRIME OF MARKET ABUSE (Article 25-sexies of the Decree and Article 187-quinquies of the “Consolidated Finance Act” hereinafter “TUF”)**

This Special Section “E” refers to crimes and administrative offenses of market abuse and in particular: **crimes** of insider dealing and market manipulation as per part V, title I-*bis*, chapter II (Criminal penalties) of Italian Legislative Decree no. 58 of February 24, 1998 (the “**TUF**”).

- The crimes in question are attributable to natural persons and also form the basis for administrative responsibility relative to the crime for organizations under the terms of Art. 25-*sexies* of the Decree;
- **administrative offenses** as per part V, title I-*bis*, Chapter III (Administrative penalties) of the TUF. These offenses are attributable to natural persons and corporations.

This Special Section also takes into account (i) the amendment of EU Regulation no. 596/2014 (“**MAR**”) and its relative implementing provisions, as well as the applicable provisions of the TUF, as reformed by Italian Legislative Decree no. 107 of August 10, 2018; (ii) the Issuers’ Regulation adopted with CONSOB Resolution no. 19971 of May 14, 1999 (the “**Issuers’ Regulation**”); (iii) the indications on the subject given by the European Securities and Markets Authority (“**ESMA**”) and CONSOB, and in particular the operational instructions contained in the CONSOB Guidelines

regarding the "*Management of Insider Information*" (the "**CONSOB Guidelines**") as well as (iv) the provisions of the Governance Code for listed companies (July 2018 edition).

Regulations on market abuse define a "twin track" system pursuant to which administrative crimes can be added to crimes of insider dealing and market manipulation. The former are identified and punished by CONSOB, the latter by the criminal judicial authorities.

## **THE CRIMES**

As regards the category of predicate crimes, it is reminded that the Community Law 2004, introducing Art. 25-*sexies* of the Decree, included the legislative types of insider dealing and market manipulation as per part V, title I-*bis*, chapter II (criminal penalties) of the TUF, and defined, in relation to the commission of such crimes, for the applicability to the entity itself of a fine which goes from a minimum of four hundred to a maximum of one thousand units (that is up to approximately € 1.5 million).

Where, following commission of these crimes, the product thereof or the resulting profit accruing to the corporation is particularly large, the sanction shall be increased up to ten times such product or profit.

Furthermore, where the organization is responsible for more than one crime committed with a single action or omission, or committed via performance of the same activity and prior to a sentence being pronounced for one of these, also of a non-definitive nature, the criminal penalty defined for the most serious crime, increased up to threefold, is applicable.

Indicated below are the crimes of insider dealing (art. 184 of the TUF) and market manipulation (art. 185 of the TUF), defined by Art. 25-

sexies of the Decree with some examples of relevant criminal conduct.

- ***Insider dealing (Article 184 of the TUF)***

The provision of Art. 184 of the TUF punishes any person who, possessing inside information by virtue of membership of the administrative, management or supervisory bodies of an issuer, his holding in the capital of an issuer or the exercise of his employment, profession, duties, including public duties, or position:

- a) buys, sells or carries out other transactions involving, directly or indirectly, for his own account or for the account of a third party, financial instruments using such information;
- b) communicates such information to others, outside the normal exercise of employment, profession, duties, position or market research performed pursuant to article 11 of the MAR<sup>1</sup>;
- c) recommends or induces others, on the basis of such information, to carry out any of the transactions referred to in paragraph a).

The provision shall apply to any person who, possessing inside information by virtue of the preparation or execution of criminal activities, carries out any of the aforementioned actions.

The criminal sanction also applies in the case that the transactions regard the financial instruments as per Article 180, section 1, part a), numbers 2), 2-bis) and 2-ter)<sup>2</sup> of the TUF, limited to financial

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<sup>1</sup> Art. 11 of the MAR governs market research.

<sup>2</sup> Pursuant to Art. 180, section 1, part a), of the TUF, "the following definition applies for a) "financial instruments": 1) the financial instruments as per Article 1, section 2, admitted to trading or for which a request for admission to trading has been submitted on a regulated market in Italy or another EU country; 2) the financial instruments as per Article 1, section 2, admitted to trading or for which a request for admission to trading has been submitted on a multilateral trading system in Italy or another EU country; 2-bis) the financial instruments traded on an organized trading system in Italy or another EU country; 2-ter) financial instruments that do not fall into the above categories, with price or value dependent on the



instruments with price or value dependent on the price or value of a financial instrument as per numbers 2) and 2-*bis*), or which has an effect on this price or value, or relative to auctions on an authorized auctioning platform such as a regulated market for emission allowances.

- ***Market Manipulation (Article 185 of the TUF)***

The provision as per Art. 185 of the TUF punishes any party that spreads false information or performs simulated transactions or other deceitful actions aimed at causing significant price alteration in financial instruments.

However, parties carrying out the action described via purchase and sales orders or transactions performed for legitimate reasons and in compliance with approved market practices pursuant to Article 13 of the MAR are not punishable.

The criminal sanction also applies in the case that the transactions regard the financial instruments as per Article 180, section 1, part a), numbers 2), 2-*bis*) and 2-*ter*), limited to financial instruments with price or value dependent on the price or value of a financial instrument as per numbers 2) and 2-*bis*), or which has an effect on this price or value, or relative to auctions on an authorized auctioning platform such as a regulated market for emission allowances.

The aforementioned provisions also apply:

- a) actions regarding spot commodity contracts that are not wholesale energy products, sufficient to provoke a significant alteration in the price or value of the financial instruments as per Article 180, section 1, part a);

- b) actions regarding financial instruments, including derivative contracts or derivative financial instruments for the transfer of credit risk, sufficient to provoke a significant alteration in the price or value of a spot commodity contract, where the price or value is dependent on the price or value of such financial instruments;
- c) actions concerning benchmark indexes.

The consequences of this crime for unlisted companies regarding the agiotage crime (Article 2637 Italian Civil Code) and the measures established to avoid its occurrence are also found in Special Section "B".

## **ADMINISTRATIVE OFFENSES**

The administrative offenses of abuse and illicit communication of insider information, as well as market manipulation are defined by Art. 187-*bis* of the TUF and Art. 187-*ter* of the TUF, respectively, with reference to natural persons.

Specifically, with the exception of criminal penalties in cases representing a crime, the following are punished with administrative penalties: i) pursuant to Art. 187-*bis*, section 1 of the TUF, any person violating the prohibition of insider dealing and illicit communication of insider information as per Article 14 of the MAR and (ii) pursuant to Art. 187-*ter*, section 1 of the TUF, any person violating the prohibition of market manipulation as per article 15 of EU Regulation no. 596/2014.

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or value, including, but not limited to, credit default swaps and differential contracts".

With reference to the organization<sup>3</sup>, Art. 187-*quinquies* of the TUF defines the administrative pecuniary sanction from twenty thousand euro to fifteen million euro, or up to fifteen percent of turnover, if this amount is above fifteen million euro and the turnover can be determined as per Article 195, section 1-*bis*<sup>4</sup>, in the case that a violation of the prohibitions as per Art. 14 (prohibition of insider dealing and illicit communication of insider information) or Art. 15 of the MAR (prohibition of market manipulation), has been committed in its interest or to its advantage:

- a) by people holding representative, administrative or managerial positions in the corporation or in one of its organizational units having financial and operational independence, as well as by people who carry out the corporation's management and control, also de facto;

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<sup>3</sup> With reference to the responsibility of corporations, it is noted that Italian Legislative Decree no. 107/2018 introduced to the TUF the new Art. 187-*ter.1* that punishes violation of certain provisions of the MAR (as indicated herein) with administrative penalties; these penalties are also applicable to natural persons. The aforementioned Art. 187-*ter.1* does not expressly reference the provisions of the Decree.

Specifically, pursuant to the indicated provisions:

- an administrative pecuniary sanction is applied to the organization from five thousand euro to two million five-hundred thousand euro, or two percent of turnover, where this amount is greater than two million five-hundred thousand euro and the turnover can be determined as per Art. 195, section 1-*bis*, in the case of violation of the obligations defined by Art. 16 ("Prevention and identification of market abuse"), section 1 and 2, and Art. 17 ("Communication to the public of insider information"), sections 1, 2, 4, 5 and 8 of the MAR, from delegated acts and relative regulatory and implementing technical standards as well as Article 114, third section of the TUF;
- an administrative pecuniary sanction is applied to the organization from five thousand euro to one million euro in the case of violation of the obligations defined by Art. 18 ("Insider lists"), sections 1 to 6, of Art. 19 ("Managers' transactions"), sections 1, 2, 3, 5, 6, 7 and 11, and of Art. 20 ("Investment recommendations and statistics"), section 1, of the MAR, as well as delegated acts and relative regulatory and implementing technical standards.

When the advantage gained by the author of the violation as a consequence of the violation itself is greater than the maximum limits indicated for these violations, the administrative pecuniary sanction is increased by up to three times the total of the advantage gained, providing that this total can be determined. CONSOB may also apply the penalties as per Art. 30, sect 2, parts a) to g) of the MAR ("Administrative penalties and other administrative measures"). Failure to observe the obligations defined with the measures under Article 30, section 2 of the MAR, within the determined deadline, carries an increase of up to one third of the administrative penalty issued, or application of the administrative pecuniary sanction defined for the violation originally alleged, increased by up to one third.

<sup>4</sup> Pursuant to Art. 195, section 1-*bis*, of the TUF "For the purposes of application of the pecuniary administrative penalties defined under this title, turnover is understood as total annual turnover of the company or organization, resulting from the last available financial

b) by people who are supervised or inspected by one of the entities mentioned under point a).

If, following commission of the offenses indicated, the product thereof or the resulting profit accruing to the corporation is particularly large, the pecuniary sanction shall be increased up to ten times such product or profit.

The corporation is not responsible if it demonstrates that the parties in question acted exclusively in the interests of themselves or of third parties.

It should be noted that in relation to these offenses, where compatible, the provisions of the following articles of the Decree apply: art. 6 (persons in senior positions and organizational models of the corporation), Art. 7 (persons subject to the direction of others and organizational models of the corporation, Art. 8 (autonomy of the corporation's liability) and Art. 12 (cases of reduction of pecuniary penalty).

Application of the pecuniary administrative penalties as per Chapter III of Part V of the TUF carries confiscation of the product or profit of the offense. Where this is impossible, confiscation may be applied to equivalent sums of money, goods or other assets.

Below are Articles 14 and 15 of the MAR, violation of which, under the aforementioned terms, is punished by the aforementioned Arts 187-*bis*, 187-*ter* and 187-*quinquies* of the TUF.

- ***Prohibition of insider dealing and of unlawful disclosure of inside information (Art. 14 of the MAR)***

On the basis of Art. 14 of the MAR, it is prohibited to:

- a) engage or attempt to engage in insider dealing;
- b) recommend that another person engage in insider dealing or induce another person to engage in insider dealing; or
- c) unlawfully disclose inside information.

The definitions of the prohibitions in question are contained particularly in Articles 8 (Insider dealing) and 10 (Unlawful disclosure of inside information) of the MAR, as described below.

Pursuant to Article 8 of the MAR, insider dealing arises where a person possesses inside information and uses that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates. The use of inside information by canceling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered to be insider dealing. In relation to auctions of emission allowances or other auctioned products based thereon that are held pursuant to Regulation (EU) No 1031/2010, the use of inside information shall also comprise submitting, modifying or withdrawing a bid by a person for its own account or for the account of a third party.

Recommending that another person engage in insider dealing, or inducing another person to engage in insider dealing, arises where the person possesses inside information and:

- recommends, on the basis of that information, that another person acquire or dispose of financial instruments to which that information relates, or induces that person to make such an acquisition or disposal, or
- recommends, on the basis of that information, that another person cancel or amend an order concerning a financial instrument to which that information relates, or induces that person to make such a cancellation or amendment.

The use of these recommendations or inducements amounts to insider dealing where the person using the recommendation or inducement knows or ought to know that it is based upon inside information.

This Article applies to any person who possesses inside information as a result of:

- a) being a member of the administrative, management or supervisory bodies of the issuer or emission allowance market participant;
- b) having a holding in the capital of the issuer or emission allowance market participant;
- c) having access to the information through the exercise of an employment, profession or duties; or
- d) being involved in criminal activities;
- e) circumstances other than those referred to in the first subparagraph where that person knows or ought to know that it is inside information.

Where the person is a legal person, this Article shall also apply, in accordance with national law, to the natural persons who participate in the decision to carry out the acquisition, disposal, cancellation or

amendment of an order for the account of the legal person concerned.

Pursuant to Art. 10 of MAR, illegal disclosure of insider information occurs when a person is in possession of insider information and discloses such information to another person, except in cases where such disclosure takes place during the normal execution of a job, profession or role. This provision applies to any natural or legal person in the situations or circumstances pursuant to the previous section entitled "Insider dealing".

Disclosure to third parties of the recommendations or incitements referred to in the previous section "Insider Dealing" is understood as illicit disclosure of insider information when the person who discloses the recommendation or incitement knows or should know that it is based on insider information.

- ***Prohibition of market manipulation (article 15 of the MAR)***

Based on Art. 15 of the MAR, it is prohibited to engage in or attempt to engage in market manipulation.

The definitions regarding the prohibition in question are contained in particular in Art. 12 (market manipulation) of the MAR.

Pursuant to Article 12 of MAR, market manipulation shall comprise the following activities:

- a) entering into a transaction, placing an order to trade or any other behavior which:

- i) gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances; or
- ii) secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level;

unless the person entering into a transaction, placing an order to trade or engaging in any other behavior establishes that such transaction, order or behavior has been carried out for legitimate reasons, and conforms with an accepted market practice as established in accordance with Article 13 of the MAR;

- b) entering into a transaction, placing an order to trade or any other activity or behavior which affects or is likely to affect the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances, which employs a fictitious device or any other form of deception or contrivance;
- c) disseminating information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a financial instrument, a related spot commodity contract or an auctioned product based on emission allowances or secures, or is likely to secure, the price of one or several financial instruments, a related spot commodity contract or an auctioned product based on emission allowances at an abnormal or artificial level, including the dissemination of rumors, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading;



- d) transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behavior which manipulates the calculation of a benchmark.

The following behavior shall, *inter alia*, be considered as market manipulation:

1. the conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for a financial instrument, related spot commodity contracts or auctioned products based on emission allowances which has, or is likely to have, the effect of fixing, directly or indirectly, purchase or sale prices or creates, or is likely to create, other unfair trading conditions;
2. the buying or selling of financial instruments, at the opening or closing of the market, which has or is likely to have the effect of misleading investors acting on the basis of the prices displayed, including the opening or closing prices;
3. the placing of orders to a trading venue, including any cancellation or modification thereof, by any available means of trading, including by electronic means, such as algorithmic and high-frequency trading strategies, and which has one of the effects referred to in paragraph 1, points (a) or (b), by:
  - i. disrupting or delaying the functioning of the trading system of the trading venue or being likely to do so;
  - ii. making it more difficult for other persons to identify genuine orders on the trading system of the trading venue or being likely to do so, including by entering orders which result in the overloading or destabilization of the order book; or

- iii. creating or being likely to create a false or misleading signal about the supply of, or demand for, or price of, a financial instrument, in particular by entering orders to initiate or exacerbate a trend;
- 4. the taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a financial instrument, related spot commodity contract or an auctioned product based on emission allowances (or indirectly about its issuer) while having previously taken positions on that financial instrument, a related spot commodity contract or an auctioned product based on emission allowances and profiting subsequently from the impact of the opinions voiced on the price of that instrument, related spot commodity contract or an auctioned product based on emission allowances, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way;
- 5. the buying or selling on the secondary market of emission allowances or related derivatives prior to the auction held pursuant to Regulation (EU) No 1031/2010 with the effect of fixing the auction clearing price for the auctioned products at an abnormal or artificial level or misleading bidders bidding in the auctions.

Annex I defines non-exhaustive indicators relating to the employment of a fictitious device or any other form of deception or contrivance, and non-exhaustive indicators related to false or misleading signals and to price securing.

Where the person referred to in this Article is a legal person, this Article shall also apply, in accordance with national law, to the natural persons who participate in the decision to carry out activities for the account of the legal person concerned.

### **E.1.1 Insider Information**

The concept of insider information represents the cornerstone around which the entire insider trading discipline is based, as well as the corporate information discipline regulated by Article 7 of the MAR (as referenced by Art. 180, section 1, part *b-ter*, of the TUF).

Specifically, pursuant to the aforementioned legislative provisions, “Inside Information” is understood as information of a precise nature which has not been made public regarding, directly or indirectly, one or more issuers or one or more financial instruments which, if made public, could have a significant effect on the prices of such financial instruments or the prices of related derivative financial instruments. For the purposes of the above, information of a precise nature is considered as such if: a) it makes reference to a series of existing circumstances or circumstances that can be reasonably expected to occur, or the occurrence of an event or an event that can be reasonably expected to occur; b) it is sufficiently specific as to enable conclusions to be drawn on the possible effect of the circumstances or events described in point a) on the prices of the financial instruments or derivative financial instruments.

In the case of a prolonged process that is expected to lead to, or that determines, a particular circumstance or event, the future circumstance or future event, as well as the intermediary stages of processes linked to the occurrence or determination of the future circumstance or event, may be considered information of a precise nature.

An intermediary stage of a prolonged process is considered insider information if it meets the aforementioned criteria regarding insider information.

Information that, if disclosed to the public, would likely have a significant effect on the prices of financial instruments or derivative financial instruments (price sensitive information) is understood as information that an investor would likely use as one of the elements upon which to base investment decisions.

In relation to information obligations (in part indicated in the following chapter E.4.1), it is noted that, pursuant to art. 17 of the MAR (referenced by Art. 114, section 1, of the TUF), issuers must notify the public, as soon as possible, of insider information directly regarding them.

In order to support issuers in correct and prompt management of insider information, CONSOB<sup>2</sup> has provided some indications which were adopted by TERNA in the context of company procedures regarding market abuse. Specifically, the aforementioned procedures contain the following additional definitions, connected to the concept of insider information, and functional for prompt identification of the latter:

1. "Types of Significant Information": types of information that TERNA deems to be generally significant as regards dates, events, projects or circumstances that, in a continuous, repeated, periodic or occasional, sporadic or unplanned manner, directly affect TERNA (or a Subsidiary in the case that the information also directly affects TERNA) and which, based on relative characteristics, experience and other

circumstances, may, in the abstract, later develop into Insider Information or Potential Insider Information.

2. "Potential Insider Information" (or "Specific Significant Information" according to the definition provided in the CONSOB Guidelines): specific information that usually falls under the Types of Significant Information which is deemed by TERNA to be effectively significant in that it presents all the characteristics to reasonably become Insider Information at a later moment, even very soon, but which currently lacks one or more of the prerequisites to qualify as Insider Information pursuant to the current legislation.

Regarding the concept of Insider Information and the potential possibility of some conduct to include the crimes and offenses of insider dealing and market manipulation, it should be noted that TERNA adopted procedures and operational instructions including a "Compliance Regulation for the prevention of administrative and market abuse crimes and offenses" (hereinafter the "Regulation").

On the basis of this Regulation, the Recipients of the Model have an effective instrument at their disposal to assess if their conduct may lead to administrative and market abuse crimes and offenses and, consequently, to prevent conduct which could result in administrative responsibility for TERNA.

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<sup>2</sup> CONSOB Guideline no. 1/2017 of October 2017 relative to the "Management of Insider Information".

## **E.2 AT-RISK AREAS**

According to the terms of this Special Section "D" of the Model and in relation to the above-mentioned crimes and criminal conduct, the areas that are more specifically considered to be at-risk are the following:

1. management of public information (relations with investors, financial analysts, ratings agencies, journalists and other mass communication representatives; organization and participation of meetings, held in any form, with the above parties);
2. management of Insider Information relative to TERNA (directly or indirectly) and/or Electricity Sector Operators who are listed issuers or subsidiary companies of listed issuers; for example, new products, services and markets, accounting reports, provisional data and quantitative objectives concerning management procedures, communications relative to merger/demerger transactions and new initiatives of particular importance or contracts and/or agreements regarding the purchase and/or sale of significant assets, quantitative data regarding the production or importation of energy, M&A activities;
3. production of the accounting documents and information regarding TERNA and Group Companies destined for public disclosure by law or company decisions;
4. purchase/sale/issue or any other transaction relative to owned or third-party financial instruments on regulated markets.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For activities performed in the name and/or on behalf of the Parent Company, Companies must submit reports as specified in the General Section and the individual Special Sections according to the methods prescribed for Company Representatives.

As a precaution, in the At-Risk Areas of the Parent Company, cases in which the activities referred to are not made in the name and/or on behalf of the Parent Company and are performed by the Companies without interference to the decision-making autonomy of the Parent Company, are mapped.

In particular, it is noted that the Parent Company acknowledges the full managerial responsibility of the Companies, including those subject to management and coordination activities, for the risk management of the activities referred to in the Model, it being understood that full compliance with the individual models remains the responsibility of the individual Companies in line with the law.

The Companies must inform the Parent Company if, in the implementation of strategic activities, any criticalities in the application of the Model adopted by the individual Companies arise.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

Any additions to the abovementioned At-Risk Areas shall be provided by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

### **E.3 GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section is intended to regulate the conduct of Company Representatives and of External Collaborators.

The purpose of this Special Section is to ensure that its Recipients, to the extent that these may be involved in the performance of activities in At-Risk Areas, and in consideration of the different position and obligations that each Recipient assumes as regards the Group, comply with rules of conduct conforming to those prescribed by the Special Section in order to prevent the occurrence of the offenses prescribed herein.

In particular, the function of this Special Section is to:

- a) provide Recipients with an illustrative list of the transactions with the most relevance to TERNA considered by CONSOB as transactions involving market abuse or “suspicious” transactions (the performance of the latter requires proof of a valid motive and prior authorization);
- b) provide specific procedural rules to which the Recipients, in relation to the type of relation with the Group, must comply for the proper application of the Model;
- c) provide the VB, as well as the managers of company departments cooperating with the Body, with the effective instruments required for the performance of the necessary checks, monitoring activities and verifications entrusted to it.

While performing all activities related to the corporate management, in addition to the regulations included in this Model, Company Representatives –with reference to their respective activities- must, in general, understand and respect all current Community and Italian



legislation as well as all the rules and principles set forth in the following documents:

- the Code of Ethics;
- the Procedure for managing, processing and communicating corporate information relating to Terna S.p.A. and its subsidiaries;
- the Procedure for the maintenance and upkeep of the Registers of Persons with access to Insider Information and Potential Insider Information;
- the Procedure on Internal Dealing;
- the procedures in relation to the guidelines regarding the identification of Potential Insider Information and Company Insider Information and the prerequisites for the application of the procedure for the delay in communications;
- all other procedures adopted by TERNA to maintain the Registers;
- procedures adopted by TERNA in relation to processing of personal data.

This Special Section provides that Company Representatives in direct form, and External Collaborators by means of specific agreement terms, shall expressly refrain from:

1. implementing conduct that constitutes one of the crimes described above;
2. implementing a conduct that, while non representing one of the crimes as described above, may become a crime.

### **E.3.1 Forbidden Transactions and Suspicious Transactions**

The following are examples of transactions and/or conduct, applicable in the abstract to TERNA, to be considered:

- a) Conduct always forbidden, because it is such as to entail a market abuse offense (E.3.1.1),

or

- b) Suspicious conduct, because it may be interpreted as aimed at committing a market abuse offense (E.3.1.2).

In the cases under point B, the transactions may be carried out on the condition that they are executed for a valid reason (such that excludes the possibility of market abuse), that the transactions themselves were previously authorized by the manager of the competent department and, finally, that the VB has been notified.

The examples of conduct given below are based predominantly on the indications provided by Community legislation as well as relevant Italian law.

#### **E.3.1.1 Illicit conduct**

- *Insider trading*

Some examples of conduct that would be considered insider trading and that could in theory occur in TERNA are provided below. It remains understood, however, that for specific identification of forbidden conduct reference must be made to the MAR. Such conduct is always considered as illicit behavior.

1. the direct or indirect trading - carried out using insider information (obtained from Company Representatives due to his/her position within the Group or from third parties due to

business relations with the Group) regarding shares (or other financial instruments that are tradeable or for which a request for admission to trading has been made) of the Parent Company or other Group Companies, as well as client or competitor companies, or any other company, when the transaction is aimed at enhancing or otherwise creating an advantage for TERNA. Such conduct, usually carried out by issuer companies or the parties that control them, must be held separate from conduct regarding the conclusion of transactions included in own share purchase programs or the stabilization of the financial instruments provided for by the regulations. The latter activities may in fact be carried out in compliance with Community and Italian law.

2. the disclosure to third parties of insider information (obtained from Company Representations due to their position in the Group or from third parties due to business relations with the Group), except in cases where such disclosure is required by law, by other regulatory provisions or by specific contractual agreements, where such disclosure is aimed at enhancing or otherwise creating an advantage for TERNA.
3. the recommendation to third parties or incitement, on the basis of insider information (obtained from Company Representations due to their position in the Group or from third parties due to business relations with the Group), to make purchase, sales or other transactions on financial instruments, where the execution of such transactions is aimed at enhancing or otherwise creating an advantage for TERNA.

- *Market Manipulation*

Some examples<sup>5</sup> of conduct that would be considered market manipulation and that could in theory occur in TERNIA are provided below. It remains understood, however, that for specific identification of forbidden conduct reference must be made to the MAR and to what is indicated in paragraph E.1. above. Such conduct is always considered as illicit behavior.

- a) the purchase, including by colluding parties, of positions of a financial instrument on the secondary market after placement on the primary market, in order to set the price at an artificial level and generate interest among investors - this practice is generally known in the context of shares as “colluding in the after-market of an Initial Public Offer where colluding parties are involved”. This practice may also be illustrated by the following additional indicators of market manipulation:
  - i) unusual concentration of purchase and sale transactions and/or orders, in general terms or by an individual who uses one or more accounts or by a limited number of people;
  - ii) purchase and sale transactions without any other apparent justification other than to increase the price or the volumes of trades, in particular at a crucial time of the trading day such as opening or closing;
- b) purchase and sale transactions or orders that prevent the prices of the financial instrument from falling below or surpassing a predetermined level, principally to avoid negative consequences related to price variations of the financial instrument - this practice is generally known as the “creation of a floor, or a ceiling in the price pattern”. This

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<sup>5</sup> EU delegated regulation 2016/522

practice may also be illustrated by the following additional indicators of market manipulation:

- i) purchase or sales transactions or orders that have or are likely to have the effect of increasing or reducing the average weighted price on a certain day or period during the trading session;
- ii) transactions that have or are likely to have the effect of modifying the settlement price of a financial instrument if this price is used as a benchmark or is particularly relevant for the calculation of margin requirements;
- c) actions such to take advantage of the significant influence of a dominant position on the supply or demand of delivery mechanisms of a financial instrument in order to create or make probable a substantial price distortion to which other parties must deliver, take delivery or postpone delivery in order to fulfill their obligations - this practice is generally known as "abusive squeeze";
- d) trades or placements of purchase or sale orders in a trading venue or outside a trading venue (including expressions of interest) in order to unfairly influence the price of the same financial instrument in another trading venue or outside a trading venue - this practice is generally known as "inter-trading venue manipulation". This practice may also be illustrated by the following additional indicator of market manipulation: making a transaction to modify the purchase and sale prices when the differential between these two prices is a price calculation factor in any other transaction, whether in the same trading venue or in other venues;
- e) entering into agreements for the sale or purchase of a financial instrument without changes to the beneficiary interests or market risk or by transferring the beneficiary

interest or market risk between parties acting in concert or in collusion with each other - this practice is generally known as "wash trades". This practice may also be illustrated by the following additional indicators of market manipulation:

- i) unusual repetition of a transaction by a limited number of individuals during a set period of time;
  - ii) purchase and sales transactions or orders that modify or are likely to modify the valuation of a position without reducing or increasing its dimension;
- f) purchase and sales orders or participation in a transaction or series of transactions listed on publicly available devices in order to create apparent trading activity or price movement on a certain financial instrument - this practice is generally known as "painting the tape";
- g) transactions following the placement of purchase and sale orders that are traded contemporaneously or almost contemporaneously in similar quantities and at a similar price by one individual or group of individuals in collusion with one another - this practice is generally known as "improper matched orders". This practice may also be illustrated by the following additional indicator of market manipulation: purchase and sale transactions or orders that have or are likely to have the effect of setting a market price when the liquidity or weight of the order book is not sufficient to set a price during the session;
- h) a transaction or series of transactions aimed at concealing the ownership of a financial instrument, violating the obligations of communication through the possession of the financial instrument in the name of one or more individuals in collusion with one another. The communications are misleading as regards the actual owner of the financial

instrument - this practice is generally known as "concealing ownership";

- i) taking a long position in a financial instrument and then performing additional purchasing activities and/or disseminating misleading positive information relating to the financial instrument in order to increase its price and attract other buyers. When the price is at an artificially high level, the long position is liquidated - this practice is generally known as "pump and dump";
- j) taking a short position in a financial instrument and then performing additional sales activities and/or disseminating misleading negative information relating to the financial instrument in order to reduce its price and attract other buyers. When the price has fallen, the position is closed - this practice is generally known as "trash and cash";
- k) entering large quantities of purchase and sales orders and/or cancellations and/or updates of such orders to create uncertainties among other participants, slow down the process of other participants and/or mask personal strategies - this practice is generally known as "quote stuffing";
- l) entering purchase and sales orders or a series of such orders or make transactions or a series of transactions that are likely to start or accentuate a trend and encourage other participants to accelerate or amplify the trend to create the opportunity to close or open a position at a favorable price - this practice is generally known as "momentum ignition". This practice can also be illustrated by a high rate of cancelled orders (the order-to-trade ratio), which may be associated with a volume rate (such as number of financial instruments per order);

m) the purchase or sale of a financial instrument deliberately at a crucial moment of the trading session (such as the opening, closing or price fixing) with the intention of increasing, decreasing or maintaining the reference price (such as the opening price, closing price, fixed price) at a certain level - this practice is generally known as "marking the close". This practice may also be illustrated by the following additional indicators of market manipulation:

- i) placement of orders that represent significant volumes of the central order book of the trading system a few minutes before the price fixing on the market and the subsequent cancellation of such orders a few seconds before the order book is frozen to calculate the market price, in order that the theoretical opening price may seem higher/lower than it would otherwise be;
  - ii) performance of transactions or the presentation of trading orders in particular near a crucial moment of the trading day which, due to their dimension compared to the market, clearly have a significant impact on the supply or demand or on the price or value;
  - iii) purchase and sale transactions without any other apparent justification other than to increase/decrease in price or increase the volumes of trades, in particular at a crucial time of the trading day, such as the opening or closing time;
- n) placement of orders that are removed before their execution in order to create or have the likely effect of creating, in a misleading manner, apparent supply or demand of a financial tool at that price - this practice is generally known as "placing orders with no intention of executing them". This practice may also be illustrated by the following additional



indicator of market manipulation: purchase and sales orders placed at a price that would increase demand or reduce supply and have or are likely to have the effect of increasing or decreasing the price of a related financial instrument;

- o) placement of purchase and sales orders that increase demand (or reduce supply) of a financial instrument in order to increase (or reduce) its price - this practice is generally known as "advancing the bid";
- p) disseminating false or misleading information in relation to the market through the media, including the Internet, or through any other means, that lead or are likely to lead to changes to the price of a financial instrument in a way that is favorable to the position held or a transaction planned by the person or persons involved in the dissemination of such information;
- q) opening a position in a financial instrument and closing it immediately after publicly and emphatically declaring a long investment holding period - this practice is generally known as "opening a position and closing it immediately after its public disclosure".

### **E.3.1.2 Suspicious Conduct**

The following provides various examples of conduct that may be interpreted as being aimed at the execution of an offense of market abuse (insider dealing or market manipulation), which could potentially occur within TERNA. Such conduct may be performed provided that there exists a valid justification and the activity is duly authorized.

1. Participating in Internet discussion groups or chat rooms on the subject of financial instruments or issuers of financial instruments,

listed or unlisted (and where there is an exchange of information concerning the Group, its companies, competitors or listed companies in general or financial instruments issued by these entities). The exchange of information obtained within these initiatives may give rise to a possible case of market abuse. Consequently, these initiatives may be conducted only if they refer to institutional meetings for which the pertinent departments have verified its legitimacy or when it is clear that the exchange of information does not involve inside information;

2. The execution of an unusual number of transactions on a particular financial instrument for example, between one or more institutional investors that are known to be linked to the Issuer Company or to parties with interests in its regard, who may intend to or could make a purchase offer;
3. Unusual repetition of a transaction by a small number of individuals during a set period of time;
4. Performance of transactions with no other apparent reason other than to increase or reduce the price of a financial instrument or to increase the quantities exchanged on a certain financial instrument, especially when orders of this type lead to the execution of contracts during negotiation periods that are required to determine benchmark prices (for example, towards the end of negotiations);
5. Unusual activity on the shares of a company before price sensitive information on the company is announced. Transactions that lead to sudden and unusual changes in the total value of the orders and in the prices of shares before public disclosure of information regarding these shares;
6. Awarding of orders which, due to their size compared to the liquidity of a specific financial instrument, will have a clear, significant impact on the supply and demand or on the price or

on the valuation of said financial instrument, especially when such orders lead to the execution of transactions during negotiation periods that are required to determine reference prices (for example, towards the end of negotiations);

7. Carrying out transactions that appear to be aimed at increasing the price of the financial instrument in the days prior to the release of a related derivative financial instrument or a convertible financial instrument;
8. Carrying out transactions that appear to attempt to change the evaluation of a position, without it being changed, either increasing or decreasing the size of the same position;
9. Performance of transactions that, precisely in the days prior to the Company's release of a related derivative financial instrument or a convertible financial instrument, appear to be aimed at sustaining the price of the financial instrument when there is a downwards trend in the prices of said financial instrument;
10. Carrying out transactions that seem to attempt to increase or decrease the weighted average price of the day or of a period during negotiations;
11. Carrying out transactions that appear to attempt to define a market price for the financial instrument, while its liquidity is not sufficient to define a price during negotiations (unless market rules and mechanisms explicitly allow such transactions);
12. Performance of transactions that appear to attempt to circumvent measures put in place by negotiation mechanisms (for example, with reference to quantity limits, parameters related to the differential between the proposals for buying and selling and alternative trading on prices);

13. Modification of the bid-ask spread (as calculated by the trading system) exactly when a transaction must be concluded or executed and this spread is a factor in determining the price of said transaction;
14. Canceling large orders a few seconds before the end of the auction via an electronic call, resulting in a significant variation in the theoretical price of the auction and, therefore, in the price of the auction itself;
15. Carrying out transactions that seem to attempt to maintain the price of an underlying financial instrument below the exercise price of the derivative financial instrument on the maturity date of said derivative;
16. Carrying out transactions that seem to attempt to push the price of an underlying financial instrument above the exercise price of the derivative financial instrument on the maturity date of said derivative;
17. Carrying out transactions that seem to attempt to modify the settlement price of a financial instrument when this price is to be used as a reference for calculating margins;
18. When a person opens an account and immediately orders a significant transaction or, operating on wholesale markets, makes unusual orders or exceptionally large ones on a specific financial instrument; it is even more significant in the event that the person insists on the order being carried out with particular urgency or before a certain time;
19. When the transaction or the investment strategy implemented by a person is significantly different to previous investment strategies used for the same type of financial instrument or for the total value of the investment or for the order size or

investment duration, etc. Some examples in this regard are given below:

- the person sells all the stocks he/she has in their portfolio to invest the arising liquidity in a specific financial instrument;
- the person, who has only invested in mutual investment funds previously, suddenly makes a request to purchase financial instruments issued by a specific company;
- the person, who has only invested in blue chip stocks previously, moves their investments to an illiquid stock;
- the person, who has carried out long-term (buy and hold) investments in the past, suddenly makes a purchase on a specific financial instrument just before price sensitive information is announced and, then sells those stocks;

20. When a person specifically requests the immediate execution of an order, regardless of the price that the order is made at (this example implies something more serious than a simple order at market price);

21. When a significant transaction occurs between major shareholders or managers of a subject prior to the announcement of an important corporate event;

## **E.4 SPECIFIC PROCEDURAL RULES**

### **E. 4.1 Procedural Rules**

Consistently with: (i) Community legislation and CONSOB regulations, (ii) the corporate governance system (iii) the Code of Ethics, (iv) the

Procedure on internal dealing, (v) the Procedure for managing, processing and communicating corporate information relating to TERNA S.p.A. and its subsidiaries, (vi) the Procedure for the maintenance and upkeep of the Registers of Persons with access to Insider Information and Potential Insider Information; and the controls and procedures for the disclosure of external information, the following provisions must be complied with:

### ***1. Mapping of Types of Significant Information***

In order to promptly comply with the communications obligations regarding Insider Information prescribed by current legislation, TERNA, taking into account the specific activities it performs, identifies and monitors the Types of Significant Information.

### ***2. Handling of Insider Information***

The handling of Insider Information must comply with internal procedures, which must prescribe:

- The duties and roles of persons responsible for managing Insider Information (the "Persons in charge");
- Provisions to regulate its circulation and procedures that the Persons in Charge are obliged to follow during its handling and publication;
- Suitable criteria such to qualify the information as Insider Information or destined to become Insider Information;
- The measures needed to protect, preserve and update the information and avoid inappropriate or unauthorized communication within or outside of the Group;
- Those persons who, because of their professional activity or functions, have access to Insider Information or information intended to become privileged;

- The creation of a register of the persons who, in the course of their working or professional activities or their assigned roles, manage and have access to precise Insider Information or information destined to become Insider Information. In particular, the criteria for updating the register must be established with access limitations. Inclusion in the register must be communicated to the person involved in order to oblige him to comply with the procedures and consequent restrictions. Each time a transaction is carried out where insider Information is involved, the persons concerned will be listed into the register and must undersign the necessary subscription.

### ***3. Information management and public disclosure obligations***

TERNA discloses to the public, as soon as possible, the Insider Information that refers directly to TERNA, ensuring that such information is made public according to the means prescribed by current law, in such a way as to enable rapid access and a complete, accurate and prompt evaluation of the information by the public and avoiding linking the public disclosure of Insider Information with the commercialization of its activities.

By way of exception, TERNA may delay, at its own liability, public disclosure of Insider Information provided that the following conditions are met:

- a) immediate disclosure would likely prejudice the legitimate interests of TERNA;
- b) the delay would be unlikely to mislead the public;
- c) TERNA is able to guarantee the confidentiality of such information.

Certain regulations that impose upon the issuers further disclosure obligations to the public and CONSOB should be noted:

### **Disclosure to the public**

- a) Information on extraordinary transactions (Section II, Subsection IV, Articles 70 et seq. of the Issuers' Regulation);
- b) Periodic information (Section II, Subsection V, Articles 77 et seq. of the Issuers' Regulation);
- c) Other information (Section II, Subsection VI, Articles 84 et seq. of the Issuers' Regulation).

### **Disclosure to CONSOB**

- a) Information on extraordinary transactions (Section II, Subsection IV, Articles 70 et seq. of the Issuers' Regulation);
- b) Periodic Information (Section II, Subsection V, Articles 77, 81 and 82 of the Issuers' Regulation);
- c) Other information (Section II, Subsection VI, Articles 85-*bis* of the Issuers' Regulation; Chapter III, Section I, Subsection I, Article 117 et seq. of the Issuers' Regulation).

#### ***4. Information relative to transactions on financial instruments performed by "Relevant Persons"***

The management, handling and dissemination to the market of information relating to transactions regarding financial instruments carried out by "Relevant Subjects" must respect internal procedures that require:

- The sphere of application within the Group;
- The sphere of relevant parties ("Relevant Persons") and "Closely-Related Persons";
- The type of transactions involved;



- The type of financial instruments involved in the communications;
- The timing of the communications by the Obligated Persons;
- the communication flow;
- the sphere of exempt transactions;
- the terms for disseminating information;
- the communication procedure that the Obligated Persons must submit to the Issuer.

### ***5. Controls on equity movements***

On trading days, controls are carried out *ex post* or contemporaneously on the movement of TERNA securities in order to report any risk factors (e.g. quantity of shares sold/small number of buyers/time of purchase).

### ***6. Transactions to purchase own shares and stabilization activities***

Internal procedures on transactions to purchase own shares and stabilization activities must be performed in accordance with Article 5 of MAR and the legislation pursuant to Articles 132 of the TUF, 73 and 144-*bis* of the Issuers' Regulation and taking into account accepted market practices.

### ***7. Information to the VB in case of suspicious transactions***

In all cases of suspicious transactions, such transactions may be legitimately performed provided that:

- A valid motive exists (such to exclude the possibility of market abuse);
- The transactions are previously authorized by the director of the competent department;

- The VB is informed.

### ***8. Training***

TERNA arranges for a periodical training and information program for the Recipients of this Special Section referring to crimes and administrative offenses of market abuse and the relative company procedures.

### ***9. Waivers to the procedures in urgent cases***

Exceptions to the principles set out in paragraphs E.3.1 and E.4 are permitted, at the responsibility of those implementing them, only in cases of particular urgency in the formation or implementation of the decision or in the case of temporary impossibility of compliance with procedures. In these cases, the information is immediately sent to the VB and a subsequent approval is always requested by the competent body.

## **E.5 INSTRUCTIONS AND INSPECTIONS OF THE VB**

The supervision functions of the VB to enforce the correct application of the Model with regard to the crime of market abuse are the following:

- A. evaluate the suitability of procedures adopted in this regard, also through hearings or documentary checks, in order to guarantee exact identification of significant information flows, confidentiality of the specific significant information, prompt communication to the public and to CONSOB, and traceability of the process;
- B. regularly check—with the support of the other competent departments—the correct management of insider information, also through samples-based verification;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - ensure that legislative obligations upon the Issuer are observed, also taking into account the CONSOB guidelines and ESMA indications;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. provide the management with recommendations about the most appropriate upgrades to the financial resources (both in and out) already used by the Group, and introducing devices to

detect atypical financial flows characterized by greater-than-expected margins of discretion.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be called upon as and when the VB deems it appropriate.

The information to the VB shall be given timely should violations to specific procedural rules be detected as indicated in the dedicated chapter of this Special Section, or procedures, policies and company regulations regarding the above-mentioned At-Risk Areas.

The VB is also assigned the power to access, or request its delegates to access, all the documentation and all company's relevant sites for carrying out its duties.



**SPECIAL SECTION "F"**  
**MONEY LAUNDERING CRIMES**  
**AND**  
**SELF-LAUNDERING**

CEO Approval
Luigi Ferraris
January 29, 2019

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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "F", the definitions of the General Section remain valid.

### **F.1 TYPES OF MONEY LAUNDERING/SELF-LAUNDERING CRIMES (Article 25-*octies* of the Decree)**

This Special Section "F" refers to money laundering/self-laundering crimes (hereinafter "Money Laundering Crimes") introduced into Italian Legislative Decree 231 of 2001, in art. 25-*octies*, by means of Italian Legislative Decree 231 of 21 November 2007 as amended<sup>1</sup> (hereinafter the "Anti-Money Laundering Decree").

Furthermore, TERNA complies with the recommendations against money laundering and the financing of terrorism issued by the international body of the Financial Action Task Force (FATF-GAFI) which coordinates the fight against money laundering and the financing of terrorism and any other applicable regulation relevant to the Group.

Money Laundering Crimes, considered to be such even if the activities that have generated the assets to be laundered were performed in the area of another Member State or a non-European Union State, are listed below:

- ***Handling of stolen goods (Article 648 of the Italian Criminal Code)***

This crime is committed when a person, with the exception of cases of participating in or facilitating a crime, in order to obtain a profit for himself or for others, acquires, receives or conceals money or things resulting from any

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<sup>1</sup>The latest amendment was made with Italian Legislative Decree no. 90 of May 25, 2017, with which Italy implements Directive (EU) 2015/849 ("IV Anti Money Laundering Directive"). For

crime, or if he is in any case involved in arranging for such money or things to be acquired, received or concealed. The crime is punishable with two to eight years' imprisonment and a fine from € 516 to € 10,329. The penalty is increased in the case of offenses relating to money or other things resulting from acts of aggravated robbery, aggravated extortion or aggravated theft, and is reduced in the case of minor crimes.

- ***Money Laundering (art. 648-bis of the Italian Criminal Code)***

This crime is committed (asides from cases of complicity in the crime) when a person substitutes or transfers money, goods or other benefits resulting from an unpremeditated crime, or carries out other transactions in relation to these assets, in such a way as to hinder their identification as the proceeds of a crime. The crime is punishable with four to twelve years' imprisonment and a fine from € 5,000 to € 25,000. The penalty is increased if the crime is committed during the performance of a professional activity and reduced if the money, goods or other profit result from an unpremeditated crime punishable by imprisonment of up to five years.

- ***Use of money, goods or benefits of unlawful origin (Article 648-ter of the Italian Criminal Code)***

This crime is committed in the case that (asides from cases of complicity in the crime and in the cases prescribed by the aforementioned articles) a person uses money, goods or other profit resulting from the crime in financial activities or transactions. The crime is punishable by four to twelve years' imprisonment and a fine from € 5,000 to € 25,000. The penalty is increased if the crime is committed during the performance of a professional activity and reduced in the case of minor crimes.



It should be noted that, with regard to all the above-mentioned crimes, the relative provisions apply also in cases where the perpetrator of the crime from which the money or things derive is imputable or not punishable or when there is a lack of procedural conditions referring to such a crime.

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With reference to the prevention of Money Laundering Crimes, the Italian law includes provisions whose purpose is to counter money laundering practices, prohibiting, among other things, the carrying out of transactions whereby substantial amounts of money are transferred using anonymous instruments and making it possible to retrace transactions by the identification of customers and the recording of the data in special databases.

Specifically, the anti-money laundering legislative body is derived from the Anti-Money Laundering Decree.

Essentially, the Anti-Money Laundering Decree includes the following tools to counter the laundering of money of unlawful origin:

1. under art. 49, the prohibition to transfer cash, bearer bank or post office savings books or bearer instruments (checks, postal orders, deposit certificates, etc.) in euro or foreign currency carried out between different persons for any reason if the value of the transaction is equal to or higher than € 3,000. Transfers, however, can be made through banks, electronic money institutions, payment institutions and Poste Italiane S.p.A.;
2. under Article 17, the obligation on the part of some of the recipients of the Anti-Money Laundering Decree (the "Responsible Parties" listed in Article 3) with regard to the relations and transactions involved in the performance of the institutional or professional activities of such entities;

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also noted.

3. under Article 31, the specific obligations regarding the storing of useful documents, data and information entrusted to the Responsible Parties in order to prevent, identify or ascertain any money-laundering activities or financing of terrorism, as well as copies of documents acquired in the course of appropriate customer checks, as well as the originals (or copies admissible in court) of the documents and registrations regarding the transactions);
4. under Article 35, the obligation of the Responsible Parties to notify all transactions instigated by the customer that are deemed "suspicious" or in the case of their knowing, suspecting or having reasonable grounds to suspect that money laundering activities or the financing of terrorism is taking place, has taken place or has been attempted or that the funds, independently of their amount, derive from criminal activity;
5. under Article 42, certain obligations of abstention on the part of the Responsible Parties, in particular in the case of the impossibility of objectivity in the performance of appropriate customer checks;
6. under Article 46, specific notification obligations on the part of the members of the Board of Statutory Auditors, the Supervisory Board and the Committee for Management Control of Responsible Parties.

The Responsible Parties are subject to the obligations in points 2, 3, 4, 5, and 6 above and are indicated in Article 3 of the Anti-Money Laundering Decree. These are:

- 1) Banking and financial brokers. Among these entities are, by way of an example:
  - banks;
  - Poste Italiane S.p.A.;
  - electronic money institutions (IMEL);
  - brokerage firms (SIM);
  - asset management companies (SGR);
  - variable capital investment funds (SICAV);

- insurance companies operating in the “life insurance” sector.
- 2) Other financial operators. These include but are not limited to:
- trust companies;
  - credit brokers;
  - persons who carry out professional foreign exchange activities.
- 3) professionals, some of whom are:
- persons registered on the Register of Chartered Accountants and Bookkeepers and the Employment Consultants’ Register;
  - notaries and lawyers when they carry out financial or real estate transactions in the name and on behalf of their clients and when they assist their clients in certain transactions;
  - auditors and auditing firms.
- 4) Other non-financial operators; these may include but are not limited to:
- antiques dealers;
  - auction house or art gallery operators;
  - professional gold traders;
  - persons who perform activities relating to the storage and transport of cash, securities or values.
- 5) Gambling service providers.

As shown by the above list, TERNA does not feature among the recipients of the Anti-Money Laundering Decree; however, Company Representatives may, in the abstract, commit one of the Money Laundering Crimes in the interests or to the advantage of the Company.

Furthermore, Article 22 of the Anti-Money Laundering Decree provides for a series of obligations borne by customers of the Responsible Parties, who must:

- submit in writing and at their own liability, all necessary and up-to-date information required to enable the Responsible Parties to fulfill their appropriate due diligence obligations;
- as regards businesses with judicial roles and private judicial persons, obtain and retain, for a period not less than five years, appropriate, accurate and up-to-date information regarding their beneficial ownership as well as submit such information to the Responsible Parties to enable the performance of appropriate customer checks<sup>2</sup>.

Article 25-*octies* of Decree 231 ("Handling of stolen goods, money laundering and use of money, goods or properties of unlawful origin, as well as self-laundering") may therefore theoretically apply to TERNA.

- ***Money Laundering (Article 648-. 1 of the Italian Criminal Code)***

This crime occurs when a person, having committed or participated in committing an intentional criminal act, uses, substitutes or transfers, in economic, financial, entrepreneurial or speculative activities, money, goods or other benefits resulting from the aforementioned crime, in such a way as to tangibly hinder their identification as the proceeds of a crime. The crime is punishable with two to eight years' imprisonment and a fine from € 5,000 to € 25,000.

The punishment of one to four years' imprisonment and a fine from € 2,500 to € 12,500 is applied if the money, goods or other benefits result from an intentional crime punished with an imprisonment term of less than five years.

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<sup>2</sup> This information must be acquired by the directors on the basis of the results of the accounting entries and financial statements, the shareholders' register, communications relating to the ownership or control structure of the entity to which the company is held according to the current provisions, as well as communications received from members and any other data available to them. Should any doubts remain regarding the beneficial ownership, the information is acquired by the directors following an express request addressed to the shareholders with respect to whom further information regarding the organization is required.

The penalty is increased if the crimes are committed during the exercise of banking or financial activities or another professional activity.

The penalty is reduced by up to half for people that undertook effective measures to prevent the conduct from leading to further consequences or to safeguard the evidence of the crime and the identification of the goods, money and other benefits resulting from the crime.

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As shown by the description of the crime of self-laundering given above, the latter has as a necessary condition the commission of other "upstream" crimes. The types of offenses specifically provided for in the Decree have been analyzed and detailed in the relevant Special Sections (to which reference should be made), irrespective of whether or not such offenses are crimes of self-laundering. Conversely, TERNA has decided to give relevance and importance to the following type of corporate crimes not provided for directly by the Decree but which, by virtue of the acts that are punished by law, is potentially applicable in relation to self-laundering conduct.

- ***Fiscal crimes***

Fiscal crimes provided for by Legislative Decree no. 74/2000 containing the "new rules on crimes relating to income tax and value added tax, pursuant to Article 9 of Law no. 205 of June 25, 1999", are the following:

- a) Fraudulent statement put in place by the use of invoices or other documents for non-existent operations;
- b) Fraudulent misrepresentation by other devices;
- c) Misrepresentation;
- d) Non declaration;
- e) Issuance of invoices or other documents for non-existent operations;
- f) Concealment or destruction of accounting records;
- g) Non-payment of outstanding or certified withholding taxes;

- h) Non-payment of VAT;
- i) Unlawful compensation;
- j) Fraudulent avoidance of tax payment.

Although such crimes are not included in the list of Predicate Crimes, TERNA, in the belief that a policy of zero tolerance towards self-laundering is an essential prerequisite for the proper conduct of its business, has decided to include this crime in this Special Section.

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Considering the above, a corporation is punished for a Money Laundering Crime by a fine of two hundred to eight hundred shares. If the money, goods or benefits resulting from a crime for which the penalty established is imprisonment for at most five years, a fine from 400 to 1,000 shares is imposed. considering that the amount of a share may vary from nearly € 258 to nearly € 1,549.00, the fine may reach the amount of nearly € 1.5 million. If such a crime is committed, the corporation is also punished with disqualification measures established in Article 9, section 2, of the Decree for a period of not over two years.

## **F.2 AT-RISK AREAS**

According to the terms of this Special Section "D" of the Model and in relation to the above-mentioned crimes and criminal conduct, the areas that are more specifically considered to be at-risk are the following:

1. relations with Suppliers and Partners at domestic and transnational level;
2. relations with counterparties, other than Partners and Suppliers, with which TERNAL has relations – also through another Group company – for development in Italy or abroad of electricity transmission and dispatching activity or for the identification of business-development opportunities in Italy or abroad, also regarding energy efficiency;
3. management of cash flows;
4. the compilation, upkeep and storage of tax records; preparation of tax returns and tax payment records;
5. management of corporate giving schemes, donations and sponsorships;
6. management of industrial, civil, instrumental and other real-estate assets, including the acquisition, divestment or transformation of the same through operations to modify works;
7. management of intra-group relations, with specific reference to intercompany contracts;
8. management of extraordinary transactions.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to

the terms indicated in the General Section and in the individual Special Sections.

In the Parent Company's At-Risk Areas, those activities are also included –as a caution- that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

Any additions to the abovementioned At-Risk Areas shall be provided by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.



### **F.3 RECIPIENTS OF THIS SPECIAL SECTION - GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to the conduct of Company Representatives and of External Collaborators as already defined in the General Section.

The purpose of this Special Section is to ensure that these Recipients, to the extent in which they may be involved in activities in At-Risk Areas, follow rules of conduct consistent with the provisions set out herein in order to prevent the occurrence of Money-Laundering Crimes, while considering the different positions held by them with regard to the Group and, therefore, the different obligations they may have as specified in the Model.

In particular, the function of this Special Section is to:

- a. set out a list of the general rules and specific procedural rules that Company Representatives and External Collaborators, according to the different type of relationship they have with the Company, shall comply with for the purposes of a correct application of the Model;
- b. provide the VB and the Directors of company departments cooperating with the latter, the operational tools to control, monitor and verify the activities established.

In carrying out all activities regarding the management of the company, in addition to the rules in this Model, Company Representatives – with respect to their activity - will generally be expected to be familiar with, and comply with, all the rules, procedures and principles – that must be considered as implementing and integrating the Model – contained, by way of example, in the following documents:

- The Code of Ethics;
- The whistleblowing policy;

- The Anti-Corruption Guidelines;
- The Trade Compliance Policy;
- Procedures for the qualification of companies;
- Company procedures regarding selection and verification of contractual counterparties;
- Corporate governance rules adopted by the Company;
- Corporate Giving procedures;
- Rules on management of assets;
- Procedures relative to intra-group relations;
- Procedures relative to the management of preliminary activities; connected or arising from the fulfillment of tax obligations such as active and passive cycle procedures, payment procedures for direct taxes, etc.;
- Procedures relative to financial management and the treasury, also at Group level;
- 262 Control Model <sup>1</sup> and operating and accounting procedures;
- Regulations of the Executive in Charge;
- Procedures relative to International Business Development.

Specifically, in carrying out activities that are deemed to be at risk, Company Representatives and External Collaborators, by means of special contractual clauses according to the type of relationship they have with the Group, must comply with the following general conduct rules:

1. they must refrain from conduct that represents the commission of a Money Laundering Crime;
2. avoiding conduct that is not in itself such as to represent the commission of one of the above Crimes, but has the potential to become so;
3. they must behave in a correct, open and collaborative manner, complying with the law and internal corporate procedures, in all the activities involved in keeping master data of Suppliers and Partners, including foreign ones;

4. they may not have business dealings with persons (both natural and legal) who are known or suspected to belong to criminal organizations or organizations in any way operating illegally, such as, not limited to, persons connected with money laundering, drug trafficking and usury;
5. perform the correct acquisition and keeping of data relating to Suppliers and Partners (including Corporate Structure statements);
6. not receive or make payments through the use of anonymous tools for the execution of transactions involving the transfer of significant amounts;
7. constantly monitor corporate cash flows (including in relation to intragroup payments);
8. ensure the correct preparation, upkeep and conservation of accounting records relevant to tax purposes and the correct transposition of the relative data in the annual statements and departmental reports regarding the payment of taxes, ensuring the correct payment of the same.

## **F.4 SPECIFIC PROCEDURAL RULES**

### **F.4.1 Procedural rules to be complied with in individual At-Risk Operations**

The following are the procedural rules that may be implemented, as regards each of the At-Risk Area nos. 1-2-3-5-6-7-8 (as defined in paragraph F.2), also with specific corporate procedures that Company Representatives must comply with:

- a) verify - before the relative relationship is established - the commercial, reputational and professional trustworthiness of the Suppliers and Partners (both commercial/financial), after the definition (i) of the criteria for the preliminary verification/accreditation or qualification; (ii) the procedures and rules for the assignment, modification, suspension and revocation of accreditation/qualification, also in the light of any critical situations during the contractual relationship; and (iii) methods for updating accreditation/qualification in order to verify the maintenance of the required requisites over time;
- b) verify that commercial and financial Suppliers and Partners do not have registered offices or residences in, or connections to, countries considered as non-cooperative by the Anti-Money Laundering Financial Action Group (GAFI) or "Tax Havens" as defined by recognized national and/or international bodies (e.g. Italian Agency for Tax Revenue, OSCE) or that such counterparties are not included on the lists published by recognized national and/or bodies (e.g. United Nations, European Union, OFAC) in the context of systems to prevent and combat the financing of terrorism. Should any Suppliers or Partners be connected in any way to one of these countries or included on any such list, any relative decision should be expressly authorized by the CEO; the VB should be given prior notification of the decisions taken;
- c) ensure the openness and traceability of agreements/joint ventures with other companies for making investments awaiting approval from the appropriate authorization levels;

- d) verify the economic suitability of investments made as part of joint ventures (e.g. respect of average market prices); the relevant branch of the business is obliged to produce an evaluation aimed at assessing said suitability and its reference parameters; verify that individuals and legal entities with whom the Company concludes purchasing contracts necessary for the development of the electricity grid, including in other countries, do not have their headquarters or residence in, or other connections to, countries considered as non-cooperative by the Anti-Money Laundering Financial Action Group (GAFI) or considered as "Tax Havens" as defined by recognized national and/or international bodies (e.g. the Italian Tax Revenue Agency, OCSE) or that such counterparties are not included on the lists published by recognized national and/or international bodies (e.g. UN, EU and OFAC) in the context of systems aimed at preventing and combating the financing of terrorism; where such counterparties are in some way connected to one of these countries, the relative decisions must require express authorization from the CEO and the VB must be notified in advance of any decisions taken;
- e) keep evidence, in the format of electronic records to be retained for a period of ten years, of the checks performed in relation to the previous points and any transactions with parties that have registered offices or residences in, or connections to, countries considered as non-cooperative by the Anti-Money Laundering Financial Action Group (GAFI) or "Tax Havens" as defined by recognized national and/or international bodies (e.g. Italian Agency for Tax Revenue, OSCE), or included on the lists published by recognized national and/or bodies (e.g. United Nations, European Union, OFAC) in the context of systems to prevent and combat the financing of terrorism;
- f) carry out formal and significant controls on corporate financial inflows; these controls must take into account the country from which the payment is received (for example tax havens, countries at risk from

terrorism, etc.) and any front companies or trust structures used for extraordinary transactions;

- g) not accept cash or bearer instruments (checks, postal orders, deposit certificates, etc.) for amounts totaling over € 3,000 for any inbound transactions, payment or transfer of funds, unless transferred by approved intermediaries such as banks, electronic money institutions and Poste Italiane S.p.A. (except as provided for the management of petty cash) and not use current accounts or savings accounts anonymously or registered to a fictitious name;
- h) in terms of the management of financial transactions, only use operators who certify that they are equipped with manual, computerized and/or telematic control measures suitable for preventing money laundering;
- i) not make payments (i) in favor of parties that are not correctly identifiable; (ii) to current accounts not indicated in the contract, in the purchase order or in other documents signed with the counterparty;
- j) carry out formal and significant controls on corporate financial outflows; these controls must take into account any front companies or trust structures that are also used for extraordinary transactions. These checks must also include consistency and concordance checks between the holder of the contractual relationship (i.e. the creditor of the payment) and the name of the account to which the transaction is to be made;
- k) obtain and retain, for a period of no less than five years, appropriate, accurate and up-to-date information on the beneficial ownership of the Company;
- l) where the Company receives a request to do so from Responsible Parties, provide them in writing with all the necessary and updated information to enable them to fulfill their due diligence obligations;
- m) perform preventive checks on the integrity of the beneficiaries of donations and recipients of sponsorships;

- n) maintain traceability of authorization processes for aid grants, guaranteeing the collegiality of the decisions in this regard;
- o) where possible, check that the funds paid as a charitable contribution were used for the intended purposes;
- p) annually report corporate giving schemes, donations and sponsorships carried out in the given period to the VB;
- q) verify *ex post* that the service has effectively been provided in the context of corporate giving activities;
- r) conduct relations with companies of the Group with the utmost integrity, fairness and transparency;
- s) ensure that the services rendered by/for companies of the Group are made under market conditions and regulated in writing by specific contracts;
- t) ensure the constant and prompt updating of the related-parties transaction register;
- u) ensure that the management of M&A transactions are made in compliance with the relevant proxies and powers of attorney;
- v) in relation to management of real-estate assets, there is an obligation upon every Recipient to act in observance of organizational communications and the procurement system, as well as to verify possession of the appropriate legal acts legitimizing usage of the properties.

Specifically, according to the provisions of company procedures on purchase, divestment and transformation transactions and real-estate transactions, it is mandatory to:

- communicate with relevant company departments;
- provide for fulfillment of relative tax obligations;
- respect the defined authorization procedures (including issue of special powers of attorney, as necessary) and applicable obligations for establishment and execution of contracts, as well as establishment, amendment and termination of property rights.

- w) ensure the correct filing of the documentation relating to ordinary, extraordinary, real-state and investment solicitation transactions, as well as to ensure the traceability of the same.

\*\*\*\*\*

In regards to self-laundering, taking into account that the types of offenses specifically provided for in the Decree have been analyzed and detailed in the relevant Special Sections (to which reference should be made) and in light of the relevance and importance given by TERNAL to fiscal crimes, the following are the procedural rules that may be implemented, as regards each of the At-Risk Area nos. 5-6 (as defined in paragraph F.2), including in the context of specific corporate procedures that Company Representatives must comply with:

- a) in the preparation and subsequent keeping of the accounting books that are relevant for tax purposes, TERNAL shall adopt a series of measures to ensure that Company Representatives – within their own field of competence:
  - do not issue invoices or release other documents for non-existent transactions in order to enable others to commit tax evasion;
  - keep accounting books and any other record that must be kept for tax purposes in a fair and orderly manner, while setting up physical and/or computer systems to prevent the possible destruction or concealment of such documents;
- b) in the preparation of annual statements relating to income taxes and value added tax, TERNAL shall ensure that Company Representatives - within their own field of competence:
  - do not indicate fictitious liabilities items using invoices or other legally relevant documents for non-existent transactions;
  - do not indicate assets items for a total amount that is lower than the real one or fictitious liabilities items (e.g. fictitious costs



incurred and/or revenues that are lower than the real ones) by means of misrepresentation in the required accounting books and using appropriate means to hinder any inspection;

- do not indicate a taxable income lower than the actual one by recording assets items for an amount that is lower than the real one or fictitious liabilities items;
  - do not let the time period expire that is established by the applicable regulations before submitting these documents or paying the taxes resulting therefrom;
- c) TERNA, also through the provision of specific procedures, shall ensure the implementation of the principle of segregation of duties in relation to the management of company bookkeeping and the subsequent data transposition in the tax returns with reference, by way of example, to the following activities:
- verifying that services and issued invoices match;
  - verifying the accuracy of statements compared to the information contained in the accounting books;
  - verifying that the certificates issued as withholding agents and the actual withholding tax payments match, or rather the correspondence between withholdings due and actual payments made.

Reference should also be made to the procedural rules included in the Special Section "B" of this Model.

## **F.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA S.p.A.'s Vigilance Body shall:

- A. evaluate the suitability of procedures adopted in this regard, through hearings and/or documentary checks, including those regarding evaluation of counterparties;
- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees establishing proceduralized information flows between the VB and the directors of the competent Departments, the 231 Representatives or other Company Representatives as necessary, each time the VB deems it appropriate.

The information shall be given without delay to the VB should violations to specific procedural rules be detected as indicated in Chapter F.4 of this Special Section, or significant violations to procedures, policies and company regulations regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



## **SPECIAL SECTION "G"**

**CRIMES INVOLVING MANSLAUGHTER AND SERIOUS OR VERY  
SERIOUS INJURIES, COMMITTED BY INFRINGING THE  
ACCIDENT PREVENTION REGULATIONS AND THE STANDARDS  
FOR THE PREVENTION OF OCCUPATIONAL SAFETY**

CEO Approval
Luigi Ferraris
January 29, 2019

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## **DEFINITIONS:**

With the exception of the new definitions included in this Special Section "G", the definitions of the General Section remain valid.

**ASPP or Members of the Prevention and Protection Service:** persons possessing the capabilities and satisfying the professional requirements established in Article 32 of the Health and Safety Decree and belonging to the Prevention and Protection Service.

**BS – OHSAS 18001:** British Standard OHSAS 18001, 2007 edition, "occupational health and safety management system".

**Temporary or Mobile Site or Site:** any place in which building or civil engineering works are carried out, as listed in annex X, referenced by Art. 89 of Italian Legislative Decree 81/2008, as amended.

**Public Contracts and Procurement Code:** Italian Legislative Decree 50/2016, commonly known as the "Public Contracts Code" and subsequent amendments and additions.

**Client:** the person on whose behalf the entire building or civil engineering work is implemented, regardless of any division of the work involved, and that holds decision-making power regarding spending for management of the contract in compliance with the provisions of Articles 88 *et seq.* of the Health and Safety Decree.

**Sub-contract:** contract that falls within the scope of application of art. 105 of the "Procurement Code" and via which the Contractor engages a Third-Party Company for execution of part of the contractual activity assigned to the same by the Client via the Contract Agreement.

**Sub-licensing contract:** derivative contract of a public contract agreement, that falls within the scope of application of Art. 105, section 3 or the Procurement Code.

**Site Coordinator:** the person, other than the Employer of the contracting and executing company, or an employee of the same, or the RSPP assigned to him (except in cases where the client and the acting company are the same, in which case such incompatibility does not apply), charged by the Client or the Site Manager, among other duties, to check, with duly appropriate coordination and control activities, the application by the acting companies and freelancers of the provisions relevant to them contained in the Health, Safety and Coordination Plan, and to verify the suitability of the Operational Health and Safety Plan, ensuring its compliance with the former.

**Project Coordinator:** the person appointed by the Client or the Works Manager, among other things, to write the Health, Safety and Coordination plan and to prepare the Works Dossier.

**Employer:** the person that is the principal party to the work contract with the Employees or, in any event, the person that, according to the type and department of the organization for which Employees perform their activities, is responsible, by virtue of appropriate assignment, for said organization or for the Production Unit thereof, inasmuch as he exercises decision-making and spending powers.

**The Employer/Client:** the person who entrusts works, services or supplies to contracting companies or freelancers, according to Article 26 of the Health and Safety Decree.

**Health and Safety Decree:** Italian Legislative Decree no. 81 of April 9, 2008 - *"Implementation of Article 1 of Law no. 123 of August 3, 2007 regarding the*

*protection of occupational health and safety”* and subsequent amendments and integrations.

**Dirigente:** il soggetto che, in ragione delle competenze professionali e dei poteri gerarchici e funzionali adeguati alla natura dell'incarico conferitogli, attua, eventualmente ove consentito dal Decreto Sicurezza attraverso delega o sub-delega, le direttive del Datore di Lavoro organizzando l'attività lavorativa e vigilando sulla stessa.

**Delegated Manager pursuant to Art. 16:** the person who, according to his/her skills is assigned by the employer, via delegation pursuant to art. 16, to fulfill the employer obligations, having decisional and spending autonomy.

**DUVRI:** “*Consolidated Document for Assessment of Interference Risks*”, document prepared by the Client/Employer-Client that, pursuant to art. 26 of Italian Legislative Decree 81/2008, indicates the measures to eliminate or, where this is impossible, to minimize interference risks.

**DVR:** “*Risk Assessment Document*”: the document produced by the Employer containing an assessment report of the risks to health and safety during the work and the criteria of such assessments, prevention and protection measures and the personal protection equipment adopted following the assessment, the schedule or measures deemed appropriate to ensure improvement over time of safety levels, the identification of implementation procedures and the roles that the corporate structure must appoint, the names of the RSPP, the RSL and the Appointed Doctor who contributed to the risk assessment, as well as the identification of assignments that may expose Employees to specific risks that require recognized professional skills, experience and appropriate training and education.



**Works Dossier:** The folder prepared by the Project Coordinator including all useful information for the prevention and protection of risks to which Employees are exposed.

**HSE:** Health, Safety and Environment department of TERNA that monitors regulations and law on health, safety and the environment topics, with coordination, support, monitoring and preventive auditing of workplace health and safety and environment activities.

**Contracting Company (Contractor):** company or economic operator holding the contract agreement with the Contracting Authority that performs works or parts of works using its own human resources, materials and equipment. It may use third-party companies or freelancers.

**Executing Company:** company that executes works or parts of works using its own human resources or materials. This role may be assumed by the Contractor and/or one or more Third-Party Companies that will therefore assume the role of subcontractor and/or sub-licensor.

**Employees:** persons who, regardless of contract type, carry out a working activity in the context of the TERNA corporation.

**UNI-INAIL Guidelines:** the guidelines drawn up by the Italian Unification Board, and INAIL, the Italian Insurance Institute for Occupational Injuries, for the voluntary establishment on the part of businesses of an occupational health and safety management system.

**Appointed Doctor:** the doctor that holds one of the formal or professional qualifications laid down in the Health and Safety Decree, that collaborates with the Employer to contribute to the risk assessment and is appointed by the latter to carry out the duties defined by the Health and Safety Decree.

**Referring Doctor:** the doctor who coordinates and directs the activities of the Appointed Doctors assigned by each Employer.

**Observatory:** the Observatory of Public Contracts relating to works, services and supplies referred to in the Procurement Code.

**Safety and Coordination Plan:** document prepared by CSP, with reference to individual temporary or mobile sites, as per Art. 100, section 1, Italian Legislative Decree 81/08, as amended. The Safety and Coordination Plan identifies the appropriate project and organizational decisions to launch general measures for protection of occupational health and safety as per Art. 15 of Italian Legislative Decree 81/08, as amended.

**Operational Safety Plan:** document that the employer of the executing company/ies must prepare, in relation to the individual site involved, pursuant to Art. 17, section 1, part a) of Italian Legislative Decree 81/08 as amended, the minimum content for which is indicated in annex XV to the same Italian Legislative Decree 81/08.

**Officer in Charge:** the person that, by reason of his/her professional skills and the hierarchical and functional powers appropriate to the position that he/she holds, supervises the work activity and ensures the implementation of directives, checking the proper execution on the part of Employees and exercising personal initiative.

**Project:** the combination of activities and contracts required for execution of all works, on temporary or mobile sites, required for the execution phase of a specific initiative.

**Designers, Manufacturers, Suppliers and Installers:** the natural or legal persons that are entrusted with designing the premises, workplaces and plants,

or that produce, supply, hire out, grant the use of or install plants, machinery or other technical equipment for TERNA.

**Integrated Management System Representative:** the person assigned the responsibility and the authority necessary for: (a) ensuring that management system processes are implemented and kept operational; (b) reporting to the top management on management systems performance, including the need for improvements; (c) conducting relations with external parties on matters involving management systems; d) monitoring all certified/accredited management systems and in particular anticorruption management systems with supervision over compliance, the training process, risk assessment, implementation of commercial and financial audits, and establishment of reporting and investigation procedures; e) promptly communicating to the VB in the case that problems or reports are identified regarding corruption or the anticorruption management system.

**Crimes Committed in Violation of the Law on the Protection of Occupational Health and Safety:** crimes under Article 25- *septies* of Legislative Decree no. 231/2001, or manslaughter (Article 589 of the Italian Criminal Code), and serious or very serious personal injuries (Article 590, section 3 of the Italian Criminal Code) committed in breach of the standards of occupational health and safety.

**Works Manager:** the person who can receive the assignment from the Client/Employer to carry out the duties he was assigned on the basis of Italian Legislative Decree no. 81/2008 and subsequent changes and integrations thereto. Within TERNA, duties entrusted to the Works Manager should be divided into duties for works in the planning phase, duties for works in the assignment phase, and duties for works in the execution phase.

**Employees' Health and Safety Representative ("RLS"):** the person appointed or entrusted to represent the Employees with regard to aspects concerning occupational health and safety.

**Members of the Safety, Prevention and Protection Group (RSPP):** persons possessing the capabilities and satisfying the professional requirements established in the Health and Safety Decree, chosen by the Employer, and belonging to the Safety, Prevention and Protection Service.

**Health Surveillance:** the complex of medical activity undertaken to safeguard Employees' health and safety in relation to the work environment, occupational risk factors and methods of work.

**Prevention and Protection Service (SPP):** the combination of persons, systems and means, both within and outside TERNA, whose purpose is to take action to prevent professional risks to Employees.

**Employees' H&S:** Employees' Health and Safety.

**Subcontractor:** company or economic operator holding a subcontract.

**Sub-licensor:** company or economic operator holding a sub-license.

**Issuing Office:** the organizational structure that, based on the delegated powers, performs the procurement process in observance of the applicable operating procedures and instructions and established relative contracts within the limits of the signatory powers defined by relative power of attorney.

**Production Unit:** TERNA's plants or structures that produce goods or deliver services and are financially and technically/functionally independent.

A total of 13 Production Units have been identified within the TERNA Group.

**Management System:** the TERNA S.p.A. structure for the supervision of activities concerning management systems for quality, the environment, occupational health and safety and health protection, information security, test

and calibration laboratories and energy management (“Integrated Management System”).

## **G.1 CRIMES INVOLVING MANSLAUGHTER AND SERIOUS OR VERY SERIOUS INJURIES, COMMITTED BY BREACHES TO THE STANDARDS TO PROTECT HEALTH AND SAFETY IN THE WORKPLACE (Article 25-*septies* of the Decree)**

The following is a brief description of the Crimes committed in violation of the law on the protection of occupational health and safety as specified in Article 25-*septies* of the Decree.

This article, first introduced by Law no. 123 of August 3, 2007 and later replaced pursuant to Article 300 of the Health and Safety Decree, provides for the application of pecuniary and interdictory penalties to Corporations whose representatives commit the crimes referred to in Articles 589 (manslaughter) and 590, section 3 (serious or very serious personal injury) of the Italian Criminal Code, in breach of the standards for the protection of occupational health and safety. Cases in which crimes included in Article 25-*septies* are only those in which the event has occurred not as a result of generic negligence (therefore only due to inexperience, imprudence or negligence) but of “specific negligence”, which arises when the event occurs due to non-compliance with the standards for the protection of occupational health and safety.

### **• *Involuntary Manslaughter (Article 589 of the Italian Criminal Code)***

This crime is committed whenever a person causes the death of another person because of negligence, infringing the rules for the prevention of occupational accidents.

### **• *Serious or very serious injuries (Article 590, section 3, of the Italian Criminal Code)***

This crime is committed whenever a person, infringing the law on the prevention of occupational accidents, causes to another person serious or very serious injuries.

Under section 1, Article 583 of the Italian Criminal Code, an injury is considered to be serious in the following cases:

- 1) if the accident gives rise to an illness that endangers the injured person's life, or to an illness or an incapacity that renders the person unable to perform his/her day-by-day duties for a period of over forty days;
- 2) if the accident produces the permanent weakening of a sense or an organ.

Under section 2, Article 583 of the Italian Criminal Code, an injury is considered to be very serious if the accident gives rise to:

- an illness that is certainly or probably incurable;
- the loss of a sense;
- the loss of a limb or a mutilation that renders the limb unusable or the loss of the use of an organ or of the capacity to procreate or a permanent and serious difficulty in speech;
- the disfigurement or permanent scarring of the face.

In both the cases of crimes stated above - namely involuntary manslaughter and serious or very serious injuries - Corporations are liable to a pecuniary penalty between 250 and 1,000 shares (it should be considered, in this connection, that the value of a share may be determined, on the basis of the corporation's economic and financial assets, between € 258 and € 1,549).

For TERNA to be considered as administratively responsible in compliance with the Decree, however, under Article 5 of the Decree, the crimes would have to

be committed in its interest or to its advantage (by way of example, if they are aimed at reducing the costs of occupational health and safety).

In the event of a sentence for one of the above crimes, TERNA might also be subjected to one of the following interdictory penalties for a duration of not less than three months and not over one year:

- disqualification from conducting business activities;
- the suspension or revocation of the authorizations, licenses or concessions related to the commission of the crime;
- a prohibition on negotiations with public authorities except for obtaining the handover of a public service;
- the exclusion from facilitations, loans, grants or subsidies and possibly the revocation of those already awarded;
- a prohibition on advertising goods or services.

Furthermore, of the **"transnational"** crimes pursuant to Law no. 146 of 2006, the crime of aiding and abetting established by Article 378 of the Italian Criminal Code is given particular relevance, especially with reference to the Management of At-Risk Countries.

Pursuant to Article 378 of the Italian Criminal Code, persons who, after an offense punishable by life imprisonment or confinement has been committed and asides from cases of complicity in the same, help such persons to avoid investigation by Italian or international authorities, are punishable by up to four years' imprisonment.

In particular, the company may be held responsible not only for acts of omission (such as withholding or falsifying the identity of the guilty party) but also direct actions such to represent the creation of obstructions to the investigations (for example, the payment of a ransom to a criminal organization that has kidnapped an employee).

A pecuniary penalty of a maximum of 500 shares is applied to the organization.



### **G.1.1 Coordination by the Parent Company of occupational health and safety and the adoption of a certified management system**

TERNA's main business is providing the electricity transmission service; this occurs along the high voltage grid, whose operation, ordinary and extraordinary maintenance, and development are assigned to the subsidiary Terna Rete Italia S.p.A..

Concerning Occupational Safety, despite the fact that the majority of At-Risk Areas presently involve the activity of other Group Companies following the aforementioned corporate reorganization, TERNA deems this issue should be dealt with great attention, underlining its role as a leader in the Group also in this regard, with a series of conduct rules and positive actions.

In particular, TERNA bases its complex injury prevention and health protection system on:

- a BS OHSAS 18001:2007 certified management system (a group of related elements that are used to set the policies and the objectives to be achieved as regards occupational health and safety) described through a detailed and structured collection of Operational Procedures and Instructions (that can be accessed through the Intranet) on all safety activities;
- a thorough supervisory activity based on ongoing supervision by employers, on inspections by Prevention and Protection Service Managers (RSPP) and on a series of internal and external compliance assessments;
- the inclusion of performance objectives for occupational safety in the indicator system linked to the salaries of the Departments involved;
- constant and efficient information and training activity through training sessions and courses on safety issues.

Furthermore, governance regarding occupational safety is implemented by the Group also through an organization in the operational units and coordinated by a dedicated and centralized organizational structure within the Parent Company. This department's mission is to coordinate the entire Group's safety policies, to ensure the management of compliance risks, while monitoring that performance objectives are reached, ensuring consistency in the initiatives on SSLAV in the different departments, coordinating the SGS, organizing the reporting on the Group's occupational safety and ensuring the monitoring of performances on this issue.

In this context, in line with the aforementioned organizational structure and in order to guarantee that an effective instrument is adopted to counter the potential commission of the above mentioned Crimes, the Group has decided to adopt this Special Section "G", which, in addition to taking into account the UNI-INAIL Guidelines, has also been drawn up in compliance with the requirements of the BS-OHSAS Standard 18001-2007, based on the certification obtained for the Occupational Health and Safety management system for Employees adopted by the Company.

This British Standard, whose adoption does not, in any event, relieve TERNA and each Company Representative from complying with the requirements or fulfilling the obligations laid down in current legislation, states the essential measures to take in order to prepare a satisfactory corporate policy and in order to ensure that specific objectives are scheduled in pursuing this policy, and states the action to take - both for improvement and for correction - in order to ensure constant compliance with the management system adopted for the protection of the Employees' health and safety.

In this Special Section, the corporate conduct, actions and procedures referred to are to be considered as always implemented in compliance with the above-mentioned British Standard as adopted by TERNA, unless explicitly stated otherwise.

## **G.2 AT-RISK AREAS**

In relation to the crimes referred to above, risk analysis activity has been conducted on the basis of the consideration that, unlike the other types of crimes specified in the Decree, the main factor here is the failure to respect laws issued in order to protect Employees' health and safety that gives rise to the harmful event (death or injury) and not the psychological element in the negligent act (the agent's awareness of causing the event and the intention of doing so).

Therefore, the areas deemed most specifically at risk as regards TERNA are all related to any such acts of non-compliance and involve the following activities, carried out also for other Group Companies:

1. monitoring, improving the safety and maintaining the electricity grid plants with TERNA's personnel or outsourced personnel, including activity in which one or more contractors are engaged, as well as in relation to the production plants of subsidiary companies\*
2. building, developing and renewing the electricity grid (power lines and substations) and other infrastructures connected with said grids, as well as plants and equipment necessary for the implementation of said work and all other Site works, as well as the manufacture, installation and transportation of transformers and related equipment and activities for development of energy and connectivity solutions, carried out by Group Companies\*;
3. supply for the activities referred to in points 1 and 2;
4. *International Travel Security*: management of At-Risk countries to

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\* This activity refers to the subsidiary Tamini Trasformatori S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.

\* This activity refers to the subsidiary Tamini Trasformatori S.r.l. and, limited to development of solutions in the energy and connectivity field, to the company Terna Energy Solutions. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.

ensure the safety of TERNAL and/or external personnel who work abroad on behalf of the Company on a regular or occasional basis;

5. Staff training on Consolidated Law no. 81/08
6. Obligations established by Italian Legislative Decree 81/08 in relation to H&S;
7. Implementation of the proxy pursuant to Article 16 of Legislative Decree no. 81/08.

Specific attention should be devoted to activities assigned to contractors for the above-mentioned activities.

Furthermore, also important is office work, particularly with respect to the use of video terminals and work-related stress.

The following activities are considered to be particularly important in order to reduce the risk of non-compliance with the laws issued to protect Employees' health and safety, and prevent a harmful event from occurring in one of the At-Risk Areas described above:

- a) determination of the occupational health and safety policies aimed to define the general commitments undertaken by TERNAL for the prevention of risks and the progressive improvement of health and safety conditions;
- b) identification and correct application of the provisions of the applicable occupational health and safety laws and regulations;
- c) identifying and assessing risks for all categories of Employees, with particular reference to:
  - publication of the Risk Assessment Document for each Production Unit within the TERNAL Group;
  - tender, service and supply contracts;

- interference risk assessments through the IRAD document;
  - Safety and Coordination Plans, Works Folders and Operational Safety Plans;
- d) setting targets in line with the general commitments defined in the policies mentioned in section a) above and drawing up plans for achieving these targets, setting priorities, timing and assigning responsibilities as appropriate and also allocating the necessary resources with regard to occupational health and safety, with particular reference to:
- the distribution of tasks and duties;
  - activities of the Prevention and Protection Service, the Appointed Doctor and the Referring Doctor;
  - the work of all the persons involved with responsibility for implementing Employees' health and safety measures;
- e) raising awareness at all levels of the corporate structure in order to ensure the achievement of the targets that have been set, also by planning training programs, with particular reference to:
- monitoring, frequency, utilization and learning;
  - special training for persons exposed to specific risks;
- f) implementation of appropriate monitoring, control and inspection activities to ensure the effectiveness of the aforementioned occupational health and safety management system, in particular in relation to:
- measures to maintain and improve the system;
  - managing, correcting and prohibiting conduct carried out in violation of the law, making use of disciplinary measures;
  - coherence between the activities performed and one's own skills;

- g) implementing the necessary corrective and preventive measures according to the outcome of monitoring activities;
- h) periodic review by the Company management in order to assess the efficacy and efficiency of the occupational health and safety management system and the health protection system in achieving the targets set, as well as the adequacy of said targets compared both to TERNA's specific situation and to any changes in activity, as set out in paragraph G.4.4.5 that follows.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

TERNA's CEO may add other At-Risk Areas to the ones described above, identifying the relevant profiles and defining the most appropriate action.

### **G.3 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

La presente Parte Speciale attiene a comportamenti cui devono uniformarsi gli Esponenti Aziendali, i Fornitori ed i Partner di TERNA nonché, nella misura in cui non rientrino in queste definizioni, le figure rilevanti di cui al paragrafo G.4.4.1 della presente Parte Speciale ("Destinatari"), affinché non pongano in essere, non promuovano, non collaborino, o non diano causa a comportamenti tali da integrare fattispecie di Reati commessi in violazione delle norme sulla tutela della salute e sicurezza dei lavoratori.

The aim of this Special Section is that such Recipients, if they are involved in performing the activities falling within At-Risk Areas and considering their different positions and different obligations with respect to TERNA, should respect the rules of conduct that comply with TERNA' instructions on the matter, in order to prevent and hinder the occurrence of Crimes committed in breach of the law on the protection of occupational health and safety.

In particular, the function of this Special Section is to:

- a) provide a list of the general rules as well as the specific procedural rules which the Recipients must comply with for the correct application of the Model;
- b) provide the Vigilance Body, as well as the directors of company departments called to cooperate with the Body, with the operational principles and tools for carrying out the necessary checks, monitoring and verifications entrusted to them.

In carrying out their respective activities/functions, in addition to the rules in this Model, Company Representatives must, in general, respect all the rules and principles contained in the following documents, in the parts pertinent to them:



1. the company organization chart;
2. the national collective labor contract;
3. the Code of Ethics;
4. the whistleblowing policy;
5. the Risk Assessment Document, with the relative supplementary documents for each TERNA Production Unit;
6. the Safety and Environmental Improvement Plan;
7. the Quality, Environment, Occupational Safety and Health Protection Manual;
8. Procedures adopted by TERNA PLUS regarding occupational health and safety, concerning, for example:
  - a. the assessment of risks to occupational safety and the protection of health;
  - b. occupational health and safety management;
  - c. safety management at temporary or mobile sites and monitoring activities;
  - d. health surveillance for the protection of occupational health and safety;
  - e. management and production of the IRAD;
  - f. procurement management;
  - g. incident management;
  - h. near-miss management;
9. Procedures on the Organization of Occupational Health and Safety in the context of the activities carried out abroad.

## **G.4 SPECIFIC PROCEDURAL RULES**

In order to facilitate the implementation of the principles governing the protection of Employees' health and safety and ensuring adequate supervision in the various At-Risk Areas, TERNAL, in addition to carrying out the activities specified in paragraph G.2 and G.3 above, has set forth following procedural rules.

### **G.4.1 Corporate occupational health and safety policies**

The occupational health and safety policy adopted by TERNAL must be considered as a fundamental reference document for all Company Representatives and all those outside TERNAL that have dealings with the company.

This policy must be applied to all the activities performed by TERNAL and its objective must be that of listing the principles by which all corporate actions are inspired; everyone, according to their role and the responsibilities they take on at TERNAL, shall respect this policy with a view to protect the health and safety of all Employees.

On the basis of this policy, TERNAL must therefore conduct its activities respecting the following specific procedural rules:

- responsibility for managing the occupational health and safety system on the entire company structure from the Employer down to each Employee, each according to his own functions and skills, in order to avoid prevention activities being considered the sole responsibility of certain persons and a consequent lack of active participation by some Company Representatives;

- commitment to considering the health and safety system as an integral part of corporate management and one that all Company Representatives should be familiar with;
- commitment toward continuous improvement and prevention;
- commitment toward providing the necessary human and instrumental resources, evaluating the advisability of investments in new plants and considering aspects of the protection of Employees' health and safety in addition to the economic and financial issues in such evaluations;
- commitment toward ensuring that all Company Representatives, within the limits of their functions, are made aware of their duties and are trained to carry them out in compliance with the laws on the protection of occupational health and safety;
- commitment toward involving and consulting Employees, also through the Employees' Health and Safety Representatives; specifically, TERNA lays down appropriate measures to gain the involvement of Employees, also through the Employees' Health and Safety Representatives, by engaging in prior consultation in the identification and assessment of risks and the definition of the preventive measures to take, as well as taking part in periodic meetings with the Employees;
- commitment to fostering collaboration with the competent authorities (such as INAIL, local health authorities, etc.) in order to create an effective communication channel for the continuous improvement of the safety performance and the protection of Employees' health;
- commitment toward the constant monitoring of work-related accidents in order to ensure control, identify criticalities and the corrective action or training activities to be implemented;
- commitment toward laying down the guidelines and the organizational methods of the safety management system in compliance with the British Standard;
- commitment toward defining health and safety objectives and the relative implementation activities and making them known within TERNA;

- commitment toward a periodic review of the health and safety policy that has been adopted and of the relative management system that has been put into practice, in order to ensure that they are always appropriate to TERNA organizational structure.

#### **G.4.2 Identification of statutory occupational health and safety requirements**

Before specific health and safety objectives are defined, TERNA shall correctly identify the requirements laid down in Community, domestic, regional and local laws and regulations, also in order to ensure that the Employees' health and safety management system is prepared and implemented correctly.

To this end, in order to harmonize conduct within their field of activity, the Prevention and Protection Service Managers (RSPP) shall:

- analyze all the aspects of health and safety that are regulated by law, using any existing database, employers' association and trade union documents, etc.;
- identify legal provisions that concern TERNA on the basis of the activity performed by each Production Unit;
- establish the requirements and obligations arising from compliance with these provisions that are applicable to TERNA's activities;
- set out these requirements and obligations in a specific list.

#### **G.4.3 Planning process**

In order to implement the policy referred to in paragraph G.4.1, in framework of the process for planning health and safety objectives TERNA:

- defines the objectives whose aim is to maintain and/or improve the system;

- draws up a plan for the attainment of each objective, for identifying the persons/structures to be involved in carrying out the plan and for assigning the relative duties and responsibilities;
- determines the resources, including the economic resources, that are necessary;
- lays down the method for verifying the true and effective achievement of the objectives.

#### **G.4.4 Organization of the system**

##### **G.4.4.1 Duties and responsibilities**

The definition of the organizational and operational duties of the company management, the Officers, the Officers in Charge and the Employees must also explicitly state and inform about the duties involved in safety activities for which they are responsible, in addition to the responsibilities linked to these activities and their duties as regards occupational health and safety inspections, verification and supervision.

Furthermore, the names of the Prevention and Protection Service Managers (RSPP) and Members (ASPP), those in charge of emergency management and the duties and the responsibilities of the Appointed Doctor and Referring Doctor should be recorded and made known at all corporate levels.

The relevant persons are responsible for carrying out the duties set out below, in the implementation of the principles that have been mentioned above and of existing regulations.

## **Employer**

The Employer of each TERNA Production Unit is responsible for all occupational health and safety obligations, including the following which may not be assigned to others:

- 1) assessing, all risks to Employees' health and safety, also in the choice of the work equipment and materials or chemicals utilized, of the workplace layout - and in regard to groups of Employees exposed to particular hazards, including work-stress related risks, as well as those regarding group of Employees exposed to particular hazards (such as risk arising from gender and age differences and Employees coming from other Countries); in this regard, the Employer shall ensure all decisions comply with statutory technical and structural standards;
- 2) after the assessment, draw up a Risk Assessment Document (DVR). Such document must indicate the date or, as an alternative, must indicate a date as certified by its signing by the persons specified in the Health and Safety Decree (namely the Employer and the Safety, Prevention and Protection Manager – RSPP –, the Employees' Health and Safety Representative – RLS – and the Appointed Doctor, if any). The document must be kept at the Production Unit for which the risk assessment was made or must be stored in a computer file according to the terms established by the Health and Safety Decree. The DVR shall contain:
  - a report on the assessment of all risks to occupational health and safety, specifying the criteria adopted for the assessment; such criteria must be simple, concise and easily understandable, so as to guarantee their completeness and suitability as a planning tool for the corporate and prevention measures to be undertaken;

- an indication of the prevention and protection measures that have been implemented and the personal protection equipment adopted on the basis of the risk assessment mentioned above;
- the program for the measures that are deemed appropriate to ensure an improvement in safety levels over time;
- the definition of the procedures for implementing the measures that need to be undertaken and the persons/positions in the company that must see to the matter;
- the names of the Prevention and Protection Service Manager –RSPP-, the Employees’ Health and Safety Representative –RLS- and the Appointed Doctor that took part in the risk assessment process;
- the details of the duties that expose Employees to specific risks requiring recognized professional skills, specific experience and adequate training and instructions.

The assessment activity and the preparation of the document must take place in collaboration with the Prevention and Protection Service Manager -RSPP- and the Appointed Doctor. The Employees’ Health and Safety Representative shall be consulted before the risk assessment is conducted and the assessment shall be repeated – according to the terms established in the Health and Safety Decree - when significant changes take place in the production process [or in work organization](#) that have significant implications for Employees’ health and safety or relating to important technological developments in the prevention and protection methods, following serious accidents or the outcome of the Health Surveillance so requires;

3) appoint the Prevention and Protection Service Manager.

The Employer is assigned a number of other duties that he may transfer to qualified persons. Among these duties, which are laid down in the Health and Safety Decree, are the following:

- (a) entrusting the Appointed Doctor to carry out Health Surveillance;
- (b) appointing beforehand the Employees in charge of implementing measures for fire prevention and firefighting, the evacuation of the workplace in the event of serious and immediate danger, rescue, first aid and the management of emergencies in general;
- (c) providing the Employees with the necessary appropriate personal protective equipment in agreement with the Prevention and Protection Service Manager (RSPP) and the Appointed Doctor;
- (d) undertaking the appropriate measures in order that only the Employees that have been given sufficient instruction and specific training have access to the areas that expose them to serious and specific risks;
- (e) fulfilling the obligations with regard to information, training and instruction referred to in paragraph G.4.4.2 below;
- (f) disclosing to the Italian Insurance Institute for Occupational Injuries (INAIL), as applicable and for statistical and information purposes (and through them the national information system for prevention in workplaces – SINP), the details of occupational accidents entailing at least one day's absence from work, excluding the day of the event;
- (g) calling a periodical meeting as established under Article 35 of the Health and Safety Decree;
- (h) updating prevention measures in relation to organizational or production changes that affect occupational health and safety or in relation to the extent of the progress made in prevention and protection techniques;
- (i) making provision for an adequate system of supervision of Employees' in compliance with safety procedures and measures, instructing specific persons in Production Units to carry out the tasks involved;
- l) adopting disciplinary measures in compliance with contract and law provisions towards those Employees who do not respect prevention measures and safety procedures thus causing a real or potential hazard to themselves or others.



The Employer may assign these duties and all others delegated by it under the Health and Safety Decree, with the exception of the duties as per the Health and Safety Decree, with the exception of the duties defined by art. 17 of the Health and Safety Decree, provided that the proxy as per art. 16 is made public promptly and in the appropriate manner, within the following terms and conditions:

- the proxy must be recorded in writing and clearly dated;
- the proxy holder must satisfy all the requirements of professionalism and experience needed in view of the specific nature of the transferred functions;
- the proxy holder is assigned all the powers of organization, management and control required by the specific nature of the transferred functions;
- the proxy holder is granted autonomous spending power necessary for the performance of the transferred functions;
- the proxy must be accepted by the proxy holder in writing.

Following an agreement with the Employer, each Manager may in turn assign specific duties regarding occupational health and safety issues based on the same conditions as stated above. Such transfer of duties does not exclude the supervision obligation for the person giving the proxy regarding the correct implementation of the duties transferred. The proxy holder cannot, in turn, transfer the duties assigned to him.

For a more detailed indication regarding the officialization of such proxies, the persons that can be assigned the proxies and the powers normally assigned, reference should be made to the organizational procedures adopted by the Company.

In order to ensure that the corporate safety model to be implemented is synergistic and participative, the Employer gives the Prevention and Protection Service and the Appointed Doctor information regarding:

- a) the nature of the risks;
- b) the organization of work and the planning and implementation of preventive and protective measures;
- c) the description of the plants and production processes;
- d) the data relating to accidents and occupational illnesses;
- e) the measures undertaken by Vigilance Bodies.

The Employer or, in case of assigned duties, the proxy holder, must supervise, based on the provisions of the Health and Safety Decree, the fulfillment of obligations on the part of i) Officers in Charge, ii) Employees, iii) Designers, iv) Manufacturers, v) Suppliers, vi) Installers, vii) Appointed Doctor.

### **Safety, Prevention and Protection (SPP)**

In fulfilling his obligations with regard to occupational health and safety, the Employer shall organize the Prevention and Protection Service [within the company or shall entrust persons or external services making sure that the appointed members of the ASPP and RSPP possess the professional skills and requirements stated in Article 32 of the Health and Safety Decree.](#)

The Prevention and Protection Service Manager (RSPP) is responsible for:

- identifying risk factors, assessing risks and determining the safety and soundness of the workplace in compliance with the legislation in force and on the basis of his specific knowledge of the company's organization;

- as far as he is responsible to do so, preparing preventive and protective measures as per Article 28 of the Health and Safety Decree and the control systems for these measures;
- drawing up safety procedures for the various activities performed in the company;
- proposing programs for employee information and training;
- taking part in consultations regarding occupational health and safety and organizing “periodical meetings for risk prevention and protection” as specified in Article 35 of the Health and Safety Decree;
- providing Employees with all the information regarding occupational health and safety that is necessary.

Should the RSPP Manager or the Members of the Prevention and Protection Service –ASPP- in a Production Unit find that there are criticalities in the implementation of the recovery actions established by the Employer, the Manager of the Prevention and Protection Service concerned –RSPP- must immediately inform the Vigilance Body, also through the TERNA HSE department.

The Vigilance Body should also be informed in the case that an RSPP Manager is replaced, and the reasons for this decision should be indicated through the HSE department of the Parent Company.

### **Appointed Doctor**

The Appointed Doctor, among other duties:

- must collaborate with the Employer and the Prevention and Protection Service in risk assessment, also with a view to the planning, if necessary, of Health Surveillance, in preparing the ground for the implementation of measures to protect the Employees’ health and their psycho-physical integrity, in training and informing Employees within the area of their

competence and in organizing the first-aid service, considering the particular types of production and exposure and the particular ways in which work is organized;

- plans and carries out Health Surveillance;
- opens a health record and updates and keeps it, based on his own responsibility for each Employee subject to Health Surveillance;
- provides Employees with information regarding the importance of the health checks that they undergo and informs them of the outcome;
- at the meetings held under Article 35 of the Health and Safety Decree, provides written reports regarding the anonymous collective results of the health surveillance that has been carried out and explains the meaning of these results in the light of the implementation of measures to protect the Employees' health and psycho-physical integrity;
- visits workplaces at least once a year or with other time intervals determined on the basis of the risk assessment;
- takes part in scheduling the checking of Employees' exposure, the results of which are given to him promptly for the purposes of risk assessment and Health Surveillance.

### **The Referring Doctor**

TERNA has established the position of Referring Doctor in order to improve the efficacy and efficiency of the Health Surveillance service, thereupon assigning the following duties:

- a) draw up a unified health record in collaboration with the Appointed Doctors and the HSE department of the Parent Company;
- b) act as an interface with the Appointed Doctors for the application of current occupational health and safety legislation;

- c) call periodic meetings (as a guide, every six months) of Appointed Doctors in the area;
- d) act as a consultant in disputes with control bodies (local health authorities, labor office, etc.);
- e) support the HSE department of the Parent Company in drawing up guidelines for a clear interpretation of the application of the new occupational medicine decrees and/or laws and the Health and Safety Decree;
- f) make suggestions regarding any diagnostic inquiries that should be made at national level with regard to particular environmental risks.

### **Employees' Health and Safety Representative (RLS)**

This is the person appointed or designated, in compliance with the provisions of labor agreements regarding the matter, to represent the Employees as far as aspects of occupational health and safety are concerned.

The Employer or a delegate of the Employer gives him the established special training in health and safety.

Among other duties, the Employees' Health and Safety Representative (RLS):

- enters and visits the workplaces;
- is consulted beforehand and promptly with regard to risk assessment and the identification, planning, execution and check of preventive measures;
- is consulted on the appointment of the Manager (RSPP) and Members of the Prevention and Protection Service (ASPP), of the persons in charge of the implementation of emergency and first aid measures and of the Appointed Doctor;
- is consulted on the organization of training activities;

- fosters the identification, preparation and implementation of prevention measures helpful in protecting the Employees' health and psycho-physical integrity;
- attends the periodical health and safety meeting and risk prevention and protection meeting as established in Article 35 of the Health and Safety Decree;
- receives company information and documentation on the assessment of risks and the consequent prevention measures and, if he so requests and to assist him in fulfilling his functions, a copy of the Interference Risk Assessment Document (IRAD).

The Health and Safety Representative - RSL - must be provided with the time required to undertake the role, without loss of earnings, as well as the means necessary to carry out the tasks and powers conferred. He/she may not be discriminated as a result of the performance of his/her activities and will benefit from the same safeguards as those legally applicable to trade union representatives.

## **Client**

Amongst other activities, the client shall:

- during the design phase of the work and in particular when technical, architectural and organizational decisions are made and the time schedule of works is drawn up, fulfill the general protection principles referred to in Article 15 of the Health and Safety Decree (general measures for the protection of employees' health and safety);
- during the design phase, he evaluates the Safety and Coordination Plan and the Works Folder;
- before assigning the works and when necessary, appoint a Design coordinator after having verified possession of the requirements

indicated in Article 98 of the Health and Safety Decree. Such appointment will be made official through a written notice;

- verifies that the Project Coordinator has fulfilled all obligations;
- before assigning the works and when necessary, appoint a Works Coordinator. Such appointment will be made official through a written notice;
- informs contractors, executing companies and freelancers about the name of the Project Coordinator and of the Works Coordinator;
- verifica l' idoneità tecnico-professionale delle imprese affidatarie, delle imprese esecutrici e dei Lavoratori autonomi in relazione ai lavori da affidare, anche attraverso l'iscrizione alla Camera di commercio, industria e artigianato e del documento unico di regolarità contributiva corredato da autocertificazione in ordine al possesso dei requisiti di cui all'allegato XVII del Decreto Sicurezza.

In any case, the appointment of the Project Coordinator and of the Works Coordinator does not relieve the Client (or the Works Manager) from responsibilities linked to verifying the fulfillment of obligations under Article 91, section 1, 92, section 1 parts a), b), c), d) and e) of the Health and Safety Decree.

### **Works Manager**

The person who may be appointed by the Client or Employer/Client to carry out the duties as per Legislative Decree 81/2008, as amended, within TERNA; duties entrusted to the Works Manager should be divided into duties for works in the planning phase, duties for works in the assignment phase and duties for works in the execution phase.

### **Project Coordinator**

The Project Coordinator, who must possess the professional requirements specified in the Health and Safety Decree, among other things:

- during the designing phase of the works and in any event before the call to submit bids, draws up the Safety and Coordination Plan;
- prepares the Works Dossier containing useful information regarding the prevention and protection of risks to which Employees are exposed.

### **Works Coordinator**

Among other things, the Works Coordinator:

- by means of appropriate coordination and control action, verifies the executing firms and freelancers' application of the procedures that concern them included in the Safety and Coordination Plan, if any, and the correct application of the relative work procedures;
- verifies that the Operational Safety Plan is appropriate, ensuring that it is consistent and additional to the Safety Coordination Plan; modifies the Safety and Coordination Plan and the Works Dossier according to the progress of the works and any variations that have taken place, considering the suggestions that the executing firms make to improve safety on Site; and verifies that the executing firms adjust their own Operational Safety Plans accordingly, if necessary;
- through the Employers, including freelancers, shall organize cooperation and coordination of the activities and the exchange of information among these parties;
- verifies the implementation of the provisions of the agreements between employers and labor in order to achieve coordination among Prevention and Protection Service Managers (RLS) that is necessary in order to improve safety on Site;



- reports to the Client and to the Works Manager, if appointed, following written notice to the companies and freelancers involved, any non-fulfillment of the obligations for freelancers, employers of executing companies and relative Managers as per Articles 94, 95, 96 and 97, section 1, of the Health and Safety Decree, as well as the provisions of the Safety and Coordination Plan, if any; the Works Coordinator also proposes the suspension of building activity, removing from building sites the executing companies or freelancers and terminating contracts and informing the VB through the Parent Company's Safety Manager. In the event that the Client or the Works Manager do not undertake measures, the Works Coordinator notifies such non-compliance to the Local Health Unit and the competent Employment office;
- in the event of serious and immediate danger that he ascertains directly, suspends individual work processes until he has verified that the necessary action has been taken by the companies involved;

## **Employees**

All employees must take care of their own health and safety and that of the other persons in the workplace that may be affected by their actions or omissions, according to the training, instruction and equipment provided.

Specifically, Employees must:

- comply with the arrangements and the instructions given by the Employer, Managers and Officers in charge with regard to collective and individual protection;
- make correct use of machinery, equipment, machine tools, hazardous substances and preparations, means of transport and other work equipment and safety equipment;
- make proper use of the protection equipment provided for them;

- immediately report to their Employer, Manager or Officer in Charge regarding malfunctions in the means and equipment specified in previous sections and regarding any other dangerous situation that may come to their notice, taking steps directly, in urgent cases and within the context of their responsibilities and capabilities, to eliminate or mitigate these malfunctions or dangers, as well as notifying the Employees' Health and Safety Representative (RLS);
- not remove or make changes to safety, warning or control equipment without authority to do so;
- not carry out operations or action on their own initiative for which they are not competent, or that may jeopardize their own safety or that of other employees;
- attend training or instruction courses arranged by their Employer;
- undergo the established medical examinations;
- together with the Employer, Managers and Officers in charge, contribute to the fulfillment of all the obligations issued by the competent authorities or in any way necessary to protect Employees' health and safety while work is carried out.

Employees in firms that perform activities for TERNAs as contractors or sub-contractors must display a specific identification badge.

### **Designers, Manufacturers, Suppliers and Installers**

Designers of premises, workplaces and plants shall comply with the general prevention principles with regard to occupational health and safety when they make their design and technical decisions and must also use machinery and protection equipment that meet the essential safety requirements provided by current laws and regulations.

Manufacturers and Suppliers must sell, hire out and allow the use of equipment, plants and personal protection equipment that meet current occupational health and safety laws and regulations and product approval regulations.

Installers and those assembling plants, work equipment or other technical means shall, within the context of their responsibilities, be in compliance with occupational health and safety laws and with the instructions given by the manufacturers involved.

#### **G.4.4.2 Information, training, education**

##### **Information**

The information that TERNA, including through its Production Units, addresses to Company Representatives must be easily understandable and must allow these persons to acquire the necessary knowledge of:

- a) the consequences of not carrying out their activities in compliance with the health and safety system adopted by TERNA;
- b) the role of each of these persons, and their responsibility for acting in compliance with the corporate policy, the procedures set out in paragraphs G.4.1 and G.3 and all other requirements linked to the health and safety system adopted by TERNA and the principles set out in this Special Section as applicable to them.
- c) Furthermore, TERNA, considering the different roles, responsibilities and capabilities of each Company Representative, and the risks to which each is exposed, provides appropriate information to the Employees regarding the following issues:

- specific corporate risks, their consequences and the prevention and protection measures adopted, in addition to the consequences that failure to comply with these measures may cause, also in compliance with Italian Legislative Decree no. 231/2001;
- first aid, fire-fighting and workplace evacuation procedures;
- Safety, Prevention and Protection Service: the names of the Safety, Prevention and Protection Manager (RSPP), the Members (ASPP) and the Appointed Doctor.

Furthermore, TERNA, also employing the support of the HSE department of the Parent Company, organizes periodic meetings between the Production Units and company departments assigned to occupational health and safety, providing communication to the VB.

Employees' Health and Safety Representatives (RLS) are consulted promptly and timely regarding safety activity which requires the update of the Risk Assessment Document (DVR).

All the information activities described above are recorded in documents, including special reports.

### **Education and training**

TERNA provides appropriate occupational safety training to all Employees according to the provisions of the Health and Safety Decree that are easily understandable and allow Employees to acquire the necessary knowledge and skills.

To this purpose, it should be pointed out that:

- the Prevention and Protection Service Manager (RSPP), along with the Appointed Doctor and the Employees' Health and Safety Representative (RLS), [draws up the training plan](#);
- additional activities in the plan must be carried out when technological innovations, new equipment or the necessity of introducing new work procedures arise;
- training given must provide for questionnaires to assess the learning outcome;
- training must be appropriate to the risks linked to the duties actually assigned to each Employee;
- each Employee must undergo all the training activities that are legally mandatory, such as:
  - a) the use of work equipment;
  - b) the use of personal protection equipment;
  - c) the manual handling of loads;
  - d) the use of computer terminals;
  - e) visual, sign language, vocal, luminous and sound signs and signals and all other subjects that are considered necessary at any time for the company to attain its occupational H&S objectives.
- Employees that change duties and those transferred must be given special prior and/or additional training if necessary for their new position;
- those in charge of specific duties in emergencies (e.g. fire prevention, evacuation and first aid) must be provided with specific training;
- each Manager and each Officer in Charge receives from the Employer appropriate and specific training and a periodic update relating to their duties regarding occupational health and safety. The contents of such training activity are as follows:
  - a) main persons involved and relative obligations;

- b) the definition and identification of risk factors;
  - c) risk assessment;
  - d) the identification of technical, organizational and procedural measures for prevention and protection.
- periodical emergency drills must be carried out and these must be recorded (e.g. through a report of the drill after it has taken place stating the method with which it was carried out and the outcome);
  - newly hired staff that have no previous professional/occupational experience or are not sufficiently qualified, may not be asked to carry out activities autonomously, if these activities are considered as involving a greater risk of accident, but only after they have acquired a level of professionalism that enables them to do so after appropriate training given for not less than three months after their engagement; longer periods may be necessary for the acquisition of special qualifications.

All the above training activities must be recorded in documents, also including reports, and they must be repeated periodically when necessary.

#### **G.4.4.3 Comunicazione, flusso informativo e cooperazione**

TERNA makes arrangements to ensure that information is appropriately circulated and shared among all Employees in order to enhance the effectiveness of the organizational system adopted to manage safety, and therefore also of the system for the prevention of occupational accidents.

TERNA adopts an internal communication system that includes two different types of information flow:

- a) bottom-up

TERNA ensures a bottom-up information flow by providing report forms that all Employees can fill out should they wish to submit observations, suggestions and improvement requirements to their line managers in connection with the management of safety in the workplace;

b) top-down

The purpose of the top-down information flow is to spread knowledge of the system TERNA adopts for the management of occupational safety among all its Employees.

For this purpose, TERNA provides its Company Representatives with adequate and constant information by means of internal memorandums and by arranging periodical meetings on the following subjects:

- new risks to Employees' health and safety;
- changes to the organizational structure adopted by TERNA to manage its Employees' health and safety;
- the contents of the corporate procedures adopted for the management of Employees' health and safety;
- all other aspects connected with Employees' health and safety.

#### **G.4.4.4 Documentation**

In order to contribute to the implementation and constant monitoring of the system adopted to protect occupational health and safety, TERNA ensures that the following documents are properly kept and updated:

- the health record, which is opened, kept up to date and stored by the Appointed Doctor;

- the register of exposed Employees, to be kept in the event of exposure to carcinogenic agents or mutagenic substances;
- the Risk Assessment Document (DVR), specifying the methodology adopted in assessing risks and the contents of the plan for maintaining and improving measures;
- contract documentation: the Safety and Coordination Plan; the Works Folder; coordination reports concerning the verification of the executing companies' application of the provisions of the Safety and Coordination Plans; Operational Safety Plans.

TERNA is also called upon to ensure:

- that the Manager and Members of the Prevention and Protection Service (RSPP and ASPP), the Appointed Doctor and those in charge of implementing emergency and first aid measures are formally appointed;
- that visits to the workplaces made by the Appointed Doctor and possibly by the Prevention and Protection Service Manager (RSPP) are recorded in documents;
- that documents regarding laws, regulations and accident prevention rules pertinent to the company's activities are kept;
- that documents regarding corporate regulations and agreements are kept;
- that handbooks and instructions for the use of machinery, equipment and personal protection equipment supplied by the manufacturers are kept;
- that all procedures adopted by TERNA for the management of occupational health and safety are kept;
- that all the documents concerning the activities referred to in paragraph G.4.4.2 (Information, training and education) are kept by the Prevention and Protection Service Manager (RSPP) and made available to the Vigilance Body.



TERNA carries out constant monitoring of the corporate procedures of which examples are given in paragraph G.3 above, ensuring that they are modified and reviewed particularly when an accident or an emergency has taken place, taking into account, among other points, reports from Employees when the information flow described in paragraph G.4.4.3 is activated.

#### **G.4.4.5 Monitoring and review**

##### **Monitoring**

In order to guarantee the efficiency of the system adopted for the management of occupational health and safety, TERNA has established an occupational H&S monitoring plan.

To this end, TERNA:

- ensures that the preventive and protective measures adopted for the occupational health and safety management system are constantly monitored;
- ensures that there is constant monitoring of the adequacy and functionality of the occupational health and safety management system in attaining the objectives set and its correct application;
- carries out a detailed analysis of every work accident that takes place in order to find whether there are any shortcomings in the occupational health and safety management system and establish any corrective action that needs to be taken.

If monitoring regards aspects that require specific expertise, TERNA arranges for it to be carried out by competent external resources.

TERNA ensures that any corrective action is promptly implemented in compliance with the specific procedure that TERNA adopted.

## **Review**

At the end of the monitoring activity, TERNA's occupational health and safety management system is reviewed at least once a year by the Management System structure, in order to verify that it is properly implemented and that it ensures the attainment of the objectives that have been set.

Reviews of the system may be determined, as examples and not limited to this, by:

- the results of internal and external verifications;
- the status of the corrective and preventive actions undertaken;
- the actions to take as a result of previous reviews;
- changes in external situations including advances in legal requirements and other requirements with regard to the environment, occupational safety and health protection;

important circumstances emerging during the periodical meetings held in compliance with Article 35 of the Health and Safety Decree.

The outcome of the review activity, with a view to the constant improvement of the occupational health and safety system adopted by TERNA, may give rise to variations in:

- policies and objective planning as referred to in paragraphs G.4.1 and G.4.3 above;
- the organizational structure adopted by TERNA with regard to health and safety;
- any other important element in the occupational health and safety management system.

-The work done during the review and its outcome must be recorded in the form of a document.

#### **G.4.5 Tender contracts**

The principles indicated below must be observed for tender contracts and integrated with the existing applicable company procedures.

The Employer, in the event works, services and supplies are granted to a contracting company or to freelancers within its organization or Production Unit, pursuant to company procedures, and if he possesses the legal availability of the places in which the contract is executed or the freelance job, must:

- with the support of the Issuing Offices concerned, verify that contracting firms or freelancers are technically and professionally suitable to the works to be contracted out to them;
- provide contractors with detailed information regarding the specific risks existing in the environment in which they are to work and regarding the prevention and emergency measures adopted with regard to their particular activities;
- cooperate in the implementation of the measures designed to prevent and protect from work-related risks that affect the work to be done under the contract;
- coordinate the action taken to prevent the risks to which Employees are exposed and to protect them from these risks by means of a constant exchange of information with the Employers of the contracting firms, also in order to eliminate the risks arising from interference between the work done by individual firms involved in completing the work as a whole.

The Employer/Client promotes the cooperation and coordination mentioned above by preparing an Interference Risk Assessment Document (DUVRI) that sets out the measures adopted to remove interference, or, if this is not

possible, to reduce it to a minimum. This document must be annexed to the works or services contract during the award process. It may, if necessary, be updated with the progress of works, services and supplies. The obligation of drafting said document does not apply in the event of contracts regarding intellectual services, simple supplies of materials or equipment or for works or services whose duration does not exceed two days, if they do not involve risks linked to the presence of carcinogenic or biological elements, explosives or particular risks as listed in attachment XI of the Health and Safety Decree.

In supply contracts (Article 1559 of the Civil Code), works contracts (Article 1655 of the Civil Code) and sub-contracts (Article 1656 of the Civil Code) costs must be indicated of the measures adopted to eliminate or, if this is not possible, reduce to the minimum the risks for occupational health and safety linked to interference in work processes. These costs cannot be reduced. At their request, the Employees' Health and Safety Representative (RLS) and the trade unions may consult these data if they ask to do so.

As regards contracts subject to the provisions of the Procurement Code, TERNA fulfills the following requirements, among others:

- in observance with the provisions of the Procurement Code, and consistently with the provisions in TERNA's procurement procedures, the company does not enter into negotiations with economic operators that have committed serious and duly ascertained infringements of safety legislation and all other obligations arising from working relationships, as emerging from the data held by the Observatory;
- in preparing for tenders and evaluating anomalies in bids in the procedures for the award of public works, services and supply contracts, TERNA must verify that the amount is adequate to and sufficient for the personnel costs and the cost of safety, which must be specifically stated and must be realistic with respect to the extent and characteristics of the works, services or supplies.

## **G.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA S.p.A.'s Vigilance Body shall:

- A. evaluate—also through hearings, documentary checks and inspections—the suitability of the procedures adopted in this regard and their effective application and knowledge of them amongst Recipients, based on the role held pursuant to Italian Legislative Decree 81/08;
- B. regularly check—with the help of other departments involved—the assignment and proxy system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees the implementation of information flow procedures between the VB, 231 Representatives and the directors of the competent departments, or rather any Company Representatives deemed necessary, who may in any case be contracted by the VB as and when it deems appropriate.

Such information flows shall be adequate to enabling the latter to obtain useful information for monitoring any significant anomaly according to this Special Section and any criticalities found in this context.

Specifically, the head of the competent department shall promptly notify the VB of serious or mortal accidents involving its own personnel and/or contractors, providing:

- information regarding the accident;
- documentation of the accident commission brought together for the event.

Without prejudice to the above, the information shall be given without delay to the VB in the case of detections of violations to specific procedural rules as indicated in Chapter G.4 of this Special Section, or significant violations to company procedures regarding the above-mentioned at-risk areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "H"**

**COMPUTER CRIMES AND ILLEGAL DATA PROCESSING  
CRIMES RELATED TO COPYRIGHT INFRINGEMENT**

CEO Approval
Luigi Ferraris
January 29, 2019

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## DEFINITIONS

With the exception of the new definitions included in this Special Section "H", the definitions of the General Section remain valid.

**Machine Administrator (MA):** Person assigned the IT Workstation (ITW) with privileges of local Administrator.

**Database Administrators, Network and Security Administrators and Program Administrators:** such persons not system administrators but have advanced access permissions in relation to the activities carried out. They can, therefore, be considered equivalent to SAs from the point of view of the risks related to data protection.

**Application Owner:** a company figure with extensive decision-making responsibilities on an application, usually the Process Owner or his/her delegate.

**System Administrator (AdS):** a professional person responsible for the technical management and maintenance of a processing system and its components. As he/she is a Machine Administrator on all Workstations he/she may come into contact with personal and/or confidential data.

The System Administrator has a high level of privileged access to the IT resources because he/she must guarantee the service continuity and must be able to carry out activities as system administrator and/or operator (e.g. administrator of networks, of the operating system, of databases, of applications, of access control, etc.) necessary to manage the infrastructure underlying an application/service (systemic profile) or to manage the application (application profile). The professional figures to whom such administrative rights are granted are formally appointed by the company by means of a written communication and are also reported to the internal corporate Information Security team.

**Credentials:** the identifying data of a user or an account (generally the UserID and Password).

**IT Data:** any representation of facts, information or concepts in a form suitable for processing in a computer system, including a program suitable for causing a computer system to perform a function.

**Crimes related to Copyright infringement:** the crimes included in Art. 25-*nonies* of the Decree.

**Computer Crimes:** the crimes pursuant to Article 24-*bis* of the Decree.

**Privacy Regulation:** this refers to current Privacy Legislation regarding the protection of personal data, in the form of EU Regulation 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), Italian Legislative Decree 196/2003 and any other legislation regarding the protection of personal data applicable in Italy, including the provisions of the Data Protection Authority.

**Electronic Document(s):** the electronic representation of acts, facts or legally relevant data.

**Electronic Signature:** the whole of the electronic data attached or connected by logical association to other electronic data, utilized as a method for digital authentication.

**Copyright Law:** Law No. 633 dated April 22, 1941 on Copyright.

**Password:** a sequence of alphanumeric or special characters necessary to authenticate to a computer system or application.

**Peer to Peer:** a mechanism for sharing digital content over a network of personal computers, normally used to share files containing audio, video, data and software.

**Security Plan:** a document which defines a set of coordinated activities to be undertaken to implement the security policy of the system.

**Workstation:** a computer terminal that can be fixed or mobile and that is capable of handling business information.

**Information Security:** the set of organizational, operational and technological measures aimed at protecting the information processing carried out through electronic means.

**Information Systems:** the network and the set of corporate systems, databases and applications.

**Spamming:** the act of sending numerous unsolicited messages, usually implemented using electronic mail.

**Virus:** a program created for the purpose of sabotage or vandalism, which may degrade the performance of computer resources, destroy stored data as well as spread via removable media or communication networks.

## **H.1 COMPUTER CRIMES AND ILLEGAL DATA PROCESSING (Article 24-*bis* of the Decree) AND INFRINGEMENT OF COPYRIGHT (Article 25-*nonies* of the Decree)**

Below is a brief description of the crimes that are contained in this Special Section “H”, pursuant to Article 24-*bis* and Article 25-*nonies* of the Decree. In this regard, it should be noted that although the two types of crimes protect different legal interests, it was decided to prepare a single Special Section for the following reasons:

- both cases require the proper use of computer resources;
- because of this, at-risk areas partly overlap;
- in both cases, the procedural rules are intended to raise the awareness of the Recipients about the multiple consequences of improper use of computer resources.

### **H.1.1 TYPES OF COMPUTER CRIMES AND ILLEGAL DATA PROCESSING (Article 24-*bis* of the Decree)**

- ***Electronic Document Forgery (Article 491-*bis* of the Italian Criminal Code)***

The rule provides that all crimes relating to the falsification of documents as provided for by the Italian Criminal Code (see Chapter III, Title VII, Book II), including ideological and material misrepresentation, both in official and private documents, are punishable even if such conduct does not involve a paper document but an official or private Electronic Document of evidential value (as an electronic representation of acts, facts or legally relevant data).

In particular, it should be noted that “material falsehood” occurs when a document is created or signed by a person other than the intended sender or signer, with some differences between the alleged author and the real author of

the document (forgery) that is when the document is counterfeited (thus altered) through additions or deletions to the original document.

Ideological falsehood occurs, contrarily, when the document is not truthful, i.e. when it is not counterfeited or altered but contains untrue statements.

In the case of ideological falsehood, thus, it is the author of the document who states untruthful facts.

Therefore, Electronic Documents are granted the same legal value as traditional paper documents to all intents and purposes.

By way of example, the crime of Electronic Document Forgery is committed when a person falsifies business records that are part of an electronic information flow or when a person alters information that is stored on his/her system and that has evidential value for the purpose of eliminating data that are deemed "sensitive" in view of a possible inspection.

- **Unauthorized access to an information or telecommunication system (Article 615-ter of the Italian Criminal Code)**

This crime is committed when a person gains unauthorized access to an information or telecommunication system protected by security measures.

In this regard, it should be noted that legislators are intended to punish the unauthorized access to an information or telecommunication system tout court, and thus even when, for example, such access does not cause proper data corruption: a situation where a person, who has gained illegal access to a computer system, prints the contents of a document that was stored in the database of someone else's personal computer, while not removing any files, but merely copying information (unauthorized copy access), or simply displaying and reading information (unauthorized read-only access).

This type of crime is also committed when a person, while having gained authorized access to the system, remains in it against the will of its owner, and, according to prevailing case law, when the person has used the system to pursue a purpose other than the authorized one.

The crime could therefore theoretically occur in a situation where a person gains illegal access to a computer system owned by a third party (outsider hacking) to acquire someone else's confidential business information, or where a person gains illegal access to corporate information to which he would not have legitimate access in view of the completion of further activities in the interest of the company.

- **Unauthorized possession and distribution of computer or telecommunication systems' access codes (Article 615-*quater* of the Italian Criminal Code)**

This crime is committed when, in order to obtain a profit for himself/herself or for another or to cause damage to others, a person illegally gets hold of, reproduces, propagates, transmits or delivers codes, passwords or other means for the access to an information or telecommunication system protected by security measures, or otherwise provides information or instructions for the above purpose.

Article 615-*quater* of the Italian Criminal Code, therefore, punishes the acts committed by a person in connection with the illegal access insofar as they are aimed obtaining, for himself/herself or for another person, the means to circumvent the protective barriers of an information system.

The devices which can allow unauthorized access to an information system comprise, for example, codes, passwords or other means (such as badges or smart cards).

This type of crime is committed whether the person, who is in lawful possession of the above-mentioned devices (for example a system operator), transmits them to a third party without authorization, or whether the person gets hold of one of these devices unlawfully.

Moreover, Article 615-*quater* of the Italian Criminal Code punishes whoever provides instructions or directions that are suitable for recreating the access code or circumventing the security measures of a system.

An employee of a company (A) may be guilty of this crime if he/she transmits to a third party (B) the Password to access the electronic mailbox of a coworker (C) with the purpose of allowing B to check on the activities carried out by C when this may result in a specific benefit or interest to the company.

- **Distribution of information equipment, devices or computer programs aimed at damaging or interrupting a computer or telecommunication system's operation (Article 615-quinquies of the Italian Criminal Code)**

The crime is committed when a person, in order to illegally damage an information or telecommunication system and the information, data or programs contained therein, and cause the partial or total interruption or alteration of the system's operation, gets hold of, transmits, produces, reproduces, imports, disseminates, communicates, delivers or otherwise provides any third party with computer equipment, devices or programs.

This crime is committed, for example, when an employee, in order to destroy documents that are deemed "sensitive" with regard to ongoing criminal proceedings against the company, obtains a Virus suitable for damaging or interrupting the operation of that company's computer system.

- **Intercepting, blocking or illegally interrupting computer or information technology communications (Article 617-*quater* of the Italian Criminal Code)**

This crime is committed when a person fraudulently intercepts the transmissions of a computer or telecommunication system or between multiple systems, or prevents or interrupts such transmissions and when a person publicly discloses the partial or total contents of communications through any information means.

Interception techniques make it possible, during the transmission of data, to acquire the contents of communications between information systems or change their destination: the purpose of the illegal act is typically to violate the

confidentiality of messages, compromise their integrity, delay them or prevent them from reaching their destination.

This crime is committed when, for example, in order to obtain an advantage for a company, an employee prevents specific communications from taking place through an information system so that a competing company is unable to transmit data relative to and/or an offer in a bid.

- **Installation of devices aimed at wiretapping, blocking or interrupting computer or information technologies communications (Article 617-quinquies of the Italian Criminal Code)**

This type of crime is committed when a person, except for the cases permitted by law, installs devices suitable for wiretapping, preventing or interrupting the transmissions of an information or telecommunication system, or between multiple systems.

The conduct prohibited by Article 617-quinquies of the Italian Criminal Code is therefore the mere act of installing this type of device, regardless of whether or not they are used, provided they have the potential to cause damage.

The crime is committed, for example, to the advantage of the company, when an employee makes a fraudulent access to the office of a potentially competing commercial counterpart for the purpose of installing devices suitable for wiretapping the transmissions of computer and information technologies systems that are relevant to a future business negotiation.

- **Damaging computer information, data and programs (Article 635-bis of the Italian Criminal Code)**

This crime is committed when a person destroys, deteriorates, deletes, alters or suppresses information, data or computer programs of others.

The damage may be committed to the advantage of the company where, for example, the deletion or alteration of a file or a newly purchased computer program may be carried out to eliminate the proof of debt by a supplier of a



company or to challenge the proper performance of obligations by the same supplier or in the event that “incriminating” corporate data is damaged.

- **Damaging computer information, data and programs used by the Government or any other public organization or of public service (Article 635-ter of the Italian Criminal Code)**

This crime occurs when a person commits an act intended to destroy, deteriorate, cancel, delete, alter, or suppress computer information, data or programs used by the Government or any other public organization, or pertaining to them, or otherwise of public service.

This crime differs from the previous one since, in this case, the damage is perpetrated against Government property or of other public organizations or of a public service. It follows that the crime occurs even when computer data, information or programs are privately owned but are intended to satisfy the public interest.

This crime could be committed in the interest of a company, when, for example, an employee destroys electronic documents of evidential value regarding ongoing criminal proceedings against that same company that are filed with public authorities (such as the police).

- **Damaging computer or telecommunication systems (Article 635-quater of the Italian Criminal Code)**

This crime occurs when a person, by committing the crimes pursuant to Article 635-bis of the Italian Criminal Code, or by introducing or transmitting data, information or programs, destroys, damages, renders useless, totally or partially, computer or telecommunication systems of others or severely hinders their normal operation.

Therefore, the crime of damaging computer systems and not the crime of damaging data pursuant to Article 635-bis of the Italian Criminal Code is

committed when the alteration of data, information or programs renders useless or severely hinders the normal operation of a system.

- **Damaging computer or telecommunication systems of public service (Article 635-quinquies of the Italian Criminal Code)**

This crime is committed when the conduct pursuant to the above mentioned art 635-quater of the Italian Criminal Code is intended to destroy, damage, render useless, totally or partially, computer or telecommunication systems of public service or to severely hinder their operation.

With regard to the crime of damaging computer or telecommunication systems of public service, unlike the crime of damaging data, information and programs of public service pursuant to Article 635-ter of the Italian Criminal Code, the relevant circumstances are that firstly the whole system is damaged and secondly that the system is for public service, regardless of whether the system is privately or publicly owned.

- **Computer crime by the certifier of a digital signature (Article 640-quinquies of the Italian Criminal Code)**

This crime is committed when a person providing Digital Signature certifying services, in order to obtain for himself/herself or others an undue profit or to cause damage to others, infringes the obligations provided by law relating to the issuance of qualified certificates.

This crime is therefore a proper crime because it can only be committed by a person who can issue qualified certificates, or rather, by certifiers of qualified Digital Signatures.

\*\*\*\*\*

It should be noted, however, that the occurrence of any of the above-mentioned computer crimes is relevant, for the purposes of the Decree, only in the event that the conduct, regardless of the nature of the data, information, programs,

computer or telecommunication systems -whether they are corporate or not- is to the advantage of TERNA.

Therefore, in the description of the single crimes, as well as in the following description of the Crimes relating to the Infringement of Copyright, such relevant aspect was taken into account for the preparation of the proposed case studies.

With reference to the commission of Computer Crimes, a pecuniary sanction ranging between 100 and 500 shares (considering that the value of each share is determined on the basis of the financial and property situation of the Corporation, between a minimum of € 258 and a maximum of € 1549 and that they can range between a minimum of approximately € 26,000 and a maximum of € 800,000) and a disqualifying measure may be imposed on the Corporation depending on the type of crime committed.

#### **H.1.2 TYPES OF COMPUTER CRIMES AND INFRINGEMENT OF COPYRIGHT (Article 25-*nonies* of the Decree)**

Article 25-*nonies* provides for a number of crimes pursuant to the Copyright Law (and in particular to articles 171, 171-*bis*, 171-*ter*, 171-*septies* and 171-*octies*) such as, for example, the importation, distribution, sale or possession for commercial or business purposes of programs contained on a medium not bearing the SIAE stamp; the reproduction or reuse of database contents; the illegal duplication, reproduction, transmission or public dissemination of intellectual works for television or cinema; the introduction of an intellectual work protected, in part or totally, by copyright, into a telecommunication network system through any type of connection.

A preliminary analysis showed the immediate inapplicability to TERNA and to the other Group Companies of cases under Articles 171-*ter*, 171-*septies* and 171-*octies* of the Copyright Law.

The following is therefore a brief description of the two types of crime under Article 25-*nonies* of the Decree that are considered *prima facie* relevant to the Company, provided for by Articles 171 section 1, subparagraph A-*bis* and section 3, and Article 171-*bis* of the Copyright Law.

- **Crimes connected to copyright protection and other rights connected to its exercise (Article 171, section 1, point a-bis and section 3 of the Copyright Law)**

With regard to the type of crime under Article 171, the Decree takes into account only two types of crimes, namely:

- i. the act of making available to the public, by introducing into a telecommunication network system, through connections of all kinds, an intellectual work that is partially or totally protected;
- ii. the act of making available to the public, by introducing into a telecommunication network system and through connections of all kinds, an intellectual work not intended to be used for advertisement, or through the usurpation of authorship, or the distortion, mutilation, or other modification of the work itself that would be prejudicial to the honor or reputation of the author.

In the first case, it is the author's financial interest in the work that is protected; the author's earning expectation would in fact be compromised in the event that his/her work is freely distributed over the network; and, in the second case, the protected legal right is clearly not the author's earning expectation but his/her honor and reputation.

Such a crime could be committed in the interests of TERNA or of another Group company if, for example, the content of a work protected by copyright is loaded into website of TERNA or of another Group Company.

- **Copyright protection and other rights connected to its exercise (Article 171-bis of the Copyright Law)**

Said provision is designed to protect the proper use of software and databases.

With regard to software, a crime is committed in the case of unlawful duplication or import, distribution, sale and possession for commercial or business purposes and rental of "pirated" programs.

This crime is committed when, in order to obtain a profit, a person unlawfully duplicates computer programs, or for the same purpose, imports, distributes, sells or holds for commercial or business purposes or rents programs contained on media not bearing the SIAE stamp.

The act is punished even when the conduct relates to any means where the sole intended purpose is to enable or facilitate the unauthorized removal or circumvention of any technical device which may have been applied to protect a computer program.

The second section punishes anyone who, in order to obtain a profit, reproduces on media not bearing the SIAE stamp, transfers onto another medium, distributes, communicates, presents or shows to the public the contents of a database or extracts or reuses a database or distributes, sells or rents a database.

At the subjective level, the crime is committed even when there is a will to achieve a benefit, therefore also when there are acts that are not prompted by the specific purpose of obtaining a purely economic gain (such as the assumption of obtaining an advantage).

Such crime could be committed in the interest of the company when, for example, in order to save the cost associated with licensing for the use of an original software, non-original programs are used for business purposes.

\*\*\*\*\*

With reference to the commission of the Crime of Copyright Infringement, a pecuniary sanction of up to 500 shares (therefore up to approximately € 800,000.00) and a disqualifying penalty may be imposed on the Corporation, such as the prohibition of exercising activities or the suspension or revocation of authorizations, licenses or permits that may be used to commit the offense, for a period not to exceed one year.

## **H.2 AT-RISK AREAS**

With regard to the crimes and criminal conduct set out above, the areas deemed more specifically at risk, also for activities carried out for other Group Companies, are given below:

With specific reference to computer crimes:

1. management of corporate Information Systems to ensure their operation and maintenance, the evolution of the technological and applicative IT platform as well as Information Security;
2. management of electronic information flow with the public administration;
3. provision of IT services and any other external resource whose contract includes the use of a computer license and/or a computer service (for example, cloud services including software as a service - SaaS) and/or requires interaction with a TERNA computer system by TERNA departments that do not have full responsibility for IT matters;

With specific reference to crimes in infringement of copyright:

1. management of content on the TERNA website and social media profiles, as well as the management and organization of events.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

Any additions to the Risk Areas may be defined by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

### **H.3 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

The Objective of this Special Section is that the Recipients - to the extent to which they may be involved in operating in At-Risk Areas and considering that each of these persons has a different position and various obligations towards TERNA and the other Group Companies – should comply abide by rules of conduct that comply with those established in the document, in order to prevent and avoid the occurrence of Computer Crimes and those of Infringement of Copyright.

In particular, the function of this Special Section is to:

- a. provide a list of the general rules as well as the specific procedural rules which the Recipients must comply with for the correct application of the Model;
- b. provide the Vigilance Body, as well as the directors of company departments called to cooperate with the Body, with the operational principles and tools for carrying out the necessary checks, monitoring and verifications entrusted to them.

In the performance of their respective activities and functions, as well as the rules in this Model, Company Representatives are obliged, in general, to respect the rules and principles contained, in the parts that are relevant to them, in the following documents:

1. the Code of Ethics;
2. the whistleblowing policy;
3. the company organization chart, procedures and internal memos;
4. procedures on Information Security Policy;
5. regulation on the roles, responsibilities and first report persons of the Chief Risk Officer of the TERNA Group;
6. IT services procurement procedure;
7. procedure on the assignment and management of IT and company communication resources;
8. procedure on Internet browsing and email security;
9. procedure on the use of Social Media by Terna Group Personnel;



10. procedure on Privacy Regulation applicable within the Terna Group.

It is furthermore emphasized that TERNA attributes maximum significance to the correct identification and adoption of adequate security measures - of an organizational, physical and logical nature - in order to minimize the risk of unauthorized access, alteration, disclosure, loss or destruction of IT resources.

In order to reach this objective, TERNA has, in fact, adopted a structured approach founded principally on the "Information Security Policy - Strategic Guidelines" approved by the Chief Executive Operator, which sets, among other things, TERNA's security objectives to be developed and pursued through a standardized and organic Organizational Documents Strategy inspired by international best practices and, in particular, the "control areas" of standard ISO/IEC 27000 and NIST 800.

These documents as a whole, which determine for the different operational areas the rules to which Company Representatives and external persons must comply based on their relationship with TERNA, must regulate the following:

- the management of information security (including the preparation of the IT Systems Security Plans, reporting and management of information security incidents, training and awareness-raising of IT security, etc.);
- the specific security controls to be applied to IT assets (platforms and systems, applications, databases, etc);
- security controls independent of asset type, aimed at governing the conduct and actions of Company Representatives (regarding, for example, the acceptable use of IT resources, the management of access permissions to resources, the traceability of events, etc.).

In addition to the compliance with the specific procedures described in paragraph H.4, to follow, all Recipients are obliged to comply with the rules of conduct contained in the organizational documents in order to prevent the commission of the crimes referred to in Articles 24 *-bis* and 25 *-nonies* of the Decree.

## **H.4 SPECIFIC PROCEDURAL RULES**

In order to ensure adequate compliance within each At-Risk Area, the following rules are laid down which must be respected by TERNAL, Company Representatives and other subjects who may be authorized to access these areas, it being understood that the implementation rules are included in the corporate procedures referred to, by way of example, in the previous paragraph H.3.

In particular, the following activities are prohibited:

- 1) connect to the TERNAL's information systems, personal computers, peripherals and other equipment or install any software without prior permission of the designated company subject in charge;
- 2) install any software product in violation of the license agreements and, in general, in violation of all copyright laws and regulations;
- 3) change the software and/or hardware configuration of fixed or mobile workstations with the exception of cases provided for by a corporate rule or upon proper authorization;
- 4) purchase, hold or use software and/or hardware tools - except for duly authorized cases where such software and/or hardware is used to monitor the company's information systems for security purposes - which could be used improperly to evaluate or compromise the security of computer or telecommunication systems (systems to detect Credentials, identify vulnerabilities, decrypt encrypted files, wiretap traffic, etc.);
- 5) obtain Credentials to access company information and telecommunication systems as well as those of customers or any third party, according to methods or procedures other than those authorized for such purposes by TERNAL;
- 6) disclose, sell or share with TERNAL employees or external staff and with the employees of external staff of other Group Companies one's own Credentials to access the company network and systems or those of customers or any third party;

- 7) illegally access the information system of others - that is used by other Employees or any third party - or access it to tamper with or alter any data contained therein;
- 8) tamper with, remove or destroy company information or that of customers or any third party, including archives, data and programs;
- 9) exploit any vulnerabilities or inadequacies in the security measures of company computer or telecommunication systems or those of any third party, to gain access to information and resources other than the ones which one is authorized to access, even if such intrusions do not cause damage to data, programs or systems;
- 10) acquire and/or use products that are protected by copyright in violation of contract guarantees provided for the intellectual property rights of others;
- 11) illegally access the Company's website in order to illegally tamper with or alter any data contained therein or enter multimedia data or content (images, infographics, videos, etc.) in violation of copyright laws and applicable company procedures;
- 12) share with unauthorized TERNA employees or external staff, information regarding the controls implemented on the company information systems and how they are used;
- 13) hide, render anonymous, or substitute one's own identity and send e-mails reporting false information or intentionally send e-mails containing Viruses or other programs that can damage or wiretap data;
- 14) Spamming as well as any action in response to it;
- 15) send through a company computer system any altered or forged information or data;

TERNA, in turn, shall undertake the following tasks:

- 1) adequately inform Employees and *interns* and other individuals – such as External Collaborators – who may be authorized to use the Information Systems of the importance of the following:
  - ensure the confidentiality of their Credentials and not disclose the same to third parties;
  - properly use software and databases;
  - not enter data, images or other material protected by copyright without the prior permission of one's supervisors according to the instructions contained in the company policy;
- 2) provide recurrent training for Employees in compliance with their duties and, to a lesser extent, for interns and other individuals - such as External Contractors – who may be authorized to use the Information Systems, in order to raise their awareness of the risks posed by the improper use of corporate computer resources, also in regard to Privacy Regulation;
- 3) define what is considered acceptable conduct for the proper use of software and databases in the Code of Ethics and Information Security policy;
- 4) have Employees as well as *interns* and other individuals – such as External Collaborators – who may be authorized to use the Information Systems, sign a specific document in which they commit to the proper use and protection of corporate computer resources;
- 5) inform Employees as well as *interns* and other individuals – such as External Collaborators – who may be authorized to use the Information Systems, of the need to never leave their systems unattended and to lock them using their access codes, should they leave their Workstation;
- 6) set up their Workstations in a way that after a given period of time of inactivity, the computers will automatically lock;
- 7) limit access to servers exclusively to authorized personnel;

- 8) protect, as far as possible, every corporate computer system to prevent the illegal installation of hardware that can wiretap, prevent or halt communications relating to an information or telecommunication system, or between multiple systems;
- 9) provide information systems with the appropriate anti-virus and firewall software to ensure that, where possible, they cannot be disabled;
- 10) prevent the installation and use of software that is not approved by the TERNA and that is unrelated to the professional activities carried out for the company;
- 11) inform users of computer systems that the software they use to carry out their activities is protected by copyright and as such it is forbidden to duplicate, distribute, sell or hold it for commercial and/or business purposes;
- 12) limit access to particularly sensitive Internet sites and areas as they can distribute and disseminate Viruses that can damage or destroy information systems or data contained therein and, in any case, implement - in the presence of union agreements - devices that are responsible for detecting possible abnormal Internet access sessions, by identifying the "index anomaly" and exchanging information with the appropriate departments in the event that such anomalies are detected;
- 13) prevent the installation and use on TERNA information systems of Peer to Peer software through which it is possible to share any type of files (such as videos, documents, songs, Viruses, etc.) on the Internet network, without any control by TERNA;
- 14) if wireless connections are used for the connection to the Internet, protect them by establishing an access key to prevent any third party outside of TERNA from illegally logging onto the Internet through its routers and carrying out any illegal activities for which the Employees may be blamed;
- 15) provide an authentication procedure through the use of Credentials matching a limited profile of the system resource management, specific

for each Employee, *intern* and other persons – such as External Collaborators – who may be authorized to use the Information Systems;

- 16) limit access to the company computer system from the outside, by adopting and maintaining different authentication systems or others in addition to the ones that are in place for the internal access of Employees, *interns* and other persons – such as External Collaborators – who may be authorized to use Information Systems;
- 17) immediately cancel the accounts of system administrators at the end of their contractual relationship;
- 18) provide, in the contract relationship with Suppliers of software services and databases developed in connection with specific business needs, indemnity clauses designed to hold TERNA free and unharmed against any liabilities in case of acts that are committed by the Suppliers themselves and that may violate any intellectual property right of a third party. Include in these contracts, the signing of specific documents that bind them to the correct use and protection of corporate information resources which they may use;
- 19) process any personal data relative to identified or identifiable natural persons (“Data Subjects”) in compliance with current Privacy Regulations.

With specific reference to the At-Risk areas referred to in Chapter H.2, section 3), TERNA has regulated purchasing requests of external resources whose contract includes the use of IT services (such as cloud services including “software as a service - SasS”) by company departments that do not have full responsibility for IT matters, in order to guarantee the separation of functions and a correct authorization and acquisition procedure for external resources.

With specific regard to company controls, in the context of Company Protection, TERNA has established the Security Operations Center (SOC) with the task of:

- centrally monitoring, in real time, the anti-intrusion and access control systems for company sites, and managing the relative authorizations;

- managing emergency situational awareness in the event of emergency and/or crisis situations, with the support of the relevant responsible departments;
- producing reports to support top management.

Furthermore, with specific reference to cybersecurity, in the context of Company Protection, Terna has established the Computer Emergency Readiness Team (CERT), which has the role of:

- centrally monitoring, in real time and in collaboration with the relevant departments, the operating security status of the various ICT processing and management platforms (systems and networks) of the Group through diagnostic tools, and coordinating the relative management activities;
- progressively managing the entire identification and authorization process for access to company ICT resources;
- managing internal and external processes and procedures for cybersecurity info sharing and escalation in the event of IT emergency and/or crisis situations and in the case of data breaches regarding personal data, with the support of the relevant responsible departments;
- producing reports to support top management.

## **H.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA's Vigilance Body shall:

- A. evaluate the suitability of procedures adopted in this regard, through hearings and/or documentary checks;
- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;
- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be contacted as and when the VB deems it appropriate.

In particular, the Data Protection Officer submits an annual report regarding the measures adopted to ensure a level of security appropriate to the relevant risk, pursuant to Regulation EU/2016/679, any criticalities found and the relevant training provided.



In any case, the information to the VB shall be given timely should violations to specific procedural principles be detected as indicated in Chapter H.4 of this Special Section, or significant violations to company procedures regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "I"**

**ORGANIZED CRIME OFFENSES**

CEO Approval

Luigi Ferraris

January 29, 2019

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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "I", the definitions of the General Section remain valid.

### **I.1 ORGANIZED CRIME OFFENSES (art. 24-ter of the Legislative Decree)**

Law no. 94, dated July 15, 2009, containing provisions on public security, introduced Article 24-ter into the Legislative Decree (hereinafter "Organized Crime Offenses").

The above-mentioned Article expanded the list of the predicate crimes, adding the following:

- Article 416 of the Italian Criminal Code ("criminal conspiracy");
- Article 416-*bis* of the Italian Criminal Code ("mafia conspiracy");
- Article 416-ter of the Italian Criminal Code ("mafia related political election exchange");
- Article 630 of the Italian Criminal Code ("kidnapping for purposes of robbery or extortion");
- Article 74 of Presidential Decree no. 309/1990 ("criminal conspiracy for illegal trafficking of narcotics and psychotropic substances");
- Article 407, section 2, part a) no. 5 of the Italian Criminal Code (crimes of illegal manufacture, introduction into the Country, sale, transfer, illegal possession and shelter in a public place or open to the public of war weapons or warlike arms, explosives and clandestine arms).

A preliminary analysis showed the immediate inapplicability to TERNA of the cases under Articles 416-ter of the Italian Criminal Code, Article 74 of

Presidential Decree no. 309/90 and Article 407, section 2, sub-paragraph a), no. 5 of the Italian Criminal Code.

Instead, it is appropriate to consider the crime of kidnapping for the purpose of extortion under Article 630 of the Italian Criminal Code, abstractly attributable to TERNA, as complicit in the crime of fraud.

The following, therefore, is a brief description of the two types of crimes under Article 24-*ter* of the Decree that are considered *prima facie* relevant to TERNA, provided for by Articles 416 and 416-*bis* of the Italian Criminal Code.

▪ ***Criminal Conspiracy (Article 416 of the Italian Criminal Code)***

The crime punished under Article 416 of the Italian Criminal Code occurs when three or more persons form a continuing criminal conspiracy for the purpose of committing an indefinite number of offenses, provide the necessary means to implement their criminal scheme, are fully aware of being part of an unlawful association, and are ready to carry out their criminal plan.

In brief, the crime of Conspiracy is characterized by the following three basic elements:

- 1) an association that tends to be permanent and is bound to last even beyond the commission of specifically planned crimes;
- 2) the indefinite nature of the criminal plans;
- 3) the existence of a structural organization, even if it is minimal, suitable for achieving the criminal objectives pursued.

In particular, those who promote, establish and manage the association shall be liable, for that only, in addition to those who coordinate the association's collective activity due to their higher position or hierarchical level, and are defined, "bosses" in the legislative text.

The sole participation in the association is punished with a lesser penalty.

Finally, the rule is intended to suppress the conspiracy aimed at committing any of the crimes referred to in articles 600 (Reducing to slavery or enslaving), 601 (Slave trade) and 602 (Purchase and disposal of slaves) of the Criminal Code, as well as in Art. 12, section 3-*bis*, of the Combined text of measures governing immigration and norms on the condition of foreign citizens pursuant to Legislative Decree No. 286 dated July 25, 1998 (Provisions against illegal immigration).

- ***Mafia Conspiracy, including foreign mafia conspiracy (Article 416-bis of the Italian Criminal Code)***

This Article punishes anyone who is part of a Mafia conspiracy consisting of three or more people.

Conspiracy is of a Mafia type when its members use the power of intimidation which arises from the bonds of membership, and use the system of subordination and the code of silence that arises from this in order to commit crimes or to obtain, directly or indirectly, control over economic activities, concessions, authorizations, tenders and public services or to gain unfair profit or advantages for the organization itself or for others, or to prevent or obstruct the free exercise of the right to vote, or to procure votes for itself or others during elections.

Penalties are more severe:

- for those who promote, manage, and organize such a conspiracy;
- if the conspiracy is armed. The conspiracy is considered armed when its members have access to arms or explosive materials, even if concealed or stored, for the purposes of furthering the aims of the conspiracy;
- when the economic activities which the conspirators intend to take up or maintain control of are financed, totally or partially, with the price, the product or the profit of the crimes.

The provisions set forth in this article are also applicable to the Camorra and any other conspiracy, whatever their names, including foreign associations, that make use of the power of intimidation deriving from the bonds of membership to pursue goals typical of a Mafia-type conspiracy.

For the purposes of this Section, it should be noted that with regard to the crime pursuant to Article 416-*bis* of the Italian Criminal Code, the so-called crime of “external” conspiracy is committed when a person who, even if not a member of the unlawful association, provides a concrete, specific, conscious and voluntary, continuing or occasional contribution, provided that it has a significant relevance for the maintenance or strengthening of the association and is aware that his/her contribution is useful for carrying out, even if partially, the conspiracy’s criminal plan.

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Both crimes described above occur even if “transnational” in nature, in compliance with Article 10 of Law No. 146 of March 16, 2006, which ratified and implemented the United Nations Convention and Protocols against Transnational Organized Crime.

In this regard, it should be emphasized that, pursuant to Article 3 of the above-mentioned law, the crime is considered “transnational” when it is

punished by imprisonment for a period of not less than four years, when it involves an organized criminal group, and:

- it is committed in more than one State;
- or it is committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State;
- or it is committed in one State but involves an organized criminal group that engages in criminal activities in more than one State;
- or it is committed in one State but has substantial effects on another State.

Finally, of the transnational crimes pursuant to Law no. 146 of 2006, the crime of aiding and abetting established by Article 378 of the Italian Criminal Code is given particular relevance.

Pursuant to Article 378 of the Italian Criminal Code, persons who, after an offense punishable by life imprisonment or confinement has been committed and asides from cases of complicity in the same, help such persons to avoid investigation by Italian or international authorities, are punishable by up to four years' imprisonment.

A pecuniary penalty of a maximum of 500 shares is applied to the organization.

In particular, the company may be held responsible not only for acts of omission (such as withholding or falsifying the identity of the guilty party) but also direct actions such to represent the creation of obstructions to the investigations (for example, the payment of a ransom to a criminal organization that has kidnapped an employee).

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As is apparent from the description of the above-mentioned crimes, the associated crime system may result in other crimes being committed upstream



which – although they may not be expressly provided for by the Decree – could cause the Organization to be held administratively liable. The types of offenses specifically provided for in the Decree have been analyzed and detailed in the relevant Special Sections (to which reference should be made), irrespective of whether or not such offenses are crimes of conspiracy. Conversely, TERNA has decided to give relevance and importance to two types of corporate crimes not provided for directly in the Decree but which, by virtue of the acts that are punished by law, are potentially applicable in relation to conspiracy conduct.

- **Fiscal crimes**

Fiscal crimes provided for by Legislative Decree no.74/2000 containing the “new rules on crimes relating to income tax and value added tax, pursuant to Article 9 of Law no. 205 of June 25, 1999”, are specified in Special Section "F" in relation to Money Laundering and Self-Laundering Crimes, which should be consulted in its entirety. Moreover, the execution of these fiscal crimes may be precursory in nature:

- first and foremost, to the organized crime offenses included in this Special Section;
- secondly, to the self-laundering provided for in Special Section "F", when the money or other benefits resulting from the fiscal crimes is subsequently used, substituted and/or transferred in economic, financial, entrepreneurial or speculative activities.

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Penalties that can be applied to the Corporation should an Organized Crime be committed, can be of a pecuniary nature, from 400 to 1000 shares (therefore, considering that the value of each share can be determined on the basis of the Corporation’s economic and financial position, they may range between € 258 and € 1,549 – between around € 103,000 to around € 1,550,000) or they can be disqualifying measures for at least one year.

## **I.2 AT-RISK AREAS**

With regard to the crimes and criminal conduct set out above, the areas deemed more specifically at risk, also for activities carried out for other Group Companies, are:

1. selection of suppliers for the construction, management and maintenance of electricity lines and substations, as well as other system components, and for the development of energy and connectivity solutions\*, in particular with regard to the contracting and subcontracting of construction of civil works and the supply of goods and services that are essential to said works;
2. investment activity and joint venture agreements or other types of partnerships with counterparts inside and outside Italy;
3. in relation to fiscal crimes referred to in Special Section "F", the compilation and keeping of tax records; the preparation of tax returns and related activities, as well as the management of accounting records and compliance within the Group;
4. management of relations with parties performing brokerage activities on behalf of representatives of the Public Administration.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special

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\* Research for solutions in the sphere of energy and connectivity refers to the subsidiary Terna Energy Solutions S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.

Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

Any additions to the Risk Areas may be defined by the Chief Executive Officer of TERNA on the basis of the powers assigned to him/her.

### **I.3 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section sets forth the required conduct of the Recipients of the Model.

The objective of this Special Section is that said Recipients comply—insofar as they are involved in the activities falling into At-Risk Areas and in consideration of different positions and different obligations that each of them has vis-à-vis TERNA—with the rules of conduct set out therein in order to prevent and avoid Organized Crime Offenses from occurring.

In particular, the function of this Special Section is to provide:

- a) a list of the general rules and specific procedural rules which the Recipients must comply with for the correct application of the Model;
- b) the Vigilance Body, as well as the directors of company departments called to cooperate with the Body, with the operational principles and tools for carrying out the necessary checks, monitoring and verifications entrusted to them.

In performing their respective activities and fulfilling their respective tasks, in addition to the rules of this Model, Company Representatives should generally respect all the rules and principles established by the Company and contained, among others, in the following documents, in the parts pertinent to them:

- 1. the company organization chart and organizational procedures;
- 2. the Code of Ethics;
- 3. Anti-Corruption Guidelines;
- 4. *the whistleblowing policy*;
- 5. procedures for selection and recruitment of personnel;

6. procedures adopted by TERNAL concerning the qualification and selection of suppliers;
7. procedures regarding analysis of counterparties, including inter-institutional cooperation agreements aimed at preventing the risk of criminal infiltration (i.e. Memorandum of Understanding with the Guardia di Finanza);
8. 262 Control Model 1 and operating and accounting procedures;
9. regulations of the Manager in Charge of Preparing the Company's Accounting Statements, in relation to fiscal crimes referred to in Special Section "F";
10. procedures relating to the assignment of consulting and professional services to third parties;
11. procedures for the organization of the Group's events;
12. procedures for corporate giving activities.

## **I.4 SPECIFIC PROCEDURAL RULES**

In order to ensure adequate controls in relation to each At-Risk Area, the following rules must be complied with by TERN, the Company Representatives and by any other subject who may be authorized to operate in these areas, in addition to the procedures set out in the policies, corporate procedures and organizational documents that are mentioned, by way of example, in paragraph I.3 above.

A) TERN undertakes to constantly use criteria in the selection of personnel to ensure that the selection is carried out in a transparent manner, according to the following criteria:

- professional skills that are adequate for the positions or duties to be assigned;
- equal treatment;
- reliability versus the risk of criminal infiltration.

In this regard, TERN ensures that the following documents are produced by each Employee before being hired:

- criminal record;
- a certificate of pending proceedings, no more than three months old.

B) TERN also undertakes to ensure that the personnel of each Regional Office and Engineering department are informed about the specific risk of criminal infiltration through the distribution of local crime data gathered using the following means:

- periodic reports, where available, published by the competent public authorities;
- surveys by labor institutes;
- ISTAT statistics;
- criminology studies by qualified experts;

- documents by Chambers of Commerce, business associations and trade unions, anti-racket associations and any other public entity that performs similar functions in the different territorial areas;
  - information received and/or obtained from public authorities and/or qualified persons;
- C) with regard to inter-institutional cooperation agreements signed with, among others, the Guardia di Finanza, TERNAL undertakes to ensure their entry into force through:
- the provision of an adequate information flow between representatives of the concerned departments – also belonging to other Group Companies - coordinated by the Company Protection department;
  - the correct transmission of data required by public authorities, also by foreseeing appropriate contract consequences towards contractors in case of breach of the obligation of information disclosure on their part, also with reference to the activities carried out by subcontractors.
- D) TERNAL undertakes to provide full cooperation in implementing agreements for preventing criminal infiltration, as established by specific laws or imposed by the competent Authorities.
- E) With respect to the activities to be carried out for Company Representatives, TERNAL undertakes to ensure the organization of training courses on the risk of criminal infiltration in the different territorial areas and the importance of acting within the law as a fundamental principle of professional ethics and a prerequisite for the Group's sound economic growth.
- F) In the selection and subsequent management of the contract relationship with Suppliers, TERNAL undertakes to effectively implement corporate procedures to ensure that:
- the selection process complies with the criteria of transparency, equal access, professionalism, reliability and cost effectiveness, being

understood that the requirements of complying with the law will prevail versus any other;

- the Vendor lists drafted on the basis of qualification procedures for Suppliers who operate within qualified sectors are subject to constant monitoring and control activities, in order to verify that they continue to meet the admission requirements;
- the procurement process is constantly regulated by the principle of segregation of duties even where recourse is made to a simplified award procedure.

G) TERNA undertakes to regularly evaluate, by means of the competent departments—which may also belong to other Group Companies—the adequacy of the existing qualification divisions to determine any additions for activities which, because of the geographical area where they must be carried out or other circumstances reflecting a higher risk of criminal infiltration, require a more thorough monitoring of the Suppliers to be selected.

H) In managing relations ruled by the Procurement Code, in order to ensure traceability of financial flows and, consequently, to prevent criminal infiltration from occurring, in contracts signed with its contractors, TERNA includes – under penalty of being null and void - a clause that binds contractors to comply with the provisions regarding the traceability of financial flows, with the obligation, among others, to:

- use one or more bank accounts or postal accounts dedicated to, also non-exclusively, the relative public order, whose specific information shall be disclosed within seven days from their opening, if new, or from the first time they are used, if already existing, together with the information of the persons allowed to access them;
- carry out any financial transaction relating to the above-mentioned public order using such dedicated accounts and exclusively through a bank or postal transfer, or through other methods of payments or of money collection capable of allowing full traceability of these



transactions, under penalty of contract termination;

- according to the terms provided for by the payment method used (for example, in the reason for payment), indicate the Tender Identification Code (CIG) and the Single Project Code (CUP), where applicable;
- make on these dedicated accounts all payments intended for Suppliers regarding such contract, even if the amount paid does not totally concern the contract; the payments shall also be made through a bank or postal transfer, or through other means capable of allowing full traceability of the transactions.

I) TERNA also:

- obliges contractors to have their subcontractors or sub-suppliers sign (according to the definition pursuant to Article 118 section 11 of the Procurement), under penalty of the contract being null and void, a specific clause with which they undertake to comply with the same traceability obligations of the financial flows mentioned above;
- obliges contractors and through them, their sub-suppliers and subcontractors, to inform TERNA and the competent Prefecture-Territorial Government Office of any non-fulfillment by its counterparts of the obligations of financial traceability;
- establishes that non-compliance by the contractor with traceability obligations and, other obligations pursuant to this chapter, represents a case for terminating the contract according to Article 1456 of the Italian Civil Code.

L) With respect to the conduct to be held towards Partners, including foreign ones, reference should be made to the procedural rules included in the Special Section "F" of this Model.

M) In order to prevent criminal infiltration in the conduct of business, Company Representatives - each for his/her own activities - are expected to meet the following requirements:

- - Company Representatives must not yield to any unlawful demands and must notify any such demands to their direct supervisor; the latter, in turn, must inform the relevant company departments;
- - Company Representatives must immediately notify the Company and Police Authorities in case of attacks against corporate assets or suffered threats, providing all necessary information on each single prejudicial act as well as any information on relevant, also previous, circumstances and filing legal proceedings, if necessary;
- managers, on the basis of rules established by company management, must ensure that adequate supervision is carried out in the territorial departments, such as to allow access to company areas only to authorized persons or vehicles;
- managers, also by virtue of any reports received, must evaluate, in consultation with the TERNA S.p.A. Company Protection department, the opportunity to activate appropriate information and CCTV systems to ensure recording of all access to company areas, always respecting privacy regulations.

In any case, each Company Representative, also via hierarchical superiors, must notify the VB of any element that may indicate the danger of criminal interference in relation to company business.

The Company undertakes in this regard to guarantee the confidentiality of those fulfilling the aforementioned notification and reporting obligations with full support, also in terms of legal support.

N) For the prevention of fiscal crimes see the rules set out in Special Section "F" and, in particular:

- the specific procedural rules set forth in paragraph F.4.1, sections a), b) and c) in relation to self-laundering as described in Special Section "F";
- the procedural rules included in the Special Section "B" of this Model.

## **I.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

TERNA S.p.A.'s Vigilance Body shall:

- A. evaluate the suitability of procedures adopted in this regard and their effective implementation, through hearings and/or documentary checks;
- B. regularly check—with the help of other departments involved—the assignment system adopted, suggesting amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;

- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be contacted as and when the VB deems it appropriate.

The information to the VB shall be given timely should violations to specific procedural principles be detected as indicated in Chapter I.4 of this Special Section, or violations of company procedures regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.



**SPECIAL SECTION "L"**

**ENVIRONMENTAL CRIMES**

CEO Approval
Luigi Ferraris
January 29, 2019

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## **DEFINITIONS**

With the exception of the new definitions included in this Special Section "L", the definitions of the General Section remain valid:

**Environmental Code:** Italian Legislative Decree no. 152 dated April 3, 2006 entitled "Environmental Legislation", and subsequent modifications and integrations.

**Waste Dealers:** any undertaking which acts in the role of principal to purchase and subsequently sell waste, including such dealers who do not take physical possession of the waste.

**WIC (CER):** waste identification code based on the European Waste Catalog pursuant to the Directive by the Ministry of the Environment of April 9, 2002, and subsequent modifications and integrations.

**CCT (CSC):** contamination concentration threshold.

**RCT (CSR):** risk concentration threshold.

**Temporary Storage:** grouping of Waste carried out, prior to collection, in the place where they are produced, in accordance with the quantitative or time limits provided for by applicable legislation, also according to the type of Waste to be stored.

**Waste Holder:** the waste producer or the natural or legal person who is in possession of the waste. Local TERNA unit becomes the waste holder following registration.

**Landfill:** a waste disposal site for the deposit of the waste onto or into the land, including the area within the waste production side used for waste disposal by the producer of waste, as well as well as

any area where waste is stored as a temporary deposit for more than one year. Excluded from this definition are facilities where Waste is unloaded in order to be prepared for subsequent transport to a recovery, treatment or disposal facility and storage of Waste awaiting recovery or treatment for a period of less than three years as a general rule, or storage of Waste awaiting disposal for a period of less than one year (definition referred to in Article 2, section 1, part g) of Italian Legislative Decree no. 36 of January 13, 2003 concerning "*Implementation of Directive 1999/31/EC on landfill waste*" recalled by Article 182 of the Italian Environmental Code).

**Waste identification form (WIF):** Formal, numbered document, approved and prepared in four copies, that accompanies transported waste, guaranteeing traceability.

**Waste Management:** waste collection, transport, recovery and disposal, including the supervision of such operations and the after-care following the closure of disposal sites, and including actions taken as a dealer or broker.

**HSE:** TERNA's Health, Safety & Environment department, which monitors regulations and laws on health, safety and the environmental topics, with coordination, support, monitoring and preventive auditing of workplace health and safety and environment activities.

**Broker:** any undertaking arranging the recovery or disposal of waste on behalf of TERNA, also without taking physical possession of the waste. The broker may assign waste collection and transport to Third Parties.

**Waste production location:** one or more buildings or plants or infrastructural sites where the activities are performed that



generated the waste. The waste production location may be different from the site of the Local Unit.

**Material removed from operation:** material generated following maintenance activity awaiting technical evaluation for possible reuse or classification as waste.

**Mixing of Waste:** combining waste so as to render it extremely difficult, if not impossible, to subsequently separate and sort it.

**Waste Producer:** anyone whose activities produce waste (original waste producer) or anyone who carries out processing, mixing or other operations changing the nature or composition of said waste (new waste producer).

**Environmental Crimes:** the environmental crimes pursuant to Article 25 *undecies* of the Decree.

**Loading/unloading register:** numbered and approved register of the competent Chamber of Commerce, containing information on quantitative and qualitative characteristics of waste.

**Waste:** any substance or object which the holder discards or intends, or is required, to discard, always within the scope of its own production cycle.

**Hazardous Waste:** waste which displays one or more of the hazardous properties listed in Annex I of Part IV of the Italian Environmental Code.

**SISTRI:** the Waste Tracking and Traceability System, established by the Ministry of the Environment and the Protection of Land and Sea, to permit monitoring of the entire cycle of management of waste at

the national level and the production of special waste and urban waste in the Campania Region.

**Transporter:** company registered with the National Association of Environmental Professionals to collect and transport waste, authorized pursuant to Art. 212, section 5 of Italian Legislative Decree 152/2006, as amended.

**Local Unit:** the TERNA Local Units are the sites, registered with the competent Chamber of Commerce, in which TERNA performs one or more activities on an ongoing basis which generate waste. They are distributed across the national territory and normally correspond to the TOAs and Plant Units (and in addition, certain satellite sites of these).

## **L.1 TYPES OF ENVIRONMENTAL CRIMES (Article 25-undecies of the Decree)**

Legislative Decree no. 121 dated July 7, 2011 entitled the "Implementation of Directive 2008/99/EC on the protection of the environment through criminal law as well as of Directive 2009/123/EC which amends Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements" provided, through the inclusion of Article 25-undecies into the Decree, for the extension of administrative responsibility of the companies and bodies to a series of environmental crimes.

The above-mentioned Article expanded the list of the predicate crimes, adding the following:

1. the killing, destruction, capture, possession or taking of specimens of protected wild fauna or flora species (Article 727-*bis* of the Criminal Code);
2. destruction or deterioration of habitats within a protected site (Article 733-*bis* of the Italian Criminal Code)
3. the unlawful dumping of industrial waste water containing substances that are hazardous and/or exceed value limits established by law and/or competent authorities (Article 137, sections 2, 3, and 5 of the Italian Environmental Code), violation of the ban on dumping on the land, in the land and in groundwater (Article 137, section 11 of the Italian Environmental Code) and the unlawful dumping by ships or aircrafts of substances or materials for which an absolute ban on dumping has been imposed (Article 137, section 13 of the Italian Environmental Code);

4. the unauthorized management of waste (Article 256, section 1 point a) of the Italian Environmental Code), the unauthorized creation and management of a landfill site (Article 256, section 3, of the Italian Environmental Code), the mixing of hazardous waste (Article 256, section 5 of the Italian Environmental Code) and the temporary storage of hazardous healthcare waste (Article 256, section 6, first sentence of the Italian Environmental Code);
5. the reclamation of sites (Article 257, sections 1 and 2 of the Italian Environmental Code);
6. falsification of waste analysis certificates (Article 258, section 4 of the Italian Environmental Code);
7. illegal waste trading (Article 259, section 1 of the Italian Environmental Code);
8. organized activities for illegal waste trading (Article 452-*quaterdecies* of the Italian Criminal Code);
9. false information in the waste traceability system (Article 260-bis, section 6 of the Italian Environmental Code) and waste transportation without appropriate SISTRI documentation or with false or amended SISTRI documentation (Article 260-bis, section 7, second and third sentence and section 8 Italian Environmental Code);
10. the violation of the emission values limits and of the regulations established by legislative provisions or by competent authorities (Article 279, section 5 of the Italian Environmental Code);
11. crimes connected to the international trade of endangered animal and vegetable species, as well as crimes connected to the violation of legislation for trading and holding live specimens of mammals or reptiles which may be dangerous for public health and safety (Article 1, section 1 and 2; Article

2, section 1 and 2; Article 6, section 4 and Article 3-bis, section 1 of Law 150/1992);

12. violation of regulations concerning the production, consumption, import, export, possession and trade of harmful substances (Article 3, section 6 of Law no. 549 dated December 28, 1993 entitled "Stratospheric Ozone and Environmental Protection Measures");

13. reckless or negligent polluting by ships (Article 8, sections 1 and 2; Article 9, sections 1 and 2 of Legislative Decree no. 202/2007).

Subsequently, with Article 8 of law no. 68, dated 05/22/2015, the predicated crimes for which Corporations are administratively liable were included in Article 25-*undecies* of Decree 231, as well as under Articles 452-*bis*, 452-*quater*, 452-*quinquies*, 452-*sexies* and 452-*octies* of the Italian Criminal Code.

Explained hereinafter are the matters under Article 25 *undecies* as provided for in:

## **A) THE CRIMINAL CODE**

### ***A.1) Environmental Pollution<sup>1</sup> (Article 452-bis of the Italian Criminal Code)***

This crime is committed when someone unlawfully causes a significant and measurable deterioration or impairment:

- 1) of the water or air, or of extended or significant portions of the soil or subsoil;

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<sup>1</sup> The terms used by the legislator, "impairment or deterioration", "of extended or significant proportions of the sole or subsoil", may be specified more fully when the verdicts of the Judicial Authority intervene.

- 2) of an ecosystem, biodiversity, also agricultural, or pertaining to flora and fauna.

The offense will be considered more serious when the pollution is created within a protected natural area or one with landscape, environmental, historical, artistic, architectural or archaeological restrictions, or which harms protected animal and plant species.

### ***A.2) Environmental Disaster<sup>2</sup> (Article 452-quater of the Italian Criminal Code)***

This crime is committed when someone, outside of the cases provided for by Article 434 of the Italian Criminal Code, unlawfully causes an environmental disaster which, alternatively, could be constituted by:

- a) an irreversible change in the balance of an ecosystem;
- b) a change in the balance of an ecosystem which would be particularly costly to reverse and likely to entail exceptional measures;
- c) an offense against public safety due to the importance related to the extension of the impairment or its harmful effects in terms of the number of people injured or exposed to the hazard.

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<sup>2</sup> The adverb "unlawfully" may be interpreted in two ways and as such may entail the violation of the general rules in force concerning the protection of public health and the environment, excluding any administrative authorizing act connected to the activity that caused the environmental disaster, or intended as directly connected to an administrative act that authorized the specific activity that was carried out and formed the base of the disaster. When we consider the second interpretation, several hypotheses can emerge, namely: lack of any authorization, activities carried out in violation of the authorization and unlawful authorization. It will also be necessary to await the rulings of the criminal courts for this offense, in regards to the interpretation of the terms "balance of the ecosystem", "costly removal", "extent of the impairment or its harmful effects", "number of people injured or exposed to danger", especially in light of the obligatory nature of criminal law.

The offense will be considered more serious when the disaster is created within a protected natural area or one with landscape, environmental, historical, artistic, architectural or archaeological restrictions, or which harms protected animal and plant species.

### ***A.3) Culpable crimes against the environment (Article 452-quinquies of the Italian Criminal Code)***

Article 452-quinquies provides for mitigation in sanctions for cases in which:

- any of the acts referred to in Articles 452-*bis* and 452-*quater* is committed culpably;
- the hazard of environmental pollution or an environmental disaster is caused by such acts.

### ***A.4) Trading and discarding highly radioactive material (Article 452-sexies of the Italian Criminal Code)***

This crime is committed when, with the exception of when the act constitutes a more serious offense, someone unlawfully gives, purchases, receives, transports, imports, exports, procures for others, holds, transfers, abandons or unlawfully disposes of highly radioactive material. The offense will be considered more serious if the act causes:

- 1) the risk of impairment or deterioration of the water or air, or of extended or significant portions of the soil or subsoil;
- 2) the risk of impairment or deterioration of an ecosystem, biodiversity, also agricultural, or pertaining to flora and fauna;
- 3) risk to life or people's health.

### ***A.5) Aggravating circumstances (Article 452-octies of the Italian Criminal Code)***

The legislation provides for heavier penalties when:

- a) the conspiracy referred to in Article 416 of the Italian Criminal Code (Criminal Conspiracy) is exclusively or concurrently directed for the purposes of committing any of the offenses provided for by Title VI-bis of the Italian Criminal Code;
- b) the conspiracy referred to in Article 416 of the Italian Criminal Code (Mafia Conspiracy, including foreign Mafia conspiracy) aims to commit any of the offenses provided for in Title VI-bis of the same code, namely ranging from the purchase to the management or control over economic activities, concessions, authorizations, tenders and public services concerning the environment;
- c) if public officials or persons in charge of public services or person who provide services concerning the environment participate in the conspiracy.

**A.6. *Organized activities for illegal waste trading (Article 452-quaterdecies of the Italian Criminal Code)***

Article 452-*quaterdecies* of the Italian Criminal Code punishes anyone who, in an attempt to obtain unjust profit through several operations and through the setting up of means, as well as continuous organized activities, gives, receives, transports, exports, imports or in any case unlawfully manages huge quantities of waste. In the case of highly radioactive substances, the penalty is increased.

**A.7) *The killing, destruction, capture, taking, or possession of specimens of protected wild fauna or flora species (Article 727-bis of the Italian Criminal Code)***



Unless the fact constitutes a more serious crime, Article 727-*bis* of the Criminal Code punishes different types of unlawful conduct regarding protected wild fauna and flora species, i.e.:

- a) except for cases where it is allowed, the killing, capture or possession of specimens belonging to a protected wild fauna species (section 1);
- b) except for cases where it is allowed, the destruction, taking, or possession of specimens belonging to a protected wild flora species (section 2).

The delegated legislator, however, adapting to Community provisions (Article 3, section 1, part f) of Directive no. 2008/99/EC), excludes a crime being committed in cases where the action regards a negligible quantity of said specimens and has a negligent impact on the state of conservation of the species.

For the purposes of applying Article 727-*bis* of the Criminal Code, “protected wild fauna or flora species” means those listed in Annex IV of Directive 92/43/EC and in Annex I of Directive 2009/147/EC (Article 1, section 2, Legislative Decree no. 121/2011).

The reference regards, on the one hand, Directive 92/43/EEC of the Council, dated May 21, 1992, concerning the conservation of natural and semi-natural habitats and of wild flora and fauna (the “Habitat” Directive) and, on the other hand, Directive 2009/147/EC of the European Parliament and Council of November 30, 2009, concerning the conservation of wild birds (the “Birds” Directive).

***A.8) Destruction or deterioration of habitats<sup>3</sup> within a protected site (Article 733-bis of the Italian Criminal***

### **Code)**

Article 733-*bis* of the Criminal Code punishes anyone who, with the exception of the cases allowed, destroys a habitat within a protected site or in any case deteriorates it, thereby compromising its state of conservation.

For the purposes of applying Article 733-*bis* of the Italian Criminal Code, "habitat within a protected site" means any habitat of species for which an area is classified as a special protection area pursuant to Article 4, sections 1 or 2 of Directive 79/409/EEC, or any natural habitat or habitat of species for which a site is designated as a special area of conservation pursuant to Article 4, section 4 of Directive 92/437/EEC.

The delimitation of the objective scope of application of the criminal matters at hand based on governing Italian legislation must be made as per the provisions in the following regulations: a) Ministerial Decree, Ministry of the Environment and Protection of Land and Sea, dated September 3, 2002 "Guidelines for the management of Natura 2000 sites" (Official Gazette no. 224, 24 September 2002); b) Italian Presidential Decree no. 357 dated September 8, 1997 "Regulation implementing Directive 92/43/EEC concerning the conservation of natural and semi-natural habitats and of wild flora and fauna" (Official Gazette no. 248 dated 23 October 1997), as amended by Italian Presidential Decree no. 120, dated March 12, 2003 (Official Gazette no.124 dated May 30, 2003); c) Ministerial Decree, Ministry of the Environment and Protection of Land and Sea dated March 14, 2011 (Official Gazette no. 77, dated April 4, 2011, Ordinary Supplement no. 90) containing the "Fourth updated list of sites of Community importance for the Alpine biogeographical region

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<sup>3</sup> In general, the word 'habitat' today is understood as "the ideal environmental

in Italy, pursuant to Directive 92/43/EEC"; d) Ministerial Decree, Ministry of the Environment and Protection of Land and Sea, dated March 14, 2011 (Official Gazette no. 77 of April 4, 2011, O.S. No. 90) containing the "Fourth updated list of Sites of Community importance for the Mediterranean biogeographical region in Italy pursuant to Directive 92/43/EEC"; e) Ministerial Decree from the Ministry of the Environment and Protection of Land and Sea dated March 14, 2011 (Official Gazette no. 77 dated April 4, 2011, Ordinary Supplement no. 90) containing the "Fourth updated list of sites of Community importance for the continental biogeographical region in Italy, pursuant to Directive 92/43/EEC"; f) Ministerial Decree from the Ministry of the Environment and Protection of Land and Sea dated October 17, 2007 (Official Gazette no. 258 dated November 6, 2007) regarding "Minimum uniform criteria for defining conservation measures related to Special Areas of Conservation (ZSC) and Special Protection Areas (ZPS)", as per the latest amended version of Ministerial Decree from the Ministry of the Environment and Protection of Land and Sea of January 22, 2009 (Official Gazette no. 33 dated February 10, 2009); g) Ministerial Decree from the Ministry of the Environment and Protection of Land and Sea of June 19, 2009 (Official Gazette no. 157 dated July 9, 2009) containing the "List of Special Protection Areas (ZPS) classified pursuant to Directive 79/409/EEC"

## **B) Italian Legislative Decree 152/2006 (Environmental Code)**

### ***B.1) Crimes pursuant to Article 137 of the Italian Environmental Code***

For purposes of the Decree, the following conduct is considered significant:

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conditions for the life of a particular plant or animal".

**a) dumping of industrial waste water without authorization or with suspended or revoked authorization**

As per Article 137, sections 2 and 3 of the Environmental Code, any new dumping of industrial waste water containing hazardous substances without respecting the rules in the authorization or other rules by competent authorities pursuant to Articles 107, section 1, and 108, section 4 of the Italian Environmental Code, will be punished.

Specifically, in relation to the above conduct, “hazardous substances” mean those expressly indicated in Tables 5 and 3/A of Annex 5 to Part Three of the Italian Environmental Code, to which the reader is referred.

**b) dumping of industrial waste water in excess of table limits**

Article 25-*undecies*, section 2, first line of the Decree and 137, section 5 of the Italian Environmental Code provide that penalties be levied against anyone who dumps industrial waste water in excess of limits set by law or by competent authorities, pursuant to Article 107 of the Italian Environmental Code.

It should be specified that said conduct is in exclusive relation to the substances listed in Table 5 of Annex 5 to Part Three of the Italian Environmental Code, and that the limit values referenced by said regulation are indicated in Tables 3 and 4 of Annex 5.

The criminalization of said conduct is also punished with higher pecuniary penalties if particularly established values for the substances as listed in Table 3/A of Annex 5 to the Italian Environmental Code are exceeded.

**c) violation of the ban on dumping on and in the land and in groundwater**

Article 137, section 11, first sentence, punishes the conduct of anyone who dumps on the land, pursuant to Table 4 of Annex 5, Part Three of the Italian Environmental Code, and does not respect the prohibitions on dumping provided for in Article 103 and 104 of the Italian Environmental Code.

**d) violation of the ban on the dumping of ship and aircraft-source prohibited substances**

Pursuant to Article 137, section 13 of the Italian Environmental Code, the dumping by ships or aircrafts of substances or materials into the sea, for which there is an absolute dumping ban pursuant to the regulations contained in governing international conventions on the matter and ratified in Italy, is punished, unless they are of such quantity that they are rendered innocuous by biological, chemical and physical processes that naturally occur in the sea and as long as there is pre-authorization by the competent authorities.

***B.2) Crimes under Article 256 of the Italian Environmental Code***

Article 256 of the Italian Environmental Code criminally punishes a plurality of conducts, considered primarily as violations of legislative regulations concerning waste management and which are potentially harmful to the environment.

The unlawful activities under Article 256 of the Italian Environmental Code can fall into the category of “crimes of abstract danger”, for which the legislator presumes that a protected legal asset (i.e. the environment) has been placed in danger, without having to concretely verify the existence of the danger. The simple violation of the regulations concerning Waste Management or the hindrance of controls in place under an administrative procedure, constitute therefore, in and of themselves, punishable crimes.

The following are relevant for the purposes of the Decree:

**a) Unauthorized Waste management pursuant to Article 256, section 1 of the Italian Environmental Code**

The first section of Article 256 of the Italian Environmental Code punishes a plurality of conducts connected to the unauthorized Management of Waste, or the recycling, transport, recovery, disposal, trade and intermediation of Waste of any kind - hazardous and non-hazardous - taking place in the absence of specific authorization, registration or notification provided for in Articles 208 - 216 of the Italian Environmental Code.

Pursuant to Article 193, section 9 of the Italian Environmental Code, "transport" does not include the movement of Waste within a private area.

A Producer could, however, be considered liable, when he/she acts as an accomplice in the crime. This may occur not only in the case he/she knows about the unlawful nature of the waste management being contracted out, but also in the case of violation of specific supervisory obligations on whoever is charged with the collection and disposal of waste products.

It must be kept in mind that all parties involved in waste management activities - including the Producer - must not only respect the legislative regulations concerning their own field of activity, but must also check and ensure that the activities prior to or subsequent to their own have been executed properly. Consequently, the Producer is required to check that the party who is charged with the collection, transport or disposal of waste produced, carries out said activities in a lawful manner. Otherwise, failure to comply with precautionary obligations could be considered as "contributory negligence in an intentional crime".

**b) management of unauthorized landfill sites under Article**

## **256, third section of the Italian Environmental Code**

section three of the same regulation punishes anyone who creates or manages an unauthorized landfill site, with specific aggravated penalties in the case that the landfill is being used for disposing of Hazardous Waste.

In particular, it must be pointed out that the definition of landfill does not include *“facilities where waste is dumped for preparation for subsequent transport to a recovery, treatment or disposal plant, and the storage of waste pending recovery or treatment for a period of less than three years as a general rule, or the storage of waste pending disposal for a period of less than one year”*.

In order to determine the unlawful conduct of creating and managing an unauthorized landfill site, the following conditions must be present:

- i. repeated conduct of accumulation of waste in an area, or simply fitting an area by leveling or fencing off the land;
- ii. the degrading of the area itself, consisting in the permanent alteration of the state of the locations, as well as
- iii. the dumping of a substantial amount of waste.

Lastly, to be considered “unauthorized management”, once the site has been built, the activity must be autonomous, which implies the establishment of an organization made of machinery and people for the operation of the landfill itself.

### **c) Mixing of hazardous waste pursuant to Article 256, section five of the Italian Environmental Code**

Article 256, section five of the Italian Environmental Code punishes unauthorized Mixing of Waste that has different hazardous

characteristics, i.e. Hazardous Waste with Non-hazardous Waste.

It must be remembered that Mixing Hazardous Waste - not having the same characteristics of hazardousness with each other or with other waste, substances or materials - is allowed only if expressly authorized pursuant to and within the limits of Article 187 of the Italian Environmental Code. Such conduct is criminal only if carried out in violation of the regulatory measures.

The crime under consideration can be committed by anyone who has access to hazardous and non-hazardous waste.

**d) the temporary storage of hazardous healthcare waste pursuant to Article 256, section 6, first sentence, of the Italian Environmental Code**

Pursuant to section six of Article 256 of the Italian Environmental Code, infringement of the prohibition of temporary storage of hazardous sanitary waste at the place of production provided for by Article 227 of the Italian Environmental Code can be considered included.

It must be pointed out that a crime is considered as having been committed if the following conditions exist:

- a) the waste is of a hazardous sanitary nature with infection risk included in the list of examples in Annex 1 to Italian Presidential Decree no. 254 of July 15, 2003, entitled *"Regulation concerning discipline in the management of sanitary waste in accordance with Article 24 of Law no. 179 of July 31, 2002, no. 179"*;
- b) the time or quantity limits provided for by Article 8 of Italian Presidential Decree 254/2003, which envisages that the temporary storage of hazardous sanitary waste may have a



maximum duration of five days from the moment of closure of the container, are violated. Said term can be extended to thirty days for quantities of waste less than 200 liters.

### ***B.3) Crimes under Article 257 of the Italian Environmental Code***

Article 257 of the Italian Environmental Code, concerning the criminal regulation of site reclamation, provides for two distinct crimes: failure to provide for reclamation of polluted sites;

- 
- failure to report the polluting event to the competent authorities in compliance with the procedure indicated in Article 242 of the Italian Environmental Code.

#### **a) failure to provide for reclamation**

In particular, Article 257 of the Italian Environmental Code punishes first and foremost—with the exception of when the act constitutes a more serious offense—anyone who pollutes the soil, the subsoil, surface waters or groundwater by exceeding the risk concentration threshold, and if they do not provide for reclamation in compliance with the plan approved by the competent authority in the administrative procedure indicated by Articles 242 *et seq.* of the Italian Environmental Code.

Requirements for determining the existence of the above-mentioned crime are:

- 1) exceeding the risk concentration threshold (CSR);

- 2) failure to provide reclamation in compliance with the project approved by the competent authority in the administrative procedure under Articles 242 et seq.

It is a crime whose perpetration is determined by the occurrence of the criminal event or a purely causal crime, subject to objective conditions of criminal liability, where a) the criminal event is provided for only as a damaging event, such as pollution; b) pollution is defined as exceeding the risk concentration threshold ("CSR"), which is a level of risk higher than the attention levels identified by the contamination concentration threshold ("CSC"), and therefore at levels of acceptability already established by Ministerial Decree no. 471/1999.

Pollution by itself is not punishable, but rather the failure to clean up in compliance with the rules established in the ad-hoc plan.

Law no. 68, dated 22 May 2015, amended by Article 257 of Legislative Decree 152/2006, replacing section 4 and stating that the compliance of approved projects pursuant to Articles 242 et seq. constitutes a condition for exemption from punishment for environmental violations covered by other laws regulating the same event and for the same polluting conduct referred to in section 1. The crime is aggravated if pollution is a result of hazardous substances, as provided for in Article 257, section 2 of the Italian Environmental Code.

#### **b) failure to report pursuant to Article 242 of the Italian Environmental Code**

Upon the occurrence of an event that could potentially contaminate a site, the subject responsible for contamination must, within 24 hours of the event, adopt all necessary prevention measures and

immediately inform the competent authorities in accordance with the procedures referred to in Article 304, section 2 of the Italian Environmental Code.

***B.4) Crime under Article 258, section 4, second line of the Italian Environmental Code - Falsification of waste analysis certificates***

Article 258 section 4, second sentence, of the Italian Environmental Code punishes anyone who when preparing a waste analysis certificate, provides false information concerning the nature, composition and chemical-physical characteristics of the waste, as well as anyone who uses a falsified certificate during transport.

Said crime is included into the framework of obligations provided for by Article 188-*bis* of the Italian Environmental Code concerning the traceability of waste from the time of production to its final destination. In this regard, the legislator has provided that the traceability of waste can take place: (a) joining on a voluntary or mandatory basis - pursuant to Article 188 *ter* of the Italian Environmental Code - the SISTRI system, or (b) fulfilling the obligations to keep registers concerning waste loading and unloading, as well as the identification form pursuant to Articles 190 and 193 of the Environmental Code

It should be specified that the crime under examination refers to all companies and bodies that produce waste which, not having joined the SISTRI system, must maintain the above-mentioned registers and forms.

***B.5) Crimes under Article 259 of the Italian Environmental Code - illegal trafficking of waste***

Article 259, section 1 of the Italian Environmental Code, punishes two crimes connected to the trading and the cross-border shipment of waste.

Illegal trading of waste is engagement in the conduct expressly provided for in Article 2 of EEC Regulation no. 259 dated February 1, 1993, or any shipment of waste carried out:

- (a) without having notified and/or without the approval of the competent authorities concerned;
- (b) with the consent of the competent authorities concerned through falsification, misrepresentation or fraud;
- (c) without being concretely specified in the accompanying document;
- (d) in such a way as to lead to disposal or recovery in violation of Community or international regulations;
- (e) in violation of bans on the import and export of waste provided for in Articles 14, 16, 19 and 21 of the aforementioned Regulation 259/1993.

The crime is being committed also when shipping of waste intended for recovery is made (specifically listed in Annex II of the said Regulation no. 259/1993). Criminal conduct takes place each time the conditions expressly provided for in Article 1, section 3 of the Regulation have been violated (waste must always be directed to authorized facilities, must be able to be checked by competent authorities, etc.).

***B.6) Crimes under Article 260 bis of the Italian Environmental Code – Waste tracking computer***

## ***system***

Article 260-*bis*, section 6 of the Italian Environmental Code punishes anyone who, preparing a waste analysis certificate used within the waste tracking control system, provides false information on the nature, composition and chemical-physical characteristics of waste or anyone who includes a falsified certificate into the data to be provided for purposes of tracking waste.

Also punished, pursuant to Article 260-*bis* section 7, second and third sentence and section 8, first and second sentence - are transporters that: (a) fail to accompany the transport of hazardous waste with the hard copy of the SISTRI handling sheet and with the copy of the analytical certificate that identifies the characteristics of the waste; (b) use a waste analysis certificate containing false information concerning the nature, composition and chemical-physical characteristics of the waste transported, and (c) accompany the transport of waste - hazardous and non-hazardous - with a fraudulently altered hard copy of the SISTRI - AREA handling sheet.

These crimes refer to all waste producers and transporters that belong to SISTRI.

### ***B.7) Crimes under Article 279 of the Italian Environmental Code - Emission of polluting gases above allowed limits***

Pursuant to Article 279, section 5 of the Italian Environmental Code, anyone who, in the operation of a factory, violates the emission limit values or the requirements established by the authorization, the Annexes I, II, III or V to section five of the Italian Environmental Code, plans and programs or the regulations referred to in Article 271 of the Italian Environmental Code or provisions otherwise

imposed by the competent authority, also causing the air quality limit values required by current legislation to be exceeded, is punished.

- **Crimes under Law no. 549/1993**

Concerning protection of the ozone layer (Law 549/1993), the production, consumption, import, export, sale and possession of harmful substances in accordance with Regulation (EC) no. 3093/94 (the latter repealed and replaced by Regulation [EC] no. 1005/2009) are instead punished.

- **Crimes under Law no. 150/1992**

On matters concerning the protection of wild flora and fauna species through supervising their trade, anyone who engages in, *inter alia*, the actions indicated hereinafter in violation of the provisions of Regulation no. 338/97 and subsequent implementations and amendments, for specimens belonging to the species listed in Annexes A, B and C of the Regulation, shall be punished:

- a) imports, exports or re-exports specimens under any customs procedure without the required certificate or license, or with invalid certificate or license;
- b) fails to comply with the requirements for safety of the specimens, specified in a license or certificate issued in accordance with the Regulation;
- c) uses said specimens in a manner not compliant with the requirements in the authorization or certification measures issued together with the import license or subsequently certified;

- d) transports or allows transit, also on behalf of third parties, of specimens without the prescribed license or certificate;
- e) sells artificially propagated plants contrary to the provisions contained in Article 7 of the regulation;
- f) keeps, uses for profit, buys, sells, displays or holds for sale or for commercial purposes, offers for sale or otherwise sells specimens without the required documentation.

- **Crimes under Law no. 202/2007**

In relation to ship-source pollution, the commander of a ship, as well as members of the crew, the owner, and the shipping company shall be punished if they are responsible for spilling, or causing the spilling, of pollutants into the sea. The crime is aggravated if as a result permanent or particularly serious damage is caused to the water quality, to animal or plant species or to parts of the same.

- **Crimes pursuant to Article 256-*bis* of Legislative Decree 152/2006**

By introducing the new Article 256-*bis* of Italian Legislative Decree 152/2006 "*Illegal burning of waste*", while not expanding the catalog of predicate crimes, the Legislator has, however, made an explicit reference to the sanction system referred to in Italian Legislative Decree 231/01. This crime is committed when someone sets fire to abandoned waste, namely waste that has been stored in an uncontrolled manner within unauthorized areas.

The connection with the former Italian Legislative Decree 231/01 is made explicit in the second section of Article 256-*bis* of Italian Legislative Decree 152/2006, which states that if a crime is committed by part of an enterprise's activity or, in any case, by a business, the owner of said enterprise or the head of the business is

liable under the independent profile of having failed to supervise the work of the material actors in the crime, which is - nevertheless - connected to the same enterprise or business; the sanctions provided for by Article 9, section 2 of Italian Legislative Decree no. 231 dated June 8, 2001 also apply to the aforementioned enterprise owners or business heads.

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In relation to Environmental Crimes under Article 25-*undecies* of Legislative Decree no. 231/2001, pecuniary penalties are provided for, ranging from a minimum 150 shares to a maximum of 1,000 shares.

Disqualification sanctions are envisaged, pursuant to Article 25-*undecies* of Legislative Decree 231/2001, for crimes provided for in Articles 452-*bis*, 452-*quater*, 452-*quinquies*, 452-*sexies*, 452-*octies* and only for certain types of crime (e.g. discharge of industrial waste water, landfill sites for disposal of hazardous waste, illegal waste trading) and in any case for a period not exceeding one year.

An indefinite disqualification is provided for if the corporation has the sole or primary aim of allowing or facilitating the illegal trafficking of waste (Article 260 of the Italian Environmental Code) and for the crime of negligent ship-source polluting (Article 9 of Italian Legislative Decree no. 202/2007).

#### **L.1.1. Coordination by the Parent Company on environmental matters**



TERNA's main business is providing the electricity transmission service; this occurs along the high voltage grid, whose operation, ordinary and extraordinary maintenance, and development are assigned to the subsidiary Terna Rete Italia S.p.A..

Regarding the environment, it is noted that the most significant impact of this activity is related principally to the physical presence of electricity lines and substations, as well as their interaction with the environment.

Over time, TERNA has built up a high level of sensitivity to environmental protection, engaging itself (i) in planning of grid development investments, also devoting attention to stakeholders' needs (in particular local authorities and environmental associations) and searching for shared and sustainable solutions; (ii) implementing, managing and carrying out maintenance activity on the grid, adopting procedures in compliance with the law and, where applicable, with the aim of reducing the environmental impact; (iii) in relations with suppliers, by requesting adjustment to the Group's environmental standards; (iv) regarding electro-magnetic fields, through strict compliance with the law and attention to the developments of scientific studies; (v) regarding biodiversity, by limiting the impact of facilities, with mitigation measures to be implemented also based on plans drafted and shared with environmental associations; (vi) regarding climate change, acknowledging the significance of the problem and committing to support reduction of greenhouse gas emissions; (vii) regarding waste, implementing management aimed at greater recovery and reuse of materials.

Environmental governance is structured as a widespread organization through operating units coordinated by the centralized HSE department of the Parent Company.

This department has the mission of identifying and coordinating policies for the entire Group regarding the environment and monitoring implementation thereof.

Furthermore, the Environmental Management System adopted by TERNA is certified according to standard UNI EN ISO 14001:2015 ("Environmental Management Systems") to ensure compliance with current international legislation and best practices.

Within this context – consistent with the above-mentioned organizational structure and with the aim of guaranteeing the adoption of an effective supervision to prevent such Environmental Crimes from being committed – the Group decided to adopt this Special Section "L".

## L.2 AT-RISK AREAS

With regard to the crimes and criminal conduct set out above, the areas deemed more specifically at risk, also for activities carried out for other Group Companies, are:

1. Construction, management and maintenance of electricity lines, substations, NCSSs (non-conventional storage systems) and power-intensive storage systems, construction and maintenance of photovoltaic systems, as well as analytical and diagnostic activities performed in chemical laboratories, in relation to possible impacts on biodiversity, air, water, land, subsoil, ecosystems, flora and fauna;
2. Management of activities connected to creation and installation of transformers, as well as activity connected to development of solutions in the sphere of energy and connectivity, with potential impacts on biodiversity, air, water, land, subsoil, ecosystems, flora and fauna, including those performed by subsidiaries;\*\*\*
3. Supply for the activities referred to in points 1 and 2;
4. Waste Management.

All At-Risk Areas as indicated above take on importance also if the activities that form their objective are carried out by the Companies – fully or partly – in the name of and/or on behalf of the Parent

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\*\*\*Activity connected to development of solutions in the sphere of energy and connectivity” refers to the subsidiary Terna Energy Solutions S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called “umbrella structure” adopted by TERNA

\* This activity refers to the subsidiary Tamini Trasformatori S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called “umbrella structure” adopted by TERNA.

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Company, by virtue of the agreements signed or of specific proxies granted.

For the activities carried out in the name of and/or on behalf of the Parent Company, the Companies shall implement the reporting activity according to the terms indicated in the General Section and in the individual Special Sections.

As a precaution, in the At-Risk Areas of the Parent Company, activities are also included that are not carried out in the name of and/or on behalf of the Parent Company and are implemented by the Companies without interference in their decision-making power by the Parent Company.

This choice is based on the principle of utmost caution for ensuring that the Parent Company's Model includes At-Risk Areas also for activities carried out by its Subsidiaries.

In particular, it should be noted that the Parent Company grants the Companies, even if subject to its direction and coordination, full decision-making power; each Company is thus responsible for the correct application of the models and verification of their full compliance with law provisions.

The Companies shall inform the Parent Company of any criticalities deriving from the application of the strategic guidelines that contrast with the model adopted.

TERNA's CEO may add other At-Risk Areas to the ones described above, identifying the relevant profiles and defining the most appropriate actions.

### **L.3 RECIPIENTS OF THIS SPECIAL SECTION: GENERAL CONDUCT AND IMPLEMENTATION RULES**

This Special Section refers to the conduct of the Recipients of the Model.

The objective of this Special Section is that said Recipients comply—insofar as they are involved in the activities falling into At-Risk Areas and in consideration of different positions and different obligations that each of them has vis-à-vis TERN—with the rules of conduct set out therein in order to prevent and avoid Environmental Crimes from occurring.

In particular, the function of this Special Section is to:

- a) provide a list of the general rules as well as the specific procedural rules which the Recipients must comply with for the correct application of the Model;
- b) provide the Vigilance Body, as well as the directors of company departments called to cooperate with the Body, with the operational principles and tools for carrying out the necessary checks, monitoring and verifications entrusted to them.

In carrying out their respective activities/functions, in addition to the rules in this Model, Company Representatives must, in general, respect all the rules and principles contained in the following documents, in the parts pertinent to them:

- i. the company organization chart and organizational procedures;
- ii. Integrated Management System manual and procedures in

relation to the Environmental Management System;

- iii. Standard UNI EN ISO 14001:2015 ("Environmental Management System") containing the provisions required to ensure an environmental management system aimed at limiting pollution in accordance with legal requirements and in the context of the continuous improvement of environmental performance.
- iv. Terna environmental policy
- v. The Code of Ethics.

In addition to respecting the specific procedural rules under chapter L.4 hereinafter, all Recipients must also respect the conduct rules contained in the above-mentioned organizational documents in order to prevent the commission of the Crimes identified in this Special Section.

## **L.4 SPECIFIC PROCEDURAL RULES**

In order to guarantee the adoption of an effective defense against the potential commission of Crimes under Article 25 *undecies*, TERNA has decided to adopt this Special Section "L".

In this Special Section, corporate conduct, actions and procedures that are referred to are always understood to be carried out in accordance with UNI EN ISO 14001:2015 standard and the environmental management system adopted by TERNA and certified by the competent Body.

This standard, whose adoption does not in any case exempt TERNA and all Company Representatives from complying with the requirements and fulfilling the obligations provided for by law, identifies the essential requirements for implementing an adequate corporate policy, planning specific objectives for the pursuit of such policy and taking actions – improvement and corrective – to ensure continued compliance with the environmental management system adopted.

Without prejudice to said Special Section referencing the above-mentioned environmental management system, indicated hereinafter are the specific procedural rules to be applied to the Group, for the activity it carries out, aimed at preventing the commission of Environmental Crimes.

The principles to observe for the following risk areas are indicated below:

1. Construction, management and maintenance of electricity lines, substations, NCSSs (non-conventional storage systems) and power-intensive storage systems, construction and

maintenance of photovoltaic systems, as well as analytical and diagnostic activities performed in chemical laboratories, in relation to possible impacts on biodiversity, air, water, land, subsoil, ecosystems, flora and fauna;

2. The management of activities relating to the manufacture and installation of transformers with a potential impact on biodiversity, air quality, water quality, the soil, the subsoil, the ecosystem and flora and fauna, including activities performed by subsidiaries\*;
3. Supply for the activities referred to in points 1 and 2;
4. Waste Management.

In relation to the activities under points 1 and 2, the following must be guaranteed:

- A. preparation of a periodical assessment of the environmental impact its activities have and related risks;
- B. Guidelines, procedures and operating instructions regarding the construction and management of electrical lines and substations (e.g. operating procedure "Strategic Environmental Assessment", operating instruction "Management of Environmental Aspects on Terna Worksites", operating instruction "Use of TERNA assets for mitigation of effects on birdlife", etc.);
- C. Guidelines, procedures and operational instructions concerning Waste Management (for example, guidelines "Waste Management at TERNA Group companies", operational instructions "Management of excavated earth and rocks");

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\* This activity refers to the subsidiary Tamini Trasformatori S.r.l. Its inclusion in the Organizational Model 231 of the Parent Group is deemed necessary by the so-called "umbrella structure" adopted by TERNA.



- D. Cooperation agreements with environmental associations for examining the interaction between high-voltage electricity lines and birdlife, the implementation of sustainable development of the NTG and the mitigation of the relative environmental impact (for example, collaboration agreements with Legambiente, the WWF and the LIPU);
- E. solutions to minimize any negative effects on the environment, also more strictly than provided for by law, while respecting other general interests that Terna is called upon to ensure (e.g. safety and continuity of the electricity service, maintenance of efficiency of the electricity system, its adaptation to the production and consumption needs of the country, parity of access to the grid for industry operators);
- F. adopting a preventative approach by listening to the points of view of leading environmental associations and the needs expressed by local authorities where grid plants are being built;
- G. with regard to biodiversity, especially of birds, the adoption of the most modern devices to minimize any negative impact of its plants (e.g. use of dissuaders and monitoring systems);
- H. paying close attention to negative impact reports of its facilities, being available for assessments and evaluations and, depending on the case, for the experimentation and possible adoption of mitigation measures;
- I. searching and fine-tuning of protection and prevention systems consistent with the environment surrounding its plants;
- J. based on scientific programs agreed upon with institutes and associations of proven reliability, allowing the use of its plants for the protection, monitoring and increase of biodiversity,

always guaranteeing plant and the electricity service safety;

K. with specific regard to planning, ensuring that the process is divided into the following stages:

- providing possible technical solutions and preventative measures aimed at limiting the impact that work sites will have on the surrounding environment in terms of the air-water-soil system;
- conducting preliminary investigations to ascertain the nature of the site where the work will be carried out and to gather information concerning the presence of any protected habitats;
- verifying and observing all the regulations issued by the authorities who authorized the opening of the work site;
- including, where applicable, any supplementary indications designed to respect the environment in the specifications and/or terms of the supply/contract;
- specific measures with regard to worksite activities to minimize the effects connected to realization of works for one or more components and/or environmental factors (noises, atmospheric emissions, dusts and sediments, industrial rainwater and provisions, dangerous substances and accidental spillages, waste, earth and rock from excavations, protection of vegetation).

In relation to the risk area described in point 3, it is necessary to guarantee:

- the rules, procedures and operational instructions adopted by TERNA concerning the qualification and selection of suppliers, among which, by way of an example:

- TERNA's Regulations for the qualification of companies;
- Monitoring of qualified companies;
- TERNA's Regulations on procurement;
- Transparency in the procurement process.

Finally, with regard to Waste Management, Terna:

- A. works towards managing waste so as to recover, re-use and recycle the materials and guarantee a higher level of protection for human health and the environment.
- B. defines the main undertakings to be adopted within the company concerning the management of different types of waste – hazardous and non-hazardous – so as to operate uniformly throughout the national territory;
- C. classifies waste produced by company activities in compliance with governing legislative provisions and competent authorities, and in this connection informs and provides adequate training to the personnel of the units producing the waste, in compliance with their respective duties;
- D. entrusts the collection, transport, recovery, and disposal of waste only to authorized companies and in respect of company procedures concerning the qualification of Suppliers.
- E. guarantees that every waste production unit fills out and correctly maintains documentation for the correct management of waste, according to current legislation.
- F. undertakes to ensure that company procedures for waste management undergo constant monitoring by the competent company departments in order to periodically evaluate the opportunity to make updates resulting from legislative regulatory measures on environmental matters;

- G. constantly oversees the proper management of waste and reports any irregularities to the competent departments (for example, the falsification of classification documents, the suspect dumping of waste by transporters in unlawful landfills, etc.) so that appropriate administrative and contractual action can be taken, in addition to potential legal action before competent authorities.

Finally, with particular reference to the performance of environmental checks at sites, the Site Manager or other duly appointed person refers all breaches to his/her Manager in order that they may adopt any measures deemed necessary.

## **L.5 INSTRUCTIONS AND INSPECTIONS OF THE VIGILANCE BODY**

Terna S.p.A.'s Vigilance Body shall:

- A. evaluate – also through hearings, documentary checks and inspections – the suitability of the procedures adopted in this regard and their effective application and knowledge of them amongst Recipients;
- B. regularly check—with the help of other departments involved—the assignment and proxy system adopted, suggesting

amendments whenever the managing powers and/or position do not match the representation powers granted to Company Representatives;

- C. regularly check, with the help of other departments involved, the validity of the standard terms directed to:
  - ensure that Recipients comply with the provisions of the Decree;
  - provide the Company the opportunity to control Model Recipients in order to ensure their compliance with the provisions contained therein;
  - apply penalties whenever a provision is violated;
- D. examine any specific reporting from supervisory bodies or third parties or any Company Representative to carry out evaluations that are deemed appropriate on the basis of such reporting;
- E. Propose and recommend necessary or appropriate improvements of the control system adopted, as well as implementation of information flows.

TERNA guarantees the implementation of information flow procedures between the VB and the directors of the competent departments, the 231 Representatives or other Company Representatives as necessary, who in any case may be contacted as and when the VB deems it appropriate.

The information to the VB shall be given timely should violations to specific procedural principles be detected as indicated in Chapter L.4 of this Special Section, or violations of procedures regarding the above-mentioned At-Risk Areas.

Lastly, the VB is also assigned the power to access all documentation and all company sites relevant for carrying out its duties.