SPECIAL SECTION “C”

TERRORISM CRIMES
AND OF SUBVERSION OF DEMOCRACY

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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.

Article 3 of Law no. 7 of 14 January 2003 ratified and rendered effective in Italy the International Convention for the suppression of the financing of terrorism, signed in New York on 09 December 1999, introducing Article 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 of the 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 in Article 270-bis, trains or provides instructions on
the preparation or use of explosive materials, firearms, or other
weapons, of chemical or bacteriological substances that are harmful
and dangerous, as well as any other technique or method for
performing acts of violence with the purpose of 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 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 06 February 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 09 DECEMBER 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 letters (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 wilful crimes. Therefore, in order for wilful 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 wilfully. 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 wilful 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, paragraph 2, of the Decree, for at least one year, in addition to indefinite disqualifications from performing its business activity pursuant to Article 16, paragraph 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:

- natural persons or corporations with residence in the at-risk countries as identified in the “Lists of countries” and/or natural persons or corporations indicated in the “Lists of names” (hereinafter defined as “Lists”) connected with international terrorism found in the website of the Bank of Italy (Financial Intelligence Unit section (UIF) > countering terrorist financing > lists); or
- companies controlled directly or indirectly by the above-mentioned subjects.

These Lists can be provided by the VB that updates them, also aided by the Security and Services Department, and is available in the Company’s intranet.

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

With regard to leasing real estate belonging to the Group, theoretically identifiable as at-risk activities, the obligations already in force are considered as being sufficient (notification to the Police Authorities).

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.

TERNA’s CEO may add other At-Risk Areas to the ones described above, identifying the relevant profiles and defining the most appropriate action.
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 Contractors.

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. providing 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. providing 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 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;
- any other documents concerning the control system existing at TERNA.

In carrying out At-Risk activities, this Special Section explicitly prohibits Company Representatives and External Contractors 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-quatuer of the Decree);

2. utilizing, even if only occasionally, TERNA or one of its organizational units with the purpose of allowing or facilitating crimes being committed as indicated in this Special Section;

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, unless explicit approval is given by the VB and by the Company’s CEO;

7. carrying out transactions, taking on or assigning orders that present anomalous characteristics according to type or object and establish or maintain relations with anomalous profiles from the point of view of reliability and reputation of the subjects and of the transactions to be concluded;

8. carrying out transactions in support of External Contractors that cannot be adequately justified within the context of the contract terms established with them;
9. making payments to External Contractors that cannot be adequately justified in relation to the type of assignment to be carried out and to common local practices.
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 automatically suspended or interrupted and be submitted to assessment by TERNA’s VB;

4. in the event TERNA is proposed irregular transactions, these will be suspended and evaluated beforehand by the VB. Specifically, the latter will express its opinion on the appropriateness of the transaction and will adopt the necessary precautionary measures for the continuation of the transactions; such opinion will be taken into account during the approval process of the transaction itself;

5. contracts with External Contractors 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. data collected relative to relations with customers and External Contractors 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 VIGILANCE BODY

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

a) propose that updated standardized instructions are issued regarding:
   - conduct to be carried out within At-Risk Areas, as identified in this Special Section. These instructions should be in writing and saved on hardcopy and on computer file;

b) conduct periodical checks on compliance with internal procedures and periodically evaluate their effectiveness in preventing Crimes from being committed;

c) examine any specific reports and carry out the necessary check operations deemed necessary or appropriate in relation to the reporting received;

d) consult periodically, or when deemed necessary, with the Director of the Security and Services Department, also for evaluating a possible update of the Lists.

TERNA guarantees establishing proceduralized information flows between the VB and the directors of the competent Departments, 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 principles be detected as indicated in Chapter C.4 of this Special Section, or significant violations to 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.