



## **Anti-Corruption Regulations.**

December 2014

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# 1 Introduction

## 1.1 Purpose

These regulations discipline the principles, criteria, roles and responsibilities related to anti-corruption legislation.

GROUP Companies operate in accordance with the values of integrity, legality, transparency, correctness and good faith, and retain that the same contribute to asserting and protecting its business reputation and the tendency to be recognised as responsible, reliable companies.

These values are illustrated in the “Ethical Code” and are binding for TOP MANAGEMENT, EMPLOYEES and COLLABORATORS.

They also represent a “Protocol” pursuant to regulations on the administrative liability of Enterprises set forth in Italian Legislative Decree 231/01.

## 1.2 Scope of application and procedures for adoption

These Regulations are addressed to all GROUP Companies and apply to the above-mentioned parties, and transversally, to all business activities.

The *Branches, Representative Offices and Legal Entities* of the GROUP operating abroad apply, respecting local restrictions, the content of these Regulations also in cases in which local legislation does not attribute the same level of importance. In the event in which any of the provisions contained in these Regulations are less restrictive than local legislation, the aforementioned Structures will adopt the local legislation in force.

In the event in which a GROUP Structure based abroad retains:

- that these Regulations are not applicable, *or*
- that changes/departures from the provisions contained in the same need to be made in order to comply with local legislation (if more restrictive) or due to organisational or operational constraints;

the same should inform the Parent Company’s Legal Compliance function.

GROUP companies guarantee that these Regulations will be circulated, also to COUNTERPARTIES they work with.

Banco Popolare requests that the Foundations cited in its articles of association and the beneficiary entities to which it contributes on a permanent basis, respect the principles of these regulations.

In order to fully implement the fundamental principles of prevention contained herein, compliance with these Regulations is also guaranteed by supervisory obligations of the Company representatives in charge of overseeing the work of COLLABORATORS.

### 1.3 Related legislation

The attention placed on preventing corruption by the international community and Italy is demonstrated by the numerous legal documents issued by various organisations. Of these, those adopted by International organisations or associations are as follows:

- the “*Good Practice Guidance on Internal Controls, Ethics, and Compliance*” adopted in 2010 by the OECD<sup>(1)</sup> Council;
- the “*OECD Convention on combating bribery of foreign public officials in international business transactions*”, signed in Paris on 17 December 1997<sup>(2)</sup>;
- the “*Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union*”, signed in Brussels on 26 May 1997<sup>(3)</sup>;
- the “*United Nations convention against corruption*”, adopted by the UN General Assembly on 31 October 2003<sup>(4)</sup>;
- the “*Guidelines and Anti-corruption Clause*” issued in 2011 by the International Chamber of Commerce;
- the “*Guidelines*” issued in Italy by trade associations (ABI, Confindustria, ANIA, ASSILEA, etc.) and subsequent integrations.

The main legislation issued at national level includes:

- United States: *Foreign Corruption Practices Act (1977) - Resource Guide to the U.S. Foreign Corrupt Practices Act, U.S. Department of Justice and S.E.C. (2012)*;
- United Kingdom: UK Bribery Act (2011);
- Italy: Law no.190/2012, containing *provisions for the prevention and repression of corruption and of unlawfulness in the Public Administration*” (2012) – Italian Legislative Decree no. 231 of 8 June 2001, regarding the *corporate administrative liability*, supplemented by Italian Law no. 190 of 6 November 2012; - Italian Decree Law no. 29 of 24 March 2012, and consequent “*Regulations on rating lawfulness*” issued by the Monopolies and Mergers Commission implementing article 5-ter of the aforesaid decree, converted, with amendments by Law 62/2012”.

### 1.4 Summary of updates

New Regulations.

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<sup>1</sup> OECD, (*Organisation for Economic Co-operation and Development*) also, OCSE (*Organizzazione per la cooperazione e lo sviluppo economico*) or OCDE (*Organisation de coopération et de développement économiques*);

<sup>2</sup> To ratify and execute that envisaged by the Convention, Italy issued Law no. 300 dated 29 September 2000 and Legislative Decree no. 231 dated 8 June 2001;

<sup>3</sup> To ratify and execute that envisaged by the Convention, Italy issued Law no. 300 dated 29 September 2000 and Legislative Decree no. 231 dated 8 June 2001;

<sup>4</sup> To ratify and execute that envisaged by the Convention, Italy issued Law no. 116 dated 3 August 2009.

## 2 Terms, principles and requirements

### 2.1 Terms of reference

With regard to the scope and the aspects governed by these Regulations, the “Terms of Reference” set forth below apply.

**TOP MANAGEMENT:** people who hold positions of representation, administration or management of Banco, of the Companies belonging to the GROUP or of a unit of the same which has financial and functional autonomy, as well as people who actually manage or control the Companies belonging to the GROUP.

**COLLABORATORS:** natural persons or legal entities other than TOP MANAGEMENT and EMPLOYEES, who collaborate with GROUP Companies and provide a service exclusively to the same.

**COUNTERPARTIES:** natural persons or legal entities other than TOP MANAGEMENT, EMPLOYEES and COLLABORATORS which have business relations with GROUP Companies, excluding long term contractual relations considered as part of the institutional activities of financial intermediaries and other parties engaged in financial business activities.

**EMPLOYEES:** the people who work on a continuative basis, even if for a fixed term, for GROUP Companies and who are therefore under the management or supervision of TOP MANAGEMENT, regardless of the type of contract in force, including therein Executives.

**GROUP:** an economic unit, even if comprised by a number of natural persons or legal entities, which correspond to an organised whole, characterised by a harmonised strategic direction. The Banco Popolare Group is one.

**SUPERVISORY BODY:** the Body established (or performing the functions) at the Italian companies of the GROUP pursuant to article 6 of Italian Legislative Decree no. 231 of 8 June 2001, "*Regulation of the corporate liability of legal entities, of companies and of associations, even with no legal form*".

### 2.2 General principles

The quantitative and qualitative metamorphosis that the phenomenon of corruption has undergone in recent years at international level, reflected at national level, requires a solid policy of prevention within companies, to guarantee better operational effectiveness and to safeguard against the risk of damage to reputations and equity due to the changed social and criminal scenario. The phenomenon of corruption is no longer restricted to occasional episodes, it has become a widespread systemic reality, perceived by the community.

Furthermore, the act of corruption has changed in “qualitative” terms, as, with respect to the past, the parties to corruption and the content of the same have changed. With regard to the parties involved, corruption often emerges as an issue no longer restricted to two parties, characterised by the involvement of other parties, which play the role of intermediary or filter. With regard to the content of the cor-

ruption pact, instead of being traditionally comprised of cash, the same bribe, increasingly frequently regards another type of less tangible benefits.

The GROUP intends to respond to the complexity and dangerousness of this phenomenon in a responsible and effective way, by placing special attention on tool to prevent and counter corruption, in the knowledge that the drive for profitability and efficiency must always be combined with the continuous and efficient management of the integrity of company structures with regard to corruption.

The supervisory regulations for the industry and corporate regulations issued as a result – seeking to guarantee market efficiency, to promote competition, proper behaviour, the respectability of company representatives, the transparency of ownership structures and of customer relations, the effectiveness of the organisational structure and of the system of internal controls – already partially contribute to obstructing and preventing potential acts of corruption.

With a view to strengthening controls, in order to ensure a harmonised approach to the business model and to the overall operation of the GROUP'S system of governance and in the interest of the stability of the same, Banco Popolare (hereinafter also the "Parent Company") issues these Regulations which apply to all GROUP Companies.

The terms "corruption" and "corruptive acts" used in these Regulations include the crimes of corruption and of bribery against the Public Administration<sup>(5)</sup> and active and passive crimes of corruption, including intentional ones.

## 2.2.1 Legislative requirements

In accordance with that stated in the GROUP'S Ethical Code, Banco Popolare punishes corruption without exception. And therefore with regard to all instances in which an undue benefit is sought. Specifically, it is strictly forbidden for all those operating on behalf of the GROUP, whatever their relationship with the same may be, to:

- (a) make, promise or facilitate, directly or indirectly, the payment of money or another benefit to parties of or related to the "Public Administration<sup>(6)</sup>" or to "Private Person<sup>(7)</sup>" even if not prohibited

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<sup>5</sup> Including those committed by/against EMPLOYEES and TOP MANAGEMENT of GROUP Companies when performing transactions implemented in accordance with an administrative concession which, insofar as regulated by public law rights and authoritative deeds, become valid under public law (for example, transactions which regard bank brokerage activities entailing the distribution of *public debt instruments*; transactions performed in the *monetary, currency, tax and financial spheres*, in the place of non-economic public entities, acting as agent or delegated banks; transactions relating to the concession and management of "*loans for legal purpose*" and those classified in the category of so-called "*special or facilitated loans*" which, by their nature, have some measure of influence on public finances).

<sup>6</sup> The Public Officials (those that exercise a legislative, judicial or administrative public function regarding not so much the employment relationship, but the tangible activities performed by the party) as well as those that usually entertain relations of any nature with the following:

- close family members (children, spouse, partner *more uxorio*, the children of the latter or any other relative known to be able to influence the "public official");
- any natural person, who is known to hold the joint effective ownership of legal entities or any other close business relationship with a "public official";
- any natural person who is the only effective owner of legal entities or of legal parties known to have been established for the benefit of a "public official".

<sup>7</sup> Private person: any party that does not formally qualify or is not actually a Public Official or is not known to entertain relations of any nature with "public officials".

by local law;

- (b) accept or authorise someone to accept the promise and/or directly or indirectly acquire money, economic advantages, treatment that is more lenient than usual or any other benefit<sup>(8)</sup> from any person,

In order to:

- (a) perform any public function in an improper manner or to encourage such;
- (b) obtain, secure for themselves or maintain business or an unjust (undue) advantage concerning corporate activity (also in the case of special terms), or permit others to do so;
- (c) unduly obtain or grant treatment in breach of internal regulations or provisions.

The prohibition is considered to have been infringed also when the purpose of the prohibited conduct is not achieved.

Based on the main requirements that characterise the current legislative scenario for this area, in addition to that which may be established by the law in the country in which they are based, GROUP Companies are bound *de minimis* to:

- (a) perform a periodic risk assessment of the Company's business activity, with a detailed illustration of the activities that are the most exposed to acts of private and public corruption. The results of this assessment must be brought to the attention of the Management body of the relative Company;
- (b) make a forecast, for the activities identified as above, of training mechanisms, implementation and control of decisions able to prevent the risk of corruption;
- (c) conduct awareness-training initiatives addressed to TOP MANAGEMENT and to EMPLOYEES (and in particular to those whose work entails a high risk of corruption) on these Regulations and on local legislative requirements;
- (d) oversee relations between the Company and the parties with whom the same has entered into any type of contract, by putting adequate anti-corruption first and second level controls in place;
- (e) to establish safe and accessible channels of communication, through which TOP MANAGEMENT, EMPLOYEES and COLLABORATORS may confidentially report improper behaviour, without the risk of retaliation;
- (f) organise periodic information flows to the management and control bodies, to the internal audit function and to the SUPERVISORY BODY.

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<sup>8</sup> The current prohibition is not restricted to cash payments and includes, for the purpose of corruption: free gifts, expenses spent on third parties, payments in kind, jobs or investment opportunities, confidential information, discounts or personal loans, facilitation payments, even when permitted by law, assistance to or support of family members etc.

### 3 General principles of prevention

As regards the nature and the size of the organisational structure specifically interested, as well as the type of activity or function performed, appropriate solid measures have been taken to improve the management of risk when performing sensitive activities.

In particular, GROUP Companies guarantee:

- a) scrupulous compliance with mandatory regulations (for example laws or rules) or self-regulations (for example: by-laws, codes of conduct, codes of self-discipline) in Italy or in the countries in which its operating units are based;
- b) a formal and clear organisational system, especially with regard to the definition of roles, to the allocation of responsibilities, to hierarchical reporting lines and the description of tasks;
- c) a regulatory framework which (amongst other things) envisages:
  - the formation of the documents and the relative levels of authorisation can be reconstructed, to guarantee the transparency of the decision taken;
  - there is no subjective identity between those that take the decisions, those that process the accounting information of the operations decided and those that are bound to conduct the checks envisaged by law and by the procedures envisaged by the internal control system on the same;
  - the principles of transparency, truthfulness, completeness, reliability and reconstructability are safeguarded by guaranteeing the preparation of a reliable and truthful report on the company situation;
- d) a system of signatory and authorisation powers, in accordance with the organisational and operational responsibilities established, envisaging, when requested, an accurate indication of expense approval thresholds;
- e) adequate initiatives to make personnel aware of the obligation to refrain from approving final or intermediate documents, of the consequences triggered by the infringement of the same and the conduct to be adopted by parties (TOP MANAGEMENT and EMPLOYEES) who have a conflict of interest <sup>(9)</sup>;
- f) a system of:
  - line controls (so called "*first level controls*"), which seek to ensure that transactions are carried out correctly. They are conducted by the same operational structures (for example: hierarchical controls, systematic and random controls);
  - risk and compliance controls (so called "*second level controls*"), the objective of which is to guarantee, amongst other things: (i) that the risk management process is correctly implemented; (ii) that the operating limits assigned to the various functions are being respected; (iii) that company operations comply with regulations, including self-regulation;
  - internal audit controls (so called "*third level controls*"), which seek to identify infringements

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<sup>9</sup> Meaning the presence of current or recent relations, including indirect ones, with GROUP Companies or with parties associated with the same so that their unbiased judgement is compromised (e.g. financial, professional or family relations).

of procedures and of regulations as well as to periodically assess the completeness, the adequacy and the functionality (in terms of efficiency and effectiveness) and the reliability of the system of internal controls with a set frequency depending on the nature and intensity of the risk.

With reference to the parties with which GROUP Companies intend to entertain relations (COUNTERPARTIES, COLLABORATORS, receivers of gratuities, etc.), a selection process is in place, which envisages an adequate due diligence that entails acquiring, *de minimis*, the information envisaged in GROUP anti-money laundering and anti-corruption policies, including, amongst other things: verifying, also by acquiring specific documentation of self-certification, requirements of reliability and of “*professional morality*<sup>10)</sup>” as well as connections with the Public Administration or with TOP MANAGEMENT and EMPLOYEES of GROUP Companies.

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<sup>10</sup> Meaning the absence of an adverse ruling which has become *res judicata*, in the two year period relating to the natural person/legal entity, including Executives or any other person who has powers of representation, decision or control of the COUNTERPARTY, for offences that impact professional morality according to the applicable Law of the State (by way of example: orders imposing penalties issued by the Professional associations or organisations for said professionals, infringements as regards pay and contribution obligations, and obligations relating to withholding tax regarding its employees and collaborators, ascertainment of a higher taxable income than that declared, participation in a criminal organisation, offences of corruption, failure to comply with legal provisions regarding occupational health and safety, money laundering, *market abuse*, *insider trading*, other offences cited in Italian Legislative Decree 231/01). The Parent Company establishes the measures and the gradualness to be adopted when forging and managing the relationship for specific types of relationships and based on criteria of proportion, depending on the gravity and the existence of any encumbrances.

## 4 Areas at risk of corruption

Banco Popolare has identified the areas illustrated below as those which are sensitive to the risk of committing the offences of corruption and bribery against the Public Administration<sup>(11)</sup>, and the crimes of active and private corruptions, including international corruption.

### 4.1. Management of financial resources

In order to avoid funds which may be instrumental to committing acts of corruption, being created and concealed, financial resource management seeks to guarantee that all financial transactions are adequately identified as well as duly and correctly recorded in specific ledgers and accounting documents available to the company's management and control bodies, as well as to internal and external auditors. In particular:

- (a) cash payments are only allowed for "small expenses<sup>(12)</sup>" with an exceptional, urgent, non recurring and unforeseen nature and, in any event, that fall within the funds of a budget;
- (b) all accounting documents or any other documents that are important in terms of legal compliance are filed;
- (c) in line with current legislation, controls are in place for the accounting system which seek to identify transactions which infringe these rules and the accounting regulations applicable in the country in question and which enable the necessary corrective measures to be taken where necessary.

In application of the aforementioned principles, the GROUP guarantees:

- (a) that limits are established for the independent use of financial resources, by setting quantitative thresholds in line with operational profile and the organisational responsibilities of individuals;
- (b) the presence of authorisation procedures, which must be supported by adequate justification when the limits mentioned above are surpassed;
- (c) the regulation, also through specific internal rule for internal accounting entries, of any stock of assets belonging to third parties or addressed to the latter;
- (d) that cash is managed through specific procedures, including the assignment of said management to third parties;
- (e) a prohibition on making available or authorising the recording of items in the accounts that entail a departure from company rules, unless an order has been issued in writing, is justified and makes specific reference to the need to comply with mandatory legislation (laws or regulations) or to carry out orders legally issued by the competent Authorities;
- (f) certification of the consistency of the service received by the requesting party.

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<sup>11</sup> See note 5.

<sup>12</sup> Amounts linked to a budget assigned to the Company Management for entertainment expenses (for example, business breakfasts or forms of hospitality), for welcoming items (e.g. flowers), other small expenses (for example telegrams or registered letters) made as part of ordinary business relations that seek to promote and improve the Company's image.

## **4.2. Relations with third parties**

### ***4.2.1 Procurement procedures for goods and services and professional assignments***

The use of supplies of goods and services and professional assignments represents one of the highest risks of involvement in acts of corruption.

With specific reference to COUNTERPARTIES and COLLABORATORS, contracts are negotiated, drawn up and managed in compliance with the "(GROUP) Purchasing Regulations" and with any other legal document that regulates the provision of services by third parties. In any event, without prejudice to that envisaged in the "general principles of prevention" with regard to the process of selection, the following minimum standards are complied with:

1. the approval procedure necessarily entails an adequate description of the nature and the purpose of each initiative. In particular, there is an obligation to refrain from approving final documents (resolutions) or intermediate documents (opinions, technical assessments) by parties (TOP MANAGEMENT and EMPLOYEES) with a conflict of interest;
2. the contract is drawn up in writing, and amongst other things, contains:
  - (a) a reference to the obligation to comply with the law;
  - (b) in the event of subcontracting:
    - the obligation to obtain the authorisation of the Client;
    - the assurance that each subcontractor is working exclusively on the basis of a written agreement which envisages the same contractual conditions as those by which COUNTERPARTIES and COLLABORATORS are bound;
  - (c) the declaration of the COUNTERPARTY and/or of the COLLABORATOR that the payments received only relate to the fee paid for the services established;
  - (d) the terms for invoicing and payment conditions, given that:
    - the latter payments may only be made to the COUNTERPARTY and/or COLLABORATOR by means of a bank transfer or with another means of payment which complies with the obligation for financial flows to be traceable. Cash payments are not allowed, neither are payments to a party other than the COUNTERPARTY and/or the COLLABORATOR;
    - the advance payment of the fee (before the contractual conditions have been fully performed) may be allowed in specific cases (justified and established in the contract) and, in any event, exclusively for a part of the total amount, with the exception of standard market practices (for example the payment of a trip);
  - (e) the commitment of the COUNTERPARTY and/or the COLLABORATOR to:
    - comply with the anti-corruption legislation applicable in the country in which it is located and to record the sums received in a proper and transparent manner in its ledgers and registers;

- promptly report to the address indicated in the contract any request or question relating to any undue payment in cash or other benefit, received with relation to the provision of the service/supplies;
- (f) the right of the Client and of parties engaged by the latter to conduct the legal auditing of the accounts to access data relating to outsourced activities and to gain access to the premises where the service provider operates in the event there is a reasonable suspicion that the COUNTERPARTY and/or COLLABORATOR may have infringed the prescriptions of the obligations indicated above;
- (g) the Client's right to terminate the contract, to suspend payment and to receive compensation for damages in the event that the obligations, declarations and guarantees indicated above are breached and/or the anti-corruption regulations applicable to the contract are infringed;
- (h) an anti-corruption clause, in which the Client, COUNTERPARTY and/or COLLABORATOR declare:
- to pursue common objectives in the fight against corruption insofar as it harms the good management of public affairs, prevents the appropriate use of resources addressed to development and compromises transparent and fair competition based on price and quality;
  - their intention to join forces to fight corruption and specifically that in no event has an agreement been made, directly or indirectly, with anyone, regarding the conclusion or the implementation of the contract involving any offer, payment, remuneration or benefit, the nature of which could be considered an illegal act or an act of corruption;
  - that any act of the above nature is sufficient reason to justify the termination of the contract and of the contracts drawn up in application of the aforementioned or the adoption of any other coercive measure envisaged by the applicable law;
3. payments are made following verification that the good has been actually delivered or the service has been actually provided.

#### **4.2.2 Other company activities**

Relations with COUNTERPARTIES other than those set forth in the paragraph above, without prejudice to that envisaged by the "general principles of prevention" and by any supplements made necessary by the legislation of the country in which the GROUP Companies are based, with reference to the selection process, comply with the following standards:

- (a) the approval procedure necessarily entails an adequate description of the nature and the purpose of each initiative. In particular, there is an obligation to refrain from approving final documents (resolutions) or intermediate documents (opinions, technical assessments) by parties with a conflict of interest (TOP MANAGEMENT and EMPLOYEES);
- (b) the contract is drawn up in writing;
- (c) the system of powers and of delegation establishes faculties of operational autonomy on the basis of topic and value;
- (d) the parties that entertain formal relations on behalf of the Company, as well as those which have the responsibility of signing deeds or documents which have a degree of external importance,

are authorised on the basis of a specific company regulation, which envisages that all deeds, contracts, documents and correspondence, external or internal, which are binding or involve a commitment by the Company, must be jointly signed, with the exception of specific proxies, *ad personam*;

- (e) sales relations are not performed by the same structures that manage the products and the services covered by the contract;
- (f) the parties in charge of preparing documentation for the submission of the technical and economic offer are different to those that sign the same;
- (g) each important part of the preliminary stage relating to establishing business affairs with a COUNTERPARTY is recorded in a specific written document;
- (h) the relevant internal regulations identify the controls that have been set in place by the organisational Structures involved in accounting/administrative activities;
- (i) as far as possible, transparent general criteria have been defined to determine the offer conditions of products or services, so that any significant variation with respect to market standards may be easily recognised and adequately justified;
- (j) a structure is identified as responsible for filing and preserving the relevant documentation produced;
- (k) operations performed with reference to agreements, contracts or conventions, are supported by It systems that guarantee the traceability of the information processed.

### **4.3. Management of gifts received for various reasons**

As entertainment expenses, free gifts and donations could be used as a method for setting in place acts of corruption, if aimed to create an obligation of gratitude or to acquire benefits in an undue manner, the GROUP has established rules which must be complied with in the processes in question.

Based on the fact that gifts received or offered:

- must not entail a cash payment;
- must be reasonable<sup>(13)</sup> according to the circumstances;
- must comply with the standards of professional courtesy generally accepted and in compliance with the law;
- must not be a consequence of or the reason for the assignment or receipt of supplies of goods or services at conditions other than those envisaged by company or GROUP regulations on expenditure;

anyone who receives offers of free gifts or hospitality packages or economic benefits or other benefits that cannot be considered acts of professional courtesy of a modest value, must promptly inform the

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<sup>13</sup> A free gift is reasonable and is considered in good faith when, by way of example, it is directly linked to the promotion, demonstration or illustration of products or services, to the participation in seminars or training workshops and to forging and maintaining friendly business relations.

Manager of his/her Operating Unit, the SUPERVISORY BODY of his/her Company, if based in Italy, or the legal compliance function if located abroad.

Without prejudice to that envisaged by the “general principles of prevention” with reference to the procedures to be adopted with relation to charity initiatives or donations, the following standards must be complied with:

- (a) all contributions must be made in line with the budget approved by the Management body;
- (b) contributions are made only to parties that are in possession of the requirements of reliability and of “*professional morality*”;
- (c) the approval procedure for contributions necessarily entails an adequate description of the nature and the purpose of each contribution and of its lawfulness based on the applicable laws and on the relevant company regulations. In particular, there is an obligation to refrain from approving final documents (resolutions) or intermediate documents (opinions, technical assessments) by parties with a conflict of interest (TOP MANAGEMENT and EMPLOYEES);
- (d) payments to the beneficiary must only be made by bank transfer or by another means of payment that complies with the obligation to be able to trace financial flows. Cash payments are not permitted as well as payments to a party other than that requesting the contribution;
- (e) contributions must be recorded in the Company’s ledgers and registers in a truthful and transparent manner;
- (f) the beneficiary must undertake to record the contributions received in its ledgers and registers in an appropriate and transparent manner.

In any event, donations may not be made to:

- (a) natural persons;
- (b) any type of legal entity that seeks to make a profit;
- (c) political parties;
- (d) entities associated to parties who have a conflict of interest with GROUP Companies (TOP MANAGEMENT and EMPLOYEES). Justified departures from the above are permitted, under the responsibility of the party adopting the same, under specific circumstances. In this event:
  - the principles of prevention established in these regulations must be complied with;
  - the SUPERVISORY BODY of his/her Company must be promptly informed if based in Italy, or the legal compliance function if located abroad;
  - resolutions must be adopted in line with the procedures envisaged for related party transactions in terms of decision-making powers, justified and documented.

In any event, all forms of charity, donations or sponsorships the amount of which could represent a connection (cause and consequence) to obtain the return of credit exposures are prohibited.

#### **4.4. Personnel selection and management**

Personnel selection and management processes could be open to acts of corruption. The relative company procedures envisage:

- (a) that the budget for personnel expenditure and cost control are monitored;

- (b) that requirements (for example qualifications, years of experience, language skills, experience abroad etc.) are established in advance so that it can be objectively assessed whether the candidate is in possession of the same;
- (c) that the personnel selection and recruitment process is based at a specific Operating Unit, which collects the requests for new personnel from the various Company Structures and assesses them in accordance with the budget and internal development plans;
- (d) that the sizing of the Organisational structures is established by functions other than those that manage human resources;
- (e) that suitable candidates are selected on the basis of an analysis of their *Curriculum Vitae*. In particular, in line with or if permitted by the applicable laws, the examination of references, searches for any criminal record or civil or administrative fines or investigations underway regarding unethical or illegal activities;
- (f) that any connection of the candidate with Public Administration entities or with TOP MANAGEMENT and EMPLOYEES of GROUP Companies is identified;
- (g) that the *repository* of the *Curriculum Vitae* of the candidates is kept at a single Operating Unit, therefore guaranteeing the harmonised collection of information;
- (h) that authorisation to hire is granted only by parties with express power to do so according to the system of powers and delegations in force;
- (i) that formal performance appraisals are carried out annually. Performance is assessed on the basis of the level of expertise envisaged for the position of the EMPLOYEE and the level of growth;
- (j) the approval of proposals relating to pay (fixed and variable) and raises linked to career progression by various Bodies and functions of the Company, in accordance with a principle of gradualness;
- (k) that the submission of proposals relating to pay (fixed and variable) and to raises is carried out as far as possible on the basis of appraisals and on pay levels within the limits of a budget established annually;
- (l) that data relating to daily presence and to hours worked is monitored;
- (m) the implementation of a procedure for permits and holiday leave, which envisages that EMPLOYEE requests and the authorisation of the relative Manager are formalised and filed in specific hard-copy or softcopy form;
- (n) the implementation of an authorisation procedure for changes made to EMPLOYEE records (for example: entry and cancellation) and for pay information;
- (o) a check to verify that payments made match that envisaged on payslips;
- (p) the creation of a file for each EMPLOYEE containing all of the documentation relating to his/her working life, stored in a confidential location, protected from any unauthorised access and in any event containing information that is permitted by law;
- (q) the obligation to refrain from the approval of final documents (resolutions) or intermediate documents (opinions, technical assessments) by parties (TOP MANAGEMENT and EMPLOYEES) with a conflict of interest with the candidate;
- (r) the obligation to submit the stipulation of contracts of employment, including those for a fixed term, or temporary contracts or similar to the Management body (advising the SUPERVISORY BODY of the relevant Company, if located in Italy, or the legal compliance function, if located abroad):

- with public officials (as well as those that usually entertain relations of any nature as defined in this document with the latter);
- with parties that have left the position of Public Official no longer than 24 months before the signature of the contract, as long as it regards parties who, based on territory or topic, have or have had, in the period indicated, the task of overseeing GROUP Companies or their business activities;
- with people for whom a GROUP Company has received a recruitment request or consideration or a letter of recommendation or a reference from a public official as defined in this document.

All of the above to the extent of the information acquired and/or that may be acquired from the candidate.

#### **4.5. Stipulation and management of public sector services**

With regard to the stipulation and the performance of services relating to technical and administrative requirements of a public nature (e.g. procedure for applications for special financial terms, stipulation of conventions and management of public treasury services) the management of which entails the Company requesting the approval of the Public Administration, it is envisaged that:

- (a) the system of powers and of delegation establishes faculties of operational autonomy on the basis of topic and value, including therein those relating to Public Administration Entities, Public Officials and those that usually entertain relations with the latter;
- (b) the parties that entertain formal relations with Public Administration Entities (or with representatives of the same Entities) on behalf of the GROUP as well as those that are responsible for signing deeds or documents with external importance, which entail commitments for the GROUP, are expressly authorised;
- (c) at formal meetings with Public Administration Entities, (or with representatives of the same) at least two EMPLOYEES/TOP MANAGEMENT must attend, and are bound to draw up and sign specific reports;
- (d) decisions relating to the participation in tenders announced by Public Administration Entities and the definition of agreements, namely those relating to operations and to disbursements under special terms under tendered public services are taken with the approval of different parties and functions;
- (e) all of those working in the interest of, to the benefit of or in any event on behalf of GROUP Companies are bound, without any distinction or exception, to strictly comply with the procedures envisaged for operations performed under an administrative concessions which, insofar as regulated by public law and authoritative deeds, are relevant under public law;
- (f) sales development activities are carried out by different structures with respect to those that handle the operational management of the products/services covered by the contract;
- (g) the parties assigned to prepare the documentation for submissions of the technical and economic offer, or for participation in a public tender, are different to those that sign the same;
- (h) the documentation to be sent to Public Administration Entities for the purpose of participating in a tender must be reviewed before sending by a party other than the party which prepared the documentation;

- (i) the disbursement of any contributions/sponsorships contractually envisaged by the tender, must be proceduralised and subject to controls by the competent function;
- (j) for all deeds, contracts, documents and correspondence, external or internal, which bind the GROUP or envisage the commitment of the same, joint signatures are envisaged, with the exception of special proxies *ad personam*;
- (k) the documentation is correctly filed by the proposing structure with relation to each important stage of the agreements with Public Administration Entities;
- (l) EMPLOYEES who participate, under any title, in the management of the disbursements with special terms, must be identified and authorised by the Manager of the Operating Unit or by another party with the appropriate powers;
- (m) as regards accounting/administrative tasks, the correct line controls must be performed, the regular nature of the operations must be verified as well as the completeness, correctness and the timeliness of the accounting entries, which are continually supported by “*maker-checker*” mechanisms;
- (n) relations and obligations with Public Administration Entities must be conducted with the greatest transparency, diligence and professionalism, in order to provide clear, accurate, complete, faithful and true information, avoiding and in any event reporting any conflicts of interest in the appropriate manner and form;
- (o) the relations with Public Administration Entities are subject to the application of standard monitoring criteria also with a view to the early detection of problematic situations of ordinary Customers.

#### **4.6. Accounting procedures**

The laws and the regulations on financial information and tax laws require that GROUP Companies keep detailed and complete accounting records of all business transactions.

The accounts must therefore comply with the applicable accounting standards and must reflect the facts underlying each transaction in a complete and transparent manner.

In accordance with the above principles and with that envisaged in the Ethical Code, *“the accounts must be drawn up in accordance with the principles of transparency, truthfulness, completeness, clarity, reliability, reconstructability and must enable the creation of a reliable and faithful picture of the company’s situation. They must be held by competent parties in accordance with the law and technical standards, in accordance with accounting procedures”*.

The accounting schedules and the documents that contain them must be based on precise, exhaustive and verifiable information, also as regards the nature of the transactions to which they refer.

It must be possible to easily trace, for each accounting entry, the supporting documentation, in order enable analysis and verification.

The documentation must also enable the parties who have been involved in the preparation of the accounting entries of the transaction, in the decision regarding the same or its implementation or control to be identified, as well as the procedures followed and the criteria adopted for valuations.

Adequate and appropriate means of filing accounting documents must be set in place, in order to guarantee the authenticity and the truthfulness of each document.

The significance of accounting entries is certified with specific reference to the:

- (a) “existence” of balance sheet items and of the income flows recorded for each financial statement item (all the balance sheet items and the income flows recorded in the financial statements are real and the event that generate them actually happened. Furthermore, all of the assets and liabilities represent rights and obligations respectively at a certain date);
- (b) “completeness” of each financial statement item (all of the events and/or transactions, all of the assets and liabilities to be represented have actually been recorded in the accounts);
- (c) “correctness of the valuation” with respect to market, corporate and specific situations (the assets and liabilities, shareholders’ equity, revenues and costs have been recorded in the financial statements at their correct amount, in accordance with the reference accounting standards);
- (d) “correctness of classification and representation” of items and flows and of the relative disclosures (accounting, balance sheet and/or income statement figures must be shown in the financial statements and/or accompanied by adequate disclosures, in accordance with the classification and description rules envisaged by accounting standards and by the applicable legislation).

## 5 Roles and responsibilities

With a view to guaranteeing compliance with external legislation and self-regulations regarding the risks that Banco and GROUP Companies could be exposed to as regards offences of corruption and of bribery against the Public Administration<sup>(14)</sup> and active and passive private corruption offences, including international ones, the Parent Company has established a specific system of Controls, attributing the following roles and responsibilities.

- 1) The Parent Company's **legal compliance function**, with the support of the **anti-money laundering, legal and auditing functions** of Banco:
  - (a) provides advice on anti-corruption to the Parent Company's Structures and to GROUP Companies that do not have their own legal compliance function;
  - (b) transmits a periodic flow of information to the SUPERVISORY BODY of GROUP Companies relating to the matters that have arisen following the advisory support provided.
  
- 2) The **SUPERVISORY BODY**:
  - (a) receives the reports (set forth in Chapter 7 below) on known or alleged cases of corruption and informs the Management and Control Bodies of its Company;
  - (b) examines the periodic information flows generated by the legal compliance function relating to the matters that have arisen following the advisory support and by other Operating Units with regard to cases that depart from the provisions of these regulations;
  - (c) receives a periodic report from the legal compliance functions of the Organisational Structures and of GROUP<sup>(15)</sup> Companies based abroad on anti-corruption matters;
  - (d) periodically assesses the risk related to the business activities performed by the Company, indicating those activities that are the most exposed to acts of corruption, using, in particular, the results of the *risk assessments* conducted at the GROUP'S Organisational Structures of:
    - operating in Italy, for the purposes of Italian Legislative Decree 231/01;
    - operating abroad, in implementation of local legislation or regulations;;
  - (e) updates its Company's Management and control bodies, as part of the "Periodic Report", on the outcome of the periodic information flows received;
  - (f) proposes any additions to these Regulations, with a view to ensuring consistency, also in the light of any infringements ascertained and of weaknesses that have emerged in implementation of the same.
  
- 3) The **legal compliance function of organisational structures and of Group companies located abroad**, coordinated by the Parent Company function, are responsible for:
  - (a) periodically assessing the risk related to the Company's business activities, and indicating which activities are most exposed to acts of public and private corruption;

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<sup>14</sup> See note 5

<sup>15</sup> For GROUP Companies based abroad, the report is sent to the Parent Company's SUPERVISORY BODY

- (b) proposing any additions to these Regulations, made necessary by the legislation of the country where the Organisational structure/Group company is located and defining, with the contribution of the competent functions, proposals for organisational and procedural changes with a view to ensuring consistent supervision, also in the light of any infringements ascertained and of weaknesses that have emerged in implementation of the same Regulations;
- (c) contributing to the formation of a training and awareness plan relating to these Regulations and to the legislative requirements of the country in which the Organisational structure/Group company is based;
- (d) coordinating activities to ensure the correct application of the Regulations;
- (e) providing advice on the topic of anti-corruption at corporate level;
- (f) periodically reporting to the Company's Management and control bodies as well as to the SUPERVISORY BODY of the Parent Company with regard to the topic in question;
- (g) receiving (see Chapter 7 below) and reporting cases of known or alleged corruption to the Company's Management and control bodies in accordance with current legislation on privacy;
- (h) encouraging the promotion and the dissemination of a corporate culture characterised by the principles of compliance in this subject area.

## 6 Personnel training

Personnel should be informed about the applicable anti-corruption laws and on the importance of complying with said laws and with these Regulations, so that they clearly understand and are aware of the various offences, of the risks and of the personal and administrative liabilities of the Company and of the GROUP, of the measures to take to fight corruption and of any punishment in the event that the Regulations in question are infringed or anti-corruption laws are broken.

In particular, Personnel “at risk” (identified on the basis of the activities/responsibilities in which there is a risk of committing offences in question identified by the risk assessment exercise) are bound to attend an anti-corruption training programme. All newly-hired Personnel receive a copy of these Regulations, personnel “at risk” undergo training on the content of the same, and on the relative anti-corruption laws during the period immediately following their recruitment or when they are assigned new responsibilities.

Each Organisational Unit Manager “at risk” must ensure that its personnel complete their training periodically.

The Human Resources Department is responsible for:

- (a) planning and providing training on Anti-Corruption, including initiatives that seek to make personnel aware of the content of these Regulations and of local legislative requirements, encouraging the promotion within the GROUP of a corporate culture characterised by the principles of compliance in this subject area;
- (b) identifying the names of parties to whom training must be provided and the type of training to be given and advising the SUPERVISORY BODY.

In line with that envisaged by GROUP Training Certification procedures, the Human Resources Department collects the information of those attending the training course, the names and the positions of the participants, the results of the self-assessment, copies of the training material and the training dates. In addition, it is responsible for keeping all records in compliance with the applicable labour, privacy and other laws.

## 7 Reporting and Information flows

Any violation, suspected or known, of the applicable anti-corruption laws and/or of these Regulations committed by TOP MANAGEMENT, EMPLOYEES or COLLABORATORS, must be immediately reported, through specific dedicated channels:

- (a) to the SUPERVISORY BODY for Companies that have appointed one<sup>(16)</sup>;
- (b) to the respective legal compliance function for Companies that have not appointed a SUPERVISORY BODY.

Any resulting disciplinary measures are applied in compliance with that envisaged by the system of penalties applicable to the case. Those that make the reports in good faith will be protected from any form of retaliation, discrimination or penalisation. In any event, the confidentiality and the identity of the reporting party is guaranteed, with the exception of legal obligations and the protection of the Company's rights or of people accused in error and/or in bad faith of the applicable internal regulations.

In any event, the GROUP may take action to win compensation for damages, if tangible damages result from said conduct, such as in the case of the application of fines by the Judicial Authorities.

Information regarding the aspects listed below must be provided to the SUPERVISORY BODY or to the legal compliance function of the Company:

- a) provisions and/or information received from judicial police corps, or from any other authority, without prejudice to the confidentiality obligations imposed by law, which entail the investigation, also against unknown parties, for the offences of corruption, if said investigation should involve the Company, the TOP MANAGEMENT, the EMPLOYEES and the COLLABORATORS;
- b) requests for legal assistance sent by TOP MANAGEMENT and by EMPLOYEES in the event that judicial proceedings for the offences of corruption are launched;
- c) reports prepared by the Managers of other Organisational Structures as part of their control activities and which may lead to the emergence of facts, acts, events or omissions that may be critical in terms of compliance with anti-corruption legislation;
- d) information regarding the disciplinary proceedings launched, or, in the case of infringements committed by parties other than TOP MANAGEMENT, EMPLOYEES and COLLABORATORS, the penalties applied or the provisions to file said proceedings and the relative justification of the same.

The TOP MANAGEMENT, the EMPLOYEES and the COLLABORATORS must promptly inform the SUPERVISORY BODY (for the Companies that have appointed it) or the respective legal compliance function (for Companies that have not appointed a SUPERVISORY BODY) of any conduct of theirs that is significantly different to that described in these Regulations and the reasons that made said different conduct necessary.

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<sup>16</sup> As regards reports to be sent to Supervisory Bodies, the same must be addressed to the e-mail/physical address shown in the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 of the Company.

In addition to the flows already envisaged, periodic information flows have been established relating to the areas at risk of corruption, including those to the legal compliance function of the Company in question or to the SUPERVISORY BODY by functions that conduct control activities to the extent of their remit.