

ERG Group

Anti-corruption Guidelines

Approved by the Board of Directors on 12th November 2013

(The document represents the translation of the official document approved in Italian version)



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1. Introduction

ERG performs its business activities in compliance with national and international standards of Corporate Governance.

ERG Group is fully committed to respect and apply the principles of **integrity, fairness** and **transparency**.

These values take on even greater importance when dealing with bribery, that damages irreparably public and private company's integrity.

Beyond the Code of Ethics, ERG decided to adopt this **Anti-Corruption Guidelines**, in order to show the consistency to the above mentioned values and to outline how the conduct of business activities is in compliance with national and international laws and applicable regulations on anti-corruption matters.

ERG S.p.A.'s legal head office is located in Italy, therefore the whole company and their employees are under Italian law, in particular, they are liable to D.Lgs. 231/01 ("Responsabilità amministrativa degli Enti").

The Company's presence in different countries particularly through ERG Renew controlled company made these Guidelines necessary to guarantee the compliance with international Convention and the laws that punish the corruptive behaviour towards both public and private entities:

- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- the United Nation Convention against Corruption;
- the UK Bribery Act 2010 and following modifications.

These Guidelines are based on the Code of Ethics and aim to supply to all the employees (both in Italy and abroad, in favor or on behalf of the Company) the rules to be in compliance with anti-corruption laws.

Anti-Corruption Guidelines will be adopted by ERG Group (subsidiaries of ERG S.p.A.), especially by companies under foreign laws who did not adopt the Modello di Organizzazione e Gestione ex D.Lgs. 231/01. The adoption of these Guidelines will be accomplished through the resolution of Board of Directors (or corresponding authority in case the company is not supposed to have this kind of corporate body).

ERG will engage its authority to make subsidiaries adopt these guidelines, even by those that are not controlled by ERG S.p.A. or to make them follow their own guidelines making sure that the main ethic principle are the same.

2. Supervision of sanctions and guidelines compliance

The breach of anti-corruption law may cause pecuniary sanctions to both individuals and corporate entities. Individuals may be sentenced to prison or be subjected to other types of sanctions. For the same reasons, further provision are: debarment, confiscation of proceeds from crime and punitive damages.

Since ERG prosecutes any corruptive crimes with extreme severity and without any exception, the subjects are committed to follow thoroughly the Guidelines. In case of breach of law, managers are sanctioned in accordance with what is laid down by the law, the collective agreements and other relevant contracts.

Whoever comes to know possible violations of these Guidelines has to alert the Vigilance Committee, represented by the Board of Directors or corresponding corporate body that adopted them.

No one will be discriminated or sanctioned for refusal of corruptive actions or potential ones, even if the refusal could cause loss of business opportunities or detrimental consequences for ERG's business. The same if Guidelines' violation is notified to the Vigilance Committee in good faith.

3. Main principles of control

The main principles to be followed, in order to guarantee a reliable risk management and internal control system related also to corruption offences, may be summed up as follows:

- *Compliance with the Code of Ethics*: all business activities must be carried out in accordance with the principles of conduct set out in the Code of Ethics adopted by the Company.
- *Segregation of duties*: business processes must comply with the principle of separation of duties, stating that the authorisation of an operation must be under the responsibility of a different person from the one who performs or supervises that operation. Segregation of duties should be guaranteed by the involvement, within the same process, of different people; it can be implemented by computer systems that allow certain operations only by identified and authorised people.
- *Attribution of powers*: approval powers and powers of signature must be: i) aligned with organisational and managerial responsibilities; ii) clearly defined and known within the Company. The business roles that imply the Company's commitment in certain operations must be defined specifying the limits and the nature of such authority. The attribution of powers for a determined type of operation must respect all specific requirements laid down by law.
- *Transparency and traceability of processes*: each activity must be verifiable documented, consistent and appropriate. Proper archiving of data and relevant information must be guaranteed through computer storage media or hardcopy.
- *Appropriateness of internal rules*: all the Company business procedures must be consistent with operations carried out and the level of organisational complexity, so as to guarantee the necessary checks to prevent from corruption committing.
- *Staff training*: specific training activities must be planned, especially for people operating in the sensitive areas as listed in the following chapters.
- *Job rotation*: specific job rotation plans must be carried out for people operating in the sensitive area, in order to keep the continuity and consistency of directions and the necessary competence of company functions.

4. Involved processes

According to the Global Competition Review by World Economic Forum, corruption represents the main hindrance to business management and a remarkable threat to sustainable development, the stability and the free market competition. The fight against corruption has to be considered as one of the main strategic targets for worldwide companies.

The following chapters rule the main processes that may favour corruptive custom and define the duties and prohibitions that must be observed by ERG employees and by whoever operates on behalf of ERG Group.

The processes involved are:

- gift and entertainment expenses;
- donations;
- sponsorship and events;
- purchasing of goods, services, consulting and professional support/assistance;
- treasury;
- sales;
- staff recruiting;
- partnership.

5. Gifts and entertainment expenses

ERG defines the following rules and prohibition concerning the entertainment and gift expenses towards third parties (public officials and private individuals, relatives included cohabiting or not):

Gifts: with reference to trade usage, purchasing of goods or services for third parties donations is admitted only if all the following conditions are fulfilled:

- it aims at the improvement and promotion of Group's image and at the keeping of institutional and business relationship;
- it does not exceed eur 150 per each gift (or equivalent price) not to be used for more than two times in the year;
- it is performed by authorised people within an approved budget limit, in accordance to the procedure for goods or services purchasing;
- it is well-documented and beneficiaries' details are carefully tracked (name, surname, legal entity/organisation and reasons).

If the subjects of these Guidelines receive gifts of 150 eur or of a higher value, they must inform their line manager (if applicable and the Vigilance Committee) and detail the name of the giver, their relationship (supplying, consulting), company/entity name and a description of the gift and the estimated value.

Entertainment expenses: expenses for working lunch/dinner and accommodations are admitted only if all the conditions below are fulfilled:

- they are planned within an authorized budget on the basis of internally defined powers;
- they are incurred exclusively by owners of approved budget or by their deputies within the budget and according to circumstances;
- they are well-documented and beneficiaries' details are carefully tracked.

The incurred expenses for gift and entertainment must be correctly and truthfully reported in the accounting system; fiscal rules must be observed as well.

Any kind of donation from and to third parties is always forbidden when it may affect the independent judgement of the beneficiary or may induce him to favour the company for which he works.

6. Donations

Donations have charitable purposes. They are not supposed to realize business related events, but they aim at the improvement of Group's image. They are admitted only if all the following conditions are fulfilled:

- they are included in the Corporate Social Responsibility events and these must have a yearly budget and the approval by the Top Management;
- they are performed by formally authorised subjects and within the expenses limits agreed;
- they are well-documented and beneficiaries' details are carefully tracked.

Payments must be done exclusively on registered account in favour of the beneficiary company. Cash payments are forbidden.

Incurred expenses for donations must be truthfully and correctly reported in the accounting system of the company who paid for them.

Any kind of donation from and to third parties is always forbidden when it may affect the independent judgement of the beneficiary or may induce him to favour the company for which he works.

7. Sponsorship and events

Sponsorship activities (or similar events) have the aim to promote the Company's image according to defined rules concerning Group's coordinated image.

The charge of these expenses is admitted only if all the following conditions are fulfilled:

- they are carried out within an authorised budget on the basis of internally defined powers;
- they are formalised into proper contracts, signed by subjects with adequate powers. These contracts include beneficiary's commitment to comply with Code of Ethics of ERG Group, the Guidelines, the current anticorruption rules. Contracts must include the power to terminate the contracts in case of breach of the above mentioned regulations;
- they are performed by formally authorised subjects, within the budget limits and defined forecast.

An assessment for each event is required (or at least for events of significant value) as well as the analysis between the initial target and the final results. This evaluation must be documented in details as well.

Sponsorship expenses must be truthfully and correctly reported in the accounting system. It is forbidden to support club or non-profit associations related to public entities or company customers.

8. Purchasing of goods, services, consulting, professional support

The main principles leading the purchasing process are integrity, probity and fairness. In order to guarantee the consistency to these principles, the Management has to respect the following duties and prohibitions.

Duties:

- use only qualified suppliers selected upon technical, economical and legal, health, safety and environment criteria. The vendor's list has to be periodically updated;
- use professional, skilled and organized experts and advisors only;
- check the international black list of anti-money laundering and counter terrorist financing for international suppliers screening;
- carry out an objective and detailed selection that includes the request of an offer to at least three suppliers in order to guarantee an objective comparison among them;
- explain reasons for single supplier recourse or direct assignment originated by specific needs;
- guarantee suppliers rotation and define the max time limit (number of years) of supplies continuity;
- ensure that contracts and purchase orders are always formalized and exclusively signed by those who have the required powers;
- ensure that the contracts/orders always include clauses relating to the compliance of the counterpart to ERG Group's Code of Ethics and the current Guidelines and anticorruption rules in force;
- ensure that the procurement process is managed in compliance with segregation of duties principles meaning that for each operation the traceability of the process guarantee that the authorization, execution and control activities are performed by different owners;
- check the conformity of payable invoices and verify their conformity with contracts and the services actually received;
- check the correct payment of due amount and the adequacy to received services and the market conditions;
- check that the service performances provided by suppliers are in line with what is stated in the contract.

Prohibitions:

- it is forbidden to exclude the potential suppliers, who meet the related requirements, from tenders or offering requests;
- it is forbidden to deal with suppliers who have family relationship or kinship with the receivers or that may be in conflict of interest with the purchasing party;
- it is forbidden to carry out the direct debt for services performed by suppliers in countries where they have no legal/operational/commercial site.

All contracts include the right to terminate the business relationship by the contracting party in case of breach of regulations included in the Code of Ethics, in the current Guidelines and those of the rules in force.

9. Treasury

Operational cash flows management must comply with transparency, consistency and it must allow checking and tracking. Hence the following duties and prohibitions.

Duties:

- settle payments within authorised budget on the basis of internally defined powers;
- use exclusively qualified operators that proved to be equipped with manual and IT devices aimed at anti laundering operations;
- carry out suitable tools to plan the incomes and outflows and the periodical review of conformity between what has been planned and what has been balanced;
- check beneficiary's details for payments in order to verify the full compliance between suppliers/customers' details and the billing name and address;
- guarantee that financial operations are always authorized by subjects with adequate power;
- provide documentary evidence for any financial transaction;
- guarantee the preservation of defined cash reserve levels and provide for periodical checks of the same reserves in order to track and retrace the transactions.

Prohibitions:

- carry out transactions with non-registered counterparts or registered ones but with incomplete information (i.e. without identifying details);
- accept the payments for items or services with incomplete documentation (i.e. without sale invoice);
- adopt different payment methods from those provided for defined transactions or split payments not in compliance with the contract;
- carry out payments in countries different from those where the supplier has the legal/operational/commercial office;
- carry out payments in favour of third parties when the contractual relationship made up with them do not call for any type of transaction;
- pay cash or any other financial means payable to the bearer as well as anonymous bank account or bank book or the same with a fictitious name;
- facilitation payments are forbidden (informal reward in favour of public subjects in order to speed up or ease the approval of specific transaction or business activity).

10. Sales

Sales management activities must be performed according to the following duties:

- bid price must be defined fairly, in a congruous and transparent way and it must be authorized by subjects who have the relevant power;
- the costing process must be traceable;
- the bid process and the possible discounts must be traced and has to include a comparison between the applied price and the market economic value of goods to be sold;
- check the international black list of anti-money laundering and counter terrorist financing for international suppliers screening;
- sales are allowed exclusively to already entrusted counterparts.

11. Staff recruitment

Staff recruitment activities must be carried out according to the following duties:

- recruitment necessity must be justified by specific plans or temporary needs that have been approved by relevant authority;
- applicants must be evaluated by different recruiters and the results of the whole evaluation process must be consistently tracked;
- applicants references must be checked carefully and the possible personal or business relationship with public representative must be internally evaluated;
- the laws of the country where the recruitment takes place must be carefully applied. (i.e. compulsory employment, registration and validity of permission to stay).

12. Partnership

Partner selection activity in business agreements, Joint Venture, divestments and acquisitions must be carried out according to the following obligations and prohibitions:

- in case of acquisition, merger, divestment and joint venture, it is necessary to carry out the prior and appropriate check as well as the due diligence of potential partner in order to collect a complete and reliable picture of the counterpart and verify its business and professional integrity;
- it is forbidden to accept contractual relationship with counterparts that:
 - have connections or the residence in the Countries considered non cooperative, that is not in compliance with international recommendations stated by FATF-GAFI (Financial Action Task Force against money laundering);
 - are registered in the black list of the World Bank and European Union against terrorism financing.

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