

# ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL OF PHILIP MORRIS MANUFACTURING & TECHNOLOGY BOLOGNA S.p.A.

Approved by the Board of Directors on 29 March 2022



PHILIP MORRIS  
MANUFACTURING & TECHNOLOGY  
BOLOGNA S.p.A.

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## 1. FOREWORD

Philip Morris Manufacturing & Technology Bologna S.p.A. (hereafter "Philip Morris MTB" or "the Company"), is part of the Group of companies of which Philip Morris International (hereafter "PMI") serves as the head, which considers it fundamental that operations shall be based upon criteria of moral integrity and social responsibility in order to obtain successful results in its operations over the long term. In order to provide a definite basis for these operational principles, PMI has carried out a number of actions, including the completion of a detailed *Compliance* system. All the companies within the Group, including Philip Morris MTB, have taken steps to comply with said system. The term "*compliance*" means the entirety of principles involving conduct, organisational systems, and checks aimed at ensuring that internal principles of self-discipline and external laws are respected.

Philip Morris MTB provides for the production, import and export, transport, storage, wholesale and retail distribution, sales and marketing of filters for tobacco products, processed tobacco and products containing tobacco or nicotine, and raw materials for the production thereof in compliance with the laws in force. Therefore, it is appropriate to note that Philip Morris MTB operates in a highly-regulated sector, notable for the presence of a substantial number of legislative provisions and regulations, often deriving from the EU, which regulate not only processing, but also sales, distribution and presentation of the products.

Philip Morris MTB believes that honesty, integrity, and social responsibility are criteria which should be used to evaluate its success, in equal measure with simple profits. To that extent, in addition to having adopted the Group's Compliance System, the Company has undertaken to complete an additional project known as "Project 231", which is aimed at enacting the provisions of Legislative Decree no. 231 of 8 June 2001 (hereinafter "Decree" or "Decree 231" or "D.Lgs. 231/2001"), as well as defining a control model able to guarantee ever-increasing levels of transparency for its activities, due to the Company's conviction that said actions are appropriate in terms of supporting its growth.

### 1.1 Description of the Laws

D.Lgs. no. 231/2001, regarding "**Laws regarding the administrative responsibility of legal persons, companies, and associations, including those that are unincorporated**" provides for the administrative liability of entities dependent on crime.

This is a special type of administrative responsibility, which leads to criminal responsibility for said organisations in the case that said responsibility is ascertained in front of a judge of criminal law.

The Decree constitutes an act with a significant legal and cultural impact, which in addition to the criminal responsibility of the legal person who commits the act, adds that of the responsibility of the Organisation, in the case of a crime carried out to the advantage or in the interest of said Organisation.

The provisions found in the Decree pursuant to article 1, paragraph 2, are applicable to the following "Subjects":

- incorporated organisations;
- companies and associations, whether incorporated or not.

Pursuant to paragraph 3 below, the following are excluded from the law considered here:

- the Italian State;
- public regional organisations;
- other non-economic public organisations;
- organisations that carry out constitutional-related functions.

Philip Morris Manufacturing & Technology Bologna S.p.A. (hereafter, "the Company" or "Philip Morris MTB"), an incorporated organisation, falls within the context of those bodies subject to administrative responsibility pursuant to the Decree.

Said responsibility can be attributed to the Organisation if the crimes, as indicated in the Decree, were committed by subjects linked in various ways to the Organisation in question.

Hence, a fundamental requirement for ascribing responsibility is the existence of a functional or employment link between the person who committed the crime and the Organisation.

In fact, article 5 of the Decree indicates the following as those responsible for the crime:

- subjects who carry out representative, administrative, or management functions for the Organisation or one of its organisational units provided with financial and functional autonomy and those that effectively carry out the management and control of the Organisation ("top management");
- persons subject to the management or supervision of top management.

For crimes committed by subjects in a top management position, the Organisation is relieved of any responsibility if it can demonstrate that the crime was carried out by fraudulently eluding existing models. Additionally, it must demonstrate that the Supervisory Board assigned responsibility for ensuring proper functioning and observance of said model did not fail to carry out its tasks or carry them out insufficiently.

On the contrary, for crimes carried out by an employee the exclusion of the organisation's responsibility is subject to the implementation of behavioural protocols that are appropriate to guarantee, for the type of organisation and the activities it performs, that said activities are performed in compliance with the law. Said protocols should also guarantee that hazardous situations are verified and eliminated in a timely manner.

According to the Confindustria Guidelines, an Organisation could also be held responsible for crimes committed by consultants, collaborators, agents, proxies and in general all third-parties that operate for the company's purposes with the Italian or foreign Public Administrations.

In addition, the Organisation can be held responsible solely if illegal behaviour was carried out by the subjects indicated above *"in the interests of the company or to its advantage"* (article 5, paragraph 1, Legislative Decree no. 231/2001). Hence, it would not be held responsible if a top manager or an employee operated *"exclusively in their own interests or that of a third-party"* (article 5, paragraph 2, Legislative Decree no. 231/2001).

The responsibility of the Organisation cannot be assigned for just any crime, but is circumscribed to criminal actions expressly outlined in the Decree (for additional detail, please refer to Annex 3, which contains the list of crimes and illicit administrative activities pursuant to D.Lgs. no. 231/2001, containing a description of the individual crimes). The first cases introduced within the Decree were referred to in Articles 24 and 25:

Art. 317 Penal Code.	Extortion.
Art. 318 Penal Code.	Bribery for an official duty.
Art. 319-ter, par. 1 and 2 Penal Code.	Bribery against judicial acts.
Art. 319 Penal Code	Aggravated bribery for an activity against official duties (aggravated pursuant to Art. 319-bis Penal Code).
Art. 320 Penal Code	Corruption of public officials.

Art. 321 Penal Code	Penalties for the briber.
Art. 322 Penal Code	Incitement to corruption.
Art. 322-bis	Embezzlement of public money, extortion, undue induction to give or promise benefits, corruption and incitement to corruption of members of European Community bodies and officials of the European Communities and of Foreign States <sup>1</sup>
Art. 640, par. 2, no.1, Penal Code	Aggravated fraud to the detriment of the State.
Art. 640-bis Penal Code	Aggravated fraud for the receipt of public moneys.
Art. 316-bis Penal Code	Embezzlement to the detriment of the State.
Art. 316-ter Penal Code	Undue receipt of moneys to the detriment of the State.
Art. 640-ter Penal Code	Computer fraud.
Art. 6 of Italian Law no. 409 of November 23, 2001, regarding <i>"Urgent Provisions Related to the Introduction of the Euro"</i> , added article 25-bis to the Decree, which added the following crimes to those for which Organisations could be held responsible:	
Art. 453 Penal Code	Forgery of money, spending and introduction into the State, intentionally, of counterfeit money.
Art. 454 Penal Code	Tampering with moneys.
Art. 455 Penal Code	Unintentional spending and introduction of counterfeit money into the State.
Art. 457 Penal Code	Spending of counterfeited moneys received in good faith.
Art. 459 Penal Code	Forgery of revenue stamps, introduction into the State, purchase, possession or circulation of forged revenue stamps.
Art. 460 Penal Code	Forgery of watermarked paper used to make legal tender or official stamps.

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<sup>1</sup> Currently under the heading *"Embezzlement of public money, extortion, undue induction to give or promise utilities, bribery and incitement to bribery of members of international courts or bodies of the European Communities or international parliamentary assemblies or international organizations and officials of the European Communities and foreign States"*.

Art. 461 Penal Code	Fabrication or holding of watermarks or instruments destined for the forgery/counterfeiting of monies, revenue stamps, or watermarked paper.
Art. 464, par. 1 and 2 P.C.	Use of counterfeit or altered revenue stamps.

Article 3 of Legislative Decree no. 61 of April 11, 2002, introduced article 25-ter in the context of reforms regarding company law (which was the subject of additional reform through Italian Law no. 262 of December 28, 2005, regarding Savings Protection and Italian Legislative Decree no. 39/2010), with which Organisational responsibility was further extended to the following company crimes as foreseen and reformulated:

Art. 2621 Civil Code	False corporate communications.
Art. 2622 Civil Code	False corporate communications to the detriment of shareholders and creditors.
Art. 2625 Civil Code	Obstructing controls.
Art. 2626 Civil Code	Undue restitution of contributions.
Art. 2627 Civil Code	Illegal appropriation of profits and reserves.
Art. 2628 Civil Code	Unlawful operations regarding stocks, capital shares, or shares in controlled companies.
Art. 2629-bis Civil Code	Non-communication of conflicts of interest
Art. 2629 Civil Code	Operations prejudicial to creditors.
Art. 2632 Civil Code	Fictitious capital formation.
Art. 2633 Civil Code	Undue division of company assets by liquidators.
Art. 2636 Civil Code	Unlawful influencing of the general shareholders' assembly.
Art. 2637 Civil Code	Market rigging.
Art. 2638 Civil Code	Obstructing the exercise of the functions of public supervisory authorities.

Later, Italian Law no. 7/2003 introduced article 25-quater, through which the administrative responsibility of Organisations was further extended to crimes with final aims of terrorism or the subversion of democratic order pursuant to articles 270 - 307 Penal Code through Italian Law no. 7 of January 9, 2006, in force since February 2, 2006 regarding, *“Provisions concerning the prevention and*

*prohibition of female genital mutilation,”* article 25-quater 1 was inserted in Legislative Decree no. 231/2001, relative to the crime of “Female genital mutilation,” (article 583-bis Penal Code).

Article 25-quinquies was introduced through Italian Law no. 228 of August 11, 2003, which extended the administrative responsibility of Organisations to the crimes of reducing persons to slavery or keeping them in servitude (article 600 Penal Code), Prostitution of Minors (article 600-bis Penal Code), Juvenile Pornography (article 600-ter Penal Code), Holding of Pornographic Material (article 600-quater Penal Code), Virtual Pornography (article 600-quater 1), Touristic Initiatives Aimed at the Abuse of Prostitution (article 600-quinquies Penal Code), Human Trafficking (article 601 Penal Code), and Purchasing and Alienation of Slaves (article 602 Penal Code).

Law no. 172 of October 1<sup>st</sup> 2012 *“Ratifying and implementing the Council of Europe Convention on the protection of children against sexual abuse and exploitation, made in Lanzarote on 25<sup>th</sup> October 2007, as well as provisions for adapting internal law”* amended article 25-quinquies and in particular the crimes of child prostitution (with two distinct types: the first involving the activity of “recruiting or forcing children under 18 into prostitution” and the second involving “aiding, exploitation, managing, organising or controlling prostitution of persons under 18” or making profit from these activities) and “child pornography” (adding “pornographic performance” in addition to “display” and “recruiting or forcing children under 18 into taking part in pornographic performances and displays” or rather making profit from pornographic performances that involve children). In particular, Law no. 172 of 1 October 2012, has:

- amended Article 416 of the Criminal Code (Criminal association), attributing independent criminal importance conduct for associative activities aimed at committing crimes of child prostitution (Article 600-bis), child pornography (Article 600-ter), possession of pornographic material (Article 600-quater), virtual pornography (Article 600-quater 1), tourism aimed at the exploitation of child prostitution (Article 600-quinquies), sexual violence (Article 609-bis), sexual acts with minors (Article 609-quater), corruption of minors (Article 609-quinquies), gang rape (Article 609-octies), enticement of minors (Article 609-undecies).
- amended Article 600-bis of the Criminal Code (Child Prostitution), identifying additional punishable cases (first paragraph) and acting on the case mentioned in the second paragraph (performance of sexual acts with a minor in exchange for money or other benefits);



- amended Article 600-ter of the Criminal Code (Child pornography), introducing a new case for those people who attend pornographic shows or performances in which minors are involved, and with the definition of the concept of child pornography.
- Article 609-undecies inserted in the Criminal Code (Solicitation of minors); filling the void of criminal protection for the phenomenon of online child grooming.

Italian Law no. 62 of April 18, 2005 led to the introduction of article 25-sexies, "Abuse of privileged information and manipulation of the Market," which extended administrative responsibility of Organisations to the following crimes:

- Abuse of privileged information (article 184 of Lgs.D. no. 58/98);
- Manipulation of the market (article 185 of Lgs.D. no. 58/98).

Italian Law no. 146 of March 16, 2006, *"Ratifying and executing the United Nations Convention and Protocols against transnational organised crime"*, published in the Official Gazette of April 11, 2006 and effective as of April 12, 2006, increased the number of crimes for which commission could lead to the application of administrative sanctions to the organisations involved, in which the characteristic of "transnational" could be applied to the criminal conduct (which at the time was a first for Italy's penal code). This law was modified by article 64 of legislative decree 231/07.

The crimes which are foreseen as relevant to the purposes of said responsibility, all of which considered to be notably serious, are as follows<sup>2</sup>:

- criminal association, including both general and organised crime,
- criminal association aimed at smuggling foreign processed tobacco or illegal trafficking of drugs or psychotropic substances,
- human trafficking,
- and some crimes relating to obstruction of justice, such as instigating not to testify or to give false testimony, or personal aiding and abetting.

Italian Law no. 123 of August 3, 2007 (published in the Official Gazette no. 185 on August 10, 2007 and effective as of August 25, 2007) updated Legislative Decree no. 231/2001 with article 25-septies,

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<sup>2</sup> – "Recycling" and "Use of illegal money, goods or other utilities" have been cancelled by Legislative Decree 231/07, article 64 par. 1 letter f), and currently only apply on a national level.

which foresees administrative responsibility for Organisations for the crimes of manslaughter and 2nd or 3rd degree assault committed in violation of workplace health and safety norms.

On December 14, 2007, Legislative Decree 231/07 was issued, which acknowledged European Directive 2005/60 regarding the prevention of the usage of the financial system in order to launder funds coming from criminal organisations or to fund terrorism.

In particular, Law 231/07 introduced administrative responsibility for organisations (Legislative Decree no. 231/2001 article 25-octies) for the crimes of:

- handling of stolen goods (article 648 Penal Code);
- money laundering (article 648-bis Penal Code);
- Use of illegal money, goods or utilities (article 648-ter Penal Code.)

We specify that the crimes of money laundering and the use of illegal money, goods or utilities were relevant pursuant to Legislative Decree no. 231/2001, but only if carried out transnationally (Article 10 of Italian Law 146/06). Following the introduction of article 25-octies, the above crimes, including handling of stolen goods, became relevant if committed nationally.

Italian Law no. 48, of March 18, 2008 - *“Ratification and Execution of the Council of Europe's Convention on Cybercrime issued in Budapest on November 23, 2001, and Norms to Update the Entirety of the Laws”*- increased the number of categories which could lead to company responsibility. In particular Article 7 of the provisions inserted Article 24-bis “Electronic crimes and illegal use of data” to Legislative Decree no. 231/2001, which includes the following types of crimes:

- abusive access of an internet-based or electronic system (article 615-ter Penal Code);
- illegal interception, impeding, or interruption of electronic or internet-based communications (article 617-quater Penal Code);
- installation of equipment aimed at intercepting, impeding, or interrupting internet-based or electronic communications (article 617-quinquies Penal Code);
- damaging electronic information, data, and programs (article 635-bis Penal Code);
- damaging electronic information, data, or programs used by the State or other public entities, or in any case of public utility (article 635-ter Penal Code);
- damaging internet-based or electronic systems (article 635-quater Penal Code);

- damaging internet-based or electronic systems of with public utility (article 635-quinquies Penal Code);
- holding and abusive diffusion of access codes for internet-based or electronic systems (article 615-quater Penal Code);
- diffusion of equipment, devices, or electronic programs intended to damage or interrupt an internet-based or electronic system (article 615-quinquies Penal Code);
- internet-based or electronic documents (article 491-bis Penal Code);
- electronic fraud committed by subjects that provide electronic signature certification services (article 640-quinquies Penal Code).

Italian Law no. 94 of July 15, 2009 - "*Public Safety Provisions*" (published in the Official Gazette no. 170 on July 24, 2009, and effective as of August 8, 2009) - increased the number of crimes found within Legislative Decree no. 231/2001 through the insertion of article 24-ter (crimes related to organised crime). The latter added the following crimes to those with relevance pursuant to the Decree:

- criminal association aimed at enslaving persons or continuing to enslave persons, selling, purchasing, and eliminating slaves, and crimes concerning violations of the provisions related to illegal immigration pursuant to article 12 of Legislative Decree no. 286/1998 (article 416, paragraph 6 Penal Code);
- criminal association (article 416, with exception of the sixth paragraph, Penal Code);
- mafia-like association (also foreign) (article 416-bis Penal Code);
- political mafia-style electoral exchange (article 416-ter Penal Code);
- kidnapping for ransom (article 630 Penal Code);
- criminal association aimed at selling drugs or psychotropic substances (article 74 of Italian Presidential Decree no. 309/90);
- crimes concerning the manufacture and trafficking of weapons of war, explosives, and illegal arms (article 407, paragraph 2, letter a Penal Code).

We specify that criminal association, whether limited or typical of organised crime, as well as criminal association aimed at the trafficking of drugs were already relevant to Legislative Decree no. 231/2001, but only if carried out transnationally (article 10 of Italian Law no. 146/06). Following the introduction

of article 24-ter, the above-mentioned crimes became applicable if carried out nationally, although through a different penal regime (with reference to pecuniary measures).

Differently, crimes related to the “vote of exchange”, kidnapping, and crimes related to the illegal manufacturing and trafficking of arms were included for the first time when the Decree took effect.

Law no. 172 of 1<sup>st</sup> October 2012 - *“ratifying and implementing the Council of Europe Convention for the protection of minors against sexual abuse and exploitation, made in Lanzarote on 25<sup>th</sup> October 2007 as well as provisions for adapting internal law”* - amended article 24-ter adding a new form of criminal association aimed at crimes of child prostitution, child pornography, the holding of pornographic material, virtual pornography, tourist activity aimed at child prostitution, sexual violence committed against a person under 18, sexual acts with underage persons, corrupting minors, group sexual violence when the act is committed in detriment to a person under 18 and soliciting minors.

Italian Law no. 99 of July 23, 2009 - *“Provisions for the development and internationalisation of businesses, as well as energy matters”* (published in the Official Gazette no. 176 on July 31, 2009, effective as of August 15, 2009) - changed article 25-bis of Legislative Decree no. 231/2001 and inserted articles 25-bis.1 and article 25-novies to said Decree. In particular, these changes dealt with:

- the new formulation of article 25-bis (fraud regarding moneys, legal tender, official stamps, and recognition devices or distinguishing features," which calls for the introduction of crimes not originally included in the old phrasing to those relevant here. Amendments made to the substance of the article call for the introduction of the following crimes:
  - Forgery, alteration or use of brands or distinguishing features, or of patents, models and designs (Art. 473 of Penal Code);
  - introduction into the State and commerce of products with false trademarks (article 474 Penal Code).
- the introduction of Art. 25-bis 1 ("Crimes against industry and commerce"). The following fall within the crimes considered relevant pursuant to the present article:
  - interference with the industrial and commercial free market (article 513 Penal Code);
  - illicit competition using threats or violence (article 513-bis Penal Code);
  - fraud involving nationalised industries (article 514 Penal Code);
  - fraud in commerce (article 515 Penal Code);

- sales of adulterated food products as unadulterated (article 516 Penal Code);
- sales of industrial products with false marks (article 517 Penal Code);
- manufacture and commerce of goods created by usurping industrial property rights (article 517-ter Penal Code);
- fraud involving the geographic origin or origin denomination for agricultural/food products (article 517-quarter Penal Code);
- the introduction of article 25-novies "crimes related to copyright violations". The law also includes some crimes foreseen in Law 633/1941 which protects copyrights (in particular, articles 171, 171-bis, 171-ter, 171-septies, and 171-octies), which, for example, includes illegal duplication or illegal commerce of products within Italian territory without prior communication of such to SIAE (Italian Authors and Publishers' Society).

Italian Law no. 116 of August 3, 2009 - "*Ratification and Execution of the Convention of the United Nations against corruption, adopted by the General Assembly of the UN on October 31, 2003 through resolution no. 58/4, signed by the Italian State on December 9, 2003, as well as revision of internal laws and changes to the penal code and penal procedure code*" (published in the Official Gazette no. 188 on August 14, 2009 and effective as of August 29, 2009) - introduced to Legislative Decree no. 231/2001 the article 25-novies, "Instigation not to testify or to give false testimony" (article 377-bis Penal Code), amended in article 25-decies by Italian Legislative Decree no. 121 of July 7, 2011.

The crime in question was already included within those crimes indicated under Legislative Decree no. 231/2001, if committed transnationally (article 10, Italian Law 146/2006). The new formulation calls for the inclusion of said crime even without the requirement of transnationality.

Italian Legislative Decree no. 121 of July 7, 2011 (published in the Official Gazette no. 177 on August 1, 2011 and effective as of August 16, 2011), in order to comply with that established in "European Directive 2008/99/EC on the protection of the environment through criminal law", as well as "European Directive 2009/123/EC amending Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements," added article 25-undecies to Italian Legislative Decree no. 231/2001, "environmental crimes." Specifically, the types of crimes that are numbered as "environmental crimes" are:

- Killing, destruction, capturing, taking or detention of protected wild fauna or flora species (Article 727-bis, Penal Code).

- Destruction or deterioration of habitat within a protected site (Article 733-bis, Penal Code).
- Discharge of industrial wastewater (Article 137, paragraphs 2, 3 and 5, Legislative Decree 152/2006).
- Discharge into the soil, subsoil or underground water (Article 137, paragraph 11, Legislative Decree 152/06) or into seawater of prohibited substances or materials by ships or aircraft (Article 137, paragraph 13, Legislative Decree 152/06).
- The collection, transport, recovery, disposal, sale or intermediation of waste without the required authorisation, registration or communication (Article 256, paragraph 1, Legislative Decree 152/06).
- The establishment or management of a non-authorised waste site (Article 256, paragraph 3, Legislative Decree 152/06).
- Mixing of dangerous waste (Article 256, paragraph 5, Legislative Decree 152/06).
- Temporary storage of dangerous medical waste at the production site (Article 256, paragraph 6, Legislative Decree 152/06).
- Contamination of soil, subsoil, surface water or underground water that exceeds the risk thresholds for concentrations (Article 257, Legislative Decree 152/2006).
- Violation of the requirements and communication instruments relative to waste management (article 258, paragraph 4, Legislative Decree 152/06).
- Illegal waste trafficking (Article 259, paragraph 1, Legislative Decree 152/06) in organised activities (Article 260, paragraph 1, Legislative Decree 152/06)<sup>3</sup> or of highly radioactive waste (Article 260, paragraph 2, Legislative Decree 152/06).
- False information on the nature, composition, or chemical-physical characteristics of waste or insertion of a false certificate in the data to be provided for waste traceability (Article 260-bis, paragraph 6, Legislative Decree 152/06).
- Forgery of a paper copy of the SISTI-AREA form pertaining to the movements of the transporter (Art.260-bis par. 8. Lgs.D.152/06).

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<sup>3</sup> Subsequently transposed to art. 452-*quaterdecies* of the Italian Criminal Code.

- Exceeding the threshold limits for emissions that also leads to exceeding the air quality limit values (Article 279, paragraph 5, Legislative Decree 152/06).
- Importing, exporting, or re-exporting of specimens belonging to flora or fauna species in danger of extinction (attachment A and B, EC Regulation 338/97), without the required certificate or license or with an invalid license or not observing the provisions aimed at the safety of the specimens (Articles 1 and 2, paragraphs 1 and 2, Law no. 150 of February 7, 1992) or with falsified or altered certificates (Article 3-bis, paragraph 1, Law no. 150 of February 7, 1992).
- Detention of live specimens of wild mammal or reptile species and live specimens of mammals or reptiles coming from reproduction in captivity (Article 6, paragraph 4, Law no. 150 of February 7, 1992).
- Use of ozone-depleting substances (Article 3, paragraph 6, Law no. 549 of December 28, 1993).
- Malicious disposal of polluting substances in the sea or discharging of said substances caused by ships (Article 8, paragraphs 1 and 2, Legislative Decree no. 202 of November 6, 2007) or negligent disposal (Article 9, paragraphs 1 and 2, Legislative Decree no. 202 of November 6, 2007).

Legislative Decree 109 of 16<sup>th</sup> July 2012 (published in the Official Journal no. 172 of 25<sup>th</sup> July 2012 and in effect 9<sup>th</sup> August 2012) added article 25-duodecies to legislative decree 231/2001, “Employing third party citizens without valid residency permits”.

With the above offence, responsibility is extended to company organisations when the use of illegal manpower exceeds certain set limits, in terms of number of workers, age and working conditions, set in legislative decree 286/98, the “Consolidation Act on immigration”.

Paragraph 77, article 1, law no. 190 of 6<sup>th</sup> November 2012 - *“Provisions for preventing and repressing corruption and illegality in Public Administration”* also known as the *“Anti-corruption Law”* - amended:

- Article 25, adding the crime of “improper incitement to give or promise utilities” (article 319-quarter penal code) and which is renamed “Bribery, improper incitement to give or promise utilities and corruption.”
- Article 25-ter, adding the crime of “corruption between individual parties” (article 2635, civil code) relevant only with reference to “active” corrupters (i.e. applicable to companies that

reap some kind of benefit or advantage following an act of corruption). The crime can be prosecuted in the case of a complaint by the victim or as a matter of regular procedure in the event that a distortion of competition arises from the illegal act (i.e. when there are activities that aim to “prevent, restrict or substantially distort competition”, pursuant to article 2 of law no. 287/90).

Italian Law no. 6 of 6 February 2014 – *“Conversion into law, with amendments of Italian Decree-Law no. 136 of 10 December 2013, containing urgent measures designed to tackle environmental and industrial emergencies and to encourage the development of the affected areas”* - has introduced Article 256-bis (illegal combustion of waste) from Legislative Decree no. 152/2006 (Consolidated Environment Act). The reference to the crime of illegal burning of waste, although not qualified as a predicate offence under Legislative Decree no. 231/2001, contains a reference to the disqualification sanctions provided for by that decree.

Italian Law no. 186 of 15 December 2014 - *“Provisions of detection and return of funds held abroad as well as for strengthening the fight against tax evasion. Provisions on self-laundering”* - has:

- amended Articles 648-bis of the Criminal Code (Recycling) and 648-ter of the Criminal Code (Use of money, goods or assets of illicit origin), by tightening the penalties. Today, the crimes in question are punishable by a fine ranging from €5,000.00 to €25,000.00;
- introduced Article 648-ter.1 of the Criminal Code (self-laundering), attaching importance to the criminal conduct of those who, having personally committed a crime without criminal intent (so-called base offence), substitutes or transfers or otherwise uses money, goods or other benefits in economic or financial activities, in a manner which actually hinders the identification of their criminal origin;
- changed the heading of Article 25-octies of Legislative Decree no. 231/2001, today entitled “Receiving, laundering and use of money, goods or assets of illicit origin, including self-laundering”.

The Decree-Law of 18 February 2015, no. 7, coordinated with the conversion law of 17 April 2015, no. 43 - *“Urgent measures to combat terrorism, including that on an international scale, as well as the extension of international missions of the armed forces and police, initiatives to promote cooperation with regard to development of and support for processes of reconstruction, in addition to participation in activities implemented by international organisations to consolidate peace and facilitate stabilisation”* - has brought some changes to the regulations referred to in Art. 25-quater. D.Lgs.



no.231/2001 (crimes with terrorist aims or the subversion of democratic order). Specifically, with reference to the particular cases mentioned in the following articles:

- Art. 270-quater of the Penal Code (Recruitment for the purposes of terrorism, including international terrorism);
- Art. 270-quinquies of the Penal Code (Training for the purposes of terrorism, including international terrorism);
- Art. 302 of the Penal Code (Incitement to commit an intentional offence against the State).

The Law of 22 May 2015, no. 68 - "*Provisions relating to crimes against the environment*" - has:

- modified the types of offence referred to in Articles 257 (Reclamation of sites) and 260 (Organised activities for the illegal trafficking of waste), Legislative Decree no. 152/2006;
- amended Articles 1 and 2, Legislative Decree no. 150/1992 (import, export, possession, use for profit, purchase, sale, display or possession for sale or for commercial purposes of protected species);
- introduced to the predicate offences referred to in Art. 25-undecies, Legislative Decree no. 231/2001 - environmental crimes - the new offences set out in Articles 452-bis of the Penal Code (Environmental Pollution), 452-quater of the Penal Code (Environmental disaster), 452-quinquies of the Penal Code (Unintentional crimes against the environment), 452-sexies of the Penal Code (Traffic and abandonment of highly radioactive material), 452-octies of the Penal Code (Aggravating circumstances).

The Law of 27 May 2015, no. 69 - "*Provisions for crimes against the public administration, Mafia-type associations and fraudulent accounting*" - has:

- amended Art. 416-bis of the Penal Code (Mafia-type associations), referred to in Art. 24-ter of Legislative Decree no. 231/2001 (Organised crime);
- amended Articles. 317 of the Penal Code (Extortion), 318 of the Penal Code (Bribery for an official duty), 319 of the Penal Code (Bribery to commit an act contrary to official duties), 319 of the Penal Code (Aggravating circumstances), 319-ter of the Penal Code (Corruption in judicial proceedings), 319-quater of the Penal Code (undue induction to give or promise benefits), 320 of the Penal Code (Bribery of an individual employed in public service), set out in Art. 25, Legislative Decree no. 231/2001 (Extortion, undue induction to give or promise benefits and corruption);

- amended Art. 25-ter, paragraph 1 of Legislative Decree no. 231/2001 (Corporate crimes). In particular, Articles 2621 and 2622 were extended, introducing two new types of offence, both criminal, regarding fraudulent accounting - one for non-listed companies (Art. 2621 - False corporate communications), the other for listed companies (Art. 2622 - False corporate communications by listed companies). In addition, a mitigating factor was also introduced - but only for non-listed companies - (Art. 2621-bis Civil Code - Minor offences) as well as a non-punishment clause due to the minor nature of the offence (Art. 2621-ter Civil Code - Non-punishment due to minor nature of offence).

Legislative Decree 125 of 21 June 2016 (*Implementation of Directive 2014/62/EU on protection through criminal law of the Euro and of other currencies from forgery and that replaces Framework Decision 2000/383/GAI*)) introduced amendments to the Criminal Code articles concerning the crimes of forgery of money, public credit cards and revenue stamps, and in particular Art. 453 of the Criminal Code (*forgery of money, spending and introduction of counterfeit money into the State*) and 461 of the Criminal Code (*Fabrication or holding of watermarks and other instruments intended for the money forgery, revenue stamps or watermarked paper*). Specifically:

- it extended criminal responsibility to the case of illegal fabrication of excessive amounts of currency by those authorised to produce it but abuses the tools or materials at their disposal (Art. 453 of the Criminal Code);
- it expressly included the term “data” in the list of tools intended to be forged. Legislative Decree 125/2016 also extended the possible activities making up the specific offence by eliminating the term “only” (Art. 461 of the Criminal Code).

Law no. 199 of 29 October 2016 (*Provisions regarding the fight against undeclared employment, labour exploitation in farming and remuneration realignment in the farming sector*) introduced the offence of “Illicit brokering and labour exploitation” pursuant to Art. 603-bis of the Criminal Code, referred to in Art. 25-quinquies of Legislative Decree 231/2001 (crimes against private individuals).

Law no. 236 of 11 December 2016 (*Amendments to the Criminal Code and to Law no. 91 of 1st April 1999 on the subject of trafficking of organs for transplant, and to Law 458 of 26 June 1967 on the subject of transplanting kidneys between living persons*) led to the following amendments:

- it introduced the offence of “*Trafficking of organs removed from a living person*” pursuant to Art. 601-bis of the Criminal Code;
- under Art. 22-bis, paragraph 1 (*Penalties applied to trafficking of organs for transplant*), of Law no. 91, it amended the penalties framework of the legislation;
- it repealed paragraph 2 of Art. 22-bis of Law no. 91 of 1st April 1999.

Law no. 236 of 11 December 2016 also introduced amendments to Art. 416 of the Criminal Code, paragraph 6 (*Criminal association*), the latter referred to by Art. 24-ter of Legislative Decree 231/2001 (*Organised crime*), in this way extending the list of significant activities.

- Specifically: the newly introduced Art. 601-bis of the Criminal Code was added,
- Art. 22, paragraphs 3 and 4, and 22-bis, paragraph 1 of Law no. 91 of 1 April 1999 were added.

Legislative Decree no. 38 of 15 March 2017 (*Implementation of framework decision 2003/568/GAI of the European Council of 22 July 2003 regarding the fight against corruption in the private sector*) introduced considerable amendments to Art. 2635 of the Civil Code. (*Corruption between private parties*).

Specifically:

- Art. 2635, paragraph 1 of the Civil Code was amended (*Passive corruption*);
- Art. 2635, paragraph 3 of the Civil Code was amended (*Active corruption*); On the one hand, the list of “corrupters” was extended to also include the third party and, on the other, the typical conduct of the offence was extended so that in addition to “giving and promising”, “the offer” is also contemplated; legislation then specified that the object of the offence must be found in the money or other benefit “not due”;
- Art. 2635, paragraph 6 was amended.

Legislative Decree no. 38 of 15 March 2017 also introduced the offence of “Incitement to corruption between private parties”, pursuant to Art. 2635-bis of the Civil Code, which comes into existence if “the offer, promise or soliciting are not accepted”.

Legislative Decree no. 38 of 15 March 2017 then amended Art. 25-ter of Legislative Decree 231/2001.

Specifically:

- responsibility, according to Legislative Decree 231/2001, was extended to the offence of incitement to “active” corruption pursuant to Art. 2635-bis, paragraph 1 of the Civil Code, which is punished with a fine “from 200 to 400” quotas;
- the fine relating to Art. 2635, paragraph 3 of the Civil Code (active corruption) is extended to “from 400 to 600 quotas”;
- Lastly, for Art. 2635, paragraph 1 and for Art. 2635-bis, paragraph 1 of the Civil Code, legislation has established application also of the disqualification sanctions provided for by Art. 9 of Legislative Decree 231/2001, paragraph 2.

In connection with the reform implemented by Legislative Decree 38/2017, there is still no consolidated jurisprudence on the reach of the reference made by Legislative Decree 231/2001, on which jurisprudential interventions will presumably take place.

Law no. 161 of 17 October 2017 (known as “Anti-Mafia Code”), which amended Article 25-duodecies of Legislative Decree 231/2001.

This law involves the formal modification of the list of risks, providing as follows:

1-bis. In relation to the commission of the crimes referred to in Article 12, paragraphs 3, 3-bis and 3-ter, of the consolidated text referred to in Legislative Decree 25 July 1998, no. 286 , and subsequent modifications, a monetary fine from four hundred to one thousand units is applied to the entity.

1-ter. In relation to the commission of the crimes referred to in Article 12, paragraphs 5, 3-bis and 3-ter, of the consolidated text referred to in Legislative Decree 25 July 1998, no. 286 , and subsequent modifications, the pecuniary sanction from four hundred to one thousand units is applied to the entity.

1-quater. In cases of conviction for the crimes referred to in paragraphs 1-bis and 1-ter of this article, the disqualification sanctions provided for in Article 9, paragraph 2, shall apply for a duration of not less than one year.

Law no. 167 of 20 November 2017 (against racism and xenophobia) which was introduced by Article 25-terdecies of Legislative Decree 231/2001.

This law involves the modification of the list of risks, providing as follows:

1. In relation to the commission of the crimes referred to in Article 3, paragraph 3-bis, of Law no. 654 of 13 October 1975, the pecuniary sanction from two hundred to eight hundred units is applied to the institution.

2. In cases of conviction for one of the offences referred to in paragraph 1 the disqualification sanctions referred to in Article 9, paragraph 2 shall be applied for a period of not less than one year.

3. If the company or its organisational unit is permanently used for the sole or predominant purpose of allowing or facilitating the offence indicated in paragraph 1 to be committed, the penalty of a definitive disqualification from exercising the activity shall apply, pursuant to Article 16, paragraph 3).

On 2018, Legislative Decree 1/03/2018 21 came into effect, containing “Provisions Implementing the delegation principle of the reservation of criminal law pursuant to Art. 1, paragraph 85, letter q) of Law 23/06/2017 No. 103” thus implementing the following changes:

- Art. 260 of Legislative Decree 152/2006, referred to in Art. 25-Undecies of Legislative Decree 231/2001 (Environmental Crimes), was repealed and replaced by the new Art. 452-quaterdecies of the criminal code (Activities organised for the unlawful trafficking of waste);
- Art. 3 of Law 654/1975, paragraph 3 bis of which is referred to in Art. 25-terdecies of Legislative Decree 231/2001 (Racism and Xenophobia), was repealed and replaced by the new Art. 604-bis of the criminal code, (Propaganda and incitement to delinquency on grounds of racial, ethnic and religious discrimination).

Lastly, modification have been made to both art. 601 of the criminal code (Human trafficking) and of art. 601 bis of the criminal code (Trafficking of organs taken from a living person) to which additional paragraphs have been added, articles referred to the first in a direct manner by art. 25 quinquies and the second indirectly by art. 24 ter of Legislative Decree 231/2001.

Also in 2018, Legislative Decree 10 August 2018 n. 107 “Rules for the adaptation of the national legislation to the provisions of the regulation (EU) n. 596/2014, relating to market abuse and repealing directive 2003/6/EC and directives 2003/124/EU, 2003/125/EC and 2004/72/EC "has produced the modification of the art. 184 "Abuse of privileged information" and art. 185 "Market manipulation" of Legislative Decree 58/1998 (Financial Consolidating Act) both contained in art. 25 sexies of Legislative Decree 231/2001.

In 2019 the law of 9 January 2019 No. 3, "Measures to fight crimes against the public administration as well as on the matter of statute of limitations and transparency of political parties and movements", entailed the following changes:

- the penalty provided for by art. 316-ter of the penal code "Undue receipt of disbursements to the detriment of the State", referred to in art. 24 of Legislative Decree 231/2001;
- the penalty provided for by art. 318 penal code "Corruption for the exercise of the function", referred to in art. 25 of Legislative Decree 231/2001;
- the categories of sensitive subjects envisaged by art. 322-bis c.p. "Embezzlement of public money, extortion, undue inducement to give or promise utility, corruption and incitement to corruption of members of the International Criminal Court or of the organs of the European Communities and of officials of the European Communities and of foreign States", referred to in art. 25 of Legislative Decree 231/2001;
- the introduction in the art. 25 of Legislative Decree 231/2001 of the case envisaged by art. 346-bis of the Civil Code "Traffic of illicit influences";
- the conditions of admissibility with regard to articles 2635 c.c. "Corruption between private parties" and 2635-bis of the Civil Code "Incitement to corruption among private individuals";
- the aggravation of the disqualification sanctions pursuant to art. 13 of Legislative Decree 231/2001;
- the aggravation of the maximum duration of the precautionary measures pursuant to art. 51 of Legislative Decree 231/2001;
- Widening of the subjective sphere to persons who carry out functions or activities corresponding to those of public officials and persons in charge of a public service within other foreign states or international public organizations.

Law 3 May 2019 (in Official Gazette 113 of 16/05/2019) ordered (with art. 5, paragraph 1) introduction of art. 25-quaterdecies foreseeing the offences of: fraud in sports competitions, illegal gaming or betting and gambling operations using forbidden equipment.

Decree-Law no. 105 of 21 September 2019, (in Official Gazette 222 of 21/09/2019), converted with amendments by Law no. 133 of 18 November 2019, (in Official gazette

no. 272 of 20/11/2019), ordered (with art. 1, paragraph 11-bis) the amendment to 'art. 24-bis, paragraph 3, adding the offences pursuant to art. 1, paragraph 11 of Decree-Law no. 105 of 21/9/2019, to the risk linked to computer crimes. These offences concern the scope of national cybernetic security and, in particular, refer to providing information, data or items that are not true, in order to hinder or condition the inspection and supervisory procedures and/or activities established by the law.

Decree-Law no. 124 of 26 October 2019, (in Official Gazette 252 of 26/10/2019), converted with amendments by Law no. 157 of 19 December (in Official Gazette 301 of 24/12/2019), ordered (in art. 39, paragraphs 2 and 3) the introduction and amendment of art. 25-*quiquiesdecies*, with reference to the following tax offences:

- a) the offence of fraudulent misrepresentation by using invoices or other documents for non-existent transactions, established in article 2, paragraph 1, of Legislative Decree no. 74 of 10 March 2000;
- b) the offence of fraudulent misrepresentation by using invoices or other documents for non-existent transactions, established in article 2, paragraph 2-bis, of Legislative Decree no. 74 of 10 March 2000;
- c) the offence of fraudulent misrepresentation by using other tricks, established in article 3, of Legislative Decree no. 74 of 10 March 2000;
- d) the offence of issuing invoices or other documents for non-existent transactions, established in article 8, paragraph 1, of Legislative Decree no. 74 of 10 March 2000;
- e) the offence of issuing invoices or other documents for non-existent transactions, established in article 8, paragraph 2-bis, of Legislative Decree no. 74 of 10 March 2000;
- f) the offence of hiding or destroying accounting documents, established in article 10, of Legislative Decree no. 74 of 10 March 2000;
- g) the offence of fraudulent subtraction of the payment of taxes, established by article 11, of Legislative Decree no. 74 of 10 March 2000.

Legislative Decree no. 75 of 14 July 2020, which implemented Directive 2017/1371/EU "on the fight against fraud affecting the financial interests of the Union through criminal law" (so-called "PIF Directive") intervened directly on Decree 231, by increasing the number of predicate offences.

In particular, within Decree 231:

- the crimes of fraud in public supplies (art. 356 Italian Criminal Code), fraud against the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development (art. 2 Law 898/1986), embezzlement of public money (art. 314, c.1, Italian

Criminal Code), embezzlement taking advantage of other people errors (316 Italian Criminal Code), abuse of office (323 Italian Criminal Code);

- Art. 25 *sexiesdecies* is introduced, which refers to smuggling offences envisaged by Presidential Decree 43/1973;
- Art. 25 *quinquiesdecies* provides for the reference to the crimes of unfaithful declaration (art. 4 of Legislative Decree no. 74 of 10 March 2000), failure to declare (art. 5 of Legislative Decree no. 74 of 10 March 2000) and undue compensation (art. 10 quater of Legislative Decree no. 74 of 10 March 2000), relevant to the liability of entities if committed within the framework of cross-border fraudulent systems and in order to evade VAT for an amount not less than 10 million euro.

Legislative Decree 184/2021, implementing Directive (EU) 2019/713 on combating fraud and counterfeiting of non-cash payment instruments, introduced into the Decree art. 25-octies.1 on the subject of "Crimes relating to non-cash payment instruments", thus including in the list of the predicate offences

- the cases set forth in the articles 493-ter of the Italian Criminal Code ("undue use and falsification of payment instruments other than cash"), 493-quarter of the Italian Criminal Code ("possession and diffusion of equipment, devices or computer programs aimed at committing offences regarding non-cash payment instruments") and 640-ter of the Italian Criminal Code ("wire fraud"),
- "any other crime against the public faith, against property or which in any case offends property envisaged by the Italian Criminal Code, when its object is non-cash payment instruments".

Law no. 22 of March 9, 2022 (Provisions on offences against cultural heritage) introduced as new predicate offences of Decree 231: offences against cultural heritage referred to in the new article 25-septiesdecies and offences of laundering of cultural assets and devastation and looting of cultural landscape assets referred to in the new article 25-duodicies.

Legislative Decree 195/2021, containing "Implementation of Directive (EU) 2018/1673 of the European Parliament and of the Council of 23 October 2018 on combating money laundering by means of criminal law" introduced some changes to the offences of receiving stolen goods, money laundering, use of money, goods or utilities of unlawful origin as well as self-laundering, whose operational scope is extended<sup>4</sup>.

Amendments have also been made to the following predicate offences pursuant to in Decree 231:

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<sup>4</sup> Following the amendments made to the offences set out in articles 648, 648-bis, 648-ter and 648-ter.1 of the criminal code, the proceeds of culpable crimes (and even minor crimes such as the contraventions) can also be relevant as the basis for the illegal conduct of receiving, laundering, self-laundering and use (previously, on the other hand, the illegal conduct could only be based on "malicious offences").



a. by Law 238/2021:

- to the crimes set forth in the articles 615-quater, 615-quinquies, 617-quater, 617-quinquies of the Italian Criminal Code, referred to in the article 24-bis of Decree 231 (computer crimes);
- the crimes set forth in the articles 600-quater, 609-undecies of the Italian Criminal Code, referred to in the art. 24-quinquies of Decree 231 (crimes against the individual);
- the offences referred to in the articles 184 and 185 of Legislative Decree 58/1998, referred to in article 25-sexies of Decree 231 (market abuse);

b. by Law Decree no. 13 of 25 February 2022, to the crimes set forth in the articles 316-bis, 316-ter and 640-bis of the Italian Criminal Code.

The fact that the Organisation may be held responsible for the commission of any one or more of the crimes listed above does not exclude the personal culpability of the person that actually carried out the criminal conduct.

Article 9 of the Decree outlines the sanctions that can be applied to the Organisation. These include:

- fines;
- prohibitory sanctions;
- confiscation;
- publication of the sentence.

Fines can vary from a minimum value up to a maximum, which the Judge shall establish taking into account the following:

- the seriousness of the act;
- the Organisation's degree of responsibility;
- the activities carried out by the Organisation to eliminate or mitigate the consequences of the action and/or to prevent future crimes;
- the Organisation's economic and capital resources.

On the other hand, prohibitory sanctions, listed under paragraph 2, shall be applied in the case of more serious crimes and can be only be applied in cases where at least one of the following conditions is met:

- A. the Organisation profited in a substantial manner from the crime and the crime was committed by subjects in top management, or by persons subject to management and supervision when the crime was committed, or was made easier by serious organisational flaws;
- B. in case of repeated crimes.

Prohibitory sanctions are:

- interdiction of the exercise of the activity;
- the suspension or revocation of authorisations, licenses, or permits relevant to the commission of the crime;
- prohibition of contact with the public administration, except if necessary to receive a public service;
- exclusion from tax incentives, financing, contributions, and/or subsidies, and possible revocation of any already awarded;
- prohibition of advertising goods and services.

In addition, we note here that the interdiction sanctions, which can also be applied for precautionary purposes, can be applied for a minimum duration of three months and a maximum duration of two years.

## 1.2 Exonerating the Organisation from responsibility

Article 6 of Legislative Decree no. 231/2001 calls for the exoneration of the Organisation from responsibility for crimes committed by top management if the Organisation proves that before the act was committed:

- it had established and effectively enacted appropriate organisational and management models to prevent crimes;
- it had instituted an organisational organ, the so-called Supervisory Board, with autonomous powers to take initiative and with the responsibility of supervising the proper functioning of the organisational models;
- the crime was committed by fraudulently evading the existing models;

- the Supervisory Board was not guilty of not supervising or supervising insufficiently.

In the case of a crime carried out by a person subject to supervision, article 7 of the Decree subordinates exclusion of responsibility for the Organisation to the effective enactment of an organisational, management, and control model appropriate to guarantee, for the type of organisation and activities performed, performance of said activity within the confines of the law, and able to find and eliminate any risky situations in a timely manner.

In addition, the Decree states that in relation to the provision of delegate powers and the risk of crimes, said organisational models must meet the following requirements:

- identify activities during which crimes could be committed;
- create specific protocols aimed at planning for training and enactment of the organisation's decisions;
- identify methods to manage financial resources able to prevent crimes;
- establish informational requirements for the organisational Board charged with ensuring the efficacy and observance of the models;
- introduce appropriate disciplinary models to punish cases in which the provisions in the Model are not respected.

### 1.3 Confindustria Guidelines

Article 6, paragraph 3 of Legislative Decree no. 231/2001 states that *"these organisational and management models can be adopted, guaranteeing the requirements pursuant to paragraph 2, on the basis of Codes of Conduct drawn up by the associations which represent the organisations and presented to the Ministry of Justice, which, together with the other relevant Ministries, shall, within 30 days, formulate its observations regarding the appropriateness of said model to prevent crimes."*

On March 7, 2002, Confindustria developed and communicated its "Guidelines for the Construction of Organisational, Management, and Control Methods per Legislative Decree no. 231/2001" to the Ministry, in reference only to crimes against the Public Administration. Its most important elements can be briefly summarised as follows:

1. *identifying risk areas in the company.* Once the company has identified the types of crimes for which it is at risk, it then proceeds to identify the areas in which these crimes could be

committed, while taking into consideration the possible methods by which these illegal acts could be committed within the context of the company's particular activities;

2. *creating specific protocols aimed at planning for training and enactment of the organisation's decisions in relation to the crimes to be prevented.* The essential factors that must be enacted in order to guarantee the efficacy of the model are as follows:
  - a. a *Code of Conduct 231*, approved by the company's Board of Directors;
  - b. an *organisational system*, which clearly defines the hierarchy of company positions and responsibility for the carrying out of the company's activities;
  - c. an *authorisation system*, which attributes internal authorisation powers and signatory powers for agreements with external bodies in accordance with the organisational system adopted;
  - d. *operational procedures*, which govern the company's main activities and, in particular, govern the at-risk processes and the methods for managing financial resources;
  - e. a *management control system*, which identifies critical situations in a timely manner;
  - f. a *personnel communication and training system*, in order to effectively inform all employees of company decisions and their operations;
3. the identification of a *Supervisory Board*, provided with the power to autonomously initiate and carry out controls, and which is charged with ensuring the models are effective and observed, through the use of periodic checks, and has responsibility for ensuring the models are updated when significant violations are discovered, or when significant changes occur within the context of the organisation and/or its activities;
4. specific *information obligations* in terms of the Supervisory Board, for the most important company actions, and in particular for those activities defined as at-risk;
5. special *informative obligations* on the part of the Supervisory Board, for top level management and regulatory authorities.

Finally, effective establishment of the model also requires an appropriate disciplinary system that establishes sanctions in the case in which the measures contained in the model are not respected.

The parts of the control system must be based upon the following principles:

- each operation must be verifiable, documented, consistent and congruent;

- functions must be separated (no one person should independently manage an entire process);
- controls must be documented.

On October 3, 2002, Confindustria approved an additional Appendix to the above-mentioned Guidelines which dealt with the company crimes introduced through Legislative Decree no. 61/2002. In accordance with the model already outlined for crimes against the public administration and against equity to the detriment of the State or other public Board, Confindustria specified that it was necessary to establish specific organisational and procedural measures (consistent with the models) aimed at preventing the commission of this type of crime, as well as to define the main responsibilities of the Supervisory Board in order to verify the efficacy and effectiveness of said model.

Successively, having taken into consideration the information received from the Ministry, Confindustria modified and updated its Guidelines and on May 24, 2004 communicated them to the Ministry for examination, to be performed within 30 days of the receipt of the new communication, in this way fulfilling the control procedure foreseen in the Code of Conduct pursuant to articles 5 and after in Ministerial Decree 201/2003.

Confindustria's guidelines were subsequently updated on March 31, 2008 as a consequence of the increase of relevant crimes pursuant to Legislative Decree 231/2001 and the associated legal provisions.

Confindustria has again updated the Guidelines, adapting the 2008 text to incorporate new legal and legislative developments. The document was submitted to the Ministry of Justice, and was approved on 21 July 2014. The moderations were primarily focused on the following:

- liability of entities for offences;
- the table of offences;
- the disciplinary system;
- the Supervisory Board;
- the corporate groups.

Lastly, in June 2021 Confindustria updated the Guidelines by including references to integrated compliance, whistleblowing, information flows and the analysis of predicate offences introduced by the last update of the Guidelines.

When creating the model, in addition to the provisions pursuant to Legislative Decree no. 231/2001, Philip Morris MTB also took into account the principles expressed by Confindustria in its guidelines approved by the Ministry of Justice.

## 2. IMPLEMENTATION OF THE MODEL BY PHILIP MORRIS MANUFACTURING & TECHNOLOGY BOLOGNA S.p.A.

### 2.1 Purpose of the Model

The implementation of the model constitutes a useful tool to increase awareness on the part of all Company employees and all other persons with interests in the same (customers, tax collectors, legal messengers, and other collaborators), to ensure that they behave correctly and appropriately in performing their various responsibilities, so as to decrease the risk of crimes outlined in the Decree. Moreover, the multitude of activities included in the Legislative Decree no. 231/2001 - growing - demands that all business processes are rigorously informed on the ethical principles recommended by the whole company regulations and, in particular, the Code of Conduct.

In this way, the Company promotes and privileges behaviours that are conducive to the development of an ethical internal culture and also demonstrates that it is aware of the necessity of operating correctly and transparently in its daily affairs.

Hence, the Model is aimed at the following:

- a) preventing and reasonably limiting the risk of any illicit behaviour carried out in connection with company activities;
- b) highlighting the fact that Philip Morris MTB will not tolerate illegal behaviour or any behaviour contrary to the ethical standards to which the Company wishes to hold.

### 2.2 Elements and Structure of the Model

On the basis of the indications contained in the above-noted Confindustria Guidelines, the Model consists of the following elements, each of which will be dealt with in detail below (please see paragraphs 4-14):

- 1 identifying risk areas and relative controls;

- 2 organisational system;
- 3 authorisation system;
- 4 operational procedures and control standards relative to activities at risk;
- 5 financial resources management system;
- 6 management control system;
- 7 Code of Conduct 231;
- 8 Disciplinary System;
- 9 human resources control system;
- 10 Supervisory Board;
- 11 information flow system to and from the Supervisory Board;
- 12 Training and communication plan for the present Model.

The following documents also constitute an integral part of the Model:

- Philip Morris Manufacturing & Technology Bologna S.p.A.'s Code of Conduct pursuant to Legislative Decree no. 231/2001 (*Annex 1*);
- Philip Morris Manufacturing & Technology Bologna S.p.A.'s Disciplinary System pursuant to articles 6 and 7 of Legislative Decree no. 231/2001 (*Annex 2*);
- the list of crimes and illegal administrative actions pursuant to Legislative Decree no. 231/2001;
- the matrix of sensitive activities and related offences;

as well as the following company documents:

- company policies, procedures and protocols relative to risk areas 231;
- the Statute of the Supervisory Board;
- the Regulations of the Supervisory Board;
- Informational flows to the Supervisory Board;
- the Reporting System of the Supervisory Board in terms of company bodies.

As already noted in the introduction, the Company, in full respect of the policies and directives of the Group, already has a well-developed Internal Control System which includes not only an

organisational system, delegates, legal representatives, an IT system, and controls, but also includes the *Compliance Program*, which consists of the *Philip Morris International Code of Conduct* that includes numerous company policies and operational procedures and is aimed at establishing common rules and standards applicable to all the companies operating in the group, including Philip Morris MTB.

Hence, the present Model, drawn up pursuant to Legislative Decree no. 231/2001, is to be considered part of the larger Internal Control System which already exists in Philip Morris MTB.

### 2.3 Approval of amendments and additions to the Model

The organisational, management, and control models constitute, pursuant to and in accordance with article 6, paragraph 1, letter a of the Decree, an official document issued by the Managing Board. Hence, the approval of the present model constitutes the exclusive prerogative and responsibility of the Board of Directors, which has the exclusive right to formulate any amendments and/or additions held necessary in order to ensure that the Model continues to adhere to the provisions of the Decree and any other conditions due to changes in the structure of the Company, or due to information received from the Supervisory Board.

The appointment of this exclusive responsibility is established through the decision of the Board of Directors to approve the present model.

To that extent, we specify that from here on, as is additionally clarified through the Confindustria Guidelines, the company management, despite the establishment of the Supervisory Board pursuant to the Decree, continues to maintain without change all the appointments and responsibilities foreseen in the Italian Civil Code and its Charter, to which today are added those relative to the implementation and efficacy of the Model as well as the establishment of the Board.

It is the responsibility of the CEO, having consulted the Supervisory Board, to approve any amendments or additions to the following elements:

- mapping of Sensitive Activities with respect to offences already considered in the Model;
- procedures and policies of Philip Morris Manufacturing & Technology Bologna S.p.A. and relative references in the Special Part of this document.



## 2.4 Recipients of the Model

The rules contained in the Model are applicable to all those who carry out, including de facto, actions of management, administration, direction or control of the Company, regarding employees, as well as consultants, collaborators, agents, proxies, and in general, all third-parties that operate for the company's purposes.

The Company shall communicate the present Model using various appropriate ways and ensure that all interested parties are aware of its content, as expressly called for in paragraph 14 of the present Model.

Hence, the subjects to which the Model applies are held to respect its provisions, in compliance with the loyalty, honesty, and due diligence that are established through the legal relationships established with the Company.

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## 3. THE "PHILIP MORRIS MTB 231" PROJECT

Philip Morris MTB, with the goal complying with the norms imposed by Legislative Decree no. 231/2001, and in particular with the conditions pursuant to article 6 regarding the implementation of appropriate organisational, management, and control models and the establishment of a Supervisory Board, in accordance with the Confindustria Guidelines, decided to begin a series of activities under the name *Philip Morris MTB Project 231*" (hereafter, "the Project"), which was aimed at defining a personalised model tailored to the specific Philip Morris Manufacturing & Technology Bologna S.p.A. nature.

As it already had an organisational, management, and control system, the Company decided to first verify the ability of this existing system, the Internal Control System, to meet the requirements of the Decree.

In addition, the Project was aimed at making all workers aware that certain behaviours, which would go against the rules outlined in the internal Control System, were contrary to the ethical principles that Philip Morris MTB intended to respect and that such behaviours could constitute crimes for which not only the individual person could be found responsible, but also the Company, through the sanctions established by the Decree.

## Project activities

The Project was divided into the phases described below.

### PHASE 1

In phase 1, we analysed the possible risks within the company so as to create a list of the company areas at-risk for crimes. These areas were identified by conducting the following activities:

- Creating an inventory of areas at-risk for crimes, through the use of questionnaires;
- Creating a table of the results;
- Creating a list of at-risk activities.

### PHASE 2

In phase 2, we identified the general controls in place at the Company as well as specific controls, i.e. those related to the areas specifically identified on the list created during phase 1.

More precisely, we did as follows:

- carried out interviews so as to complete the part of the questionnaire related to Control Self-Assessment for those individuals found to be at-risk for crimes;
- created a table illustrating the results of the interviews;
- drew up a Model, including all of the relative parts, including:
  - the list of risk areas;
  - organisational system;
  - authorisation system;
  - Code of Conduct 231;
  - operational procedures;
  - financial resources management system;
  - human resources;
  - Disciplinary System;
  - Supervisory Board;

- training;
- communication.

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## 4. IDENTIFYING RISK AREAS AND CONTROLS

The process of adapting Philip Morris MTB 's existing internal control system to the requirements of Legislative Decree no. 231/2001 included the following activities:

- identification of activities at-risk for crimes;
- evaluation of the existing internal preventive control system and its various components specifically and limited to the aspects inherent to Lgs D. 231/2001.

### 4.1 Initial implementation of the Model

#### **4.1.1. Identification of areas at risk and evaluation of controls: Risk Self-Assessment (RSA) and Control Self-Assessment (CSA) methodology**

In order to create a list of risk areas, we followed the Risk Self-Assessment method and systematically analysed all the activities that have contact with the Public Administration, public officials, and persons holding public service roles. We then carried out a more precise risk self-assessment in terms of the company's activities, carried out by the same persons that perform the analysed activities, combined with the so-called objectively defined "risk drivers." Following this, we carried out a control self-assessment, evaluating the elements of the existing preventive control system in accordance with the methodology described below under point b.

##### **a) Risk Self-Assessment**

The *Risk Self-Assessment* was carried out by performing interviews with all the managers of the various company functions, as well as additional interviews with persons responsible for specific important activities. All of these interviews (19) were aimed at accurately assessing risk and made use of a specific questionnaire.

We then quantified our risk exposure, based on the indications found in Confindustria's Guidelines and International Best Practices, taking into account the potential seriousness of each possible crime

considered, as well as the degree of probability that said crime could actually be committed at the company.

In particular, we used a questionnaire, which was divided into the following 11 sections, which identified the various types of crimes identified by Legislative Decree no. 231/2001:

- Section I: Participation in private negotiations;
- Section II: Participation in public tenders;
- Section III: Acquisition and management of financing and grants;
- Section IV: Public entity verifications/inspections
- Section V: Obtaining administrative injunctions;
- Section VI: Legal proceedings;
- Section VII: Public software;
- Section VIII: Company communications (financial statements);
- Section IX: Relations with the auditing company, CdS;
- Section X: Relations with public supervisory bodies;
- Section XI: Use of money/revenue stamps/legal tender.

#### **b) Control Self-Assessment (CSA)**

The *Control Self-Assessment* evaluated both specific control elements (control elements related to each at-risk activity) and general control elements.

- **Specific control elements**

Specific control drivers allowed us to verify the existence of a regulatory tool aimed at controlling the performance of an at-risk activity for all the individual at-risk activities, as well as identifying additional specific elements, such as the degree to which each activity had an established technical/administrative and ethical/behavioural protocol. For said regulations, a questionnaire was used to determine the degree to which employees were aware of them, applied them, and how well they were communicated within the company, as well as their degree of efficacy in preventing irregular actions and how up to date they were.

- **General control elements**

The identification of general control elements was based on recent publications regarding control system analysis. More specifically, we made use of the indications in the *Federal Sentencing Guidelines* ("FSG") which discuss and further examine the five components found in the internal control model recommended by the CoSO Report (*Internal control – Integrated framework - Committee of Sponsoring Organisations of the Treadway Commission*).

In the light of these, internal control elements and their ability to effectively prevent crimes were then highlighted in the following sections of the "**Research**" questionnaire:

- **Governing document**, or the identification of the roles and responsibilities assigned to each individual who is part of the company organisation.
- **Behavioural standards**, or the organisational system adopted, both in terms of the code of conduct and in terms of internal operational procedures used in risk areas.
- **Communication**, or the internal communication system relative to the elements of the Model, with particular care taken in terms of the appropriateness of the contents, the distribution channels used, and the frequency/timetable of communications.
- **Training**, or the training program aimed at teaching the Model and each of its constituent elements, including the Code of Conduct 231, the Supervisory Board, and the Disciplinary System.
- **Human resources**, or the presence of controls on personnel both during the hiring process and during general operations, with particular attention paid to performance evaluations and award systems connected to said evaluations.
- **Control**, or the existence of an effective system that allows the activities carried out within the Company to be controlled and monitored and, in particular, controls and monitors those activities identified as at-risk.
- **Information**, or the characteristics and methods in which reports are generated and accessed by management regarding the information necessary for the Supervisory Board to carry out effective supervision of risks as called for by the Decree, as well as by any other interested bodies.
- **Reaction to violations**, or the implementation of appropriate mechanisms to punish any conduct that violates the rules that the Company intends to enact so as to meet the requirements of the Decree.

Thanks to the analysis of company activities and organisational and internal control systems, which were carried out on the basis of the above-mentioned questionnaires, the company then went on to:

- define a list of all company activities potentially exposed to the risks of Legislative Decree no. 231/2001;
- identify, for each of the above-mentioned company activities, the responsible area and the type of crime it could be at risk for.

The results of the Control Risk Self-Assessment were outlined in the document "*Sensitive activities matrix*," which listed the individual at-risk activities discovered through the questionnaires, as well as all relevant existing controls.

#### 4.2 Subsequent Updates to the Model

The continuous additions made to the list of crimes found in Legislative Decree no. 231/2001 led to changes in the company's risk profile and required constant analysis of those areas held to be at-risk. It also required constant efforts in terms of evaluating the effectiveness of the internal control systems, in particular in terms of the types of crimes that were added to the Decree over time.

Taking into account the organisational changes that occurred during this time, the Company updated the list of areas held to be at-risk for the commission of crimes and the processes related to these, and also updated the Code of Conduct 231, the powers system, and all protocols/procedures.

These activities were carried out, with the assistance of external experts, through the identification and listing of areas at-risk for crime and the relative control mechanisms implemented to mitigate these identified risks. Both analysis of available documents (delegation and powers system, policies, procedures etc.) and interviews with company managers were utilised.

After the interviews were concluded, the results of these activities were formalised in Memorandum documents, which were shared with the interviewed managers.

In addition, in terms of those activities identified as "potentially at-risk" during the original implementation of the Model, the Internal Controls and Compliance Manager proceeded to update this list, for both the involved functions and for the activities performed by each individual function. This was done by asking Area Managers to confirm the results of the Risk Self-Assessment and Control Self-Assessment, and if necessary, to provide the information necessary to correct or update the list.

With specific reference to the risk of the commission of illegal acts in violation of workplace health and safety laws, an evaluation regarding conformity with legislation was carried out in 2008 following the introduction of these crimes to the offences category as provided by Lgs. D. 231/2001, as well as targeted analysis aimed at identifying the tools that the Company has itself provided in accordance with legal requirements.

This last activity aimed to achieve the following objectives:

- to check the conformity of safety management practices in force against the national security legislation "framework" for health and safety in the workplace;
- to identify and report the existence of any findings with regard to safety management, as well as any need for further investigation in order to achieve a more accurate analysis of the shortfalls highlighted, and finally, opportunities for improving safety management practices.

This analysis was carried out by conducting interviews with the persons responsible for safety, as well as through the analysis of the documentation on the safety management system, and an inspection at the production site.

With reference to the commission of offences relating to owned factories and production plants, a risk analysis was carried out following the introduction of these crimes into the offences category of Legislative Decree no. 231/2001. Subsequent to this analysis, the instruments with which the Company is equipped were also identified, taking into account the existing environmental management system, certified in accordance with UNI EN ISO 14001, in order to ensure compliance with Legislative Decree no. 231/2001, a system which acts as a management tool in order to implement organisational and operational measures for the prevention and management of environmental risks, including those relating to Legislative Decree 231/2001.

With reference to the above two families of crime (in the field of occupational health and safety and environmental protection) - following developments in the product portfolio and the launch of a project to build a new production plant in Crespellano (BO) - in 2015, it was considered appropriate to perform a new regulatory-technical audit, designed to examine the organisation, along with the operational and production processes at all sites and establishments at Zola Predosa, and above all, to assess compliance with legal requirements<sup>5</sup>, namely:

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<sup>5</sup>Legislative Decree no. 81/08, D. Lgs.152/06, and subsequent amendments, and environmental crimes as provided for by the Penal Code and special laws, as referred to by Legislative Decree no. 231/01.

- Filter making - Production of high-tech cigarette filters at the Zola Predosa site;
- RRP Training Center - Production of new products at the site in Zola Predosa.

An audit was also conducted on the EHS management of the new site and plant under construction in the municipality of Crespellano (BO) for the manufacture of new products.

The audit was conducted via the following activities:

- interviews were conducted targeting the main internal functions, focusing on skills and responsibilities in the fields of occupational health and safety and environment, namely:
  - the EHSS department,
  - the Engineering department,
  - the Filter Making Machine Maintenance Department,
  - the RRP TC Machine Maintenance Department,
  - The Supply Chain department,
  - Coordinator for safety in the design and execution phases, Project Supervisor, EHSS Project Leader, for the site at Crespellano.
- the practices and procedures in force were established during this process, and the compliance and effectiveness of these were also evaluated. Management/accounting records and supporting documentation was also examined.

With reference to the commission of the offence of self-laundering, given the problems posed by the legislative technique used in the formulation of the rule and the lack of jurisprudence and the doctrinal divisions on the subject, the following approach was adopted in updating the Model of organisation, management and control:

- the activities have been identified in which the proceeds of crime can be used;
- have been identified, in the light of the nature of the activity of Philip Morris MTB, the activities at risk of the base offence of self-laundering, including the offences already included in Legislative Decree no. 231/2001 (for which, it is assumed, the risk analysis has been already made), namely:
  - Tax Offences (Legislative Decree 74/2000):
  - Crimes of the Customs Act (DPR 43/1973):
  - Antitrust Offences (Law 907/1942);
  - Revelation of scientific secrets (Article 623 of the Criminal Code).



The analysis of risk activities was performed by means of:

- conducting interviews with representatives from the Finance, Logistics, Engineering, Prototyping and Information Systems;
- the analysis of the documents related to the organisational/procedural measures characterising the system of management of logistics, taxation and individual property.

Following the considerable organisational revisions tied to the growth of the product portfolio and building of the new production plant, in 2015 - 2016 the offence risk analysis was updated by interviewing staff of all the areas and closely examining the controls to mitigate the same risks.

With reference to the offence of illicit brokering and labour exploitation, in March 2017 the activity at risk was analysed by:

- interviewing staff of the Human Resources area, the Supply Chain and the Health and Safety Manager;
- analysing the documents pertaining to the organisational/procedural measure relating to management of human resources and management of the contracts.

In March 2018 The Company further updated the Model, according to the changes determined by:

- Law no. 179 of 30 November 2017 which amended Article 6 of Legislative Decree 231/2001.
- Law no. 161 of 17 October 2017 (known as "Anti-Mafia Code"), which amended Article 25-duodecies of Legislative Decree 231/2001.

In April 2019 the Company, updating the Model, took into account the changes that came into force via:

- the Legislative Decree 21/2018 on "Provisions for the implementation of the principle of delegation of the code reserve in criminal matters pursuant to art. 1, paragraph 85, lett. q) of Law 23/06/2017 n. 103".
- Legislative Decree 10 August 2018 n. 107 containing "Rules for the adaptation of national legislation to the provisions of regulation (EU) n. 596/2014, relating to market abuse and repealing directive 2003/6/EC and directives 2003/124 / EU, 2003/125 / EC and 2004/72/EC
- The law of 9 January 2019 No. 3, Measures to fight crimes against the public administration as well as on the matter of statute of limitations and transparency of political parties and movements.

In March 2020, considering the regulatory changes that had taken place and especially inclusion of the Tax Offences amongst 231 risks, the Company, through interviews with representatives of the areas affected most, positioned the risks and reviewed its mitigation controls. Analysis of the Model also identified any elements for continuous improvement to be implemented progressively as recommended by the risk management best practices.

In October 2020, given the entry into force on 30 July 2020 of Legislative Decree no. 75 of 14 July 2020, which implemented the PIF Directive, the Company updated the Model again after carrying out a risk assessment by means of documentary analysis and interviews with the Company's key functions. In the context of the offences introduced into the Decree by Legislative Decree no. 75 of 14 July 2020, they were considered relevant for the activity carried out by the Company:

- smuggling offences envisaged by Presidential Decree 43/1973
- offences of unfaithful declaration (art. 4 D.Lgs. 74/2000), failure to declare (art. 5 D.Lgs. 74/2000) and undue compensation (art. 10 quater D.Lgs. 74/2000), relevant to the liability of entities if committed in the context of cross-border fraudulent systems and in order to evade VAT for an amount not less than 10 million euros.

At the beginning of 2022, the Company deemed it appropriate to revise the Model in light of the regulatory changes concerning

- the introduction into the Decree of new predicate offences (such as crimes regarding non-cash payment instruments; crimes against cultural heritage and crimes of money laundering of cultural assets and devastation and looting of cultural landscape assets)
- some amendments to the predicate offences already covered by the Decree (such as, for example, the amendments made to money laundering offences by Legislative Decree 195/2021 and the amendments made by Law 238/2021).

#### 4.3 Activities at risk

Through the analysis of company processes, the results of the Risk Self-Assessment and the Control Self-Assessment (as described above in paragraph 4.1.1) which were carried out when the Model was first implemented, as well as the activities later carried out to update the Model (as described above in paragraph 4.2), and in particular, the identification and notification of risk areas and the associated control mechanisms implemented to protect against said risks through analysis of available documents and interviews with relevant staff, it was possible to identify sensitive activities, i.e. those which might pose a possible risk of committing one of the crimes foreseen under the Decree. For each sensitive activity, existing operational and management methods were identified, as well as any existing control elements ("As-is analysis").

Sensitive activities were then listed in a document ("*Matrix of sensitive areas and associated risks*").

Furthermore, a *gap analysis* was carried out to find any issues between the existing organisational and control models and the principles contained in the abstract reference model drawn up pursuant to the Decree and the Confindustria Guidelines.

Additionally, as it performed the risks and control analysis, the Company took care of focusing more on activities where the probability that certain crimes could actually be committed was higher. In fact, certain activities fall under a given process only because they are *instrumental* to the main activities, even if outside of this connection, they have no functional autonomy.

Due to Philip Morris MTB's specific operations, we held it appropriate to focus our attention on the risk of committing the types of crimes provided for in Articles 24 (misappropriation of funds, fraud against the State or a public body or European Union or to obtain public funds and computer fraud against the State or a public body and fraud in public supplies), 24-bis (computer crimes), 24-ter (organised crime), 25 (embezzlement of public money, bribery, undue induction to give or promise benefits, corruption and abuse of office), 25-bis (forgery of money, public credit cards and revenue stamps and instruments or identifying marks , with exclusive reference to forgery of instruments or identifying marks), 25-bis 1 (crimes against industry and commerce), 25-ter (corporate crimes), 25-quinquies (criminal offences against the individual), 25-septies (manslaughter and negligently causing serious or very serious injury, committed in violation of occupational health and safety regulations), 25-octies (crimes of receiving, laundering and using money, goods or assets of illicit origin, as well as self-laundering), 25-novies (crimes relating to breach of copyright), 25-decies (inducement not to make statements, or to make false statements to the court), 25-undecies (environmental crimes), 25-duodecies (crimes related to employment of third-country nationals whose stay is irregular), 25-quinquiesdecies (tax offences), 25-sexiesdecies (smuggling offences) and, consequently, to strengthen the internal control system, with specific reference to these crimes, as well as to integrate the principles of the Code of Conduct 231 with specific behavioural rules.

Finally, in consideration of the Company's activities, we did not develop concrete risk profiles regarding criminal conduct aimed at terrorism or the subversion of democratic order (article 25-quater), crimes aimed at carrying out female genital mutilation (article 25-quater 1), racism or xenophobia crimes (25-terdecies), offences relating to sports competitions (25-quaterdecies), the so-called "transnational" crimes (article 10 of Italian Law 146/2006), offences relating to non-cash payment instruments (art. 25 octies.1 ), offences against cultural heritage (art. 25 septiesdecies) and offences of money laundering of cultural assets and devastation and looting of cultural heritage (art. 25 duodevicies): nonetheless, we hold that the controls implemented by the Group and the principles

contained in the present Model and the Code of Conduct 231 are fully able to prevent the crimes contained in said articles.

Consequently, on the basis of the above analysis, the following processes/activities are potentially at risk:

- Search, selection and hiring of staff
- Definition and recognition of bonuses, career advancement and pay increases
- Management of the pay slip and payment of remuneration
- Management of contribution, social security and welfare obligations relating to hired staff working and resigned toward public bodies (INPS, INAIL, etc.)
- Preparation and forwarding of documents relating to staff belonging to protected categories
- Management of relations with trade unions
- Management of the disciplinary measures
- Management of labour litigation (accidents at the workplace / dismissals)
- Relations with government officials and representatives of public administrations during inspections
- Preparation and forwarding of documents relating to the request of authorisations
- Management of importations/exportations (including preparation and forwarding of the documents to submit to Customs for imports/exports)
- Management of everyday relations with government officials and representatives of the public administrations
- Management of obligations / communications on Privacy legislation
- Preparation of expense reports for transfers and entertainment expenses
- Access to internal and external computer systems
- Management of confidential and inside information
- Management of institutional public relations with associations and institutions, also government (Region, Municipality, Parliamentary, Unindustria Bologna, etc.)
- Management of perks (contributions, donations, etc.)

- Management of gifts (Iqos mobility kit, Christmas gifts, etc.)
- Organisation of or participation in events
- Management of general accounting
- Preparation of the statutory financial statements, the Explanatory Notes and the Report on Operations
- Approval of the draft financial statements
- Relations with the Auditing Company and Statutory Auditors as part of their auditing activities required by law
- Issue of invoices
- Management of payments
- Management of expense refunds to employees
- Management of bank current accounts
- Management of cash pooling
- Definition of the intra-group conditions (transfer pricing, royalties, financial conditions, mark-ups to Group companies)
- Netting, payment, collection and reconciliation of intra-group balances
- Preparation and electronic forwarding of the Italian black-list report
- Management of IRES and IRAP tax declarations and tax substitutes
- Management of local taxes (TARI, TARES, IMU, advertising, etc.)
- VAT management
- Management of certifications
- Management of duties and observance of prescriptions provided for in Decree of the President of the Republic no. 43/1973
- Management of relations with the Customs and Monopolies Agency
- Management of contacts with the Finance Police in the Tax Warehouse
- Obtainment and management of patents and trademarks
- Use of processes, technologies and know-how of third parties under trade secret

- Management of relations with the Certification Bodies in order to obtain certifications
- Preparation and presentation of documents regarding requests for authorisations (use of special materials) or concessions (building permits, commencement of reporting activity)
- Processing of data and management of information
- Monitoring of logs
- Management of accesses, connections, systems and applications
- Management of access credentials
- Management of logical and physical security
- Access to protected areas
- Management of the application change management process
- Management of processes, technologies and know-how of third parties covered by industrial secret
- Management of relations with the Judicial Authorities
- Management of relations with parties called upon to make statements that can be used in criminal proceedings (e.g. witnesses)
- Use of processes of third parties, technologies and know-how under trade secret
- Obtainment and management of patents and trademarks
- Management of relations with the Certification Authorities in order to obtain certifications
- Preparation and presentation of documents regarding requests for authorisations (use of special materials) or concessions (building permits, commencement of reporting activity)
- Request to purchase goods and services in some cases identifying the supplier
- Contact with the supplier
- Goods/services entry
- Management of supplier's payment data

- Negotiation and definition of contractual conditions
- Verification of legal requirements and definition of contractual conditions concerning hours pay, working conditions, occupational safety and supplier's environment
- Management of goods movements from the warehouse
- Management of entries and exits from the tax warehouse
- Management of waste at the company sites, production sites and construction sites or expansion or maintenance of new sites, offices and plants (e.g. Crespellano)
- Management of emissions into atmosphere at the company sites, production sites and construction sites or expansion or maintenance of new sites, offices and plants.
- Procurement, water discharges and prevention of contamination of the soil and subsurface at the company sites, production sites and construction sites or expansion or maintenance of new sites, offices and plants (e.g. Crespellano)
- Use of substances harmful to the ozone at the company sites, production sites and construction sites or expansion or maintenance of new sites, offices and plants (e.g. Crespellano)
- Management of occupational health and safety obligations at the company sites, production sites and construction sites or expansion or maintenance of new sites, offices and plants (e.g. Crespellano);
- Tax compensation;
- Management of products not destined to be sold.

For further details please see the “Matrixes of sensitive activities and associated crimes” (Annex 4).

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## 5. ORGANISATIONAL SYSTEM

The term “*organisational system*” means that roles and responsibilities have been correctly identified for each individual who belongs to the company organisation.

As Confindustria's Guidelines suggest, this organisational system must be sufficiently formalised and clear, above all in terms of appointment of responsibility, hierarchical structure, and in terms of the description of the job responsibilities assigned, including specific outlined control principles, such as the opposition of functions.

For this reason, the verification of the adequacy of the organisational system was carried out using the following criteria:

1. formalisation of the system in terms of an established hierarchy, *job descriptions*, *Missions*, and responsibilities;
2. clear definition of the responsibilities assigned and the hierarchical structure;
3. existence of segregated functions.

The Company's organisational structure has been formalised and visually represented in an *organisation chart*, which clearly defines the hierarchical structure and the functional links between the various positions contained in the chart.

In addition, the Company has created protocols and procedures which serve as tools to establish and broadcast its organisational processes, including appropriate control points.

Lastly, as a completion of the organizational structure, the company sets, implements and maintains a system of controls which, starting from the operational levels up to the supervisory levels, ensures the effectiveness and efficiency of the established rules and directives.

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## 6. AUTHORISATION SYSTEM

In reference to the provisions in Confindustria's Guidelines, authorisation and signatory powers should be assigned in line with defined organisational and management responsibilities. When requested, they should include detailed indications of the monetary limits for each role, especially in areas considered to be at risk.

These aspects are governed by a set of Principles and Practices established by the Group. In particular, the Principles and Practices PMI 09-C "Know Your Vendors" and PMI 14-C "Interacting with Government Officials and Business Partners. Political Activity" are relevant, along with the operational guidelines regarding carrying out payments using bank accounts, and the provisions adopted to



determine and limit expense approval powers within each department of the company ("Cost Centre Approval Limits").

In addition, in regards to the purposes of the Decree, the Company undertakes to:

- update the details of the powers and delegate system following changes and/or additions to said system;
- institute a formalised informational flow to all interested functions, so as to guarantee timely communication of powers and any changes to such;
- assist the Supervisory Board in carrying out periodic checks on whether signatory powers are being respected. The results of these checks must then be presented to the Board of Directors.

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## 7. CODE OF CONDUCT 231

The implementation of appropriate ethical principles in order to prevent crimes pursuant to Legislative Decree no. 231/2001 is the main objective of the present Model. In that light, the implementation of a Code of Conduct 231 as a useful *governance* tool constitutes an essential part of the preventive control system. In fact, the Code of Conduct 231 is intended to recommend, promote, or prohibit certain types of behaviour which may be linked to sanctions in proportion to the seriousness of the infractions committed.

The Code of Conduct 231 designed by Philip Morris MTB in the context of the project to adapt to the requirements of Legislative Decree 231/2001 is part of an international context notable for the high degree of attention paid to ethical/deontological values.

In order to make these values concrete, Philip Morris International has taken a number of actions including the creation of a detailed *Compliance* system, which is a collection of principles of conduct, and organisational and control systems aimed at ensuring that internal regulations and external laws are respected.

The principles found in the *Compliance* system are based on high level behavioural standards and reflect the Group's continuous efforts in the areas of social responsibility as well as its commitment to responsible production and sales of cigarettes.

Hence, the methodological approach used to draw up the Code of Conduct 231 was focused on first, designing a tool able to deal with all of the aspects specific to the company relevant to the crimes listed in the Decree, and second, to extend its reach to all of the various behaviours which could theoretically fall under the responsibility of the Company. All of this was to be considered while also ensuring that the Code was in line with all the various provisions and behavioural standards already adopted by the Group, above all those in the PMI *"Code of Conduct"*.

The principles found in Philip Morris MTB's Code of Conduct 231, attached to the present Model (Annex 1), are aimed at: Managing Directors, managers, employees (workers and supervisors included), consultants, collaborators, suppliers, agents, proxies and third parties who operate on behalf of the Company or, in any case, perform activities in the interests of and/or to the advantage of the Company (hereinafter also *"Recipients"*).

The Code of Conduct 231 is intended to introduce and make binding behavioural principles and rules relevant to the purposes of reasonable prevention of the crimes indicated in Legislative Decree no. 231/2001 and the risk areas identified by the Company.

A section of the Code of Conduct 231 is dedicated to the description of the Supervisory Board, which is assigned the responsibilities of controlling and updating the organisational, management and control model and the relative control mechanisms. In addition, it identifies the principles to be used to distribute the Code throughout the company, as well as conflict resolution standards to be used in the case of differences between the provisions in the Code, other company ethics codes, internal regulations, or procedures.

Finally, the Code obligates any person who becomes aware of violations of the principles contained in the Code and/or the procedures that make up the Model and/or other events that may alter its value or efficacy to immediately advise the Supervisory Board of such.

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## 8. DISCIPLINARY SYSTEM

The actual use of the Model must be guaranteed by an appropriate Disciplinary System that sanctions violations of the norms of the Model and its constituent elements. Such violations must be sanctioned through disciplinary measures, regardless of any judicial sanctions, as in any case they are violations

of the worker's responsibility to be diligent and loyal, and in more serious cases, damage the trust placed in the worker.

The Company has established a Disciplinary System pursuant to Legislative Decree no. 231/2001, aimed at sanctioning any violations of the principles and provisions contained in the present Model, whether committed by employees of the Company, managers or lower level employees, by administrators and auditors, or by consultants, collaborators, or third-parties. The Disciplinary System can be found as Attachment 2 to the Model. Please refer to it.

With specific reference to violations of the Model in terms of workplace health and safety, behaviours which can be sanctioned are those regarding non fulfilment of the actions required under the Safety Omnibus Bill (as specified in articles 55 through 59 of said Bill), in accordance with the National Collective Labor Contract in effect.

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## 9. HUMAN RESOURCES

The Company recognises the central role that its employees play as an essential element for its development and success.

In terms of the **personnel hiring process**, Philip Morris MTB follows a company policy aimed at selecting and hiring the most highly-qualified and capable staff, in a fair and transparent manner.

As established in principle 25 of the Code of Conduct 231, selection of personnel to be hired is carried out based on the correspondence of the candidate's skills and profile to the company's needs and expectations, as identified in the request made by the area, and always in respect of the principle of equal opportunity for all interested parties.

In particular, the hiring process includes the involvement of various parties, both in the area directly responsible for selection, as well as in the Human Resources area. The skills and responsibilities associated with the open position are established beforehand, using a "*job description*" developed based on Philip Morris International's standard skills model. The selection is then carried out by comparing candidates' correspondence to the Philip Morris International skills model as well as their correspondence to any other requirements identified in the job description.

The Company constantly monitors personnel through the Human Resources area and through the individual areas. The main tool used to evaluate performance is the MAP (Managing and Appraising Performance), a detailed process aimed at ensuring constant coordination between individual performance and the company's objectives, as well as guaranteeing individual development of each employee. Performance evaluations are carried out using the Philip Morris International skills model, which also includes integrity, defined as total respect for the behavioural policies and codes of Philip Morris International.

In terms of an incentive system, the criteria utilised are inspired by the principles established in the Code of Conduct 231. These specify that within the context of the company, the annual objectives set, both general and individual, should not be such as to induce employees to illicit conduct and instead should focus on achievable, specific, concrete, measurable results in-line with the time available for their accomplishment.

In any case from the selection phase in which discrimination is tolerated in the management of the employment relationship that could be based on ideological, race, gender, philosophical, political and/or religious motives.

It is a right and duty of anyone who renders their services to the Company to report any unlawful conduct which is relevant pursuant to Legislative Decree 231/2001 and based on precise and concordant facts, or violations of the organisation and management model of the Company, of which they have come to know through the functions performed.

Those who with malice or gross negligence provide false or unfounded reports shall be subject to disciplinary sanctions.

It is absolutely forbidden to carry out acts of retaliation, or acts which could penalise or marginalise, either directly or indirectly, those who have made reports.

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## 10. SUPERVISORY BOARD

Among the basic requirements for exonerating the company of responsibility after the commission of a relevant crime, Legislative Decree no. 231/2001, in article 6, paragraph 1, letter b, includes the establishment of a Board internal to the organisation, the so-called Supervisory Board (hereafter Board or SB), which is provided with the power to autonomously initiate and carry out controls and

which is responsible for ensuring the efficacy and observance of the Model, as well as for keeping it up to date.

In order to satisfy the requirements under the law, the Board must satisfy the following requirements when it is established:

1. **Autonomy and independence:** as also specified in the Guidelines, the position of the Board within the Company, "must guarantee independence to initiate controls, free of any form of interference and/or conditions on the part of any component of the Company" (including management). Hence, the Board must be established with staff in a high position (as high as possible), and with the presupposition that they will report to the highest levels of management. In addition, in order to guarantee the necessary characteristics of the autonomy to initiate and independence, "it is indispensable that the SB not be assigned operational responsibilities that, making it a participant in decision-making and operational activities, would undermine its objectivity when carrying out verifications of behaviours and examining the Model."
2. **professionalism:** this requirement refers to the specialist technical skills that the Board must have available so as to be able to carry out the activities it is responsible for under the law. In particular, members of the Board must have specific knowledge in terms of useful techniques necessary to carry out inspection activities, and the ability to consult analyses of the control system and legal analyses, (in particular criminal and business law), as clearly specified in the Guidelines. In fact, it is essential that members have knowledge of analysis and risk-evaluation techniques, are able to create flow-charts for procedures and processes, can understand statistical sampling, and are informed about structures and methods related to the commission of crimes.
3. **continuity of action:** to guarantee effective activation of the organisational Model, it is necessary that a dedicated structure is established that works full time and exclusively to monitor activities.

For this reason, as the Board established to supervise the functioning and observance of the Model and to ensure that it is kept up to date, and as the Board provided with specific powers allowing them to initiate and carry out controls, the SB must:

- be independent and serve as a third-party in respect to those that it will supervise;
- have the highest possible position in the company hierarchy;

- be provided with autonomous powers to carry out initiatives and controls;
- be provided with financial autonomy;
- be free of operational duties;
- have continuity of action;
- fulfil professional requirements;
- establish a systematic communication channel with the top levels of company management.

Finally, with article 14, paragraph 12 of Law 183/2011 the “Law on Stability” article 6 of Legislative Decree 231/2001 was integrated with paragraph 4-bis that states: “In business corporations, the board of auditors, the supervisory board, and the management control body can carry out the supervisory functions as referred to in paragraph 1 letter B).

### **Identification of the Supervisory Board**

In carrying out the requirements pursuant to the Decree and the Confindustria Guidelines, and in respect of the requirements of autonomy, independence, professionalism, and continuity of action illustrated above, Philip Morris MTB 's Supervisory Board was structured as a committee formed of three persons, with the possibility to increment the number of members in relation with any amendments and/or integrations held necessary in order to ensure that the Model continues to adhere to the provisions of the Decree and any other organizational changes occurred within the Company, or following recommendation from the Supervisory Board.

One of the members serves as President, in accordance with the methods outlined in the Statute of said Supervisory Board.

As also noted in the Statute of the Supervisory Board, persons who have been found guilty of any of the crimes listed under the Decree, even not definitively, cannot be nominated to serve on the Board. For the details regarding other standards of eligibility and terms of service, as well as all other aspects relative to the functioning of the Supervisory Board, please refer to the document, "*Statute of the Supervisory Board*".

In terms of the organisational details regarding the functioning of the Supervisory Board, the decisions regarding this area are made by said Board, in accordance with the latest recommendations from Confindustria.

### **Responsibilities of the Supervisory Board**

The Supervisory Board is responsible for the following:

- ensuring the effectiveness of the Model;
- verifying the adequacy of the Model, by evaluating the actual ability of the Model to prevent crimes;
- over time, verifying that the above-mentioned requirements of effectiveness and adequacy remain fulfilled;
- take care of updates to the Model.

In order for it to fulfil the above responsibilities, the Supervisory Board:

- has free access to all company documents;
- can use all the structures contained with the Company or use external consultants, under its direct surveillance and responsibility.

In addition, the Board will receive an initial sum of funds which are adequate to allow it to properly carry out its assigned responsibilities.

### 10.1 Supervisory Board Reporting System to the corporate bodies

The Supervisory Board will provide reports in regards to the activation of the Model and in the case that any critical areas are discovered.

As better specified in the document, "*Supervisory Board Report System for Company Areas*," the Supervisory Board is responsible for two types of reports:

- the first, which shall be performed on a continuous basis, shall be provided directly to the Chief Executive Officer;
- the second, which shall be performed on a periodic basis (half year/annual), shall be provided to the Board of Directors and the Board of Statutory Auditors.

In terms of the reports provided to the Chief Executive Officer, the Board shall provide the following types of written reports:

- audit plan;
- results obtained from the activities performed;

- indications received during the period in question;
- a summary report of the operations of the Supervisory Board (all activities performed, necessary/appropriate interventions to correct/improve the Model, and their status).

In terms of the reports provided to the Board of Directors and Board of Statutory Auditors, the Board shall provide the following types of written reports:

- every six months, a written report containing the following:
  - a) activities carried out (with details on controls performed and the results of the same, any changes that are necessary for the Model or procedures, etc.);
  - b) any critical areas that were found in terms of the Model's efficacy, as well as the status of any interventions carried out to improve/correct said Model;
- on an annual basis, a written report containing the action plan drawn up for the coming year.

Finally, the Supervisory Board shall notify the Board of Statutory Auditors of any irregularities/anomalies found in the operations of Top Management or that are particularly important for the Company.

Minutes must be drawn up for all meetings held between the Supervisory Board and corporate bodies and must be kept in the custody of the Supervisory Board.

The presence of the Board can be requested at any time by the above structures and the Board can also request the same in order to provide information regarding the functioning of the Model or regarding specific situations.

## 10.2 Information Flow system to the Supervisory Board

Article 6, paragraph 2, letter *d* of Legislative Decree no. 231/2001, requires the creation of an "Organisational Model" in terms of the informational obligations established for the Board assigned the task of supervising the functioning and observance of said Model.

The obligation to create a structured flow of information is designed to work as a tool to guarantee supervisory activities regarding the efficacy and effectiveness of the Model and for any necessary investigations carried out *after* the fact regarding the causes that made it possible for one of the crimes contained in the Decree to be committed.



The information provided to the Supervisory Board is aimed at improving its control planning activities and should not be considered as a detailed and systematic control regarding all the various types of phenomena possible.

In particular, the following must be communicated to the Supervisory Board in a timely manner:

- information regarding visits, inspections, and controls initiated by the appropriate public authorities (for example: ASL-Local Health Authority, INPS-National Institute of Social Insurance, INAIL - National Institute for Insurance against Labour Accidents, Revenue Office, Finance Police, etc.) and upon their conclusion, any resulting findings or sanctions;
- violence or threats, or offers or promises of money or other useful objects received for the purposes of altering testimony to be provided in legal proceedings;
- injunctions and/or information coming from legal police bodies or any other authority, which regard the carrying out of investigations of crimes pursuant to the Decree, even if the person(s) being investigated are unknown;
- decisions made relative to requests for, disbursement of, and usage of public funds;
- requests for legal assistance made by directors and/or employees which regard proceedings of the legal system regarding crimes pursuant to the Decree;
- reports prepared by directors of company areas in the context of controls carried out, which could contain facts, acts, events, and omissions of a critical nature in regards to the provisions of the Decree;
- information regarding the effective activation of the Model, at all levels of the Company, highlighting any disciplinary proceedings and any sanctions applied (including provisions made regarding employees), or any provisions motivated by dismissal of disciplinary proceedings;
- any change and/or addition made to the system of delegation and legal powers;
- any issuance, change, and/or addition made or held to be necessary to the operational procedures and the Code of Conduct 231.

Not respecting the obligation to communicate the above information is a sanctionable offence pursuant to the Disciplinary System.

The Board will act so as to guarantee that the informer is protected from any type of reprisal, discrimination, or penalisation, as well as ensuring the anonymity of the informer, without prejudice

to its obligations under the law and the protection of the rights of the Company and the persons involved, as well as the reputations of the person(s) accused.

The flow of information to the Supervisory Board is better defined in the procedure "Flow of information and notification to the Supervisory of Board," which defines general and specific information to be communicated to the Supervisory Board, as well as the functions involved, the schedule for the flow of information, and the communication methods.

In addition to the list of the information to be sent to the Supervisory Board, the following is added:

- any news of xenophobic or racist or denialist activity that could involve the Company directly or indirectly. This must also include any declarations made publicly (on social networks) by top level staff.
- any information relating to the employment of third-country nationals whose stay is irregular or in any case involving the facilitation of illegal immigration not only by persons working for the Company, but also by its suppliers or partners.
- any information relating to misconduct held by service providers, with specific reference to relations with the Public Administrations.

For further integration, adding:

- Objections by the tax Authority even if not defined.
- Relevant discussions, requests and verifications by the Customs and Monopolies Agency.
- Infliction of sanctions.
- Loss, misplacement, destruction of tax documentation.

### 10.3 Whistleblowing

In addition to the information system outlined in paragraph 10.2 above, anyone who comes into possession of information relating to the commission of offences or conduct not in line with the provisions of this Model must immediately inform the Supervisory Body. As foreseen by art. 6, paragraph 2-bis, of Decree 231, the Company has adopted all the necessary measures to guarantee

a) the provision of one or more channels that allow the submission, in order to protect the integrity of the entity, of detailed reports of unlawful conduct, relevant pursuant to Decree 231 and based on

precise and concordant factual elements, or of violations of the Model, of which they have become aware by reason of the functions performed; in the management activities of the report these channels guarantee the confidentiality of the identity of the whistleblower;

b) the provision of at least one alternative reporting channel capable of guaranteeing, by IT modes, the confidentiality of the identity of the whistleblower.

In order to allow maximum accessibility and diffusion of the existing channels for reporting unlawful conduct, the Company regularly provides appropriate information to personnel to allow appropriate awareness of the existence of such tools and channels for reporting unlawful conduct.

Any reports made through one of the reporting channels are followed up with an investigation procedure, which is set out in the procedure adopted by the Company for this purpose.

In preparing the reporting methods, we took into account the various tools which could be used to notify the Supervisory Board of information, including existing as well as dedicated information channels (e.g. *help-line*, e-mail), which are appropriate to provide direct and continuous communication with the Supervisory Board.

Moreover, the Company undertakes to prevent and actively repress any act of retaliation or discrimination, whether direct or indirect, against the authors of reports of unlawful conduct for reasons directly or indirectly connected to the report, except in the case where the whistleblower is found to have criminal or civil liability related to the falsity of the statement.

Annex 2 of the *"Disciplinary System pursuant to Art. 6 and 7 of Decree no. 231/2001 of Philip Morris Manufacturing & Technology Bologna S.p.A."* provides for sanctions against those who violate confidentiality obligations or engage in retaliatory or discriminatory acts against whistleblowers, as well as against those who maliciously or with gross negligence make reports that turn out to be unfounded.

#### 10.4 Information gathering and maintenance

All information, notifications, and reports called for under the present Model shall be stored by the Supervisory Board in an electronic or paper database, within an appropriate archive, and shall be maintained for no less than five years.

### 10.5 Privacy obligations of the Supervisory Board

The Board is obligated to not divulge any facts or information it acquires during the exercise of its responsibilities, ensuring privacy and refraining from investigating or using such information for purposes other than those indicated in article 6 of Legislative Decree no. 231/2001. In any case, any information in the possession of the Board shall be treated in conformance with the relevant legislation in effect and, in particular, in conformance with the Omnibus act regarding the protection of personal data, pursuant to Legislative Decree no. 196 of June 30, 2003.

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## 11. OPERATIONAL PROCEDURES

As clarified in the Confindustria Guidelines, the control model and the relevant operational procedures must ensure that the following principles are respected:

- *“every operation and transaction must be verifiable, documented, coherent, and appropriate.”*

This principle means that the Company intends to ensure that, above all for at-risk activities, an appropriate document base exists (*“traceability”*) which can be used as a basis to carry out controls at any time. To that end, for each operation it should be possible to identify who *authorised* the operation, who actually *carried it out*, who *registered* it, and who carried out the *control*. Traceability of operations can also be ensured through the use of an electronic system able to manage operations and fulfil the requirements described above.

- *“no one person should manage an entire company process on their own”.*

The control system must establish whether any processes within the Company are carried out by just one person, and if so, must make the appropriate changes to ensure the principle of "separation of roles." This requirement can be guaranteed by ensuring that different persons are assigned responsibility for the various phases that make up a process, above all the aspects related to authorisation, accounting, performance, and control.

In addition, so as to guarantee the principle of separation of roles, authorisation and signatory powers should be properly defined, assigned, and communicated so that no one person has unlimited powers.

- *“controls carried out must be documented”*

The procedures used to carry out controls must guarantee that control activities can be repeated, so as to allow evaluation of the appropriateness of the adopted methods (self-assessment, sampling, etc.) and the accuracy of the results (e.g. audit reports).

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## 12. MANAGING OF FINANCIAL RESOURCES

The financial resources managing process refers to activities relative to outgoing monetary and financial flows in order to fulfil various company obligations, which can essentially be divided into the following groups:

- ordinary flows, connected to current assets/operations such as the purchase of goods, services, and licenses, tax/financial/social security charges, and employee wages and salaries;
- extraordinary flows, connected to financial operations such as capital subscriptions, increases in shareholders' equity, and transfer of sums.

In particular, in respect of the principles of transparency, verifiability, and relevance to company activities, the management process includes the following stages:

- planning, on the part of individual functions, of the periodic and/or spot financial needs and communication, with appropriate approval, of such needs to the appropriate area;
- establishment (on the part of the relevant Area) of the necessary financial resources by the deadlines set;
- appropriately formalised request for provision of payment;
- verification of a match between the amount of the request and the provision for payment.

Again drawing from the principles found in the Guidelines, the control system for the financial resources management process is based on elements that separate the roles in the key stages of the process, which are appropriately formalised, and on the traceability of the actions and the authorisation levels associated with the operations.

The specific control elements are as follows:

- existence of various actors carrying out the different process stages/activities;
  - appropriately formalised request for provision of payment to discharge the obligation;
  - check that payment was carried out;
  - reconciliation of final numbers;
  - existence of authorisation levels for the payment request, provision of payment (established based on whether the operation is extraordinary or ordinary), and the amount;
  - existence of a systematic flow of information that guarantees constant coherence between legal powers, operational delegates, and authorisation abilities within the informational system;
  - systematic carrying out of reconciliation, both for intercompany accounts, and for accounts held with credit institutions;
  - traceability of actions and individual steps within a process, with specific reference to the annulment of the documents which have already led to a payment.
- ❑ To that end, through its relevant organs, the Board has established appropriate periodic inspections to ensure that the above control principles are respected.
- ❑ Appropriate control over financial resource management is also ensured by a budgeting system for which the Financial Area is responsible. This monitors any changes in the budget and includes timely communication of any anomalous behaviour, whether in amount or repetition, to the Supervisory Board.

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## 13. TRAINING

Internal training is an extremely important tool that allows effective implementation of the Model and ensures that the behavioural and control principles adopted by the Company are taught to all employees, so as to reasonably prevent crimes provided for by the Decree.

The Company already carried out a preliminary training pursuant to Legislative Decree 231/2001, during the project to create the Model. This training activity included the explanation of the

fundamental criteria regarding administrative responsibility for the Organisation, the crimes falling under the Decree, as well as the type of sanctions foreseen and the analysis methods adopted.

In addition, the RSA methodology led to the completion of an introductory training activity for upper level employees aimed at ensuring correct and efficient completion of the questionnaires.

In order to enact the Model, the Company, in observance of the provisions outlined in the Confindustria Guidelines, will develop an appropriate periodic training program with separate modules for directors and employees (and with additional separation between modules for general employees and those working in specific risk areas), and for members of the Supervisory Board and those responsible for internal controls. This training plan is aimed at guaranteeing an appropriate level of knowledge and understanding of the following:

- the concepts contained in Legislative Decree no. 231/2001 in terms of the administrative responsibility of organisations, and the crimes and sanctions called for within it;
- the behavioural principles called for in the Code of Conduct 231;
- the Disciplinary System;
- the guidelines and control principles contained in the internal operational procedures and behavioural standards;
- the powers and responsibilities of the Supervisory Board;
- the internal reporting system for the Supervisory Board.

In particular, the training plan calls for:

- obligatory participation in the training program;
- controls on attendance;
- quality control in terms of the content of training programs.

In addition, for all training sessions, focused tests are required in order to ascertain that attendees have truly learned the concepts.

In the case of important changes and/or updates to the Model, additional modules are organised aimed at providing information about said changes/updates.

Finally, specific modules are organised for new hires who will be working in risk areas.

Quality control for the contents of the training program and checks on obligatory attendance are the responsibilities of the Human Resources department.

The Supervisory Board, as an absolute priority and in any case no later than six months after the present Model is approved, undertakes to agree upon a detailed training plan with the Human Resources department.

The periodic training programme as defined above must also provide content related to:

- respect for fundamental human rights
- the culture of legality and the fight against all forms of corruption
- the right to report.

Suppliers whose services have an impact on public administrations, public officials, public service providers, must be required to include in the training programs those who provide the work on their behalf, contents inherent to the legality and the correct behavior models adopted from society.

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## 14. COMMUNICATING THE MODEL

In line with the provisions of Legislative Decree no. 231/2001 and the Confindustria Guidelines, the Company will publicise the present Model, so as to ensure that all personnel are aware of all its component parts.

The communication will involve all employees, and will be effective, clear and detailed. Periodic updates will be issued when the Model is changed, in observance of the Confindustria Guidelines.

Those who will receive said communications include:

- all employees (both general and directors);
- new hires at the time of hiring;
- short-term employees, even if they do not have permanent contracts, at the time their contracts are stipulated.

With regards to parties that are not employees, including consultants, agents, legal representatives, suppliers, and in general, all third parties that operate for the company's purposes, these communications refer to the Code of Conduct 231.



With regard specifically to suppliers whose services may have an impact on public administrations, public officials, public service providers, the communication must include, even in an extract, the anti-corruption principles adopted by the company and the consequent obligations imposed on the supplier.

The communication plan for the essential components of the present Model must be developed bearing in mind all personnel (employees, mid-level managers, and directors), using company communication channels, including:

- **Informational letter signed by the Chief Executive Officer** sent to all personnel, in which the Model is presented, and includes specific information about the purpose of the Model.
- **E-mail** sent to all employees, which presents the Model, the Supervisory Board, the Code of Conduct 231, the Disciplinary System, and all other information deemed useful in order to effectively provide information about said Model.
- **Publication on the company intranet**, to allow all employees easy and immediate access to the Model for consultation purposes.
- Activation of a **Help Line** to allow employees to directly communicate with the SB.
- **Organisation of events** so as to publicise, among other things, the implementation of the Model, the Supervisory Board, and the Code of Conduct 231 (please refer to the training plan in paragraph 13).

The communication plan envisaged by the foregoing provisions will have to pay particular attention to the methods of reporting the offences and the rights and protections recognised to the reporters and provide specific contents regarding the Company's commitment to the culture of legality and respect for fundamental rights of the man.

- 1) *Philip Morris Manufacturing & Technology Bologna S.p.A.'s Code of Conduct pursuant to Legislative Decree no. 231/2001*
- 2) *Philip Morris Manufacturing & Technology Bologna S.p.A.'s Disciplinary System pursuant to articles 6 and 7 of Legislative Decree no. 231/2001*
- 3) *List of crimes and illicit administrative activities pursuant to D.Lgs. no. 231/2001*
- 4) *Matrixes of sensitive activities and associated crimes*