SUPPLIERS POLICY IN THE PURCHASING PROCESS OF TELECOM ITALIA

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1. Introduction

The Purchasing process of the Telecom Italia Group (“Group”) is aimed at the procurement of products/services allowing global cost optimization and meeting at the same time the Group’s standard requirements of quality, safety and respect for the environment.

In order to ensure the best competitive advantage for the Group and in compliance with the above mentioned principles, the purchasing process is performed, as a rule, by means of the comparison of technical/economical offers of qualified suppliers, in agreement with procedures valid for all Group’s companies; such procedures are aimed at ethical negotiation and careful consideration of social-environmental issues and include an adequate system of monitoring and control.

2. Ethical negotiation

Since 2002 the Group has been provided with a system of rules and controls valid for Group’s companies in Italy, the so-called Organizational Model ex Legislative Decree June 8, 2001, no. 231 (“Organizational Model”). The system is based on the Code of Ethics, inspired by the principles of the Global Compact promoted by the UN and in which are stated the general values to which the Group refers in the management of its business. In 2005 a Control Model has been defined for the Group’s companies abroad, too; it is based on the same principles and values of the Organizational Model no. 231. Moreover Telecom Italia’s BoD approved the Group’s Antitrust Code of Conduct on February 2019 and it forms the basis new Antitrust Compliance programme (https://www.telecomitalia.com/lit/en/about-us/governance-system/codes.html).

In conformity with these rules, all Group’s corporate processes are carried out in observance of the law of the Countries in which the Group’s companies act and of the principles stated in the Code of Ethics.

The purchasing process is carried out in conformity of the following principles.

Transparency of rules and decisions

Tenders are promoted, in equal opportunities conditions, among suppliers that, for homogeneous products/services offered, have shown, after a qualification process, to meet the technical and organizational requirements that the Group considers fundamental; such requirements are described in the relevant corporate procedures and communicated to the potential suppliers.

Besides a positive outcome concerning technical-organizational requirements, in order to take part in tenders potential suppliers must confirm in advance both their commitment and that of any authorized sub-supplier, subordinate or employee, in observance of the ethicalbehavioural principles of the Group’s Code of Ethics; at the same time the supplier is requested to declare that there are no pending legal proceedings, protests or other
prejudicial acts related to its company and/or to its Legal Representatives/Directors, serious administrative sanctions, included those on Accident Prevention and Sanitary Conditions in the workplace issued by the relevant Inspection Offices.

Consistently with the Organizational Model, a specific procedure disciplines the cases of exception to the principle of making a tender between qualified suppliers; these cases must be justified, documented and approved by the relevant organizational level.

Separation of roles

The separation of roles in the different operative and decisional phases of the process and the documented traceability of the decisions and actions made by the purchasing offices, are the main managerial tools in order to ensure fair and clear activities and to avoid conditions of individual advantage in carrying out the purchasing activities; in detail:

- within the Purchasing service Unit of the Group the responsibility of verifying, qualifying and managing the Group Qualified Suppliers’ List is separated by the operative purchasing processes addressed to start, negotiate and close contracts with suppliers;
- the responsibility of defining supplies volumes and purchased product/service characteristics is assigned to user Units, who draw the technical specifications of the supply in an objective and complete manner, normally, by describing functionalities rather than realization ways.

Fairness

The Group does not intend to obtain competitive advantages from suppliers deriving from irresponsible behaviour: its employees are requested to entertain relationships with suppliers on the basis of objective criteria and the Group is committed to promote the principles of legality, transparency, fairness and honesty.

Each Group’s employee must separate its own interests from those of the Group; in particular it is prohibited to:

- ask, accept, offer or guarantee, directly or indirectly, a personal advantage related to the negotiation, assignation and execution of a supply contract
- violate the secrecy of the information obtained by the suppliers for purposes that are not connected with one’s duties
- use any suppliers’ confidential information to gain competitive advantages and use it in an opportunistic manner to maximize the results of the negotiations to one’s advantage or to the advantage of a specific competitor
- provide the other competitors with information about the identity of a tenderer or about the contents of its bid.
Tracking of purchasing acts

Purchasing procedures, product/service technical specifications, purchasing plans and procedures for suppliers’ control (qualification, incoming quality control, vendor rating), are tracked during purchasing activities and are thus available for quarterly internal audit activities carried out with reference to the surveillance body defined in the Organizational Model.

For each activity under contract, the relevant purchasing unit is called to record all the related documents, giving evidence of the fairness of the operations and of decisions made.

In the same way, the documents with the results of check and verification activities on the products/services delivered/carried out/installed by suppliers, and which are decisive for payments, are available at the relevant company units.

3. Commitment to sustainability

The Group commitment to promote the safeguarding of the environment, the respect of human rights and labour standards, as well as the fight against corruption is stated in the Code of Ethics and in the Organizational Model.

Coherently with these values, the Group promotes and asks its own suppliers and, through them, its sub-suppliers, to respect the following principles and laws in force in the Countries in which these Stakeholders operate.

Workers’ rights

- child labour: the Group's companies do not employ nor provide any kind of support to the employment of people under the age of 18, with local exceptions to the rules. In any case no individual under 18 shall be employed in dangerous or night work.

- forced labour: all work or service not voluntary and extracted under the menace of any penalty or demanded as a means of repayment of a debt is forbidden; moreover, no personnel is requested to lodge a “deposit” upon commencing employment with the company.

- discrimination: the Group’s companies shall not engage nor support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age. In compliance with laws in force the Group’s companies shall not allow any behavior that is sexually coercive, threatening, abusive or exploitative.

- disciplinary procedures: concerning the hypothesis of disciplinary actions to be applied to personnel, the Group’s companies shall not engage or support the use of corporal punishment, mental or physical coercion and verbal abuse.
working hours: the organisation of working hours complies with laws in force and with agreements negotiated with the workers’ Organisations on the subject, including the weekly day off and overtime.

freedom of association and right of collective bargaining: all personnel -whatever the level/qualification- are entitled to form and join trade unions for the protection of individual and collective interests. The Group's companies acknowledge the role of union representatives, who are not subject to any discrimination, and ensure, for union activities, the appropriate retribution for leave of absence and the means to communicate with personnel in the workplace.

remuneration: as far as minimum standards and payment modes are concerned, wages paid by the Group’s companies to personnel meet collective bargaining provisions. Any deduction from wages due to disciplinary purposes is made in compliance with collective bargaining provisions. The wages sheet delivered to personnel shall clearly detail all items composing remuneration. The Group’s companies do not undertake contracting arrangements that are unlawful or avoid fulfilling obligations under applicable laws.

health and safety: the Group’s companies assure full compliance with law provisions concerning health and safety in the workplace, aimed at preventing possible accidents and injury to health arising out, of or associated with working activities. The Group’s companies, in compliance with laws in force, shall appoint special representatives responsible for health and safety and for the implementation of any measure needed to ensure them. Upon employment all personnel receives an appropriate health and safety training. The Group’s companies ensure the observance of requisites concerning cleanliness and safety provided by laws in force.

dev elopment and employability: Telecom Italia believes that developing people’s skills and talents is good for both suppliers and buyers, and thus it recommends its suppliers to ensure the implementation of adequate initiatives for the development of their human resources. Telecom Italia requires total compliance with local labour laws and norms, as well as an approach to industrial relations based on the utmost respect of all involved social organizations. Finally, Telecom Italia believes that all enterprises, which are economical and occupational agents, have the possibility of contributing to the achievement of a high social welfare.

Protection of the environment

The Group uses suppliers that have demonstrated to respect the environmental provisions in force in the countries in which they act and, in particular, it excludes from its own Group Qualified Suppliers’ List those who have been sanctioned from competent local authorities with reference to environmental issues.

The Group is committed to promote the environmental performance improvement of its own suppliers, as well as the adoption of solutions allowing the improvement of the environmental impact of the supplied products and services, among which: the optimization of energy consumption, the reduction of dangerous materials, the reduction of emissions, the increase of recycled or reused materials, the best waste management.

4. Control system

The correctness and the transparency of the precontractual and contractual relationships that the Group entertains with its own suppliers are ensured by a set of controls carried out along the entire qualification and purchasing procedure, as well as in the following supply’s distribution phase, besides the above mentioned system of rules and procedures.
As a rule all Group’s control procedures of suppliers/supplies define in a clear and objective way the requirements that should be met, the evaluation criteria and those aimed at defining the periodicity and sampling of controls.

In particular, in the qualification phase the possession of requirements established by corporate procedures and needed for the registration in the Group Qualified Suppliers’ List is always assessed by means of objective and documented evidences; for specific commodity categories it is also assessed by means of technical-organizational audits at suppliers’ premises.

With reference to the safeguarding of the environment and to health & safety in the workplace for national suppliers:

- during the controls linked to the suppliers’ qualification phase, the Group systematically verifies whether the payments due to the welfare system (insurance, accident prevention, etc) have been made and a risk assessment has been provided and whether a Safety General Plan is in force. The supplier is also requested to declare the regularity of its own position regarding social security and health and safety law provisions, as well as sanctions coming from the Inspection Offices for the Prevention of Accidents and Sanitary Conditions in the workplace;
- concerning some types of companies implementing Tlc’s network infrastructures and the related sub-suppliers, whenever the work involves greater risks (i.e. diggings, installations on pylons), thorough controls are carried out on the provisions related to the use of Healthy Devices, training to prevent accidents, medical controls to verify professional suitability and to waste disposal management.
- concerning high environmental risk companies (i.e. dischargers, scrappers), with reference to Legislative Decree 22/97 (so-called Ronchi decree and further amendments and/or integrations), the availability of the required institutional authorizations, of material in/out recordings (waste accounting books, waste identity forms) are controlled, as well as the percentage of recycled materials versus waste handed over to dumps.

Similar controls will be implemented concerning foreign suppliers, too.

The whole purchasing process is moreover integrated with internal assessment activities in order to:

- verify the observance of general purchasing principles
- periodically report on purchasing activities to appropriated internal bodies (i.e. the Surveillance Body established by the Organizational Model, monitoring related to Sarbanes-Oxley rules)
- monitor service level for suppliers and internal customers

According to a model of risk assessment, measured on the basis of specific drivers (i.e., technological complexity, innovation, safety purchasing volumes, safety, environmental impact), the supplies of products/services with greater risk are:

- accepted if the conformity controls carried out by the Group’s staff yield positive outcomes
- subjected to a monitoring of vendor rating evaluating the quality of the contractual relationship (technical commercial and administrative).
Conformity controls, such as those included within vendor rating monitoring, also provide evidence on requirements connected to environmental protection (i.e. management and waste disposal of building yards) and to the job’s health safety (i.e. adoption and observance of building yard Security Plans, correct use of Personal Security Devices); such evidence contribute to the overall supplier evaluation. Should the evaluation outcome be under preestablished thresholds, a contractual action (penalties, reduction of supply volumes) is taken, leading in very serious cases to the exclusion from the Group Qualified Suppliers’ List.

Suppliers can signal any violations of the above mentioned principles and procedures; the Statutory Auditors of Telecom Italia is the competent company unit to receive such reports (email address: collegio.sindacale@telecomitalia.it or audit.committee@telecomitalia.it). Communications will be dealt with due confidentiality; appropriate details and evidence are required on facts and persons involved.

Any data transmitted by suppliers and referring to identified or identifiable persons will be used by Telecom Italy only to answer to suppliers’ enquiries and will be communicated to others only if necessary for that purpose.

Any treatments of transmitted data will however be carried out in observance to provisions of Legislative Decree 196/03 on the matter of personal data protection.