

NATIONAL REPORT

Italy



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Italy's SOEs: a situation on the move

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1. GENERAL NATIONAL OVERVIEW ON SOES

1.1 THE EVOLUTION OF STATE OWNERSHIP IN ITALY

The rise of state intervention in the Italian economy had been massive throughout the 20th Century and occurred in separate waves. The first large-scale nationalization started in 1905, as the government took over main railway concessions from private operators, which merged into Ferrovie dello Stato (FS). In 1933 with the establishment of the Istituto di Ricostruzione Industriale (IRI), a private-law institution which was directly controlled by the State, the State took over some of the most prominent financial and industrial groups and re-launched industrial policy in crucial sectors such as steel, electricity and shipbuilding.

After World War II, State intervention in economy intensified between the 1950s and the 1960s. During this period, the size and the role of State capitalism was shaped by three major strategic decisions. The first concerned IRI's strategy, which refocused on support for the country's development by provision of infrastructures and basic products for private manufactures. A key role was also played by the heavy industry, as in the case of enterprises producing steel (ILVA), ships (FINCANTERI) and defence and aerospace systems (FINMECCANICA). In addition, IRI acquired a number of other companies, such as the national TV and radio Broadcaster – RAI - and retail enterprises, such as SME and Autogrill.

The second strategic decision relates to the oil and gas sector. Agip, a SOE established in 1927 to promote oil exploration and extraction, became in 1953 a subsidiary of the Ente Nazionale Idrocarburi (ENI). ENI's mission aimed at creating a vertically integrated oil and gas player. Its activities ranged from extraction and engineering to fuel distribution.

A third strategic decision was made in 1962, when the electricity sector was nationalized and the Ente nazionale per l'Energia Elettrica (ENEL) was established. The main public mission was to promote universal access to services country-wide at reasonable rates, for both individual customers and firms, irrespective of fixed and marginal costs.

FS, ENEL, ENI and IRI constituted a highly relevant component of the Italian economy in terms of size, sectors covered and investments. During this period, Italian SOEs were run under the public-law, they were Enti pubblici a carattere economico, which means a type of corporation that, although separated from government in terms of accounting, was ultimately part of the State. The governance of this network was based on ownership by several government departments such as Industry, Public Enterprises, Telecommunications, sharing coordination powers with the Treasury. Often, such collaboration took the form of interdepartmental committees, such as those responsible for economic planning and establishing fares for public services.

This system underwent a radical change during the 1990s.

In 1992, the emergence of a joint financial and monetary crisis pushed national policy makers to design and implement a drastic cutback of public assets.

IRI's dismantling was part of a larger design that the Italian foreign minister negotiated

in 1994 with the European Commission, to cope with both the Italian public debt and observance by IRI of Common Market rules on state's aids according to the Treaty of Maastricht. A first glance at the new governance of SOEs shows the pivotal role played by the Treasury, which became by far the most important department, controlling SOEs through shareholder powers stipulated in private law. Indeed, the Italian SOEs underwent a reformation their legal form and they were corporatized. Previous public-law entities became joint stock companies - Società per Azioni (SpA) in Italian - allowing separation of their budget from State budget and from the composition of the public debt. Among the newly corporatized Italian SOEs, some remained completely state-owned (FS, POSTE, RAI, FINTECNA), while others underwent partial privatization and were listed on the stock market, with the Treasury preserving its role as a key shareholder (ENI, ENEL, FINCANTIERI).

Later on, the initial idea that market regulation and privatization were the optimal solution for industrial growth was gradually replaced by a more pragmatic approach towards the potential role of the State. In view of this, the 2008 financial crisis represented the juncture which allowed Cassa Depositi e Prestiti (CDP) to effectively implement the State's comeback to economic policy making. However, it should be noted that this involvement does not appear to reproduce the old IRI. In contrast with the past, CDP does not use public money and cannot by statute invest in companies with losses. A further rationale behind CDP's involvement in the network industries is related to the shift towards regulatory governance and the legal basis to open markets in these sectors.

The abovementioned restructuring of state ownership coevolved with the liberalization of services of general economic interest (SGEI), since European sectorial policies have broken up former vertically integrated monopolies and opened them to market competition. Three main processes of market building were introduced at EU level to foster competition and to protect costumers: 1) unbundling of networks; 2) opening of the market to non-incumbents through the sale of licenses for the operation on the network; 3) creation of independent regulatory agencies (IRA) at national level, with different competencies over prices, costumers protection, service quality. Similarly, the institution of national IRAs was very diverse in terms of timing, powers and very existence of the authority (without considering the varying degrees of formal independence). Such interventions were implemented homogeneously across sectors and by comparison to other EU countries. In sectors such as electricity and gas, where the Italian regulations require institutional separation between infrastructure management and service provision, CPD represented a viable solution to meet EU requirements and maintain public control on both infrastructures and provision of services.

Indeed, the different extent of liberalisation and of implementation of the different reforms may also depend on the actor configuration in the policy domain: in sectors where the national champions were stronger on the domestic market, the opening of the market was wider and the internationalisation of former national monopolies was more pronounced. Thus, it is plausible that if there are any common developments (either pro-opening or conservative), they can be seen only at sector level.

In conclusion, state ownership underwent profound changes during the last three decades in Italy. These changes are rigorously interwoven with the introduction of both EU and national sector regulations, which diversified markets for services. Privatizations culminated during the 1990s and the 2000s resulted in the retreat of the State in some sectors such as Motorways and Telecommunication. The overall public assets appeared to be resilient, as they still represent an important share of the country's economy. From a different point of view, nonetheless, the markets where Italian SOEs are currently operating underwent significant changes, reaching higher degrees of contestability. All big players in the energy sector (Enel, Eni, Finmeccanica, Snam, Terna) were listed at the Italian stock exchange by the end of the 1990s or the beginning of the 2000s. These SOEs are subject to the supervision of the Italian Authority - CONSOB. More recently, other important SOEs have been listed at the Stock Exchange (in 2014 the public offer of the Italian Postal Service was the most important operation across Europe of the year).

1.2 LEGISLATIVE OVERVIEW

1.2.1 THE GOVERNANCE REFORM

In 2016 the Italian Government enacted legislative decree no. 175/2016 'Testo unico in materia di società a partecipazione pubblica' aimed at reforming public-owned enterprises, making them more efficient, by better controlling them and by streamlining them. The new rules have been modified by legislative decree no. 100/2017, entered into force on the 27 June 2017.

Given the topic of the SOESC project, the most important novelties can be summarised as follows:

Applicable law

The provisions of the Civil Code and relevant private law apply to SOEs. They are established to manage general interest service and have a mission of public interest. They are subject to the bankruptcy law.

The justification for public ownership

Public administration is allowed to own companies whose Statute provides for the appointment of a control board or an auditor. Moreover, public administrations are allowed to own only companies whose activity is strictly linked to their institutional purpose.

The incorporation of a company

The new legislation establishes procedures for incorporation, acquisition or participation in public-owned enterprises by Public administration. Any decision is motivated and adopted by a resolution of the Municipal or Regional Council. The resolution is subject to public consultation and submitted to the Court of Auditors.

Management

The members of the board of the company must enjoy good reputation, professionalism, and independence. The general rule is that the management of public-owned enterprises consists of a sole director. Exceptions are allowed in specific situations depending on the dimension or complexity of each enterprise. The competent ministries may authorize a board of management composed of 3 to 5 members. In these cases, at least 1/3 of members of the board are of the same gender.

Remunerations of members of the Management board

The legislation provides guidelines on the maximum remuneration of members of the board, that have not been defined by the competent Ministry. Members of the Management board of public-owned enterprises must not be employed in parent companies. End-of service benefits for the members of the board are prohibited.

Rationalization of participation

By September 30th, 2017 all public administration must map and report all owned companies. The reporting will allow knowing the exact number of public-owned companies in Italy. The decree provides for rationalization of public participation in enterprises on an annual basis at the end of each year (December 31st). As of 2020, public participation in companies with an average annual turnover below EUR 1 million in the previous three years will be no longer permitted. As of 2018, public participation in companies with losses in four out of five consecutive years will be not allowed. Companies with no employees or with more managers than employees will be dissolved. Shares in companies which carry out homogenous activities or activities similar to other companies of the same parent company will be disposed of.

Economic balance and human resources management

Public-owned enterprises shall draw up a risk assessment plan. The aim for this is to ensure the adoption of tools to enable periodic monitoring and assessing of their financial situation, to avoid any potential negative impact on public authorities as a result of financial losses or liquidity crisis.

In the event of debt settlement, the company will develop a corporate restructuring plan containing measures aimed at the revival of the financial and business situation.

In the event of bankruptcy of public-owned enterprises, for the following five years the parent public authorities are not allowed to establish new companies, nor to acquire or maintain participation in companies providing similar services.

The Italian Ministry of Economy and Finances will select a competent body to conduct monitoring and oversight over the implementation of the decree, as well as to provide support to public authorities in the promotion of good practises in the management of public-owned enterprises.

1.2.2 LIABILITY OF LEGAL PERSONS AND THE ANTI-CORRUPTION LEGAL FRAMEWORK

A) Liability of legal persons and the organisational model

The legislative decree no. 231/2001 introduced into the Italian legal framework the principle of administrative liability of legal persons for crimes committed by their senior management for its advantage, and by other persons under the supervision thereof (employees, suppliers, etc.). The decree introduces "administrative responsibility" of companies for certain types of offences. Administrative responsibility is very similar to individual criminal responsibility, and it applies to companies - represented by their legal representatives - in addition to the traditional responsibility of the natural person perpetrator.

Following the latest amendment (January 7th, 2017), there are 19 offences and crimes which fall under the scope of Law no. 231. Among them, the most relevant for this report are those listed in Article 25, namely bribery, undue induction and corruption.

Administrative responsibility has consequences on the assets of the institution. However, it may also result in a cancellation of authorization to perform an activity or compulsory administration and, indirectly, it has an impact on the economic interests of its shareholders.

There is, however, an exception for administrative responsibility in cases where a company has an Organization, Management, and Control Body as well as a Supervisory Board, and if there is proof that this model is tested, effective and updated.

A company is not liable for the crimes committed by its employees, if it proves:

- to have adopted, implemented and updated the Organizational, Management, and Control model 231, in compliance with the requirements of legislative decree no. 231/2001;
- to have entrusted the supervision to an independent control body (ODV) and to have updated the Model 231;
- fraudulent violation of the model.

The Model aims to create a comprehensive system of control and internal organization. If the Model is properly prepared and effectively implemented, it allows avoiding pecuniary penalties (which can reach up to one and a half million EUR) and disqualifications such as:

- prohibition of activity;
- suspension or revocation of permits, licenses or concessions;
- ban on contracting with public administrations;
- exclusion from benefits, loans, grants or subsidies and revocation of those granted;
- ban on advertising goods or services.

¹ Decreto Legislativo 8 giugno 2001, n. 231, "Disciplina della responsabilità amministrativa delle persone giuridiche, delle società e delle associazioni anche prive di personalità giuridica".

The adoption of Model 231 and its continuous updating and effective implementation also prevents possible liability actions against directors who have not adopted it, thus exposing the organization to the risk of serious financial consequences.

B) Anticorruption and Transparency

The Italian legal framework on corruption was modified in 2012. In September 2012 Italy ratified the Criminal and Civil Law Conventions on Corruption promoted by the Council of Europe. Then, a new anti-corruption law was adopted. With law no. 190/2012 Italy shifted from an approach mainly based on repression towards a more comprehensive prevention approach focused on planning, coordination, evaluation. The law applies to public sector (public administration at national, regional and local level, schools, universities and other agencies of the educational system) as well as to state-owned companies, subsidiaries, and controlled companies which provide public services or services of public interest, i.e. transportation, waste management.

The anti-corruption legal framework is not applicable at the moment to listed companies.

The National Anti-Corruption authority should define with the supervisory authority for the stock exchange, CONSOB, which rules apply, taking into account the legal framework of listed companies.

The anti-corruption law stipulates that SOEs must put in place specific prevention measures to prevent acts of corruption and bad management. They include:

- appointment of a compliance officer responsible for drafting the anti-corruption plan, monitor its implementation and assess its sustainability in time, amend it to make sure that it complies with any changes in anti-corruption legislation or in the public administration's own activities or operation model;
- adoption of an anti-corruption plan, based on the National Anti-corruption Plan, in which all areas at a risk of corruption are identified and which sets out what arrangements were made (or will be made) to prevent the occurrence of corruption in these areas. The plan covers a period of three years and must have public visibility, i.e. it must be uploaded on the website. It is used as a continuous assessment tool to check the level of exposure to bribery risks and the effectiveness of the preventive measures. After approval, the plan must be sent to ANAC.
- integration of the code of conduct for employees in order to prevent corruption. Infringement by any employee of any part of the code will result in disciplinary sanctions.
- adoption of measure and initiatives to promote transparency and guarantee the publication of the information, which must be public, according to the new legislation. The cornerstone measure is the Transparency plan which is adopted and revised every three years;
- adoption of measures on incompatibility for the board and the executive directors of the company. SOEs have to adopt organisational measures to avoid conflict of interests.

² Legge 6 novembre 2012, n. 190, "Disposizioni per la prevenzione e la repressione della corruzione e dell'illegalità nella pubblica amministrazione".

- adoption of measures to protect any whistle-blowers with the aim to protect their identity and prevent public employees from dismissal, sanctions or discrimination at the workplace as a result of having reported acts of misconduct.

1.3 CHALLENGES

The challenge of any legal framework is its implementation and its capacity of producing permanent policy changes. According to the experts interviewed, the legal framework in Italy is enforced, but there is space for improvement. About 13% think that the legal framework is of good quality and it is implemented on a broad scale, while 32% believe that the quality is good, but the enforcement is limited to some cases. As regards the legal anti-corruption framework, almost 10% of the experts believe that quality is high and it is implemented on a broad scale, while the majority (58%) believe that quality is high, but the implementation is limited to certain situations.

However, in general, in Italy there are many legal provisions whose interpretation is not always easy.

Moreover, while the legal framework on SOEs is too recent to allow any comment, the anti-corruption framework has shown, according to the experts, some limitations. In particular, the major issue is that the risk analysis is carried out as a bureaucratic task and it isn't used to prevent corruption and increase competitiveness.

As for transparency, data accessibility concerning SOEs is good. Due to the legal provisions, there is a lot of information (including balance sheets) on the companies' websites. Some companies display the information in a more reader-friendly manner than others, but there is information, in any case.

Political interference is perceived as very significant (32%) and significant (38%) by the vast majority of the interviewees. However, the opinion concerning the quality of State control is not entirely negative. About 16% of the experts think that State control is good or very good, meaning that there is not only a management strategy, but also performance objectives and indicators. 35% of the respondents thinks that there is a management strategy, but without any attention being paid to performance.

2. CASE STUDIES

According to the latest available data, there are about 562 (4.4%) enterprises owned by the State or other Central Administrations, while Local Administrations (Regions, Provinces, municipalities and other local authorities) own about 8,386 enterprises - therefore, the vast majority.

The State owns less than 20% of the share capital in 30% of these companies and less than 50% in almost 60% of them. In particular, the big players in the energy sector (ENI, but also TERNA, SNAM) are all listed at the stock exchange and are fully market-oriented, and the quota owned by the State is about 25%. However, the Ministry of

Economy and Finance hold the majority stake and full control in some key companies, in particular in the transport sector.

2.1. OVERVIEW OF SELECTED CASES

We have chosen six companies that could represent a good variety of examples of ownership and governance. The main features are summarized in the following table.

Company	% public ownership	Owners	Owners	Listed	Sector	Web-site
ANAS	100%	CA	Ministry of Economy	No	Road	
ASIA	100%	LA	Municipality of Napoli	No	Utilities	
IREN	62,67%	LA	72 municipalities in North-Centre of Italy (mainly, Piedmont, Liguria, Emilia- Romagna)	Yes	Energy and Utilities	
MM	100%	LA	Municipality of Milan	No	Transport	
SMAT	96,14%	LA	163 municipalities in Piedmont, but the city of Turin owned more than 60%	No	Utilities	
TRENITALIA	100%	CA	Ministry of Economy	No	Railway passenger transport	

Notes: CA= Central administration: LA=Local administration

2.1.1 COMPANIES OWNED BY THE CENTRAL ADMINISTRATION

In this paragraph, a short company profile and some financial data are presented.

ANAS Limited Company

ANAS is a joint-stock company (since 2002) which manages the Italian national network of roads and motorways with the Italian Ministry of Economy and Finance as its sole shareholder. It is subject to the auditing and technical-operative supervision of the Ministry of Infrastructure and Transport. The national network of roads and motorways is 25,553 km long. There are six companies operating in the business of planning and building infrastructure. Currently ANAS Spa is merging with the *Ferrovie dello Stato* group, which is the owner of Trenitalia. The closing is foreseen at the end of 2017. Its balance sheet profit is fluctuating but growing. In 2015, the EBITDA went from 190.9 millions to 174.1, decreasing of 8,8% compared to 2014, due to a decrease in the maintenance contracts.

The number of employees is decreasing due to retirements that are not replaced by new recruitments.

ANAS						
Data from balance sheet						
	2010	2011	2012	2013	2014	2015
Net profit/loss	10,150,000	8,210,000	2,160,000	3,380,000	17,600,000	16,700,000
Gross operating profit (EBITDA)	140,000,000	177,510,000	150,440,000	170,180,000	190,900,000	174,100,000
Total operating costs	784,880,000	627,830,000	637,410,000	625,610,000	579,700,000	576,700,000
Number of employees	6,580	6,452	6,215	6,256	6,163	5,956

ANAS had enacted its anti-corruption plan. The annual report of the anti-corruption responsible is not available yet.

TRENITALIA Limited Company

Trenitalia is a company of the Ferrovie dello Stato group. It is a passenger railway company for high-speed and long-distance trains (long haul) and regional transportation. The long-haul sector is 100% profit-oriented, while regional transportation is partially public financed, because it is a public service. It owns six companies operating in the business of maintenance and services for the railway sector. In 2015, performance indicators show a number of 43.6 billion passengers (+2.6% compared to 2014), of which 22.8 billion refer to the regional transportation (+2.8% compared to 2014) and 20.8 billion for long-haul services (+2.4% compared to the previous year) mainly due to high-speed trains, with an increase of 6% compared to 2014.

The net profit is 230.1 million in 2015, almost four times more than the profit in 2014 (59.5 billions). However, in 2014 there was a very significant depreciation of the assets in the Cargo Division.

The EBITDA decreased slightly from 1,455.8 million in 2014 to 1,427,4 million in 2015 (-1.95%). Also, the total operating costs slightly decreased (-0.35%) compared to 2014. In general, the industrial key performance indicators (KPIs) were stable. The number of employees is decreasing, due to several factors: transfers to other companies of the Ferrovie dello Stato group, retirements without new recruitments.

TRENITALIA						
Data from balance sheet						
	2010	2011	2012	2013	2014	2015
Net profit/loss	73,100,000	156,400,000	206,500,000	181,500,000	59,500,000	230,000,000
Gross operating profit (EBITDA)	1,285,600	1,391,100	1,350,200	138,530,000	145,580,000	1,427,400

Total operating costs	4,588,500	4,317,000	4,147,800	4,112,500	4,120,900	4,114,900
Number of employees	39,668	36,700	34,819	32,489	31,802	31,393

Trenitalia has not yet adopted the anti-corruption plan.

2.1.2 MULTI-REGIONAL AND LISTED COMPANIES

IREN Limited Company

IREN is a listed company in the electricity sector which recently expanded to other sectors, such as gas, thermal energy, water, environmental services and services for the public administration. It is owned by several municipalities in the North of Italy and provides service in 3 Regions of the North -West of Italy. The group is composed of five companies (Iren Energia, Iren Mercato, Iren Acqua Gas, Iren Emilia, Iren Ambiente) operating in the energy, heat, gas, integrated water services, environmental services. In 2014 Iren expanded its activities in the environmental sector, by Iren Ambiente which took over AMIAT Spa, the waste collection company from the Municipality of Turin. Consequently, the work of Iren Ambiente reached a total of 123 municipalities, serving approximately 2 million inhabitants. The total revenue in 2015 was 3,094.1 million EUR (+6.6% compared to 2014) gross operating profit of 677.8 million EUR (+ 8.8% compared to 2014). The number of employees is growing due to the acquisition of AMIAT S.P.A.

IREN						
Data from balance sheet						
	2010	2011	2012	2013	2014	2015
Net profit/loss	177,121,000	-107,890,000	152,559,000	80,554,000	68,945,000	118,200,000
Gross operating profit (EBITDA)	601,598,000	591,797,000	629,605,000	646,017,000	623,000,000	678,000,000
Total operating costs	2,789,334,000	2,928,315,000	3,698,236,000	2,801,956,000	2,328,109,000	2,416,349,000
Number of employees	4,752	4,622	4,567	4,696	4,524	6,132 ^(a)

Iren as a listed company is not required to have an anti-corruption plan.

SOCIETÀ METROPOLITANA ACQUE TORINO (SMAT) Limited Company

SMAT is an integrated water services company (pipelines, treatment and sewerage). It is owned by 163 municipalities based in the Piedmont Region, while more than 60% is owned by the municipalities of Turin. It owns four companies in the engineering sector and integrated water service. In 2015, the group started several international initiatives in the water services company. The net profit is increasing (50.418 thousand

EUR compared to 48.047 in 2014). The same trend applied to the gross operating profit. There is a small increase in the number of employees, mainly due to the recruitment in controlled companies.

SMAT						
Data from balance sheet						
	2010	2011	2012	2013	2014	2015
Net profit/loss	17,559,000	26,727,000	24,748,000	43,874,000	48,047,000	50,418,000
Gross operating profit (EBITDA)	79,966,000	97,017,000	90,962,000	152,190,000	117,135,000	137,438,000
Total operating costs	235,654,247	244,075,489	254,429,750	286,895,219	245,577,494	261,686,728
Number of employees	992	968	946	934	933	1,031

As regards corruption, the anti-corruption plan requires indicating if there have been any bribery events during each year and if disciplinary actions were taken against employees.

In 2015 and in 2016 no event that could be considered an act of corruption was reported.

In 2015 three firing procedures were initiated against employees for crimes not related to corruption. In 2016 no disciplinary action was taken.

METROPOLITANE MILANESI (MM) Limited company

Metropolitane Milanese (MM) designs and builds the underground railway of the city of Milan. It also conducts road works, builds parking places and public buildings, it provides hydraulic engineering works, urban renewal and urban transport planning.

The company group is composed by two limited liability companies: Metro Engineering s.r.l. (Underground Engineering) and Napoli Metro Engineering srl (Naple Underground Engineering). Metropolitane Milanese holds the entire share capital of the Naples Metro Engineering srl. The Group works on a global scale: after completion of the works on the regional underground network in Alexandria, Egypt, and the Copenhagen light rail, it is involved in the design of the automated metro system in Thessaloniki, Greece. The company's profits are increasing. The increase is mainly due to the "Design and Infrastructure Construction" business line and the "Design and Hydraulic Work Constructions" business line, and the coordination of works for the 2015 Expo event in Milan, Italy. New recruitments by parent companies has resulted in an increase in the number of employees.

MM				
Data from balance sheet				
	2012	2013	2014	2015
Net profit/loss	1,557,908	5,841,805	8,826,391	16,703,970
Gross operating profit (EBITDA)	22,546,000	29,492,000	39,867,000	47,354,000
Total operating costs	193,098,026	219,575,420	246,257,276	248,344,142
Number of employees	731	734	737	923

As regards corruption, the anti-corruption plan requires indicating if bribery events were reported during the year and if disciplinary action were taken against employees.

In 2013-2014 no events were reported. The firing procedure was initiated against one manager for bribery (317, 318 and 346) in connection with public procurement procedure.

In 2013 MM also signed with the Municipality of Milan and the Prefect of Milan a protocol containing several measures aimed at preventing corruption in situations when MM acts as contracting authority.

In 2015 four disciplinary actions were taken for corruption-related crimes. The procedure is ongoing and a preliminary investigation was carried out. One employee was suspended without pay and three individuals were suspended as a precautionary measure, with pay. Three cases were connected with public procurement.

ASIA NAPOLI Limited Company

ASIA Napoli carries out collection and transport of urban, special and non-hazardous waste and performs treatment, disposal, storage, recovery and recycling of urban and special waste.

The number of employees is decreasing due to retirements that were not replaced through new recruitments.

ASIA				
Data from the balance sheet				
	2012	2013	2014	2015
Net profit/loss	-20,558,444	2,867,447	3,495,806	3,129,825
Gross operating profit (EBITDA)	-4,059,481	26,218,269	23,686,050	17,333,397
Total operating costs	158,911,280	150,008,666	150,842,711	150,947,034
Number of employees		2,404	2,326	2,310

As regards corruption, the anti-corruption plan requires indicating if bribery events were reported during the year and if disciplinary action taken against employees. However, the disciplinary action was not connected with corruption crimes.

In 2015 no events were reported. The company started a firing procedure as disciplinary action concerning seven people.

In 2016 the company has received reports of corruptive events. For eight people the firing procedure was initiated as a disciplinary measure. Four cases involve corruption-related crimes.

3. THE APPOINTMENT OF THE BOARD

The appointment of the management of non-listed SOEs has been reformed recently. In addition to the amendments, which brought about an increase in remuneration, in 2013 the Ministry of Finance enacted guidelines concerning the appointment and the remuneration of the management of SOEs owned by the Ministry.

The guidelines refer to: 1) requirements concerning candidates and 2) procedures for appointment.

1. Requirements

Candidates cannot be members of the Italian or European Parliament, members of the Regional Councils or members of the municipal council of towns with more than 15,000 inhabitants.

Candidates must have competences and experience in the judicial, financial or industrial field. The CEO, in particular, must meet the following criteria:

- a) Substantial previous experience in public office with similar responsibilities or in senior management positions in the public or private sector;
- b) Experience in:
 - - the operational management of companies in the same industrial sector; or
 - - the operational management of companies of same size or complexity; or
 - - international markets, if the company has significant business abroad; or
 - - a position with responsibilities in companies undergoing restructuring and reorganization.
- c) appropriate good standing, verifiable reputation, good results in previous positions in the public and private sector and recognition on the market in question.

2. Procedure

The list of vacant positions for the year must be published in January on the website of the Ministry.

The selection procedure is carried out with the support of firm specialized in

management selection. This firm must select a short list of candidates to be presented to the ministry together with a report outlining the adopted criteria, taking into account the characteristics of the SOE and the candidates profile.

The Ministry makes a decision after seeking the opinion of a Committee, composed of independent individuals with experience in the legal and economic field.

These newer rules do not apply to SOEs that are not managed by the Ministry of Economic and Finance. As regards the selected companies, in general, after appointment, the CEO and the President remain in office for the planned duration.

Company	CEO appointment	
ANAS	2006 - 2013	2015 - ongoing
ASIA	2014 - 2015*	2015 - ongoing
IREN	2014 - ongoing	
MM	2010 - 2013	2013 - 2014**
SMAT	2010 - ongoing	
TRENITALIA	2009-2015	2015 - 2017***

* Resignation because of appointment as environmental advisor for the Municipality of Naples.

** Resignation to become President of another company.

*** The CEO transferred to the foreign branch of the same company. According to the press, the person was not confirmed due to disagreement with Ferrovie dello Stato (the company which owned Trenitalia) on the future listing at the stock exchange.

Company	President appointment	
ANAS	Same as the CEO	
ASIA	Same as the CEO	
IREN	2016 - ongoing	2013 - 2016
MM	Same as the CEO	
SMAT	2011- ongoing	
TRENITALIA	2009 - 2015	2015 - ongoing

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