

**CIR S.p.A.**  
**REPORT ON THE SYSTEM OF**  
**CORPORATE GOVERNANCE AND ON COMPLIANCE WITH**  
**THE CODE OF CONDUCT FOR LISTED COMPANIES**

**YEAR 2012**

**REPORT ON THE CORPORATE GOVERNANCE**  
**AND SHAREHOLDING STRUCTURE**  
*(in accordance with Art. 123-bis of the Finance Consolidation Act - T.U.F.)*

This Report (“the Report”) aims to illustrate the model of corporate governance that CIR S.p.A. (the “Company”) adopted during the year 2012.

The amendments made in December 2011 to the Code of Conduct by the Corporate Governance Committee were adopted and approved by the Board of Directors Meeting held on October 29 2012 and were included in this Report.

The Report, which was approved by the Board of Directors Meeting held on March 11 2013, is being made available to the Shareholders following the procedures prescribed by law together with the documentation relating to the Financial Statements for the year ended December 31 2012 for the Annual General Meeting of the Shareholders being called to approve the same, and can also be consulted online – together with other documents of interest to the market - on the website [www.cirgroup.it](http://www.cirgroup.it) in the section “Governance”.

**Information on the ownership structure (Art. 123-bis, paragraph 1, T.U.F.) as of December 31 2012**

**a) Share capital structure (as per Art. 123-bis, paragraph 1, letter a) T.U.F.)**

The subscribed and fully paid up share capital amounts to € 396,670,233.50, comprising 793,340,467 ordinary shares, listed on the MTA, Italian Equities Market, of the Milan Stock Exchange – FTSE Italia Mid Cap index.

All of the ordinary shares have the same rights and obligations. CIR shares – as stipulated in Art. 5 of the Company Bylaws – are indivisible. In the event of joint ownership of one or more shares, the rights of the joint owners towards the Company, in accordance with Article 2347 of the Civil Code, shall be exercised by a joint representative.

During prior periods the Company has approved share capital increases to service Stock Option Plans: it should be noted the information document prepared in compliance with Art. 84-*bis* of Consob Regulation 11971/99, relating to the said Plans, is available on the Company's website in the section "Governance".

**b) Restrictions on the transfer of shares (as per Art. 123-bis, paragraph 1, letter b) T.U.F.)**

The shares of the Company are freely transferable, with the exception of certain restrictions applicable to given categories of persons for limited periods of time on the basis of the Code of Conduct on the subject of Internal Dealing published on the website of the Company in the section "Governance".

The Stock Grant Plan 2012 includes a minimum holding requirement for the shares assigned to the beneficiaries who have the irrevocable commitment to keep at least 10% of the shares assigned to them continuously until the fifth anniversary of the grant date. During this period the shares cannot therefore be sold or transferred unless the Board of Directors shall decide otherwise.

**c) Significant holdings of capital (as per Art. 123-bis, paragraph 1, letter c) T.U.F.)**

Below is a list of the names of Shareholders of last resort who, at December 31 2012 were holding either directly and/or indirectly percentages of ownership of over 2% of the capital with voting rights, in accordance with the terms of Consob resolution 11971/99:

Ing. Carlo De Benedetti (through COFIDE S.p.A.): 45.85%  
Bestinver Gestion SA SGIIC: 12.50%  
Norges Bank: 2.09%

**d) Shares which give special rights (as per Art. 123-bis, paragraph 1, letter d) T.U.F.)**

There are no shares that give their holders any special controlling rights.

**e) Employee shareholdings: mechanism for the exercise of voting rights (as per Art. 123-bis, paragraph 1, letter e) T.U.F.)**

There are no special mechanisms for the exercise of voting rights by employees who have shareholdings.

**f) Restrictions on voting rights (as per Art. 123-bis, comma 1, letter f) T.U.F.)**

There are no restrictions on voting rights.

**g) Agreements between Shareholders (as per Art. 123-bis, paragraph 1, letter g) T.U.F.)**

The Company is not aware of the existence of any agreements between Shareholders as per the terms of Art. 122 of the T.U.F.

**h) Change of control clauses (as per Art. 123-bis, paragraph 1, letter h) T.U.F.)**

No agreements have been entered into by CIR S.p.A. or its direct or indirect subsidiaries containing a change of control clause, i.e. clauses that take effect in the event of the change of the controlling stake of CIR S.p.A.

**i) Compensation to Directors in the event of resignation, dismissal without just cause or termination of their position following a takeover bid (as per Art. 123-bis, paragraph 1, letter i) T.U.F.)**

Reference should be made to what is illustrated in point 6) of the Report on the Compensation of Directors.

**l) Election and replacement of Directors; amendment of the Company Bylaws (as per Art. 123-bis, paragraph 1, letter l) T.U.F.)**

For the election and replacement of Directors reference should be made to what is illustrated in point 5) of the Report on the appointment of Directors. For amendments to the Bylaws, legal regulations are applied.

**m) Power delegated to increase the share capital and authorization to buy back the Company's own shares (as per Art. 123-bis, paragraph 1, letter m) T.U.F.)**

For a period of five years starting from April 30 2009 the Board of Directors has the right to increase the share capital either once or more than once to a maximum of EUR 500,000,000 nominal value through the issuance of shares with or without a share premium. These shares will be offered in subscription or will service warrants or the conversion of bond issues including issues made by third parties,

both in Italy and abroad, or else they will be assigned free of charge to holders of option rights by allocating to share capital available reserves or provisions on the basis of the latest financial statements approved.

For a period of five years starting from April 30 2009 the Board of Directors also has the right to increase the share capital either once or more than once to a maximum of EUR 20,000,000 of nominal value through the issuance of shares to be reserved for subscription by employees of the Company and of its subsidiaries and parent companies in accordance with Article 2441, last paragraph, of the Civil Code. The same Board shall have the right to fix the price of issuance (which may not be lower than the nominal value of the shares), the requirements for subscription and the limits of the availability of the same shares, as well as the general terms and procedures for the said subscription.

For a period of five years starting from April 30 2009 the Board of Directors has the right to issue, once or more than once, even without the option right, and in that case in favour of institutional investors, convertible bonds or bonds with warrants attached, which may also be in a foreign currency, if permitted by law, with a corresponding increase in share capital – with a limit of ten per cent of the share capital existing in the event of the option right not being included - up to an amount which, taking into account the bonds in circulation at the date on which the issuance is approved, shall not exceed the limits established by regulations in force at the time of the Board resolution. More in general the Board also has the right to define the procedures, terms and conditions of the bond issuance and the rules governing such issuance.

The Annual General Meeting of the Shareholders held on April 27 2012 authorized the buy-back of CIR stock in accordance with and as an effect of Art. 2357 of the Civil Code for a period of eighteen months from the date of the AGM, according to the following procedure:

- A maximum of 30,000,000 shares (in addition to the shares already being held) can be bought back for a nominal value of Euro 15,000,000, which shall not in any circumstances exceed one fifth of the share capital of CIR with a maximum disbursement limit of Euro 50,000,000; the Company will increase its current non-available reserve, called the “reserve for treasury stock held” by the amount of the shares bought back, charging the same amount to the “retained earnings” reserve, resulting from the Financial Statements as of December 31 2011, the last ones approved. The unit price of each single share purchase transaction shall not be more than 10% higher or lower than the benchmark price recorded by the shares on the Stock Exchange trading day prior to that on which the purchase is made or to the date on which the price is fixed;
- The purchase may take place as follows:

- a) through a public offering to purchase or exchange shares;
- b) on regulated markets following the operating procedures established in the rules for the organization and management of those same markets, which do not allow bids and offers to be matched directly and must be made in such a way as to ensure an equal treatment of all the Shareholders, in compliance with the terms of Art. 132 of D.Lgs. 58/1998 and legislation or regulations in force at the moment of the transaction;
- c) through the purchase and sale of derivative instruments traded on regulated markets which involve the physical delivery of the underlying stocks and which comply with the further conditions stipulated in Art. 144-bis of Consob Resolution no. 11971 and the amendments and additions subsequently made to it;
- d) through the assignation of put option rights pro rata to the Shareholders, to be assigned within 15 months and which shall be exercisable in a period of up to 18 months from this resolution.

As of December 31 2012 49,989,000 own shares were being held as treasury stock.

**Other information (as per Art. 123-bis, paragraph 2, T.U.F.)**

**a) Compliance with a code of conduct on the subject of corporate governance.**

The Company complies with the Code of Conduct of Borsa Italiana S.p.A. (December 2011 edition) prepared by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana S.p.A.

**b) Main characteristics of the existing risk management and internal control systems in relation to the financial disclosure process.**

Reference should be made to what is described in point 7) of the Report on the Internal control system.

**c) How the Shareholders' Meeting functions.**

Reference should be made to what is described in point 10) of the Report on Shareholders' Meetings.

**d) Composition and functioning of the administrative and control bodies and their committees.**

Reference should be made to what is described in the sections of the Report that deal with: the Board of Directors (point 2), the Statutory Auditors (point 8) and the Committees (points 4-5 and 7).

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**1) Role of the Board of Directors**

According to the Bylaws, the Board of Directors has full powers of ordinary and extraordinary administration of the Company and has the power to carry out any action that it considers opportune in order to pursue and achieve the Company's objectives, with the exception of such powers that according to the law or the Bylaws reside exclusively with the Shareholders' Meeting.

The Board of Directors can approve a reduction of share capital in the event of the withdrawal of Shareholders, an adjustment of the Bylaws to bring them into line with regulations, the transfer of the registered offices within the limits of the national territory as well as the merger by incorporation of a wholly owned company or one in which a stake of at least 90% is held, in compliance with Articles 2505 and 2505-*bis* of the Civil Code. The Board can also approve the issue of convertible bonds or bonds with warrants attached.

Among Italian financial holding companies, this Company is distinguished by the way its investment portfolio is balanced between companies with strong positions in their respective markets belonging both to mature business sectors with a relatively constant cash flow and to sectors with high growth potential in sharply different business environments (publishing, energy, automotive components, healthcare). Thus, in the light of its specific characteristics and in application of the terms of Article 1 of the Code of Conduct of Borsa Italiana S.p.A. the Board of Directors:

- On the basis of the internal procedures approved by the Board of Directors on October 29 2012, examines and approves the strategic and financial plans of the issuer and also examines the consolidated strategic, business and financial plans of the subsidiaries at the head of the groups in the various business sectors as presented by their respective Chief Executive Officers, assessing whether these plans are consistent with those of the issuer and periodically monitoring their implementation;
- Defines the nature and level of risk compatible with the strategic objectives of the issuer, as illustrated in Art. 7 below;

- Evaluates the adequacy of the organizational, administrative and accounting structure of the issuer, with particular reference to the system of internal control and risk management;
- Defines how often, generally every three months, the Chief Executive Officer must refer back to the Board on the activity carried out in the exercise of the powers assigned to him;
- Assesses the performance of operations specifically taking into account the information received from the Chief Executive Officer of the Company and from the Chief Executives of the main subsidiaries, analysing the businesses and the evolution of the economic and patrimonial situation of the Company and of the Group;
- Examines and gives prior approval to transactions put in place by the issuer and examines those of the subsidiaries that have significant strategic importance. To this end at the Board of Directors Meeting of October 29 2012 the Company defined its parameters for measuring significance, adopting a special procedure;
- Carries out at least once a year an assessment of the size, composition and functioning of the Board of Directors and of its committees, taking into account of elements such as the professional characteristics, experience, even managerial experience, and the gender of its members as well as how long they have held their positions;
- Before the appointment of a new Board, gives the Shareholders its views on the professional figures whose presence on the Board would be considered useful;
- In order to ensure the correct management of company information, at the Board of Directors Meeting held on October 29 2012 the Company adopted an updated procedure for managing internally and communicating externally documents and information regarding the issuer; the procedure is available on the Company's website.

The Directors act and adopt resolutions independently on the basis on their knowledge and good judgment and they accept the position when they consider that they can dedicate the necessary time to carrying out their duties, bearing in mind also their commitment in relation to their work and professional activities, the number of directorships or positions of statutory auditor that they hold in other companies listed on regulated markets, finance companies, banks, or insurance companies or other companies of a significant size. They are furthermore required to inform the Board of Directors of any other activities they may have in competition with the issuer and of any significant changes that occur in the positions they hold in other companies.

The Board of Directors Meeting held on October 29 2012 approved guidelines on the subject of the maximum number of positions of Director or Statutory Auditor, giving some limits as to the number of positions that can be held by executive and non-executive Directors of CIR in Significant Companies, as defined by the same Board.

Within the scope of the guidelines approved for executive directors, it is recommended that they should not be allowed to hold another position as executive

director and/or statutory auditor, and that a maximum number of 3 positions as non-executive director should be allowed in Significant Companies not belonging to the CIR group or that of its parent company.

For non-executive directors, it is recommended that a maximum limit should be set of 5 positions as non-executive director and/or statutory auditor and two positions as executive director in other Significant Companies not belonging to the CIR group or that of its parent company.

However there is the possibility of waiving these limits with a resolution of the Board of Directors giving the reasons for this and taking into account the level of participation of the director in question in the works of the Board and of the committees.

On April 29 2011, the Board of Directors of the Company assigned the following powers:

- The Chairman of the Company, Mr Stefano Micossi, was given the legal representation of the Company and, with this, the power to represent the Company with his single signature with third parties, whether public or private, before any judicial or administrative authority and the power to sign in his aforesaid role any document, deed, transaction or correspondence in the name of and on behalf of the Company with the right to appoint someone else to take his place;
- The Chief Executive Officer, Mr Rodolfo De Benedetti, was assigned full powers of ordinary and extraordinary administration of the Company, to be exercised with his single signature, with the exclusion of the powers vested in the Board of Directors for:
  - (i) Matters, transactions or decisions reserved by law or by the Company Bylaws to the exclusive competence of the Board of Directors as a body;
  - (ii) The following categories of transactions:
    - The purchase, sale or subscription of shareholdings in companies, when:
      - (1) The payment or – where this is not in the form of money – the exchange value assigned to such transaction is more than €75 million;
      - (2) the sale (or exchange) refers to investments recorded in the balance sheet with a value of over €50 million;
      - (3) the transaction involves the acquisition or the loss of control, as per the terms of Art. 2359 of the Civil Code, in companies or entities of another kind or nature;
    - The purchase or sale on any account of businesses or business arms for a price or a value of over €75 million;
    - Any other investment transaction of any kind and on any account and in any manner (including the payment of capital contributions or the conversion of receivables into capital), taking on debt or making loans of any kind or issuing guarantees and in general any other deal the value of which is over € 75 million;
    - Any decision that the Company may make relating to the operations or decisions of the subsidiaries which may, in any way or on any account, result

in a reduction of the stake held by the Company to below the threshold of control;

(iii) transactions with related parties of greater significance as identified on the basis of the criteria identified in Attachment 3 of the “Rules giving instructions on the subject of transactions with related parties” approved by Consob with Resolution no. 17221 of 12.3.2010, as well as any other transactions with related parties of a greater significance that shall be identified by the internal procedures adopted by the Board of Directors as per the terms of Articles 4 and 8 of the above-cited “Rules giving instructions on the subject of transactions with related parties”, for which the Board of Directors shall have competence.

During the same meeting Mr Carlo De Benedetti was given the following mandate:

a) To follow and manage, in conjunction with the appropriate corporate departments, the institutional relations of the Company and the Group with public and private entities, with the Government and the local authorities of the Republic of Italy and of other States, with other entities, institutions and associations, promoting in all these spheres the image, the values and the activities of the Company and taking part, where necessary and when requested to do so, in the meetings of the Board of Directors, the executive committees and other bodies and committees in general;

b) To advise, when requested to do so, the administrative bodies of the Company and/or of the Group in the research and development or new activities, with particular regard to the evolution and prospects of the general economic and social scenarios involved, and more in general in anything else that the administration of the Company may consider useful at any time for improving management and developing the company affairs in a more profitable way.

The Board of Directors Meeting held on April 29 2011 also gave Mr Rodolfo De Benedetti, in his position as General Manager, the powers of ordinary administration to be exercised with his sole signature.

## **2) Composition of the Board of Directors (as per Art. 123-bis, paragraph 2, letter d) of the T.U.F.)**

The Board consists of twelve Directors, one of whom has executive status (the Chief Executive Officer), while eleven are non-executive.

In consideration of their number and their authority, the non-executive Directors provide a guarantee that their judgment shall have significant weight in the resolutions adopted by the Board; they each bring their own individual expertise to

Board debates and contribute to the adoption of decisions in the interest of the Company.

The “Independent Directors” make up the majority of the Board.

The composition of the Board of Directors of the issuer is therefore appropriate to guarantee sufficient conditions of operational independence, aimed at maximizing the economic and financial objectives of the same issuer.

It should be remembered that the mandate of the Board of Directors currently in office will terminate with the approval of the Financial Statements for the year ended December 31 2013.

The chart below shows the composition of the Board of Directors:

| Name                 | Position      | Position held since | List | Exec. | Non Exec. | Independent. Code of Conduct | Indep. T.U.F. | % CDA | Other positions | Member of BoD since |
|----------------------|---------------|---------------------|------|-------|-----------|------------------------------|---------------|-------|-----------------|---------------------|
| De Benedetti Carlo   | H.C. Director | 29.4.2011           | M    |       | X         |                              |               | 88%   | 4               | 18.1.77             |
| Micossi Stefano      | Chairman      | 29.4.2011           | M    |       | X         |                              |               | 100%  | 1               | 30.4.09             |
| De Benedetti Rodolfo | CEO           | 29.4.2011           | M    | X     |           |                              |               | 100%  | 7               | 30.4.88             |
| Botticini Maristella | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 88%   | --              | 29.4.11             |
| Bracchi Giampio      | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 100%  | 4               | 30.4.04             |
| Debenedetti Franco   | Director      | 29.4.2011           | M    |       | X         |                              |               | 100%  | 4               | 28.7.78             |
| Giannini Silvia      | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 50%   | --              | 29.4.11             |
| Girard Franco        | Director      | 29.4.2011           | M    |       | X         |                              |               | 100%  | 2               | 27.6.90             |
| Pistauer Michael     | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 100%  | 1               | 29.4.11             |
| Recchi Claudio       | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 88%   | 5               | 7.1.82              |
| Senequier Dominique  | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 50%   | 3               | 29.4.11             |
| Tabellini Guido      | Director      | 29.4.2011           | M    |       | X         | X                            | X             | 80%   | 1               | 30.4.04             |

Number of Board of Directors Meetings: 8

Key:

List: M/m: according to whether the Director was elected from the majority list or from a minority list.

Independent (Code of Conduct of Borsa Italiana S.p.A. and T.U.F.): indicates whether a Director can be qualified as independent on the basis of the criteria established by the Code of Conduct of Borsa Italiana S.p.A. (December 2011 edition) and by Art. 148 paragraph. 3 of the T.U.F.

% CDA: shows the Director's attendance, in percentage terms, at the Board Meetings held during the year.

Other positions: shows the total number of positions held in other listed companies, financial companies, banks, insurance companies or other companies of a significant size.

The positions of Director or Statutory Auditor held by Directors in other listed companies, financial companies, banks, insurance companies or in other non-listed companies of a significant size, are shown in Attachment A. The main professional characteristics of the Directors can be found on the Company's website.

Regarding the possibility that issuers adopt mechanisms ensuring different maturities of all or part of the members of the administrative body (a staggered board), the Company did not deem it appropriate to adopt this measure as it is not suitable for the ownership structure of CIR.

The Company did however adopt the ban on interlocking directorates, introduced by Art. 2 of the Code of Conduct of Borsa Italiana S.p.A. (2011 version).

In accordance with the terms of the Bylaws (Articles 12-13 and 20), the Board meets when convened by the Chairman or whoever is taking his place, as a rule every three months and any time that the interests of the Company make it necessary, including at the request of two Directors, or when called by any member of the Board of Statutory Auditors, subject to their notifying the Chairman of the Board of Directors.

The Meeting is called by registered letter, telegram, fax or e-mail which must be received at least five days before the date fixed for the meeting or, in cases of urgency, at least the day before.

The meetings of the Board and its resolutions are valid, even when the meeting has not been formally convened, when the majority of the Directors in office and the Statutory Auditors are present even by telephone - or video-conference call, all those who have a right to attend have been notified in advance of the meeting and the participants are sufficiently informed on the topics to be dealt with.

The Meetings of the Board of Directors are chaired by the Chairman or, should the Chairman be absent, by one of the Deputy Chairmen or, should there be no Deputy Chairman, by a Director designated by the Board.

In order for the Board resolutions to be valid and binding the majority of the Directors in office must be present. Resolutions are taken with an absolute majority of the votes of those present and in compliance with the Rules for Related Party Transactions. If the votes for and against are equal then the Chairman or whoever is taking his or her place casts a vote which shall be decisive.

Board resolutions are set out in writing in the minutes which are signed by the person chairing the meeting and by the Secretary.

Meetings of the Board of Directors can be held by video - or telephone-conference call or by any other means of telecommunication on the condition that all the participants can be identified, that they are able to follow the discussion and intervene in real time on the items being treated and that they are in a position to receive, transmit and view documents.

Once these conditions have been verified, the Board is considered as being held in the place where the Chairman is actually located.

When the minutes are not drawn up by a Notary, they are prepared by the Secretary and signed by the Chairman and the Secretary without delay.

The Directors must report back to the Board of Directors and to the Board of Statutory Auditors on activities carried out and on anything else required by law at regular intervals at least once every three months when Board Meetings are held or whenever particular timing needs make it desirable. This report shall be made directly, in writing, or verbally and/or by telephone.

The recommendations given in the Code of Conduct of Borsa Italiana S.p.A. are being applied since:

- the Chairman convenes meetings of the Board of Directors and makes sure that all the members of the Board and the Statutory Auditors receive, at least three days before the meeting (except in cases of urgency), all the documentation and

information necessary to enable them to express their opinion in a knowledgeable way on the topics submitted for examination and approval; if the documentation is voluminous or complex, it can be supplemented with a summary document and, when there are directors whose language is not Italian, the documents for the meetings are also prepared in English;

- the Chairman coordinates the activity of the Board of Directors and directs the proceedings at its meetings, ensuring that the items on the agenda receive sufficient time necessary for a debate and encouraging the directors to make their contribution;

- the Chairman can ask the Chief Executive Officer, even at the request of one or more directors, for executives of the issuer or of the companies of the group to be present at Board meetings to give explain items in greater detail;

- In recent years the Chairman of the Board of Directors, in agreement with the Chief Executive Officer, has started a process aimed at achieving greater involvement of the Board of Directors so that it can, as a collegiate body, carry out in full its role as a strategic guide for the management of the Company and each of its members can acquire all the elements useful to give his or her personal contribution to reaching the objectives of the Company. To this end the Chief Executives of the main companies at the head of the groups in their respective sectors have been present at Board meetings to illustrate the objectives being pursued, the strategies and managerial guidelines adopted by each of them.

During 2012 the Board of Directors met eight times. On average, the meetings last for approximately two hours. For the year 2013 eight meetings have been scheduled. On the subject of passing information to the Board, in accordance with what is set out in the Code of Conduct of Borsa Italiana S.p.A., the Chief Executive Officer reports back regularly (at least every three months) to the Board and at the same time to the Board of Statutory Auditors on the action taken in the exercise of the powers assigned to him.

The Board can set up from within its number committees with the function of consulting and making proposals, determining the scope of their activity and their powers.

The following chart shows the composition of the Committees set up by the Board: the Compensation Committee, the Internal Control Committee (on October 29 2012 renamed the Control and Risk Committee), the Appointments Committee (on October 29 2012 renamed the Appointments and Compensation Committee) and the Committee for Related Party Transactions.

| Name                          | Compensation Committee | % C.C. | Internal Control Committee | % I.C.C. | Appointments Committee | % A.C. | Committee for Related Party Transactions<br>(a) | % CRPT |
|-------------------------------|------------------------|--------|----------------------------|----------|------------------------|--------|---|--------|
| Botticini Maristella          |                        |        | X                          | 80%      |                        |        | X   | 100%   |
| Bracchi Giampio               | X                      | 100%   | X                          | 100%     |                        |        | X   | 100%   |
| Giannini Silvia               |                        |        | X                          | 100%     |                        |        | X   | 100%   |
| Pistauer Michael              |                        |        |                            |          | X                      | --     |   |        |
| Recchi Claudio                | X                      | 100%   |                            |          |                        |        |   |        |
| Senequier Dominique           |                        |        |                            |          | X                      | --     |   |        |
| Tabellini Guido               | X                      | 50%    |                            |          | X                      | 100%   |   |        |
| Number of Committee meetings: | 2                      |        | 5                          |          | --                     |        | 1   |        |

**Key:**

% CC: shows the Director's attendance in percentage terms at the meetings of the Compensation Committee held during the year.

% ICC: shows the Director's attendance in percentage terms at the meetings of the Internal Control Committee held during the year.

% AC.: shows the Director's attendance in percentage terms at the meetings of the Appointments Committee held during the year.

% CRPT: shows the Director's attendance in percentage terms at the meetings of the Committee for Related Party Transactions held during the year.

(a) The members of the Committee for Related Party Transactions are the same as those of the Internal Control Committee.

In accordance with the terms of the Code of Conduct of Borsa Italiana S.p.A., on April 29 2011 the Board of Directors appointed as *Lead Independent Director* Mr Guido Tabellini to whom all the non-executive directors can refer (especially the independent ones) to enable them to make a better contribution to the activity and the running of the Board.

The *Lead Independent Director* collaborates with the Chairman to guarantee that the Directors receive full information flows on a timely basis. Among other things the *Lead Independent Director*, either independently or at the request of other directors, also has the right to call a meeting of just the independent directors to discuss topics considered of interest to the running of the Board of Directors or the management of the Company.

### 3) Independent Directors

The Code of Conduct of Borsa Italiana S.p.A. stipulates that there be a sufficient number of "Independent Directors". Currently seven non-executive Directors of the Company have demonstrated that they are qualified to be "Independent Directors". On the basis of the criteria stipulated in paragraph 3.C.1 of the Code of Conduct of Borsa Italiana S.p.A., Directors may be qualified as "Independent Directors" provided that:

- a) they do not either directly, indirectly or on behalf of third parties control the Issuer, they are not able to exert a significant influence on it, and they have not entered into a shareholder pact through which one or more persons may exercise control or a significant influence on the Issuer;

- b) they do not hold or have not held in the previous three years an important position in the Issuer, in one of its subsidiaries of strategic importance or in a company subject to the joint control of the Issuer, or in a company or an entity which, with others through a shareholder agreement, controls the Issuer or is able to exercise considerable influence on the same;
- c) they do not have or have not had in the previous year a significant commercial, financial or professional relationship either directly or indirectly (for example through subsidiaries or companies in which they have a significant role either as partner of a professional firm or of a consulting company) with:
  - the Issuer, one of its subsidiaries or with any persons of significant status in the same;
  - with a person or entity who even with others through a shareholder agreement, controls the issuer or – where companies or entities are involved – with any persons who have a significant status in them;
 or that they are not, or have not been in the previous three years, employees of one of the above entities;
- d) they do not receive, or have not received in the previous three financial years, from the Issuer or from one of its subsidiaries or parent companies any significant remuneration in addition to their fixed fee as non-executive director of the Issuer and the fee for being on the committees recommended by the Code of Conduct for listed companies, even in the form of participation in performance-related incentive plans even involving shares;
- e) they have not been directors of the Issuer for more than nine of the last twelve years;
- f) they do not hold the position of executive director in another company in which an executive director of the issuer holds the position of director;
- g) they are not shareholders or directors of companies or of an entity belonging to the network of the company awarded a legal audit mandate by the Issuer;
- h) they are not close family members of a person who is in one of the situations specified in the previous points.

Should any of the above situations listed in the Code of Conduct of Borsa Italiana S.p.A. as conditions for the non-independence of non-executive Directors exist, the Board of Directors shall examine on a case-by-case basis whether the individual has the necessary requisites to be qualified as an Independent Director.

On the basis of paragraph 4, Art. 147-ter of the T.U.F., at least one member of the Board of Directors, or two if the Board of Directors has more than seven members, must have the requisites of independence established for statutory auditors and therefore in accordance with the terms of paragraph 3, Art. 148 of the T.U.F., the following individuals cannot be considered as independent:

- a) the spouse, relations and relatives up to the fourth degree of kinship of the Directors of the Company, the Directors, the spouse, relations and relatives up to the fourth degree of Directors of the companies controlled by the former and of the companies which control it and those subject to joint control;

- b) those who are linked to the company or to the subsidiaries of the company or to companies which control it or to companies subject to joint control or those linked to the Directors of the company and to the individuals mentioned in the previous point through a working relationship, be it of regular employment or of a freelance nature, or by any economic or professional relationship which could compromise their independence.

It should also be noted that the Board of Directors assesses the independence of the Directors on their appointment and then at least once a year, even taking into account the information that the said directors are required to supply.

The Board of Directors Meeting that was held at the end of the Shareholders' Meeting of April 27 2012 checked the existence of the requisites of independence set out in the Code. Furthermore, and in waiver to the terms set out in the Code of Conduct for Listed Companies (See Principle 3.C.1, letter e), gave a positive opinion on the independence of Director Claudio Recchi, in spite of the fact that he has been a Director of the Company for more than nine of the last twelve years, given that he has always demonstrated full independence of judgement and has appreciated the work of management freely.

In 2012 the Board of Statutory Auditors verified that the criteria and checking procedures adopted by the Board of Directors to assess the independence of its members were being applied correctly

During 2012 the Independent Directors met – without the other Directors – on March 12 2012 to assess the quality of management and the transparency of the information given to the Board of Directors and to examine the results of the self-assessment of the Board prepared and processed by the Internal Control Committee.

#### **4) The institution and the functioning of the internal committees of the Board of Directors (as per Art. 123-bis, paragraph 2, letter d) T.U.F.)**

The committees consist of no less than three members all of whom are independent and who are coordinated by a chairman. Minutes are taken of each meeting. The chairman can, if he or she feels it is necessary, invite any other individuals whose presence could be useful for the proceedings of the meeting.

As permitted by the Code of Conduct of Borsa Italiana S.p.A., the Company has merged the functions of the Appointments Committee and of the Compensation Committee into one single committee, whose members include profiles with adequate competence in finance or compensation policy and which is known as the Appointments and Compensation Committee, approving its rules at the Board of Directors Meeting held on October 29 2012.

The Internal Control Committee set up by the Board of Directors on May 4 2000 has taken the name of Control and Risk Committee and at least one of its members has adequate experience in accounting and finance or risk management. This Committee also carries out the functions of the Committee for related-party Transactions in compliance with the Rules for related-party Transaction.

**5) Appointment of Directors (as per Art. 123-bis, paragraph 1, letter l) and paragraph 2, letter d) T.U.F.)**

The Appointments Committee, now renamed the Appointments and Compensation Committee, is made up of Independent Directors: Mr Giampio Bracchi, Mr Michael Pistauer, Mr Claudio Recchi, Ms Dominique Senequier and Mr Guido Tabellini (Chairman of the Committee).

The Committee has the following functions:

- It puts forward to the Board of Directors candidates for the position of Director whenever it is necessary to replace an independent Director as per the terms of Art. 2386, first paragraph of the Civil Code;
- It gives the Board of Directors its opinion on the maximum number of positions as director or statutory auditor that the Directors of the Company can hold in companies listed on regulated markets (even foreign ones), financial companies, insurance companies and companies of a significant size, taking into account whether the directors sit on the committees set up within the Board;
- It gives the Board of Directors its opinion on the size and composition of the same, and possibly also on the professional profiles whose presence on the Board would be considered appropriate.

The Board of Directors Meeting held on October 29 2012 adopted a Succession Plan for Executive Directors, the research for which was carried out by the Appointments and Compensation Committee.

Article 8 of the Company Bylaws regarding the Administration of the Company states: The Company is administered by a Board of Directors comprising from five to twenty-one members, who need not necessarily be shareholders, whose mandate lasts for the period determined by the Shareholders Meeting, but which in any case shall not be longer than three financial years, and who can be re-elected.

The Shareholders' Meeting shall decide on the number of Board Members and this number shall remain the same until a resolution changing the number is adopted.

Minority Shareholders have the right to elect one member of the Board of Directors.

The Board of Directors is elected by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order.

The lists, signed by the Shareholders who have presented them, must be filed following the terms and procedures set out in the appropriate regulations on the subject.

Only Shareholders who alone or together with other Shareholders represent at least a fortieth part of the share capital or any different percentage that may be decided upon in accordance with the law or regulations, can present lists of candidates. They must be able to prove that they own the number of shares required according to the terms and conditions set out in the appropriate regulations on the subject. Shareholders who alone or together with other Shareholders represent a total of less than 20% of the share capital can present lists containing no more than three candidates. Lists containing three or more candidates must include candidates of both genders, in at least the same proportion as set out in current legislation on the subject of gender equality.

Any lists presented that do not comply with these instructions shall be considered as not having been presented.

No Shareholder can present or contribute to the presentation of more than one list, even indirectly through a third party or a fiduciary company. Shareholders subject to the same control in accordance with Art. 93 of the T.U.F. or those taking part in the same Shareholder pact for voting purposes may present or contribute to the presentation of just one list.

Each Shareholder can vote for just one list.

Each candidate can stand only in one list otherwise he or she cannot be elected.

Together with the presentation of the list, and within the same time limit as the latter, declarations shall be presented in which the individual candidates accept their candidature and certify under their own responsibility that there are no reasons why they should not be elected neither is there any incompatibility prescribed by law and by current regulations. They also declare that they possess the requisites stipulated in the law and in current regulations for Members of Boards of Directors. A curriculum vitae must also be submitted with the personal and professional details of the candidate and details of any other positions of director or auditor held in other companies and whether he or her has the necessary requisites to be an independent Director in accordance with the terms of the law and regulations.

Any incompleteness or irregularity regarding individual candidates will lead to the elimination of their names from the list that will be put to the vote.

In order to be able to appoint the candidates indicated, the lists presented and put to the vote must obtain a percentage of the votes that is at least half of the percentage required by the terms of this article for presenting the same lists. If this is not the case, any such list will not be taken into consideration.

For electing the members of the Board of Directors the following procedure will be adhered to:

- a) From the list which obtains most votes at the Shareholders' Meeting all of the board members shall be drawn except for one and this shall be on the basis of the order in which the names appear on the list;
- b) The other director will be the first name on the list which obtains the second most votes and which is not linked in any way, not even indirectly, to the Shareholders who presented and voted for the first list which received the most votes.

If the application of the procedure set out in letters a) and b) does not result in compliance with the rules of gender balance prescribed by current regulations, the last person elected on the list which obtained the greatest number of votes belonging to the gender most represented will not be appointed but will be replaced by the first candidate not elected on the same list belonging to the least represented gender, as per the terms of the law. Where this is not possible the Shareholders' Meeting will make up the numbers of the administrative body with the majorities required by law ensuring compliance with the requirements of the law.

All the Directors elected must possess the requisites of integrity and professionalism required by current regulations. If they do not have these their appointment shall lapse.

In the event that only one list is presented or admitted to the voting, all the Directors shall be drawn from that list.

In the event that no lists are presented or that fewer Directors are elected than the number determined by the Shareholders Meeting, then the same Shareholders must be reconvened in order to appoint the full Board of Directors.

When one or more Directors needs to be replaced due to a resignation or some other reason, the procedure as per Art. 2386 of the Civil Code will be followed, ensuring that all the requisites applicable are complied with.

#### **6) Remuneration of Directors (As per Art. 123-bis, paragraph 1, letter i) T.U.F.)**

The remuneration of Directors holding special positions is, pursuant to the Bylaws, established by the Board of Directors, at the proposal of the Compensation Committee after obtaining the opinion of the Statutory Auditors, on the basis of the guidelines established in the compensation Policy.

The compensation for 2012 of Directors and Executives with strategic responsibilities is shown in the charts attached to the "Compensation Report" prepared in compliance with Art. 84-*quater* of Consob Resolution no. 11971/99, approved by the Board of Directors on March 11 2013, which has been made available for the Shareholders' Meeting convened to approve the Financial Statements for the year ended December 31 2012. The Committee met twice in 2012 and minutes of the proceedings were taken regularly.

The above Committee carries out the following functions:

- It puts before the Board of Directors proposals in relation to compensation policies for Directors and executives with strategic responsibilities;
- Formulates opinions in conjunction with the Control and Risk Committee on proposals regarding the compensation policies for the head of internal auditing and the executive responsible for the preparation of the financial statements and corporate governance documents;
- It formulates proposals for the compensation of the Chief Executive Officer and the Directors holding special positions, which may also include

- compensation plans involving the assignation of stock options or the provision of other share-based incentive plans;
- It puts proposals before the Board on the subject of share-based payment plans for employees (preparing for this purpose the Regulations of the same), identifying the beneficiaries and the number of options to assign to each of them and, at the indication of the Chief Executive Officer, on the criteria for compensating the managerial staff of the Company;
  - periodically evaluates the adequacy, the consistency and the practical application of compensation policy for directors and executives with strategic responsibilities.

The Board of Director approves share-based payment plans and fees.

The Shareholders' Meeting determines the compensation of non-executive Directors, which is based on the commitment required of each of them; the Board of Directors also determines the fees for the position of Chairman and the fees for directors holding special positions.

It should be noted that there is no compensation for Directors in the event of resignation, cancellation without just cause, or termination of the relationship following a successful takeover bid.

Compensation policies aim to guarantee competitiveness in the labour market in line with the objectives of developing and rewarding the loyalty of human resources, as well as using different compensation tools according to individual professionalism and competence.

Taking into account the fact that CIR is a holding company of equity investments, which operates both in mature sectors with relatively constant cash flows, and in sectors with a high potential for growth and in clearly different spheres (publishing, energy, automotive components, healthcare), it is felt to be a particularly complex task to identify specific performance parameters. Consequently the compensation policy for the Chief Executive Officer and the Executives of CIR was determined exclusively based on part of the compensation in cash and a part in shares of the Company.

The Company keeps its compensation in line with market benchmarks, applying rewarding criteria when situations of particular merit arise.

For the year 2012 the Shareholders' Meeting held on April 27 2012 approved the assignation of Stock Grant Plans (respecting the terms and conditions described in the Information Document, prepared in compliance with Consob Regulation no. 11971/99) in accordance with principles which substantially reflect the provisions of Article 6 of the Code of Conduct of Borsa Italiana S.p.A., particularly in relation to the following:

- An average vesting period of 3 years
- Vesting of part of the shares assigned linked to the achievement of certain performances (trend of the stock)
- Minimum holding for an average of 2 years in addition to the 3 years of vesting for a percentage of the shares assigned.

The Information Document can be consulted on the Company's website in the section "Governance".

**7) System of Internal Control and Risk Management (As per Art. 123-bis, paragraph 2, letters b and d) T.U.F.)**

What is described below relates to the system of internal control existing in the Company for the whole of 2012 in accordance with the terms of the Code of Conduct of Borsa Italiana S.p.A. approved by the Corporate Governance Committee in March 2006 and amended in March 2010.

Responsibility for internal control lies with the Board of Directors. To this end, the Board of Directors avails itself of the assistance of the Internal Control Committee, the executive director responsible for superintending the functioning of the internal control system and one or more internal control officers.

On the basis of the resolution adopted by the Board of Directors on March 20 2001, the Chief Executive Officer is the executive director responsible for ensuring that the internal control system works effectively and that it is adequate. He does this partly by defining procedures that will guarantee sound and efficient management and also by identifying, pre-empting and managing, as far as possible, any financial and operational risk and any fraud against the Company, availing himself of the assistance of the Internal Control Committee which operates according to the guidelines set out in the Code of Conduct of Borsa Italiana S.p.A. with the support of the internal control officer, Mr Giuseppe Gianoglio, appointed by the Board of Directors on September 6 2004.

The Board of Directors with their resolution adopted on May 4 2000 set up the Internal Control Committee which was given the function of preparing proposals and acting in a consulting capacity and which acts along the lines set out by the Code of Conduct of Borsa Italiana S.p.A.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the said Chairman takes part in the work of the Committee.

In particular the Internal Control Committee:

- a) assists the Board of Directors in carrying out its duties regarding internal control;
- b) assesses the plan of action prepared by the internal control officers and receives the periodic reports from the same;
- c) together with those responsible for the administration of the company and the auditors, the above Committee assesses whether the accounting principles are being used correctly and, for groups, assesses their uniformity for the purpose of drawing up consolidated financial statements;

- d) evaluates the plan of action for carrying out the audit, the results of the said audit as set forth in the auditor's report and in their letter containing recommendations;
- e) reports back to the Board at least once every six months when the financial statements and the semi-annual report are approved, regarding the action carried out and the adequacy of the system of internal control;
- f) carries out any further duties that may be assigned to it by the Board of Directors, particularly in regard to the relationship with the external auditors;
- g) accesses the information and company functions necessary for carrying out their duties and can also use external consultants when necessary.

The Company provides the Committee with sufficient financial resources for it to carry out its duties.

The Members of the Internal Control Committee are Independent Directors: Maristella Botticini, Giampio Bracchi (Chairman of the Committee) and Silvia Giannini.

During 2012 the Committee held five meetings which lasted for an average of about three hours. Minutes of the meetings were taken regularly.

## **Risk management and internal control system in relation to the financial disclosure process**

### Premise

CIR is a holding of industrial investments which has the prime objective of holding controlling shareholdings as long-term investments and which acts as a point of reference for its subsidiaries, contributing to their development and to a rapid decision making process.

The risk management and internal control system in relation to the financial disclosure process of CIR is, in this context, focused on reporting on a consolidated basis with the aim of ensuring that the financial information of the companies of the Group is available rapidly and is accurate and complete.

### Main characteristics of the existing risk management and internal control system in relation to the process of financial disclosure

The existing risk management and internal control system in relation to the process of financial disclosure of CIR is organized on two levels which have different features, a different structure and operate in different ways in light of the different levels of complexity and the different roles and functions involved. Specifically, the financial information process consists of:

- individual financial disclosure;
- consolidated financial disclosure.

#### Individual financial disclosure

As well as its role as holder of equity investments, CIR engages in short-medium term investment activity, both directly and through its wholly owned subsidiaries, with the aim of optimizing the investment of liquidity, and also hedges the interest rate and exchange rate risk generated by a bond and by foreign currency transactions.

This activity involves a number of deals needing recognition in the accounts which is not particularly high but the unit amount of which may be quite significant.

The procedures involved in the accounting and administrative system and in the related internal control system take these characteristics into account and therefore the risk management system and internal control of information on an individual basis is based on controls mainly of an analytical type rather than on automatic controls.

In particular every economic or financial transaction is recognized fully and accurately in the accounting and administrative system on a timely basis. The Company has set up the necessary procedures and controls to guarantee that the information flow to the accounting system is correct and rapid. For financial transactions that constitute the Company's typical business, the Company has equipped itself with computer systems suitably structured to ensure that the information is reliable and updated.

At regular intervals controls are carried out with third parties to reconcile accounting positions and to check that estimates are reasonable. In fact verification with financial counterparties is one of the normal procedures for checking figures. In addition, for financial risk management purposes, CIR has adopted operating procedures aimed at monitoring and controlling financial activity which establish, among other things, the level of risk, the type of financial investment, stop loss policies and a value at risk (VAR) analysis of the portfolio. This risk management system, adopted by CIR and its 100% owned subsidiaries, is part of the internal control system for financial information.

#### Consolidated financial disclosure

As highlighted above, the accuracy, completeness and timeliness of information needed for the preparation of the consolidated financial statements of CIR depends on the degree of reliability of the instruments it uses to receive financial information from its subsidiaries.

This information flow through the accounting and administration system for the consolidated financial statements of CIR is guaranteed by a structured procedure which operates through a high-professional profile program specializing in the

management of financial information and statistics of groups of companies. This instrument has systems of controls that ensure the consistency of the data managed both in relation to the information of the individual company and in relation to historical data. It also guarantees the traceability of information and is therefore useful for control activities. Homogeneity of financial data is achieved by the fact that the evaluation criteria and main accounting principles used are the same for the whole Group. Awareness of these principles and criteria is guaranteed by the existence of a Group accounting manual and by the daily contact between the competent departments of the various companies.

In this context the system of control of financial information actually put into practice, aimed at mitigating the risks involved in financial disclosures, is based on the organization of the Group into sub-holdings. Control is therefore partly delegated to the sub-holdings who in turn guarantee uniformity in the treatment of information by their operating subsidiaries at all levels.

Specifically, the sub-holdings that depend directly on the Parent company and their respective subsidiaries are equipped with an internal control system and a risk management system aimed at ensuring that information flows into the parent company of the group according to the established timing and procedures. Each company has set up a model that enables information flows generated by their operating processes to be traced and checked and be subjected to first and second level checks. Moreover each operating Group has set up its own third level checking body which acts both directly and also on the basis of programs shared with the Internal Control Committee, the Board of Statutory Auditors and the Supervisory Body as per D.Lgs. 231/2001.

#### Roles and functions involved

The operating activity and the execution of first and second level checks are carried out by a highly professional structure, wholly devoted to this, with the separation of roles between those who actually enter into the deals and those who manage the processing thereof.

The operational management of the whole system is the responsibility of the Internal Auditing function, which is responsible for checking the design and effective operations of the controls and for the periodic check that the management instruments and procedures that CIR has put in place are being applied correctly.

The results of the checks are discussed with the management of the Company, with the Internal Control Committee and in relation to the surveillance activities set out in the organization model as per D.Lgs. 231/2001, with the Supervisory Body.

#### Further checks

The reliability of the financial information of the companies of the Group is not guaranteed only by the above-mentioned procedures and information systems, as it

is also ensured by the monitoring activities carried out by the Parent Company through discussion, analysis and the ongoing revision of budgeted, pre-closing and actual numbers. These discussions are carried out at the various company levels either on a weekly and/or a monthly basis, with the Parent Company. Spot checks even in detail of any variance in the actual or pre-actual figures compared to the figures forecast and a critical assessment of operating events which may involve differences compared to expectations make it possible to know immediately how the company is performing and what its results are expected to be. This means that any corrective measures can be put in place rapidly where necessary. The analyses mentioned above are supported by an appropriate data management system, strictly correlated and integrated with the accounting system of the Company.

The system of internal control illustrated above has been updated on the basis of the new rules set out in the Code of Conduct of Borsa Italiana S.p.A. approved in December 2011, with a resolution of the Board of Directors adopted on October 29 2012. The new system of internal control and risk management is being applied as from January 1 2013.

#### **8) Statutory Auditors (as per Art. 123-bis, paragraph 2, letter d) T.U.F.)**

Article 19 of the Company Bylaws regarding the Board of Statutory Auditors stipulates that: The Board of Statutory Auditors consists of three Statutory Auditors and three Alternate Auditors whose term of office lasts for three financial years and who can be reappointed. Minority Shareholders can elect one Statutory Auditor and one Alternate Auditor.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting on the basis of lists of candidates presented by the Shareholders consisting of two sections: one for the candidates for the position of Statutory Auditor and the other for the candidates for the position of Alternate Auditor and the candidates in each section are listed in numerical order. Lists containing three or more candidates must include candidates belonging to both genders in each section.

The lists of candidates, signed by the Shareholders who are presenting them, must be filed within the time limits and following the procedures laid down by rules on the subject. Only Shareholders who, either alone or with others, represent at least 2% of the share capital have the right to present lists and they are required to provide proof of ownership of the required number of shares within the time limits and following the procedures laid down by law. Lists presented which do not comply with the above rules will be considered as not having been presented.

No Shareholder can present or contribute to the presentation of more than one list of candidates even through an intermediary or through a fiduciary company. Shareholders who are subject to joint control as per the terms of Art. 93 of the Consolidation Act on the subject of financial intermediation or those who take part

in the same shareholder agreement for voting purposes can present or jointly present just one list. Each Shareholder can vote for just one list.

Candidates can be present on only one list otherwise they will be excluded from election. Candidates who already hold the position of Statutory Auditor for five other companies or organizations whose shares are listed on a regulated market included in the list as per Articles 63 and 67 of the T.U.F. cannot be included in the list of candidates and neither can individuals who do not possess the necessary requisites of integrity, professionalism and independence laid down in the legislation on the subject or those who do not respect the maximum limit for the number of positions they can hold in accordance with the law or with regulations.

Within the above-mentioned time limit and together with each list, a declaration signed by each candidate must be submitted. This declaration should attest that the candidate, under his or her own responsibility, accepts his or her nomination and should certify that there are no reasons why he or she should be ineligible for the position or be otherwise incompatible and that the candidate possesses the necessary requisites laid down by law and by current regulations for members of Board of Statutory Auditors. The lists must also be accompanied by a curriculum vitae with the personal and professional details of the candidate and details of any other positions of director or auditor held in other companies.

Any incompleteness or irregularity regarding individual candidates will lead to the elimination of their names from the list that will be put to the vote.

The election of the members of the Board of Statutory Auditors will take place as follows:

1. Two members and two alternate members will be drawn from the list which obtains most votes at the Shareholders' Meeting on the basis of the numerical order in which the names appear on the list;
2. The other member and the other alternate member will be drawn from the list which obtains the second most votes at the Shareholders' Meeting ("minority list") and who must not be connected even indirectly with the Shareholders who presented or voted for the list which obtained the most votes, again on the basis of the numerical order in which the names appear on the list;
3. If only one list is presented, all the Statutory Auditors and Alternate Auditors will be drawn from that list.

If the application of the procedure as per points 1), 2) and 3) does not make it possible to comply with the gender balance rules prescribed by current legislation, the last person elected in the section of the list which obtained the most votes who belongs to the most represented gender will not be appointed but will be replaced by the first candidate on the same list and in the same section belonging to the least represented gender. If this does not happen the Shareholders' Meeting will make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that this requirement is complied with.

The candidate on the minority list who obtained most votes has the right to the position of Chairman of the Board of Statutory Auditors.

If only one list is presented, the candidate for the position of Statutory Auditor who is number one on that list has the right to the position of Chairman of the Board of Statutory Auditors.

Should an Auditor prove not to be possession of the qualifications required by law and by these Bylaws then his or her appointment will no longer be valid and will therefore lapse.

Should a Statutory Auditor need to be replaced, the alternate auditor from the same list will take his or her place ensuring that the requirements of the law and of the Bylaws are complied with, taking into specific account the gender balance obligation.

Article 20 of the Company Bylaws states that the meetings of the Board of Statutory Auditors can also take place using telecommunications facilities provided that the following conditions are met with:

- a) That participants are able to view, receive or transmit all the necessary documentation;
- b) That they can take part in real time in the discussion respecting the methodology of their function (the collegiate method).

The meetings are held in the place where the Chairman is or, in his absence, where the oldest Statutory Auditor in terms of age is located.

The Board of Statutory Auditors can, provided that the Chairman is notified, call a Shareholders' Meeting, a Board of Directors Meeting or an Executive Committee Meeting. The power to call a Board of Directors Meeting or an Executive Committee Meeting can be exercised individually by any member of the Board of Statutory Auditors; the right to call a Shareholders' Meeting must be exercised by at least two members of the Board of Statutory Auditors.

Furthermore the Statutory Auditors are selected from persons who can be qualified as independent following the criteria applied to the Directors.

During 2012 the Board of Statutory Auditors checked that the above criteria were being complied with, ensuring that the results of this check were shown in this report.

The Board of Statutory Auditors currently in office will terminate its mandate with the approval of the Financial Statements as of December 31 2013 and is made up as follows:

| Name                       | Position  | In office since | List | Independent as per Code of Conduct | % attendance at meetings of B. of S.A. | Other positions |
|----------------------------|-----------|-----------------|------|------------------------------------|--|-----------------|
| Manzonetto Pietro          | Chairman  | 29.4.2011       | M    | X                                  | 100%                                   | 2               |
| Nani Luigi                 | In office | 29.4.2011       | M    | X                                  | 100%                                   | 1               |
| Zingales Riccardo          | In office | 29.4.2011       | M    | X                                  | 100%                                   | 3               |
| Macchiorlatti Vignat Luigi | Alternate | 29.4.2011       | M    | X                                  | --                                     | 2               |
| Valdameri Luca             | Alternate | 29.4.2011       | M    | X                                  | --                                     | -               |

Key:

- List: "M/m" according to whether the Statutory Auditor was elected from the list voted for by the majority or from one voted by the minority.

- Independent: indicates that the Statutory Auditor is qualified as independent according to the criteria set out in the Code of Conduct of Borsa Italiana (December 2011 version). At the meeting held on May 16 2011, the Board of Statutory Auditors agreed that the requisite of independence existed for its members, who have held the position for more than nine years. On May 16 2011, after hearing the opinion of the Internal Control Committee, the Board of Directors acknowledged this fact and accepted the opinion of the Board of Statutory Auditors.

- % attendance: shows the attendance in percentage terms of the Statutory Auditor at the meetings of the Board of Statutory Auditors.

Other positions: shows the number of positions of director or statutory auditor held by the individual in other Italian listed companies. The full list of these positions is given in an attachment to this document (Attachment A). Alternate Auditor Mr Raffaele Catarinella died in 2012.

During 2012 the Board of Statutory Auditors met 9 times.

## 9) Relations with Shareholders

The Company has always endeavoured to establish and maintain an effective dialogue with its Shareholders and with the market, using various forms of communication including for example the following: presenting the results of the Company and the Group during Shareholders' Meetings using slides, meeting with financial analysts and institutional investors in Italy and abroad, informing the public by making the corporate governance documents required by law, press releases and presentations available on the website of the Company.

The Company also adheres to the principles of the Guide for Disclosing Information to the Market.

To this end the Chief Executive Officer appointed the Central Finance Director, Mr Michele Cavigioli, to be in charge of the Investor Relations function, to manage the flow of information to Shareholders, financial analysts and institutional investors, in compliance with the rules established for the disclosure of the Company's information and documents.

## 10) Shareholders' Meetings (als per Art. 123-bis, paragraph 2, letter c) T.U.F.)

It has always been the policy of the Company to use the Shareholders' Meeting as an opportunity to give the Shareholders information about the Company and the

Group and their prospects for the future, while complying with the procedure concerning price-sensitive information.

All the Directors and Statutory Auditors endeavour to be present at Shareholders' Meetings as far as possible but particularly those Directors who can make a positive contribution to the debate in view of the positions that they hold.

As per Art. 15 of the Company Bylaws, the Shareholder' Meeting is called by means of the publication of a notice on the Company website and in the newspaper "la Repubblica" according to the terms and procedures contained in current regulations.

The Shareholders' Meeting can be convened in a place other than the offices of the Company, provided that it is in Italy.

As per Art. 16 of the Company Bylaws, attendance and proxy rights are regulated by the rules applicable.

the proxy form can be sent to the Company by Certified Electronic Mail to the email address indicated in the notice of meeting before the start of the proceedings of the Meeting. Participation at the Shareholders' Meeting and voting electronically are allowed when this is stated in the notice of meeting with an indication of the procedures and requisites required by applicable regulations.

It is the Chairman's duty to check that the proxies are in order and that those present have the right to take part in the Meeting. Each share gives the right to one vote. The Shareholders' Meeting, both in its ordinary and its extraordinary session, even in a single calling where the Board should deem this to be appropriate, is constituted and adopts resolution in accordance with the provisions of the law provided the Rules for Related Party Transactions are observed.

The Shareholders' Meeting held on April 27 2001, in accordance with the terms of the Code of Conduct of Borsa Italiana S.p.A., approved and subsequently updated a set of Regulations for conducting Shareholders' Meetings, which can be consulted on the internet website of the Company in the section "Governance".

The Board of Director makes available to the Shareholders a booklet containing the items on the Agenda of the Shareholders' Meeting in the time frame laid down by law. This booklet is also published on the Company's website in the section "Governance".

## **11) Code of Ethics**

On March 7 2003 the Board of Directors approved the CODE OF ETHICS OF THE CIR GROUP, with the aim of defining in a clear and transparent way the code of values underpinning the action of the Group in the pursuit of its objectives and establishing principles of conduct which are binding for directors, employees and other individuals who maintain relations with the Group.

The text of the CODE OF ETHICS can be consulted on the internet website of the Company in the section "Governance".

**12) Institution of a Supervisory Body and application of the organizational and operational model provided for by D.Lgs. 231/2001 (as per Art. 123-bis, paragraph 2, letter a) T.U.F.)**

Legislative Decree no. 231/2001 containing the “Discipline regulating the administrative liability of legal entities, companies and associations without legal status, pursuant to Article 11 of Law no. 300 of September 29 2000” and subsequent amendments and additions introduced the criminal liability of entities for any fraudulent acts committed by people with a special functional relationship with the Company, where the alleged misdeed was carried out in the interest or to the advantage of the same Company; this liability was among other things subsequently extended by D.Lgs no. 61/2002 to cover corporate offences.

The decree provides that exemption for the company from such liability is possible provided that it can be demonstrated that the company had adopted and effectively put in place organizational models for the prevention of criminal offences and that it had given the task of monitoring the correct functioning of such models and making sure that they are fully updated to a controlling body equipped with independent powers to take the initiative and to carry out a control function. To this end, after approving the Code of Ethics, the Board of Directors then set up the Supervisory Body on April 30 2003.

On April 29 2011 the Board of Directors appointed as members of the Supervisory Body external consultants, attorneys-at-law Giuseppe Bianchi and Andrea Gottardo, and Mr Giuseppe Gianoglio. During 2012 the Supervisory Body met three times and minutes were taken in line with standard practice.

The Supervisory Body of CIR S.p.A. monitored the functioning and observance of the Organization, Management and Control Model adopted by the Company, checking its effectiveness and evaluating any possible proposals for updating it, in accordance with the work program approved by the Board of Directors Meeting held on March 10 2011.

On September 5 2003 the Board of Directors also approved the “*Organizational Model*”, which was subsequently supplemented following the broadening of the scope of the law contained in D.Lgs. 231/2001.

**13) Firm of Auditors**

The Shareholders’ Meeting held on April 29 2008 awarded a mandate to the company Deloitte & Touche S.p.A. to audit the annual financial statements and the consolidated financial statements and carry out the check that the company accounts are being held correctly for financial years 2008-2016.

#### **14) Management and coordination activity**

The Company is subject to management and coordination by its controlling company COFIDE S.p.A., as per the terms of Art. 2497 and following articles of the Civil Code.

ATTACHMENT A)

**List of positions held by the Directors of CIR S.p.A. in other companies listed on regulated markets, in financial companies, insurance companies, banks and also in non-listed companies of a certain importance (at December 31 2012).**

|                      |  |
|----------------------|--|
| De Benedetti Carlo   | Honorary Chairman & Director of Cofide S.p.A.*<br>Chairman of Gruppo Editoriale L'Espresso S.p.A.*<br>Member of the Supervisory Board of<br>Compagnie Financière Edmond de Rothschild Banque<br>Director of Amber Capital Italia SGR                         |
| Micossi Stefano      | Director and Member of the Internal Control<br>Committee of Banca Nazionale del Lavoro S.p.A.  |
| De Benedetti Rodolfo | Chief Executive of Cofide S.p.A. *<br>Director of Gruppo Editoriale L'Espresso S.p.A.*<br>Chairman of Sogefi S.p.A. *<br>Chairman of Sorgenia S.p.A. *<br>Chairman of Sorgenia Holding S.p.A.*<br>Director of Banque Syz S.A.<br>Director of Finegil S.p.A.* |
| Botticini Maristella | --   |
| Bracchi Giampio      | Chairman of IntesaSanPaolo Private Banking S.p.A.<br>Director of Amplifon S.p.A.<br>Director of Banca del Sempione S.A.<br>Chairman of Perennius Capital Partners SGR  |
| Debenedetti Franco   | Director of Cofide S.p.A. *<br>Director of Piaggio & C. S.p.A.<br>Director of Premuda S.p.A.<br>Chairman of China Milan Equity Exchange  |
| Giannini Silvia      | --   |
| Girard Franco        | Director of Cofide S.p.A. *<br>Chairman of M&C S.p.A.  |
| Pistauer Michael     | Director of Borusan EnBW Enerji AS - Istanbul  |

|                     |   |
|---------------------|---|
| Recchi Claudio      | Chairman and Chief Executive of Recchi<br>Ingegneria e Partecipazioni S.p.A.<br>Director of Aon Italia S.p.A.<br>Director of IPI S.p.A.<br>Director of Banca Albertini Syz & C. S.p.A.<br>Chairman of Proger S.p.A. |
| Senequier Dominique | Non-voting Director of Groupe Bourbon<br>Member of the Supervisory Board of Schneider<br>Electric<br>Chairman of the Executive Board of AXA<br>Investment Private Equity  |
| Tabellini Guido     | Director of Fiat Industrial S.p.A.  |

**List of the positions held by the Statutory Auditors and Alternate Auditors of CIR S.p.A. in other companies listed on Italian regulated markets (at December 31 2012)**

|                            |   |
|----------------------------|---|
| Manzonetto Pietro          | Statutory Auditor of RCS Media Group S.p.A.<br>Chairman of the Board of Statutory Auditors of<br>Banco Popolare Società Cooperativa |
| Nani Luigi                 | Alternate Auditor of Cofide S.p.A. *  |
| Zingales Riccardo          | Director of Parmalat S.p.A.<br>Statutory Auditor of Cofide S.p.A. *<br>Statutory Auditor of Sogefi S.p.A. *                         |
| Macchiorlatti Vignat Luigi | Alternate Auditor of Cofide S.p.A. *<br>Alternate Auditor of Sogefi S.p.A. *  |
| Valdameri Luca             | --  |

\* *companies of the Group*