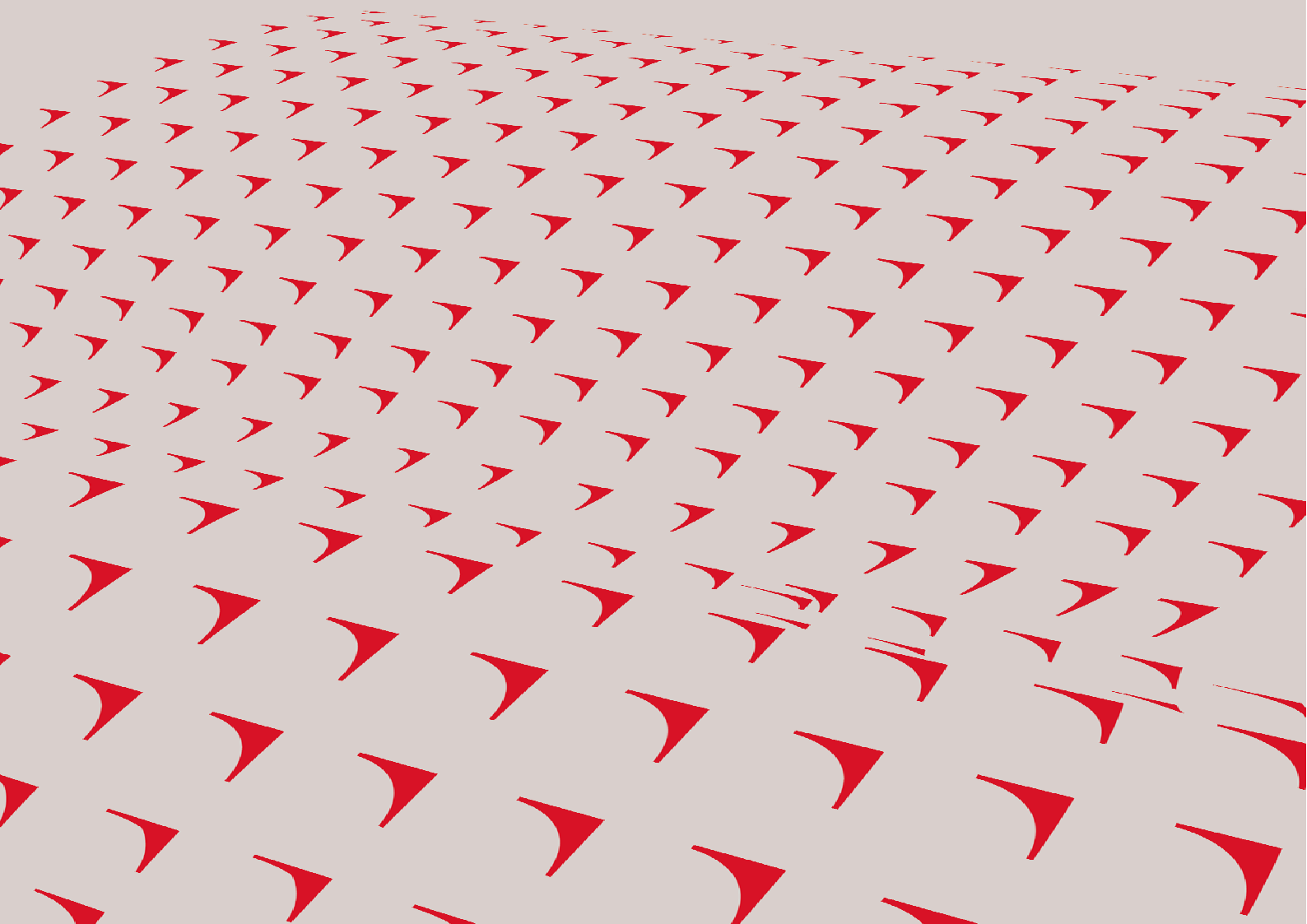




Code of Conduct

Updated at 28.10.2016





CODE OF CONDUCT OF CIR S.p.A.

FOREWORD

The Code of Conduct of CIR S.p.A. (hereinafter "CIR" or the "Company") contains a description of the main duties and functions of the corporate bodies of the Company and of the internal control and risk management structure of the Company.

The description of these duties and functions is carried out in a structured way in a single document in which it is possible to find not only content but also specific reference to the applicable regulatory environment: the provisions of the law and of regulations, the terms of the Company Bylaws, and the principles of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. with which the Company complies.

On this subject at the Board of Directors Meeting held on October 29 2012, following the new rules of the Code of Conduct of Borsa Italiana S.p.A. introduced in December 2011, the Company updated its own corporate governance and approved internal procedures as indicated in the Code.

In order to incorporate the changes introduced in the Code of Conduct of Borsa Italiana S.p.A. in July 2014 and July 2015, the Board of Directors has subsequently updated the Code of Conduct of the Company.



Art. 1 – Role of the Board of Directors

Below are the provisions of the **Company Bylaws** on the subject of the **role of the Board of Directors**

ARTICLE 16

POWERS OF THE BOARD OF DIRECTORS

1. The Board of Directors is invested with broad powers for the administration of the Company. It can carry out any action considered appropriate for achieving the object of the Company, whether such action pertain to ordinary or extraordinary administration, with no exclusions or exceptions, apart from that which the law and these Bylaws have established as mandatory for the Shareholders' Meeting.
2. The Board of Directors can therefore adopt resolutions approving a reduction of the share capital of the Company in the event of the withdrawal of Shareholders, amending the Bylaws to bring them into line with new regulations, moving the Company headquarters anywhere in the country and also approving the merger by incorporation of either a fully owned subsidiary or a subsidiary in which it holds a stake of at least 90%, all in compliance with the provisions of Articles 2505 and 2505-bis of the Civil Code.
3. When the Annual Report and Financial Statements are being prepared or at any other time they consider it opportune, the Board of Directors will establish an amount to be given to scientific and cultural charity organizations in general and, specifically, to the Fondazione Ing. Rodolfo Debenedetti and will report back to the Shareholders on the same during the meeting held to approve the financial statements.

ARTICLE 18

EXECUTIVE COMMITTEE

1. The Board of Directors can delegate its powers, with the exception of those expressly reserved by the law to itself, to an Executive Committee comprising some of its members, establishing the membership of the same and the limits of the powers delegated to it.
2. The same rules set forth for the Board of Directors shall also apply to the running of the Executive Committee

ARTICLE 20

MANAGEMENT

1. The Board can appoint General Managers, subject to ascertaining that they possess the requisites of integrity required by law, selecting them from the members of the Board. A lack of the requisite of integrity means that the appointment will lapse.
2. The Board can also appoint proxies with either individual or joint signatures, establishing their powers and functions, and can also appoint mandatees in general for certain acts or categories of acts
3. The appointment of Directors, Deputy Directors and Proxies with the determination of their respective remuneration and functions can also be delegated by the Board to the Chairman or whoever is substituting him, to Chief Executive Officers and General Managers.
4. 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.

ARTICLE 21

OFFICER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS

1. The Board of Directors, at the proposal of the Chief Executive Officer and in agreement with the



Chairman and with the favourable opinion of the Board of Statutory Auditors, shall appoint the officer responsible for the preparation of the company financial statements, who must have adequate experience on the subject of accounting and finance.

2. The Board of Directors also monitors that the officer appointed to prepare the financial statements of the Company has sufficient powers and means to carry out the duties assigned to him or her and that the administrative and accounting procedures are actually being complied with.

ARTICLE 13

MEETING OF THE BOARD OF DIRECTORS

1. The Board shall meet when convened by the Chairman or whoever is taking his place, even not in the Company headquarters, as a rule every three months and any time that the interests of the Company make it necessary, including at the request of a majority of the Directors or of one of the Chief Executive Officers.
2. The Board shall also meet at the request of at least one Statutory Auditor in office, subject to notification of the Chairman of the Board of Directors.
3. The Meeting will be 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.
4. The Meetings of the Board of Directors will be chaired by the Chairman or, should the Chairman be absent, by the Deputy Chairman who has more seniority or if both have the same seniority then by the one who is oldest in age.
5. Where the above is not possible a Chairman will be designated by the Board of Directors from its members.
6. Meetings of the Board of Directors can be held by video- or telephone-conference call 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.
7. Once these conditions have been verified, the Board is considered as being held in the place where the Chairman is actually located.
8. 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 on a 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.
9. When the minutes are not drawn up by a Notary, they are prepared by the Secretary.

ARTICLE 14

RESOLUTIONS OF THE BOARD OF DIRECTORS

1. In order for the Board resolutions to be valid and binding the majority of the Directors in office must be present.
2. Resolutions are taken with an absolute majority of the votes of those present and in accordance with the procedures set out in regulations on the subject. If the votes for and against are equal then the Chairman or the person chairing the meeting casts his or her vote, which is decisive.

ARTICLE 15

DUTY TO GIVE INFORMATION

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.



In application of the terms of Art. 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, examines and approves the strategic and financial plans of the Company and also examines the consolidated strategic, business and financial plans of the direct subsidiary 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 Company and periodically monitoring their implementation. The procedures stipulate that the business plans and the budgets prepared by each company of the group should be the subject of discussion with the Chief Executive of CIR. The Chief Executive of CIR examines and evaluates the business plans and budgets of the companies of the group, availing him/herself, when there are elements of strong impact for CIR, of the contribution of the Chairman of the Control, Risk and Sustainability Committee but in any case keeping the Chairman of the Board of Directors informed. For the budgets, presentation to the respective Boards of Directors takes place by the end of the month of January;
- Defines the nature and level of risk compatible with the strategic objectives of the Company, as illustrated in Art. 7 below, taking into account in terms of possible impact the main risks relating to the businesses of the subsidiaries, which in their turn must define the nature and level of risk compatible with the specific aspects of their business. The Company carries out a global risk assessment every year when the budget is approved;
- Evaluates the adequacy of the organizational, administrative and accounting structure of the Company with particular reference to the system of internal control and risk management;
- Acknowledges, possibly even with a resolution of its own on the subject, what the Chief Executive Officer reports back to the Board on the activity carried out in the exercise of the powers assigned to him/her with the frequency established in the Company Bylaws;
- 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 Company and examines those of the subsidiaries that have significant strategic importance. To this end the Board of Directors defines its parameters for measuring significance, adopting a special procedure;
- Carries out generally once a year an assessment of the size, composition and functioning of the Board of Directors itself and of its committees, taking into account 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;
- Can give the Shareholders, before the appointment of a new Board, its views on the managerial and professional figures whose presence on the Board would be considered useful;
- In order to ensure the correct management of company information, the Board of Directors adopts a procedure for managing internally and communicating externally documents and information, with particular reference to privileged information, which it makes available on the Company's website;
- Gives information in the Report on Corporate Governance on its composition and on the times and procedures for holding its meetings and on the self-assessment process.

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 (even foreign ones), finance companies, banks, or insurance companies or companies of a significant size. They are also 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.



Still in application of the terms of Art. 1 of the Code of Conduct of Borsa Italiana S.p.A. the Board of Directors has approved the following:

Guidance regarding the maximum number of positions as director or statutory auditor in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or companies of a significant size ("Significant Companies"):

a) General criteria for evaluation

1. Exclude the possibility that an executive director of CIR can take on other positions as executive director or statutory auditor in Significant Companies not belonging to the CIR group;
2. For the executive directors of CIR, possibility of holding other positions with a maximum limit of three as non-executive director in Significant Companies not belonging to the CIR group;
3. For the non-executive directors of CIR, possibility of holding other positions with a maximum limit of five as non-executive director and/or statutory auditor and two as executive director in Significant Companies not belonging to the CIR group;
4. Positions held in Significant Companies belonging to the same group will count as a single position (and that single position will be considered as that of an executive director for the purposes of the calculation of the limits, if at least one of the positions held in the same group is as executive director);
5. "Companies of a significant size" means companies that exceed at least one of the following limits: revenues of over Euro 500 million, total assets of over Euro 1,000 million, over 2,000 employees.
6. "Financial companies" means only those companies that exercise the business of supplying financial services to the public, and which are subject to supervision.

b) Possible waiver of the general criteria

The general criteria described above can always be waived in relation to one or more directors with a resolution taken by the Board of Directors giving the reasons for the waiver. In deciding on the waiver the Board of Directors may also take into account the director's attendance record at CIR board meetings and committee meetings.

It should also be noted that the Board of Directors assesses the independence of its Directors at least once a year, taking into account the information that the individuals involved are required to produce. While the terms of Art. 147-ter, paragraph 4, of the Finance Consolidation Act (T.U.F.) remain applicable, the Company intends to introduce the obligation for any Director who has lost the qualification of independence as per the terms of the Code of Conduct (Criterion 3.C.1) to resign his or her position, without prejudice for the right of the Board of Directors to evaluate each specific case possibly allowing waivers to the rules.

Information will be given of any waivers of the above approved by the Board of Directors in the Annual Report on Corporate Governance.

Below is what the **Company Bylaws** stipulate on the subject of the **Chairman of the Board of Directors**

ARTICLE 19

LEGAL REPRESENTATION

1. The Chairman of the Board of Directors is the legal representative of the Company.
2. Legal representation is also entrusted to the Deputy Chairmen, to the Managing Directors/Chief Executive Officers and to the General Managers and to anyone else designated by the Board of Directors, severally within the limits of the powers assigned to them individually, or otherwise jointly with another individual also having joint powers.



In application of what is stated in Art. 1 of the Code of Conduct of Borsa Italiana S.p.A. the Chairman of the Board of Directors:

- 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; in specific cases when it is not possible to provide the necessary information with sufficient time before the meeting, the Chairman ensures that adequate and precise explanations are given during the Board meetings;
- 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;
- ensures that the Directors and Statutory Auditors, after their appointment and during their mandate, can attend initiatives, in the most appropriate formats, that will give them adequate knowledge of the business sector in which the issuer operates, of the dynamics of the Company and the evolution thereof, of the principles of correct risk management, as well as of the regulatory environment and the internal rules on the subject;
- can ask the Chief Executive Officer, even at the request of one or more directors, for executives of the Company and of the companies of the group to be present at Board meetings to explain items in greater detail.

Art. 2 – Composition of the Board of Directors

The Board of Directors is made up of executive and non-executive Directors who have adequate competence and professionalism.

The non-executive Directors bring their specific competences to the Board discussions, contributing to the adoption of judicious decisions and paying particular attention to the areas in which conflicts of interest can emerge.

The composition of the Board of Directors of the Company – even in relation to number, competence, authoritativeness and availability of time that the non-executive Directors have – must be suitable to guarantee conditions of managerial autonomy, directed towards the maximization of the economic and financial objectives of CIR.

The composition of the Board of Directors also respects the balance between the genders prescribed by current legislation and by Art. 11 of the Company Bylaws reproduced further on.

The Company complies with the so-called ban on interlocking directorates, which was introduced by Art. 2.C.5 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., i.e. the principle that the chief executive officer of an issuer cannot take a position as director of another issuer not belonging to the same group, in which a director of the issuer is chief executive officer.

The Directors are expected to know their duties and the responsibilities inherent in the position.

The Chairman makes sure that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives, in the most appropriate formats, aimed at giving them



an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, of the principles of correct risk management, and of the relevant regulatory environment and the internal rules on the subject. As far as information on the business sectors is concerned, each executive Director gives a briefing on the performance of the business at the meetings of the Board of Directors on an ongoing basis and in a more extended form at least once a year.

In relation to the regulatory environment, special information sessions may be organized for the Directors with the support of professional training experts when the Board of Directors is renewed and, subsequently, any time that changes in the regulatory framework make an update on the subject appropriate.

The Board of Directors designates a lead independent director. The lead independent Director is a point of reference who coordinates the requests and the contributions of the non-executive Directors, particularly the independent Directors. He or she 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.

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

Art. 3 – Independent Directors

The Independent Directors make up the majority of the members of the Board of Directors.

In accordance with what is recommended by the Code of Conduct of Borsa Italiana S.p.A. “Independent Directors” are considered as those directors:

- a) who do not either directly or indirectly, even through subsidiaries, fiduciaries or any third persons, control the Company, and who are not able to exert a significant influence on it, and who have not entered into a shareholder pact through which one or more persons may exercise control or a significant influence on the company;
- b) who do not hold or have not held in the previous three years an important position in the Company, in one of its subsidiaries of strategic importance or in a company subject to the joint control of the Company, or in a company or an entity which, with others through a shareholder agreement, controls the Company or is able to exercise considerable influence over the same;
- c) who 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 Company, 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 Company or – where companies or entities are involved – with any persons who have a significant status in them;or who are not, nor have been in the previous three years, employees of one of the above entities;
- d) who do not receive, or have not received in the previous three financial years, from the Company or from one of its subsidiaries or parent companies any significant remuneration in addition to their “fixed” fee as non-executive Directors of the Company, 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 those involving shares;
- e) who have not been Directors of the Company for more than nine of the last twelve years;



- f) who do not hold the position of executive Director in another company in which an executive Director of the Company holds the position of director;
- g) who are not shareholders or Directors of companies or of an entity belonging to the network of the company awarded the legal audit mandate by the Company;
- h) who are not close family members of a person who is in one of the situations specified in the previous points.

Should any of the 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 or not 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.

The independence of the Directors is assessed by the Board of Directors when they are appointed and then once a year. The Board gives the outcome of its assessment in the Report on Corporate Governance.

Art. 4 - The institution and the functioning of the internal committees of the Board of Directors

The Board of Directors sets up from among its members one or more committees, the function of which is to make proposals and give advice, defining their duties.

The committees consist of no less than three members all of whom are independent and who are coordinated by a chairperson. Minutes are taken of each committee meeting and the Chairman of each committee reports back on the same at the first Board of Directors Meeting.

The chairperson can from time to time, if he or she feels it is necessary, invite other individuals who are not on the committee but whose presence could be useful for the proceedings of the meeting.

For organizational reasons the functions of the Appointments Committee and those of the Compensation Committee are combined in a single committee, called the Appointments and Compensation Committee, whose members must include profiles with adequate competence in finance or compensation policy.

The Appointments and Compensation Committee and the Control, Risk and Sustainability Committee function according to what is set out in their respective Rules.

The Control, Risk and Sustainability Committee, of which at least one member must have adequate experience in accounting and finance or risk management, as well as advising, making proposals and monitoring the Control and Risk System, also carries out the function of Committee for Related Party Transactions in accordance with the Rules for Related Party Transactions.

The duties assigned to the individual Committees of the Board of Directors are illustrated in the following articles.



Art. 5 – Appointment of Directors

Below are the terms of the **Company Bylaws** on the subject of the **appointment of Directors**

ARTICLE 11

THE BOARD OF DIRECTORS

1. The administration of the Company is entrusted to a Board of Directors comprising from five to twenty-one members the length of whose mandate shall be determined by the Meeting of the Shareholders but shall not in any case be more than three years, and the said members can be re-elected.
2. 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.
3. Minority Shareholders have the right to elect one member of the Board of Directors.
4. 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 within the terms and following the procedures prescribed by applicable legislation.
5. 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 with regulations, can present lists of candidates. They must be able to prove that they own the number of shares required within the terms and following the procedures laid down in legislation applicable.
6. Lists which include a number of candidates equal to or higher than three must include candidates belonging to both genders, in at least the proportion specified in current legislation on the subject of gender balancing.
7. Any lists presented that do not comply with these instructions shall be considered as not having been presented.
8. 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 Financial Intermediation Consolidation Act, or those taking part in the same shareholder pact for voting purposes may present or contribute to the presentation of just one list.
9. Each Shareholder can vote for just one list.
10. Each candidate can stand only in one list otherwise he or she cannot be elected.
11. Together with the presentation of the list, and with the same terms as the latter, declarations shall be presented in which the 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 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 she has the necessary requisites to be an independent Director in accordance with the terms of the law and with regulations.
12. 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.
13. 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.
14. 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 must not be connected in any way, not even indirectly, to the Shareholders who presented and voted for the first list which received the most votes.

When application of the procedure described in a) and b) above does not give the gender balance required by current legislation, the last director elected from the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list belonging to the least represented gender, in compliance with the requirements of the law. Otherwise, the Shareholders' Meeting shall make up the number of the administrative body with the majorities required by law, ensuring compliance with the terms of the law.

15. All the Directors elected must possess the requisites of integrity and professionalism required by current rules. If they do not have these their appointment shall lapse.
16. In the event that only one list is presented for the vote, all the Directors shall be drawn from that list.
17. 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.
18. 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.

In application of what is stipulated in Art. 5 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the *Rules* of the Appointments and Compensation Committee approved by the Board of Directors, in relation to the appointment of the Directors, the Committee carries out 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 of director or statutory auditor that the Directors of the Company can hold, even in waiver of the general criteria, 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 appropriate.

The *Succession Plan for Executive Directors* is approved by the Board of Directors on the basis of the investigatory activity carried out by the Appointments and Compensation Committee. The *Plan* should give a clear definition of the objectives, instruments and timing of the process, should have the involvement of the Board of Directors and a clear allocation of competences, even with regard to the preliminary stage of the procedure.

Art. 6 – Remuneration of Directors

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.

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



The remuneration of non-executive Directors on the basis of the commitment required of each of them is established by the Shareholders' Meeting; the Board of Directors also determines the fee for the position of Chairman and the fees for directors holding special positions.

The Board of Directors at the proposal of the Appointments and Compensation Committee, defines a policy for compensating Directors and Executives with strategic responsibilities.

In application of principle 6.P.5. of the CODE OF CONDUCT OF BORSA ITALIANA S.p.A., when the position of an executive director or a general manager is terminated, the Company after following internal processes leading to the assignment or recognition of compensation and/or other benefits, gives full details of this in a press release to the market.

The remuneration of Directors holding special positions is, in accordance with the Bylaws, established by the Board of Directors at the proposal of the Appointments and Compensation Committee after hearing the opinion of the Board of Statutory Auditors, and is based on the guidelines established in the compensation policy.

In the preparation of any share-based compensation plans, the Board of Directors ensures that the criteria stipulated in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. are observed.

In application of what is stated in Art. 6 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the *Rules* of the Appointments and Compensation Committee approved by the Board of Directors, in relation to compensation, the 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;
- It formulates opinions in conjunction with the Control, Risk and Sustainability 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 formulates proposals, at the indication of the Chief Executive Officer, on the criteria for compensating the managerial staff of the Company;
- It periodically evaluates the adequacy, the consistency and the practical application of the compensation policy for directors and executives with strategic responsibilities.

Art. 7 – System of internal control and risk management

The Board of Directors approves the general principles of the internal control and risk management system.

More specifically, the Board of Directors Meeting held on October 29 2012 adopted, with effect as from January 1 2013, its *Guidelines on the subject of the System of Internal Control and Risk Management*:

Control and Risk System

The Control and Risk System is the collection of rules, procedures and organizational structures that aim to make it possible, through an adequate process of identification, measurement, management and monitoring of the main risks, to conduct a healthy and correct company that is consistent with its established objectives and to foster judicious decision making. The Control and Risk System contributes towards guaranteeing that the Company's capital is safeguarded and ensuring the efficiency and effectiveness of company processes, the reliability of disclosures made to the Company bodies and to the market, and compliance with the law and regulations as well as with the Company Bylaws and internal procedures.



The Control and Risk System helps reduce and limit errors, fraudulent infringement of control systems and unexpected events although it cannot eliminate the possibility of wrong decisions.

Apart from these guidelines, the Control and Risk System includes internal rules contained in the Bylaws and in Regulations on the subject of the division of competences and the delegation of responsibilities, including the Organization Model as per the terms of D.Lgs. 231/2001, the objectives and methods of evaluating risks and instructions on the subject of the administrative, accounting and financial system.

Duties of the bodies and functions of the Control and Risk System

The bodies and functions responsible for the Control and Risk System are the following:

- a) the Board of Directors;
- b) the Director given responsibility for the Control and Risk System (the “Director Responsible”);
- c) the Control, Risk and Sustainability Committee;
- d) the Head of the Internal Audit function;
- e) the Risk Manager;
- f) the Board of Statutory Auditors;
- g) the Supervisory Body as per D.Lgs. 231/2001;
- h) the other corporate bodies and functions with competence on the subject of internal control and risk management.


All employees, within the sphere of their duties in the Company organization, contribute to the effective functioning of the Control and Risk System, carrying out their responsibilities with the necessary knowledge and understanding of the activity, the organization of the market in which the company operates and how it functions and of the risks and operational objectives of the Company.

The bodies and functions listed above operate each in accordance with its duties and competences and following the indications given in these Guidelines and in the rules of law, regulations and internal rules applicable.

The Board of Directors

The Board of Directors has ultimate responsibility for the Control and Risk System and defines its strategies in line with strategic objectives and the risk profile of the Company. Within the sphere of the Control and Risk System the Board of Directors:

- a) Defines the policies of the Control and Risk System, making sure they are suitably amended and updated;
- b) Identifies the nature and level of risk compatible with the strategic objectives of the Company, reassessing them whenever circumstances make it necessary;
- c) On an annual basis assesses the adequacy, effectiveness and efficiency of the Control and Risk System in relation to the business of the company and the risk profile it wishes to have, taking into account the opinions on the subject of the Director Responsible and of the Control, Risk and Sustainability committee;
- d) Approves, at the proposal of the Control, Risk and Sustainability Committee on an annual basis in conjunction with the approval of the Annual Report and Financial Statements, the audit plan after hearing the Board of Statutory Auditors and the Director Responsible;
- e) Evaluates, after hearing the Board of Statutory Auditors, the results set out by the legal audit firm in any letter containing suggestions that they may produce and in the report on the fundamental issues that emerged from the legal audit;
- f) Appoints the Director Responsible;
- g) Appoints from within its number a Control, Risk and Sustainability Committee and designates the Chairman thereof;

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- h) Approves the rules of the Control, Risk and Sustainability Committee and any amendments and updates to the same;
 - i) Appoints and revokes the appointment of the Head of Internal Audit, establishing his/her compensation in line with company policy, at the proposal of the Director Responsible and after obtaining a favourable opinion from the Control, Risk and Sustainability Committee and the Appointments and Compensation Committee and hearing the Control, Risk and Sustainability Committee and of Statutory Auditors;
 - j) Ensures that the Head of the Internal Audit function has adequate resources for carrying out his/her duties.

Director Responsible

The Director Responsible is responsible for ensuring that the internal control system works well and is adequate. As a rule the Director Responsible coincides with the Chief Executive Officer.

The Director Responsible:

- a) Deals with the identification of the main company risks and submits them periodically to examination by the Board of Directors;
- b) Sees to the design, implementation and management of the Control and Risk System, setting up a process of coordination between the various bodies and the departments affected in order to maximize efficiency and reduce duplication;
- c) Constantly verifies, partly on the basis of the reports presented by the Head of Internal Audit and at the indication of the Control, Risk and Sustainability Committee, the adequacy, effectiveness and efficiency of the Control and Risk System, proposing suitable amendments and updates to the Board of Directors;
- d) Can ask the Head of Internal Audit to carry out checks in specific operating areas and on compliance with internal rules and procedures in the execution of company transactions, giving feedback on the same to the Chairman of the Board of Directors, the Chairman of the Control, Risk and Sustainability Committee and the Chairman of the Board of Statutory Auditors;
- e) Refers back as soon as possible to the Board of Directors on any problems or critical areas that emerged in the execution of his/her duties and which have somehow come to his/her notice so that the Board of Directors can take appropriate action;
- f) In carrying out his/her duties, can use the consulting services of the Control, Risk and Sustainability Committee.

The Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee carries out a consulting role, makes proposals and monitors the Control and Risk System.

The Control, Risk and Sustainability Committee:

- a) Together with the executive responsible for the preparation of the company's financial statements and having heard the legal audit firm and the Board of Statutory Auditors, evaluates that the correct accounting standards are being used and that they are consistent for the purposes of the preparation of the statutory and consolidated financial statements for the year and presents the results of its evaluation to the Board of Directors as stated in letter f) below;
- b) Expresses opinions on specific aspects regarding the identification of the Company's main risks, and in particular on the identification, measurement, management and monitoring of the Company's main risks;
- c) Examines the reports on the assessment of the Control and Risk System prepared by the Internal Audit function and refers back to the Board of Directors with its own evaluation on the subject as required by letter f) below;
- d) Monitors the independence, the adequacy, the effectiveness and the efficiency of the Internal Audit function and proposes any corrective action needed to the Board of Directors;
- e) Can ask the Internal Audit department to carry out checks on specific operating areas, at the

same time notifying the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Director Responsible;

- f) Refers back to the Board at least once every six months, on the occasion of the approval of the Annual Report and Financial Statements and the Semi-annual Interim Financial Report, on its activities and on the adequacy of the Risk Management System;
- g) Supports the assessments and decisions of the Board of Directors regarding the management of risks resulting from prejudicial events that have come to the notice of the Board of Directors, with an appropriate investigation;
- h) Examines the audit plan and proposes that the Board of Directors adopt it;
- i) Carries out the functions of a committee for transactions with related parties as per the terms of the procedure for transactions with the related parties of the Company;
- j) Carries out any other functions that may be assigned to it at any time by the Board of Directors in relation to specific critical factors on the subject of the internal control and risk system of the issuer and of the Group.

The Control, Risk and Sustainability Committee is made up of at least 3 independent directors, of whom at least one has adequate experience in accounting and finance or risk management, and operates in accordance with the provisions of the internal rules approved by the Board of Directors, which describe the procedures for its appointment, its duties, how it functions, its powers and its expense budget.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the same Chairman takes part in the works of the Control and Risk Committee (and the other Statutory Auditors can in any case also participate).

The Head of the Internal Audit function

Within the sphere of the Control and Risk System, the Head of the Internal Audit department:

- a) Prepares the audit plan submitting it to the Control, Risk and Sustainability Committee so that it can be put before the Board of Directors for adoption;
- b) Checks both on an ongoing basis and in relation to specific necessities that the Control and Risk System is functioning well and is suitable for the task through the audit plan which is approved by the Board of Directors;
- c) Prepares half-yearly reports on its activities, the procedures used to conduct risk management, compliance with the plans defined for containing the risk and the suitability of the Control and Risk System. He/she then sends a copy to the meeting of the Control, Risk and Sustainability Committee which precedes the Board of Directors Meetings that approve the Annual and Semi-Annual financial statements;
- d) Prepares timely reports on events of particular significance, sending a copy of the same to the Chairmen of the Board of Directors, the Control, Risk and Sustainability Committee and the Board of Statutory Auditors as well as to the Director Responsible;
- e) As part of the audit plan he/she checks the reliability of the IT systems, including the accounting system.
- f)


Hierarchically the Head of the Internal Audit department reports on a general basis to the Board of Directors, to the Chairman of the Board of Directors, and has direct access to any information useful to carry out his/her role.

Risk manager

The description of the activities and functions of the Risk Manager is given below.

Board of Statutory Auditors

The Board of Statutory Auditors monitors the effectiveness of the Control and Risk System. In



carrying out its functions the Board of Statutory Auditors can ask the Head of the Internal Audit department to carry out checks on specific operating areas or company transactions, advising the Chairman of the Board of Directors. The Board of Statutory Auditors and the Control, Risk and Sustainability Committee exchange the information they need to carry out their duties on a timely basis.

Supervisory Body

The Supervisory Body set up as per the terms of D.L.gs 231/2001 carries out the duties assigned to it by the Company's Organization Model and collaborates and exchanges information regularly with the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the Director Responsible.

Other competent bodies and departments

The other bodies and departments of the Company with competence in the area of internal control and risk management include the Officer Responsible for the preparation of the financial statements and all of the procedures and bodies that make up the structure of the Company.

Risk management

The risk management system is organized with the following three levels of control:

- a) The operating functions within the company note the risks and establish any action to be taken to manage them;
- b) The risk management functions carry out a constant analysis and monitoring activity;
- c) The Internal Audit department controls the functioning of the System and gives its own independent assessments.

Definition of the nature and level of risk compatible with the strategic objectives of CIR

At least once a year when the budget is prepared, CIR carries out an overall assessment of its risks, quantifying them and evaluating their possible impact both of the achievement of results and in general on the management of its portfolio of equity investments.

The analysis is carried out with the methodological support of the document "Risk analysis and evaluation" given as an attachment (Annex a), which forms an integral part of this document. The outcome of this activity is a document that describes in full the level of risk for each business area and defines the action planned to mitigate the risks. The general content of the information produced is given in document (for example Annex b) which must be discussed by the Risk Manager with the company management and with the Control, Risk and Sustainability Committee. The Control, Risk and Sustainability Committee can request clarification and/or additional information to be given in the document so that it can report back exhaustively to the Board of Directors. The Board of Directors must be put in the condition to be able to then easily assess whether the level of risk compatible with the strategic objectives of the Company is acceptable as it is set out in the document prepared by management and discussed with the Control, Risk and Sustainability Committee. The Board of Directors must give its opinion on the mitigation action proposed and on the amount of any residual risk.

The examination, discussion and definition by the Board of Directors of the nature and level of risk compatible with the Company's objectives is carried out through a critical analysis of the Control, Risk and Sustainability Committee's evaluation of the probability/impact of the risk and takes into consideration parameters relating to the operating result, shareholders' equity and the net financial position of the Company.

Operating steps

The above activity must be subjected to a complete review and ongoing monitoring during the year by the Risk Manager in close conjunction with those responsible for the process and with the Head



of the Internal Audit department.

In practical terms the activity of the Risk Manager in conjunction with those responsible for the process consists of taking the following actions:

- a) Mapping out the company processes and updating them whenever necessary;
- b) Recording both internal and external risks for the individual processes on an annual basis;
- c) Measuring the risks in terms of probability / impact and assessing their effect on the business plans and on the budget;
- d) Analysing factors that can mitigate the risk;
- e) Presenting the results of the activity to the Control, Risk and Sustainability Committee for examination and a preliminary discussion with a view to presenting the same to the Board of Directors.

The above activity is carried out following the methodological guidelines contained in the document "Analysis and assessment of risks", which are inspired by the framework "ERM - enterprise risk management" prepared by the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO report).

Ongoing monitoring

The Risk Manager carries out a constant monitoring activity of the possible consequences of strategic, operating, compliance and reporting risks. He/she defines a series of information flows from the operating functions in order to continually monitor the level of risk. He/she reports back every three months to the Control, Risk and Sustainability Committee and coordinates the work of the risk managers of the subsidiaries, where they exist, in the preparation of a document for assessing and monitoring risk. For the 100% controlled subsidiaries, the analysis and assessment of their risk are managed directly by the Risk Manager of CIR.

Timing for the annual analysis and assessment of risks

By October 31 the Risk Manager meets with the Control, Risk and Sustainability Committee to illustrate the annual risk analysis and assessment of the Company. The Control, Risk and Sustainability Committee analyses the document and goes into more depth where necessary during the following months of November and December to then put the final document before the Board of Directors when they meet to approve the budget in January. .

At the Board of Directors Meeting held on October 29 2012, the Company also adopted *Guidelines for implementing the internal control and risk management System of the companies of the Group*.

Art. 8 – Statutory Auditors

Below are the terms of the **Company Bylaws** on the subject of **Statutory Auditors**

ARTICLE 22

STATUTORY AUDITORS

1. 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 re-elected.
2. Minority shareholders have the right to elect one Statutory Auditor and one Alternate Auditor.
3. The Board of Statutory Auditors is appointed by the Shareholders' Meeting on the basis of lists of candidates presented by the Shareholders in two sections: one section for the candidates for the position of Statutory Auditor and the other containing the candidates for



the position of Alternate Auditor, and in each section the candidates are listed in numerical order. Lists which include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.

4. The lists of candidates, signed by the Shareholders who are presenting them, must be filed within the terms and following the procedures prescribed by legislation applicable.
 5. Only Shareholders who, either alone or with others, represent at least 2.5% of the share capital or any other percentage that may be established by law or by regulations, have the right to present lists and they are required to provide proof of ownership of the required number of shares within the terms and following the procedures laid down by law.
 6. Lists presented which do not comply with the above rules will be considered as not having been presented.
 7. 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 Financial Intermediation Consolidation Act, or those who take part in the same Shareholder agreement for voting purposes can present or jointly present just one list.
 8. Each Shareholder can vote for just one list.
 9. Candidates can be present on only one list otherwise they will be excluded from election.
 10. 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 D.Lgs. no. 58/1998 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.
 11. Together with each list and within the above-mentioned time limit, a declaration signed by each candidate will be submitted. This declaration will attest that the candidate, under his or her own responsibility, accepts his or her nomination and will 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 the members of Boards of Statutory Auditors.
 12. 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.
 13. 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.
 14. 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.
- When application of the procedure described in 1), 2) and 3) above does not give the gender balance required by current legislation, the last person elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' Meeting shall make up the



number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.

15. 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.
16. 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.
17. Should a Statutory Auditor need to be replaced, the individual taking his or her place will be selected from the same list of candidates as his or her predecessor, ensuring that the terms of the law and of the Bylaws are complied with, taking specifically into account the obligation to have gender balance.
18. The remuneration of the Statutory Auditors is established by the Shareholders' Meeting.
19. 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 *collegio* method).
20. 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.
21. 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.

The Statutory Auditors are selected from persons who, in addition to having the requisites required by law, can be qualified as independent even according to the criteria set out in the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. for Directors, as recommended by the same CODE OF CONDUCT OF BORSA ITALIANA S.P.A.

The Board of Statutory Auditors checks that the said criteria have been complied with after their appointment and then once a year.

The Statutory Auditors accept the position when they feel that they can devote the necessary amount of time to carrying out their duties in a diligent fashion.

The compensation of the Statutory Auditors is commensurate with the commitment required of them, with the importance of the role they hold and with the characteristics of the Company in terms of size and business sector.

The supervisory activity of the Board of Statutory Auditors on the effectiveness of the Control, Risk and Sustainability Committee is described in Art. 7 above.

For the policies adopted by the Company on the subject of diversity as applied to the composition of the Board of Statutory Auditors (Art. 123bis, paragraph 2, letter d-bis of the T.U.F.) reference should be made to Art. 2 of the Code (Composition of the Board of Directors).

Art. 9 – Relations with Shareholders

The Company endeavours to establish and maintain an effective dialogue with its Shareholders and with the market, using various forms of communication such as: presenting the results of the Company and the Group during Shareholders' Meetings using slide projections, 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. The Company appoints an officer responsible for 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. In its relations with its listed subsidiaries, the Company adopts the practice of announcing to the public any proposals that it intends to put before the Shareholders' Meeting well in advance on topics where there is no specific proposal made by the Directors

Below are the terms of the **Company Bylaws** on the subject of the terms and procedures for calling **Shareholders' Meetings**

ARTICLE 9

CALLING A MEETING

1. A Meeting of the Shareholders is convened in the Company's Headquarters or elsewhere in Italy by publishing a notice of meeting on the internet website of the Company and in the newspaper "La Repubblica" within the terms and following the procedures prescribed by current regulations.
2. The Ordinary Meeting of Shareholders (Annual General Meeting) must be convened at least once a year within one hundred and twenty days of the close of the financial year of the Company.
3. Where the conditions provided for by law exist, this time limit can be extended to one hundred and eighty days from the close of the Company's financial year.
4. An Extraordinary Meeting of Shareholders is convened in the circumstances laid down by law and whenever the Board deems it to be appropriate.
5. The Ordinary Shareholders' Meeting may pass resolutions required by the Rules for Related Party Transactions adopted by the Company in accordance with current legislation and regulations.

The Board of Directors provides the Shareholders with a file containing the proposals on the Agenda for the Annual General Meeting. This is made available on the Company's website within the time limits laid down by current legislation.

The Rules for Shareholders' Meetings, which can be found on the Company's website, ensure that Shareholders' Meetings take place in an ordered and functional manner.