

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

**YEAR 2015**

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 2015.

The Report, which was approved by the Board of Directors Meeting held on March 14 2016, 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 2015 for the Annual General Meeting of the Shareholders being called to approve the same financial statements and can also be consulted on the website of the authorized storage mechanism: [www.emarketstorage.com](http://www.emarketstorage.com) and - together with other documents of interest to the market - on the website [www.cirgroup.it](http://www.cirgroup.it) in the section “Governance”.

The description of the main duties and functions of the administrative bodies and of the system of internal control and risk management of the Company is contained in the “Code of Conduct of CIR S.p.A.”, approved by the Board of Directors on March 11 2013. The document (available on the Company’s website) is attached to this Report (Annex B).

**Information on the ownership structure (Art. 123-bis, paragraph 1, T.U.F.) as of December 31 2015**

**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 euro 397,146,183.50, comprising 794,292,367 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 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".

Stock Grant Plan 2015 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 2015 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:

F.lli De Benedetti S.p.A., formerly F.lli De Benedetti S.a.p.A. (through COFIDE – Gruppo De Benedetti S.p.A.): 45.798%

Bestinver Gestion SA SGIIC (through Bestinver Internacional FI, Bestinfond FI and other funds): 14.074%

Government of Norway: 2.71%

**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., except for what is stipulated in the contract with the Chief Executive Officer on which information is given in the Compensation Report.

**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.)**

No compensation is envisaged for Directors in the event of resignation, dismissal without just cause or termination of the directorship following a takeover bid (OPA), except for what is stipulated in the contract with the Chief Executive Officer on which information is given in the Compensation Report.

**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 attached Code of Conduct of CIR S.p.A. 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 the date on which the resolution approved by the Extraordinary General Meeting of the Shareholders on June 30 2014 is recorded in the Register of Companies, the Board of Directors has the right to increase the share capital either once or more than once by 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 the date on which the resolution approved by the Extraordinary General Meeting of the Shareholders on June 30 2014 is recorded in the Register of Companies, the Board of Directors also has the right to increase the share capital either once or more than once by 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, V and 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 the date on which the resolution approved by the Extraordinary General Meeting of the Shareholders on June 30 2014 is recorded in the Register of Companies, 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 – for a maximum amount of euro 500,000,000. 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 2015 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 80,000,000 shares (in addition to the shares already being held) can be bought back for a nominal value of Euro 40,000,000, which shall

not in any circumstances exceed one fifth of the share capital of CIR with a maximum disbursement limit of Euro 120,000,000; 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 2014, 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 2015 108,421,938 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. 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 and in Art. 7 of the attached Code of Conduct of CIR S.p.A. on the System of Internal control and risk management.

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

Reference should be made to what is described in point 10) of the Report on Shareholders' Meetings and to Art. 9 of the attached Code of Conduct of CIR S.p.A. entitled "Relations with the Shareholders".

**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) and also to the attached Code of Conduct of CIR S.p.A. in Articles 2,3 and 5 for the Board of Directors, Article 8 for the Statutory Auditors, and Articles 4, 5, 6 and 7 for the Committees.

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

For the information of a general nature regarding the Role of the Board of Directors, reference should be made to what is indicated in Art. 1 of the "Code of Conduct of CIR S.p.A."

As of the date of this Report the Board of Directors has carried out, among other things, the following activities:

- On the basis of the internal procedures approved by the Board of Directors on October 29 2012, it examined and approved the strategic and financial plans of the Company and also examined 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 were consistent with those of the issuer and periodically monitoring their implementation;

- Defined the nature and level of risk compatible with the strategic objectives of the Company;
- Evaluated the adequacy of the organizational, administrative and accounting structure of the Company, with particular reference to the system of internal control and risk management;
- Defined 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 or her;
- Assessed 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;
- Examined and gave prior approval to transactions put in place by the Company and examined 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;
- Carried out 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; in the year 2015 the self-assessment was carried out with the assistance of external consultant, Egon Zehnder;
- May give the Shareholders, before the appointment of the new Board, its views on the professional figures whose presence on the Board would be considered useful;
- Ensured the management internally and the disclosure externally of documents and information regarding the Company, with particular reference to privileged information, in accordance with the procedure adopted by the Board of Directors on October 29 2012.

Regarding the other activities of the Board of Directors on the subject of the “Control and risk system”, reference should be made to paragraph 7) “System of internal control and risk management.”

Article 1 of the Code of Conduct of CIR S.p.A., annexed to this document, gives guidelines on the subject of the maximum number of positions of Director or Statutory Auditor approved by the Board of Directors on October 29 2012, specifying certain 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.

On June 30 2014 the Board of Directors appointed Mr Rodolfo De Benedetti as Chairman of the Company and Ms Monica Mondardini as Chief Executive Officer.

## ***Division of Duties***

### *Duties of the Chairman*

The Chairman, in addition to representing the Company externally with third parties, whether public or private entities, with the power to sign any document, deed, legal document or correspondence in the name of and on behalf of the Company and with the right to appoint others to take his place with more limited powers, and in addition to the duties prescribed for this position by the Company Bylaws and by the provisions of the Code of Conduct of the Company (e.g. duties on the subject of providing information before Board Meetings, induction programs, collaborating with the Lead Independent Director) and without prejudice to the powers reserved exclusively to the Board of Directors and to the Chief Executive Officer, is assigned competence for the following:

1. Definition of proposals to put before the Board of Directors regarding the strategic guidelines of the Group and supervision of the implementation of the same; for this purpose the discussion by the Board of Directors will take place once a year, for example when the budget for the year or the multiyear business plan is discussed.
2. Adopting resolutions on the following extraordinary transactions:
  - Investments and/or disinvestments in companies/businesses/business arms up to a maximum amount of euro 75 million provided that these do not involve the loss of control of the strategic investees of the Group (currently Media, Utilities, Automotive Components and Healthcare); transactions for an amount higher than this are the exclusive competence of the Board of Directors; it should be noted that for such transactions, the Chief Executive Officer shall have competence for unit values of up to euro 25 million;
  - Financial investments and/or disinvestments for trading and/or for the short-term investment of liquidity up to a unit value of euro 150 million; transactions over this amount are the exclusive competence of the Board of Directors; it should be noted that for these transactions the Chief Executive Officer shall also have competence for unit values of up to euro 75 million;
3. Managing activities pertaining to external relations and communication of the Company and of the Group and to institutional relations with investors, authorities, public sector entities, companies and organizations and private sector entities, companies and organizations.

### *Duties of the Chief Executive Officer*

The Chief Executive Officer is responsible for the execution of the resolutions of the Board of Directors and/or the Chairman for areas of his competence, and is the



main person responsible for managing the business. The Chief Executive Officer (CEO) is responsible, among other things, for the following:

1. Managing the Company CIR S.p.A. in relation to its typical business as a holding company of equity investments, including:

- the use of financial resources within the sphere of the powers assigned (i) investments and/or disinvestments in companies/businesses/business arms up to a maximum amount of euro 25 million, provided that these do not involve the loss of control of the strategic investees of the Group (currently Media, Utilities, Automotive Components and Healthcare); (ii) financial investments and/or disinvestments for trading and/or the short-term investment of liquidity up to a unit value of euro 75 million;
- the analysis and evaluation of extraordinary transactions the approval of which is the responsibility of the Chairman or of the Board of Directors
- defining the organizational structure of the Company;
- designating the executive structure and setting executives' compensation (without prejudice to the competence of the Appointments and Compensation Committee).

2. Setting guidelines, coordinating and checking the investee companies, for which the Chief Executive Officer is exclusively responsible, including the task of evaluating their strategic plans and budgets, organization structures and the appointment/evaluation of their top management structures. Consequently:

- The Chief Executive Officer has the exclusive power to represent CIR S.p.A. as shareholder at General Meetings of the investee companies and to exercise any consequent rights, including the right to vote, with the power to have others replace her;
- The Chief Executive Officer has the exclusive right to select and designate the chairman of the strategic investee companies (i.e. the companies that CIR S.p.A. controls by right), it remaining understood that the Chief Executive Officer must select individuals from outside the Group, or else take over the position directly herself or designate individuals from within the Group;
- The Chief Executive Officer jointly with the Chairman has the right to select and designate independent directors for the strategic investee companies and to select the chairman of GELE (other than the present chairman).

The Chief Executive Officer will keep the Chairman regularly informed, even in the role of representative of the Shareholders, on the performance of the operations of the CIR Group and this will be through a monthly meeting to illustrate the management accounts of CIR S.p.A. and its strategic subsidiaries and any other significant operating facts and weekly updates, and will refer back at least once every three months to the Board of Directors.

The Chief Executive Officer is assigned all the powers of the Board of Directors that are not reserved to the exclusive competence of the same Board of Directors or

its Chairman by the law, the Company Bylaws or the Code of Conduct or those that reside with the General Manager.

It should be noted that the powers assigned to the Chairman of the Board were given only to deal with any situations of urgency or in the event of the absence/impediment of the Chief Executive Officer, as the Chairman is not configured as the person in charge of the operations of the Company.

Consequently on June 30 2014 the Board of Directors of the Company assigned the following powers:

- The Chairman, Mr Rodolfo De Benedetti, is assigned:
  - (i) the legal representation of the Company and with it the power with his sole signature to represent the Company with third parties, whether public or private, before any judicial or administrative authority, the power in his role as above to sign any document, deed, legal instrument and correspondence in the name of and on behalf of the Company, all of which without prejudice to the powers residing exclusively with the Chief Executive Officer and with the right to appoint others to take his place with more limited powers, and to delegate others for certain actions or categories of actions;
  - (ii) powers for the following categories of transactions:
    - any financial investment and/or disinvestment for trading purposes for the short-term investment of liquidity, the unit value of which is equal to or lower than euro 150 million;
    - the purchase, sale or subscription of equity interests, when the amount thereof or – where this is not in the form of money – the exchange value assigned to them is equal to or lower than euro 75 million and the transaction does not involve the loss of control, as per the terms of Art. 2359 of the Civil Code, in companies belonging to the strategic sectors of the Group (currently Media, Utilities, Automotive components and Healthcare);
    - The purchase or sale on any account of companies or business arms for a price or a value lower than or equal to euro 75 million;
    - Any other investment transaction of any kind and on any account and following any procedure (which includes making capital contributions or converting receivables into capital), entering into loan agreements or granting loans of any kind and giving guarantees and, in general, concluding any other transaction up to a maximum amount of euro 75 million;
- The Chief Executive Officer, Ms Monica Mondardini, is assigned the following powers:
  - (i) powers for the following categories of transactions:

- any financial investment and/or disinvestment for trading purposes for the short-term investment of liquidity, the unit value of which is equal to or lower than euro 75 million;
  - the purchase, sale or subscription of equity interests, when the amount thereof or – where this is not in the form of money – the exchange value assigned to them is equal to or lower than euro 25 million and the transaction does not involve the loss of control, as per the terms of Art. 2359 of the Civil Code, in companies belonging to the strategic sectors of the Group (currently Media, Utilities, Automotive components and Healthcare);
  - the purchase or sale on any account of companies or business arms for a price or a value of lower than or equal to euro 25 million;
  - any other investment transaction of any kind and on any account and following any procedure (which includes making capital contributions or converting receivables into capital), entering into loan agreements or granting loans of any kind and giving guarantees and, in general, debt or making loans of any kind or issuing guarantees and, in general, concluding any other transaction up to a maximum amount of euro 25 million;
- (ii) without prejudice to the limits stipulated in point (i) above for transactions of investment, disinvestment, entering into loan agreements or granting loans of any kind and giving guarantees, all powers for the administration of the Company, to be exercised with her sole signature – including the power to represent the Company before all the different kinds of authority including the judicial and fiscal authorities, with the power to bring lawsuits in the judicial and administrative courts, including labour rulings and rulings on the subject of compulsory social security or welfare treatment, at all levels, even in cases involving the annulment or reversal at the highest level of lower court decisions, appoint lawyers and attorneys for certain deeds, with the power to respond to interrogation on the facts of any specific case and with the right to mediate and settle any single dispute out of court whether it be of an individual or a collective nature – which are not included in those assigned to the General Manager as stipulated below;
- (iii) the exclusive power to represent the company as shareholder at the ordinary and extraordinary meetings of other companies, to present lists of directors and statutory auditors and to prepare or present any other document in preparation for the above-mentioned general;
- (iv) the power to appoint others to take her place with more limited powers, appointing people with power of attorney for certain deeds or categories of deeds.

The Board of Directors Meeting held on June 30 2014 also gave Ms Monica Mondardini, in her role as General Manager, powers of ordinary administration to be exercised with her sole signature.

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

For the rules of a general nature regarding the composition and functioning of the Board of Directors, reference should be made to what is indicated in Art. 2 of the Code of Conduct of CIR S.p.A., attached to this document, as well as to what is stated in Art. 1 of the same regarding the functions carried out by the Chairman.

It should be remembered that the mandate of the Board of Directors currently in office will end with the approval of the Financial Statements for the year ended December 31 2016.

At the time of their appointment all the Directors filed declarations in which they attested that there were no reasons why they should not be elected, that there were no incompatibilities as per the law and that they possessed the requisites of integrity and professionalism required by current law and by the Company Bylaws.

The Board therefore consists of thirteen Directors, two of whom have executive status (The Chairman and 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 Company is therefore appropriate to guarantee sufficient conditions of operational independence, aimed at maximizing the economic and financial objectives of the Company.

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

<i>Name</i>	<i>Position</i>	<i>Year of birth</i>	<i>In office since</i>	<i>In office until</i>	<i>List</i>	<i>Exec.</i>	<i>Non exec.</i>	<i>Indep C.C.</i>	<i>Indep TUF</i>	<i>% CDA</i>	<i>Other positions</i>	<i>Date first appointed</i>
De Benedetti Rodolfo	Chairman	1961	30.6.2014	31.12.2016	M	X				100	3	30.4.1988
Mondardini Monica	C.E.O.	1960	30.6.2014	31.12.2016	M	X				100	6	29.4.2013
Botticini Maristella	Director	1966	30.6.2014	31.12.2016	M		X	X	X	83	--	29.4.2011
Bracchi Giampio	Director	1944	30.6.2014	31.12.2016	M		X	X	X	100	4	30.4.2004
De Benedetti Edoardo	Director	1964	30.6.2014	31.12.2016	M					83	2	30.6.2014
Debenedetti Franco	Director	1933	30.6.2014	31.12.2016	M					83	1	28.7.1978
De Benedetti Marco	Director	1962	30.6.2014	31.12.2016	M					100	5	30.6.2014
Giannini Silvia	Director	1952	30.6.2014	31.12.2016	M		X	X	X	50	--	29.4.2011
Girard Franco	Director	1934	30.6.2014	31.12.2016	M		X	X	X	83	1	27.6.1990
Micossi Stefano	Director	1946	30.6.2014	31.12.2016	M		X	X	X	50	1	30.4.2009
Pistauer Michael	Director	1943	30.6.2014	31.12.2016	M		X	X	X	83	1	29.4.2011
Recchi Claudio	Director	1955	30.6.2014	31.12.2016	M		X	X	X	100	5	07.1.1982
Tabellini Guido	Director	1956	30.6.2014	31.12.2016	M		X	X	X	50	1	30.4.2004

*Number of meetings of the Board of Directors: 6*

Mr Carlo De Benedetti is the Honorary Chairman of the Company.

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.*

*% 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 Board of Directors checks and publishes annually 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 (Attachment A). The main professional characteristics of the Directors can be found on the Company's website.

During 2015 the Board of Directors met six times. On average, the meetings lasted for approximately two hours. For the year 2016 six meetings have been scheduled. The Executive responsible for the preparation of the financial statements and corporate documents, Mr Giuseppe Gianoglio, and Mr Michele Cavigioli, Central Finance and Investor Relations Director regularly attend Board of Directors Meetings.

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 or her.

The Chief Executive Officer also provides adequate information (at least every three months) on any atypical or unusual transactions, to the Board of Directors and the Board of Statutory Auditors.

The following chart shows the composition of the Committees set up by the Board: the Appointments and Compensation Committee, the Control and Risk Committee and the Committee for Related Party Transactions, the members of which are the same as those of the Control and Risk Committee.

Name	Appointments and Compensation Committee	% A.C.C.	Internal Control Committee	% I.C.C.	Committee for Related Party Transactions (a)	% CRPT
Botticini Maristella			X	86%	X	100%
Bracchi Giampio	X	100%	X	100%	X	100%
Giannini Silvia			X	71%	X	100%
Pistauer Michael	X	100%				
Recchi Claudio	X	100%				
Tabellini Guido	X	50%				
<i>Number of Committee meetings:</i>	2		7		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 Control and Risk 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 Control and Risk Committee.

In accordance with the terms of the Code of Conduct of Borsa Italiana S.p.A., on June 30 2014 the Board of Directors appointed as *Lead Independent Director* Mr Michael Pistauer 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

Art. 3 of the attached Code of Conduct of CIR S.p.A. gives the requisites on the basis of which the Company – in accordance with what is recommended by the

Code of Conduct of Borsa Italiana S.p.A. and what is stipulated in Art. 147-ter paragraph 4 of the T.U.F. – considers Directors independent.

The Board of Directors Meeting held at the end of the Shareholders' Meeting on April 27 2015 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 Application criterion 3.C.1, letter e), gave a positive opinion on the independence of Directors Giampio Bracchi, Franco Girard, Claudio Recchi and Guido Tabellini, in spite of the fact that they have been Directors of the Company for more than nine of the last twelve years, given that they have always demonstrated full independence of judgement and have appreciated the work of management freely.

In 2015 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 2015 the Independent Directors met – without the other Directors – on March 5 2015 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 by the Control and Risk 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 principles underpinning the institution and functioning of the internal committees set up by the Board of Directors are given in Art. 4 of the attached Code of Conduct of CIR S.p.A.

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.

The Appointments and Compensation Committee and the Control and Risk Committee operate according to the respective rules that they have adopted.

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

As stated in letter e) of the section of the Report entitled “Information on the ownership structure for the appointment of Directors”, reference should be made to

the information given in Art. 5 of the attached Code of Conduct of CIR S.p.A. and to the articles of the Company Bylaws reproduced therein.

The Appointments and Compensation Committee consists of Independent Directors: Mr Giampio Bracchi, Mr Michael Pistauer, Mr Claudio Recchi and Mr Guido Tabellini (Chairman of the Committee).

On the subject of the appointment of Directors, the Appointments and Compensation Committee carries out the functions detailed in Article 6 of the attached Code of Conduct of CIR S.p.A.

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

The guidelines of the Company's compensation policy are described in Art. 6 of the attached Code of Conduct of CIR S.p.A.: specifically, the compensation policy is determined following criteria that are appropriate for attracting, retaining and motivating people with adequate professional qualities to manage the Group effectively.

The compensation assigned to the Chairman of the Board of Directors, as an Executive Director, and to the non-executive Directors for being on one or more committees, is determined as a fixed fee based on the commitment required of each of them.

The Appointments and Compensation Committee carries out the functions on this subject as specified in detail in the above-cited Art. 6 of the Code of Conduct of CIR S.p.A.

The compensation paid in 2015 to the Directors and Executives with strategic responsibilities is shown in the charts attached to the "Compensation Report prepared in compliance with Art. 84-*quater* Consob Resolution 11971/99, approved by the Board of Directors on March 14 2016 and made available to the Annual General Meeting of the Shareholders convened to approve the Financial Statements for the year ended December 31 2015.

The Committee met twice in 2015 and minutes of the meetings were taken as is standard practice. The meetings lasted on average for one hour.

For the year 2015 the Shareholders' Meeting held on April 27 2015 approved the assignation of a Stock Grant Plan in favour of the executives of the Company and a Stock Grant Plan for the Chief Executive Officer (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, 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.)**

The system of internal control is the body of rules, procedures and organizational structures that enable the main risks to be identified, measured, managed and monitored.

The aims of the Control and Risk System, and the bodies and functions responsible are detailed in Art. 7 of the attached Code of Conduct of CIR S.p.A.

Within the sphere of the Control and Risk System, during the year 2015 the Board of Directors:

- a) Identified the nature and level of risk compatible with the strategic objectives;
- b) Evaluated the adequacy, effectiveness and efficiency of the System of Control and Risk in relation to the business and the risk profile assumed, taking also into account the assessments made by the Director Responsible and by the Control and Risk Committee;
- c) Approved, at the proposal of the Control and Risk Committee, the Audit Plan, after hearing the opinion of the Board of Statutory Auditors and the Director Responsible.

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 or she 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 Control and Risk Committee.

The Board of Directors with its resolution adopted on May 4 2000 set up the Internal Control Committee (now the Control and Risk 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.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the Chairman attends the Committee meetings.

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

It should be noted that the Board of Directors on January 28 2013 appointed Mr Giuseppe Gianoglio as Executive responsible for the preparation of the financial statements and corporate documents. On March 11 2013 the Board of Directors appointed Mr Andrea Bergaglio as head of the Internal Auditing function.

During 2015 the Committee held seven meetings which lasted for an average of about one hour. Minutes of the meetings were taken regularly.

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

The appointment of the Statutory Auditors and the functioning of the Board of Statutory Auditors are regulated by Art. 19 of the Company Bylaws which is reproduced in Art. 8 of the Code of Conduct of CIR S.p.A.

The Statutory Auditors are selected from persons who can be qualified as independent following the criteria applied to the Directors. During 2015 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.

In waiver of what is established by the Code of Conduct for Listed Companies (see Application criterion 3.C.1, letter e), the Board of Statutory Auditors rated the independence of its members positively, even considering the length of time that they have been in office. Judging substance as more important than form, it assessed from a practical viewpoint the actual relations in place between the members and the Company and the way in which the former have carried out their duties. They have in fact always been fully independent and able to judge and appreciate the work of management freely, on the basis of the experience they have gained in the ongoing relationship with the Company.

The Board of Statutory Auditors currently in office will terminate its mandate with the approval of the Financial Statements as of December 31 2016 and is made up as follows:

<i>Name</i>	<i>Position</i>	<i>Year of birth</i>	<i>In office since</i>	<i>In office until</i>	<i>List</i>	<i>Independent as per Code of Conduct Indip. C.A</i>	<i>% attendance at meetings of B. of S.A.</i>	<i>Other positions</i>	<i>Date first appointed</i>
Manzonetto Pietro	Chairman	1944	30.6.2014	31.12.2016	M	X	100	2	24.4.2002
Allievi Anna Maria	In office	1965	30.6.2014	31.12.2016	M	X	100	1	30.6.2014
Zingales Riccardo	In office	1960	30.6.2014	31.12.2016	M	X	100	2	30.4.1999
Macchiorlatti Vignat Luigi	Alternate	1963	30.6.2014	31.12.2016	M	X	--	2	27.4.2005
Valdameri Luca	Alternate	1968	30.6.2014	31.12.2016	M	X	--	2	29.4.2011
Zambon Paola	Alternate	1969	30.6.2014	31.12.2016	M	X	--	--	29.4.2013

**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.

- % 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).

During the year 2015 the Board of Statutory Auditors met nine times and the meetings lasted an average of two hours.

At the time of their appointment all the Statutory Auditors filed declarations in which they attested that there were no reasons why they should not be elected, that there were no incompatibilities as per the law and that they possessed the requisites of integrity and professionalism required by current law and by the Company Bylaws.

## **9) Relations with the 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 (as 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.

The procedures and timing for calling Shareholders' Meetings are regulated by Art. 15 of the Company Bylaws, which is reproduced in the attached Code of Conduct of CIR S.p.A.

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, extended by D.Lgs no. 61/2002 to cover corporate offences too.

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 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.

The members of the Supervisory Body are external lawyers Giuseppe Bianchi and Andrea Gottardo, and Mr Andrea Bergalio.

During 2015 the Supervisory Body met four 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.

### **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.

**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 2015).**

De Benedetti Rodolfo	Chairman of Cofide S.p.A. * Director of Gruppo Editoriale L'Espresso S.p.A.* Director of Sogefi S.p.A. *
Mondardini Monica	Chief Executive of Gruppo Editoriale L'Espresso S.p.A.* Director of KOS S.p.A.* Chairman of Sogefi S.p.A.* Director of Crédit Agricole S.A. Director of Atlantia S.p.A. Director of Trevi Finanziaria Industriale S.p.A.
Botticini Maristella	--
Bracchi Giampio	Chairman of IntesaSanPaolo Private Banking S.p.A. Director of Amplifon S.p.A. Director of Banca del Sempione S.A. Chairman of Partners Group (Italy) S.p.A.
De Benedetti Edoardo	Director of Cofide S.p.A. * Director of KOS S.p.A. *
Debenedetti Franco	Director of Ispi S.p.A.
De Benedetti Marco	Chairman of Twin-Set Simona Barbieri S.r.l. Chairman of Marelli Motori S.p.A. Director of Cofide S.p.A. * Director of NBTY Inc. Director of Moncler S.p.A.
Giannini Silvia	--

Girard Franco	Chairman of M&C S.p.A.
Micossi Stefano	Director of Cassa Depositi e Prestiti and Member of the Committee for Related-Party Transactions
Pistauer Michael	Director of Borusan EnBW Enerji AS – Istanbul
Recchi Claudio	Chairman and Chief Executive of Recchi Ingegneria e Partecipazioni S.p.A. Director of Aon Italia S.p.A. Director of IPI S.p.A. Director of Banca Albertini Syz & C. S.p.A. Chairman of Proger S.p.A.
Tabellini Guido	Director of CNH Industrial

**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 2015)**

Manzonetto Pietro	Statutory Auditor of Gruppo Editoriale L'Espresso S.p.A. Chairman of the Board of Statutory Auditors of Banco Popolare Società Cooperativa
Allevi Anna Maria	Chairman of the Board of Statutory Auditors of IGD S.p.A.
Zingales Riccardo	Chairman of the Board of Statutory Auditors of Cofide S.p.A. * Chairman of the Board of Statutory Auditors of Sogefi S.p.A. *
Macchiorlatti Vignat Luigi	Alternate Auditor of Cofide S.p.A. * Alternate Auditor of Sogefi S.p.A. *
Valdameri Luca	Statutory Auditor of Credito Valtellinese Chairman of the Board of Statutory Auditors of I Grandi Viaggi S.p.A.
Zambon Paola	--

\* *companies of the Group*

## **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.*

*Both documents include the updates made to the Code of Conduct in July 2014 by the Committee for Corporate Governance (the amendments made by the Committee in July 2015 will be applied, as scheduled, by the end of the year 2016).*



## **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 10

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 objective of the Company, whether such action pertains 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. The Board of Directors can, within the limits of the law, delegate its powers, establishing the content and the limits of any such mandate, to an Executive Committee comprising some of its members, or to one or more of its members, possibly giving them the title of *Amministratori Delegati* (Chief Executive Officers/Managing Directors) and giving them the right to sign on behalf of the Company either individually or jointly. In order for the resolutions adopted by the Executive Committee to be valid, an absolute majority of its members must be present and must cast their vote in favour.
4. The Board may also appoint General Managers, subject to first checking that they possess the requisites of integrity stipulated by law, who may also be members of the Board. A lack of the requisites of integrity will mean that they will lose their position.
5. The Board can also appoint Officers with individual or joint signatures, establishing their powers and functions. It may also award mandates in general for certain actions or categories of actions.
6. The appointment of the Directors, Deputy Directors and Officers with the determination of their respective emoluments and functions can also be passed on by the Board to the Chairman or anyone acting for the Chairman, to the Managing Directors and to the General Managers.
7. 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.
8. The Board of Directors, at the proposal of the Chief Executive Officer and in agreement with the Chairman, subject to 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.

9. 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 and that the administrative and accounting procedures are actually being complied with..

#### ARTICLE 12

1. The Board shall meet 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.
2. The Board of Directors shall also meet when a meeting is called as per Art. 20 of these bylaws.
3. 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.
4. 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.
5. 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 Chairmen by a Director designated by the Board.
6. In order for the Board resolutions to be valid and binding the majority of the Directors in office must be present.
7. Resolutions are taken with an absolute majority of the votes of those present and in accordance with the Rules for Related party Transactions. If the votes for and against are equal then the Chairman or whoever is taking his place casts his vote which is decisive.
8. Board resolutions are set out in writing in the minutes which are signed by the person chairing the meeting and by the Secretary.
9. 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. Once these conditions have been verified, the Board is considered as being held in the place where the Chairman is actually located.
10. 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.

#### ARTICLE 13

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

Given the specific characteristics of the sectors that the CIR investee companies belong to, 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 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 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 between the Chief Executive of the latter and the Chief Executive of CIR. The Chief Executive of CIR examines and evaluates the business plans and budgets of the companies of the group with the involvement and the support of the management of the parent company, availing him/herself, when there are elements of strong impact for CIR, of the contribution of the Chairman of the Control and Risk Committee and 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 of 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 its own determination of the same, as per the terms of the Company Bylaws, how often 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, taking into account specifically 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 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 Company 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 or that of its parents companies;
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 or to the group of its parent companies;

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 or to the group of its parent company ;
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 11**

The Chairman of the Board of Directors is the legal representative of the Company. 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 necessity or 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 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 that will give them adequate knowledge of the business sector in which the issuer operates, of the dynamics of the Company and their evolution, 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. 8 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 aimed at giving them an adequate knowledge of the business sector in which the Company operates, of the Company dynamics and the evolution thereof, and of the relevant regulatory environment. 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**

In compliance with the requirements for issuers subject to management and coordination by another company listed on regulated markets terms of the Regulations containing rules for implementing D.Lgs. 58/1998 on the subject of

the markets, adopted by Consob with its Resolution 16191/2007, 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 that they are not, or have not 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. The chairperson can, if he or she feels it is necessary, invite any other individuals 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 and Risk Committee function according to what is set out in their respective Rules.

The Control and Risk 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 8**

1. 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.
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 time limit and following the procedures laid down in the legislation on the subject.
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 regulations, can present lists of candidates. They must be able to prove that they own the number of shares required within the time limit and following the procedures laid down in the legislation applicable. 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.
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 Consolidation Act on the subject of Financial Intermediaries 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 within the same time limit 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. 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.
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 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.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 regulations. If they do not have these their appointment shall lapse.
16. In the event that only one list is presented or admitted to the voting, 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 as 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.

## **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 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;
- 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 financial disclosures, 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 and Risk 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 and Risk Committee;
- d) Approves, at the proposal of the Control and Risk 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 and Risk Committee and designates the Chairman thereof;
- h) Approves the rules of the Control and Risk 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 and Risk Committee and the Appointments and Compensation Committee and hearing the Board 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 and Risk 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 and Risk 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 and Risk Committee.

#### The Control and Risk Committee

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

The Control and Risk 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) Examines the audit plan and proposes that the Board of Directors adopt it;

h) 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;

i) Evaluates the governance structure of the Company referring back periodically and, when considered necessary in the light of critical issues, promptly on the same to the Board of Directors; it also carries out other functions which may from time to time be assigned to it by the Board of Directors in relation to specific critical issues on the subject of the system of internal control and risk management of the Company and of the group.

The Control and Risk 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 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 and Risk 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 and Risk 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 and Risk 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.

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 and Risk 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 and Risk 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 the document (Annex b) and must be discussed by the Risk Manager with the company management and with the Control and Risk Committee. The Control and Risk 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 and Risk 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 and Risk 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 and Risk 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" attached to this document, 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 and Risk 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 and Risk Committee to illustrate the annual risk analysis and assessment of the Company. The Control and Risk 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 19

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 reappointed. Minority Shareholders can elect one Statutory

Auditor and one Alternate Auditor.

2. 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 which include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.
3. The lists of candidates, signed by the Shareholders who are presenting them, must be filed within the terms and following the laid down in the legislation applicable.
4. 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 terms and following the procedures laid down by law.
5. Lists presented which do not comply with the above rules will be considered as not having been presented.
6. 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.
7. Candidates can be present on only one list otherwise they will be excluded from election.
8. Candidates may not be included in the lists if they already who hold the position of Statutory Auditor in five other companies or entities whose shares are listed on a regulated market on the list as per Articles 63 and 67 of D.Lgs. no. 58/98, if they do not possess the requisites of integrity, professionalism and independence required by the regulations applicable or if they do not respect the maximum limit for the number of positions they can hold in accordance with the law or with regulations.
9. 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.
10. 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.
11. 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.
12. 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.

13. 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.
14. 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.
15. 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.

#### ARTICLE 20

1. 1. 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).
2. 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.
3. 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.

As well as having the requisites required by law, the Statutory Auditors are selected from persons who 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 supervisory activity of the Board of Statutory Auditors on the effectiveness of the Control and Risk Committee is described in Art. 7 above.

## **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 15

1. A Meeting of the Shareholders is called by publishing a notice of meeting on the Company's internet website and in the daily newspaper "la Repubblica" according to the terms and procedures prescribed by current regulations. The Shareholders' Meeting can be convened in a place other than the Company offices provided that it is situated in Italy.
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 financial year of the Company.
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 Transaction adopted by the Company.

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.