



***REPORT ON CORPORATE GOVERNANCE AND THE SHAREHOLDING
STRUCTURE
pursuant to art. 123-bis of the Consolidated Financial Act***

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Website: www.irce.it

TABLE OF CONTENTS

- 1. Issuer profile**
- 2. Information on the Shareholding Structure**
- 3. Compliance**
- 4. Board of Directors**
- 5. Price sensitive information**
- 6. Committees within the Board**
- 7. Nomination Committee**
- 8. Remuneration Committee**
- 9. Remuneration of directors**
- 10. Control and Risks Committee**
- 11. Internal control and risk management systems**
- 12. Director interests and related-party transactions**
- 13. Appointment of the Statutory Auditors**
- 14. Composition and functioning of the board of statutory auditors**
- 15. Relations with shareholders**
- 16. Meetings**

ATTACHMENT: Annual Report of the Manager responsible for preparing the corporate accounting documents for the year 2014

1. Issuer profile

The IRCE Group is an important industrial player of European significance which produces and trades the following products:

- winding wires for electrical machines. This type of product is used in a wide range of applications such as engines and electric generators, transformers, inductors and relays, and its use has grown over the years mainly due to the constant expansion of automation. The production of wires represents around 84% of the group's total turnover.
- insulated electrical cables. This product is used in the production of civil and industrial electric systems and for the supply and connection of electrical equipment. The production of insulated electrical cables represents around 16% of the group's total turnover.

The company's governance structure is based on the traditional model and is composed of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

2. Information on the Shareholding Structure (*pursuant to art.123-bis, paragraph 1, Consolidated Financial Act*) as at 14 March 2014

a) Structure of share capital (*pursuant to art.123-bis, paragraph 1, letter a) of the Consolidated Financial Act*)

The share capital is composed of ordinary shares, ownership of which entails full observance of the Articles of Association and the resolutions of the Shareholders' Meeting; subscribed and paid-up share capital amounts to € 14,626,560 divided into 28,128,000 ordinary shares. The shares are fully subscribed and paid up and bear no rights, privileges or restrictions as far as dividend distribution and capital repayment are concerned.

SHARE CAPITAL STRUCTURE				
	No. of shares	% with respect to s.c.	Listed	Rights and obligations
Ordinary shares	28,128,000	100%	MTA	Each share gives the right to one vote. The rights and obligations of the shareholders are those laid down by articles 2346 et seq. of the Italian Civil Code.
Shares with limited voting rights	0			
Shares without voting rights	0			

b) Restrictions regarding the transfer of shares (*pursuant to art.123-bis, paragraph 1, letter b) of the Consolidated Financial Act*)

There are no restrictions regarding the transfer of shares.

c) Significant equity investments (pursuant to art.123-bis, paragraph 1, letter c) of the Consolidated Financial Act)

The controlling shareholder is Aequafin S.p.A, which currently holds 50.004% of share capital.

SIGNIFICANT EQUITY INVESTMENTS			
Declaring party	Direct shareholder	% on ordinary capital	% on voting capital
AEQUAFIN SPA	AEQUAFIN SPA	50.004	50.004
MONGARDI ANNA MARIA	MONGARDI ANNA MARIA	3.899	3.899
DALLAGO ORFEO	DALLAGO ORFEO	2.088	2.088

d) Shares granting special rights (pursuant to art.123-bis, paragraph 1, letter d) of the Consolidated Financial Act)

No shares have been issued that grant special control rights.

e) Employee stock ownership: mechanism for exercising voting rights (pursuant to art.123-bis, paragraph 1, letter e) of the Consolidated Financial Act)

There is no employee stock ownership plan.

f) Restrictions on voting rights (pursuant to art.123-bis, paragraph 1, letter f) of the Consolidated Financial Act)

There are no restrictions on voting rights.

g) Agreements among shareholders (pursuant to art.123-bis, paragraph 1, letter g) of the Consolidated Financial Act)

The Company is not aware of any agreements among shareholders in compliance with art. 122 of the Consolidated Financial Act.

h) Change of control clauses (pursuant to art.123-bis, paragraph 1, letter h) of the Consolidated Financial Act)

Neither the company nor its subsidiaries have entered into significant agreements that shall be effective, modified or terminated in the event of changes of control of the contracting company.

i) Proxies to increase share capital and authorisations to purchase treasury shares (pursuant to art.123-bis, paragraph 1, letter m) of the Consolidated Financial Act)

The Board of Directors has not been authorised to increase share capital in compliance with art. 2443 of the Italian Civil Code nor to issue participating financial instruments.

On 13 October 2014 the Shareholders' Meeting resolved to authorise the purchase and disposal of treasury shares in compliance with art. 2357 et seq. of the Italian Civil Code; the authorisation has a duration of 18 months. The face value of the purchased shares may not exceed one fifth of the capital. The number of treasury shares that can be purchased must not be more than 5,625,600. The number of treasury shares in portfolio as at 31.12.2014 is equal to 1,915,324, corresponding to 6.81% of share capital.

I) Management and coordination activities (pursuant to art.2497 et seq. of the Italian Civil Code)

The company is not subject to management and coordination activities in compliance with art.2497 et seq. of the Italian Civil Code.

3. Compliance

IRCE S.p.A has adopted an internal organisational structure and a standard system of corporate governance which comply, essentially, with the Corporate Governance Code for listed companies approved in July 2014 by the Italian Corporate Governance Committee and sponsored by Borsa Italiana S.p.A.

The Corporate Governance Code is accessible to the public on the website of the Italian Corporate Governance Committee (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf>).

The Issuer and the subsidiaries are not subject to non-Italian legal provisions that influence the corporate governance structure of the Issuer itself.

4. Board of Directors

4.1 Appointment and replacement (pursuant to art.123-bis, paragraph 1, letter L) of the Consolidated Financial Act)

The company is managed by a Board of Directors according to the articles of association and is composed of a minimum of three and a maximum of twelve members elected on the basis of lists of candidates presented by shareholders that together hold an interest no lower than that laid down by the Consob Issuers' Regulations. The list voting method guarantees that at least one of the members of the Board of Directors has been voted by a minority list, if at least one of such lists is presented, as prescribed by art.147-ter of the Consolidated Financial Act.

Each list must include a number of candidates equal at least to the minimum number, and not higher than the maximum number minus one, of directors who can be appointed in compliance with the articles of association, listed in progressive order, of which a number equal at least to the one laid down by the Consolidated Financial Act, regulations of the supervisory authority and/or codes of conduct of market management companies, must be in possession of the independence requirements provided by the above regulations.

If two or more lists should be presented and admitted, the number of directors will be equal to that of the candidates of the list that has obtained the most votes plus one.

In this case, based on the outcome of voting, the candidates of the list that has obtained the most votes and the first candidate in the list that has obtained the second best result and that is not in any way connected to the shareholders of the list with the most votes, will be elected.

The director taken from the minority list must be in possession of the independence requirements prescribed by applicable legislative provisions, rules of the supervisory authority and/or codes of conduct of market management companies. If only one list should be presented, or admitted to voting, the number of directors will be equal to the number of candidates of said list, who will be appointed as directors.

The lists presented by shareholders must observe the principles laid down in art.147-ter, paragraph 1-ter, of the Consolidated Financial Act in order to ensure that the allotment of the directors to be elected guarantees a gender balance.

If, during the financial year, for any reason, one or more directors should cease to hold office, the others shall take measures to replace them with a resolution approved by the Board of Statutory Auditors; the directors appointed in this way remain in office until the next Shareholders' Meeting. If such a director should be the member voted by the minority list, replacement is made preferably by selecting a candidate, in progressive order, from the list to which the director being replaced belonged, provided that the candidate is still eligible and willing to accept the office.

The Board of Directors remains in office for the period established by the Shareholders' Meeting at the time of appointment, no more than three financial years; directors may be re-elected.

The Board is vested with the widest powers for ordinary and extraordinary management of the company, excluding only those powers which the law reserves exclusively to the Shareholders' Meeting.

The Board of Directors is also responsible in the case of mergers on the cases provided by articles 2505 and 2505 *bis* of the Italian Civil Code, for setting-up and closing branches, for updating the articles of association to regulatory provisions and for reducing share capital in the event of the withdrawal of a shareholder and in the case provided by art. 2446, last paragraph, of the Italian Civil Code.

In consideration of the structure and the size of the group, the Board of Directors has not adopted succession plans for executive directors considering the replacement procedures adopted appropriate for ensuring continuity and certainty for corporate management.

4.2 Composition (pursuant to art.123-bis, paragraph 2, letter d) of the Consolidated Financial Act)

The current Board of Directors, which shall remain in office until approval of the 2015 Financial Statements, is composed of 5 board members 2 of whom are executive directors, 1 non-executive director and by 2 directors in compliance with art. 3 of the Corporate Governance Code:

BOARD OF DIRECTORS											
Name	Office	Date of first appointment	In office from	In office until	List	Exec.	Non-exec.	Indep. according to Code and Cons. Fin. Act	Investment	Year of birth	Other offices
Casadio Filippo	Chairman	1987 2008 as Chairman	07/05/2013	Financial Statements 2015	n/a	X			100%	1948	-
Gandolfi Colleoni Francesco	Director	1990	07/05/2013	Financial Statements 2015	n/a	X			100%	1947	-
Sepriano Gianfranco	Director	1990	07/05/2013	Financial Statements 2015	n/a		X		100%	1946	-
Pischedda Francesca	Director	2013	07/05/2013	Financial Statements 2015	n/a			X	100%	1975	-
Dallago Orfeo	Director	2009	01/07/2009	Financial Statements 2015	n/a			X	100%	1964	-
No. meetings held during the reference financial year: 5											
Average length of meetings: two hours											
No. meetings scheduled for the current financial year: 5											
Quorum for presenting the lists by the minority for the election of one or more members (pursuant to art.147-ter Cons. Fin. Act): 2%											

At present the Control and Risks Committee (IC) and the Remuneration Committee (RC) are composed as follows:

COMMITTEES							
Name	Office	In office from	In office until	RC	RC participation	IC	IC participation
Sepriano Gianfranco	Chairman	07/05/2013	Approval of the 2015 Financial Statements	P	100%	P	100%
Francesca Pischedda	Member	07/05/2013	Approval of the 2015 Financial Statements	M	100%	M	100%
Dallago Orfeo	Member	07/05/2013	Approval of the 2015 Financial Statements	M	100%	M	100%

The presence, within the Board, of Executive, Non-executive and Independent Directors is aimed at guaranteeing good governance of the company and the prevention of conflict of interest situations.

Seeing that the current members of the Board of Directors do not cover offices in other companies, the Board has not defined general criteria about the maximum numbers of administration and control offices in other companies.

Specific induction programmes have not been envisaged; directors however have adequate knowledge of the industry in which the Issuer operates, the company dynamics and their development as well as the reference regulatory and self-regulatory framework.

4.3. Role of the Board of Directors (pursuant to art.123-bis, paragraph 2, letter d) of the Consolidated Financial Act)

The Board of Directors, responsible for the strategic, organisational and control policies and functions, is vested with the widest powers for the ordinary and extraordinary management of the company.

In particular, among the topics specified in the Code, the Board has exclusive responsibility for the following:

in compliance with the provisions of the Articles of Association:

- it establishes, after examining the proposals of the relevant Committee, the remuneration of the managing directors and of those that cover special offices;
- it grants and repeals powers of directors, defining limitations and operating procedures;

as far as it falls within the principle of the articles of association regarding ordinary and extraordinary management

- it examines and approves the strategic, industrial and financial plans of the company and periodic monitoring of their implementation;
- it examines and approves the strategic, industrial and financial plans of the Group to which the company belongs, and periodic monitoring of their implementation;
- it defines the corporate governance system;
- it defines the structure of the Group to which the company belongs;
- it verifies the adequacy of the organisational, administrative and general accounting structure of the company and of the Group, with particular reference to the internal control and risk management systems;
- it assesses the general performance of the management periodically comparing the results achieved with the scheduled ones;

- it assesses the adequacy of the organisational, administrative and accounting structure of the subsidiaries having strategic significance, with particular reference to the internal control and risk management system.

With regard to examination and approval by the Board of transactions with significant economic, capital and financial importance, the following transactions are the exclusive decision-making responsibility of the Board, and therefore cannot be delegated: the acquisition of equity investments and/or companies or company branches by the company for an amount, including financial debts comprised in the acquired equity investment and/or company or company branch, over € 10,000,000.00 and the sale of equity investments and/or companies or company branches the value of which, including financial debts comprised in the sold equity investment and/or company or company branch, is over € 10,000,000.00 and the issue of guarantees and sureties and real rights or similar obligations on company assets that are not deemed of interest to the Company and/or connected to the ordinary management of amounts over € 10,000,000.00 and the prior approval of the transactions with related parties.

The meetings of the Board of Directors are held regularly for approval of the quarterly and interim reports, for approval of the draft of the individual and consolidated financial statements and any time necessary.

The Chairman ensures that the documentation relating to the topics on the agenda are notified to the directors and statutory auditors with suitable notice with respect to the date of the board meeting and also ensures that the topics on the agenda are allocated sufficient time for a constructive debate to take place.

The meetings of the Board of Directors are attended by the Manager responsible for preparing the corporate accounting documents and the management control manager, for providing the appropriate explanations about the topics on the agenda.

The meetings are convened and chaired by the Chairman who coordinates their activity and guides the way they take place.

The Company Articles of Association does not stipulate a minimum number of meetings.

The Directors are notified well in advance about the topics on the agenda and have access to the relevant documentation.

The Board of Directors can, by law, establish a remuneration for the Directors holding special offices.

4.4. Chairman of the Board of Directors

In order for the company management to operate better and for more efficient corporate governance, the Board has granted some of its powers to the Chairman.

The Chairman has all the powers of ordinary and extraordinary administration, with the exclusion of those powers specifically identified in the previous point that remain the exclusive responsibility of the Board, and also carries out an operating role within the organisational structure of the company.

Within the terms provided by art. 150, *1° paragraph* of the Consolidated Financial Act, the Chairman reports to the Board of Directors and the Board of Statutory Auditors on the general business performance and the outlook for operations and on the most significant transactions carried out by the company and its subsidiaries.

The Chairman is the Company's chief executive manager.

The Chairman has an investment in the company Aequafin S.p.A. which holds the majority of the issuer's share capital.

4.5. Executive Directors

In addition to the Chairman, the Board of Directors is composed of another Executive Director, Mr Francesco Gandolfi Colleoni, who has an executive office within the company as Manager responsible for the Research and Development area.

4.6. Independent Directors

Two independent directors are also members of the company's Board of Directors.

In order to identify the independent directors, the instructions given by the Corporate Governance Code were followed; in particular a director cannot usually be qualified as independent in the following, non-peremptory cases:

- a) if, directly or indirectly, even through subsidiaries, trustees or third parties, such director controls the issuer or is able to have over it a significant influence, or participates in a shareholder agreement through which one or more persons can control or have a significant influence over the issuer;
- b) if such director is, or has been in the previous three financial years, a prominent representative of the issuer, of one of its subsidiaries having strategic importance or of a company subject to joint control with the issuer, or of a company or a body which, even together with others through a shareholder agreement, controls the issuer or is able to have a significant influence over it;
- c) if, directly or indirectly, such director has, or has had in the previous financial year, a significant commercial, financial or professional relationship with the issuer, one of its subsidiaries, or with any of their prominent representatives, with an entity that controls the issuer, or with their prominent representatives or is, or has been in the previous three financial years, an employee of one the aforementioned entities;
- d) if such director receives, or has received in the previous three financial years, from the issuer or from a subsidiary or parent company a significant remuneration in addition to the fixed compensation of the issuer's non-executive director, including therein participation in incentive plans linked to the company's performance;
- e) if such director has been a director of the issuer for more than nine years in the last twelve years;
- f) if such director has the office of executive director in another company in which an executive director of the issuer has the position of director;
- g) if such director is a shareholder or director of a company or of an entity belonging to the network of the company appointed to perform the accounting audit of the issuer;
- h) if such director has close relative of a person who is in one of the situations mentioned in the previous points.

With regard to that stated above, upon appointment and during the financial year, the Board of Directors has decided that Ms Francesca Pischedda and Mr Orfeo Dallago are eligible to be qualified as "independent directors"; in particular the Board believes that the Director Orfeo Dallago who currently holds a 2.08% investment in IRCE SPA is in possession of the necessary independence requirements.

In carrying out the assessments mentioned above, the Board applied the criteria laid down by the Corporate Governance Code.

The Board of Statutory Auditors has verified correct implementation of the assessment criteria and procedures adopted by the Board to evaluate independence of its own members.

During the Financial Year, the independent directors did not meet without the other directors since there were no topics and/or situations requiring a specific and reserved discussion, also for the purpose of protecting the interests of the minority shareholders.

As far as the Issuer is aware, the independent directors, who in the lists for appointment to the Board of Directors had expressed their eligibility as independent directors, undertook to maintain independence during their mandate.

4.7. Lead independent director

Meeting the requirements laid down in the Corporate Governance Code, the Board, on 13/03/2015, appointed one independent director, Mr Orfeo Dallago, as lead independent director.

According to the provisions in the Corporate Governance Code, the lead independent director acts as a point of reference and coordination of the requests and contributions of the non-executive directors and, in particular, of those who are independent and collaborates with the chairman of the board of directors to guarantee that the directors receive complete and timely information flows.

5. Price sensitive information

The Board has drafted a procedure for the external communication of price sensitive documents and information regarding the company. Such procedure envisages that the external communication of said documents and information should take place via the Investor Relations Office. The Investor Relations Office defines the contents of the communication through the drafting of a press release and ensures that the communication complies with the requirements laid down by the relevant applicable legislation.

Such a press release is submitted to the Chairman for final approval before being released.

The communication relating to price sensitive information is sent beforehand to the Consob and to Borsa Italiana via the NIS (Network Information System) circuit, according to the procedures laid down by the relevant applicable regulations.

The press release is also made public on the website www.irce.it.

The Board of Directors of IRCE SPA has also approved the "*Internal Dealing*" Code of Conduct in implementation of art. 2.6.3 of Borsa Italiana S.p.A. Regulations.

In particular, the company shall inform the market of the declarations received by *Significant Persons* according to the following time scale:

- a) in cases in which an individual declaring party has carried out transactions for a combined amount of € 50,000.00 or more during the quarter, IRCE SPA shall notify the transactions within the tenth day on which the stock exchange is open following the last day of the calendar quarter;
- b) in cases in which the transactions of an individual declaring party exceed the combined amount of € 250,000.00, IRCE SPA shall notify the transactions within one day of receiving the declaration of the *Significant Person*.

6. Committees within the Board (*pursuant to art.123-bis, paragraph 2, letter d) of the Consolidated Financial Act*)

The following committees are set up within the sphere of the Board of Directors:

- Remuneration Committee
- Control and Risks Committee

7. Nomination Committee

Bearing in mind the structure and the size of the company, no Nomination Committee was established within the Board of Directors; therefore the relevant functions as specified in the Corporate Governance Code are carried out by the Board of Directors.

8. Remuneration Committee

With resolution adopted on 07/05/2013 and in fulfilment of that established by the Corporate Governance Code, the Board of Directors established within it the Remuneration Committee with the task of:

- periodically assessing the adequacy, overall coherence and positive implementation of the remuneration policy for directors and key management personnel; formulating the relevant proposals to the Board of Directors;
- presenting proposals or expressing opinions to the Board of Directors concerning the remuneration of the executive directors and directors holding special offices and also on fixing performance objectives linked to the variable component of such remuneration; monitoring the implementation of the decisions adopted by the Board itself verifying, in particular, the actual achievement of performance objectives.

On 13/03/2015 the Committee appointed the independent director Ms Francesca Pischedda as its new chairwoman.

9. Remuneration of directors

Note that information on the general remuneration policy, the share-based incentive plans, the remuneration of executive directors, key management personnel and non-executive directors is given through reference to Section I of the Remuneration Report published in compliance with art. 123-ter of the Consolidated Financial Act.

10. Control and Risks Committee

With resolution adopted on 07/05/2013, in fulfilment of that established by art. 10 of the Corporate Governance Code, the Board of Directors established within it the Control and Risks Committee with consultation and proposing functions. The Committee, which will remain in office until approval of the financial statements as at 31/12/2015, is composed of Mr Gianfranco Sepriano, non-executive director and accounting and financial expert, Ms Francesca Pischedda, independent director and accounting expert and Mr Orfeo Dallago, independent director.

The Chairman of the Board of Statutory Auditors will also take part in the Committee's discussions. The Chairman of the Board of Directors may also attend the Committee's meetings.

The Committee has the following functions:

- a) to assist the board in carrying out its duties in compliance with art. 7.C.1 of the Corporate Governance Code;
- b) to assess, together with the manager responsible for preparing the corporate accounting documents and the auditors, the correct implementation of accounting standards and, in the case of groups, their consistency for the purposes of drafting the consolidated financial statements;
- c) to express opinions on specific aspects regarding the identification of the main corporate risks and the design, implementation and management of the internal control system;
- d) to examine the periodic reports concerning the assessment of the internal control and risk management systems, and those of particular significance drafted by the Internal Control Manager;
- e) to assess the proposals made by the independent auditors to obtain the assignment of the relevant appointment and the work schedule drafted for the audit and the results shown in the report; and in any letter of suggestions;
- f) to supervise the efficacy of the auditing process;
- g) to report to the board, at least every six months, on occasion of the approval of the financial statements and the interim report, on the activity carried out and the adequacy of the internal control and risk management systems;
- h) to ask the internal control manager to carry out checks on specific operating areas, notifying the Chairman of the Board of Statutory Auditors about this at the same time;
- i) to carry out any further duties assigned to him by the board of directors.

In carrying out its functions, the Control and Risks Committee has the right to access the information and company functions necessary for performing its duties and may use external consultants, within the terms established by the Board. The Committee is also furnished with adequate resources for performing its own functions.

During 2014 two meetings of the Committee were held during which the administrative accounting and corporate procedures were examined and in particular those regarding the processes of adequacy, reliability and implementation of procedures for the management and monitoring of the outstanding debt risk and the risk linked to the fluctuation in the price of copper. The Committee also verified and discussed with the internal control manager the internal control activities carried out and reported on during the year. The Committee meetings were attended by the Chairman of the Board of Statutory Auditors, the Internal Control Manager and the Person responsible for controlling management of the company and member of the Supervisory Body (Italian Legislative Decree 231/2001).

The Committee meetings were recorded in minutes and lasted for an average of two hours. Three meetings are planned for the current year.

On 13/03/2015 the Committee appointed the independent director Ms Francesca Pischedda as its new chairwoman.

11. Internal control and risk management systems

In compliance with the provisions of the Corporate Governance Code, the Board of Directors assumed responsibility for carrying out the internal control of the company. The Board must establish the internal control system guidelines and must perform a periodical annual check on its adequacy and actual operation, making sure that the main corporate risks are identified and managed in an adequate manner.

The internal control system is based on identification of the main risks related to the specific business carried out by the company and compliance with the relevant corporate prevention procedures.

As part of the internal control and risks management systems concerning the financial reporting process, IRCE SPA has drafted administrative and accounting procedures for the preparation of the financial statements and consolidated financial statements and for any other communication of a financial nature.

The objectives of the financial reporting process can be identified in terms of the trustworthiness, accuracy, reliability, and timely nature of the disclosures themselves. Risk management activities are an integral part of the internal control system.

The company has adopted the Co.S.O Framework as a reference model.

11.1 Director appointed to the internal control and risk management systems

When defining its strategic, industrial and financial plans, the Board appointed the chairman to define the nature and compatible risk level of the Issuer's strategic objectives. Therefore the Managing Director is appointed to establish the guidelines of the internal control and risk management systems so that the main risks concerning the Issuer and its subsidiaries can be identified correctly and adequately assessed, managed and monitored.

11.2. Internal Control Manager

To date, IRCE has not established within it the Internal Audit function. The Board has entrusted internal auditing to an external subject, in the person of Mr Wilmer Neri, an accounting expert. This person has been assigned the duties of carrying out evaluation, constant monitoring and direction of the current internal control system. This Manager, who in carrying out his duties has complete autonomy and is not subject to hierarchical constraints, must report periodically to the Board of Statutory Auditors on his work.

The Board has defined the remuneration of this Manager in coherence with corporate policies and has ensured that he is in possession of adequate resources for carrying out his own responsibilities.

This Manager has had direct access to all the information he needed for carrying out his work, has prepared periodic reports containing adequate information about his work, compliance with the plans defined for limiting risks and has sent them to the Control and Risks Committee, to the Board of Directors and to the Board of Statutory Auditors.

The main activities carried out during the financial year were: verification of the transactions and adequacy of the internal control and accounting systems, control of the correct observance of accounting and administrative procedures, providing periodic reports on the status of the internal control system and reporting any critical aspects of the system itself.

11.3. Organisational Model pursuant to Italian Legislative Decree 231/2001

On 28/03/08, the Board of Directors adopted the organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001 and created the Supervisory Body in order to monitor the operation, updating and compliance with the model itself.

The organisational, management and control model in compliance with Italian Legislative Decree No. 231/2001 and the relevant connected documents are updated, following analysis of the risks, every time the legislator includes a new type in the list of crimes; the types of crime that the model aims to prevent are therefore all the ones specified by the legislator.

The Supervisory Body is composed of three members, selected as they meet the requirements of autonomy, independence, professionalism and continuity of action:

- Ms Paola Preti (external consultant) in the capacity of Chairman;
- Ms Francesca Pischedda (independent director);
- Mr Gianluca Piffanelli (Manager of management control in IRCE).

During 2014 the Supervisory Body met three times.

In 2014, with introduction of Italian Legislative Decree 39/2014 relating to the fight against sexual abuse and exploitation of children and child pornography, as far as the types of crime specified in the Italian Legislative Decree 231/2001, the Supervisory Body analysed the risks relating to the occurrence of such crime in Irce S.p.A., and it drew the conclusion that the risk is correctly controlled by information procedures.

The Company also verified the adequacy of the Code of Ethics of the company and confirmed the validity of the principles contained in the document.

The activity of the Supervisory Body was also focused on the analysis of the compliance audits carried out by the Company concerning health and safety in the workplace and in observance of environmental legislation.

11.4. Independent Auditors

In compliance with the Italian Legislative Decree 39/2010 and Italian Legislative Decree 58/1998, on 29/04/2011 the appointment of the external auditor for the financial years from 2011 to 2019 was assigned to the company PricewaterhouseCoopers SpA.

11.5 Manager responsible for preparing the corporate accounting documents

Following the favourable opinion of the Board of Statutory Auditors, the Board of Directors appoints a manager, with proven professionalism and experience in finance and accounting, responsible for preparing the corporate accounting documents and fulfilling the duties laid down by current legal and regulatory provisions concerning periodic reporting.

Ms Elena Casadio, the administrative and financial manager of the company, is appointed Manager responsible for preparing the corporate and accounting documents and fulfilling the duties laid down by current legal and regulatory provisions concerning periodic reporting.

11.6 Coordination among subjects involved in the internal control and risk management systems

In consideration of the size and structure of the group, on the date of the Report the Issuer has not assessed the adoption of coordination procedures among various subjects involved in the internal control

and risk management systems since it considers that the various bodies and different functions are sufficiently integrated.

12. Director interests and related-party transactions

In fulfilment of art.4 of the Regulation on related-party transactions adopted by the Consob with resolution No. 17221 of 12 March 2010, the Board of Directors has adopted (*Resolution of 30 November 2010*) a procedure for the management and approval of related-party transactions; this procedure, published on the company's website, is applied, in compliance with said regulation, starting from 1st January 2011.

13. Appointment of the Statutory Auditors

The Shareholders' Meeting elects a Board of Statutory Auditors composed of 3 (three) standing Statutory Auditors and 2 (two) substitute Statutory Auditors. Minority shareholders have only the right to elect one standing Statutory Auditor and one substitute Statutory Auditors. The Board of Statutory Auditors is nominated on the basis of lists provided by the shareholders, in which the candidates must be listed using a progressive number. The list is composed of two sections: one containing the three names of the candidates to the position of standing Statutory Auditor and the other containing the two names of the candidates to the position of substitute Statutory Auditor. Only shareholders who together hold an interest no lower than that laid down by the Consob Issuers' Regulations, and that have the obligation of proving ownership of the number of shares necessary for presenting the lists within the deadline laid down by the current pro-tempore regulations have the right to provide lists. In compliance with the Consob Issuers' Regulations, the interest necessary for presenting the list will be indicated each time in the notice of call of the Shareholders' Meeting convened to resolve on the appointment of the statutory auditors. Each shareholder, as well as the shareholders belonging to one same group (for the definition of which reference should be made to the relevant legal provisions and regulations) or subscribing to a shareholder agreement regarding company shares, cannot present or vote, directly, by third parties, or via trust companies, more than one list. Any candidate appearing on more than one list shall be disqualified; under penalty of ineligibility or annulment, each Statutory Auditor must meet the requirements of integrity and professionalism laid down by applicable legal provisions and regulations, must cover offices of standing Statutory Auditor in no more than five issuers (for the definition of which reference should be made to the relevant legal provisions and regulations) and administration and control offices in companies as per Book V, Title V, Chapters V, VI and VII of the Italian Civil Code within the maximum limit allowed by applicable legal provisions and/or regulations. Outgoing standing and substitute Statutory Auditors can be re-elected. The lists must be lodged at the headquarters of the company within the deadline provided by the applicable pro-tempore provision and this will be mentioned in the call notice. Together with each list, within the presentation deadline, the shareholders that present it must lodge: a detailed information brief regarding the personal and professional characteristics of the candidates, declarations with which the individual candidates irrevocably accept the office, where appointed, and state, under their own responsibility, the inexistence of causes of ineligibility or incompatibility, as well as the meeting of the requirements prescribed by the law and by the articles of association for assumption of the office, where the conditions exist, the declaration stating the absence of any forms of association with shareholders who hold, also jointly, a controlling or majority holding. Lists that have been presented without observing the provisions of this article are considered as not having been presented.

The Statutory Auditors are elected as follows:

1. Two standing statutory auditors and one substitute statutory auditor are selected from the list that obtained the highest number of votes in the Shareholders' Meeting, in the progressive order in which they are listed in the sections of the list;

2. The remaining standing statutory auditor and the other substitute statutory auditor are selected from the list that obtained the highest number of votes in the Shareholders' meeting after the first one and that is not connected, according to the law and regulations in force, with the shareholders that have presented or voted the list resulting first in terms of numbers, in the progressive order in which they are listed in the sections of the list;

3. If an equal number of votes is obtained from more than one list, crucial for the purposes of the election procedure, a second ballot will be held between such lists by all the shareholders present in the meeting. The standing statutory auditor indicated as the first candidate in the list that has obtained the highest number of votes after the first in the shareholders' meeting will be appointed as chairman of the Board of Statutory Auditors. If only one list is presented, the candidates indicated in said list will be elected, by majority vote, and the first candidate will be appointed as chairman. If the requirements provided for by law and/or by the articles of association cease to be met, the Statutory Auditor will fall from office. In the case of the replacement of a Statutory Auditor, the substitute Statutory Auditor belonging to the same list as the former will take over. The powers, duties and functions of the Board of Statutory Auditors and its members are governed according to that provided by the relevant provisions. The lists presented by the shareholders must comply with the principles laid down by art.148 paragraph 1 bis, of the Consolidated Financial Act to ensure that the allotment of the statutory auditors to be elected guarantees a gender balance.

14. Composition and functioning of the Board of Statutory Auditors

The Shareholders' Meeting has appointed the members of the Board of Statutory Auditors for the financial years 2014-2015-2016. The only list presented was that of the majority shareholder Aequafin S.p.A, from which the following Statutory Auditors were appointed:

BOARD OF STATUTORY AUDITORS									
Name	Office	Year of birth	In office from	In office until	List	Independence according to Code	Investment	No. of offices	Date of first appointment
Fabio Senese	Chairman	1961	28/04/2014	Financial Statements 2016	Maj.	x	100%	-	2014
Costantini Adalberto	Standing Statutory Auditor	1965	28/04/2014	Financial Statements 2016	Maj.	x	100%	-	2011
Donatella Vitanza	Standing Statutory Auditor	1966	28/04/2014	Financial Statements 2016	Maj.	x	100%	-	2014
Gianfranco Zappi	Substitute Statutory Auditor	1938	28/04/2014	Financial Statements 2016	Maj.	x			
Claudia Maresca	Substitute Statutory Auditor	1982	28/04/2014	Financial Statements 2016	Maj.	x			
No. meetings held during the reference financial year: 5									
Average length of meetings: two hours									
Meetings scheduled for the current financial year: 5									
Quorum for presenting the lists by the minority for the election of one or more members (pursuant to art.147-ter Cons. Fin. Act): 2%									

The members of the Board of Statutory Auditors have adequate knowledge of the industry in which the Issuer operates, of the company dynamics and their development as well as the legislative and self-regulatory reference framework.

The Board of Statutory Auditors has verified the independence of its own members at the first opportunity after their appointment and verified during the financial year the continuing existence of the requirements of independence. In carrying out the evaluations, the criteria laid down by the Code with reference to the independence of the directors were applied.

In carrying out its work, the Board of Statutory Auditors coordinated with the internal control manager and with the control and risks committee. The Board took part in meetings of the Control and Risks Committee examining the activities carried out by the internal control manager.

Mr Fabio Senese is registered in the Bologna register of accountants and tax advisors (ODCEC) and in the Register of Legal Auditors. He works freelance mainly in national and international tax consultancy and in the management of tax assessment, collection and litigation procedures. He has worked as a technical consultant in civil and criminal proceedings.

He has covered and still covers the positions of Statutory Auditor and legal Auditor in companies operating in various production and service sectors, including those of navigation, transports, construction, fashion, medical biology, industry and commerce.

Mr Adalberto Costantini is an Accountant and Legal Auditor registered in the Bologna register of accountants since 1993.

He has many years' experience in the auditing of important Italian groups and companies listed in the Stock Exchange in his capacity as senior manager of Ernst & Young Italia, auditing division of the Bologna office.

Since 2011 he has been working as a professional Accountant and Legal Auditor in particular with regard to: corporate consultancy, corporate assistance in administrative and accounting matters, legal and voluntary auditing, corporate assessments, equity and economic due diligence, preparation of budgets and economic-financial outlook systems, support within the sphere of Italian Legislative Decree 231/2001.

During his professional career he has covered and covers numerous positions as a member of the Board of Statutory Auditors in private companies and non-profit bodies and he has also covered the position of director in local utility companies subject to public control.

Since 1991, Ms Donatella Vitanza has exercised the exclusive profession of Accountant in the area of corporate, fiscal and company consultancy, mainly concerning matters of corporate law, auditing of financial statements and legal control of accounts, fiscal, administrative and accounting assistance to companies and non-profit bodies. Since 1991 she is a member of boards of statutory auditors at private companies and since 2013 is a member of the Board of Directors of companies and associations. She has been an auditor of Irce SpA since 2014. Currently she is attending an executive Emba at Bologna Business School.

15. Relations with shareholders

A function has been set up within the company dedicated to constant relations with investors and shareholders – *Investor relator* – Mr Gianfranco Sepriano tel. + 39 0382 77535 - e-mail Gianfranco.sepriano@irce.it

Moreover, in order to guarantee complete and continuous communication with shareholders, all press releases, information that has significance for shareholders and all periodic accounting documents are made available on the company's website www.irce.it in the *investor relations* section.

16. Meetings

The regularly convened shareholders' meeting represents all shareholders and its resolutions taken in compliance with the law and the articles of association oblige all shareholders. It is ordinary or extraordinary according to the law.

Both the ordinary and extraordinary shareholders' meeting must be called via a notice to be published within the deadlines and with the procedures laid down by the law.

Representation in the shareholders' meeting is subject to the law. Shareholders who have sent the communication made by the intermediary, in compliance with their own accounting entries, in favour of the subject to whom the voting right is due may take part in the shareholders' meeting. Each shareholder who is entitled to take part in the Shareholders' Meeting may be represented by another person in compliance with the law, by means of a written proxy or a proxy communicated electronically when provided by appropriate regulatory provisions and in accordance with the procedures established in them. In the last case, the electronic notification of the proxy may be made using the specific section of the Company website according to the procedures specified in the call notice.

The law will be applied for establishing the Shareholders' Meetings and for the validity of their resolutions, both during ordinary and extraordinary sessions.

The whole Board of Directors takes part in the Shareholders' Meetings and refers on activity carried out and scheduled and shall ensure that the shareholders receive adequate information about the elements necessary so that they can take the relevant shareholders' meeting decisions with awareness.

During the shareholders' meeting for approval of the financial statements, the Chairman of the Remuneration Committee reported to the shareholders on the procedures for exercising the functions of the committee.

As for the functioning of the Shareholders' Meeting, the Rules for Shareholders' Meetings were approved with a resolution of the shareholders' meeting, as required by art. 12.4 of the Corporate Governance Code; this document is available on the company's website.

During the financial year there were no significant changes in the market capitalisation of company shares and in the shareholding structure.

Imola, 13 March 2015

IRCE SPA Group

**Annual Report of the Manager responsible for preparing the
corporate accounting documents
for the year 2014**

TABLE OF CONTENTS

ANNUAL REPORT OF THE MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

INTRODUCTION

- 1. SCOPING AND DEFINITION OF THE SCOPE OF APPLICATION**
- 2. FORMALISATION OF PROCESSES AND ANALYSIS OF RISKS AND CONTROLS**

ANNUAL REPORT OF THE MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE ACCOUNTING DOCUMENTS

INTRODUCTION

Article 154-bis of the Consolidated Financial Act - incorporating the provisions of Italian Law No. 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets) and its subsequent amendments, as well as Italian Legislative Decree No. 195/2007 on Transparency – has introduced the mandatory role of the “Manager responsible for preparing the corporate accounting documents” with specific responsibilities regarding provision of a true and fair view of the assets, liabilities, financial position and profit or loss of the listed issuers, while also extending the scope of application to companies issuing financial instruments and which are listed on regulated markets.

The Manager responsible for preparing the corporate accounting documents is responsible for the System and, to this end, defines the administrative-accounting procedures for drafting the periodic accounting documents and any other financial communication, certifying, together with the Managing Director, the adequacy and effective implementation during the period to which the documents refer.

The Board of Directors is responsible for appointing and establishing the duration of the office of the Manager responsible for preparing the corporate accounting documents and also, in compliance with article 154-bis of the Consolidated Financial Act, makes sure that the same is in possession of adequate powers and means to exercise the assigned tasks and that he/she also observes said procedures.

The controls established to protect financial reporting are subject to evaluation and monitoring in order to check, over time, both its “design”, i.e. the abstract suitability to mitigate identified risks in an acceptable manner, and the actual “operating powers”, i.e. their actual operation. The verification activities related to the adequacy and actual operation of the System are the responsibility of the Manager responsible for preparing the corporate accounting documents, through his/her own structure and through the direct involvement of the management responsible for the activities/processes, also through the support of the Internal Control Manager.

The objective of this document is therefore to fully report the activities implemented by IRCE SpA, ranging from the identification of the scope of consolidation under analysis, the outcomes of assessments of the reliability and adequacy of the internal control system and which could affect accounting and financial reporting that is functional to the certifications required by regulations, as listed below:

1. DEFINITION OF THE SCOPE OF APPLICATION
2. FORMALISATION OF PROCESSES AND ANALYSIS OF RISKS AND CONTROLS
3. TEST OF EFFECTIVENESS OF CONTROLS
4. EVALUATION OF EXCEPTIONS

As part of the internal control and risks management systems concerning the financial reporting process, IRCE SPA has drafted administrative and accounting procedures for the preparation of the financial statements and consolidated financial statements and for any other communication of a financial nature.

The objectives of the financial reporting process can be identified in terms of the trustworthiness, accuracy, reliability, and timely nature of the disclosures themselves. Risk management activities are an integral part of the internal control system.

The company has adopted the Co.S.O Framework as a reference model.

This Report is presented to the Board of Directors and the Board of Statutory Auditors of IRCE SPA in order to allow for the fulfilment of the activity pursuant to Article 154-bis, paragraph 4, of the Consolidated Financial Act, as well as to issue – on the part of the delegated Administrative Body and the Manager responsible for preparing the corporate accounting documents himself/herself – the certification of adequacy, compliance, suitability, correspondence and effective application of the administrative and accounting procedures for the preparation of the financial statements of the year and of the consolidated financial statements of the year 2014.

1. DEFINITION OF THE SCOPE OF APPLICATION

During the phase of *definition of the scope of application*, the following are identified:

- a) the Companies of the group which are deemed significant on the basis of quantitative and qualitative criteria and in terms of their contribution to the consolidated financial reporting in the year in question;
- b) significant accounts by means of quantitative measurements and additional refinements of qualitative nature ("*significant items*");
- c) company processes ("*significant processes*") which are associated with the accounts that must be subjected to testing activities for the *significant locations* previously defined.

The objectives of the control – which aim to prevent any errors/fraud which could occur during the activities of initiation, registration, management and reporting of a transaction – have been identified by IRCE by taking into account:

- the significant accounts, i.e. the items of the financial statements which are individually significant in terms of materiality;
- the administrative and accounting processes which generate the significant accounts which are identified as specified above;
- the relevance of the abovementioned processes which are identified at the level of each company that belongs to the scope of consolidation.

IRCE SPA has identified the scope of application on the basis of the materiality of the significant accounts, and their associated administrative-accounting processes for each individual company of the Group, for the consolidated financial statements.

In particular:

- companies in the Group whose assets or turnover are respectively 2% higher than the total consolidated assets or 5% higher than the total consolidated turnover were considered significant and therefore included in the possible scope of application;
- the selection of significant accounts was implemented by calculating a threshold of Group materiality by using a benchmark which utilises a threshold value between the higher of 1% of Shareholders' Equity and 5% of profit before tax;
- the most risky processes for the purposes of prescriptions pursuant to Italian law 262 were identified.

In order to confirm the company and process scope of application derived from the materiality analysis, the company has also implemented subsequent qualitative analysis.

By applying the model, it has been possible to identify the risk profile inherent in each process and the associated control activities used for monitoring purposes; the procedures and control grids for each process which turned out to be sensitive on the basis of the abovementioned criteria were formalised.

2. FORMALISATION OF PROCESSES AND ANALYSIS OF RISKS AND CONTROLS

On an annual basis, the company:

- monitors the processes which significantly contribute to feeding into the items of the consolidated financial statements;
- defines and implements testing plans;
- guarantees the resolution of detected critical factors.

The Manager responsible for preparing the corporate accounting documents is responsible for mapping the processes and identifying the controls.

Bearing in mind the previous established scope of application, with reference to the Parent Company, during 2014 the Internal Control Manager performed control tests on the most risky processes, in particular sales and distribution and purchasing and inventory management, as well as, according to a rotation rationale, on some processes considered to represent a normal risk, in particular the treasury procedure and the management of fixed assets.

The subsidiaries belonging to the IRCE SPA Group are independently responsible for their own internal control system regarding financial reporting processes. Each company, in the person of its CFO, is responsible for ensuring its own compliance to the provisions established by Italian law 262 through a reporting process defined by the parent company.

The results of the testing activities and the improvement plans (the so-called corrective actions) are defined and immediately shared with the Chairman of the Board of Directors and the Control and Risks Committee.

Imola, 13 March 2015