

ORDINARY SHAREHOLDERS MEETING

APRIL 27, 2016

Board of Directors' Report

*Determination of the number and appointment of the members of
the Board of Directors for the financial years 2016-2017-2018.*

Decisions as to their remuneration

(item 3 on the agenda)

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 61,681,388.60
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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**BOARD OF DIRECTORS' REPORT TO THE ORDINARY
SHAREHOLDERS MEETING**

**Determination of the number and appointment of the members of the
Board of Directors for the financial years 2016-2017-2018. Decisions as
to their remuneration**

Dear Shareholders,

You are called upon to renew the Board of Directors the mandate of which comes to an end with the approval of the Financial Statements for financial year 2015.

We would remind you of the provisions of art. 17 of the Articles of Association which, for your convenience, we are reproducing in full below:

“The Company is administered by a Board of Directors comprised of between five and fifteen members, even not necessarily shareholders. They are appointed by the General Meeting of Shareholders for a fixed term which may not exceed three years, and are eligible for re-election.

The General Meeting also determines the number of Board members, which remains fixed unless altered by further deliberation of the Meeting.

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

The Board members are appointed by the General Meeting from lists presented by the Shareholders. Candidates are listed in numerical order. The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.

List may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least a fortieth of the share capital, or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by the enforceable law. Shareholders who, individually or with

others, hold voting shares representing less than 20% of the share capital may present lists of no more than 3 candidates.

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.

Lists which fail to comply with the above rules shall be considered inadmissible.

No Shareholder may present or contribute to the presentation of more than one list, even via an intermediary or trustee. Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list.

Each Shareholder can vote for just one list.

Each candidate may stand in one list only, on pain of disqualification.

Each list filed by the required date must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reason of incompatibility or ineligibility regarding their candidature and that they meet the requirements laid down in the law and current regulations for the position of Board member. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any position as director or statutory auditor they might hold in other companies and whether they satisfy the requirements for the position of independent director under the law and current regulations.

Incompleteness or irregularity of any candidature shall mean disqualification of the candidate's name from the voting list.

For the nomination to go forward, the lists presented and submitted for voting must obtain at least half the percentage of votes required under this Article for the presentation of the lists themselves. Lists which do not meet this condition shall be considered null and void.

Members of the Board of Directors are elected as follows:

a) from the list which obtained the highest number of votes during the Meeting, as many directors as required to make up the Board minus one are taken in the numerical order in which they were listed;

b) from the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the candidate at the top of this second list is nominated as the final board member.

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 less represented gender. 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.

All elected Directors must meet the criteria of respectability and professional conduct laid down in the current regulations. Failure to meet these criteria will mean disqualification from the position.

If only one list is presented or admitted, all Directors are appointed from that list.

If no list is presented or the number of Directors appointed is smaller than the minimum required by the Shareholders, the General Meeting must be reconvened to elect a full Board of Directors.

If as a result of resignations or for other reasons one or more Directors ceases to serve, they are replaced in accordance with art. 2386 of the Civil Code, in compliance with the applicable requisites."

With reference to paragraph 5 of art.17 of the Articles of Association, we would like to inform you that Consob, in its resolution 19499 of January 28, 2016, stipulated that the minimum percentage of share capital ownership for presenting a list of candidates is 2.5%.

We remind you that the disposals about the gender balance as described by the Articles of Association, adapted to the Law 120/2011, find application to the appointment of the Board of Directors.

Being the second renewal of the Board of Directors following the entry into force of said Law, the number of the members of the Board of Directors belonging to the less represented gender should be at least a third of the total members appointed.

We remind you that the lists must be filed at the Company registered office or sent by e-mail to the certified address sogefi@legalmail.it by April 2, 2016.

The lists shall be published and spread through the eMarket Storage authorized system (www.emarketstorage.com) and on the website www.sogefigroup.com by April 6, 2016.

Any Shareholders other than the controlling shareholder who intend to present a list are asked to consult the recommendations given by Consob in its communications DEM/9017893 of February 26, 2009 which can be found on the website www.consob.it.

Considering the provisions of art. 125-ter of the Legislative Decree no. 58/98 and subsequent amendments and additions (T.U.F.) concerning the requirement to make the proposed resolutions available, your Board requested the controlling Shareholder's intention about number of members and fees for the Board of Directors.

The controlling Shareholder informed the Board that it intends to submit the following proposals to the approval of the Shareholders:

- to establish in 9 the number of the members of the Board of Directors;
- to establish an annual fee of euro 20,000 *pro rata temporis* for each member of the Board of Directors, pursuant to art. 2389, paragraph 1 of the Italian Civil Code;
- to allow the Directors to hold other positions pursuant to art. 2390, paragraph 1, of the Italian Civil Code.

Given the above, your Board asks you to approve the following two resolutions:

1) regarding the decision as to the number of Board members

“The Ordinary Shareholders meeting of Sogefi S.p.A.:

- having acknowledged the Board of Directors’ Report,
- having acknowledged the proposal made by the Shareholder CIR S.p.A.,
- bearing in mind the law provisions and the Company Articles of Association

RESOLVES

- to set at 9 the members of the Board of Directors for the financial years 2016-2017-2018 and that is until the Shareholders meeting that will discuss the Financial Statements for the year ended December 31, 2018;
- to allow the Directors appointed to hold other positions pursuant to art. 2390 of the Italian Civil Code.”

2) *regarding the question of fees for the Directors*

“The Ordinary Shareholders meeting of Sogefi S.p.A.:

- having acknowledged the Board of Directors’ Report,
- having acknowledged the proposal made by the Shareholder CIR S.p.A.,
- bearing in mind the law provisions and the Company Articles of Association

RESOLVES

- that each member of the Board of Directors be assigned an annual fee of euro 20,000 *pro rata temporis*, pursuant to art. 2389, paragraph 1, of the Italian Civil Code.”

Lastly we would remind also that it is necessary to either vote for one of the presented lists or to abstain from voting, vote against all lists or not taking part to the voting at all.

Your Board wishes to thank you for the trust you have placed in it.