

# **COFIDE S.p.A.**

## **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE**

*(as per the terms of Art. 123-bis of the Finance Consolidation Act - T.U.F.)*

## **AND ON COMPLIANCE WITH THE CODE OF CONDUCT FOR LISTED COMPANIES**

*Year 2015*

This Report (hereinafter the “Report”) aims to illustrate the model of corporate governance that COFIDE S.p.A. (hereinafter the “Company”) adopted in the year 2015.

The Report, approved by the Board of Directors at the meeting held on March 14 2016, is being made available to the Shareholders in the ways envisaged by law together with the rest of the documentation relating to the Financial Statements for the year ended December 31 2015 that has been prepared 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: NIS-Storage [www.emarketstorage.com](http://www.emarketstorage.com) and – together with other documents of interest to the market - on the website of the Company [www.cofide.it](http://www.cofide.it) in the section “Corporate Governance”.

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

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

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

The subscribed and paid up share capital consists of € 359,604,959 comprising 719,209,918 ordinary shares, listed on the *Mercato Telematico Azionario* of the Milan Stock Exchange – FTSE Small Cap

index. All the ordinary shares have the same rights and obligations.

**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, except for some restrictions applicable to certain 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 “Corporate Governance”.

**c) Significant shareholding interests (as per Art. 123-bis, paragraph 1, letter c) T.U.F.)**

Given that the Company belongs to the category of SMEs as defined by Art. 1 of D. Lgs. no. 58 of February 24 1998 (hereinafter “T.U.F.”), below are the names of the Shareholders of last resort who, in accordance with Consob Resolution 11971/99 either directly or indirectly had percentages of ownership higher than 5% of the capital with voting rights at December 31 2015:

- F.LLI DE BENEDETTI S.p.A. formerly F.LLI DE BENEDETTI S.A.P.A.: 51.924% (31.145% of these are in the name of the fiduciary BIM Fiduciaria e di Revisione S.p.A.).
- BESTINVER GESTION SGIC SA: 15.165% (as asset manager of the Funds: BESTINVER INTERNACIONAL FI, BESTINVER HEDGE VALUE FUND FIL, BESTINFOND FI).

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

At present there are no shares that give their holders any special controlling rights.

The Annual General Meeting of the Shareholders held on April 27 2015 approved instituting an increased voting right in favour of stable Shareholders as permitted by Art. 127-*quinquies* of the T.U.F., amending Art.8 of the Company Bylaws.

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

There are no particular mechanisms for the exercise of voting rights by employees who hold shares.

**f) Restrictions on voting rights (as per Art. 123-bis, paragraph 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 signed by COFIDE S.p.A. or any of its directly or indirectly controlled subsidiaries which contain a change of control clause, i.e. clauses that take effect in the event of the change of the shareholding control of COFIDE S.p.A.

**i) Compensation for Directors in the event of resignation, dismissal without a just cause or termination of position following a public offer to purchase or 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 position following a takeover bid.

**l) Election and replacement of the Directors; amendment of the 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 Art. 5) of the attached document Code of Conduct of COFIDE S.p.A. devoted to the appointment of Directors. For amendments to the Bylaws, the terms of the Law are applicable.

**m) Power delegated to increase the share capital and authorization to buy back own shares (as per Art. 123-bis, paragraph 1, letter m) T.U.F.)**

For a period of five years from the date of the resolution adopted by the Extraordinary Meeting of the Shareholders on April 29 2013, the Board of Directors has the right to:

a) increase the share capital either once or more than once by a maximum of EUR 250,000,000 (two hundred and fifty million) nominal value either free of charge or against payment, with or without a share premium. The Directors have the right each time to establish the category of shares, the issuance price of the shares, the start of dividend entitlement, the possible allocation of the share capital increase to servicing the conversion of bonds issued even by third parties both in Italy and abroad, or servicing warrants. They will also have the right to determine the reserves and provisions available for allocation to share capital and the amount of the same. More in general to define the procedures, terms and conditions of the share capital increase.

b) issue once or more than once convertible bonds, even in foreign currencies, where the Law permits, with the related share capital increase, up to a maximum amount of Euro 250,000,000 (two hundred and fifty million).

More in general it has the right to define the procedures, terms and conditions of the bond issue and the rules governing such issuance.

The Annual General Meeting of the Shareholders held on April 27 2015, pursuant to and as an effect of Art. 2357 of the Civil Code, authorized the buyback of COFIDE shares for eighteen months from the date of the AGM resolution as follows: a maximum of 50,000,000 shares with a nominal value of euro 25,000,000 can be bought back but they may not in any case be more than one fifth of the share capital of COFIDE and with a maximum disbursement limit of Euro 35,000,000; the Company will set up a non-available reserve entitled "Reserve for treasury stock held", for the amount of the own shares bought back, by transferring the corresponding amount from the reserve "Recovery of historical cost of equity investments" as per the Financial Statements as of December 31 2014, the last ones approved.

The price of each individual share buyback transaction must be no more than 10% higher or lower than the benchmark price recorded by the stock on the trading day on the Stock Exchange immediately preceding the day on which the buyback is made or the date on which the price is fixed.

The buyback may take place:

- a) Through a tender offer (public offer to acquire or exchange shares);
- b) On regulated markets according to operating procedures set out in the rules for the organization and management of those same markets, which do not allow the direct matching of bids and offers in the market or in any case in such a way as to ensure equal treatment for all shareholders and in accordance with laws and regulations in force at the moment of the deal; the quantities bought back on any one day shall not exceed 25% of the average daily volume, as defined in EC Regulation no. 2273/2003;
- c) Through the proportional assignment to the shareholders of put options to be awarded within a period of 15 months and exercisable within a period of 18 months from this resolution.

As of December 31 2015 the company was not holding any of its own shares as treasury stock.

At the Shareholders' Meeting that will discuss the financial statements for the year ended December 31 2015 a proposal will be put forward for a new authorization to buy back own shares, similar to the one currently in force.

**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. as currently in force, prepared by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana S.p.A.

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

Reference should be made to point 7) of this Report and to Art. 7 of the attached Code of Conduct of

COFIDE S.p.A. which deals with the Internal Control and Risk Management System.

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

Reference should be made to what is described in point 10) of this Report on Shareholders' Meetings and to Art. 9 of the attached Code of Conduct of COFIDE 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 this Report that deal with: the composition of the Board of Directors (point 2), the Statutory Auditors (point 8) and the Committees (point 4 Institution and functioning of the Internal Committees of the Board of Directors - 6 Remuneration of Directors and 7 System of Internal Control and risk management) and also to the attached Code of Conduct of COFIDE S.p.A., Articles 2, 3 and 5 for the Board of Directors, Art. 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 general rules relating to the Role of the Board of Directors reference should be made to the terms of Art. 1 of the "Code of Conduct of COFIDE S.p.A."

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

- on the basis of 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 its direct subsidiary CIR and of the companies

heading the industrial groups that the latter controls as presented by their respective Chief Executives, evaluating whether the said plans were consistent with those of COFIDE 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;
- established the frequency, generally every three months, with which the Chief Executive Officer shall report back to the Board on the activity carried out in the exercise of the powers assigned to him or her;
- assessed the progress of operations taking into consideration, in particular, the information received from the Chief Executive of the Company and the Chief Executives of the main subsidiaries, analysing the businesses and the evolution of the income and equity situation of the Company and of the Group;
- examined and gave prior approval to transactions put in place by the issuer and examined those of the subsidiaries that have a significant strategic importance. To this end the Company at the Board of Directors Meeting held on October 29 2012 defined its parameters for measuring significance, adopting a special procedure;
- carried out during the meeting held on June 6 2014 a self-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 been on the Board;
- before the appointment of a new Board, can give the Shareholders its views on the professional figures whose presence on the Board would be considered useful;
- ensured the correct internal management and external disclosure of documents and information regarding the Company, with particular reference to privileged information, in compliance with the terms of the procedure adopted by the Board of Directors on October 29 2012.

Regarding the further activities of the Board of Directors on the subject of “Control and risk system”

reference should be made to paragraph 7) “System of internal control and risk management”.

Art. 1 of the Code of Conduct of COFIDE S.p.A., attached to this Report, gives guidelines on the maximum number of positions of Director or Statutory Auditors approved by the Board of Directors on October 29 2012, which set limits in terms of number of positions that can be held by Executive and non-Executive Directors of COFIDE in Significant Companies, as defined by the same Board.

It should be noted that Mr Rodolfo De Benedetti, in his role as Executive Chairman, was assigned managerial powers in the light of the experience he has gained over the years in managing the Group, and to provide a governance that is the most suitable and functional possible given the characteristics of the Company.

Consequently, on April 29 2013, the Board of Directors of the Company assigned the following powers:

- the Executive Chairman of the Company, Mr Rodolfo De Benedetti, was given 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 and to sign in his role as above any document, deed, agreement and correspondence in the name of and on behalf of the Company and with the right to have someone else replace him;
- all powers of ordinary and extraordinary administration of the Company, to be exercised with his sole signature, and thus the power to make any decision useful or necessary for the achievement of the Company object except for matters regarding:

(i) subjects, transactions or resolutions reserved by law, by the Company Bylaws and by the Code of Conduct to the exclusive competence of the Board of Director as a body;

(ii) the following categories of transaction:

- the purchase, sale or subscription of equity investments where: (1) the payment or – where this is not in the form of money – the transaction value assigned to the same is higher than Euro 40 million;
- (2) the sale (or exchange) refers to investments recorded in the balance sheet with a value of over Euro 25 million;
- (3) the transaction involves the acquisition or the loss of control, as per the terms of Art.



2359 of the Civil Code, in companies or entities of another kind or nature;

- the purchase or sale on any account of businesses or business arms for a price or with a value of over Euro 40 million;
- any other investment transaction of any kind and on any account and in any manner (including the payment of capital contributions or the conversion of receivables into capital), taking on debt or making loans of any kind or issuing guarantees and in general any other deal the value of which is over Euro 40 million;
- any decision that the Company may make relating to transactions or decisions of the subsidiaries which may, in any way or on any account, result in a reduction of the stake held by the Company to below the threshold of control;
- (iii) the most important transactions with related parties identified as such on the basis of criteria identified in Annex 3 of the “Regulations giving instructions on the subject of related party transactions” approved by Consob with its Resolution no. 17221 of March 12 2010 later amended by Resolution no. 17389 of June 23 2010, as well as any further transactions with related parties of more importance that will be identified by the internal procedures adopted by the Board of Directors as per the terms of Articles 4 and 8 of the aforesaid “Regulations giving instructions on the subject of related party transactions”, competence for which is reserved for the Board of Directors.

**2) COMPOSITION AND FUNCTIONING OF THE BOARD OF DIRECTORS (as per Art. 123-bis, paragraph 2, letter d) T.U.F.)**

For the rules of a general nature relating to the composition and functioning of the Board of Directors, reference should be made to what is stated in Art. 2 and Art. 3 of the Code of Conduct of COFIDE S.p.A. attached to this document, and also to what is stated in Art. 1 of the same regarding the functions carried out by the Chairman.

The Board currently consists of eleven Directors, one of whom has executive status (the Chairman), while ten 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.

Six non-executive Directors are independent. The composition of the Board of Directors of the issuer is therefore appropriate to guarantee adequate conditions of operational independence, aimed at maximizing the economic and financial objectives of the same issuer.

It should be remembered that the mandate of the current Board of Directors will terminate with the approval of the Financial Statements for the year ended December 31 2015.

When they were appointed all the Directors filed declarations in which they attested there were no reasons why they should not be elected nor was there any incompatibility prescribed by law and that they possessed the requisites of integrity and professionalism required by current legislation and by the Company Bylaws.

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

Name	Year of birth	Position	In office since	In office until	List	Exec.	Non Exec.	Indep. Code of Conduct	Indep. TUF	% B of D	Other positions	Position held since
De Benedetti Rodolfo	1961	Chairman	29.04.2013	31.12.2015	M	X				100	3	9.06.1986
Candiani Silvia	1970	Director	29.04.2013	31.12.2015	M		X	X	X	25	/	29.04.2013
Cornelli Francesca	1962	Director	29.04.2013	31.12.2015	M		X	X	X	87.50	4	30.04.2010
Cremona Massimo	1959	Director	29.04.2013	31.12.2015	M		X	X	X	100	4	27.04.2007
De Benedetti Edoardo	1964	Director	29.04.2013	31.12.2015	M		X			50	2	29.04.2013
De Benedetti Marco	1962	Director	29.04.2013	31.12.2015	M		X			75	5	15.03.1994
Dubini Paola	1963	Director	29.04.2013	31.12.2015	M		X	X	X	75	/	16.05.2011
Ferrero Pierluigi	1942	Director	29.04.2013	31.12.2015	M		X			100	/	27.04.2001
Guasti Francesco	1947	Director	29.04.2013	31.12.2015	M		X			100	3	30.04.2009
Oughourlian Joseph	1972	Director	29.04.2013	31.12.2015	M		X	X	X	75	2	27.04.2007
Robotti Roberto	1938	Director	29.04.2013	31.12.2015	M		X	X	X	100	1	30.04.2004

*Number of Board of Directors Meetings: 8*

**Key:**

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

*Independent (Code of Conduct 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.

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

The Board of Directors notes and publishes each year the positions of Director or Statutory Auditor held by the Directors in other listed companies and in financial companies, banks, insurance companies or other companies of a significant size (Attachment A). It should be noted that the personal and professional profiles of each Director are given as an attachment to this report.

During 2015 the Board of Directors met eight times. The meetings lasted for an average for about two hours. For the year 2016 six meetings have been scheduled. The Executive responsible for the

preparation of the Financial Statements and corporate documents (appointed by the Board of Directors on October 26 2009), Mr Giuseppe Gianoglio, attends the meetings of the Board of Directors.

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 Executive Chairman reports back regularly (at least every three months) to the Board and at the same time to the Board of Statutory Auditors on the action taken in the exercise of the powers assigned to him.

The Executive Chairman also gives adequate information (at least once every three months) on any non-typical 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 (whose members are the same as those of the Control and Risk Committee).

Name	Appointments & Compensation Committee	% attendance of A.C.C. meetings	Control & Risk Committee (*)	% attendance of C.R.C. meetings	Committee for Related Party Transactions	% attendance of CRPT Meetings
Cornelli Francesca	X	100	X	100	X	100
Cremona Massimo	X	100	X	100	X	100
Robotti Roberto			X	100	X	100
Dubini Paola	X	100	X	86	X	100
<i>Number of Committee meetings</i>	<i>1</i>		<i>7</i>		<i>4</i>	

*Key:*

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

*% CRC:* shows the Director's attendance in percentage terms at the meetings of the Control and Risk 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.

*(\*)* The members of the Control and Risk Committee are the same as those of the Committee for Related Party Transactions.

In accordance with the terms of the Code of Conduct of Borsa Italiana S.p.A., on April 29 2013 the Board of Directors appointed as Lead Independent Director Mr Massimo Cremona to whom all the non-executive Directors can refer (especially the Independent Directors) 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.

On the subject of induction programs, the Company continues to provide information and in-depth analysis of topics regarding the operating companies of the Group by inviting the chief executives of the companies involved to illustrate the problems and prospects of their companies to the Board of Directors.

### **3) INDEPENDENT DIRECTORS**

Art. 3 of the attached Code of Conduct of COFIDE S.p.A. gives the requisites on the basis of which the Company – in compliance with the recommendations of 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 as Independent.

The Board of Directors meeting held on April 27 2015 verified the existence of the requisites for independence set out in the Code.

During 2015 the Board of Statutory Auditors verified that the criteria and checking procedures adopted by the Board of Directors for assessing the independence of its members were being applied correctly.

On March 23 2015 the Independent Directors met without the other Directors to give their opinion on the quality of the information transmitted to the Board of Directors by the company and the Chief Executive Officer.

### **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 set out in Art. 4 of the attached Code of Conduct of COFIDE 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 Transactions.

**5) APPOINTMENT OF DIRECTORS (as per Art. 123-bis, paragraph 1, letter l) T.U.F. and paragraph 2, letter d) T.U.F.)**

As indicated above in letter l) of the section of the Report entitled “Information on the ownership structure”, reference should be made to the information given in Art. 5 of the attached Code of Conduct of COFIDE S.p.A. and to the articles of the Bylaws reproduced therein.

The Appointments and Compensation Committee is made up of Independent Directors: Mr Massimo Cremona (Chairman of the Committee), Ms Francesca Cornelli and Ms Paola Dubini.

On the subject of the appointment of the Directors, the Appointments and Compensation Committee has the functions set out in detail in Art. 6 of the attached Code of Conduct of COFIDE S.p.A.

**6) REMUNERATION OF DIRECTORS (as per Art. 123-bis, paragraph 1, letter i) T.U.F.)**

The aim of the compensation policies of the Company is described in Art. 6 of the attached Code of Conduct of COFIDE S.p.A.: more specifically the compensation policy is established according to criteria appropriate for attracting, retaining and motivating people with professional qualities suitable for managing the Group effectively.

The compensation assigned to the Executive Chairman of the Board of Directors and to the non-executive Directors for being on one or more committees is a fixed sum and is determined according to the commitment required of each of them.

The Appointments and Compensation Committee carries out the functions detailed in the already cited Art. 6 of the Code of Conduct of COFIDE S.p.A.

The compensation in 2015 of each director is given in the charts attached to the “Compensation Report” prepared in compliance with Art. 84-quater of 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 called to approve the Financial Statements for the year ended December 31 2015.

The compensation policy of COFIDE S.p.A. is very simple as it involves only the payment of a fee – approved by the Shareholders’ Meeting – to the members of the Board of Directors. .

Compensation for the position of Chairman and the fees payable to non-executive Directors with special duties are determined by the Board of Directors at the proposal of the Appointments and Compensation Committee, with the favourable opinion of the Board of Statutory Auditors. There are no compensation plans for employees based on the shares of the Company.

There is no compensation for Directors in the event of resignation, cancellation without just cause, or termination of the directorship following a successful takeover bid.

The Committee met once and the meeting lasted half an hour. The minutes were taken as is standard practice.

**7) INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (as per Art. 123-bis, paragraph 2) letters b) and d) T.U.F.)**

The internal control system is the set of rules, procedures and organizational structures that make it possible to identify, measure, manage and monitor the main risks. The aims of the Control and Risk system, and the bodies and functions responsible for it are described in detail in Art. 7 of the attached Code of Conduct of COFIDE S.p.A.

During the year 2015 and within the sphere of the Control and Risk System, the Board of Directors carried out the following actions:

- a) It identified the nature and level of risk compatible with the strategic objectives;
- b) It assessed the adequacy, effectiveness and efficiency of the Control and Risk System in relation to the business and the risk profile assumed, taking into account the assessments of the Director Responsible and the Control and Risk Committee;
- c) At the proposal of the Control and Risk Committee, it approved the Audit Plan having heard the Board of Statutory Auditors and the Director Responsible.

As per Art. 7, "System of internal control and risk management", of the Code of Conduct (Attachment B), the Chairman is the executive director in charge of ensuring that the internal control system works adequately and effectively, and this he does partly by defining suitable procedures that will guarantee sound and efficient operations and will identify, pre-empt and manage, 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 the resolution adopted on May 4 2000 set up the Internal Control Committee (subsequently re-named 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 in the Code of Conduct.

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



At present the Committee is formed of four Independent Directors with sufficient experience in finance, specifically: Mr Roberto Robotti (Chairman of the Committee), Ms Paola Dubini, Ms Francesca Cornelli and Mr Massimo Cremona.

It should be noted that on March 11 2013 the Board of Directors appointed Mr Andrea Bergalio as head of the Internal Auditing function.

During 2015, the Committee met seven times and minutes were taken of the meetings, which lasted an average of an hour and a half.

**8) STATUTORY AUDITORS (as per Art. 123-bis, paragraph 2, letter d) T.U.F.)**

The appointment and the functioning of the statutory auditors are regulated by Art. 22 of the Company Bylaws as reproduced in Art. 8 of the “Code of Conduct of COFIDE S.p.A.”

The Statutory Auditors are selected from people who can be qualified as independent on the basis of the criteria established for the Directors. During 2015 the Board of Statutory Auditors checked that the above criteria were being complied with, ensuring that the results of the check were shown in this report.

The Board of Statutory Auditors currently in office – the mandate of which expires with the approval of the Financial Statements as of December 31 2016 – is made up as follows:

Name	Year of birth	Position	In office since	In office until	List	Indep. Code of Conduct	% attendance at meetings of B. of S.A.	Other positions	Date first appointed
Zingales Riccardo	1960	Chairman	30.06.2014	31.12.2016	M	X	100	2	30.04.1999
Dellatorre Antonella	1971	In office	30.06.2014	31.12.2016	M	X	100	/	30.06.2014
Bracco Tiziano	1971	In office	30.06.2014	31.12.2016	M	X	100	/	27.04.2005
Nani Luigi	1959	Alternate	30.06.2014	31.12.2016	M	X	/	/	24.04.2002
Macchiorlatti Vignat Luigi	1963	Alternate	30.06.2014	31.12.2016	M	X	/	2	24.04.2002
Zambon Paola	1969	Alternate	30.06.2014	31.12.2016	M	X	/	1	29.04.2013

**KEY:**

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

*Indep: At the meeting held on April 27 2015 the Board of Statutory Auditors judged that its members who had been in office for more than nine years had the requisite of independence. The Board of Directors at the meeting held on the same date, after hearing the opinion of the Control and Risk Committee, acknowledged and agreed with the opinion of the Board of Statutory Auditors.*

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

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

During the year 2015 the Board of Statutory Auditors met ten times and the meetings lasted an average of an hour and a half.

On their appointment all the Statutory Auditors filed declarations in which they attested that there were no reasons why they could not be elected, that there was no incompatibility as per the terms of the law and that they possessed the requisites of integrity and professionalism required by current legislation and included in the Company Bylaws.

## 9) **RELATIONS WITH SHAREHOLDERS**

The Company has always endeavoured to establish and maintain an effective dialogue with its Shareholders and with the market, using various forms of communication such as 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 Information to the Market.

To this end the Chief Executive Officer appointed Mr Michele Cavigioli, Central Finance Manager of the subsidiary CIR S.p.A., as the head of the Investor Relations function with responsibility for managing the flow of information to Shareholders, financial analysts and institutional investors, in compliance with the rules established for the disclosure of Company 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 its outlook 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 terms for calling Shareholders' Meetings are regulated by Art. 9 of the Company Bylaws reproduced in the attachment "Code of Conduct of COFIDE 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 website of the Company in the section "Corporate Governance".

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

#### **11) CODE OF ETHICS**

On March 7 2003 the Board of Directors approved the CODE OF ETHICS OF THE COFIDE 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 company website in the section “Corporate 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 subsequently among other things extended by D.Lgs no. 61/2002 to cover corporate offences.

The decree provides that exemption for the company from such liability is possible provided that it can be demonstrated that the company had adopted and effectively put in place organizational models for the prevention of criminal offences and that it had given the task of monitoring the correct functioning of such models and making sure that they are fully updated to a controlling body equipped with independent powers to take the initiative and to carry out a control function.

On April 30 2003, with the aim of preventing the corporate offences envisaged by Legislative Decrees nos. 231/2001 and 61/2002 from being committed, the Board of Directors of the Company among other things set up a Supervisory Body with the competence and function established by the Code of Ethics. On October 29 2004 the Board of Directors also approved the “*Organization Model*”, which was later supplemented after the broadening of the scope of the regulations included in D.Lgs. 231/2001.

The Board of Directors Meeting held on April 29 2013 after the Shareholders’ Meeting approved a

motion to assign the activity of the Supervisory Body, as per D.Lgs. 231/0, to the Board of Statutory Auditors who will carry out this function in conjunction with the internal auditing function.

The Supervisory Body of COFIDE S.p.A. monitored the functioning and observance of the Organization, Management and Control Model adopted by the Company, checking that it was effective and assessing any possible updates, in accordance with the program approved by the Board of Directors Meeting held on March 9 2015.

### **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 parent company F.LLI DE BENEDETTI S.p.A.

**List of the positions held by the Directors of COFIDE S.p.A. in other companies listed on regulated markets, in financial companies, banks, insurance companies, and also in non-listed companies of a significant size (at December 31 2015)**

De Benedetti Rodolfo	Chairman of the Board of Directors of CIR S.p.A.* Director of Gruppo Editoriale L'Espresso S.p.A.* Director of Sogefi S.p.A.*
Candiani Silvia	- no other positions -
Cornelli Francesca	Director of Swiss Re Europe S.A. Director of Swiss Re International S.E. Director of Swiss Re Europe Holdings S.A. Director of Telecom Italia S.p.A.
Cremona Massimo	Director of UBS Fiduciaria S.p.A. Chairman of the Board of Statutory Auditors of Sasol Italy S.p.A. Chairman of the Board of Statutory Auditors of Metro Italia Cash and Carry S.p.A. Chairman of the Board of Statutory Auditors of Banca Generali S.p.A.
De Benedetti Marco	Chairman of the Board of Directors of Twin-Set Simona Barbieri S.r.l. Chairman of the Board of Directors of Marelli Motori S.p.A. Director of CIR S.p.A.* Director of NBTY Inc. Director of Moncler S.p.A.
De Benedetti Edoardo	Director of KOS S.p.A.* Director of CIR S.p.A.*
Dubini Paola	- no other positions -
Ferrero Pierluigi	- no other positions -
Guasti Francesco	Director of Ceresio Sim S.p.A. Director of Corriere del Ticino Holding S.A. Director of Società Editrice del Corriere del Ticino S.A.
Oughourlian Joseph	Chairman of the Board of Directors of Amber Capital Italia SGR S.p.A. Director of Promotora de Informaciones S.A.
Robotti Roberto	Director of Sogefi S.p.A.*

*\* Companies of the Group*

**List of the positions held by the Statutory Auditors and Alternate Auditors of COFIDE S.p.A. in other Italian listed companies (at December 31 2015).**

Zingales Riccardo	Chairman of the Board of Statutory Auditors of Sogefi S.p.A.* Statutory Auditor of CIR S.p.A.*
Bracco Tiziano	- no other positions –
Della Torre Antonella	- no other positions –
Nani Luigi	- no other positions -
Macchiorlatti Vignat Luigi	Alternate Auditor of CIR S.p.A.* Alternate Auditor of Sogefi S.p.A.*
Zambon Paola	Alternate Auditor of CIR S.p.A.*

*\* Companies of the Group*

## **CODE OF CONDUCT OF COFIDE S.p.A.**

### **FOREWORD**

*The Code of Conduct of COFIDE S.p.A. (hereinafter "COFIDE" 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 16**

#### **POWERS OF THE BOARD OF DIRECTORS**

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

### **ARTICLE 18**

#### **EXECUTIVE COMMITTEE**

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

### **ARTICLE 20**

#### **MANAGEMENT**

1. The Board can appoint General Managers, subject to ascertaining that they possess the requisites of integrity required by law, selecting them from the members of the Board. A lack of the requisite of integrity means that the appointment will lapse.
2. The Board can also appoint proxies with either individual or joint

signatures, establishing their powers and functions, and can also appoint mandatees in general for certain acts or categories of acts

3. The appointment of Directors, Deputy Directors and Proxies with the determination of their respective remuneration and functions can also be delegated by the Board to the Chairman or whoever is substituting him, to Chief Executive Officers and General Managers.
4. The Board can set up from within its number committees with the function of consulting and making proposals, determining the scope of their activity and their powers.

**ARTICLE 21**  
**OFFICER RESPONSIBLE FOR THE PREPARATION OF**  
**THE COMPANY'S FINANCIAL STATEMENTS**

1. The Board of Directors, at the proposal of the Chief Executive Officer and in agreement with the Chairman and with the favourable opinion of the Board of Statutory Auditors, shall appoint the officer responsible for the preparation of the company financial statements, who must have adequate experience on the subject of accounting and finance.
2. The Board of Directors also monitors that the officer appointed to prepare the financial statements of the Company has sufficient powers and means to carry out the duties assigned to him or her and that the administrative and accounting procedures are actually being complied with.

**ARTICLE 13**  
**MEETING OF THE BOARD OF DIRECTORS**

1. The Board shall meet when convened by the Chairman or whoever is taking his place, even not in the Company headquarters, as a rule every three months and any time that the interests of the Company make it necessary, including at the request of a majority of the Directors or of one of the Chief Executive Officers.
2. The Board shall also meet at the request of at least one Statutory Auditor in office, subject to notification of the Chairman of the Board of Directors.
3. The Meeting will be called by registered letter, telegram, fax or e-mail which must be received at least five days before the date fixed for the meeting or, in cases of urgency, at least the day before.
4. The Meetings of the Board of Directors will be chaired by the Chairman or, should the Chairman be absent, by the Deputy Chairman who has more seniority or if both have the same seniority then by the one who is oldest in age.
5. Where the above is not possible a Chairman will be designated by the Board of Directors from its members.
6. Meetings of the Board of Directors can be held by video- or telephone-conference call on the condition that all the participants can be identified, that they are able to follow the discussion and intervene in real time on the items being treated and that they are in a position to receive, transmit

and view documents.

7. Once these conditions have been verified, the Board is considered as being held in the place where the Chairman is actually located.
8. The meetings of the Board and its resolutions are valid, even when the meeting has not been formally convened, when the majority of the Directors in office and the Statutory Auditors are present even on a telephone - or video - conference call, all those who have a right to attend have been notified in advance of the meeting and the participants are sufficiently informed on the topics to be dealt with.
9. When the minutes are not drawn up by a Notary, they are prepared by the Secretary.

#### ARTICLE 14

##### RESOLUTIONS OF THE BOARD OF DIRECTORS

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

#### ARTICLE 15

##### DUTY TO GIVE INFORMATION

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

In application of the terms of Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A., the Board of Directors:

- On the basis of the internal procedures approved by the Board of Directors, examines and approves the strategic and financial plans of the Company and also examines the consolidated strategic, business and financial plans of the direct subsidiary CIR and the latter's 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 with the Chief Executive of COFIDE. The Chief Executive of COFIDE examines and evaluates the business plans and budgets of the companies of the group, availing him/herself, when there are elements of strong impact for COFIDE, of the contribution of the Chairman of the Control and Risk Committee but in any case keeping the Chairman of the Board of Directors informed. For the budgets, presentation to the respective Boards of Directors takes place by the

- end of the month of January;
- Defines the nature and level of risk compatible with the strategic objectives of the Company, as illustrated in Art. 7 below, taking into account in terms of possible impact, 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 taking decisions on 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 or her;
  - Assesses the performance of operations specifically taking into account the information received from the Chief Executive Officer of the Company and from the Chief Executives of the main subsidiaries, analysing the businesses and the evolution of the economic and patrimonial situation of the Company and of the Group;
  - Examines and gives prior approval to transactions put in place by the Company and examines those of the subsidiaries that have significant strategic importance. To this end the Board of Directors defines its parameters for measuring significance, adopting a special procedure;
  - Carries out generally once a year an assessment of the size, composition and functioning of the Board of Directors itself and of its committees, taking into account elements such as the professional characteristics, experience, even managerial experience, and the gender of its members as well as how long they have held their positions
  - Can give the Shareholders, before the appointment of a new Board, its views on the professional figures whose presence on the Board would be considered useful
  - In order to ensure the correct management of company information, the Board of Directors adopts a procedure for managing internally and communicating externally documents and information, with particular reference to privileged information, which it makes available on the Company's website;
  - Gives information in the Report on Corporate Governance on its composition and on the times and procedures for holding its meetings and on the self-assessment process.

The Directors act and adopt resolutions independently on the basis on their knowledge and good judgment and they accept the position when they consider that they can dedicate the necessary time to carrying out their duties, bearing in mind also their commitment in relation to their work and professional activities, the number of directorships or positions of statutory auditor that they hold in other companies listed on regulated markets (even foreign ones), finance companies, banks, or insurance companies or companies of a significant size. They are also

required to inform the Board of Directors of any other activities they may have in competition with the issuer and of any significant changes that occur in the positions they hold in other companies.

Still in application of the terms of Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Board of Directors has approved the following:

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

*a) General criteria for evaluation*

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

*b) Possible waiver of the general criteria*

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

It should also be noted that the Board of Directors assesses the independence of its Directors at least once a year, taking into account the information that the individuals involved are required to produce. While the terms of Art. 147-ter, paragraph 4, of the Finance Consolidation Act

(T.U.F.) remain applicable, the Company intends to introduce the obligation for any Director who has lost the qualification of independence as per the terms of the Code of Conduct (Criterion 3.C.1) to resign his or her position, without prejudice for the right of the Board of Directors to evaluate each specific case possibly allowing waivers to the rules.

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

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

#### ARTICLE 19

##### LEGAL REPRESENTATION

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

In application of what is stated in Art. 1 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. the Chairman of the Board of Directors:

- convenes meetings of the Board of Directors and makes sure that all the members of the Board and the Statutory Auditors receive, at least three days before the meeting (except in cases of urgency), all the documentation and information necessary to enable them to express their opinion in a knowledgeable way on the topics submitted for examination and approval; if the documentation is voluminous or complex, it can be supplemented with a summary document and, when there are directors whose language is not Italian, the documents for the meetings are also prepared in English; in specific cases when it is not possible to provide the necessary information with sufficient time before the meeting, the Chairman ensures that adequate 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 COFIDE.

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

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

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

The Chairman makes sure that the Directors and Statutory Auditors, following their appointment and during their mandate, can take part in initiatives 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 COFIDE.

### **Art. 3 – Independent Directors**

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

In accordance with what is recommended by the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. “Independent Directors” are considered as those directors:

- a) who do not either directly or indirectly, even through subsidiaries, fiduciaries or any third persons, control the Company, and who are not able to exert a significant influence on it, and who have not entered into a shareholder pact through which one or more persons may exercise control or a significant influence on the company;
- b) who do not hold or have not held in the previous three years an important position in the Company, in one of its subsidiaries of strategic importance or in a company subject to the joint control of the Company, or in a company or an entity which, with others through a shareholder agreement, controls the Company or is able to exercise considerable influence over the same;
- c) who do not have or have not had in the previous year a significant commercial, financial or professional relationship either directly or indirectly (for example through subsidiaries or companies in which they have a significant role either as partner of a professional firm or of a consulting company) with:
  - the Company, one of its subsidiaries or with any persons of significant status in the same;
  - with a person or entity who even with others through a shareholder agreement, controls the Company or – where companies or entities are involved – with any persons who have a significant status in them;or 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**

<p><b>ARTICLE 11</b> <b>THE BOARD OF DIRECTORS</b></p> <ol style="list-style-type: none"><li>1. The administration of the Company is entrusted to a Board of Directors comprising from five to twenty-one members the length of whose mandate shall be determined by the Meeting of the Shareholders but shall not in any case be more than three years, and the said members can be re-elected.</li><li>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.</li><li>3. Minority Shareholders have the right to elect one member of the Board of Directors.</li><li>4. The Board of Directors is elected by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order. The lists, signed by the Shareholders who have presented them, must be filed within the terms and following the procedures prescribed by applicable legislation.</li><li>5. Only Shareholders who alone or together with other shareholders represent at least a fortieth part of the share capital or any different percentage that may be decided upon in accordance with the law or with regulations, can present lists of candidates. They must be able to prove that they own the number of shares required within the terms and</li></ol>
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following the procedures laid down in 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 Financial Intermediation Consolidation Act, or those taking part in the same shareholder pact for voting purposes may present or contribute to the presentation of just one list.
9. Each Shareholder can vote for just one list.
10. Each candidate can stand only in one list otherwise he or she cannot be elected.
11. Together with the presentation of the list, and with the same terms as the latter, declarations shall be presented in which the candidates accept their candidature and certify under their own responsibility that there are no reasons why they should not be elected neither is there any incompatibility prescribed by law and by current regulations for Members of Boards of Directors. A curriculum vitae must also be submitted with the personal and professional details of the candidate and details of any other positions of director or auditor held in other companies and whether he or she has the necessary requisites to be an independent Director in accordance with the terms of the law and with regulations.
12. Any incompleteness or irregularity regarding individual candidates will lead to the elimination of their names from the list that will be put to the vote.
13. In order to be able to appoint the candidates indicated, the lists presented and put to the vote must obtain a percentage of the votes that is at least half of the percentage required by the terms of this article for presenting the same lists. If this is not the case, any such list will not be taken into consideration.
14. For electing the members of the Board of Directors the following procedure will be adhered to:
  - a) From the list which obtains most votes at the Shareholders' Meeting all of the board members shall be drawn except for one and this shall be on the basis of the order in which the names appear on the list;
  - b) The other director will be the first name on the list which obtains the second most votes and must not be connected in any way, not even indirectly, to the Shareholders who presented and voted for the first list which received the most votes.

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

15. All the Directors elected must possess the requisites of integrity and professionalism required by current rules. If they do not have these their appointment shall lapse.
16. In the event that only one list is presented for the vote, all the Directors shall be drawn from that list.
17. In the event that no lists are presented or that fewer Directors are elected than the number determined by the Shareholders' meeting, then the same Shareholders must be reconvened in order to appoint the full Board of Directors.
18. When one or more Directors needs to be replaced due to a resignation or some other reason, the procedure as per Art. 2386 of the Civil Code will be followed, ensuring that all the requisites applicable are complied with.

In application of what is stipulated in Art. 5 of the CODE OF CONDUCT OF BORSA ITALIANA S.P.A. and in the *Rules* of the Appointments and Compensation Committee approved by the Board of Directors, in relation to the appointment of the Directors, the Committee carries out the following functions:

- It puts forward to the Board of Directors candidates for the position of Director whenever it is necessary to replace an independent Director, as per the terms of Art. 2386, first paragraph, of the Civil Code;
- It gives the Board of Directors its opinion on the maximum number of positions 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 formulates proposals, at the indication of the Chief Executive Officer, on the criteria for compensating the managerial staff of the Company;

- It periodically evaluates the adequacy, the consistency and the practical application of the compensation policy for directors and executives with strategic responsibilities.

#### **Art. 7 – System of internal control and risk management**

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

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

##### *Control and Risk System*

The Control and Risk System is the collection of rules, procedures and organizational structures that aim to make it possible, through an adequate process of identification, measurement, management and monitoring of the main risks, to conduct a healthy and correct company that is consistent with its established objectives and to foster judicious decision making. The Control and Risk System contributes towards guaranteeing that the Company's capital is safeguarded and ensuring the efficiency and effectiveness of company processes, the reliability of 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) Carries out any other functions that may be assigned to it at any time by the Board of Directors in relation to specific critical factors on the subject of the internal control and risk system of the issuer and of the Group.

The Control 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;