

The logo for Posteitaliane, featuring the word "Posteitaliane" in a blue sans-serif font, centered within a horizontal yellow rectangular bar.

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

(approved by the Board of Directors of Poste Italiane S.p.A. on March 15, 2017)

- YEAR 2016 –

[www.posteitaliane.it](http://www.posteitaliane.it)

(prepared pursuant to articles 123-*bis* of the Consolidated Finance Law  
and 144-*decies* of the CONSOB Issuer Regulations)

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## Report on Corporate Governance and Ownership Structure

### SECTION 1: GOVERNANCE AND OWNERSHIP STRUCTURE

#### 1. Preface

The present report on corporate governance and ownership structure (hereinafter, also “Report”) aims to comply with the provisions of article 123-*bis* of Legislative Decree n. 58 of February 24, 1998 (hereinafter, also “Consolidated Finance Law” or “TUF”), as well as the current normative and regulatory provisions concerning information on adherence to codes of conduct, by furnishing its periodical analytical description regarding the corporate governance and ownership structure of Poste Italiane S.p.A. (hereinafter, “Poste Italiane” or the “Company” and, together with its subsidiaries, also the “Poste Italiane Group” or the “Group”).

In particular, the information contained in this Report has been drawn up in accordance with the content requirements specified in paragraphs 1 and 2 of the aforesaid article 123-*bis* of the TUF and on the basis of the articles of the Corporate Governance Code (hereinafter, also the “Code”) – which has been approved by Borsa Italiana’s Corporate Governance Committee and was last updated in July 2015 – to which the Company adheres.

The text of the Corporate Governance Code is available on the Corporate Governance Committee’s website <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

The relevant documentation at the disposal of the public and mentioned in the present Report is available on the Company’s website ([www.posteitaliane.it](http://www.posteitaliane.it)).

In addition to the foregoing, it should also be noted that the Company’s corporate governance structure is also in line with the provisions of the Supervisory Regulations issued by the Bank of Italy (hereinafter, also “Supervisory Regulations”) applicable to Poste Italiane because of the business activities conducted through its segregated capital – constituted by the Company with effect from May 2, 2011, pursuant to article 2, paragraph 17-octies ff. of Legislative Decree n. 225 of December 29, 2010, converted with amendments into Law n. 10 of February 26, 2011, by a resolution of the extraordinary shareholders’ meeting of April 14, 2011 – dedicated exclusively to conducting the business of BancoPosta (hereinafter, also “BancoPosta Capital”).

#### 2. Profile of the issuer and corporate mission

Poste Italiane – with about 12,800 post offices and about 141,000 employees – is the largest infrastructure in Italy operating in correspondence, logistics, and financial and insurance services, and providing the public, businesses, and the civil service a broad range of services that are simple, transparent, easy to use,

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and innovative. Thanks to its extensive presence all over Italy and its physical and technological networks, Poste Italiane aims to be a driving force of inclusive development, accompanying citizens, businesses, and the civil service through the transition to a digital economy.

In this perspective, Poste Italiane has implemented a series of initiatives with the aim of fostering the processes of digital transformation in the Italian society, while at the same time enhancing its traditional assets, i.e., its core business of financial, payment, insurance, and logistics services.

Poste Italiane is also one of the service providers of Spid – the public system for managing digital identity – which was instituted by the Digital Identity Agency, thanks to which citizens and businesses can easily and securely access the online services furnished by the civil service, and by adhering private service providers.

Since October 27, 2015, Poste Italiane shares have been listed on the electronic stock exchange organized and managed by Borsa Italiana S.p.A. (*Mercato Telematico Azionario*, hereinafter also MTA).

The following table shows the main income and financial data of the Poste Italiane Group recorded in 2016 (expressed in millions of euro):

	2016	2015	Variazione
<b>Total revenue</b>	<b>33,112</b>	<b>30,739</b>	<b>+7.7%</b>
<b>Operating income</b>	<b>1,041</b>	<b>880</b>	<b>+18.3%</b>
<b>Net income</b>	<b>622</b>	<b>552</b>	<b>+12.7%</b>
<b>Assets managed</b>	<b>493,347</b>	<b>475,939</b>	<b>+3.7%</b>
<b>Net industrial financial position</b>	<b>893</b>	<b>307</b>	<b>n.a..</b>

### 3. Corporate governance model

The corporate governance system adopted by Poste Italiane is in keeping with the principles contained in the Corporate Governance Code. This system is also based on the relevant recommendations formulated by the CONSOB and, generally, international best practices. It is essentially focused on the creation of value for shareholders in a medium-to-long-term time frame, keeping in mind the social significance of the business activities in which the Group is engaged and the consequent necessity, in conducting them, of appropriately considering all the interests involved.

In keeping with the provisions of the Italian legislation regarding listed companies, the organization of the Company, based on a traditional type of management and control, features:

- a board of directors entrusted with the management of the Company;
- a board of statutory auditors responsible for (i) monitoring the Company's compliance with the law and the corporate bylaws, as well as with the principles of proper management, in conducting its business, (ii) monitoring the appropriateness of the Company's organizational structure and its administration and accounting system, as well as the reliability of the latter in correctly reporting the relevant financial information, (iii) monitoring the process of financial disclosure, the annual external audit of the stand-alone and consolidated financial statements, as well as the independence of the audit firm, (iv)

monitoring the overall effectiveness of the system of risk management and control, (v) checking how the corporate governance rules provided for by the Corporate Governance Code are actually implemented, and, finally, (vi) monitoring the appropriateness of the instructions issued by the Company to its subsidiaries, extraordinary corporate transactions, and other significant events, as well as transactions with related parties and affiliated entities;

- shareholders' meetings empowered to resolve – in either an ordinary or an extraordinary session – among other things, upon (i) the appointment and removal of members of the board of directors and the board of statutory auditors, as well as their remuneration and duties, (ii) the approval of the financial statements and the allocation of net income, (iii) the purchase and sale of own shares, (iv) stock-based incentive plans, (v) amendments to the Company's bylaws (other than those constituting mere adjustments to regulatory provisions), and (vi) the issue of convertible bonds.

The external audit of the accounts is entrusted to a specialized firm registered with the CONSOB and appointed by the annual general meeting upon a reasoned proposal by the board of statutory auditors.

#### **4. BancoPosta Capital**

With a resolution of the extraordinary shareholders' meeting of April 14, 2011, the Company constituted – with effect from May 2, 2011 and implementing article 2, paragraph 17-*octies* of Legislative Decree n. 225 of December 29, 2010, converted by Law n. 10 of February 26, 2011 – BancoPosta Capital for the conduct of BancoPosta's activities, as regulated by Presidential Decree n. 144 of March 14, 2001 and subsequent amendments.

BancoPosta Capital, unbundled from the capital of Poste Italiane, constitutes a set of assets and legal relations dedicated exclusively to meeting obligations arising during the conduct of BancoPosta's activities and represents the criterion for applying the Bank of Italy's regulations for the prudential supervision regarding such activities.

The unbundling of BancoPosta Capital from Poste Italiane's remaining capital – with Poste Italiane continuing to be a unitary entity with corporate status whose responsibilities fall upon the governing bodies of Poste Italiane itself – has effects at the legal and equity level, as well as on the organizational, managerial, and control structure. Thus BancoPosta Capital is ensured the ability to meet obligations of an appropriate level of capitalization with regard to risk, as well as to operate in keeping with the relevant regulations, including the Supervisory Regulations. The assets and legal relations dedicated to BancoPosta Capital are attributed to the same exclusively by Poste Italiane, thus without contributions by third parties.

The rules regarding organization, management, and control that govern the functioning of BancoPosta Capital are contained in the special rules (the "*Regulations of BancoPosta Capital*") – also approved by the same extraordinary shareholders' meeting of April 14, 2011 and amended by an extraordinary

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shareholders' meeting held on July 31, 2015 – which is available on the Company's website ([www.posteitaliane.it](http://www.posteitaliane.it)).

For the sake of completeness, it should also be noted that – in consideration of the size of the assets of BancoPosta Capital – Poste Italiane, in conducting the activities of BancoPosta, is comparable, for the purposes of the application of the Supervisory Regulations, to the largest banks with the most complex operations, and consequently complies with the provisions applicable to the same.

### 5. Information on the ownership structure (pursuant to article 123-bis, paragraph 1, TUF) as of the date of the present Report

#### 5.1 Structure of the share capital (pursuant to article 123-bis, paragraph 1, letter a), TUF)

The share capital consists exclusively of ordinary registered and fully paid-in shares with voting rights at both ordinary and extraordinary shareholders' meetings. At the end of 2016 (and still as of the date of the present Report), Poste Italiane's share capital amounted to euro 1,306,110,000.00, divided into 1,306,110,000 ordinary shares without a par value, which are listed on the MTA.

#### 5.2 Significant shareholdings (pursuant to article 123-bis, paragraph 1, letter c), TUF), shareholder agreements (pursuant to article 123-bis, paragraph 1, letter g), TUF), and activities of management and coordination (pursuant to article 2497 ff., Italian Civil Code)

According to the entries in Poste Italiane's shareholders' register, notices sent to the CONSOB and received by the Company, and the other information available, as of the date of the present Report, the shareholders who own more than 3% of Poste Italiane's share capital are:

Significant shareholders	% of share capital
Cassa depositi e prestiti S.p.A. (hereinafter, also "CDP")	35.00%
Ministry of the Economy and Finance (hereinafter, also "Ministry")	29.26%

Poste Italiane does not know of any shareholder agreements specified in the TUF that regard the Company's shares.

The Company is thus subject to the *de jure* control of the Ministry, which owns a total of 64.26% of the capital, including (i) 29.26% directly and (ii) 35.00% indirectly through CDP, which is controlled by the Ministry.

The Ministry is not in any way involved in managing and coordinating Poste Italiane, because the Company makes its management decisions completely autonomously, with due regard for the authority of its corporate bodies. This is confirmed by article 19, paragraph 6 of Decree Law n. 78/2009 (subsequently converted into Law n. 102/2009), which clarified that the rules contained in the Italian Civil Code regarding the management and coordination of companies do not apply to the Italian government.

*5.3 Restrictions on the transfer of securities (pursuant to article 123-bis, paragraph 1, letter b), TUF) and voting rights (pursuant to article 123-bis, paragraph 1, letter f), TUF)*

Implementing the provisions of the legal framework regarding privatizations, the Company's bylaws provide that – with the exception of the Italian government, public bodies, and entities subject to their respective control – no shareholder may own, directly and/or indirectly, shares of Poste Italiane amounting to more than 5% of the share capital.

Voting rights attached to shares owned in excess of the aforesaid limit of 5% may not be exercised, and the voting rights to which each of the parties concerned by the limit on share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders involved. In the event of non-compliance, resolutions passed by shareholders' meetings may be challenged in court if it is found that the majority required would not have been attained without the votes expressed in excess of the aforesaid limit.

According to the regulations regarding privatizations and their subsequent amendment, the provisions of the corporate bylaws concerning the limit on share ownership and the restrictions on voting rights will lapse if the 5% limit is exceeded following a takeover bid in consequence of which the bidder holds shares amounting to at least 75% of the capital with the right to vote on resolutions regarding the appointment and removal of directors.

*5.4 Securities that confer special rights – special rights of the Italian government (pursuant to article 123-bis, paragraph 1, letter d), TUF)*

The Company has not issued securities that confer special control rights. Poste Italiane's bylaws do not provide for shares with increased voting rights.

Specifically, in accordance with the provisions of Presidential Decrees n. 85 and 86 of March 25, 2014, the regulations on the special powers of the government in strategic sectors – contained in Decree Law n. 21 of March 15, 2012, converted with amendments by Law n. 56 of May 11, 2012 – do not apply to Poste Italiane, because the latter and the companies of the Group do not own any asset specified as strategic by the aforesaid Presidential Decrees.

*5.5 Employee shareholding, procedures for exercising voting rights (pursuant to article 123-bis, paragraph 1, letter e), TUF)*

The TUF recommends the bylaws of listed companies include provisions aimed at facilitating the voting by proxy of employee shareholders, so as to foster their involvement in the decision-making processes at shareholders' meetings.



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In this regard, Poste Italiane's bylaws expressly provide that – in order to facilitate the collection of proxies from employees of the Company and its subsidiaries who are shareholders and belong to shareholder associations that meet the requirements of the law for communication and for the collection of proxies – spaces be made available to the aforesaid associations according to the terms and procedures to be agreed on each time with their legal representatives.

### *5.6 Appointment and replacement of directors (pursuant to article 123-bis, paragraph 1, letter l), TUF and amendment of the bylaws*

The rules that regulate the appointment and replacement of directors are examined in the second section of this Report (under “Board of Directors – Current composition and term of office” and “Board of Directors – Appointment and replacement”).

As far as the rules for amending the bylaws are concerned, extraordinary shareholders' meetings resolve on them according to the majorities provided for by the law.

As permitted by the law, however, the Company's bylaws entrust the board of directors with the authority to resolve on:

- mergers by incorporation of wholly- or at least 90%-owned companies, as well as demergers of the same;
- the establishment or closing of branches or secondary offices;
- the reduction of the share capital in the event that one or more shareholders withdraw;
- updating the bylaws in accordance with provisions of the law;
- moving the registered office to a different place in Italy.

### *5.7 Authorizations to increase the share capital and buy back shares (pursuant to article 123-bis, paragraph 1, letter m), TUF)*

As of the date of the present Report, there are no authorizations for the board of directors to increase the share capital, to issue financial instruments, to grant equity stakes, or to buy back own shares.

### *5.8 Change-of-control clauses (pursuant to article 123-bis, paragraph 1, letter h), TUF)*

#### A) The contract with Cassa Depositi e Prestiti for collecting postal savings

In December 2014 Poste Italiane entered into a contract with Cassa Depositi e Prestiti S.p.A. (“CDP”) aimed at governing the service of savings collection performed by Poste Italiane and consisting in the set of activities dedicated to the execution and management of the deposits and withdrawals on postal savings books and the subscription and redemption of interest-bearing postal securities, as well as accessory services connected with them for the period 2014-2018.

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The contract provides for the obligation for the parties to renegotiate the established agreements in good faith in the event a change in their common controlling shareholder (i.e., the Ministry of the Economy and Finance) during the term of the contract in order to adapt the contents of the contract to the new reference framework.

### B) The EIB loans to Poste Italiane

In order to increase its investments in innovation and the development of its IT network, as well as IT applications to the services it provides, in December 2009 Poste Italiane entered into a contract with the European Investment Bank ("EIB") for a loan of up to 200 million euro, entirely disbursed in 2011 and falling due in April 2018.

Subsequently, in order to increase its investments in information technologies, postal services, and real estate, in March 2012 Poste Italiane entered into a second contract with the EIB for a loan of up to 200 million euro, entirely disbursed in 2012 and falling due in March 2019.

Finally, in December 2016 – in order to increase its investments in the fields of IT, logistic, and postal services in the period from 2017 to 2019 – the Company entered into a third loan contract with the EIB for a maximum amount of 173 million euro, disbursable in several installments, with a maximum duration of 7 years from the date of disbursement, to be paid back in a single payment at the maturity of each installment. As of the date of this Report, Poste Italiane has not made use of such credit line, which may be used within 36 months from the signing.

The aforesaid three contracts with the EIB loans contain a so-called "event of change of control" clause, according to which – in the event the Ministry of the Economy and Finance ceases to control, directly or indirectly, Poste Italiane pursuant to article 2359 of the Italian Civil Code – the EIB will have the right, after consulting Poste Italiane, to cancel the loan and/or request that it be paid back.

### C) Committed lines of credit

In November 2016, Poste Italiane obtained the following revolving credit lines of the committed type for a term of 18 months minus one day, expiring in April 2018, and for a total amount of 1,000 million euro, which as of today has not been used:

- with Banca Nazionale del Lavoro S.p.A. (BNP Paribas Group), in the amount of 500 million euro ;
- with Intesa Sanpaolo S.p.A., in the amount of 300 million euro;
- with Unicredit S.p.A., in the amount of 200 million euro.

All the aforesaid credit lines contain the change-of-control clause, according to which – in the event the Ministry of the Economy ceases to control Poste Italiane, directly or indirectly, pursuant to and because of the effects stated in article 2359 of the Italian Civil Code, paragraph 1, n.1 and 2, or pursuant to and because of the effects stated in article 93 of the TUF (although the reference to article 93 of the TUF is not present in the agreement with Banca Nazionale del Lavoro) – the following is provided for:

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- Banca Nazionale del Lavoro shall benefit from a clause regarding the obligatory early repayment, according to which, unless it is otherwise agreed by the parties in writing, the amount available shall be cancelled by a written notice from the bank and Poste Italiane must pay back the amount it has used;
- Intesa Sanpaolo shall be entitled to withdraw from the contract;
- Unicredit shall be entitled to withdraw from the contract.

### 5.9 *Compensation owed to directors in the event of the early termination of their relationship, including in consequence of a takeover bid (pursuant to article 123-bis, paragraph 1, letter i), TUF)*

The remuneration package of the chief executive officer (as well as general manager) of Poste Italiane includes an end-of-term severance indemnity, which will also be paid in the event of (i) removal from office (or revocation of his powers) for reasons other than for cause or dereliction of duty representing gross negligence, or (ii) resignation of the person concerned from the office of chief executive officer for cause.

For a detailed description of the rules governing such indemnity, see the first section of the report on remuneration, which will be made available to the public at the Company's registered office and on its website ([www.posteitaliane.it](http://www.posteitaliane.it)) by the deadline provided for by the law.

No specific indemnities are provided for any director whose relationship with the Company terminates in consequence of a takeover bid.

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SECTION II: IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE AND ADDITIONAL INFORMATION

**6. Board of Directors**

*6.1 Current composition and term of office (pursuant to article 123-bis, paragraph 2, letter d), TUF)*

The board of directors in office as of the date of the present Report – appointed by the ordinary shareholders' meeting held on May 2, 2014 and subsequently enlarged by the ordinary shareholders' meetings held on July 31, 2015, on September 23, 2015, and on May 24, 2016 – consists of the following nine members:

- Luisa Todini, chairman
- Francesco Caio, chief executive officer and general manager;
- Elisabetta Fabri;
- Giovanni Azzone;
- Mimi Kung;
- Umberto Carlo Maria Nicodano;
- Chiara Palmieri;
- Filippo Passerini;
- Roberto Rao.

The current board of directors' term of office expires when the financial statements for 2016 are approved. Attachment 1 to the present report contains a brief professional profile of the aforesaid members of the Company's board of directors.

For the sake of completeness, please note the following additions to the information found in the first paragraph of this section:

A. Before the Company's shares began to trade on the MTA (as previously stated, as from October 27, 2015), ordinary shareholders' meetings appointed – with the favorable vote of the shareholder Ministry of the Economy and Finance, at the time the owner of the Company's entire share capital – seven of the current nine members of the board of directors, at the following times:

- On May 2, 2014, an ordinary shareholders' meeting appointed the board of directors of the time, consisting of five members (in the persons of Luisa Todini, Francesco Caio, Antonio Campo Dall'Orto, Elisabetta Fabri, and Roberto Rao).
- On July 31, 2015, an ordinary shareholders' meeting resolved to enlarge the board of directors, increasing the number of its members from five to seven and appointing two additional directors (in the persons of Umberto Carlo Maria Nicodano and Chiara Palmieri).
- Following the resignation on August 7, 2015 of Antonio Campo Dall'Orto from his directorship, on September 10, 2015 the board of directors appointed by cooptation, pursuant to article 2386 of the

Italian Civil Code, the director Filippo Passerini, who was subsequently confirmed in the office by the ordinary shareholders' meeting held on September 23, 2015.

- B. After the Company's shares had begun to trade on the MTA, an ordinary shareholders' meeting – in order to implement the commitments assumed in this regard when the Company was listed and by the shareholder Ministry of the Economy and Finance, in keeping with their respective roles<sup>(1)</sup> – on May 24, 2016 resolved to further enlarge the board of directors, increasing the number of its members from seven to nine and appointing two additional directors (in the persons of Giovanni Azzone and Mimi Kung), whose candidacies were presented and voted by a group of institutional investors.

## 6.2 *Appointment and replacement (pursuant to article 123-bis, paragraph 1, letter l), TUF*

According to the provisions of the Company's bylaws, the board of directors consists of from five to nine members, who are appointed by an ordinary shareholders' meeting (which determines their number within such limits) for a period of no longer than three years and may be re-elected when their term of office expires.

According to the legislation in force, all directors must possess the requisites of integrity provided for the statutory auditors of listed companies, as well as for corporate representatives of banks. Furthermore, directors must possess the additional stringent requisites of integrity provided for by article 14.3 of the Company's bylaws.

Implementing the provisions of the law with regard to privatizations, and in accordance also with the provisions subsequently introduced in the Consolidated Law on Finance, the bylaws also provide that the appointment of the entire board of directors must take place according to the "slate vote" method, which aims to ensure the presence on the board of members designated by minority shareholders totaling one-fourth of the directors to be elected. In the event this number is a fraction, it is to be rounded up to the next integer.

Each slate must include at least two candidates possessing the requisites of independence established by the law (that is to say, those provided for the statutory auditors of listed companies), distinctly indicating such candidates and listing one of them as the first name on the slate.

Furthermore, the first three times a new board of directors is appointed after August 12, 2012, slates that present three or more candidates must also include candidates of both genders, as will be specifically

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<sup>1</sup> For the sake of completeness it should be noted that – in the Prospectus regarding the public offering connected with the listing of Poste Italiane's shares on the MTA – in Risk Factor 4.1.4.16, "Risks connected with the Issuer's corporate governance structure and with the deferred application of some bylaws clauses", it was stated that: *"The Issuer's Board of Directors and Board of Statutory Auditors were appointed before the listing, with their terms expiring, respectively, when the financial statements as of December 31, 2016 and as of December 31, 2015 are approved. Therefore, the provisions of the bylaws regarding slate voting for the corporate bodies will not apply until the next election of the same. However, it should be noted that, after the listing, the Issuer and the Ministry of the Economy and Finance, in keeping with their respective roles, will see to it that a meeting of the Issuer's shareholders is held to resolve on enlarging the board of directors to 9 members in order to allow the appointment of two representatives designated by the minorities to be elected with their term already under way."*

stated in the meeting notice. With regard to the procedures for electing the board of directors, the Company's bylaws provide for a special "sliding" mechanism in the slates, to be used in the event that the election does not produce the gender balance required by law.

The slates must list the candidates in numerical order, and may be presented by shareholders who, individually or together with other shareholders, possess at least 1% of the Company's share capital or of the measure established by a regulation of the CONSOB (concretely, given Poste Italiane's market capitalization as of the date of the present Report, the minimum required is at least 1% of the share capital). The slates must be filed at the Company's registered office, by those who are going to present them, at least 25 days before the date of the shareholders' meeting that is to resolve upon the appointment of the members of the board of directors. The Company will then publish them on its website ([www.posteitaliane.it](http://www.posteitaliane.it)) and make them available to the public at its registered office at least 21 days before the date of the aforesaid shareholders' meeting, thus ensuring a transparent procedure for the appointment of the board of directors.

A report with exhaustive information about the personal and professional qualifications of the candidates – accompanied by a statement as to whether or not they qualify as independent according to the law and/or the Corporate Governance Code – must be filed at the Company's registered office together with the slates, and must be promptly published on the Company's website ([www.posteitaliane.it](http://www.posteitaliane.it)).

For the purpose of identifying the directors to be elected, candidates listed on slates that receive a number of votes amounting to less than half the percentage required to present the aforesaid slates are not taken into account (i.e., as of the date of the present Report, 0.5% of the share capital).

For the appointment of directors who, for whatever reason, are not elected by the slate voting system, the shareholders' meeting resolves with the majorities prescribed by the law, and in such a way as to ensure in any case:

- the presence of the necessary number of directors possessing the requisites of independence established by the law, including regulations;
- compliance with the law with regard to gender balance; as well as
- the principle of a proportional representation of minority shareholders on the board of directors.

The replacement of directors is regulated by the provisions of the law. In addition to these, the bylaws provide that:

- if one or more of the directors leaving their office were drawn from a slate also containing candidates who were not elected, the replacement is made by appointing, in numerical order, persons drawn from the slate to which the outgoing director belonged, provided they are still eligible for election and are willing to accept the offer;

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- in any case, in replacing directors leaving their office the board of directors must ensure the presence of the necessary number of directors possessing the requisites of independence established by the law, as well as ensuring compliance with the provisions of the law regarding gender balance;
- if a majority of the directors appointed by a shareholders' meeting leave their office, the entire board is deemed to have resigned, and the directors remaining in office must promptly call a shareholders' meeting to elect a new board.

As far as the subject of the plans for the succession of executive directors is concerned, in December 2016 the board of directors – upon proposal by the nomination committee and also implementing the recommendations formulated on the basis of the results of the board review for 2015, conducted at the beginning of 2016 – approved a document entitled “CEO Contingency Succession Plan” specifying the actions to be taken in case of imponderable and unforeseeable events that prevent the chief executive officer (Poste Italiane's only executive director, as more specifically discussed in the present section of this Report under “6.7 Executive and non-executive directors”) from performing his duties, in order to ensure that the Company will be duly managed until the new CEO has been appointed.

### 6.3 Role and duties (pursuant to article 123-bis, paragraph 2, letter d), TUF)

The board of directors plays an essential role in corporate governance, because it is vested with powers regarding the strategic and control guidelines for the Company and the Group. In addition to the powers granted it by the law and the bylaws, the board has exclusive authority over the decisions that are most important from the economic and strategic points of view, as well as in terms of their structural influence on management, i.e. functional to monitoring and guiding the Company.

In consideration of its role, the board of directors meets regularly, organizing and conducting itself so as to ensure that it performs its duties effectively.

In particular, following the resolution of the board of directors on May 7, 2014, as well as pursuant to several provisions of the bylaws, the powers regarding the following kinds of actions, as well as those provided for by the law and the bylaws, are not vested in the chief executive officer, but remain the exclusive province of the board of directors:

- the issue of bonds and the assumption of medium- and long-term loans exceeding the amount of Euro 25,000,000, unless otherwise specified in resolutions adopted by a shareholders' meeting or by the board of directors itself;
- strategic agreements;
- orders exceeding Euro 50,000,000 for purchases, contract work, and services;
- agreements (with ministries, local government bodies, etc.) involving commitments exceeding Euro 50,000,000;

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- the incorporation of new companies, as well as acquisitions and disposals of equity interests in companies;
- changes in the organizational model adopted by the Company;
- acquisitions, swaps, and disposals of real estate with a value of more than Euro 5,000,000;
- approval of the rules governing supplies, contract work, services, and sales;
- the appointment and removal – upon proposal by the chief executive officer, and after the board of statutory auditors has expressed a favorable opinion – of the executive in charge of preparing the corporate accounting documents, ensuring him appropriate powers and means;
- the appointment and removal, upon proposal of the chief executive officer, of the head of the BancoPosta function, as well as decisions regarding his remuneration;
- the appointment and removal of the head of the internal control function, upon the joint proposal of the chairman and the chief executive officer, and after consulting the board of statutory auditors, as well as decisions regarding his remuneration.

The directors perform their duties with full knowledge of the facts and completely independently, pursuing the primary objective of creating value for the Company's shareholders in the medium-long term. They are aware of the duties and responsibilities belonging to the office they hold and, like the statutory auditors, they are kept informed by the relevant corporate functions on the most important new legislation and regulations concerning the Company and the performance of their duties. Furthermore, they take part in initiatives aimed at increasing their knowledge of the Company and its dynamics, so that they can perform their role even more effectively.

In particular, following the election of a new board of directors in May 2014 (and the subsequent additions to it resolved on in 2015), the Company organized a special induction program aimed at providing the directors with appropriate knowledge of the business areas in which the Group operates, the corporate dynamics and their evolution, market trends, and the relevant framework of laws and regulations. The statutory auditors also took part in this program.

### 6.4 Board meetings

The following table shows the calendar of the meetings of the board of directors held in 2016.

J	F	M	A	M	J	J	A	S	O	N	D
◆	◆	◆	◆	◆◆	◆◆		◆	◆◆◆	◆◆	◆	◆
<b>Total</b>											16
<b>Average length</b>											3h50min
<b>Meetings scheduled for 2017</b>								13 (of which 4 already held)			



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The directors participated regularly, and the meetings were also attended by the board of statutory auditors and a magistrate representing the Italian Court of Auditors.

During 2016, the heads of the corporate functions in charge of the various matters on the agenda were regularly invited to attend the meetings of the board of directors and, at the request of the chief executive officer, provided in-depth information regarding the questions discussed.

### 6.5 *Chairman*

In May 2014, a shareholders' meeting appointed Luisa Todini as chairman of Poste Italiane's board of directors.

In performing the role of coordinator of the board's activities and proactive guide on the board's functioning, the chairman calls the meetings of the board, establishes their agenda, presides over them, and endeavors to ensure that – except in cases of urgency and necessity – the documentation regarding the items on the agenda is made available to the directors and the statutory auditors appropriately in advance of the date of each meeting. In this regard, the practice adopted in 2016, as in the preceding years, was to circulate the documentation together with the notice of each meeting, i.e., generally five days in advance. During 2016, this notice time was generally observed, and when it was not concretely possible in cases of evolving extraordinary transactions, the chairman in any case ensured that in-depth discussions took place during the board meetings.

The chairman also presides over shareholders' meetings and is authorized to represent the Company legally.

In addition to the powers provided for by the law and the bylaws regarding the functioning of the corporate bodies (shareholders' meetings and the board of directors) and the legal representation of the Company, on May 7, 2014 the board of directors – taking into account the resolutions of the shareholders' meeting held on May 2, 2014 – resolved to vest the Chairman with the following powers:

#### Internal control:

- supervision of the internal control function, in order to liaison with the board of directors, to which the aforesaid function reports hierarchically;
- supervision, in agreement with the chief executive officer, of the Guidelines on the Company's Internal Control Function;

#### Institutional relations:

- institutional relations – provided they do not concern the operating activities of the Company and the Group – with Parliament, the executive branch of the Government (including the various ministries), institutional bodies, and the authorities in general, in agreement and close coordination with the chief executive officer.

It is understood that this authorization is not exclusive.

## *6.6 Chief Executive Officer*

On May 7, 2014 the board of directors appointed Francesco Caio as chief executive officer (and general manager), vesting him with all powers for managing the Company, with the exception of those otherwise entrusted by provisions of the law, the bylaws, or the resolution of the board of directors on May 7, 2014. (The matters that in accordance with such resolution are reserved to the board of directors are specified under “6.3 Role and functions” in the present section of this Report).

By way of example, the chief executive officer:

- represents the Company legally;
- makes decisions regarding litigation involving the Company, whether as plaintiff or defendant, as well as out-of-court settlements;
- sees to the preparation of the long-term plan and the annual budget to be submitted to the board of directors for its examination and approval;
- establishes the strategy and content of both internal and external communication, as well as the guidelines and key messages to present as the Company’s position, including in institutional relations;
- handles institutional relations with Parliament, the executive branch of the Government (including the various ministries), institutional bodies, and in general the authorities, while institutional relations connected with the Group’s operating activities – such as, for example, the negotiating and operating relationship with regulatory authorities like the AGCom, the Bank of Italy, the IVASS, and the Consob – and the process of privatizing the Company are his exclusive province.
- sees to the organization of the Company and appoints its executive personnel;
- defines the general documents regarding the procedures for hiring, as well as the legal and financial position of the personnel;
- determines – within the scope of his authority – the powers and roles, based on special authorizations, to assign to the executive personnel for the normal management of the Company;
- proposes strategic guidelines and directives for the Group Companies to the board of directors;
- presents proposals to the board of directors regarding voting at extraordinary shareholders’ meetings of subsidiaries and affiliated companies;
- awards contracts not exceeding Euro 50,000,000 for purchases, contract work, and services and sees to the related obligations provided for by internal and external regulations in every phase of the entire process, from the preliminary one to the final one;
- enters into agreements involving an expenditure not exceeding Euro 50,000,000 (with ministries, local government bodies, etc.);
- approves the sale of real estate worth no more than Euro 5,000,000;

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- makes decisions regarding purchases, swaps, and sales of real estate worth no more than Euro 5,000,000.

The chief executive officer is also entrusted with the role of director in charge of the internal control and risk management system pursuant to the Corporate Governance Code. (For a detailed description of his duties in this capacity, see “Guidelines of the Internal Control and Risk Management System” on the Company’s website).

The chief executive officer reports to the board of directors and the board of statutory auditors quarterly, and in any case during the meetings of the former, on the Company’s operations, the general trend of its results, and their foreseeable evolution, as well as on the transactions carried out by the Company and its subsidiaries with the greatest impact on their income statements, cash flow, and balance sheets.

### 6.7 *Executive and non-executive directors*

The board of directors consists of executive and non-executive directors.

In accordance with the recommendations of the Corporate Governance Code, the following are considered executive directors:

- the chief executive officer of the Company (or of strategically significant Group companies), as well as the related chairman of the same in the event he is vested with individual management powers or when he plays a specific role in establishing corporate strategies ;
- directors who hold executive positions in the Company, in strategically significant Group companies, or in the controlling entity if the position also regards the Company.

Directors who do not fall under any of the foregoing categories are considered non-executive.

According to the survey carried out by the board of directors in January 2017, with the exception of the chief executive officer/general manager, all the members of the board (Luisa Todini, Giovanni Azzone, Elisabetta Fabri, Mimi Kung, Umberto Carlo Maria Nicodano, Chiara Palmieri, Filippo Passerini, and Roberto Rao) qualify as non-executive.

The number, expertise, authoritativeness, and availability of the non-executive directors are thus appropriate for ensuring that their judgment can have a significant influence on the decisions made by the board.

The non-executive directors bring their specific expertise to the board’s discussions, thereby facilitating examination of the questions under discussion from different perspectives, and consequently the adoption of carefully considered and well-informed resolutions aligned with the corporate interest.

### 6.8 *Independent directors*

On the basis of the information provided by the individuals concerned or otherwise available to the Company, in January 2017, the board of directors ascertained that directors Giovanni Azzone, Elisabetta

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Fabri, Mimi Kung, Umberto Carlo Maria Nicodano, Filippo Passerini, and Roberto Rao possess the requisites of independence pursuant to the Corporate Governance Code.

In particular, directors were considered independent if they are non-executive and do not have, nor have recently had, even indirectly, relations with the Company or with parties connected with the Company that could currently compromise the independence of their judgment.

The procedure followed in this regard by the board of directors began with its examination of a document listing the positions held and the relations maintained with the Group by the non-executive directors that could be significant for the purpose of assessing their independence. This phase was followed by the self-evaluation carried out by each non-executive director regarding his personal position – formalized in a special declaration by the same – which in turn was followed by a final assessment carried out collectively by the board, with the abstention of the individual members when their position was being examined.

In assessing the independence of the non-executive directors, the board of directors took into account the cases in which, according to the Corporate Governance Code, the requisites of independence should be considered lacking, and in this regard applied the principle, recommended by the Code itself, that substance prevails over form. (Such requisites are distinctly specified in Table 1 attached to the present Report.)

During the aforesaid assessment carried out in January 2017, the board of directors also ascertained that six non-executive directors – i.e., Giovanni Azzone, Elisabetta Fabri, Mimi Kung, Umberto Carlo Maria Nicodano, Filippo Passerini, and Roberto Rao – also possess the requisites of independence provided by the law (namely the Consolidate Law on Finance) for the statutory auditors of listed companies. (These requisites are also specified distinctly in Table 1 attached to the present report.)

In February 2017, the board of statutory auditors verified that, in carrying out the aforesaid assessments regarding the independence of its non-executive members, the board of directors correctly applied the criteria specified by the Corporate Governance Code, following for this purpose a transparent evaluation procedure that enabled said board to learn about relations potentially significant for the assessment of independence.

Although independence of judgment characterizes the work of all directors, whether executive or non-executive, an appropriate presence – with respect to both their number and their responsibilities – of directors who qualify as independent according to the foregoing definition and have a significant role on the board as well as its committees is considered to be a good way to ensure a proper balance of the interests of all shareholders.

Coordinated by board member Umberto Carlo Maria Nicodano, the independent directors met without the other directors in February 2017 to examine and discuss several issues regarding the general functioning of the board of directors and the committees, among other things in view of the forthcoming appointment by

the annual general meeting, scheduled for April 27, 2017, of the new board of directors, which will govern the Company for the next three years.

In the first place, the independent directors expressed their wish that a lead independent director be designated on the new board of directors. Even though it is not strictly necessary for a lead independent director to be appointed at the Company, in consideration of (i) the absence of the conditions that, according to the Corporate Governance Code, require the institution of such figure, seeing that the chairman of the board of directors does not perform the role of the chief executive officer, as well as (ii) the large number of independent directors present on the board, the independent directors believe that such a figure can and should be a significant coordinator of the requirements and contributions of the aforesaid independent directors.

In the second place, they think that the meetings of the independent directors should be held more frequently (approximately every three months) in order to allow an extensive exchange of views regarding the functional mechanisms of the governing body.

As far as the concrete functional mechanisms of the board of directors are concerned, taking into account the experience acquired during the term that is about to expire, even though several directors joined the board of directors at later dates, the independent directors wish, in the first place, that the issues of compliance – which for obvious reasons connected with the operations of the Group occupy much time during all the board meetings – be completely explained, thoroughly analyzed, and discussed beforehand in the committees, so as to enable the respective chairmen (and, of course, all the committee members), the prerogatives of the board obviously being understood, to present the subjects to the other directors, thus avoiding needless duplications of activities, with the advantage of the governing body being able to dedicate more time to business-related matters.

Finally, the independent directors believe that it is advisable for every meeting of the board of directors (or, in any case, every meeting where it is necessary) to systematically provide time for feedback and follow-up regarding the initiatives and issues submitted for the board's examination and approval, as well as for the requests for clarification made in preceding meetings.

#### *6.9 Limits on the number of offices held by directors*

Directors accept and maintain their office if they believe they can dedicate the necessary time to diligently performing their duties, taking into account both the number and the nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as the commitment required by other professional activities and offices held in associations.

In this regard, it should be noted that in September 2015 the board of directors approved a policy – formalized in a special document – concerning the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors of other companies of significant size in

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order to ensure that the individuals concerned have sufficient time to effectively perform their role on the board of directors of Poste Italiane.

In accordance with the recommendations of the Corporate Governance Code, the aforesaid policy considers significant in this regard only the offices held on the management and supervisory boards of the following kinds of companies:

- a) companies whose shares are listed in regulated markets, including foreign ones;
- b) companies, both Italian and foreign, with shares not listed in regulated markets, with net assets exceeding Euro 1,000 million and/or revenue exceeding Euro 1,700 million according to the latest approved annual financial statements.

In accordance with the recommendations of the Corporate Governance Code, the policy adopted by the board of directors establishes the following:

- 1) The chief executive officer of Poste Italiane: (i) in general, and unless the board of directors expresses a reasoned opinion to the contrary, is not allowed to hold the position of chief executive officer in the companies specified under a) above; (ii) is allowed a maximum of 2 offices as a director and/or regular statutory auditor in the companies specified under a) above and 5 offices as director and/or statutory auditor in the companies specified under b) above.
- 2) For directors of Poste Italiane other than the chief executive officer, the number of offices held on the boards of directors or the boards of statutory auditors of other companies referred to under a) and b) above may not exceed 5.

The calculation of the offices specified under 1) and 2) above does not take into account those held in subsidiaries, whether directly or indirectly controlled, or in companies affiliated with Poste Italiane, it being understood that the board of directors may decide otherwise if performing the role of director requires a considerable commitment, including in terms of time, because of its business, scope, complexity, or other reasons.

According to the information provided by the Company's directors upon implementation of the aforesaid policy, as well as the survey carried out by the board of directors in January 2017, the number of offices currently held by each of Poste Italiane's directors on the boards of directors or boards of statutory auditors of other companies of significant size is compatible with the limit prescribed by the aforesaid policy.

### *6.10 Evaluation of the functioning of the board of directors and its committees*

#### Board review procedure

At the end of 2016 and during the first months of 2017, the board of directors, assisted by Spencer Stuart (a firm specialized in the field, which during 2016 was also entrusted by the Company with additional, albeit limited, tasks regarding recruitment) performed a so-called board review: an assessment of the size,

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composition, and functioning of the board itself and its committees in accordance with the most advanced international corporate governance practices adopted by the Corporate Governance Code. The aforesaid review was also conducted in accordance with the provisions of the Supervisory Regulations. This board review followed similar initiatives carried out by the board of directors in the first half of 2015 – at that time on a voluntary basis, since the Company was not listed yet – and in 2016.

Based on individual interviews conducted by the consulting firm with each director, the review assessed the functioning of the board of directors during 2016.

Specifically, the review focused on the most important issues concerning the board, such as: (i) its structure, composition, role, and responsibilities; (ii) the organization of the work of the board of directors, the conduct of its meetings, and the related flows of information; (iii) the cohesion and interaction of the directors, the decision-making processes adopted, and the working style and procedures; (iv) the composition and functioning of the committees constituted within the board of directors; and (v) the assessment of the appropriateness of the organizational support received by the board and its committees.

It should be noted that the questionnaire and the interviews also involved the board of statutory auditors, the head of the “Internal Control” function, and the secretary of the board of directors in the capacity of observers, in order to enhance the process of assessing the board with additional perspectives.

The results of the board review for 2016 provide a positive overall picture of the functioning of the board of directors and its committees, showing improvement with respect to the previous year. These bodies work in accordance with the best practices of corporate governance, as confirmed by the consulting firm.

The composition of the board of directors as of the date of this Report is the result of several additions made during the term that will expire when the 2016 financial statements are approved. Because of Poste Italiane’s size and complexity, it takes time to get to know the Company, and the board’s work has benefitted from both the more extensive knowledge acquired by the directors appointed at the beginning of the term and the expertise and experience provided by those appointed more recently. The need for continuity to support the ongoing transformation of the Group determines the advisability of confirming as much as possible the outgoing board, in accordance with the indications of the board review. This having been said, the great majority of the directors believe the current size of the board to be appropriate, as is the mix of the different members (executive directors, independent non-executive directors). The recent additions of independent directors have been effective. Therefore, with a view to the appointment of the new board, it is hoped that the current size and structure will be maintained.

Most of the board members also consider the very diversified mix of expertise of the current directors to be in line with the Group’s requirements. Looking ahead to the new board, if one wanted to cover more extensively some areas of expertise, it would be advisable to emphasize operating experience with specific expertise in the digital field. This view – which is discussed in the following section – is shared by the board

in office and has also been set forth to give shareholders an idea of the kinds expertise that is considered useful to have on the board.

Going back to the functioning of the board, the results of the review for 2016 highlight the following strong points in the functioning of the board:

- (i) The board of directors worked with a constructive spirit open to discussion. The interaction among the directors was positive, thanks in part to the atmosphere of personal trust and esteem that has been created.
- (ii) The board of directors was appropriately and periodically informed on the management and performance of the business and was effectively involved in the most important decisions, while the directors contributed to the decision-making process according to their specific expertise.
- (iii) Participation in the board's discussions was good, with the enlargement of the board in 2016 and the appointment of new directors adding quality and dynamism to its debates. All opinions were listened to, including dissident ones, and constructive challenges to the chief executive officer's proposals are generally accepted.
- (iv) The chief executive officer gave effective explanations and replied exhaustively to the directors' questions.
- (v) The relationship between the chairman and the chief executive officer, in the observance of the respective roles assigned them by the bylaws, allowed good dynamics in the discussion of the topics on the agenda.
- (vi) The duration and frequency of board meetings were essentially in line with the requirements of the analysis and in-depth examination of the most important issues.
- (vii) The agendas are considered clear, albeit full of items.
- (viii) The information and related documentation put together by corporate units are clear and well organized
- (ix) The minutes were precise, exhaustive, and faithful to the board's proceedings, and the staff of the board of directors furnished appropriate support for information and requests.
- (x) The board of statutory auditors provided authoritative and professional opinions on the issues within its province.

Several directors brought up areas that need improvement, highlighting the advisability to:

- a) examine in depth the strategic scenarios and options in view of updating the Group business plan , taking into account the issues of sustainability and social responsibility;
- b) review the approach to the meeting agendas, giving more space to topics connected with business, albeit with the awareness that – operating in regulated fields – the Group must follow a whole series of compliance procedures that require decisions and acknowledgments by the board;



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- c) continue in 2017 the program for the induction and updating of the board members, in particular newly appointed ones, to enable them to get to learn about a business entity as complex as Poste Italiane, as well as to increase the occasions for directors to meet, even informally, in order for them to get to know and interact with each other better.

### Guidance of Poste Italiane’s Board of Directors for shareholders on the size and composition of the new Board of Directors.

Considering that, with the approval of the financial statements for the year 2016, the term of Poste Italiane’s board of directors will expire, the board – complying with the recommendations of article 1.C.1, letter h) of the Corporate Governance Code and the Supervisory Regulations, having heard the opinion of the nomination committee and taking into account the results of the board review – has made some observations on the size of the new board of directors and on the professional figures whose presence on the new board is considered advisable to submit to the shareholders in view of the presentation of the slates for the annual general meeting to be held on April 27, 2017.

#### Size

According to the provisions of article 14.1 of the Bylaws, the Company must be managed by a board of directors consisting of no less than five and no more than nine members, leaving it up to shareholders’ meetings to determine the number within the aforesaid limits. In line with the evaluations formulated on the basis of the board review for 2016, the board of directors considers the current number of nine directors to be appropriate and hopes that the current number and structure will be maintained.

#### The directors

The requisites of integrity and professional competence provided for by the law, current regulations, and the Supervisory Regulations being understood, the 2016 board review highlighted, among other things, the mix of professional and managerial expertise that the board of directors as a whole must possess in keeping with the requirements of managing the Company. The current highly diversified mix of the directors’ expertise is considered in line with the Group’s requirements.

The current composition of the board is the result of several additions made during its term. Taking into account that getting to know such a complex group takes a sufficient period of time, it is to be hoped that the board maintain to a great extent its current composition in order to provide continuity for the transformation taking place.

The foregoing having been said, in consideration of the Company’s identity and the heterogeneity of the fields in which it operates, as well as taking into account that the average length of time the current directors have been in office is less than three years and that the business plan looks forward to 2020, if shareholders wish to cover more extensively certain areas of expertise when the new board of directors is appointed, it would be advisable to emphasize operating experience with specific expertise in the digital field.

Independence and gender

With regard to the requisite of independence, the composition of the board of directors must satisfy the provisions of the Corporate Governance Code (which prescribes for issuers belonging to the FTSE–Mib that at least one third of the directors be independent), as well as the conditions provided for by the Supervisory Regulations, which require that at least one fourth of the members of the board possess the requisite of independence.

As far as the gender requisite is concerned, as is already the case with the current composition of the board of directors, it is necessary to comply with the provisions of the law, which require that at least one third of the directors be of the less represented gender.

This having been said, the board of directors, taking into account also the indications of the board review, considers the current composition of the board – as well as its mix of executive directors and independent non-executive ones – to be appropriate.

Commitment

It would be advisable for the shareholders to assess the amount of time that the candidates for the directorships can dedicate to their duties, in order to ensure their participation in, and appropriate preparation for, the board and committee meetings.

This regards the indication of the maximum number of offices on boards of directors and boards of statutory auditors considered compatible with performing effectively the duties of a director of the Company resolved on by the board of directors at its meeting on September 10, 2015. According to this resolution, as part of the specific provisions, the directors of the Company shall accept the position and keep it when they believe they can dedicate the time necessary to effectively perform their duties, taking into account both the number and nature of the positions they hold on the management and control bodies of other companies of significant size and the commitment required of them by additional professional activities and positions held in associations.

*6.11 Remuneration*

The remuneration of the members of the board of directors is determined by shareholders' meetings, while the board itself, upon proposal by the remuneration committee, sets the additional remuneration for the members of the committees instituted within the board to advise and make proposals to it. The total remuneration of the chairman and the chief executive officer/general manager is also decided by the board of directors upon proposal by the remuneration committee and after consulting the board of statutory auditors.

For a complete description of the structure and amount of the aforesaid remuneration for 2016, see the report on remuneration which will be made available to the public at the Company's registered office and on its website ([www.posteitaliane.it](http://www.posteitaliane.it)) by the deadline prescribed by the law.

## **7. Committees (pursuant to article 123-bis, paragraph 2, letter. d), TUF)**

### *7.1 Organizational and operational rules*

As part of the process of adapting the Company's corporate governance structure in accordance with the recommendations of the Corporate Governance Code in view of the listing of its shares on the MTA, in September 2015 the board of directors instituted within itself the following three committees:

- the control and risk committee (also charged with performing the duties regarding transactions with related parties and affiliated entities according to the procedures prescribed by the rules concerning transactions with related parties and affiliated entities, for a description of which see “14.1 Transactions with related parties” in the present section of this Report);
- the remuneration committee; and
- the nomination committee.

Subsequently, in October 2016, the board of directors constituted within itself a fourth committee – the related-parties and affiliated-entities committee (hereinafter, also the “related-parties committee”) – which is entrusted with the duties and powers provided for by the regulations regarding Poste Italiane's transactions with related parties and affiliated entities, which until then (as pointed out above) had been assigned to the control and risk committee.

Therefore, as of the date of the present Report, within the board of directors are the following four committees:

- the control and risk committee;
- the remuneration committee;
- the nomination committee; and
- the related-parties committee.

Special organizational regulations approved by the board of directors govern the composition, tasks, and functioning of the aforesaid committees.

In particular, the organizational rules provide that:

- the control and risk committee, the remuneration committee, and the nomination committee be composed of non-executive directors, the majority of whom (including the chairman of each committee) are independent;
- the related-parties committee be composed exclusively of independent directors.

Within the limits of the duties assigned to each of them, the aforesaid committees are authorized to access the information and corporate functions necessary for carrying out their respective tasks, and may avail themselves of external consultants at the Company's expense within the limits of the budget approved for each committee by the board of directors. In this regard, it should be noted that, in the event the remuneration committee intends to avail itself of the services of a consultant in order to obtain information

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on market practices regarding remuneration, it ascertains beforehand that the consultant is not in a situation that could actually compromise his independence of judgment. Similarly, in the event the related-parties committee intends to consult experts it has chosen – ones with acknowledged professional qualifications and expertise on the matters constituting the transactions with related parties submitted to it for examination – the committee must ascertain that they are independent and have no conflicts of interest.

Each committee appoints a secretary, normally selected from a short list of Company executives – in particular, for the control and risk committee, a short list of executives in Poste Italian's "Internal Control" function proposed by the chief executive officer, who is entrusted with the task of assisting the chairman of each committee in organizing and running meetings, as well as drawing up the minutes of the same. In accordance with a practice introduced in 2016, the chairman of each committee informs the board of directors at the latter's first subsequent meeting of the subjects discussed at the committee's latest meeting.

The board of statutory auditors attends the meetings of the control and risk committee, the remuneration committee, and the related-parties committee, while said board – either as a whole or through some of its members – attends the meetings of the nomination committee upon invitation by the committee's chairman.

Upon invitation by the committee's chairman, the meetings of each committee may also be attended by other members of the board of directors, representatives of the corporate functions, or third parties whose presence could enhance the committee's performance of its duties. Furthermore, if invited by the chairman of the control and risk committee or of the related-parties committee, the chairman of the board of directors, the chief executive officer, and the magistrate representing the court of auditors may also attend the meetings of said committee.

Moreover, the meetings of the control and risk committee are normally attended by the head of Poste Italiane's "Audit" function, as well as – for matters regarding BancoPosta – the heads of BancoPosta's control functions, while those of the remuneration committee are normally attended – for matters regarding BancoPosta Capital – by the head of BancoPosta's "Risk Management" function. No director may take part in meetings of the remuneration committee when proposals for the board of directors regarding their own remuneration are discussed, unless such proposals regard in general the members of the committees instituted within the board.

Finally, as far as the advisability of constituting a special committee dedicated to the supervision of the questions of corporate governance and sustainability connected with the operations of the Group and the dynamics of its interaction with all its stakeholders is concerned, the board of directors considers it best to leave such decision to the new board to be appointed by the annual general meeting to be held in April 2017.

## 7.2 *Control and risk committee*

### Composition

During 2016, the control and risk committee consisted of (i) Umberto Carlo Maria Nicodano (who served as chairman), Chiara Palmieri, and Roberto Rao from the beginning of the year until May 2016, (ii) Umberto Carlo Maria Nicodano (as chairman), Giovanni Azzone, Chiara Palmieri, and Roberto Rao from June 2016 to September 2016, and (iii) Umberto Carlo Maria Nicodano (as chairman), Chiara Palmieri, Filippo Passerini, and Roberto Rao From October until the end of the year and still as of the date of the present Report. All the members are non-executive, and directors Umberto Carlo Maria Nicodano, Filippo Passerini, and Roberto Rao possess the requisites of independence. The aforesaid composition of the committee ensures the presence of the necessary number of members with the specific requisites of professional competence required by both the Supervisory Regulations and the Corporate Governance Code.

### Duties

The control and risk committee is a body entrusted with the task of assisting, through an appropriate review process, the assessments and decisions of the board of directors regarding the Company's internal control and risk management system, as well as those regarding the approval of the periodical financial reports.

In particular, the control and risk committee expresses its opinion regarding the:

- a) establishment of the guidelines for the internal control and risk management system, ensuring that the main risks concerning Poste Italiane and its subsidiaries are correctly identified, as well as appropriately measured, managed, and monitored;
- b) determination of the degree of compatibility of the risks referred to under a) above with the management of Poste Italiane in accordance with the strategic objectives identified;
- c) assessment, performed at least annually, of the appropriateness of the internal control and risk management system with respect to the characteristics of Poste Italiane and the risk profile assumed, as well as the effectiveness of the aforesaid system;
- d) approval – at least annually, after consulting the board of statutory auditors and the chief executive officer – of the audit plan prepared by the head of Poste Italiane's "Audit" function;
- e) the description contained in the corporate governance report of the most important features of the internal control and risk management system, including the assessment of the appropriateness of the aforesaid system;
- f) assessment of the results set forth by the audit firm in the letter of suggestions it may write, as well as in its report on the essential questions that emerged during the external audit;
- g) proposal – which will be submitted to the board of directors – regarding the appointment and removal of the head of Poste Italiane's "Audit" function, availing itself in this regard of the assistance of the

nomination committee (for a description of the duties of which, see “7.4 *Nomination committee – Duties*” in the present section of this Report) instituted within the board of directors itself, as well as on the remuneration assigned him, in accordance with the remuneration committee (for a description of whose duties see “7.3 *Remuneration committee – Duties*”), and on the adequacy of the resources assigned him for performing his duties.

In addition to the foregoing, the control and risk committee is entrusted with the following advisory and proactive duties in assisting the board of directors:

- a) assessing – together with the executive in charge of preparing the corporate accounting documents, and after consulting the audit firm and the board of statutory auditors – the correctness of the use of accounting principles and their consistency for the purposes of preparing the various periodical financial reports;
- b) expressing opinions on specific aspects regarding the identification of the main corporate risks;
- c) examining the periodical reports concerning the assessment of the internal control and risk management system, as well as those of particular significance prepared by Poste Italiane’s “Audit” function;
- d) monitoring the autonomy, appropriateness, effectiveness, and efficiency of Poste Italiane’s “Audit” function;
- e) performing the additional tasks assigned it by the board of directors;
- f) reporting to the board of directors at least once every six months, when the board approves the annual and half-year financial reports, on the activity carried out by, and the appropriateness of, the control and risk management system.

The control and risk committee may also ask Poste Italiane’s “Audit” function to perform checks on specific operating areas, giving notice at the same time to the chairman of the board of statutory auditors, the board of directors, and the chief executive officer, except in cases where the request specifically regards the actions of such persons.

Furthermore, with regard to the business conducted by the Company through BancoPosta Capital, the control and risk committee performs tasks to assist the board of directors regarding internal risks and controls, with particular regard to all the instrumental and necessary activities that enable the aforesaid board to arrive at a correct and effective determination of the risk appetite framework (hereinafter, “RAF”) and policies for governing risks.

As part of these duties, the control and risk committee:

- a) expresses its opinion, availing itself of the contribution of the nomination committee, on proposals to appoint the heads of BancoPosta’s “Internal Audit”, “Risk Management”, and “Compliance” functions;

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- b) expresses its opinion on proposals regarding the removal of the heads of BancoPosta’s “Internal Audit”, “Risk Management”, and “Compliance” functions, as well as on the appropriateness of the resources assigned to these functions for performing their duties;
- c) reviews in advance the activity plans (including the audit plan), the annual reports, and the periodical reporting of BancoPosta’s control functions addressed to the board of directors;
- d) reviews in advance the annual ICAAP report and the related report of the internal audit function addressed to the board of directors;
- e) assesses, and expresses opinions to the board of directors regarding, compliance with the principles that apply to the internal control system and the corporate organization, as well as the requirements that must be satisfied by BancoPosta’s control functions, bringing any weak points and the consequent corrective actions to be promoted to the attention of the board of directors. To this end, it assesses the proposals presented by the head of the “BancoPosta” function and the chief executive officer;
- f) contributes assessments and opinions to the establishment of any corporate policy of outsourcing BancoPosta’s control functions, in particular decisions regarding the entrusting of control activities concerning BancoPosta Capital to functions of Poste Italiane;
- g) checks that BancoPosta’s control functions properly comply with the instructions and guidelines of the board of directors and, to this end, assists the latter in preparing the documents – referred to in the Bank of Italy’s Circular n. 263 of December 27, 2006, Title V, Chapter 7 – which specify the tasks and responsibilities of the various control bodies and functions, the information flows among the different functions and among the latter and the corporate bodies, and, in the event the areas of control could overlap or allow synergy to develop, procedures for coordination and cooperation;
- h) identifies all the additional reports regarding risks it must receive (subject, format, frequency, etc.);
- i) assesses the correctness of the use of accounting principles in preparing the separate report regarding BancoPosta Capital, and to this end cooperates with the executive in charge of preparing Poste Italiane’s corporate accounting documents, as well as with the board of statutory auditors.

In the event BancoPosta Capital has entrusted, entirely or partially, important operating tasks or control activities to Poste Italiane, the committee examines in advance the annual report – which must be approved by the board of directors and submitted to the Bank of Italy – regarding the checks carried out on the activities entrusted by BancoPosta Capital to functions of Poste Italiane, the results thereof, any weak points that emerge, and the measures adopted to eliminate the weaknesses identified.

Furthermore, with particular regard to its duties regarding risk control and management concerning the activities conducted by the Company through BancoPosta Capital, the control and risk committee assists the board of directors:

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- a) in establishing and approving the strategic guidelines and policies for governing risks. With regard to the RAF, the control and risk committee provides the assessments and proposals necessary for the board of directors to establish and approve the corporate risk appetite and risk tolerance;
- b) in checking that the strategies, policies governing risk, and the RAF are properly implemented;
- c) in establishing the policies and the processes of assessing corporate activities, including checking that the price and conditions of Poste Italiane’s transactions with its BancoPosta customers are consistent with its business model and its strategies regarding risks.

The committee may request BancoPosta’s control functions to perform checks on specific operating areas, at the same so informing the chairman of the board of statutory auditors, the board of directors, and the chief executive officer, except in cases where the subject of the check request specifically regards the activity of such persons.

The role of the remuneration committee being understood, the control and risk committee ascertains that the incentives underpinning the remuneration and motivation system of BancoPosta Capital are consistent with the RAF.

### Tasks performed by the control and risk committee in 2016

The following table shows the calendar of the meetings of the control and risk committee in 2016.

J	F	M	A	M	J	J	A	S	O	N	D
◆	◆	◆	◆	◆	◆		◆	◆◆◆	◆◆	◆	◆
<b>Total</b>											<b>14</b>
<b>Average length</b>											<b>2h15min</b>

During these meetings, which were normally attended by all its members (as well as by the members of the board of statutory auditors), among other things, the control and risk committee:

- checked the appropriateness of the rules that regulate the composition, duties, and working procedures of the committee itself and formulated the proposal made necessary by the constitution of the related-parties committee (whose duties were performed by the control and risk committee until the end of September 2016);
- studied the report on the assessment of the Internal Control and Risk Management System (“SCIGR”, which is described in the present section of this Report under “9 – Internal control and risk management system”, a summary of the 2015 activities, as prepared by the Company’s “Internal Control” function and subsequently submitted to the board of directors in March 2016;
- examined in depth the Group risk governance model, the results of the risk assessment conducted in 2015, and the 2016 activities plan of Group risk management (produced and/or prepared by the Company’s “Group Risk Governance” function);
- examined the Group’s RAF for 2016;



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- assessed and expressed a favorable opinion regarding the approval of the 2016 audit plan prepared by the head of the Company’s “Internal Control” function, as well as examined the periodical report on the progress of the implementation of said plan for the first half of 2016, which was subsequently submitted to the board of directors;
- assessed and expressed a favorable opinion regarding the “Group Audit Guidelines” prepared by the Company’s “Internal Control” function, which was subsequently submitted for approval to the board of directors in August 2016;
- studied the results and updates regarding several particularly important auditing activities, both in the audit plan and targeted, conducted by the Company’s “Internal Control” function, as well as receiving information about the evolution of the system of monitoring of the improvement actions following the conduct of specific audits;
- assessed and expressed a favorable opinion on the new whistleblowing policies, which were subsequently submitted in October 2016 to the board of directors for its approval, as well as acknowledging the information received through the report on whistleblowing for the first half of 2016;
- analyzed in depth the content of the annual report prepared by the Supervisory Body (a description of which is provided in the present section of this Report under “14.4 – *Organizational, management, and control model pursuant to Legislative Decree n. 231/2001*”) for the activities carried out in 2015;
- received information or performed assessments on the related risk profiles regarding specific transactions submitted to it for examination.

As far as the information systems in particular are concerned, in 2016 the control and risk committee, with the assistance of the corporate functions concerned, examined: (i) the report on the business continuity management of the financial services (BCM); (ii) the permanent plan for IT security with regard to the aspects connected with monitoring, reporting and auditing; (iii) the updating of volume 1 of the business continuity plan; (iv) the summary reports regarding the results of the analysis of the IT risk on BancoPosta Capital’s main processes, the results of the assessments of the level of the IT services provided and the support of such services to the evolution of corporate efficiency in relation to the costs incurred.

In addition to the foregoing, the control and risk committee – jointly with the executive in charge of preparing the corporate accounting documents, and after consulting the board of statutory auditors and the firm to which the external audit was entrusted – also examined and assessed:

- the guidelines for performing impairment tests;
- the guidelines regarding the System of Internal Control of Financial Information (“SCIF”, a description of which is provided in the present section of this Report under “10.1 – *The system of risk management and internal control of financial information*”), which was subsequently submitted in May 2016 for approval to the board of directors;

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- the accounting standards adopted for the preparation of the financial statements of Poste Italiane S.p.A. and the consolidated financial statements for 2015;
- the checks on the administrative-accounting procedures pursuant to the provisions of law n. 262/05;
- the fundamental questions raised by the external audit and the audit firm’s letter of suggestions;
- the periodical accounting situations (annual, semi-annual, quarterly) and the related financial and managerial performances.

As far as the matters included in the duties of the control and risk committee in consequence of the business conducted by the Company through BancoPosta Capital are concerned, the committee, among other things:

- examined, among the matters regarding BancoPosta Capital, the “Risk Appetite Framework” for 2016 and the updating of the related guidelines;
- analyzed the content of the 2015 annual report and the 2016 activity plan of BancoPosta’s “Risk Management” and “Compliance” functions, expressing a favorable opinion;
- analyzed the content of the 2015 annual report (including the part regarding the checks on BancoPosta’s activities that are entrusted to functions of Poste Italiane) and the 2016 audit plan of BancoPosta’s “Internal Audit” function;
- examined the public disclosure/ICAAP Statement 2015 and the related report of BancoPosta’s “Internal Audit” function;
- examined the part of Poste Italiane’s report on remuneration concerning the “2016 Guidelines of BancoPosta Capital’s Remuneration and Incentive Policies”;
- assessed and issued a favorable opinion on the proposal for updating the “Guidelines Regarding Anti-recycling and Anti-terrorism”;
- examined the dashboards and the periodical reports prepared by BancoPosta’s “Risk Management”, “Compliance”, “Anti-recycling” and “Internal Audit” functions;
- examined the aspects within its province of the results regarding the achievement of the targets assigned for 2015 to the chief executive officer and general manager and the head of the BancoPosta Function for the payment of their variable remuneration;
- performed an analysis of the prices and conditions of the transactions with customers carried out by Poste Italiane S.p.A. in conducting BancoPosta’s business;
- received information and performed analyses on actions for adapting to the Bank of Italy’s supervisory regulations.

Furthermore, with regard to the duties performed by the control and risk committee from the beginning of the year until September 2016 regarding transactions with related parties and affiliated entities, the committee examined the transactions with related parties brought to its attention according to the corporate guidelines governing the management of the same, expressing its related opinions. (A

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description of the guidelines in question is provided in the present section of this Report under “14.1 Transactions with related parties”).

In addition to the foregoing, it should be noted that in the first months of 2017 the control and risk committee held further meetings, during which, among other things, it:

- examined the Group’s “Risk Assessment” and “Risk Appetite Framework” results for 2017;
- evaluated and expressed a favorable opinion on the approval by the board of directors of the 2017 audit plan prepared by the head of the Company’s “Internal Control” function;
- studied the report on the SCIGR, summarizing the 2016 activities, prepared by the Company’s “Internal Control” function, which was submitted to the board of directors in March 2017;
- examined the fundamental questions raised during the external audit and by the audit firm’s letter of suggestions;
- examined the SCIIF Report of the executive in charge of preparing the corporate accounting documents;
- analyzed and issued a favorable opinion on the proposed 2016 Financial Statements, which were subsequently submitted to the board of directors.

It also, among the matters regarding BancoPosta Capital:

- examined the initiative regarding the updating of the “BancoPosta Organizational and Functional Regulations”, issuing its related opinion, for the purpose of the approval of the document by the board of directors in January 2017;
- received information on the meetings with the CONSOB regarding the start of the guided counseling service and several initiatives for protecting certain categories of investors;
- examined the “Risk Appetite Framework” of BancoPosta Capital for 2017;
- analyzed the content of the 2016 annual reports and the 2017 activity plans of BancoPosta’s “Risk Management”, “Compliance”, “Anti-recycling”, and “Internal Audit” functions, issuing a favorable opinion;
- studied the part of Poste Italiane’s remuneration report concerning the “2017 Guidelines of the Remuneration and Incentive Policies of BancoPosta Capital”.

### 7.3 Remuneration committee

#### Composition

During 2016 the remuneration committee consisted of (i) Filippo Passerini (serving as chairman), Elisabetta Fabri, and Umberto Carlo Maria Nicodano from the beginning of the year until May 2016, (ii) Filippo Passerini (serving as chairman), Elisabetta Fabri, Mimi Kung, and Umberto Carlo Maria Nicodano from June 2016 to September 2016, and (iii) Filippo Passerini (serving as chairman), Elisabetta Fabri, and Mimi Kung from October 2016 until the end of the year, and still as of the date of the present Report. With regard to its current composition, all its members are non-executive and possess the requisites of independence. The

aforesaid composition of the committee ensures the presence on it of the necessary number of members possessing the specific professional requisites required by both the Supervisory Regulations and the Corporate Governance Code.

Duties

The remuneration committee presents proposals and recommendations to the board of directors on the remuneration of the directors and the executives with strategic responsibilities. Specifically, the remuneration committee is entrusted with the following duties, both proactive and advisory:

- a) to present to the board of directors proposals regarding the policy for the remuneration of the directors and the executives with strategic responsibilities, in accordance with the current regulations, periodically assessing its appropriateness, overall consistency, and the concrete application of the policy adopted, availing itself of the information furnished by the chief executive officer with regard to the implementation of such policy;
- b) to present proposals or express opinions to the board of directors on the remuneration of the chief executive officer/general manager, as well as on setting the performance goals linked to the variable component of such remuneration, monitoring the application of the board's decisions and ascertaining if the aforesaid goals have been achieved;
- c) to make proposals regarding the remuneration, including the variable component, of the head of Poste Italiane's "Internal Control" function in agreement with the control and risk committee. (A description of the duties of this committee is provided in the present section of this Report under "*7.2 Control and risk committee – Duties*");
- d) to make proposals regarding the remuneration of the executive in charge of preparing Poste Italiane's corporate accounting documents;
- e) to examine in advance the annual report on remuneration to be made available to the public in view of the annual general meeting.

In addition to the aforesaid duties, with regard to the business conducted by the Company through BancoPosta Capital and without prejudice to the powers of shareholders' meetings as established by the Supervisory Regulations, the remuneration committee:

- a) has the task of making proposals to the board of directors regarding the remuneration and incentive systems for the top positions as identified by the Company, in accordance with the provisions of the Supervisory Regulations, as well as the remuneration of the head of the "Banco Posta" function;
- b) has the task of advising the board of directors with regard to the determination of the criteria for the remuneration of all the "most significant" personnel, identified as such in accordance with the provisions of the Supervisory Regulations;
- c) directly ensures the proper application of the rules regarding the remuneration of the heads of BancoPosta's control functions, in close cooperation with the board of statutory auditors;

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- d) sees to the preparation of the documentation to submit to the board of directors regarding its related decisions;
- e) collaborates with the control and risk committee and the nomination committee within the board of directors;
- f) ensures the involvement of the relevant corporate functions in the process of developing and monitoring remuneration policies and practices;
- g) pronounces, availing itself of the information received from the relevant corporate functions, on the achievement of the performance goals to which the incentive plans are linked and on the ascertainment of the other conditions established for payment of the remuneration;
- h) furnishes appropriate accounts of its activities to the corporate governing bodies, including shareholders' meetings.

### Tasks performed by the remuneration committee during 2016

The following table shows the calendar of the meetings of the remuneration committee during 2016.

J	F	M	A	M	J	J	A	S	O	N	D
	◆◆	◆◆	◆	◆	◆			◆	◆	◆◆	◆
<b>Total</b>											12
<b>Average length</b>											1h20min

During these meetings, which were attended by all its members – as well as, normally, the members of the board of statutory auditors – the remuneration committee, with the support of independent external consultants, at the Company's expense:

- prepared the policy proposal for 2016 regarding the remuneration of the directors and of executives with strategic responsibilities (including the guidelines on the remuneration and incentive policies of BancoPosta Capital), as well as the report on remuneration for the year 2015.

With particular regard to the guidelines on the remuneration and incentive policies of BancoPosta Capital for 2016, the committee also prepared the updating of this section of the document in order to adapt it to the instructions from the Bank of Italy in view of the preparation of the 2017 version of the same document;

- established (i) the framework and the objectives regarding the determination of the variable part of remuneration (MBO) of the chief executive officer and general manager and of the head of the BancoPosta Function, as well as (ii) the general structure of the objectives regarding the determination of the variable part of the remuneration (MBO) of executives with strategic responsibilities for the year 2016;

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- assessed the results regarding the achievement of the objectives for 2015 assigned to the chief executive officer and general manager and to the head of the BancoPosta Function for the payment of their variable remuneration, as provided for by their respective remuneration agreements;
- prepared the framework of the long-term incentive plan (ILT) for the three-year period 2016-2018, consisting in particular of a phantom-stock plan, i.e. based on the assignment to those concerned of rights to receive units representing the value of Poste Italiane's shares (so-called phantom stocks) at the end of a vesting period. The number of phantom stocks assigned to such executives at the end of the vesting period is linked to performance conditions over the three-year period. The remuneration committee also established the levels of the management indicators, the regulations, and the application criteria of the aforesaid three-year plan;
- prepared the proposal regarding the remuneration to be paid to the non-executive directors for their work on the related-parties committee, which was constituted within the board of directors in October 2016;
- assessed the results regarding the achievement of the objectives assigned for the payment – to the chief executive officer (in his capacity as general manager) and several top managers – of the second installment of the IPO bonus paid in consequence of the involvement of such persons in the exceptional work that ended when the Company's shares began to trade on the MTA;
- examined information furnished by the relevant corporate offices regarding (i) the remuneration positioning (as well as the advisability of acting consequently) of executives with strategic responsibilities, as well as, more generally, (ii) the systems adopted by the Company and the Group with regard to compensation.

In addition to the foregoing, it should be noted that in the first months of 2017 the remuneration committee held further meetings during which, among other things, it:

- established, for the year 2017, (i) the framework and the objectives regarding the determination of the variable part of the remuneration (MBO) of the chief executive officer and general manager, the head of the Bancoposta Function, and the head of the Internal Control Function, as well as (ii) the general structure of the objectives regarding the determination of the variable part of the remuneration (MBO) of executives with strategic responsibilities;
- prepared the policy proposal regarding the remuneration of the directors and of executives with strategic responsibilities for 2017 (including the guidelines on the remuneration and incentive policies of BancoPosta Capital), as well as the report on remuneration for the year 2016 ;
- prepared the short-term incentive plan for 2017, based on financial instruments, for the most significant personnel of BancoPosta Capital, consisting in particular of a phantom-stock plan, i.e. based on the assignment to the executives concerned of units representing the value of Poste Italiane's shares ("phantom stocks") at the end of a vesting period.

#### 7.4 *Nomination committee*

##### Composition

During 2016 the nomination committee consisted of (i) Roberto Rao (serving as chairman), Chiara Palmieri, and Filippo Passerini from the beginning of the year until May 2016, (ii) Roberto Rao (serving as chairman), Giovanni Azzone, Chiara Palmieri, and Filippo Passerini from June 2016 to September 2016, and (iii) Roberto Rao (serving as chairman), Giovanni Azzone, and Chiara Palmieri from October 2016 to the end of the year, and still as of the date of the present Report. With regard to the current composition, all the members are non-executive, and Roberto Rao and Giovanni Azzone possess the requisites of independence.

##### Duties

The nomination committee is entrusted with assisting the board of directors with preliminary work, both proactive and advisory, in assessments and decisions regarding the size and composition of the board of directors itself.

Thus, the nomination committee is assigned In particular the following tasks:

- a) to express opinions to the board of directors regarding the size and composition of the board of directors itself and to make recommendations concerning the professional figures whose presence on the board is considered advisable. In particular, the nomination committee performs an advisory role for the board of directors with regard to the self-evaluation process – as regulated by the Supervisory Regulations – and, in particular, in the advance identification by the latter of its own optimal quantitative and qualitative composition, as well as in the subsequent assessment of the extent to which the quantitative and qualitative composition considered optimal is reflected in the actual one deriving from the appointment process. To this end, the nomination committee prepares the board review – regarding the functioning of the board of directors and the committees constituted within it, as well as their size and composition – making proposals to the board regarding the assignment of the task to a firm specialized in the field, specifying the issues that will be the subject matter of the review, and establishing the procedures and time frame of the review;
- b) to specify to the board of directors the requisites of the candidates for the office of director in the event of cooptation;
- c) to express its opinion with regard to the chief executive officer's proposal concerning the appointment of the head of the "BancoPosta" function;
- d) to assist the control and risk committee with its opinion on the appointment of the heads of BancoPosta's "Internal Audit", "Risk Management" and "Compliance" functions;
- e) when the slates are presented for the election by the shareholders' meeting of a new board of directors, to express its opinion – based on an analysis performed in advance – on the professional

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requisites that the candidates must possess. The Company must inform the shareholders of the results of the aforesaid analysis, including the opinion expressed by the committee, in time for the choice of candidates to present to take into account the professional characteristics required;

- f) to make recommendations to the board of directors regarding the maximum number of offices on the management or control bodies of other companies listed in regulated markets, including foreign ones, or not listed in Italy or abroad, the limits on such number provided for by the law and regulations being understood;
- g) to make recommendations to the board of directors regarding any issues connected with the application of the prohibition of competition on the part of directors by article 2390 of the Italian Civil Code, in the event a shareholders' meeting – because of organizational requirements – authorizes general, prior exceptions to such prohibition;
- h) to prepare for the board of directors the actions regarding the ascertainment of the requisites and criteria of fitness provided for pursuant to article 26 of Legislative Decree n. 385 of September 1, 1993;
- i) to prepare for the board of directors the actions regarding the drawing up of the plans for succession in the top corporate positions.

### Tasks performed by the nomination committee in 2016

The following table shows the calendar of the meetings of the nomination committee during 2016.

J	F	M	A	M	J	J	A	S	O	N	D
◆	◆	◆		◆	◆		◆	◆	◆◆		◆
<b>Total</b>											10
<b>Average length</b>											1h00min

During these meetings, which were normally attended by all the members (as well as, upon invitation by the chairman of the committee, the chairman of the board of statutory auditors and/or the regular members of the same board delegated by the latter), with the support of external consultants at the expense of the Company, the nomination committee:

- made a special proposal to the board of directors about the choice of an external consultancy to assist the board in performing the assessment of the size, composition, and functioning of the board itself and its committees (the so-called board review);
- prepared for the board of directors the overall board review regarding the year 2015;
- formulated the proposal regarding the 2016 annual budget covering the requirements of the committee itself;
- expressed its opinion on the guidelines addressed to the shareholders on the professional profiles of the new directors for the annual general meeting in May 2016, which resolved to enlarge the board of directors and appointed two additional members thereof;



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- examined the profiles of the candidates presented by a group of institutional shareholders and assessed their conformity to the aforesaid guidelines;
- prepared the overall procedure for establishing the succession plan for the chief executive officer (“CEO Contingency Succession Plan”), which enables the board of directors to ensure the regular management of the Company in the face of unexpected circumstances that prevent the chief executive officer in office to perform his duties. (For further details on this subject, see “6.2 Board of Directors – Appointment and replacement”) in the present section of this Report.

In addition to the foregoing, it should be noted that in the first months of 2017 the nomination committee held further meetings, during which it:

- prepared for the board of directors the overall board review process regarding the year 2016;
- formulated the proposal regarding the annual budget covering the requirements of the committee itself;
- formulated the proposal on the guidelines addressed to the shareholders on the size and composition of the new board of directors in view of the appointment of the entire management body by the annual general meeting.

### 7.5 *Related-parties committee*

#### Composition

The related-parties committee was constituted by the board of directors on September 15, 2016, with effect as from October 1, 2016, and as of the date of the present Report consists of Giovanni Azzone (serving as chairman), Mimi Kung, and Roberto Rao. All the members are non-executive and possess the requisites of independence.

#### Duties

The related-parties committee is entrusted with the duties provided for by the rules and regulations issued by the Consob and the Bank of Italy regarding transactions with Related Parties and Affiliated Entities, as well as the “Guidelines for the Management of Transactions with Related Parties and Affiliated Entities” adopted by the Company (hereinafter, for the sake of brevity, the “Guidelines”, a description of which is provided in the present section of this Report under “14.1 Transactions with related parties”), including in particular expressing the prescribed opinions on operations with related parties and affiliated entities of minor and of major significance.

Specifically, the committee:

- a) expresses a prior and reasoned opinion, for the purpose of the resolution of the board of directors, on the overall appropriateness of the Guidelines, as well as the subsequent updates, for achieving the regulatory objectives. To this end, the committee may propose changes in or additions to the Guidelines;

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- b) formulates, where provided for, prior reasoned opinions on Transactions of Minor and Major Significance not included in the cases of exemption, regarding the interest of Poste Italiane – as well as the companies, directly and/or indirectly controlled by it, concerned – in carrying out such transactions directly by Poste Italiane, including in conducting BancoPosta business, as well as on the advantageousness and essential fairness of the related conditions;
- c) is involved from the stages of negotiation and preliminary examination of Transactions of Major Significance through the reception of a complete and timely flow of information and with the power to request information, as well as to make observations to the delegated bodies and the persons entrusted with the negotiations and the preliminary examination;
- d) monitors – in order to, among other things, note any changes in the Guidelines and internal procedures that might be useful – the transactions carried out, including the transactions excluded from the application of the decision-making procedures pursuant to article 4.2.5 of the Guidelines and the subject of periodical reporting according to article 4.4.1 of the Guidelines.

### Tasks performed by the related parties committed in 2016

The following table shows the calendar of the meetings of the related-parties committee during 2016, as from the date of its constitution, as mentioned above, in October.

J	F	M	A	M	J	J	A	S	O	N	D
-	-	-	-	-	-	-	-	-	◆	◆◆	◆
<b>Total</b>											4
<b>Average length</b>											1h10min

During these meetings, which were attended by all the members (as well as by the members of the board of statutory auditors), the related-parties committee:

- formulated the proposal regarding the rules governing its composition, duties, and working procedures;
- formulated the proposal regarding the annual budget covering the requirements of the committee itself;
- approved the proposed amendments to the Guidelines in order to adapt them to the circumstance of the constitution of the related-parties committee, which is entrusted with the duties regarding transactions with related parties and affiliated entities, duties performed by the control and risk committee until September 2016;
- examined several transactions with related parties brought to its attention, expressing its related opinions, all of which were favorable and without critical observations;
- analyzed the periodical report on the transactions with related parties excluded from the application of the Guidelines because they are ordinary transactions, intra-Group transactions, or transactions involving small sums carried out at market conditions .

In addition to the foregoing, it should be noted that in the first months of 2017 the related-parties committee held further meetings, during which it examined several transactions with related parties brought to its attention, expressing its related opinions, which were all favorable and without critical observations.

## **8. Board of Statutory Auditors (pursuant to article 123-bis, paragraph 2, letter d), TUF)**

### *8.1 Current composition and term of office*

The board of statutory auditors in office as of the date of the present Report – which was appointed by the annual general meeting held on May 24, 2016 – consists of the following regular members:

- Mauro Lonardo, chairman;
- Alessia Bastiani;
- Maurizio Bastoni.

Mauro Lonardo was drawn from the slate presented by a group of 14 asset-management companies and other institutional investors (which at the time owned a total of 1.39% of the Company's share capital) and was voted by the minority of the capital represented at the meeting (about 13.66% of the voting capital), while Alessia Bastiani and Maurizio Bastoni were drawn from the slate presented by the Ministry of the Economy and Finance (which at the time owned 64.70% of the Company's share capital) and was voted by the majority of the capital represented at the meeting (about 86.37% of the voting capital).

The term of the current board of statutory auditors will expire when the financial statements for 2018 are approved.

Attachment 2 to the present Report contains brief professional profiles of the aforesaid members of the Company's board of statutory auditors.

### *8.2 Appointment and replacement*

In accordance with the provisions of the law and the Company's bylaws, the board of statutory auditors consists of three regular auditors and three substitutes, who are appointed by an ordinary shareholders' meeting for a period of three years and may be re-appointed when their term expires.

As provided for in the bylaws with regard to the board of directors – and in accordance with the Consolidated Finance Law – the bylaws prescribe that the election of the entire board of statutory auditors must take place according to the method of slate voting, aimed at ensuring the presence on the board of a regular statutory auditor (entrusted with the office of chairman) and a substitute statutory auditor (who replaces the chairman in the event he leaves his office before the end of his term) designated by minority shareholders.

This election system provides that slates, on which the candidates must be listed in numerical order, may be presented by shareholders who, either alone or together with other shareholders, own at least 1% of

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the share capital or of a measure established by the CONSOB in a regulation. (Concretely, on the basis of Poste Italiane's market capitalization as of the date of the present Report, the equity interest required amounts to at least 1% of the share capital.)

Furthermore, in the first three elections of the board of statutory auditors subsequent to August 12, 2012 – in accordance with the provisions of the law regarding gender balance – the slates must include candidates of both genders in both the first two places in the section regarding the regular auditors and the first two places in the section regarding the substitute auditors.

As for the slates of candidates for the office of director, the slates of candidates for the office of statutory auditor must be filed at the Company's registered office by those presenting them at least 25 days prior to the date of the shareholders' meeting called to resolve on the appointment of the members of the board of statutory auditors. The slates are then published by the Company on its website ([www.posteitaliane.it](http://www.posteitaliane.it)) and made available to the public at the registered office at least 21 days before the date of the aforesaid shareholders' meeting, accompanied by exhaustive information on the personal and professional characteristics of the candidates, thus ensuring a transparent procedure for the election of the board of statutory auditors.

For the appointment of statutory auditors who, for whatever reason, are not elected by slate voting, a shareholders' meeting resolves in accordance with the majorities provided for by the law and without following the foregoing procedure, but in any case in such a way as to ensure that the composition of the board of statutory auditors complies with the regulatory and administrative provisions of the law, as well as with the principle of the representation of minority shareholders and the regulations regarding gender balance.

In accordance with the law, members of the board of statutory auditors must possess the requisites of integrity, professional competence, and independence required of the statutory auditors of listed companies, supplemented (only with regard to the requisites of professional competence) by special provisions of the bylaws, as well as the additional requisites specified by the Supervisory Regulations. They must also comply with the limits on the number of offices on the boards of directors and the boards of statutory auditors of Italian companies established by the CONSOB in a special regulation.

After its appointment by the annual general meeting on May 24, 2016 and subsequently, in January, 2017, the board of statutory auditors also ascertained that all the regular auditors in office possess the requisites of independence provided for by the Corporate Governance Code with regard to directors. In any case, the statutory auditors act autonomously and independently also with respect to the shareholders who elected them.

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### 8.3 Duties and powers

As part of the duties assigned it by the law – which are specified under “3. Corporate Governance Model” in the first section of the present report – and in accordance with the recommendations of the Corporate Governance Code, the board of statutory auditors is vested with:

- the power – which may also be exercised individually by the auditors – to request the Company’s “Internal Control” function to perform checks on specific corporate operating areas or transactions;
- the power to promptly exchange with the control and risk committee information that is significant for performing their respective duties.

### 8.4 Meetings

The following table shows the calendar of the meetings of the board of statutory auditors in 2016.

J	F	M	A	M	J	J	A	S	O	N	D
◆◆	◆◆	◆◆◆	◆◆◆	◆◆	◆◆	◆	◆	◆	◆◆◆	◆◆	
<b>Total</b>											22
<b>Average length</b>											2h35min

These meetings were duly attended by the regular auditors, while the magistrate representing the Court of Auditors attended twelve of the twenty-two meetings held.

### 8.5 Remuneration

Shareholders’ meetings determine the remuneration of the regular members of the board of statutory auditors, taking into account the commitment required of them, the importance of the position they hold, and the size and multi-sector nature of Poste Italiane. Specifically, in May 2016, the annual general meeting established Euro 80,000 as the gross annual remuneration of the chairman of the board of statutory auditors and Euro 70,000 as the gross annual remuneration of each of the other regular auditors.

## 9. Internal control and risk management system

The internal control and risk management system (“SCIGR”) of Poste Italiane consists of the set of corporate instruments, organizational entities, and rules aimed at enabling management of the Company that is sound, honest, and consistent with the corporate objectives. To be effective, the system of controls must be integrated, which presupposes that its components are coordinated and interdependent, as well as that the entire system is an integral part of the general organizational, administrative, and accounting structure of the Company, taking into account, among other things, the separation of BancoPosta Capital in terms of its accounting, capital, organization, and control system.

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The SCIGR constitutes a significant component of Poste Italiane's corporate governance, because it enables the Company's board of directors to pursue its primary objective of ensuring the creation of value in the medium-long term, while also establishing the level of risk compatible with its strategic goals.

Going into greater detail, it should be noted that Poste Italiane has adopted a new business and organizational model aimed at achieving the Company's strategic targets, fostering intra-Group synergy in terms of industrial integration, and ensuring greater focus on its core business, as well as efficiency and quality.

In this context, characterized by operating and regulatory complexity, on the one hand, and the need to compete ever more efficiently in the markets concerned, on the other, risk management and the related control systems assume a key role in decision-making processes aimed at creating value.

Specifically, the SCIGR consists of the following three levels of control:

- “first level of control”, which consists of the set of control actions that the individual operating units perform on their processes in order to ensure that they are carried out properly. These control actions are entrusted primarily to the operating management, and are considered an integral part of every corporate process. Thus the operating units have primary responsibility for the internal control and risk management process.
- “second level of control”, which is entrusted to autonomous, independent functions, distinct from the operating ones, which contribute to establishing policies for governing risks and the process of risk management, in particular by monitoring corporate risks, proposing guidelines on the related control systems, and checking the appropriateness of the same in order to ensure efficient and effective operations, the appropriate control of risks, the prudent conduct of business, reliable information, and compliance with laws, regulations, and internal procedures;
- “third level of control”, which is entrusted to Poste Italiane's “Internal Control” function – or to BancoPosta's “Internal Audit” function for the business conducted through BancoPosta Capital – with the objective of (i) furnishing independent assurance on the appropriateness and actual functionality of the first and second levels of control and, in general, on the SCIGR, as well as (ii) assessing the completeness, appropriateness, functionality, and reliability in terms of efficiency and effectiveness of the system of internal controls, as well as identifying violations of the procedures and rules applicable to Poste Italiane.

As factors enabling the integration and rationalization of its SCIGR, Poste Italiane has in place:

- 1) the Risk Governance Group process, based on the international framework of enterprise risk management (ERM), and entrusted to the “Risk Governance Group” function reporting directly to the CFO, with the task of coordinating the different activities for risk management and mitigation carried out in the Group and consolidating the main risks for the Company's top management;

- 2) a Corporate Normative System, consisting of policies, guidelines, and procedures, which involves the board of directors, the chief executive officer, the management and all the personnel of the Poste Italiane Group and constitutes an integral part of the SCIGR;
- 3) a new model of functioning for the third level of Group control (internal audit) in order to capture the synergy deriving from the integration and harmonization of the contributions of the different control functions in accordance with the regulatory requisites and to consolidate the overall assessment on the appropriateness of the Group's internal control and risk management system. To this end, in August 2016 the board of directors approved the "Guidelines for the Poste Italiane Group's Internal Audit Activities", specifying the tasks, assessment methods, information flows, and reports of the Company's Internal Audit function with respect to the Group companies and towards the "Group Risk" function and the "Internal Audit" function of BancoPosta Capital.

Furthermore, the role of "director in charge of the internal control and risk management system" within the SCIGR is assigned to the chief executive officer, among other things in consideration of the recommendations expressed in this regard by the Corporate Governance Code, which provide that this office normally be entrusted to the CEO.

For a detailed description of the duties and responsibilities of the most important positions involved in the SCIGR, as well as the procedures for coordinating them, see the "Guidelines for the Internal Control and Risk Management System", which were approved by the board of directors and are available on the Company's website ([www.posteitaliane.it](http://www.posteitaliane.it)), while for further information about the activities carried out in 2016 by the control and risk committee within the SCIGR, see: "7. Committees – 7.2 Control and Risk Committee" in the present section of this Report.

## **10. Executive in charge of preparing the corporate accounting documents**

During 2016 the duties of the executive in charge of preparing Poste Italiane's corporate accounting documents (hereinafter, for the sake of brevity, also "Executive in Charge" or "DP") were performed by the head of the Company's "Accounting, Finance, and Control" function, Luciano Loiodice, to whom such duties are still entrusted .

The executive in question – appointed by the board of directors in August 2015 after consulting the board of statutory auditors – possesses the requisites of professional competence provided for by the corporate bylaws. For a description of the duties of the Executive in Charge, see the "Guidelines for the Internal Control and Risk Management System".

### *10.1 The system of risk management and internal control of financial information*

The Poste Italiane Group's system of internal control of financial information ("SCIIF"), which is an integral part of the broader corporate internal control and risk management system ("SCIGR"), is aimed at ensuring

the achievement of the objectives of trustworthiness, accuracy, reliability, and promptness of the financial statements and all other financial information.

The SCIIF is structured in accordance with the “Internal Controls – Integrated Framework” model issued by the Committee of Sponsoring Organizations of the Treadway Commission (the so-called COSO Report), which provides for the following components: control environment, risk assessment, control activities, information and communication, and monitoring activities. The COSO Report has been supplemented with regard to IT by the “Control Objectives for Information and related Technology” model (the so-called “COBIT”).

Responsibility for implementing and maintaining an appropriate SCIIF is entrusted to the Executive in Charge, whose position has been provided for in the corporate bylaws since 2007 and became obligatory under article 154 *bis* of the TUF in 2008, when Poste Italiane was categorized as a “listed issuer having Italy as its member State of origin” pursuant to article 1, paragraph 1, letter w)-*quater* of the TUF, in consequence of an issue of bonds listed on the Luxembourg stock exchange as part of the Euro Medium-Term Notes (EMTN) Program. Subsequently, after the listing of its shares on the MTA on October 27, 2015, Poste Italiane has been subject *a fortiori* to the regulations set forth in article 154-*bis* of the TUF.

The principles and methodologies adopted by the Executive in Charge in performing his duties, as well as the responsibilities of the personnel in various capacities in the SCIIF’s maintenance and monitoring activities, are described in the “Guidelines of the System of Internal Control of Financial Information”, which were approved by the board of directors in May 2016.

The figure of the Executive in Charge is also provided for in the Group subsidiaries that issue listed bonds or larger Group subsidiaries <sup>(2)</sup>. The DPs of such companies report every six months to their board of directors and to Poste Italiane’s DP on the state of the SCIIF, issuing his attestation together with the chief executive officer of the single company considered, in a form similar to that of Poste Italiane.

The institution, maintenance, and assessment of the SCIIF are ensured through a structured process that provides for the following phases: risk assessment, identification of the controls protecting against risk, assessment of the controls, and related reporting.

Specifically, the process consists in:

- a) establishing which companies are included and the significant processes;
- b) analyzing and assessing the controls at the level of Group entities: so-called company-level controls (CLC) and information technology general controls (ITGC) for each entity;
- c) mapping/updating the processes, risk assessment, establishing the controls, and identifying the key controls;
- d) independent monitoring entrusted to Poste Italiane’s “Internal Control” function (“Internal Audit” in BancoPosta or internal audit functions of subsidiaries, where applicable) and line monitoring;

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<sup>(2)</sup> SDA Express Courier, Postel, Poste Vita and Banca del Mezzogiorno – Mediocredito Centrale; the latter two are issuers of bonds listed in regulated markets, and thus are required to appoint an Executive in Charge pursuant to the TUF.



- e) assessing shortcomings, and approving and monitoring corrective actions;
- f) updating and publishing the administrative and accounting procedures;
- g) a declaration on the Financial Statements and Annual Report issued by the Chief Executive Officer and the Executive in Charge of preparing the corporate accounting documents.

Each of the foregoing phases is described concisely in the following paragraphs:

- a) Poste Italiane's Executive in Charge identifies the significant companies within the system of internal control of financial information. The determination of the scope of application is carried out according to a top-down, risk-based approach aimed at ensuring appropriate protection of the areas most exposed to the risk of significant errors or fraud regarding the financial statements.

Specifically, the companies considered significant from the quantitative point of view are those that contribute to the quantities of the consolidated financial statements amounts equal to or greater than even one of the predetermined thresholds of materiality calculated with regard, respectively, to the following values: Total Assets, Total Net Revenue, and Net Income before Taxes.

Within the scope of the companies included, the significant processes are specified by identifying the items on the company's balance sheet and income statement, starting from the significant accounts in the consolidated financial statements. Processes are termed significant when they contribute large amounts to items in the financial statements, i.e. exceeding the threshold predetermined for selecting the processes themselves or in consideration of qualitative aspects (for example, risky processes not connected with significant accounts).

- b) The structure of the entity-level controls provides for company-level controls (CLC), defined as the structured set of processes and controls that operate transversally within an organization, and allow the design and functionality of the overall internal control system to be guided, established, and monitored, albeit at a high level. The structure of Poste Italiane's CLC takes into account the updates of the reference framework (the COSO Report) and the best practices of listed companies.

An integral part of the internal control system is constituted by both the IT general controls, which regard the companies' infrastructure and cross-cutting processes, and the application controls regarding the various applications supporting the corporate business processes.

- c) The processes supporting financial information that are included in the scope are mapped and continually updated. The structure of the process-level controls provides for specific controls or monitoring, understood as the set of activities, manual or automated, geared to prevent, identify, and correct errors or irregularities that occur in carrying out operations. The primary key controls (PKC) – those that have the greatest impact on correct representation in the Financial Statements – on the processes within the scope are selected through a risk-assessment activity.

Among the structural elements that support the proper execution of operating activities and the related defenses, a major role is performed by the segregation of duties (SOD), whose purpose is to

ensure the separation of incompatible corporate roles and resolve critical problems and conflicts within roles and user names in the IT processes and systems that are significant with regard to financial information.

- d) In performing his duties, the Executive in Charge avails himself of the independent monitoring carried out by Poste Italiane's "Internal Control" function (by "Internal Audit" in BancoPosta or internal audit functions of the subsidiaries, where applicable) and of the assistance of the other actors involved in the management of corporate risks through pre-established periodical reporting. In particular, "Internal Control" and "Internal Audit" in BancoPosta check the actual application of the primary key controls in accordance with criteria established together with the Executive in Charge.

Furthermore, the system also provides for line monitoring through the issue of attestations at least every six months by the heads of Poste Italiane's corporate functions and the Chief Executive Officers and Executives in Charge (where they exist) of the fully consolidated companies.

- e) The results of the checks are reported to Poste Italiane's Executive in Charge by the "Internal Control" function in a summary report that also includes an assessment of the main shortcomings observed, followed by specific audit reports on the single processes subjected to monitoring. In the event shortcomings are revealed by the assessment, the latter reports also explain any corrective actions undertaken, or that will be undertaken, aimed at enabling the objectives of the trustworthiness, accuracy, reliability, and promptness of financial information to be achieved.
- f) Following the audit activities or significant changes, reported also by the process owners, the Executive in Charge updates the administrative and accounting procedures and publishes them on the corporate intranet after consulting the aforesaid process owners.
- g) The issue of the declaration by the chief executive officer and the Executive in Charge of the corporate accounting documents presupposes the consolidation of the results and the overall assessment of the System. The declaration regards the stand-alone financial statements, the annual consolidated financial statements, and the half-year financial statements with the related Reports of the Directors, and is supported by a flow of internal letters of attestation issued by the primary reporters of the companies and the chief executive officers of the subsidiaries. On the basis of the foregoing activities, the Executive in Charge, together with the chief executive officer, prepares the declaration on the effectiveness and functioning of the administrative and accounting procedures, as well as on the truthfulness and fairness of the financial information that will be released.

## **11. External Controls**

### *11.1 Statutory external auditors*

PricewaterhouseCoopers S.p.A. has been appointed to undertake the external audit of Poste Italiane's financial statements and the Group's consolidated financial statements.

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The appointment to this firm was made by the Shareholders' Meeting in ordinary session on 14 April 2011, having received a proposal from the Board of Statutory Auditors, for FYs 2011 to 2019, in exchange for an annual consideration of approx. €1.1 million. Subsequent to this, once again having received a proposal from the Board of Statutory Auditors, the Shareholders' Meeting on 24 May 2016 in ordinary session, resolved to update the economic terms of the statutory external auditors' appointment awarded to PricewaterhouseCoopers S.p.A., in particular by establishing a payment to PricewaterhouseCoopers S.p.A. – in acknowledgement of an increase in the work required of the company as a result, among other things, of the company's shares being listed on the MTA screen-based stock market on 27 October 2015 – of an additional annual fee of approx. €0.1 million for each financial year over the period 2015-2019.

Since 2009, Poste Italiane has followed *ad hoc* procedures to regulate the allocation of assignments to external auditing firms that do business with the Group.

Furthermore, it should be noted that in order to align the content of amendments made during the course of 2016 with the reference regulatory framework concerning statutory external auditing, the above-mentioned procedure was updated by the company's Board of Directors in March 2017, with the objective of (i) Ensuring the independence requirement of the entity appointed as statutory external auditor, and (ii) Providing guidelines with regard to the assessment process when Poste Italiane and its subsidiaries appoint an auditor or external auditing firm, its network and parties related to it. Specifically, based on this new procedure, the Group's main external auditor is established as the entity which the Group's subsidiaries are required to use when making their own appointments of their respective statutory external auditors, unless this is prohibited by specific statutory obligations.

Further to the above, in compliance with applicable regulations, among other things the new procedure envisages: (i) Extending the requirement for Poste Italiane's Board of Statutory Auditors to authorize all statutory external auditor appointments other than the above, including those made by subsidiary companies; (ii) From 2020, a requirement to assess the quantitative statutory limitations envisaged for other statutory auditing appointments; and (iii) Monitoring checks and providing an *ad hoc* regular quarterly report to Poste Italiane's Board of Statutory Auditors.

### 11.2 Oversight by the Italian Court of Auditors

The financial management of Poste Italiane is overseen by the Italian Court of Auditors, which conducts this oversight through a Court-appointed magistrate. It should be noted that in 2016, these control activities were undertaken by a dedicated magistrate: Francesco Petronio.

The magistrate appointed by the Court of Auditors attends meetings of the Board of Directors and the Board of Statutory Auditors. In 1998, the Board of Directors resolved to pay the magistrate appointed by the Court of Auditors an attendance allowance, currently amounting to €150 per meeting for every meeting of a corporate body attended.

The Court of Auditors presents an annual report on the results of its oversight to the office of the President of the Italian Senate and to the President of the Italian Chamber of Deputies.

## **12. Relations with institutional investors and shareholders in general**

When its shares were listed on the MTA screen-based stock exchange, the Company considered it to be in its specific interest and a duty towards the market to establish an ongoing dialogue based on a mutual understanding of their respective roles with individual shareholders in general and with institutional investors. Such a dialogue must in any event be undertaken in compliance with regulations and procedures that govern the disclosure of insider information.

Considering, among other things, the Group's size, the Company decided that this dialogue would be facilitated through the establishment of dedicated corporate units.

The Company consequently set up the following in-house offices: (i) An "Investor Relations" function, which is currently part of the "Administration, Finance, and Control" function, tasked with communicating with institutional investors, and (ii) A unit within the "Corporate Affairs" function of the "Legal and Corporate Affairs" function in charge of communicating with retail shareholders in general.

In addition, the Company decided to further foster dialogue with investors by appropriately configuring its website ([www.posteitaliane.it](http://www.posteitaliane.it), the Investor Section) to offer access to financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and trends in the trading of financial instruments issued by the Company), alongside other sections (Company, Governance, and Media) that feature additional data and documents of interest to shareholders in general (press releases, information on members of Poste Italiane's Board of Directors and Board of Statutory Auditors, corporate bylaws and Shareholders' Meeting regulations, documents on corporate governance, documents on remuneration policy, the Code of Ethics, the organizational and management model pursuant to Legislative Decree no. 231/2001, and the Group's organizational chart).

## **13. Shareholders' Meetings (pursuant to article 123-bis, paragraph 2, letter c), TUF)**

The recommendation contained in the Corporate Governance Code to consider Shareholders' Meetings as important opportunities for debate between shareholders and the Board of Directors – even though there are a number of ways in which listed companies can communicate with their shareholders, institutional investors, and the market – was carefully considered and fully accepted by the Company, which deemed it advisable to adopt specific measures geared to appropriately enhancing such meetings. Particular mention should be made of a provision in the corporate bylaws oriented towards facilitating the collection of proxies from shareholders who are employees of the Company and its subsidiaries, and thus to foster their involvement in decision-making processes at Shareholders' Meetings (a provision that is described in greater detail in the first section of this document under item 5, "*Information on the ownership structure at*

*the time of writing this Report – 5.5 Employee share ownership: mechanisms for the exercise of voting rights”).*

The regulations on how listed companies’ Shareholders’ Meetings should operate that appear in the Italian Civil Code, the Consolidated Finance Act, and in the implementation rules issued by CONSOB have undergone significant changes in recent years, aimed essentially at facilitating the exercise of a number of rights to which the shareholders of listed companies are entitled.

It should be noted that in either ordinary or extraordinary session, Shareholders’ Meetings are empowered among other things to resolve on: (i) The appointment and removal of members of the Board of Directors and the Board of Statutory Auditors, as well as determining their remuneration and responsibilities; (ii) Approval of the financial statements and the allocation of net income; (iii) The purchase and sale of the company’s own shares; (iv) Stock-based incentive plans; (v) Amendments to the bylaws (other than those constituting a mere alignment to meet statutory provisions); and (vi) The issue of convertible bonds.

In accordance with the provisions of Poste Italiane’s bylaws, ordinary and extraordinary Shareholders’ Meetings are as a rule held on a single call (it being understood that the Board of Directors may, if it deems it advisable and states so specifically in the meeting call notice, establish that the Shareholders’ Meeting be held after more than one call). A quorum is reached and resolutions taken with statutory-required majorities; meetings are held in the municipality where the Company’s registered office is located (unless otherwise decided by the Board of Directors, provided that the venue is still in Italy).

Ordinary Shareholders’ Meetings must be called at least once a year, within 180 days of the end of the accounting period, to approve the financial statements.

The Consolidated Finance Act envisages that the entitlement to attend and vote at a Shareholders’ Meeting must be certified by a notice sent to the issuer by the intermediary on behalf of the person entitled to vote and issued on the basis of the accounting records at the end of the seventh trading day prior to the date set for the Shareholders’ Meeting (the “record date”).

Those entitled to vote may:

- Ask questions regarding the items on the agenda, including prior to the Shareholders’ Meeting, by the deadline stated in the meeting call notice. Such questions must be answered no later than during the meeting proceedings;
- Electronically or otherwise, notify the Company of their proxies by sending them to the special section of the Company’s website as specified in the meeting call notice;
- Grant proxies, even to a proxy-holder who is in a position of conflict of interest, provided that the latter has informed the shareholder in writing of the circumstances giving rise to the conflict of interest, and specific voting instructions have been issued for each resolution with regard to which the proxy-holder is to vote on the shareholder’s behalf;

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- Grant to a representative designated by the Company a proxy with voting instructions on all or some of the items on the agenda, which must be sent to the person concerned by the end of the second trading day prior to the date set for the Shareholders' Meeting. This proxy – at no expense to the shareholder and granted by filling out a form drafted by CONSOB – is valid only for proposals for which voting instructions have been issued.

In accordance with the provisions of the Consolidated Finance Act and related implementing regulations issued by CONSOB, with regard to individual Shareholders' Meetings, Poste Italiane's bylaws empower the Board of Directors to envisage the possibility of participating electronically, having specified the procedures concerned in the meeting call notice.

In addition to statutory requirements and the company's bylaws, Shareholders' Meetings are governed by special rules approved by the Shareholders' Meeting held in ordinary session on 31 July 2015, which are in line with the most advanced models established by several industry associations (such as Assonime and ABI) for listed companies.

Shareholders' Meetings are chaired by the Chairperson of the Board of Directors or, in the event that he or she is absent or impeded, by the Deputy Chairman if there is one, or, if both are absent, by another person designated by the Board of Directors; failing this, the Meeting shall elect its own Chair. The Chair of a Shareholders' Meeting is assisted by a Secretary designated by the Chair, unless a notary public is appointed to draft the minutes. The Chair may also appoint one or more scrutineers.

Among other things, the Chair of a Shareholders' Meeting checks that a quorum has been reached, verifies attendees' identity and entitlement to vote, manages the meeting, and verifies its voting results.

With regard to the right of each shareholder to speak on the items on the agenda, Shareholders' Meeting regulations envisage that, having taken into account the subject and importance of the individual items to be discussed, as well as the number of persons requesting to take the floor and any questions asked by shareholders prior to the Shareholders' Meeting that the Company has not yet answered, in advance the Chair sets a time limit for speaking from the floor and for replies (normally no more than ten minutes for the former and five minutes for the latter) so as to ensure that the Meeting concludes its proceedings in a single session. All attendees entitled to vote may request to speak on each of the items on the agenda only once to make comments, request information, and make proposals. Requests to speak may be presented from the moment that it has been declared a quorum is reached and – unless the Chair sets a different deadline – until the Chair calls an end to the discussion of a given item. The Chair – and at his or her request, those who assist him or her – shall reply to attendees who take the floor after all of them have spoken, or after each individual speech. Speakers are entitled to a brief reply to this response.

Resolutions taken by the Shareholders' Meeting are recorded in minutes signed by the Chair and by the Secretary or notary public. The minutes of Shareholders' Meetings in extraordinary session must be drawn up by a notary public.

**14. Other corporate governance procedures (pursuant to article 123-bis, paragraph 2, letter a), TUF)**

*14.1 Transactions with related parties*

In July 2015, after consulting the independent Directors and the Board of Statutory Auditors, the Board of Directors approved the “Guidelines for managing transactions with related parties and affiliated entities” (hereinafter, for the sake of brevity, also the “OPC Guidelines”). These were subsequently amended by the Board in October 2015 and October 2016, in accordance with:

- Principles established by CONSOB in the Regulation adopted under resolution no. 17221, dated 12 March 2010, as subsequently amended and supplemented (the “OPC Regulation”) and in its Directive no. DEM/10078683, dated 24 September 2010;
- Regulations pursuant to Bank of Italy Circular 263/2006, “New regulations for the prudential supervision of banks”, Title V, Chapter 5, “Risk activities and conflicts of interest with regard to related parties”, and Bank of Italy Circular no. 285/2013 (“Supervisory regulations for banks”), applicable to Poste Italiane with regard to transactions carried out by BancoPosta with entities affiliated with Poste Italiane.

The OPC Guidelines aim to: (i) Establish governance and due process for the management of transactions with related parties and affiliated entities carried out directly by Poste Italiane, including in the performance of BancoPosta activities or through Group companies; as well as (ii) Ensure transparency and both substantive and procedural propriety in undertaking transactions in which a potential conflict of interests arises, as defined on the Company’s website ([www.posteitaliane.it](http://www.posteitaliane.it)).

In accordance with the aforementioned OPC Guidelines, transactions with related parties and affiliated entities are divided into three categories:

- Transactions of “major significance”, defined as those that exceed a specific quantitative threshold (established at 5%) as applied to: (i) Three significance indices, based on the data reported in the Group’s consolidated financial statements, which take into account the equivalent-value of the transaction, the assets of the target entity of the transaction, and the liabilities of the entity acquired in the event of transactions that fall under the scope of OPC Regulation application; and (ii) Two significance indices, based on BancoPosta’s regulatory capital data, which take into account the equivalent-value of the transaction and the assets of the entity that is the target of the transaction, in the event of transactions that are under the scope of Supervisory Provision application for Banks. If such transactions do not by law or the bylaws fall under the powers allocated to Shareholders’ Meetings, they must necessarily be examined and approved by the Board of Directors.
- Transactions of “lesser significance”, defined by exclusion as transactions other than those of “major significance” and those of “a minimal amount”. If such transactions do not by law or the bylaws fall

under the powers of Shareholders' Meetings, they shall be examined and approved according to the current corporate structure of powers;

- Transactions involving a “minimal amount”, i.e. involving an equivalent-value that falls below specific thresholds, differentiated according to the specific kind of related parties with which such transactions are carried out. Transactions involving a “minimal amount” are excluded from the scope of application of the procedure provided that they are completed at market conditions. The decision-making process envisaged for transactions of lesser significance applies to transactions of a minimal amount undertaken pursuant to conditions other than market conditions.

In order to enable the Related Parties Committee to express a justified prior opinion on Poste Italiane's interest in carrying out transactions with related parties and affiliated entities, as well as on the advantageousness and substantive propriety of the associated conditions, the OPC Guidelines require an *ad hoc* reporting flow. Specifically:

- For transactions of “lesser significance”, it is envisaged that appropriate information on the different parties involved in the transaction be provided to the Related Parties Committee suitably in advance of the date scheduled for the Committee to issue its opinion;
- For transactions of “greater significance”, it is envisaged that the Related Parties Committee further be involved at the negotiation and due diligence stages, receiving prompt and complete reports, and be empowered to request information from and make comments to the Chief Executive Officer and the persons in charge of conducting negotiations or due diligence.

As far as the effectiveness of the opinion expressed by the Related Parties Committee is concerned, the procedure envisages that:

- In the event of transactions of “lesser significance”, the Related Parties Committee provide an advance, justified opinion on the Company's interest in carrying out the aforementioned transaction to the body empowered to resolve on the transaction, as well as on the advantageousness and the substantive propriety of the associated conditions. In the event of a resolution to carry out a transaction following a negative opinion or one conditional on remarks made to the body empowered to resolve on the transaction, the body shall provide a detailed explanation of the reasons for which the decision was taken regardless, including a point-by-point response to the remarks made by the aforementioned committee;
- In the event of transactions of “greater significance” that fall under the scope of application pursuant to the OPC Regulation, in which the Related Parties Committee has expressed a negative opinion, the Company's Board of Directors may apply a special provision of the bylaws and submit the transactions concerned for authorization by a Shareholders' Meeting in ordinary session which – in accordance with the majorities prescribed by law and the bylaws, as well as with the regulations in force regarding conflicts of interest – shall make a resolution having received a vote in favor by at least half of



unrelated voting shareholders (known as a “whitewash”). In any event, the carrying out of “major significance” transactions may be blocked only when unrelated shareholders attending the meeting represent at least 10% of the share capital with voting rights;

- For transactions of “greater significance” to which the Supervisory Provisions for Banks apply, in addition to the stipulations of the preceding bullet point:
  - (i) In the event of a negative opinion or one that is conditional upon remarks from the Related Parties Committee, an advance opinion is also required from the Board of Statutory Auditors, which must be provided with timely and appropriate information about the transaction. Like the Committee, the Board of Statutory Auditors shall express a prior justified opinion on BancoPosta’s interest in carrying out the transaction, as well as on the advantageousness and the substantive propriety of the associated conditions to the body empowered by law or the bylaws to resolve upon it;
  - (ii) In the event of a negative opinion or one conditional upon remarks by the Board of Statutory Auditors, the resolution must feature a detailed justification of the reasons for which it has been made, and a point-by-point reply to the remarks made by the statutory auditors;
  - (iii) Transactions carried out on which the Committee or the Board of Statutory Auditors has expressed a negative opinion or made remarks shall be reported on at least an annual basis to the Shareholders’ Meeting.

At such time as the above-mentioned opinions are issued, as and when required the members of the Related Parties Committee should be supplemented in order to ensure: (i) In the case of a transaction of greater significance, the presence of three independent Directors not connected with the transaction; or (ii) In the case of transactions of lesser significance, the presence of at least two independent Directors not associated with the transaction. In cases where there is an insufficient number of Directors who hold the necessary requirements, duties shall be undertaken individually by the sole independent Director not associated with the transaction or, jointly, in the event that there are two such directors.

The OPC Guidelines do not apply to certain kinds of transactions with related parties specified by CONSOB, of which the most important are ordinary transactions carried out at conditions equivalent to market or standard terms, and transactions with or between companies controlled – including jointly – by Poste Italiane, as well as transactions with companies subject to considerable influence by Poste Italiane, provided that no significant interests (as identified during the procedure) are held by other parties related with Poste Italiane in the companies controlled or subject to considerable influence which are the counterparties in the transaction.

Finally, a simplified procedure is envisaged in cases where approval is urgent and the execution of a transaction with related parties does not fall under the aegis of the Shareholders’ Meeting.

*14.2 The handling of corporate information*

In July 2015, the Board of Directors approved a special procedure for the internal management and public disclosure of insider information, establishing principles and rules both for the internal management and public disclosure of documents and information concerning Poste Italiane and its subsidiaries, with particular regard to insider information. Directors and statutory auditors are required to comply with the provisions contained in this procedure and, in any case, to keep documents and information acquired during the course of performing their duties confidential.

The procedure is geared towards preserving the secrecy of confidential information, while ensuring that information disclosed to the market on corporate data is correct, exhaustive, appropriate, timely and not selective.

In general terms, the procedure assigns the management of confidential information that falls within his or her purview to the Chief Executive Officer of the company, assisted by top executives within the organization from the functions in which the insider information subject to the disclosure-related obligations originated, as well by the Heads of the “Administration, Finance, and Control” and “Legal and Corporate Affairs” functions and, in the event that the information concerns a Group company, by the Chief Executive Officer at the Group company concerned, as well as ensuring that the dissemination of information regarding individual subsidiaries must in any event take place in agreement with Poste Italiane’s Chief Executive Officer.

Furthermore, the procedure establishes specific rules that must be complied with for the external disclosure of corporate documents and information, focusing in particular on the dissemination of insider information, including meticulously prescriptions regarding the ways in which corporate officers conduct relations with the press and other mass media (as well as with financial analysts and institutional investors). This procedure is publicly available on the Company’s website ([www.posteitaliane.it](http://www.posteitaliane.it)).

From August 2015, the Company has also taken steps to:

- Establish and regularly update a Group register of natural and legal persons with access to insider information as a result of their job or professional activity, or the tasks that they perform on behalf of the Company or Group company. The purpose of this register is to raise awareness among persons on the register about the value of insider information at their disposal, while at the same time facilitating CONSOB’s supervisory activities regarding compliance with regulations for protecting the integrity of the market.
- Apply regulations on insider dealing within the company, i.e. concerning transparency on transactions involving the Company’s shares and associated financial instruments conducted by the largest shareholders, corporate officers or persons closely associated with them. In particular, from the date that the company’s shares began trading (27 October 2015), internal dealing rules have been applied to transactions for the purchase, sale, subscription and exchange of Poste Italiane shares by “significant

persons”. This category refers to shareholders who own at least 10% of the Company’s share capital, Poste Italiane’s Directors and standing statutory auditors, and twenty other executive positions at Poste Italiane as identified in accordance with the regulations concerned who have regular access to insider information and are authorized to make managerial decisions that could affect the evolution and future prospects of Poste Italiane and its Group. In enacting the measures implementing the regulations concerned, the Board of Directors considered it advisable to include an obligation for “significant persons” other than shareholders possessing at least 10% of the Company’s share capital to abstain from carrying out transactions subject to regulations on internal dealing during four blocking periods preceding the Board’s approval of the draft annual financial statements, the half-year report and intermediate financial reports on the first and third quarters, specifically:

- In the month preceding the date scheduled for approval of the Company’s draft annual financial statements;
- In the month preceding the date scheduled for approval of the proposed half-year report;
- In the fifteen days preceding the date scheduled for approval of the first-quarter intermediate financial report as at 31 March;
- In the fifteen days preceding the date scheduled for approval of the third-quarter intermediate financial report as at 30 September.

This initiative was motivated by a desire to raise the Company’s governance standards with respect to applicable regulations by adopting a measure geared towards preventing “significant persons” from carrying out transactions that the market might perceive as suspect because they took place during periods that are particularly sensitive for corporate disclosures.

To conclude, it should be noted that the procedures mentioned in this section 14.2 are set to be reviewed in order to align their content with the market abuse-related measures that came into force on 3 July 2016 pursuant to Regulation (EU) no. 596/2014 of the European Parliament and Council, dated 16 April 2014 (“Market Abuse Regulation” or “MAR”), and subsequent implementing regulations.

#### *14.3 The Code of Ethics and the Suppliers’ and Partners’ Code of Conduct*

The drawing up of the Group’s Code of Ethics, which was approved by the Company’s Board of Directors in November 2003 and updated most recently in September 2009, was informed by an awareness of the social and environmental impact of the Group’s activities, consideration of the importance of a cooperative approach with stakeholders, and maintaining the Group’s good reputation in both internal and external relations.

In its Code of Ethics, the Group has striven to establish guidelines for the conduct that persons working at Poste Italiane must follow in their internal relations and their relations with all stakeholders: customers,

suppliers, partners, other companies, associations, public entities and institutions, agencies, the media and environmental bodies.

The Code of Ethics is consequently addressed not just to Directors and all employees at Poste Italiane and the Group, but also to people who work either permanently or temporarily on behalf of Group companies.

The principles and rules of conduct established by the Code of Ethics – for example, honesty, moral integrity, transparency, reliability and a sense of responsibility – help maintain Poste Italiane’s credibility in its civil and economic context, and translate its acknowledgement of the values that characterize the Company’s way of doing business into a competitive advantage.

Furthermore, in developing a responsible management system that is increasingly structured and disseminated within its organization, Poste Italiane in effect considers that transparent and ethical business relations are capable of helping to increase the effectiveness of corporate processes and make the Company more competitive.

From this perspective, and in association with the Group’s Code of Ethics, in September 2009 the Board of Directors approved the “Suppliers’ and Partners’ Code of Conduct”, which is designed to govern relations with companies that take part in procedures for awarding contracts and their sub-contractors, suppliers (including consultants, professionals and outside collaborators), and partners of the Group.

The principles enshrined in the Code confirm the Poste Italiane Group’s concern for highlighting ethics in business. They are also geared to fostering the gradual dissemination of ethical principles and social responsibility among parties that belong to the Group’s supply chain.

#### *14.4 Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001*

In March 2003, the Company adopted an organization, management, and control model pursuant to Legislative Decree no. 231/2001 (the “Organizational Model”).

Since it was first adopted, the goals of the Company’s Organizational Model have been to:

- Prohibit behavior involving the kinds of crimes specified under Legislative Decree no. 231/2001;
- Disseminate awareness that breaches of Legislative Decree no. 231/2001, of the prescriptions contained in the Organizational Model, and/or the principles of the Group’s Code of Ethics may lead to punitive measures (monetary and/or disqualification), including against the Company;
- Disseminate a corporate culture characterized by legality and an awareness of the Company’s express disapproval of any behavior contrary to the law, regulations, internal rules and in particular the provisions contained in the Organizational Model and the Group’s Code of Ethics;
- Highlight the existence of an effective organizational structure consistent with the operating model adopted with particular regard to the clear attribution of powers, how decisions are reached, their transparency and justification, and controls prior and subsequent to actions and activities, as well as the propriety and truthfulness of both internal and external information;

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- Through a system of controls and ongoing monitoring of the proper implementation of the system, enable the Company to prevent and/or promptly combat the committing of significant offences pursuant to Legislative Decree no. 231/2001.

The key features of the Company's Organizational Model may be summarized as follows:

- Identification of the corporate activities regarding which crimes may be committed and for which an entity may be responsible pursuant to Legislative Decree n. 231/2001 ("sensitive activities");
- Drafting and updating regulatory instruments associated with processes deemed to be potentially at risk of crimes being committed, geared specifically towards the governance of reaching and implementing Company decisions;
- Adoption of ethical principles and rules of conduct aimed at preventing conduct that might constitute any envisaged crimes;
- Appointment of a Supervisory Body with specific supervisory-related duties over the effective implementation and actual application of the Model;
- Implementation of a system of punishments capable of ensuring the Model's effectiveness;
- Carrying out activities to disseminate the contents of the Model through information provision, awareness-raising and training.

The Organizational Model has been updated several times in order to ensure its ongoing appropriateness and effectiveness with respect to the changes made to the Company's organizational structure and the external context, among other things taking into account the gradual broadening of the category of so-called "predicate offences" pursuant to Legislative Decree 231/2001, as well as the evolution of court decisions in this regard.

The Issuer's Organizational Model consists of:

- A general section focused on corporate governance and business, as well as on managing the system for preventing "231-related crimes" that the Company has implemented, including its system of punishments;
- Fifteen special sections, one for each class of crimes envisaged under Legislative Decree no. 231/2001, stating the various activities potentially exposed to the different crime risks, and the rules of conduct pertaining to each sphere of concern, in addition to the specific principles of control incorporated into corporate regulatory instruments.

The current Organizational Model envisages a position of Key Officer whose allocated responsibilities ensure that they are involved in a "Sensitive Activity" process and, as such, has access to the best information available for the purposes of assessing the associated internal control system. Furthermore, on an ongoing basis the Company updates its structured mapping of risk areas in an "At-Risk Activity Identification Matrix" (MIAR under its Italian acronym). This matrix offers a schematized breakdown of

sensitive activities based on current regulations, including a classification by class of crime, along with examples of how to potentially implement these activities and what company units are involved.

Lastly, the Company's Board of Directors updated the Organizational Model in May 2016 with regard to the make-up of the Supervisory Body (hereafter also the "Body", or the "OdV" under its Italian acronym). At that time, the Board of Directors resolved to restore the separation of the Body's functions from the Board of Statutory Auditors<sup>3</sup> (since September 2012, as a result of powers acknowledged under article 14 of Law no. 183, dated 12 November 2011, the Body's Functions had been assigned to the aforementioned Board), thereby envisaging a collegial Body consisting of two members external to the Company – one of whom serves the function of Chair of the Body itself – plus an internal member identified as the Head of the Internal Control function in order to guarantee continuity of the Body's activities. The currently serving Supervisory Body remains in office until May 2019.

The Body is tasked with supervising that the Organizational Model functions and is complied with, as well as ensuring that it is updated to reflect changes to the organizational structure or the regulatory framework by means of making justified proposals to the Chief Executive Officer, who shall pass them on to the Board of Directors.

Holding autonomous initiative and control powers, the Body also performs its duties with respect to BancoPosta RFC.

In order to perform its duties effectively, the Body – which, among other things, has a technical staff that includes the Heads of key functions – examines all auditing reports drafted by the Internal Control function and other corporate units with control duties relevant to the issues covered by Legislative Decree no. 231/2001.

It should be noted that the *"Guidelines for implementing the regulations on the prevention of corruption and transparency in companies and bodies under private law controlled or partly owned by the government and public economic entities"* (National Anti-corruption Authority Ruling no. 8, dated 17 June 2015) do not apply to the Company inasmuch as, through a specific provision contained therein, guidelines regarding provisions applicable to *"companies with listed shares and companies with financial instruments listed on regulated markets, as well as their subsidiaries"* will be subject to guidelines to be adopted following the outcome of a roundtable initiated by the National Anti-corruption Authority (ANAC) and the Ministry of the Economy and Finance with CONSOB.

As a "listed company under public control", the Company is further excluded from the scope of application of Legislative Decree no. 33/2013, "Review of regulations regarding the right to civic access and obligations concerning disclosure, transparency and the dissemination of information by government bodies", as redefined under Legislative Decree no. 97, 25 May 2016.

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<sup>3</sup> Poste Italiane's currently-applicable Organizational Model nevertheless retains the option of allocating the functions held by the Supervisory Body to the Company's Board of Statutory Auditors.

*14.5 The Internal Infringement Reporting System (Whistleblowing)*

As part of its Internal Control and risk management system, pursuant to existing domestic and international best practice and the reference legal and regulatory framework, in October 2016 the Company adopted guidelines (available from the Company's website [www.posteitaliane.it](http://www.posteitaliane.it)) geared towards regulating the company's in-house system for reporting (including anonymously) acts or deeds that concern:

- Breaches of internal and external rules that govern Poste Italiane's activities, including BancoPosta Capital, and/or the principles and rules of conduct in the Code of Ethics;
- Criminal or fraudulent conduct perpetrated by employees, members of corporate bodies or third parties (suppliers, consultants, collaborators, financial advisors and group companies) that may directly or indirectly procure economic or financial damage to the Company and/or harm its image.

These guidelines were drafted to reflect legal and regulatory changes on these issues within the reference legal and regulatory framework in July 2015 (in particular, updates to Bank of Italy Circular no. 285/2013 and to the Corporate Governance Code), expressing a need to adopt this reporting system in order to foster the dissemination of ethical conduct within the workplace, strengthen compliance with regulations and corporate governance, and protect investors and categories of service-users.

Poste Italiane's internal whistleblowing system ensures that all appropriate investigations be carried out into such reports through an audit carried out by the Internal Control Function, fraud management checks conducted by the Corporate Protection function in the case of suspected criminal offences, or a request for management investigation by the relevant functions.

Specifically, the reports management process is overseen by the Reports Assessment Committee (the "Committee" or "CVS" under its Italian acronym), which is coordinated by the Internal Control function and consists of representatives from the following functions: (i) Human Resources, External Relations and Services; (ii) Legal and Corporate Affairs; (iii) Internal Control; and (iv) BancoPosta Internal Audit (an "on-call" member that takes part solely in cases to do with BancoPosta Capital activities, as envisaged under the associated Regulations). In 2016, the Committee handled all reports received through this channel, ensuring that they were dealt with, investigated, assessed and reported on pursuant to these guidelines.

Furthermore, the Reports Assessment Committee ensured the envisaged regular flow of information to the Control and Risk Committee, Board of Directors and Board of Statutory Auditors.

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The professional profiles of the Directors and statutory auditors in office as at the date this report was drafted are attached below, together with two charts summarizing highlights from the second section of this document.

**ANNEX 1: Board of Directors – Member Bios**

- Luisa Todini, 50 years old, Chair.

Born in Perugia in 1966, Luisa Todini graduated in Law from the University of Rome (“La Sapienza”). She has one daughter. In 1985, she began working at the family construction company, Todini Costruzioni Generali, managing first at the Personnel Department and then at the Legal Department. She is currently the majority shareholder in Todini Finanziaria and Domus Etruria (a holding company that operates in the wine industry, hotels and restaurants, agriculture, real estate, and renewable energy). She is a Director at Salini Costruttori (the holding company of the Salini Impregilo Group), Chair of Todini Costruzioni Generali, a member of the Rothschild & Co. Supervisory Board, and sits on the Advisory Board to LUISS Guido Carli.

She was a member of the European Parliament from 1994 to 1999, Chair of the FIEC (European Construction Industry Federation) from 2010 to 2012, and sat on the board of RAI from 2012 to 2014. In 1999, the Fondazione Bellisario awarded her the “Mela d’oro” Prize.

Since 16 April 2015, she has chaired the newly-founded non-profit Fondazione Poste Insieme onlus.

Chair of the Board of Directors of Poste Italiane since May 2014.

- Francesco Caio, 59 years old, Chief Executive Officer and General Manager.

Born in Naples in 1957, Francesco Caio is married and has two children. He graduated in Electronic Engineering from the Politecnico di Milano and earned an M.B.A. at INSEAD in France. Since 7 May 2014, he has been the Chief Executive Officer of Poste Italiane, the leading postal company in Italy and also in the forefront of insurance and mobile-telephone services. Prior to his appointment at Poste Italiane, from 2 May 2011 he was the Head of the Avio Aero Group. He is a member of the Advisory Board to the Politecnico di Milano. From June 2013 to May 2014, he coordinated implementation of the Italian government’s Digital Agenda programme. He has also served as a consultant to the UK government on industrial policy to develop broadband network infrastructure. In recent years, he has held positions of increasing responsibility in the fields of telecommunications and electronics in Italy and abroad. He has served as Chief Executive Officer at many companies, including Omnitel Pronto Italia, Olivetti, Merloni Elettrodomestici, Netscalibur and Cable&Wireless. He was Chairman of the Advisory Board to Lehman Brothers in Europe, and Deputy Chairman of Investment Banking for Europe at Nomura in London. In addition, he has been a Director at multinational groups that include Equant (1997-2000) and Motorola in the United States (2000-2003).

Chief Executive Officer and General Manager at Poste Italiane since May 2014.



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- Giovanni Azzone, 56 years old, Director.

Graduate in Engineering and Industrial Technology with a specialization in economic and organizational affairs from the Politecnico di Milano. From 1997, tenured professor in Management Control Systems at the Politecnico di Milano, where he served as Dean from December 2010 to December 2016, and CEO and Chairman of Arexpo SpA from February 2016. From 2014, Chairman of the FUAP-Fondazione Universitaria per la formazione delle Amministrazioni Pubbliche and member of the Swiss Accreditation Council. Member of the AssoConsult-Confindustria Ethics Committee and the SIBAC-Seoul International Business Advisory Council from 2015. Over the years, he has held a number of positions at top Italian and international universities. He has conducted research into organizational analysis and management control at industrial companies and in government. He has written books and research monographs, and published over fifty articles in international reviews and books.

Director at Poste Italiane since May 2016.

- Elisabetta Fabri, 55 years old, Director.

Bachelor in Business Administration from John Cabot University in Rome. She is Chair of Starhotels International and Chair and Chief Executive Officer of Starhotels S.p.A. She holds other positions in subsidiaries of these companies. She is also a Director at Toscana Aeroporti S.p.A.

Director at Poste Italiane since May 2014.

- Mimi Kung, 52 years old, Director.

Attended Boston University School of Management (1998) and Oxford University (2003). From 1988 to 1990, she worked as Assistant Controller at The Grand Hyatt (Taipei Taiwan Formosa). Subsequently, between 1991 and 1995 she worked for GE Capital (Stamford Connecticut) as a Collateral and Investment Analyst in the Corporate Finance Group. In 1995, she joined American Express, working her way up to senior management positions until 2015, among which she became Chief Financial Officer at American Express Europe and, most recently, Senior Vice President, Head of “Card Services Central Europe & International Currency Cards”, and Country Manager for Italy.

Director at Poste Italiane since May 2016.

- Umberto Carlo Maria Nicodano, 64 years old, Director.

Umberto Carlo Maria Nicodano graduated in Law from the University of Milan. From 1976 to 1982, he worked as an in-house lawyer at Sperry Univac, a Division of the Sperry Rand Corporation, in their offices in Milan, London, Philadelphia, and Rome. In 1982, he began to practice law, first at Erede Bianchi Giliberti and subsequently at Erede e Associati. In 1999, he helped set up the Bonelli Erede Pappalardo law firm, today known as Bonelli Erede.

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Director at Poste Italiane since July 2015.

- Chiara Palmieri, 46 years old, Director.

Chiara Palmieri graduated *cum laude* in Economics and Business from the Luigi Bocconi University in Milan in 1994. From 1994 to 2002, she worked at Morgan Stanley, where among other things she worked on IPOs for Bulgari, Gucci, Mediaset, and Harvey Nichols, as well as privatization of Telecom Italia and ENI. In 1997, she became Head of EMEA Product Development. From 2002 to 2003, she was in charge of Product Development in Europe, reporting directly to the Head of Private Banking Europe at Crédit Suisse. From 2003 to 2010, she worked at Goldman Sachs, in charge of business development in Italy and management of the key-client portfolio. Since 2013, she has been General Manager at Laprima Holding Srl. In addition, since 2013 she has been on the Board of SNAI S.p.A. and since 2014 on the Board of Carisma SGR. Since 2012 she has taught at the SDA – Bocconi School of Management.

Director at Poste Italiane since July 2015.

- Filippo Passerini, 59 years old, Director.

Filippo Passerini graduated in Statistics from the “La Sapienza” University of Rome. From 1981 to 2015, he worked at Procter & Gamble, rising to become Head of Global Business Services (from 2003) and Chief Information Officer (from 2004). He is currently a consultant of The Carlyle Group and Columbia University, and sits on the Boards of listed American companies United Rentals Inc. and Greatbatch Inc.

Director at Poste Italiane since September 2015.

- Roberto Rao, 49 years old, Director.

Robert Rao graduated in Law from “La Sapienza” University of Rome. He joined the Italian Association of Journalists in 1991. From 1992 to 1993, he was Head of Communications at A.C.E.A and in charge of the house organ “Talete”. He worked in the press office of the Association dei Costruttori Edili Romani (1992-1993) and was the press officer to the Centro Cristiano Democratico Parliamentary Group in the Chamber of Deputies (1994-1998), and to the Vice-President of the Chamber of Deputies (1998-2001). From 1996 to 1998, he worked for the Consorzio CNC of the ANCI; from 1996 to 1998 he worked on the National Association of Italian Municipalities’ magazine. From 1998 to 2001, he was Head of the press office at the Centro Cristiano Democratico and in charge of communications for parliamentary groups. He served as spokesman to the President of the Chamber of Deputies (2001-2006), Head of Communications at the UIP – Unione Interparlamentare (2006-2008), and was a consultant on communications to the Supervisory Authority on Public Contracts for Works, Services and Provisioning (2007-2008). From March 2008 to February 2013, he was a member of the Chamber of Deputies as part of the Unione di Centro (Group Head on the Justice Committee and on the Bi-cameral Committee for the supervision and general guidelines of

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radio and television services). Until February 2014, he served as an advisor to the Minister of Justice, Annamaria Cancellieri, on social and crime-related issues. Since March 2014, he has been an economic and financial advisor to the Minister of Justice, Andrea Orlando.

Director at Poste Italiane since May 2014.

**ANNEX 2: Board of Statutory Auditors – Member Bios**

- Mauro Lonardo, 47 years old, Chair.

Graduated in Economics and Business from the “La Sapienza” University of Rome. Since 1999, he has been a registered Certified Public Accountant and member of the Register of Auditors. After working with the Studio Tributario Societario as Head of Tax (1996-2006), Mr Lonardo became Head of accounts auditing and analysis for the City of Rome group and its investee companies operating in infrastructure and services (2006-2009). He was a partner at the Studio Internazionale tax practice (2007-2011). From 2011, he has been a partner at the RSM - Lauri Lombardi Lonardo Carlizzi legal and CPA practice, specializing in corporate governance and international taxation. He has held a number of positions on Boards of Statutory Auditors at a number of companies. He lectures at the Rome Certified Public Accountants Register training school, and has sat on the number of committees at the Rome Certified Public Accountants Register and on the Steering Committee of the Union of Young Certified Public Accountants in Rome.

Chair of the Board of Statutory Auditors at Poste Italiane since May 2016.

- Alessia Bastiani, 48 years old, standing auditor.

A graduate in Economic and Business, as a Senior Auditor at KPMG S.p.A. she has worked with a number of companies and, on the “Bank Team”, with many banks. In 1996, she founded the Bastiani Practice, working as a Certified Public Accountant specializing in corporate affairs, with a special focus on corporate governance and company crisis management. A registered statutory auditor since 1999, she has held a number of positions on the Boards of Directors and Boards of Statutory Auditors at a number of companies and entities of public interest, some of them large. A member of Supervisory Bodies pursuant to Legislative Decree no. 231/2001 and a consultant for investment and venture capital deals, she has also conducted statutory auditing and worked as the Head of Internal Auditing at listed and publicly-owned companies. From 2012 to 2016, she sat on the Equal Opportunities Committee at the Order of Chartered Accountants and Commercial Experts in Florence; from 2014 to 2016, she was a standing member of the “Corporate Finance and Insurance” National Committee at the National Council of Chartered Accountants and Commercial Experts; she has lectured as the chair of Corporate Marketing and Strategy at the University of Florence, and lectured in company valuation at the University of Naples Parthenope.

Standing auditor at Poste Italiane since May 2016.

- Maurizio Bastoni, 50 years old, standing auditor.

Graduated in Economics and Business from the “La Sapienza” University of Rome. He is a specialist in commercial law and a certified public accountant, and also works as a receiver at the Courts of Rome and

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Civitavecchia. He has headed an accounting and tax consultancy firm since 1994, and has held a number of posts as standing auditor and Chairman of the Boards of Statutory Auditors at multiple companies.

Standing auditor at Poste Italiane since September 2015.

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TABLE 1: Structure of Poste Italiane’s Board of Directors and its Committees

Board of Directors												Control and Risk Committee		Remuneration Committee		Appointments Committee		Related Parties Committee	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	Exec.	Non-Exec.	Ind. acc. to CGC**	Ind. acc. to CFA***	Number of other positions****	*	**	*	**	*	**	*	**	*
Chair	Todini, Luisa	1966	2014	1/2016	12/2016		X			2	16/16								
CEO/GM ♦ •	Caio, Francesco	1957	2014	1/2016	12/2016	X				-	16/16								
Director	Azzone, Giovanni	1962	2016	5/2016	12/2016		X	X	X	-	9/10	M***	4/5			M***	5/6	P***	4/4
Director	Fabri, Elisabetta	1962	2014	1/2016	12/2016		X	X	X	1	16/16			M	12/12				
Director	Kung, Mimi	1965	2016	5/2016	12/2016		X	X	X	-	10/10			M****	6/6			M****	4/4
Director	Nicodano, Umberto Carlo Maria	1952	2015	1/2016	12/2016		X	X	X	1	15/16	P	13/14	M*****	8/8				
Director	Palmieri, Chiara	1970	2015	1/2016	12/2016		X			1	16/16	M	13/14			M	10/10		
Director	Passerini, Filippo	1957	2015	1/2016	12/2016		X	X	X	2	14/16	M***** *	3/4	P	12/12	M***** *	5/7		
Director	Rao, Roberto	1968	2014	1/2016	12/2016		X	X	X	-	16/16	M	14/14			P	10/10	M***** **	4/4
<b>Threshold required to present slates of candidates for the Board of Directors (pursuant to article 147-ter of the Consolidated Finance Act): 1% of share capital</b>																			
<b>Number of meetings held during FY 2016</b>							<b>BoD: 16</b>		<b>Control and Risk Committee 14</b>			<b>Remuneration Committee: 12</b>			<b>Appointments Committee: 10</b>			<b>Related Parties Committee: 4</b>	

NOTES

- This symbol indicates the Director in charge of the internal control and risk management system.
- ♦ This symbol indicates the person primarily responsible for managing the Issuer (Chief Executive Officer or CEO).
- \* The date of first appointment of each Director refers to the initial date on which the Director was appointed to the Board of Directors.

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\*\* An “X” in this column indicates possessing the independence requisites pursuant to article 3 of the Corporate Governance Code of listed companies. Specifically, according to application criterion 3(C)(1) of the Corporate Governance Code, a Director should normally be considered not to qualify as having these independence requirements in the following cases:

- a) If, directly or indirectly, including through controlled companies, fiduciaries, or third-parties – he or she controls the issuer or is able to exercise a considerable influence over it or enters into a shareholders’ agreement through which one or more parties may exercise control over the issuer or influence it considerably;
- b) If, in the three preceding years, he or she is or has been a significant representative of the issuer,<sup>4</sup> a key subsidiary or a company subject to joint control with the issuer, or of a company or a body – including with others through a shareholders’ agreement – that controls the issuer or is able to exercise a considerable influence over it;
- c) If, directly or indirectly (for example, through a controlled company or companies in which he or she is a significant representative, or as a partner in a professional or consulting firm) he or she has or in the previous year has had a significant commercial, financial or professional relationship:
  - With the issuer, a subsidiary, or any of its associated significant representatives;
  - With a person who, including together with others through a shareholders’ agreement, controls the issuer, or – in the case of a company or body – with associated significant representatives; or is/has been in the three preceding years an employee of one of the aforementioned parties;
- d) If he/she receives or has during the three preceding years received from the issuer or subsidiary or parent company a significant remuneration in addition to his/her regular emolument as a non-executive director of the issuer and to his/her compensation for serving on advisory and proposal-making committees set up within the Board of Directors, including through participation in incentive schemes linked to corporate performance, including stock-option plans;
- e) If he/she has been a Director of the issuer for more than nine out of the last twelve years;
- f) If he/she holds the office of Executive Director in another company at which an executive director of the issuer holds a directorship;
- g) If he/she is a shareholder or Director of a company or an entity belonging to the network of the firm appointed as external audit to the issuer;
- h) If he/she is closely related<sup>5</sup> to a person in one of the situations referred to above.

\*\*\* An “X” in this column indicates possession of the independence requirements envisaged of Statutory Auditors at listed companies pursuant to article 148, paragraph 3 of the Consolidated Finance Act, and of Directors under article 147-ter, paragraph 4 of the aforementioned Consolidated Finance Act. According to the provisions of article 148, paragraph 3 of the Consolidated Finance Act, the following do not qualify as independent:

- a) Persons to whom the circumstances described under article 2382 of the Italian Civil Code apply (i.e. in a state of debarment, disqualification or bankruptcy, or who have been sentenced to a punishment that entails even temporary disqualification from holding public office or the legal incapacity to hold a directorship);
- b) The spouse and relatives up to the fourth degree of kinship of the company’s Directors, as well as the Directors (and their spouses and their relatives up to the fourth degree of kinship) of its subsidiaries, companies that control it, and those subject to joint control;
- c) Persons connected with the company or its subsidiaries or companies that control it, or companies subject to joint control, or with the Directors of the company or the persons referred to under b) above through working relationships, either as employees or self-employed persons, or through other relationships based on an asset-related or professional basis that would compromise their independence.

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<sup>4</sup> It should be noted that, in accordance with application criterion 3(C)(2) of the Corporate Governance Code, the following are to be considered “significant representatives” of a company or a body (including pursuant to application criterion 3(C)(1)): the Chairperson of the organization, the Chairman of the Board of Directors, Executive Directors, and key managers of the company or body concerned with strategic responsibilities.

<sup>5</sup> The comment to article 3 of the Corporate Governance Code states in this regard that “in principle, the following should be considered as not independent: parents, children, not-legally-separated spouses, common-law spouses, and family members living with a person who may not be considered an independent director”.

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- \*\*\*\* This column indicates the number of offices the person holds on Boards of Directors or Boards of Statutory Auditors at other companies of significant size according to the policy established in this regard by the Board of Directors. In this regard, it should be noted that as of the date that this report was written, the current Directors of Poste Italiane hold the following offices considered significant to this end:
- 1) Luisa Todini: Director at Salini Costruttori S.p.A. and member of the Supervisory Board to Rothschild & Co (France);
  - 2) Elisabetta Fabri: Director at Toscana Aeroporti S.p.A.;
  - 3) Umberto Carlo Maria Nicodano: Director at Brembo S.p.A.;
  - 4) Chiara Palmieri: Director at SNAI S.p.A.;
  - 5) Filippo Passerini: Director at Integer Inc. (USA) and at United Rentals Inc. (USA).
- \* This column indicates the Directors' attendance respectively at meetings held by the Board of Directors and its committees. Specifically, it shows the number of meetings attended by the Director concerned out of the total number of meetings held. All absences were appropriately justified.
- \*\* This column indicates the Director's position on the committee: "C" = Chair, "M" = member.
- \*\*\* Held the post of (i) Member of the Control and Risk Committee between June and September 2016, attending four (out of the five) meetings held by the Committee over the period; (ii) Member of the Appointments Committee from June to December 2016 (and remained so at the date this Report was drafted), attending five (out of the six) meetings held by that committee over the period; and (iii) Chair of the Related Parties Committee between October and December 2016 (and remained so at the date this Report was drafted), attending all (four) meetings held by the Committee over the period.
- \*\*\*\* Held the post of (i) Member of the Remuneration Committee between June and December 2016 (and remained so at the date this report was drafted), attending all (eight) meetings held by the Committee over the period; and (ii) Member of the Related Parties Committee between October and December 2016 (and remained so at the date this Report was drafted), attending all (four) meetings held by the Committee over the period.
- \*\*\*\*\* Held the post of Member of the Remuneration Committee between January and September 2016, attending all (eight) meetings held by the Committee over the period.
- \*\*\*\*\* Held the post of (i) Member of the Control and Risk Committee between October and December 2016 (and remained so at the date this report was drafted), attending three (out of four) meetings held by the Committee over the period; and (ii) Member of the Appointments Committee between January and September 2016), attending five (out of seven) meetings held by the Committee over the period.
- \*\*\*\*\* Held the post of member of the Related Parties Committee between October and December 2016 (and remained so at the date this Report was drafted), attending all (four) meetings held by the Committee over the period.



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TABLE 2: Poste Italiane’s Board of Statutory Auditors

Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List*	Attendance at Board meetings**	Independence acc. to the Corporate Governance Code	Number of offices ***
Chair	Mauro Lonardo	1969	2016	5/2016	12/2016	m	10/10	X	14
Standing Auditor	Alessia Bastiani	1968	2016	5/2016	12/2016	M	10/10	X	12
Standing Auditor	Maurizio Bastoni	1966	2015	1/2016	12/2016	M	22/22	X	0
Alternate auditor	Andrea Bonechi****	1968	2016	5/2016	12/2016	m	-	-	-
Alternate auditor	Marina Colletta	1970	2016	5/2016	12/2016	M	-	-	-
Alternate auditor	Ermanno Sgaravato	1957	2016	5/2016	12/2016	M	-	-	-
<b>Auditors who left during FY 2016</b>									
Chair	Benedetta Navarra	1967	2013	1/2016	5/2016	-	12/12	X	-
Standing Auditor	Nadia Fontana	1961	2013	1/2016	5/2016	-	12/12	X	-
Alternate auditor	Manuela Albertella	1956	2015	1/2016	5/2016	-	-	-	-
Alternate auditor	Alfonso Tono	1971	2015	1/2016	5/2016	-	-	-	-
<b>Threshold required to present slates of candidates for the Board of Statutory Auditors (pursuant to article 148 of the Consolidated Finance Act):</b> 1% of share capital									
<b>Number of meetings held during FY 2016 22</b>									

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- \* Date of first appointment means the date on which each auditor was initially appointed to the Board of Statutory Auditors.
- \* M/m in this column indicates whether the auditor comes from a list voted for by the majority (M) or minority (m) of the share capital represented at the Shareholders' Meeting.
- \*\* This column indicates the attendance of the auditors at meetings of the Board of Statutory Auditors, specifically the number of meetings attended by the auditor concerned out of the total number of meetings that he or she could have attended. All absences were appropriately justified.
- \*\*\* This column indicates the number of offices the auditor concerned has declared that he or she holds on the Boards of Directors or the Boards of Statutory Auditors of Italian corporations. The complete list of offices is published by CONSOB on its website, pursuant to article 144-*quinquiesdecies* of the CONSOB Issuer Regulations.
- \*\*\*\* Resigned from the position of alternate auditor on 30 January 2017.