

ANNUAL REPORT ON CORPORATE GOVERNANCE

YEAR 2012

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 60,736,463.84
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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***ANNUAL REPORT ON THE SYSTEM OF “CORPORATE
GOVERNANCE” AND COMPLIANCE WITH THE CODE OF
CONDUCT OF LISTED COMPANIES***

– YEAR 2012 –

***Report on Corporate Governance and on the ownership structure
(in accordance with art. 123-bis of the Consolidated Law on Finance –
T.U.F.)***

The purpose of this report (hereinafter “The report”) is to illustrate the model of corporate governance that SOGEFI S.p.A. (hereinafter the “Company”) adopted during the year 2012.

The Company’s governance structure is based on the model of traditional administration and control. The system of corporate governance is pursuant to the advices included in the Code of Conduct approved on December 2011 by the Committee for the Corporate Governance of the Listed Companies and promoted by Borsa Italiana S.p.A..

The modifications introduced in December 2011 to the Code of Conduct have been acknowledged by the Board of Directors on October 23, 2012.

The report approved by the Board of Directors on February 26, 2013 is made available to Shareholders, as provided by the law, as part of the documents provided for the Shareholders meeting called to approve the 2012 Financial Statements.

At the same time the report will be also available, together with other documents of interest to the market, on the Company website www.sogefigroup.com, in the section “Investor – Corporate Governance”.

INFORMATION ON OWNERSHIP STRUCTURE (ex art. 123-bis, paragraph 1, T.U.F.) AS OF DECEMBER 31, 2012

a) Structure of share capital (ex art. 123-bis, paragraph 1, letter a), T.U.F.)

The share capital of Sogefi S.p.A. fully paid in at December 31, 2012 amounts to € 60.711.763,84, split into 116.753.392 ordinary shares listed at Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. – STAR segment.

All the ordinary shares have the same rights and obligations.

In previous years the Company has implemented stock option plans involving increases in Share Capital. Details of these plans can be found in the information documents drawn up in accordance with the art. 84-bis of Consob Regulation 11971/99 (Rules for Issuers) available on the Company website.

b) Restrictions on the transfer of shares (ex art. 123-bis, paragraph 1, letter b), T.U.F.)

The Company's shares are freely transferable, with the exception of some restrictions applicable to determined group of people for limited periods of time, as per Code of Conduct concerning Internal Dealing published on the Company website in the section "Investor – Corporate Governance".

The Stock Grant Plans, deliberated in the years 2011 and 2012, envisages a "minimum holding" commitment for the shares assigned to the beneficiaries. The beneficiaries irrevocably undertakes to hold continuously a number of shares at least equal to 10% of the shares assigned pursuant to the plan until the fifth anniversary of the grant date. During the above period, the shares will be subject to the inalienability requirement, unless otherwise authorized by the Board of Directors.

c) Relevant shareholding (ex art. 123-bis, paragraph 1, letter c), T.U.F.)

The shareholders, that in the last resort, hold directly or indirectly more than 2% of the capital with the voting right, fully paid in at December 31, 2012, as per the Shareholders' book and on the basis of communications received pursuant to art. 120 of the Legislative Decree n. 58/98 and information available at the Company, are:

Carlo De Benedetti (through CIR S.p.A.): 56.4%

Bosio Emanuele: 3.06%

Germano Giovanni: 2.58% (of which 0.86% through Siria S.r.l.)

Highclere International Investors LLP: 2.14% (2.12% indirectly through The Highclere International Investors Smaller Co. Fund and 0.02% through other funds).

d) Shares granting special rights (ex art. 123-bis, paragraph 1, letter d), T.U.F.)

The Company has not issued shares with special control rights.

e) Shareholding of employees: mechanism to exercise the voting right (ex art. 123-bis, paragraph 1, letter e), T.U.F.)

No particular mechanisms to exercise the voting right are in place concerning the participations from employees.

f) Restrictions on the voting right (ex art. 123-bis, paragraph 1, letter f) T.U.F.)

The Company's Articles of association doesn't provide limits to the voting right.

g) Agreement between Shareholders (ex art. 123-bis, paragraph 1, letter g) T.U.F.)

The Company is unaware of agreements between shareholders in accordance with art. 122 T.U.F.

h) Change of control clauses (ex art. 123-bis, paragraph 1, letter h) T.U.F.)

In the below mentioned financial agreements entered into by Sogefi S.p.A. "change of control" clauses are provided, whose effects are:

Financing with Intesa Sanpaolo S.p.A.: option of withdrawal for the issuing bank.

Financing with Unicredit S.p.A.: obligation of early prepayment of the debt.

Financing with Banca Europea degli Investimenti (BEI): option of withdrawal for the issuing bank.

Financing with Banca Monte dei Paschi di Siena S.p.A.: obligation of early prepayment of the debt.

Financing with Banca Carige S.p.A.: option of withdrawal for the issuing bank.

Financing with GE Capital S.p.A.: obligation of early prepayment of the debt.

Syndicated loan 2012: check of the purposes for the prosecution of availability of the contract in relation to the rating of entity taking control.

i) Indemnity to Directors in the event of resignation, dismissal without good cause and interruption of work contract as a result of a public offer (ex art. 123-bis, paragraph 1, letter i) T.U.F.)

No indemnities are in force for Directors in case of resignation, dismissal without good cause and interruption of work contract as a result of public offer.

l) Appointment and replacement of Directors and articles of association amendments (ex art. 123-bis, paragraph 1, letter l) T.U.F.)

See point 5) of the Report for the appointment and replacement of Directors.

For the amendments of the articles of association the provisions of the law are applied.

m) Delegation of power to increase the share capital and authorizations to buy back of own shares (ex art. 123-bis, paragraph 1, letter m) T.U.F.)

The Board of Directors may, for a period of five years from the date of the registration in the Register of Enterprises (May 29, 2009) from the Shareholders meeting resolution of April 23, 2009 increase the share capital on one or more occasions by a maximum total par value of Euro 250,000,000 by issuing shares with or without a share premium, including special categories of shares (preference, savings, with special benefits), to be offered for subscription and/or to service warrants or the conversion of bonds, including those issued by third parties, both in Italy and abroad, or to be assigned free of charge to those so entitled via the transfer to capital of the distributable portion of equity reserves reported in the latest approved financial statements.

Furthermore, the Board of Directors may, for a period of five years from the same date, increase the share capital on one or more occasions by a maximum total par value Euro 5,200,000 by issuing up to 10,000,000 shares with or without a share premium including special categories of shares (preference, savings, with special benefits), reserved for subscription by Directors and employees of the Company and its subsidiaries pursuant to art. 2441, V and last paragraph, of the Italian Civil Code; the Board also has the right to set the issue price, the subscription

requirements and limits on the availability of the shares, as well as, in general, the terms and conditions of the subscription.

The Board of Directors may, for the same period, issue bonds convertible into shares or carrying rights for the assignment of shares, on one or more occasions, in any currency, up to an amount which, having regard for the bonds in circulation at the date of approving the issue, does not exceed the limits established by law.

The Ordinary Shareholders meeting on April 19, 2012 authorized the Board of Directors, according to art. 2357 of the Civil Code, for 18 months starting from the day after the meeting deliberation, to buy back a maximum of 10 million own shares for a total nominal value of Euro 5,200,000 (including the own shares already being held as treasury stock) that cannot exceed the fifth part of the share capital of the Company. The purchases should not be more than 10% higher or lower than the official price recorded by the Sogefi shares in the Stock Exchange trading session before each transaction.

At December 31, 2012 the Company had n. 3,981,095 treasury shares equal to 3.41 % of the share capital.

n) Policy guidance and coordination (ex art. 2497 and thereafter of the Civil Code)

The Company is subject to policy guidance and coordination by its parent company CIR S.p.A., pursuant to art. 2497 and thereafter of the Civil Code.

COMPLIANCE AND OTHER INFORMATION (ex art. 123-bis, paragraph 2, T.U.F.)

a) Compliance with a code of conduct regarding the corporate governance (ex art. 123-bis, paragraph 2, letter a), T.U.F.)

The Company complies with the Code of Conduct of the listed companies approved in December 2011 prepared by the Committee for the Corporate Governance of the listed Companies and promoted by Borsa Italiana S.p.A., available on the website www.borsaitaliana.it.

b) Main characteristics of the risks management and internal control systems existing in relation to the financial disclosure process (ex art. 123-bis, paragraph 2, letter b), T.U.F.)

This information is shown at point 7) of the Report “Internal Control System and risks management”.

c) Working mechanisms of the Shareholders meeting, main powers and rights of the Shareholders and procedures for their exercise (ex art. 123-bis, paragraph 2, letter c) T.U.F.)

See explanation in point 10) of the Report “Shareholders meetings”.

d) Composition and working of the administrative and control bodies and of their committees (ex art. 123-bis, paragraph 2, letter d), T.U.F.)

See explanation in the sections of the Report relating to the Board of Directors (points 1 and 2), to the Statutory Auditors (point 8) and to the Committees (points 4, 6 and 7).

1) Role of the Board of Directors (ex art. 123-bis, paragraph 2, letter d), T.U.F.)

The Company is administered by a Board of Directors comprised of between five and fifteen members. They are appointed by the General Meeting of Shareholders for a fixed term which may not exceed three years and are eligible for re-election. (art. 17 of the Company’s Articles of association).

According to article 23 of the Company’s Articles of association, the Board of Directors exercises the widest powers of ordinary and extraordinary administration and has the power to perform all the acts deemed appropriate in carrying out all the activities comprising or instrumental to the achievement of the corporate objects, except for those powers which the law or these Articles of association reserve specifically for the Shareholders in the Shareholders meeting.

Accordingly, the Board of Directors may resolve to reduce share capital in the case of withdrawal by Shareholders, to amend the Articles of association in order to comply with compulsory legislation, to transfer the registered offices within Italy,

and to absorb subsidiaries that are wholly owned or whose capital is at least 90% owned, in compliance with arts. 2505 and 2505-bis of the Italian Civil Code.

In application of the provisions of art. 1 of the Code of Conduct, the Board of Directors:

- on the basis of the internal procedures duly approved by the Board of Directors on October 23, 2012, will examine and approve the strategic, industrial and financial plans of the Company and of the subsidiaries by checking on a regular basis their implementation;
- defines the nature and the risk level compatible with the strategic objectives of the Company;
- assesses the adequacy of the organisational, administrative and accounting structure of the Company, as well as the one of the strategic subsidiaries, in particular referring to the internal control and risk management system;
- defines the intervals, usually quarterly, at which the Managing Director must report to the Board the activities that have been carried out in the execution of the assigned powers;
- assesses the management performances by taking into account especially the information received by the Managing Director;
- examines and approves beforehand the transactions of the Company and checks the ones of its subsidiaries with a significant strategic importance. To this end, the Board of Directors held on October 23, 2012 defined the corresponding parameters of importance, by adopting an *ad hoc* procedure;
- performs, at least once a year, an assessment on the size, composition and operation of the Board itself and its committees, also taking into account the elements such as professional, practical and managerial characteristics, gender and seniority in charge;
- can express to the Shareholders, before the appointment of the new Board, its opinions on the professional functions that are deemed to be necessary inside the Board;
- in order to guarantee the correct management of corporate information the

Board of Directors held on October 23, 2012 adopted a procedure for internal management and external communication of documents and information about the Company, especially referring to privileged information, which is available on the Company website.

The directors act and decide autonomously and with full knowledge of the facts, they accept their mandate as they deem they can dedicate the due time to the diligent execution of their tasks, even considering the commitment related to their professional and working activities, the number of director or statutory auditor offices they hold in other companies listed in regulated markets, in financial companies, banks, insurances or companies that have considerable size. They are also required to inform the Board of Directors on the possible activities they carry out that compete with the issuer, as well as any significant modification to the offices they have in other companies.

The Board of Directors held on October 23, 2012 approved guidelines on the subject of the maximum number of positions of Director or Statutory Auditor, giving some limits as to the number of positions that can be held by executive and non-executive Directors of SOGEFI in Significant Companies, as defined by the same Board.

In the orientation approved for executive directors, it is suggested not to allow to offices as an executive director or statutory auditor, as well as to foresee a maximum number of 3 offices as a non-executive director, in Significant Companies that do not belong to the CIR group or to the one of its parent companies.

For non-executive directors, it is suggested a maximum of 5 offices as a non-executive director and/or statutory auditor and 2 offices as an executive director in other Significant Companies that do not belong to the CIR group or the one of its parent companies.

At any rate, it is foreseen the possibility to infringe these limits with a justified decision of the Board of Directors, which also considers the participation level of the involved director to the Board of Directors and committee works.

On April 20, 2010, the Board of Directors of the Company, convened at the end of the Shareholders meeting, appointed as Chairman, Mr. Rodolfo De Benedetti and as Chief Executive Officer, Mr. Emanuele Bosio and granted:

- to the Chairman of the Company, Mr. Rodolfo De Benedetti: the company representation before third parties and in court and more power of ordinary and extraordinary administration to be exercised by single signature except for those by laws for the Shareholders Meeting or the Board of Directors;
- to the Chief Executive Officer of the Company, Mr. Emanuele Bosio, the wider powers of management and representation, in order that he might superintend the ordinary management of the Company, performing all those acts relating to operative management, necessary or useful for the proper carrying out of Company business and for the achievement of the corporate purposes, and represent the Company with single signature, before any Authority, as well as before all public and private Offices and third parties in general, in all ordinary management business. Furthermore, the Chief Executive Officer has also been granted the special office of promoting, planning and addressing, on the basis of the strategies defined by the Board of Directors, studies and projects aimed at valorising the assets of the Company and identifying new business growth and development opportunities.

On September 7, 2012, the Board of Directors appointed General Manager Mr. Guglielmo Fiocchi, by attributing to him ordinary administration powers with single signature, limited to the instruments that are foreseen by the delegation resolution.

2) Composition of the Board of Directors (ex art. 123-bis, paragraph 2, letter d) T.U.F.)

The Board of Directors, appointed by the Shareholders meeting on April 20, 2010, until the approval of 2012 Financial Statements, is composed of eight Directors of whom two are executive (the Chairman and the Chief Executive Officer) and six non-executive.

In terms of their number and prestige, the non-executive Directors are such as to guarantee a significant contribution to Board decision making; they bring their own specific skills to Board debates and helping make decisions in the interests of the Company.

Independent Directors represent the majority of the Board.

The composition of the Board of Directors of the Company is such as to ensure a sufficient level of operational autonomy and hence maximization of its economic and financial objectives.

The Board of Directors in office is composed as follows:

Name	Office	In office from	In office until	List	Executive	Non executive	Independence Code of Conduct	Independence T.U.F.	% BoD	Other offices	Office seniority
De Benedetti Rodolfo	Chairman of the Board of Directors	20.4.2010	31.12.2012	M	X				100	7	28.4.1997
Bosio Emanuele	Chief Executive Officer	20.4.2010	31.12.2012	M	X				100	-	17.4.1998
Caprio Lorenzo	Director	20.4.2010	31.12.2012	M		X	X	X	100	1	20.4.2010
Di Vieto Roberta	Director	20.4.2010	31.12.2012	M		X	X	X	83	-	20.4.2010
Frigerio Dario	Director	20.4.2010	31.12.2012	M		X	X	X	67	2	20.4.2010
Germano Giovanni	Director	20.4.2010	31.12.2012	M		X			100	-	1.4.1987
Robotti Roberto	Director	20.4.2010	31.12.2012	M		X	X	X	100	2	20.4.2004
Rocca Paolo Riccardo	Director	20.4.2010	31.12.2012	M		X	X	X	100	3	17.4.2003

Directors resigning within December 31, 2012

Alberto Piaser	Director	20.4.2010	31.1.2012	M		X			-		
Gerardo Benuzzi	Director	23.02.2012	31.12.2012	M		X			100		

Notes:

List: M/m: if the Director has been appointed from the list voted by the Majority or the minority.

Independent (Code and T.U.F.): indicates if the Director can be qualified as Independent according to the criteria stated in the Code of Conduct of Borsa Italiana S.p.A. and in the art. 148 paragraph 3 of the T.U.F.

% BoD: indicates the presence of the Director, in percentage, at the meetings of the Board of Directors held during the year.

Other offices: indicates the number of the offices held in other companies listed in market organized, in financial, bank, insurance or relevant dimension companies.

The Board of Directors discloses annually the positions as Director or Statutory auditor held by Directors in listed companies and in financial, banking, insurance or major companies holding office (attachment A).

In occasion of their nominee (April 2010) the Directors have deposited the declarations attesting the cause of ineligibility and incompatibility provided by the law, the possession of professional and honourableness qualifications required by the law in force and by the Company's Articles of association.

The appointed Directors have been drawn from a single list deposited, presented by the Shareholder CIR S.p.A. owner, at the date of the Shareholders meeting, of a participation equal to 56.59% of the share capital.

The main personal and professional characteristic of each Director are in the curriculum vitae published in the Company website.

With reference to the possibility that issuers adopt mechanisms to ensure the maturity split of all or part of the members of the administrative body (the so-called staggered board), the Company has decided not to adopt this provision, as unsuitable to the particular ownership structure of Sogefi.

The Company has adopted the so-called ban of interlocking introduced by the Code of Conduct of Borsa Italiana S.p.A. (edition December 2011).

Director Mr. Gerardo Benuzzi, co-opted by the Board of Directors on February 23, 2012 to replace Mr. Alberto Piaser, who resigned, and appointed Director by the Shareholders Meeting on April 19, 2012, resigned from his office on December 31, 2012.

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

Under articles 19, 20 and 21 of the Company's Articles of association, the Board meets at the registered offices or elsewhere when called by the Chairman or his deputy; meetings are usually held every three months and, in any event, whenever necessary in the interests of the Company or when requested by two Directors.

Board meetings may also be called by the Board of Statutory Auditors or by at least one of its members, after informing the Chairman of the Board of Directors.

Meetings are called by registered letter, telegram, fax or e-mail received at least five days prior to the date fixed for the meeting or, in urgent cases, at least one day beforehand.

Board meetings and their resolutions remain valid when held by telephone or videoconference call, even without formal convocation, provided they are attended by a majority of the current Directors and Acting Statutory Auditors, all those having rights to participate having been informed in advance of the meeting and sufficiently informed on the matters for discussion. Resolutions adopted by the Board of Directors are valid if a majority of the current members are present.

Resolutions are adopted by a majority vote of those present in the respect of the Procedure for Related-Party Transactions. In the case of a tie, the vote of the Chairman or the Chairman of the meeting shall prevail. Meetings of the Board of Directors may be held by telephone conference call on condition that all the participants can be identified and that they are able to follow the proceedings, take part in real time in discussions about the matters on the agenda and receive, transmit or examine documentation. In such circumstances, the meeting is deemed to be held at the location where both the Chairman and the Secretary are present. The Secretary prepares the minutes which are then signed by both of them.

The Directors report to the Board of Directors and the Board of Statutory Auditors on a timely basis about their activities and the principal transactions carried out by the Company, as required by law. Such reports are made verbally at least every quarter during Board or Executive Committee meetings, or by written and/or verbal and/or telephone communications to the Chairman of the Board of Statutory Auditors, if particular requirements for timeliness make this preferable.

The Directors must inform the other Directors and the Board of Statutory Auditors of all interests they may have in a given transaction, whether personally or on behalf of third parties, as required by current legislation.

In practice the recommendations of the Code of Conduct are applied, since:

- the Chairman of the Board of Directors calls Board meetings and makes sure all of its members – and the Statutory Auditors- are provided with the necessary

- documentation and information at least some days before the meeting (except in an emergency) to gain a background knowledge of the issues on the agenda so that the Directors can express an opinion and approval;
- the Chairman co-ordinates the activities of the Board and runs the meetings;
 - the Chairman may ask to the Managing Director (even at the request of one or more Directors), that the managers of the Company and the ones of the companies of the Group participate in Board meetings in order to provide the due insight;
 - the Chairman, by agreement with the Managing Director, fosters a process that is aimed at the full involvement of the Board of Directors so that the latter, as an executive board, can fully accomplish its role by guiding the corporate management and each one of its members shall acquire the necessary elements to provide his/her personal contribution to the achievement of Company's targets. To this end, during the Board meetings of 2012, it has been illustrated and approved the targets, the pursued strategies and the main managing choices made by the Company and by Sogefi Group.

In 2012 the Board of Directors met six times. The average duration of the meetings has been of about one hour and twenty minutes. In 2013 six meetings have been scheduled, two of which have already been held at the date of this Report.

The General Manager attends the Board meetings; the Manager responsible for financial reports attends the meetings of the Board of Directors where it is necessary his presence.

In accordance with the Code of Conduct concerning the information that should be provided to the Board, the Managing Director is required to report periodically (at least quarterly) to the Board of Directors and Board of Statutory Auditors on activities performed in the exercise of the powers granted to him.

Furthermore, the Chief Executive Officer must regularly (at least quarterly) provide adequate information to the Board of Directors and Board of Statutory Auditors on singular or unusual operations.

On April 18, 2000, the Board of Directors has appointed the Remuneration Committee (to which the Board of Directors held on October 23, 2012 has attributed also the functions of the Appointment Committee providing therefore to one single Appointment and Remuneration Committee) and Internal Control Committee (renamed Control and Risk Committee by the Board of Directors on October 23, 2012). On October 19, 2010, the Board of Directors created the Committee for related party transactions by establishing that the corresponding members must coincide with the components of the Control and Risk Committee.

In the following chart there is the current composition of the above mentioned Committees with the indication, in percentage term, of the presence of each member at the relative meetings:

<i>Name</i>	<i>Office</i>	<i>Appointment and Remuneration Committee</i>	<i>% A and RC</i>	<i>Control and Risk Committee</i>	<i>% C and RC</i>	<i>Committee for related party transactions</i>
Caprio Lorenzo	M			X	100	X
Di Vieto Roberta	M			X	100	X
Frigerio Dario	M	X	75			
Robotti Roberto	M-P (*)	X	100	X	100	X
Rocca Paolo Riccardo	P	X	100			

Notes:

Office in the Appointment and Remuneration Committee, Control and Risk Committee and in Committee for related party transactions: “P” means President, “M” other members.

% A and RC: indicates the presence of the Director, in percentage, at the meetings of the Remuneration Committee held during the year;

% C and RC: indicates the presence of the Director, in percentage, at the meetings of the Control and Risk Committee held during the year.

(*) Chairman of the Control and Risk Committee, of the Committee for related party transactions and member of the Appointment and Remuneration Committee.

In compliance with the provisions of the Code of Conduct, on October 19, 2006 the Board of Directors appointed Mr. Paolo Riccardo Rocca as “Lead independent Director” to represent the non-executive Directors (and, in particular, the Independent Directors). This will allow them to make a greater contribution to the activity and workings of the Board itself.

The Lead independent Director will work with the Chairman to ensure that the

Directors receive the necessary flows of information in a full and timely manner. The Lead independent Director also has the power to convene, either independently or on the request of the other Directors, specific meetings of Independent Directors to discuss issues of interest to the work of the Board of Directors or company management.

3) Independent Directors

In accordance with the provisions of the Market Regulation, Independent Directors represent the majority of the members of the Board of Directors.

Currently five of the Company's non-executive Directors have demonstrated quality as "Independent Directors".

On the basis of the criteria of paragraph 3.C.1 of the Code of Conduct, can be considered Independent Directors, the Directors who:

- a) do not control directly nor indirectly, even through its subsidiaries, fiduciaries or on behalf of third parties, the Company do not exercise on it considerable influence or do not participate to a parasocial agreement through someone that could exercise the control or the main influence of the Company;
- b) are not nor have not been in the three previous years, prominent exponent of the Company, of one subsidiary having strategic relevance or of a Company subjected to a common control with the Company or of a company or corporation that even with others through a parasocial agreement, controls the Company or can exercise on it a significant influence;
- c) have not or have not had in the last year directly nor indirectly (for example through subsidiaries or through companies where he is prominent exponent, or as a partner of a professional office or of a consultant company) a relevant commercial, financial or professional relationship;
 - with the Company or a subsidiary or with anyone related to the prominent exponents;
 - with someone who even together with others through a parasocial agreement, controls the Company or – being company or corporation – with the related prominent exponent;

or have not or have not been in the previous three years, employees of one of the above mentioned subjects;

- d) do not receive or have not received in the previous three years, from the Company or from a subsidiary or parent company any relevant remuneration in addition to a fixed fee as non-executive Director of the Issuer and to the compensation for the participation to the committees as recommended by the Code of Conduct of listed companies, included the participation in performance-related incentive plans, even to a share basis;
- e) have not been Directors of the Company for more than 9 years in the last 12 years;
- f) they are not executive Directors in another company in which one executive Director of the Issuer is Director;
- g) they are not Shareholders or Directors of a company or of a corporation belonging to the net of the company responsible of the accounts legal auditing of the Company;
- h) they are not close family members of a person who is in the situations described in the above paragraph.

Where some of the above mentioned circumstances foreseen by the Code of Conduct might preclude the independence of non-executive Directors, the Board of Directors in each case must assess whether or not the individual satisfies the minimum requisites for independent director.

On the basis of art. 147-ter, paragraph 4, of T.U.F., the Directors are independent if they have the same independent requisites of the statutory auditors as indicated in art. 148, paragraph 3, of T.U.F. and so defined in absence of the following relationships:

- a) the consort, the relatives within the fourth rank of the Directors of the Company, the Directors, the consort and the relatives within the fourth rank of the Directors of the subsidiaries, of the parent companies and of the companies under common control;
- b) the one who are related to the Company or to the subsidiaries or to the parent companies or to the under common control companies or to the Company

Directors and to the persons as described in paragraph a) subjected to relationship of self-employment work or subordinate work or from other relations of property which could threaten the independence.

Then for the companies listed at STAR segment, Borsa Italiana S.p.A. has defined in the Instructions to the Rules of the Markets organized and managed by Borsa Italiana S.p.A. the criteria for the evaluation of the adequacy of the number of the independent directors setting minimum three independent directors if the Board of Directors consists of between 9 – 14 members.

The Board of Directors is asked to value the independence of the Directors after appointment and, then, the occurrence of important circumstances susceptible to affect his/her independence, always on a yearly basis. The result of such evaluation is communicated to the market in the context of this report as well as after the appointment, via a press release.

On February 23, 2012, the Board of Directors verified the persistence of the independence requirements in Independent Directors. As an exception to the provisions of the Code of Conduct of Listed Companies (cf. Principle 3.C.1., letter e), the independence of Director Mr. Paolo Riccardo Rocca was positively assessed, notwithstanding his persistence in charge as Director of the Company for more than nine years over the last twelve. This is due to the fact that such a temporal requirement is not deemed to influence the independence of the Director, which has always proved his full judgement autonomy and free appraisal of management work.

During 2012, the Board of Statutory Auditors ascertained the correct implementation of verification criteria and procedures adopted by the Board to assess the independence of its members, by making sure that the results of such verification were included in this Report.

The Independent Directors meet at least once a year without the other Directors.

During the meeting of October 22, 2012 the Independent Directors, in absence of the other Directors, have valued the quality of the management and the

transparency of the information given to the Board of Directors.

4) Establishment and Operation of the Internal Committees of the Board of Directors (ex art. 123-bis, paragraph 2, letter d) T.U.F.)

The committees consist at least of three members, being all independent, and are coordinated by a chairman. The meetings of each committee are minuted.

The Committees established by the Board of Directors have their own regulation, approved by the Board of Directors on October 23, 2012, which foresees that the Chairman of the Statutory Board or another statutory auditor he identified must take part to these Committee meetings.

Pursuant to the allowance of the Code of Conduct of Borsa Italiana S.p.A., the Company attributed the functions of the Appointment Committee to the Remuneration Committee, thus creating a unique committee (Appointment and Remuneration Committee) which contains adequate skills in financial and remuneration policy fields.

The Internal Control Committee established by the Board of Directors on April 19, 2000 was renamed Control and Risk Committee. At least one of its members has got an adequate experience in accounting, financial or risk management matters.

On October 19, 2010, the Board of Directors has established the Committee for related party transactions setting that the members coincide with the same of Control and Risk Committee.

5) Appointment of Directors (ex art. 123-bis, paragraph 1, letter l), T.U.F.)

In compliance with the requirements of the Italian Law 120/2011 and with the implementing provisions (art. 144-*undecies* of the Rules for Issuers) on the balance between the genders of the members of the management body, on October 23, 2012, during an extraordinary session and pursuant to art. 23, second paragraph of the Articles of Association, the Board of Directors adapted the Articles of Association.

We cite below the art. 17 of the Articles of Association:

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

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

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

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

List may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least a fortieth of the share capital, or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by the enforceable law. Shareholders who, individually or with others, hold voting shares representing less than 20% of the share capital may present lists of no more than 3 candidates.

Lists which include a number of candidates equal to or higher than three must include candidates belonging to both genders, in at least the proportion specified in current legislation on the subject of gender balancing.

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

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

Each Shareholder can vote for just one list.

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

Each list filed by the required date must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility,

that there are no reason of incompatibility or ineligibility regarding their candidature and that they meet the requirements laid down in the law and current regulations for the position of Board member. Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any position as director or statutory auditor they might hold in other companies and whether they satisfy the requirements for the position of independent director under the law and current regulations.

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

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

Members of the Board of Directors are elected as follows:

- a) from the list which obtained the highest number of votes during the Meeting, as many directors as required to make up the Board minus one are taken in the numerical order in which they were listed;
- b) from the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the candidate at the top of this second list is nominated as the final board member.

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

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

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

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

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

The Remuneration Committee renamed Appointment and Remuneration Committee consists of the following Independent Directors: Mr. Dario Frigerio, Mr. Paolo Riccardo Rocca (President of the Committee starting from October 23, 2012) and Mr. Roberto Robotti.

As for the Directors appointment, the Appointment and Remuneration Committee accomplishes the following tasks:

- it proposes to the Board of Directors candidates, if an independent director is to be replaced pursuant to art. 2386, first paragraph of the Italian Civil Code;
- it expresses its opinions to the Board of Directors on the maximum number of tasks of director or statutory auditor that the Directors of the Company can hold in other companies listed in regulated markets (even abroad), in financial companies, insurances or companies that have considerable size, by considering the directors participation to the Board internal committees;
- it expresses its opinions to the Board of Directors on its dimension and composition, as well as, if necessary, on the professionals whose presence inside the Board is deemed to be convenient.

The Board of Directors on October 23, 2012 adopted a plan for the succession of executive Directors, whose preliminary activity was carried out by the Appointment and Remuneration Committee.

6) Remuneration of Directors

The Ordinary Shareholders meeting determines the remuneration to the Directors

for the office.

The remuneration of Directors appointed to particular positions, in accordance with the Company's Articles of association, is decided by the Board of Directors on the proposal of the Appointment and Remuneration Committee, after obtaining the opinion of the Board of Statutory Auditors, according to the guidelines fixed on the remuneration policy.

The Board of Directors, on the proposal of the Appointment and Remuneration Committee, defines the remuneration policy for Directors and Managers having strategic responsibilities.

The remuneration of each Director for the year 2012 is specified in the tables attached to the "Report on remuneration" presented, for the first section, by the Board of Directors to the Shareholders' meeting for consultative voting, during the approval process of the 2012 Financial statements.

The Appointment and Remuneration Committee met four times during 2012, with an average duration of a little more than half an hour.

The Appointment and Remuneration Committee carries out the following tasks concerning compensation:

- it submits to the Board of Directors the proposals concerning the remuneration policies for Directors and Managers having strategic responsibilities;
- it expresses its opinions together with the Control and Risk Committee on the proposals relating to the remuneration policies of the head for internal auditing and the Manager responsible for financial reports;
- it makes proposals for the remuneration of the Managing Director and of directors with special duties, which may include remuneration plans that provide for the granting of stock options or other share-based incentives;
- it makes proposals to the Board on employee share-based payment plans (drawing up a specific regulation for this purpose), by identifying its beneficiaries and the amount of options for single attribution, and, upon

- recommendation of the Managing Director, on the criteria for the compensation of the management of the Company;
- it periodically assesses the adequacy, coherence and practical application of the remuneration policy for directors and managers having strategic responsibilities.

On the proposal of the Appointment and Remuneration Committee, the Board of Directors has approved, on February 23, 2012, the “Remuneration Policy of the Directors and Managers with strategic responsibilities” at disposal of the Shareholders on April 19, 2012 in the first section of the Report on Remuneration.

The remuneration policies are directed towards ensuring labour market competitiveness consistent with the human resources growth and loyalty objectives, as well as towards differentiating retribution instruments on the basis of individual professional skills and expertise.

The remuneration policy is determined according to criteria suitable for attracting, retaining and motivating people with professional qualities suitable for successfully running the Group.

The Company keeps salaries in line with market benchmarks, applying rewarding criteria in the case of special situations of merit.

The remuneration attributed to the Chairman of the Board of Directors, as executive Director, and to the non-executive Directors, for their participation in one or more committees, is determined as a fixed sum based on the commitment which each of them is called upon to make.

For the year 2012, a Stock Grant Plan has been approved by the Shareholders meeting held on April 19, 2012, in compliance with the indications of art. 6 of the Code of Conduct, in particular:

- the rights object of the Plan begin to be exercised every three months as and from the second year from the grant date and for a period of nearly 2 years

- having an average vesting period in line with the recommendation of the Code of Conduct (three years);
- the exercising of a part of the granted rights is subject to the achievement of the performance targets correlated to stock market trends;
 - a period of unavailability of a part of the assigned shares (10% of the total) is established for a period of 5 years from the grant date of the rights.

Terms, conditions and implementation procedures of the Stock Grant Plan for 2012, in favour of the Chief Executive Officer of the Company and the employees of the Company and subsidiaries, are contained in the “Information Document” available on the Company website.

Pursuant to art. 123-ter T.U.F. the Board of Directors has approved on February 26, 2013 the “Remuneration Policy” drawn up in accordance with the art. 84-quater of Consob Regulation 11971/99. The report will be at disposal of the Shareholders together with the documentation for the Shareholders meeting called for the approval of the 2012 Financial Statements.

7) Internal control system and risks management

The internal control system is a set of rules, procedures and organizational structures designed to ensure, through the due identification, measurement, management and monitoring of the main risks, that the Company is run properly and diligently and operates in line with its targets and objectives and encourage the adoption of decisions.

Such an internal control system serves to safeguard the Company's assets, ensure operational efficiency and effectiveness, reliable financial information and compliance with laws and regulations as well as with the Articles of Association and with internal procedures.

The Board of Directors is responsible for the system of internal control. In its responsibility for this system the Board of Directors is assisted by the Control and Risk Committee, the Executive Director with oversight of the internal control system and the Person in charge of internal control.

In accordance with the resolution passed by the Board of Directors on March 6, 2001, the Chief Executive Officer is the executive director in charge for ensuring the adequacy and good functioning of the internal control system, establishing suitable procedures to guarantee proper, efficient operations and to identify, foresee and manage - as far as possible - risks of a financial and operational nature and cases of fraud against the Company, making use of the "Person in charge of internal control" for these purposes.

On October 19, 1999, the Board of Directors appointed the Person in charge of internal control being Mr. Giuseppe Gianoglio CIR Internal Audit Manager. Mr. Gianoglio, who was appointed by the Board of Directors on October 19, 2006 upon proposal of the Chief Executive Officer, having considered the opinion of the Internal Control Committee (renamed Control and Risk Committee), is not responsible for operative areas and is not hierarchically subordinate to operative areas heads.

With a resolution passed on April 18, 2000, the Board of Directors set up the Internal Control Committee (now Control and Risk Committee) to give advice and make proposals in accordance with the Code of Conduct.

In particular the Committee:

- a) helps the Board of Directors to carry out any tasks relating to internal control;
- b) evaluates the work plan prepared by the Person in charge of internal control and his periodic reports;
- c) evaluates, together with the Manager responsible for financial reports and Auditors, the proper application of the accounting principles and their adequacy for consolidation purposes;
- d) evaluates the plans and results prepared for the audit and the results presented in the audit report and management letter;
- e) reports to the Board on its activity and the adequacy of the internal control system at least every six months, at the time that the half-yearly and annual financial statements are approved;
- f) performs any other tasks assigned to the Committee by the Board of Directors, especially on the relationship with the auditor;

g) has full access to all information and corporate officers necessary to carry out its duties. It may also call external consultants when necessary.

The Company provides the Committee with all the financial resources it needs to fulfil its responsibilities.

The Committee is currently made up only of Independent Directors.

Starting from April 20, 2010, the Committee consisted of the Independent Directors, Mr. Lorenzo Caprio, Mrs. Roberta Di Vieto and Mr. Roberto Robotti (President of the Committee starting from October 23, 2012).

During 2012, the Committee met 5 times with an average duration of about one hour and forty minutes and the Person in charge of internal control reported 5 times about his activity.

The Committee's activity focused above all on checking the adequacy of the internal control system to cope with the typical risks of the Company's main activities and those of its subsidiaries, and to monitor the economic and financial situation.

In compliance with the Company's Articles of association, the Board of Directors on July 26, 2007 nominated the Manager Responsible for financial reports pursuant to art. 154-bis of T.U.F.

Since March 1, 2009 the Manager Responsible for financial reports is the Chief Financial Officer Mr. Giancarlo Coppa, who has the requisites required by law having adequate experience in accounting and financial matters.

The System for risk management and internal controls related to the financial disclosure process

Under applicable laws, the Manager Responsible for financial reports is responsible for internal controls over corporate reporting and for this purpose coordinates the administrative and accounting procedures for the preparation of periodic financial reports and any other kind of financial information, confirming in a certification, to be signed with the Chief Executive Officer, in the Company's

Statutory annual financial statements, in the interim financial statements and annual consolidated financial statements their adequacy and effective application, during the periods of reference of the mentioned financial reports.

To support his certification, the Manager Responsible for financial reports makes use of the help provided by monitoring and internal control activities performed by the Corporate Internal Audit Division, and of the specific internal control methodology on financial disclosures developed by this Division.

For this purpose, the Corporate Internal Audit Division, together with the Manager Responsible for financial reports, has designed and implemented a System for risk management and internal controls related to the financial disclosure process (hereafter: “the System”) structured as follows:

Preliminary Remarks

The risk management system must not be separately considered from the internal control system with reference to the financial disclosure process: both constitute in fact elements of the same System. The purpose of such System is to guarantee the fairness¹, accuracy², reliability³ and timeliness⁴ of financial reporting.

Main characteristics of the System for risk management and internal controls related to the financial disclosure process

The System for risk management and internal controls related to the financial disclosure process has been developed by the Corporate Internal Audit Division

¹ Fairness: the disclosure has the characteristics of correctness and conformity to the accounting principles generally accepted and to the requirements requested by laws and applied rules.

² Accuracy: the disclosure has the characteristics of neutrality and precision. The information is considered neutral if it's lacking in preconceived distortions aimed to influence the decisional process of its users in order to obtain a predetermined result.

³ Reliability: the disclosure has the characteristics of clearness and completeness such as to induce informed investment decisions from the investors. The disclosure is considered clear if it facilitates the understanding of complex aspects of the Company, without becoming superfluous and excessive.

⁴ Timeliness: the disclosure respects the expected deadlines for its publication.

together with the Manager Responsible for financial reports with the aim to support the responsibility of the Manager responsible for financial reports and of the Chief Executive Officer for certification of the truthfulness, completeness and accuracy of all the information and financial data included in the Statutory Financial Statements and in the Consolidated Financial Statements of the Group.

The System is submitted to a continuous updating and improvement process performed by the Corporate Internal Audit Division, which monitors its effective, correct and constant application by the Subsidiaries of the Group.

From a methodological point of view, such control System was designed in accordance with two fundamental principles:

- to extend control to all the levels of the organizational structure, consistently with the operating task entrusted to each level;
- sustainability of controls in the long term, so as to ensure that the performance of controls is increasingly integrated and compatible with operating needs; for this purpose, specific controls have been selected in order to identify those that are decisive in risk mitigation.

The System has been designed and structured to be consistent with the reference best practices: in detail, the model adopted for the construction and evaluation of the internal control system is the “CoSO Framework⁵” and comprises five interrelated components (control environment, risk assessment, control activities, information and communication, and monitoring). Such components in relation to their own features operate at entity level (Group, Divisions, Subsidiary) and/or at process level, including both operational and financial administration processes (transaction, evaluation processes and closing the books).

Internal controls are designed and established based on a risk assessment process with a top-down approach whereby certain organizational departments, processes and activities are deemed to bear a risk of negligent errors or fraud which could

have a material impact on financial statements. With respect to the risks identified, the internal controls set up and operating consist of:

- “Entity level controls”, operating at Group and Division level;
- “Process controls”, locally identified and operating at each Subsidiary.

As regards the “Process controls”, the System has been implemented starting by identifying the perimeter of the companies⁶ and processes⁷ considered as relevant in relation to the potential impact on the financial disclosure of the Group.

After that, for each relevant process, risks and internal controls related to the financial disclosure have been identified. In detail:

Risks: non-observance of the financial assertions⁸ related to Financial Statement accounts correlated to the corporate processes identified.

Internal Controls: every activity, procedure or organizational decision aimed to mitigate the above-mentioned risks (i.e. limits on authorizations, segregation of incompatible duties, tracking and documentation of operations, controls on safety and physical existence of goods, cross-checks, reconciliations, automatic locks and

⁵ CoSO (1992) “Internal Control – Integrated Framework”, Committee of Sponsoring Organizations of the Tradeway Commission, May 1992

⁶ The perimeter of the companies considered as relevant has been identified with the criteria of “contribution to consolidated revenues” (revenues \geq 5% of consolidated revenues). Moreover, this perimeter has been further integrated with companies having a contribution to consolidated revenues $<$ 5%, but considered as strategically relevant for Group’s objectives.

⁷ The processes identified as relevant are the all operational and financial administration processes (transaction, evaluation processes and closing the books) having an impact on financial disclosure. More specifically:

1. Purchase-to-pay
2. Sales and credit collection
3. Inventory management
4. Fixed assets and intangibles
5. Payroll and personnel management
6. Tax management
7. Managing general ledger
8. Financial closing and reporting
9. Treasury Management

⁸ Existence, Completeness, Ownership, Valuation, Accuracy and Presentation.

other automatic devices operating within the informative systems and so on).

Within each Subsidiary included in the scale of relevance related to the Group's financial disclosure, the Chief Executive Officer (or the General Manager) and CFO/Administrative Manager are directly responsible for the existence, effectiveness and efficacy of controls prescribed by the System. In this regard, both of them sign and send to the Holding Company a specific "Representation Letter", in which they ensure, under their own personal responsibility, the truthfulness, completeness and accuracy of all the information and financial data sent to the Holding Company for the preparation of the consolidated Financial Statements of the Group.

The evaluation of adequacy and effectiveness of controls and, more in general, the correct application of the Group's administrative and accounting procedures is ensured by a specific audit plan carried out by the Corporate Internal Audit Division, aimed to ensure the constant respect and the correct application of the System.

On October 23, 2012, in compliance with the new provisions of the Code of Conduct, the Board of Directors approved new guidelines for the Company's internal control and risk management system, that was applied from January 1, 2013.

At the same date, with the aim to adapt to the new provisions of the Code of Conduct, at the proposal of the Director responsible for the internal control and risk management system, with the previous approval of the Control and Risk Committee and after consultation with the Statutory Board, the Board of Directors appointed Mr. Giorgio Imposimato as Head of Internal Audit, which shall report directly to the Board of Directors, through its Chairman.

8) Statutory Auditors (ex art. 123-bis, paragraph 2, letter d), TUF)

In compliance with the requirements of the Italian Law 120/2011 and with the implementing provisions (art. 144-*undecies* of the Rules for Issuer) on the balance between the genders of the members of the control body, on October 23, 2012,

during an extraordinary session and pursuant to art. 23, second paragraph of the Articles of Association, the Board of Directors adapted the Articles of Association. We cite below art. 26 of the Company articles of association:

“The Board of Statutory Auditors comprises three acting members and three alternate members who remain in office for three years and are eligible for re-election. The minority shareholders are entitled to elect one acting auditor and one alternate auditor.

Members of the Board of Statutory Auditors are appointed by the Shareholders’ Meeting from lists presented by the Shareholders. Each list comprises two sections: one for candidates for the position of acting auditor and the other for candidates for the position of alternate auditor. Candidates are listed in numerical order. Lists which include a number of candidates equal to or higher than three must include in each section candidates belonging to both genders.

The lists, signed by the presenting Shareholders, must be filed according to the terms and conditions required by the enforceable law.

Lists may only be presented by Shareholders who, either individually or jointly with others, hold shares that represent at least 2.5% of the share capital or a different percentage laid down by the law or regulations. Proof of ownership of the required number of shares must be presented according to the terms and conditions required by enforceable law.

Lists which do not comply with the above rules shall be considered null and void.

No Shareholder, either individually or jointly, may present more than one list, even via an intermediary or trustee; Shareholders subject to the same control pursuant to art. 93 of the Consolidated Securities Act or belonging to the same voting syndicate may present or contribute to the presentation of only one list. Each Shareholder can vote for just one list.

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

Lists cannot include candidates who already hold office as acting auditors in another five companies or entities listed on a regulated market registered pursuant to arts. 63 and 67 of Legislative Decree no. 58/1998, or candidates who do not meet the requirements of respectability, professional and independence or who

exceed the limit to the number of positions held as laid down by law or regulations. Each list filed by the above indicated term must be accompanied by statements from each candidate accepting their nomination and declaring, under their own responsibility, that there are no incompatibilities or reasons for which they cannot be elected and that they meet the requirements laid down by law and the applicable regulations for members of the Board of Statutory Auditors.

Candidates must also provide a curriculum vitae describing their personal and professional qualifications specifying any administrative or management positions they might hold in other companies.

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

Members of the Board of Statutory Auditors are elected as follows:

1. from the list which obtained the highest number of votes during the Meeting, two acting members and two alternate members are taken, in the numerical order in which they were listed in the sections concerned;
2. from the minority shareholders' list represented by the list which obtained the second highest number of votes during the Meeting, and which is unconnected in any way, even indirectly, with the shareholders who presented or voted for the first list, the remaining acting member and remaining alternate member are taken in the numerical order in which they were listed in the sections concerned;
3. if only one list is presented, all of the acting and alternate auditors are taken from that list.

When application of the procedure described in 1), 2) and 3) above does not give the gender balance required by current legislation, the last person elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' meeting shall make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.

The candidate on the minority shareholders' list which obtained the highest number

of votes is appointed as Chairman of the Board of Statutory Auditors. If only one list is presented, the first candidate for Auditor on the list is appointed as Chairman of the Board of Statutory Auditors.

The appointment of auditors lapses if they no longer meet the requirements laid down in current regulations and the By-laws.

If an acting auditor is replaced, the alternate auditor is taken from the list of the person replaced thus ensuring the compliance with legal requirements including those relating to gender balance.

The meetings of the Board of Statutory Auditors may be held by any means of telecommunication on the following conditions:

- a) the participants are able to examine, receive and transmit all the necessary documentation;
- b) the participants are able to take part in the discussions in real time, in accordance with normal board practice.

Meetings are held at the place where they are convened, where the Chairman must be present.

The Board of Statutory Auditors may, on prior communication to the Chairman, call a General Meeting, a meeting of the Board of Directors or of the Executive Committee. Powers to call a meeting of the Board of Directors or Executive Committee may be exercised individually by each member of the Board of Statutory Auditors; a General Meeting may be called by at least two members of the Board of Statutory Auditors.”

The Legislative Decree 39/2010 gives to the Board of Statutory Auditors the role of Internal Control and Audit Committee with the duty to supervise the process of financial information, on the effectiveness of the internal control system, of internal audit and of the risk management, on the annual statutory audit and of the consolidate accounts and on the independence of auditors.

Statutory Auditors are qualified as "independent" under the same criteria as apply to Directors. In 2012 the Board of Statutory Auditors verified compliance with the

said criteria, ensuring that the results of this check were published in the present report.

The Board of Statutory Auditors met 8 times during 2012. The meetings are regularly recorded.

The Board of Statutory Auditors in office expires with the approval of the Financial Statement as at December 31, 2014 and it is composed as follows:

<i>Name</i>	<i>Office</i>	<i>In office from</i>	<i>List</i>	<i>Indep, Code of conduct</i>	<i>% SA</i>	<i>Other offices</i>
Zingales Riccardo	<i>Chairman</i>	19.4.2012	M	X	100	3
Leoni Giuseppe	<i>Acting Auditor</i>	19.4.2012	M	X	100	1
Claudia Stefanoni	<i>Acting Auditor</i>	19.4.2012	M	X	100	-
Baulino Luigi	<i>Alternate Auditor</i>	19.4.2012	M	X	-	-
Girelli Mauro	<i>Alternate Auditor</i>	19.4.2012	M	X	-	2
Macchiorlatti Vignat Luigi	<i>Alternate Auditor</i>	19.4.2012	M	X	-	2

Auditor expired from the office on April 19, 2012

Angelo Girelli	<i>Chairman</i>	-	M	X	100	-
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Notes:

List: M/m: if the Statutory Auditor has been appointed from the list voted by the Majority or the minority.

Indep: indicates if the Statutory Auditor can be qualified as independent according to the criteria stated in the Code of Conduct of Borsa Italiana S.p.A.

% SA: indicates the presence of the Statutory Auditor, in percentage term, to the meetings of the Board of Statutory Auditors' meetings.

Other offices: indicates the number of the offices as Director or as Statutory Auditor held in other companies listed in organized market. In attached (A) the list of these offices.

The members of the Board of the Statutory Auditors appointed on April 19, 2012 have been drawn from the single list presented by the Shareholder CIR S.p.A., holding 56.39% of the share capital at the same date.

The main personal characteristics of each Statutory Auditor in office are presented in the curriculum vitae published in the Company website and attached to this Report.

9) Relations with the Shareholders

The Company has always taken concrete steps to create and maintain a positive dialogue with its Shareholders and the market through various types of

communication: slide presentations of Company and Group results at Shareholders meetings, meetings with financial analysts and institutional investors in Italy and abroad, publication of corporate documentation required by the regulations, presentations and press releases on the Company website.

To this end, the Chief Executive Officer, agreed with the Chairman, on October 8, 2003, appointed the Chief Financial Officer to be in charge of the Investor Relations function, to handle the flow of information prepared for shareholders, analysts and institutional investors, in compliance with the rules governing publication of the Company's documents and information.

The responsibility of the function "Investor relations" has been undertaken starting from February 26, 2009 by Mr. Giancarlo Coppa.

10) Shareholders Meetings (*ex art. 123-bis, paragraph 2, letter c), T.U.F.*)

The Company's policy is to use the shareholders meetings as an opportunity to inform the Shareholders about the Company and the Group and their prospects, in compliance with the regulations on "price sensitive" information.

All Directors and Statutory Auditors make every effort to attend shareholders meetings, to the extent possible, especially those Directors who, because of their position, can make a particular contribution to the debate.

Shareholders Meetings may be convened in places other than the registered offices, on condition that they are held in Italy.

Shareholders Meetings are called by the publication of a notice on the Company's website and in the daily newspaper "La Repubblica", according to the terms and the conditions required by the law in force.

The right to attend the Shareholders Meeting and the right to delegate are ruled by the enforceable law. The proxy can be notified to the Company through PEC within the beginning of the Shareholders Meeting to the address that will be indicated in the notice of the Shareholders Meeting. The participation in the Shareholders Meeting and the vote through electronic devices are allowed when it is indicated in the notice with the indication of the modalities and the requirements requested by the enforceable law.

The Chairman of the Shareholders Meeting is responsible for verifying the propriety of the proxies and the attendance right of those present. Each share gives right to a vote.

Both Ordinary and Extraordinary Shareholders Meetings, in single call if the Board recognizes the opportunity, is convened and resolve according to the law in the respect of the Procedure for related party transactions.

The Shareholders Meeting of April 19, 2001, in line with the Code of Conduct, approved the Regulations for Shareholders meeting published on the Company's website under "Investor - Corporate Governance".

The Board of Directors places the proposals on the agenda of each Shareholders meeting, at the Shareholders disposal, in the terms described by the law, available also on the Company website in the section "Investor – Shareholders' meetings".

11) Code of ethics (ex art. 123-bis, paragraph 2, letter a), T.U.F.)

On February 25, 2003 the Board of Directors approved the adoption of a Code of Ethics for Sogefi Group which defines, clearly and transparently, the values which the Group attains to in the pursuit of its targets and establishes principles of conduct binding upon the Directors, the employees and others persons having relations with the Group.

The "Code of Ethics" adopted by the Company may be viewed on the Company's website under "Investor – Corporate Governance".

12) Creation of the Supervisory Body and application of the Model of organization as per Legislative Decree 231/2001 (ex art. 123-bis, paragraph 2, letter a) T.U.F.)

Legislative Decree 231/2001 on "The administrative responsibility of corporations, companies and non-incorporated associations, enacting art. 11 of Law no. 300 of September 29, 2000", and further modifications and integrations introduces criminal liability for companies in the event of acts of fraud committed by persons

holding positions of responsibility within the company in the interests, or to the benefit of the same.

The Decree provides that the company can be out of its responsibility if it proves to have adopted and efficiently carried out models of organization able to prevent penal illicit and to have entrusted a Supervisory Body in charge to supervise operating and observance of the model and to follow its updating.

To this end, the Board of Directors, further the adoption in 2003 of the Code of Ethics, provided on February 26, 2004 to create the Supervisory Body.

The members of the Supervisory Body are the Directors Mrs. Roberta Di Vieto and Mr. Paolo Riccardo Rocca and the CIR Internal Audit Manager Mr. Giuseppe Gianoglio.

On February 26, 2004 the Board of Directors also approved the “Organization, Management and Control Model pursuant to Legislative Decree 231 of June 8, 2001” (Organizational Model), further integrated in 2006 by the new “Code of conduct on internal dealing and the maintenance of a list of persons with access to inside information.” The Board of Directors has constantly updated the Organizational Model also for considering the further cases of offences included in the Legislative Decree 231/2001 following the adoption of the model itself.

During 2012 the Supervisory Body, which held 4 meetings duly recorded, supervised the working and compliance of the Organizational Model by verifying its effectiveness.

13) Independent Auditors

The Shareholders Meeting of April 20, 2010 granted the appointment to audit the financial statements, the consolidated financial statements, the half yearly report and to ensure accounts were properly kept to the company Deloitte & Touche S.p.A., for the financial years 2010-2018.

ANNEX A)

List of offices held by Directors of Sogefi S.p.A. in other companies listed in the stock exchange, in financial, insurance, bank companies and in companies not listed but of relevant importance as at December 31, 2012.

Rodolfo De Benedetti	Chief Executive Officer of Cofide S.p.A.(*), CIR S.p.A.(*) Director of Gruppo Editoriale L'Espresso S.p.A.(*), Chairman of Sorgenia S.p.A.(*), Sorgenia Holding S.p.A.(*) Director of Banque SYZ S.A. and Finegil S.p.A. (*)
Lorenzo Caprio	Chairman of the Board of Statutory Auditors of Banca ITB S.p.A.
Dario Frigerio	Chief Executive Officer of Prelios Sgr S.p.A. (resigning on January 31, 2013) and Director of Fullsix S.p.A.
Roberto Robotti	Director of Cofide S.p.A.(*), Aviva Italia Holding S.p.A.
Paolo Riccardo Rocca	Director of Cofide S.p.A.(*), Chairman of the Board of Statutory Auditors of BIM Fiduciaria S.p.A. and Acting Statutory Auditor of Symphonia SGR S.p.A.

List of charges of Directors and Statutory Auditors held by Acting Auditors and Alternate Auditors of Sogefi S.p.A. in other companies listed in the Italian stock exchange as at December 31, 2012.

Riccardo Zingales	Director of Parmalat S.p.A., Acting Statutory Auditor of Cofide S.p.A.(*), CIR S.p.A.(*)
Giuseppe Leoni	Acting Statutory Auditor of Gas Plus S.p.A.
Mauro Girelli	Chairman of the Board of Statutory Auditor of Caleffi S.p.A., Alternate Statutory Auditor of Piaggio & C. S.p.A.
Luigi Macchiorlatti Vignat	Alternate Statutory Auditor of Cofide S.p.A.(*), CIR S.p.A.(*)

(*) companies of the CIR/Cofide Group

ANNEX B)

STATUTORY AUDITORS CURRICULUM VITAE

Riccardo Zingales

Business Consultant. Office in Via Ciovassino n. 1/A – Milan.

Graduated in Company Economics from the Luigi Bocconi University in Milan in 1985.

He has been on the Milan Register of Business Consultants since 1989.

Since 1985 he has exercised his profession with business consulting firms in Milan and since 1990 has had his own firm (Zingales & Partners), dealing with the following types of business:

- Giving specialist opinions on tax and corporate issues, giving assistance to Italian and foreign companies, including banks and companies listed on regulated markets;
 - Specific experience in the corporate issues of listed companies;
 - Assistance and consulting in acquisitions and the disposal of shareholdings and business arms, contracts and financial negotiations;
 - Assistance and consulting in the preparation of petitions for insolvency agreements and bankruptcy proceedings; corporate capital transactions, mergers, de-mergers, changes in company status, spin-offs;
 - Assistance and consulting in civil proceedings relating to the contestation of financial statements, litigation and corporate settlements in general;
 - Assistance for Italian and foreign groups for the establishment of companies in Italy and joint-ventures abroad;
 - Evaluation of business arms and shareholdings;
 - Assistance and consulting in settlement of inheritance and family wealth issues ;
 - Since 1985 has held positions on Boards of Statutory Auditors including those of listed companies (currently CIR S.p.A. – Cofide S.p.A. – Sogefi S.p.A.);
 - Since 2002 Member of the Board of Directors of Albertini Syz & C SGR then modified in Banca Albertini Syz & C S.p.A..
 - Since 2011 independent director of Parmalat S.p.A.
- Knowledge of English, Spanish and, to a lesser degree, of French language.

Giuseppe Leoni

He has his own firm in Milan at Piazza Paolo Ferrari n. 8, and started his career in 1977 as auditor with Reconta Ernst Young S.p.A. during a period of two years.

He subsequently started – and currently carries on – his activity as Certified Accountant with special regard to law, tax and economic issues relating to extraordinary corporate transactions (mergers, business combinations, business entity conversions and spin-offs), contractual matters (license agreements, acquisition and sale of equity interest and industrial groups, transfer of business at large) and tax planning.

He worked in a firm relying on several professionals with different areas of expertise and due to the particular mix of professional skills and formal education backgrounds, his activity is more oriented towards extraordinary corporate transactions and business valuation.

He took part as a trainer in professional training seminars organized by SDA BOCCONI in Milan on tax matters, with special focus on extraordinary corporate transactions.

He is a member of the Milan Association of Certified Accountants, is listed in the Register of Certified Auditors and fills the position of Chairman of the Board of Statutory Auditors or of Acting Auditor with companies listed in regulated markets.

Claudia Stefanoni

Born in Milan (MI) on November 21, 1969.

Obtained degree in Business Management from Università Cattolica del Sacro Cuore of Milan in 1995;

Member of the Milan Association of Certified Accountants since 2000;

Carried out professional activity as associate with prime accounting firms in Milan; currently free-lancing, specialist in:

- Tax consulting for joint stock companies and big corporate groups, offering specific expertise in group taxation;
- Assistance with the acquisition of holdings and extraordinary corporate transactions at large, such as mergers, spin-offs, contributions;
- Assistance with tax disputes:
 - preparation of appeals at first or further instances, defence briefs, discussion at public hearings;
 - examination of decisions of the Regional Tax Commission and opinions as to Supreme Court appeals;
 - collaboration with law firms on tax issues within specific area of expertise.
- Assistance with formation of shareholders' agreements, agreements between shareholders, professional assistance with contract negotiation and formation;
- Assistance with inheritance division;
- Appraisals of business and equity interests;
- Expert opinions on civil and tax law matters;

Knowledge of the English language and, to a lesser degree, of the French language.