

**Corporate governance requirements to obtain and maintain Star status:
clarifications on internal control committee and remuneration of directors**

In order to obtain and maintain Star status, the Rules of the Markets organized and managed by Borsa Italiana (hereinafter the "Rules") requires, among other things, the compliance with the following requirements:

- 1) having appointed an internal control committee in conformity with the principle 8.P.4. and the application criteria 8.C.3. of the Corporate Governance Code;
- 2) apply, in relation to the remuneration of directors, the principles and criteria provided for in Article 7 of the Corporate Governance Code.

In relation to these requirements, even in light of recent innovations that have affected the relevant legal and self-regulatory framework, it is considered appropriate to provide some clarification for companies listed on the Star segment or intending to apply for listing on that segment.

1. Functions of the internal control committee

As to the first requirement, the Rules, referring to Article 8.C.3. of Corporate Governance Code, requires the internal control committee is attributed, among others, the following tasks:

- evaluate the proposals submitted by the auditing firms for obtaining the relevant appointment (Article 8.C.3., D), first part of the Corporate Governance Code), and
- supervise the validity of the accounting audit process (Article 8.C.3., E) of the Corporate Governance Code).

In this regard it is noted that the Legislative Decree n. 39 of the 27th of January 2010 has implemented the Directive 2006/43 of the European Parliament and the Council of 17 May 2006 on audit of annual and consolidated accounts. In this context, for the Italian companies issuing securities admitted to trading on Italian regulated markets (included in the new category of public interest entities) the Directive makes it compulsory to appoint a committee for internal control and for accounting audit with the duty to supervise the financial reporting process, supervise the effectiveness of internal control systems, internal audit and risk management, supervise the external audit and verify the independence of the auditor. According to European provisions the Italian law now requires the functions of the internal control and accounting audit to be assigned to the control body and namely: the board of auditors in companies that adopt the traditional management and control system; the supervisory board (or to a committee set up internally) in companies that adopt the two tier management and control system; the management control committee in companies that adopt the one tier management and

control system. In addition, it is now extended to all companies required to appoint an external auditor (as for listed issuers, since the legislative decree n. 303/2006) the provision requiring shareholders' meeting to appoint the external auditor upon a reasoned proposal of the control body.

In light of the regulatory changes mentioned above, with reference to the control body functions, it is clarified that Star companies are not supposed to give the internal control committee the tasks under d), Part I, and e) of the application criterion 8.C.3. of the Code because they are already allocated to the control body.

On this point, lastly, the commentary on Article 8 of the Code recognizes the issuers the possibility to calibrate the functions of the internal control committee, coordinating its activities and the specific role assumed by board of auditors.

2. Remuneration of directors

On directors' remuneration, please note that the reference to Article 7 of the Code made by Rules shall be construed as referring to the version of this article published in 2006 ("no rolling" reference). Accordingly, Star corporate governance requirements recalling principles and criteria of the Code shall be deemed to refer to the version of the Code as published in March 2006. This is because of the definition of "Code of Corporate Governance" included in Article 1.3 of the Rules.

With regard to changes approved by the Corporate Governance Committee in March 2010 on director's remuneration, Borsa Italiana, at the next regulatory review, will amend Star governance requirements in order to reflect the new version of Article 7 of the Code, while establishing an appropriate *ad interim* regime that will keep effective the rights acquired under contracts or regulations adopted before the entry into force of the new discipline.

For completeness we point out that companies' disclosure obligations under Article 123-bis of the Consolidated Law on Finance are confirmed with regard to all issuers (whether or not listed on Star segment) that adhere to the Code of Corporate Governance. In particular, while disclosing (according to "comply or explain" principle) information about compliance with recommendations on directors and key management personnel's remuneration, those issuers shall comply with the rules established in the introduction to the "new" Article 7 of the Code.