

**PRESS RELEASE**

**NEW EDITION OF THE ITALIAN CORPORATE GOVERNANCE CODE**

**Milan, December 5th, 2011** – Today the new edition of Corporate Governance Code of Listed Companies was presented in Milan, at *Palazzo Mezzanotte*, the headquarter of Borsa Italiana.

The Code was presented by Gabriele Galateri di Genola and Domenico Siniscalco, respectively Chairman and Vice-Chairman of the Italian Corporate Governance Committee.

The Corporate Governance Code sets out the best practices of corporate governance, in line with the main international market experience; such practices are recommended by the Committee to all listed companies and they have to be applied according to the *comply or explain* principle, requiring the explanation of the reasons for any omitted compliance to one or more recommendations set forth by the principles or the criteria.

The Committee significantly amended the Code, that, for the only exception of the remuneration regime that had been updated in 2010, dated back to 2006. The new Code, that looks like a decalogue by now, was streamlined and, at the same time, boosted. On one hand, it was adapted to several rules introduced over the last years and that had rendered certain recommendations outdated and was graduated in order to make things easier for small and medium size listed companies. On the other hand, the Code was revised in order to render the recommendations more effective, also in light of the most recent national and international best practices: notably, the central position of the action to be carried out by the Board of Directors, the committees as well as by their “independent” components was strengthened and the control system was rationalized.

**The Chairman of the Committee, Gabriele Galateri, commented the publication of the Code as follows:**

“The new edition of the Corporate Governance Code is a significant signal of the main market players in a so difficult moment for our economic system. Important understandings were reached in reasonable times, thus showing that in Italy too we are able to pass hard resolutions nevertheless the presence of naturally different positions. A convinced compliance with the Code’s recommendations by listed companies shall increase their credibility. At the same time, the Code may be a positive incentive for listings, if primary and secondary rules remain steady, this being an essential condition for encouraging sensitivity towards the market and transparency”.

**The Vice-Chairman of the Committee, Domenico Siniscalco, stated as follows:**

“The new text of the Corporate Governance Code, that is the result of an always positive dialectic between the Committee’s members, lines up the Code to the best international practices. Even in a so difficult moment, institutional investors are very sensitive to the transparency and corporate governance rules adopted by the companies in which they invest. The work that has been carried out so far is an excellent start in respect of the challenges that the Committee and the Italian financial market are expected to take up”.

The issuers are now invited to apply the amendments brought to the Corporate Governance Code by the end of the fiscal year beginning in 2012, providing information to the market through the corporate governance report to be published within the following fiscal year. An exception to such a rule is given by the amendments to the composition of the board of directors and the relevant committees, since, in relation to them, the Code sets out a longer temporary regime.

The new Code is the result of the work carried out by the Corporate Governance Committee, supported by Abi, Ania, Assonime, Assogestioni, Borsa Italiana, Confindustria and that will continue to hold meetings at least once a year.

The Committee is composed of Gabriele Galateri di Genola (Chairman), Domenico Siniscalco (Vice-Chairman), Luigi Abete, Carlo Acutis, Franco Bernabè, Fabio Cerchiai, Paolo Andrea Colombo, John Philip Elkann, Emanuele Erbetta, Luca Garavoglia, Edoardo Garrone, Federico Ghizzoni, Guido Giubergia, Raffaele Jerusalemi, Giordano Lombardo, Emma Marcegaglia, Stefano Micossi, Corrado Passera, Giovanni Sabatini, Paolo Scaroni, Luitgard Spogler, Angelo Tantazzi, Marco Tronchetti Provera, Antonio Vigni. The Committee is supported by three experts - Bruno Cova, Piergaetano Marchetti, Angelo Provasoli – and a technical secretary office made up of Carmine Di Noia (coordinator), Alessandro Chieffi, Livia Gasperi, Massimo Menchini, Pietro Negri, Francesca Palisi, Marcella Panucci. Alessandro Chieffi is the Committee secretary.

#### **Summary of the amendments introduced by the new Code edition**

- **Composition of the board of directors:** (i) it has been recommended that all directors should be adequately competent and professional (2.P.1); (ii) more details are provided for in relation to the minimum number of independent directors (at least 1/3 independent directors in the board of directors of companies belonging to FTSE Mib index, at least 2 independent members as for the remaining companies) (3.C.3); (iii) the designation of a *lead independent director* in companies belonging to FTSE Mib index has been set out also in the event it is requested by the majority of independent directors (2.C.3); (iv) *cross directorship* between CEO of listed issuers not belonging to the same corporate group has been discouraged (2.C.5); (v) it has been wished that independent directors undertake to maintain such a quality during all his/her office, and to resign, if necessary, (comment to art. 5); (vi) it has been suggested to consider the need to ensure management continuity, and mainly in relation to the activity of the committees set up within the board of directors, even through a diversification of the expiry of all or part of the board members (c.d. *staggered board*), provided that this does not jeopardize the different shareholders' rights (comment to art. 2);
- **Role and running of the board of directors:** (i) it has been specified that the main objective of the board of directors is creating value over a medium-long term period (1.P.2) and that the board has the duty to define both the nature and level of risks in a manner consistent with the issuer's strategic objectives (1.C.1. b); (ii) recommendations in matter of self-assessment of the board have been stressed, highlighting the advantages that may derive from the presence of "different" directors in terms of experience (also international one), professional competence (including managerial experience) and of gender (1.C.1. g); (iii) the topic of promptness and completeness in supplying

meeting and pre-meeting information has been more clarified (1.C.5); (iv) the chairman of the board has been provided with the faculty to require, also upon the other directors' request, the managers in charge of the items on the agenda to attend the board meetings (1.C.6);

- **Organization and duties of the committees set up within the board:** (i) it has been set forth that they are to be governed by a chairman (4.C.1. a), that the chairman of the control and risks committee and of the remuneration committee should be an independent director (7.P.4 e 6.P.3); (ii) it has been set out that the establishment of one or more committees may be avoided and the relevant duties may be assigned to the board of directors, that, in this case, should dedicate adequate time to “preliminary investigations” under the coordination of the chairman (4.C.2); (iii) it has been set out the possibility to establish committees made up of two members, in those issuers whose board of directors is composed of no more than eight members (formerly it was five) (4.C.1. a); (iv) the setting up of a nomination committee has been recommended (so far it was only requested to evaluate the relevant opportunity) (5.P.1); (v) it has been recommended to evaluate whether to adopt a succession plan, and, in the event of adoption of such a plan, to charge the nomination committee (or any other committee in charge for this task) of the relevant preparation and to disclose the choices made to the market.
- **Rationalization of the internal control and risks management system:** (i) the central position of the “risk” in the control systems has been underlined, and this turned into a different name of the system (that is defined “internal control and risks management system”) and of some of its main characters (notably, the “internal control committee” has been redefined “control and risks committee”) (7.P.3); (ii) the main actors involved in the internal control and risks management system have been checked out and the relevant roles and duties have been clearly defined, as well as the coordination between themselves has been recommended; notably, any reference to “internal control person in charge” has been deleted (and now it is univocally identified as the officer in charge of the internal audit) (7.P.3) it has been clarified more accurately the different function of the control and risks committee (*i.e.* supporting the board of directors decisions and management assessments on the internal control and risks management system) (7.C.1 e 7.C.2) in respect of the board of statutory auditors function (*i.e.* supervising the effectiveness of the internal control and risks management system), also taking into account the innovations introduced by legislative decree 39/2010 (comment to art. 8); (iii) the role of the internal audit function has been specially emphasized (7.C.5) and, in order to safeguard its autonomy, it has been set out that any decision concerning the appointment, revocation and remuneration of the relevant officer in charge should be adopted by the board of directors with the positive (*i.e.* binding) opinion of the control and risks committee and after hearing the board of statutory auditors (7.C.1); (iv) it has been provided for that auditing activity should be carried out on the basis of a structured plan to be prepared by the officer in charge of this function and to be approved by the board of directors; (v) it has been suggested that issuers assess the opportunity to entrust the board of statutory auditors with the duties pertaining to the surveillance body pursuant to legislative decree 231/2001 (comment to art. 7).