

**ACOTEL GROUP SpA**

**2012**

**REPORT ON CORPORATE GOVERNANCE AND  
OWNERSHIP STRUCTURE**

pursuant to article 123-bis of the CFA

(traditional management and control model)

**approved by the Board of Directors on  
2 April 2013**

**[www.acotel.com](http://www.acotel.com)**



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## GLOSSARY

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies approved, in March 2006, by the Corporate Governance Committee set up by Borsa Italiana SpA.

**Civil Code:** the Italian Civil Code.

**Board:** Acotel Group SpA's Board of Directors.

**Issuer:** Acotel Group SpA.

**Financial year:** 1 January 2012 – 31 December 2012 ("2012").

**CONSOB Regulations for Issuers:** the Regulations issued by CONSOB with Resolution 11971/1999 (as subsequently amended) governing issuers.

**CONSOB Market Regulations:** the Regulations issued by CONSOB with Resolution 16191/2007 (as subsequently amended) governing markets.

**CONSOB Regulations governing Related Parties:** the Regulations issued by the CONSOB with Resolution 17221 of 12 March 2010 (as subsequently amended) governing related party transactions.

**Report:** the report on corporate governance and ownership structure that companies are required to prepare by art. 123-*bis* of the CFA.

**CFA:** Legislative Decree 58 of 24 February 1998 (the Consolidated Finance Act).

## **1. PROFILE OF THE ISSUER**

Acotel Group SpA is the holding company of the Acotel Group, which operates around the world in digital entertainment, telecommunications, value added services and security systems.

The Group operates in three business areas. The first, called Acotel Interactive, develops and commercialises digital entertainment services for use over the web and mobile phones, value added services for mobile operators and interactive advertising services. Management of this business area is the responsibility of the New York based company with the same, which operates directly and through its subsidiaries and associates in Italy, Brazil, Spain, Turkey, Mexico, Argentina, the United Arab Emirates, Jordan and Saudi Arabia. The commercial offering is developed centrally and then adapted for the various markets by locally based personnel.

The second business area, called Acotel TLC, includes the offerings of Jinny Software Ltd. in Dublin (Ireland), which develops and commercialises value added service technology solutions for mobile operators, Noverca Italia Srl (Rome), an MVNO (mobile virtual network operator) 34% owned by the Intesa Sanpaolo banking group, and Noverca Srl (Rome), which operates as an MVNE (mobile virtual network enabler) and MVNA (mobile virtual network aggregator).

The third business area, Acotel Net, produces security systems for major companies and public entities in Italy via AEM SpA (Rome) and offers value added energy management and remote medical services.

The Group's strengths include its technological independence and its full ownership of the technology platforms used to supply its services.

Acotel Group SpA is based in Rome and operates internationally in 17 countries, with offices in Rome, Beirut, Amman, New York, Rio de Janeiro, San Paolo, Dublin, Bucharest, Dubai, Riyadh, Kuala Lumpur, Nairobi, Istanbul, Madrid, Johannesburg, Jakarta, Panama and Cairo. At 31 December 2012 the Group employed 481 people.

## **CORPORATE GOVERNANCE**

The Acotel Group SpA's corporate governance system is based on the so-called traditional model, in which the Board of Directors is responsible for management of the Company's operations, the Board of Statutory Auditors is responsible for supervisory functions and the independent auditors appointed by the General Meeting of shareholders for auditing the Company's accounts.

The Board appoints a Chief Executive Officer (CEO) with responsibility for managing the Company, assigning him all the necessary executive powers. The CEO is assisted by executive Directors, who are assigned powers in keeping with their respective roles.

The Board has instituted two Board Committees with consultative and advisory functions: the Remuneration Committee and the Internal Audit Committee, both of which have four members, all of which are non-executive and three of which are independent.

This report describes the corporate governance system adopted by the Acotel Group, which is based on the Corporate Governance Code revised in December 2011 (the Code) and the Format for Corporate Governance Reports issued by Borsa Italiana SpA in January 2013.

## **2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to art. 123 bis, paragraph 1 of the CFA).**

### **a) Share capital structure**

At 31 December 2012 the fully subscribed and paid-up share capital of Acotel Group SpA amounts to 1,084,200 euros, and consists of 4,170,000 ordinary shares with a par value of 0.26 euros each.

The Company has not issued other categories of share or other financial instruments granting the right to subscribe newly issued shares. Similarly, it does not use share incentive plans (share options, share grants, etc.) involving capital increases, including bonus issues.

### **b) Restrictions on the transfer of securities**

There are no statutory restrictions on the transfer of securities, such as, for example, limits on share ownership or the need to obtain the agreement of the Issuer or of other shareholders.

A description of the limits on the transfer of securities agreed to by the shareholders of Clama Srl and Clama SA, as part of the Investment Agreement entered into with Intesa SanPaolo SpA on 28 December 2007, is provided in point g) below.

### **c) Major shareholdings**

The disclosure of shareholders who, directly and indirectly, hold significant interests in Acotel Group SpA, based on the reports filed pursuant to art. 120 of the CFA, integrated by other information available to the Company, is provided in the attached Table 1.

### **d) Securities that carry special rights**

No golden shares have been issued.

### **e) Employee share ownership: mechanism for exercising voting rights**

The Company has not introduced any form of employee share ownership.

### **f) Restrictions on voting rights**

There are no restrictions on voting rights.

### **g) Shareholder agreements**

On 28 December 2007 Clama Srl, Clama SA, Acotel Group SpA (“Acotel”) and Intesa Sanpaolo SpA (“ISP”) signed an “Investment Agreement” containing, among other things, Shareholder Pacts of relevance to article 122 of the CFA. The pacts regard (i) certain limits on the transfer of Acotel shares owned by Clama Srl and Clama SA; and (ii) the exercise of voting rights in Acotel by Clama Srl, Clama SA and ISP.

In execution of the above Agreement, on 9 May 2008 Acotel sold ISP 198,075 treasury shares, representing 4.75% of its share capital.

A fuller description of the pacts contained in the Investment Agreement is provided in the Extract from the Shareholder Pacts, which is attached to this Report.

### **h) Change of control covenant**

The pacts referred to in point g) include a commitment from Clama Srl and Clama S.A to maintain their control of Acotel Group SpA until 18 April 2014.

### **i) Authority to increase the share capital and to repurchase own shares**

The Board of Directors has not been granted any authority to increase the share capital pursuant to art. 2443 of the Italian Civil Code and cannot issue participating financial instruments.

At the date of preparation of this Report the Board of Directors has not been granted authority to purchase the Company’s own shares, as permitted by articles 2357 *et seq.* of the Italian Civil Code, as the period of 18 months for which such authority was granted to the Board by the General Meeting of shareholders held on 24 April 2009 has expired.

### **j) Management and coordination**

Despite being a subsidiary of Clama Srl pursuant to art. 2359, paragraph 1, point 2 of the Civil Code, Acotel Group SpA is not subject to management and coordination either by the parent or by other companies or entities, given that it does not receive instructions from third parties, but has fully independent control over its general and operating policies.

With regard to management and coordination activities carried out by the Issuer in respect of its subsidiaries, such activities regard the establishment of general and operating policies, the definition and monitoring of their internal control systems, governance models and organizational structures, and the establishment of shared policies for the management of human and financial resources.

The management and coordination activities conducted by the Parent Company enable its subsidiaries, who maintain their management and operational independence, to obtain economies of scale by benefitting from shared specialist expertise, thereby focusing their resources on managing their respective businesses.

It should also be noted that:

- the disclosures required by art. 123-*bis*, paragraph one, letter i) (“agreements between the company and the directors ... providing for indemnities in the event of dismissal or termination without just cause or if their employment relationship is terminated following a public tender offer”) are provided in the section of the Report dealing with Directors’ remuneration (Section 9);
- the disclosures required by art. 123-*bis*, paragraph one, letter l) (“rules for the election and replacement of directors ... and for amendments to the articles of association, if different and supplementary to those established by the applicable laws and regulations”) are provided in the section of the Report dealing with the Board of Directors (Section 4.1).

### **3. COMPLIANCE (pursuant to art. 123-*bis*, paragraph 2, letter a) of the CFA)**

Acotel Group SpA complies with the Corporate Governance Code available to the public on Borsa Italiana’s website ([www.borsaitaliana.com](http://www.borsaitaliana.com)). It thus gives the reasons for its decision not to apply one or more of the Code’s recommendations in this Report.

Acotel Group SpA’s corporate governance structure is not influenced by legislation outside Italy to which its key subsidiaries are subject.

## **4. BOARD OF DIRECTORS**

### **4.1. ELECTION AND REPLACEMENT (pursuant to art. 123-*bis*, paragraph 1, letter l) of the CFA)**

The text of art. 16 of the Articles of Association is reproduced below in its amended version after compliance with the provisions of Legislative Decree 27 of 27 January 2010, which was approved by the General Meeting held on 22 April 2011. This article establishes the procedure for electing Board members by slate vote.

“SECTION IV  
Management  
Article 16

*The Company shall be managed by a Board of Directors consisting of not less than 3 and no more than 9 members to be elected by Ordinary General Meeting of shareholders.*

*Directors shall be elected for a period of three financial years, and their term of office shall expire on the date of approval of the financial statements for the last financial year of their term. Directors are eligible for re-election.*

*Directors shall be elected by Ordinary General Meeting on the basis of lists submitted by shareholders, on which candidates must be listed in consecutive numerical order. Only shareholders who hold, either singly or jointly with other shareholders, voting shares representing at least one-fortieth of the issued share capital carrying the right to vote at Ordinary General Meetings shall have the right to submit lists, or, in the*

event of this percentage no longer being allowed by changes in the relevant legislation or regulations, the maximum permitted number shall apply.

The lists submitted must be deposited at the Company's registered office at least twenty-five days before the date of the General Meeting.

The Company shall publish the lists on its website and in the other forms provided for by CONSOB regulations, pursuant to art. 147-ter, paragraph 1 of Legislative Decree 58/1998, at least twenty-one days before the General Meeting.

Each shareholder who singly or jointly submits a list must deposit the certificate issued by an intermediary, providing proof of their right to submit such a list, at the Company's registered office at the same time as submitting the list or, subsequently, provided that it is within the deadline for publication of the lists by the Company, pursuant to the regulations in force.

No shareholder may submit or vote for more than one list, including by proxy or trust company. Each candidate may be included in one list alone on pain of ineligibility. The lists submitted must be deposited at the Company's registered office at least twenty-five days before the date of the General Meeting in first or single call and must indicate the candidates, who must not be less than two, who qualify as independent as defined by law and /or the codes of conduct drawn up by the stock market regulator or trade associations. Proof of deposit must be provided in the form of a receipt issued by the entity appointed by the Company for this purpose.

Within the above term, each list must be accompanied by a statement from each candidate declaring that they accept their candidacy and providing a personal warranty that there is no fact or deed that could give rise to their disqualification and that they meet the legal requirements for holding such office. Each candidate's statement must be accompanied by a curriculum vitae, containing their personal and professional details and, where appropriate, confirmation that the candidate meets the legal requirements to qualify as an independent Director.

Any list that does not satisfy these requirements shall be deemed invalid.

All the candidates on the list that obtains the highest number of votes shall be elected to serve as Directors in the consecutive numerical order in which they are listed, with the exception of one candidate who shall be drawn, from among the candidates qualifying as independent under the law, from the list that obtains the second highest number of votes.

Should only one list be submitted, all the candidates on that list shall be elected Directors, subject to prior approval of the General Meeting.

Should no lists be submitted, or should it not be possible, for whatever reason, to elect the Directors following the above procedure, the General Meeting shall elect members of the Board by majority vote.

If, during the year, one or more Directors leaves office, the others, without taking account of the original list from which they were drawn, shall proceed to replace them by resolution to be approved by the Board of Statutory Auditors, provided that the majority of the Directors in office were elected by General Meeting.

The General Meeting may, however, vote to reduce the number of members of the Board of Directors to the number of Directors in office for the residual duration of their term.

Should, for whatever reason, a majority of the Directors elected by the General Meeting leave office, the term of office of the entire Board shall be deemed to have expired. In this case, the Chairman of the Board of Statutory Auditors must immediately call a General Meeting to elect a new Board of Directors."

When General Meetings are called to re-elect the Board of Directors, the lists of candidates for election to the Board, accompanied by the candidates' personal and professional details, are published on the Company's website in the "Investor relations" section.

The Board of Directors has opted not to establish any form of succession planning for executive Directors, given the significant concentration of ownership in the hands of the founder and his family, who are actively involved in management of the Company and its subsidiaries.

#### **4.2. COMPOSITION (pursuant to art. 123-bis, paragraph 2, letter d) of the CFA)**

The Ordinary General Meeting of the Company's shareholders held in Rome on 24 April 2012 elected the following persons to serve as members of Acotel Group SpA's Board of Directors:

Francesco Ago;  
Margherita Argenziano;  
Claudio Carnevale;  
Cristian Carnevale;  
Raffaele Cappiello;  
Luca De Rita (replaced by Giorgio Angelo Girelli: see below);  
Giovanni Galoppi;  
Giuseppe Guizzi;  
Giovanni La Croce.

At the above General Meeting, Claudio Carnevale was elected Chairman of Acotel Group SpA's Board of Directors.

At the Board of Directors' meeting of 13 November 2012, Luca De Rita expressed his willingness to resign from the Board in order to allow Giorgio Angelo Girelli to be co-opted on to the Board at the same meeting. The next General Meeting of shareholders will be invited to endorse Mr Girelli's appointment.

With exception of Mr Girelli, All Acotel Group SpA's Directors, who will remain in office until the General Meeting called to approve the financial statements for 2014, were drawn from the single list submitted by the shareholder, CLAMA Srl, which was voted for by all the shareholders present at the General Meeting, representing 57.384% of the voting shares.

In view of the limited number of directorships or appointments as statutory auditors held by its members in other listed companies (including overseas), in finance companies, banks, insurance companies or large corporations (a detailed list is provided in the attached Table 4), the Board of Directors has not found it necessary to establish a maximum number of directorships or appointments as statutory auditors in such companies.

It is, therefore, the individual responsibility of each Director to only accept the position when he or she believes they are able to dedicate sufficient time to the role and act and vote in full knowledge of the facts and independently.

Between 31 December 2012 and the date of preparation of this Report, there have been no changes in the composition of the Company's Board of Directors.

Whilst the Company has not organised specific initiatives with the aim of providing the Directors with adequate knowledge of the sector in which the Issuer operates, of the Company's operations and their evolution, or on the related regulatory environment, management deems that the Acotel Group SpA's Directors are sufficiently prepared for their roles, if for no other reason than because of their areas of specific expertise. During Board meetings the Chairman provides a thoroughgoing explanation of the sector in which the Company operates, the Company's operations and their evolution, and of the regulatory environment.

#### **4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, paragraph 2, letter d) of the CFA)**

Acotel Group SpA's Board of Directors met four times in 2012, with less than three months between each meeting: the Articles of Association do not establish a minimum frequency for Board meetings.

Attendance at Board meetings was 86.11%, if calculated on the basis of all Directors, and 91.67%, if based solely on independent Directors. The average duration of the meetings was 100 minutes.

The Financial Calendar for 2013, which has already been published, envisages that Board meetings will be held to approve the financial statements for the year ended 31 December 2012 (15 March 2013), the interim report for the six months ended 30 June 2012 (8 August 2013) and the quarterly reports for the three months ended 31 March 2013 (15 May 2013) and the nine months ended 30 September 2012 (14 November 2013). Other Board meetings will be called as the need arises.

Including the meeting at which this Report was approved, the Board of Directors of *Acotel Group SpA* has already held three meetings in 2013

Prior to each meeting, the Chairman of the Board shall ensure that all members of the Board are provided, in a timely manner, with the documentation and information required for the deliberation of proposed resolutions.

As it was not necessary to take major decisions during the meetings held in 2012, for reasons of confidentiality and urgency, information was only provided during the Board meetings called to deliberate on proposed resolutions.

No party external to the Board of Directors or the Board of Statutory Auditors took part in the Company's Board meetings in 2012.

The principal responsibilities of Acotel Group SpA's Board of Directors are:

- to examine and approve the strategic, business and financial plans of the Company and Group companies, the Company's corporate governance system and the structure of the Group;
- to assess the adequacy of the overall organisational and administrative structures of the Company and its largest subsidiaries;
- to assign, and eventually revoke, the powers of executive Directors, establishing the limits, the method of exercising such powers and the frequency, which should not be less than quarterly, with which they must report on their activities in carrying out the powers assigned to them;
- to fix, having examined the proposals of the remuneration committee and consulted the Board of Statutory Auditors, the remuneration of executive Directors and other Directors with key roles;
- to assess the overall operating performance, based on information received from executive officers, and periodically comparing the actual results with budget targets;

- to examine and approve transactions conducted by the Issuer and its subsidiaries, when such transactions are of significant strategic importance or have a significant impact on the Issuer's results of operations, the financial position and cash flows, with particular regard to situations in which one or more Directors represent their own or third-party interests and, more generally, related party transactions;
- to assess, at least annually, the size, composition and functionality of the Board itself and any Board committees, if necessary suggesting professionals whose expertise may be of use to the Board.

The above roles are carried out during Board and Board Committee meetings, following reports by executive Directors, and via meetings with the Board of Statutory Auditors, the Supervisory Board set up in compliance with Legislative Decree 231/01, the independent auditors and the management of the Company and its subsidiaries. The checks carried out in 2012 did not reveal any critical issues to be included in this Report.

#### **4.4. EXECUTIVE OFFICERS**

##### **Executive Directors and the Chairman of the Board**

At its meeting of 14 May 2012, the Board of Directors elected the Chairman, Claudio Carnevale, to serve as Chief Executive Officer, granting him all the powers necessary to ensure effective and timely management of the Company.

At the following meeting of 9 August 2012, the Board of Directors, partly in view of adoption of Model 231, which expressly provides for an authorisation system in which powers, including those of signature, are assigned in accordance with organisational and management responsibilities, granted specific powers to the Director, Margherita Argenziano, who, among other things, was granted authority to make payments or assume commitments on the Company's behalf for up to a maximum of €100,000 against her sole signature.

For the purposes of compliance with the regulations in force, members of the Board of Directors are classified as follows:

##### Executives:

- Claudio Carnevale: relative majority shareholder, Chairman and Chief Executive Officer;
- Margherita Argenziano: shareholder and Chief Executive Officer of subsidiaries;
- Cristian Carnevale: shareholder, with responsibility for overseeing the overseas subsidiaries and Chief Executive Officer of a key investee company;

##### Non-executives:

- Francesco Ago;
- Raffaele Cappiello;

- Giovanni Galoppi;
- Giuseppe Guizzi;
- Giorgio Angelo Girelli;
- Giovanni La Croce.

Independents:

- Francesco Ago;
- Raffaele Cappiello;
- Giuseppe Guizzi.

The Chairman and Chief Executive Officer reports, at least quarterly, on the activities carried out and key events affecting the operations of the Company and its subsidiaries.

#### **4.5. OTHER EXECUTIVE DIRECTORS**

As stated in the previous section, Cristian Carnevale is an executive Director as he is Chief Executive Officer of Acotel Interactive Inc., a key investee company given that, based on the results reported in the financial statements for the year ended 31 December 2012, is accounts for almost half of consolidated revenues.

#### **4.6. INDEPENDENT DIRECTORS**

Francesco Ago, Raffaele Cappiello and Prof. Giuseppe Guizzi qualify as independent in accordance with the “Corporate Governance Code for Listed Companies”, in that they do not engage, nor have they recently engaged, including indirectly, in relations with issuers such as to compromise their independence of judgement.

At its meeting of 13 May 2011, Acotel Group SpA’s Board of Directors assessed the continuing independence of the Directors, Francesco Ago, Raffaele Cappiello and Prof. Giuseppe Guizzi, verifying the absence of all the instances mentioned in letters a) to h) of application criterion 3.C.1. of the Code, with the exception of, with regard to Francesco Ago alone, the instance mentioned in letter e) regarding positions held for more than nine years out of the last twelve.

The above exception, which was noted in the press release issued at the time of election pursuant to the regulations in force, was deemed to be irrelevant for the following reasons: that, among other things, in the three years prior to his election, Francesco Ago was elected Lead Independent Director, and Chairman of both the Internal Audit and Remuneration committees; that compliance with the provisions of the Code is, in accordance with the Code itself, voluntary; that the absence of the instances listed in the application criterion 3.C.1. is not binding for the Board, which has the option of adopting additional or even alternative criteria, giving investors an appropriate and reasoned explanation; that the assessment of independence must be carried out more with regard to substance than to form; that the authority and independence of Francesco Ago do not appear in any way compromised by the fact that he has been a Director of the Company over the last nine years.

During its meeting of 13 May 2011, the Company's Board of Statutory Auditors acknowledged the correct application of the assessment criteria and procedures adopted by the Board in assessing the independence of the Directors, Francesco Ago, Raffaele Cappiello and Giuseppe Guizzi.

The independent Directors met 4 times during the year in the absence of other Directors.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

On 9 August 2012, in accordance with the recommendations of the Code when the Chairman of the Board is also the Chief Executive Officer, or when the Chairman is the person who controls the Issuer, the Board of Directors elected Professor Giuseppe Guizzi to serve as Lead Independent Director with the role of:

- guiding and coordinating the requests and contributions of non-executive Directors and, above all, independent Directors;
- working with the Chairman and Chief Executive Officer in order to ensure that the Directors are kept fully and promptly informed.

#### **5. CORPORATE DISCLOSURES**

The Board of Directors has approved an internal procedure for publishing documents and information regarding Acotel Group SpA and the Group of companies for which it is the holding company.

This procedure, drawn up on the basis of the principles set out in the "Guide for market disclosures" published by Borsa Italiana SpA in June 2002, defines price sensitive information and forward-looking statements, and provides a detailed description of the procedures to be followed for their disclosure outside the Company, and the persons concerned and their responsibilities.

The procedure also establishes the approach to be adopted by the Company's management at General Meetings and during meetings with analysts and investors, or in the event of rumours regarding the share price or the Company.

The Procedure for Market Disclosures is available on the Company's website in the "Investor relations" section.

#### **6. BOARD COMMITTEES (pursuant to art. 123-bis, paragraph 2, letter d) of the CFA)**

On 9 August 2012 the Board of Directors established the Remuneration Committee and the Internal Audit Committee, electing the independent Directors, Francesco Ago, Raffaele Cappiello and Prof. Giuseppe Guizzi, and the non-executive Director, Giovanni Galoppi, to serve on both committees.

Francesco Ago was elected Chairman of both the Remuneration Committee, whilst Prof. Giuseppe Guizzi was elected Chairman of the Internal Audit Committee.

In establishing the Remuneration Committee and the Internal Audit Committee, the Board of Directors deemed that by nominating Giovanni Galoppi, a chartered accountant and a statutory auditor at other joint-stock companies, as a member the Company had applied the principle whereby at least one member of these committees must possess adequate experience of accounting and financial matters.

The committees' roles were defined by the Board and included in the resolution that established them. The Board may add to or alter the above roles by voting a new resolution.

Minutes are taken of committee meetings.

Committee members have access to information and corporate functions as required in order to carry out their roles. They may also make use of external consultants or invite third parties to attend committee meetings in relation to individual items on the agenda.

## **7. NOMINATIONS COMMITTEE**

The Board of Directors has not yet established a Nominations Committee, believing that the Board itself is capable of identifying a candidate to co-opt, or to propose to the General Meeting, should it be necessary to replace an independent Director.

## **8. REMUNERATION COMMITTEE**

The Board of Directors has assigned the Remuneration Committee, elected on 9 August 2012, responsibility for:

- periodic assessment of the adequacy, overall compliance with and effective application of the remuneration policy for Directors and key management personnel, in the latter case based on information provided by the executive Directors, and the submission of proposals regarding such matters;
- the submission of proposals or the preparation of opinions for the Board of Directors on the remuneration of executive Directors and other Directors with specific roles, and the setting of performance targets linked to the variable component of remuneration; monitoring the application of decisions made by the Board, above all verifying effective achievement of the performance targets.

The Remuneration Committee met three times in 2012. Attendance at the meetings was 91.67%, whilst the average duration of the meetings was 61.67 minutes.

In 2012 members of the Remuneration Committee were all non-executive Directors, the majority of whom were independent: there were never less than three members.

The Committee did not exercise the option to involve external consultants paid for by the Company.

The Chairman of the Board of Statutory Auditors attended the Committee meetings held in 2012.

In 2013, the Remuneration Committee has met twice prior to the date of preparation of this Report to carry out ex-post checks on the suggested formula for quantifying incentive bonuses to be paid and to prepare the Remuneration Report which, pursuant to the regulations in force, must be presented to shareholders at the next General Meeting.

## **9. REMUNERATION OF DIRECTORS**

Additional disclosure with respect to the information below is provided in the Remuneration Report published pursuant to art. 123-ter of the CFA.

The Remuneration Committee also carries out the functions of the Committee for Related Party Transactions. This has involved expressing the specific opinions required at the time of re-election of the boards of directors and boards of statutory auditors of the subsidiaries, AEM SpA, Acotel SpA, Noverca Srl and Noverca Italia Srl regarding the remuneration of the directors and statutory auditors of these companies, where some of them hold the same position at Acotel Group SpA.

Although the Remuneration Committee is informed about pay levels within the Group, it has not so far been involved in fixing the remuneration of staff, which is fixed in accordance with the powers assigned: the pay of all the Group's key management personnel in individual subsidiaries includes a variable portion linked, as suggested by Acotel Group SpA's Remuneration Committee, to the earnings performance of the company they manage.

There are no share-based incentive plans for executive Directors or key management personnel.

The Board of Directors' fees of €225,000, as fixed by the General Meeting, are allocated, in accordance with the related shareholder resolution, equally among the Directors, who receive €25,000 each.

There are no share-based incentive plans for non-executive Directors.

**Indemnities to be paid to Directors in the event of resignation, dismissal or termination of employment following a public tender offer (pursuant to art. 123-bis, paragraph 1, letter i) of the CFA).**

There are no agreements between the Issuer and the Directors providing for the payment of indemnities in the event of resignation or dismissal/termination without just cause or termination of employment following a public tender offer.

The main features of the remuneration policy for executive Directors, other Directors with key roles and key management personnel are described in the Remuneration Report, prepared pursuant to art. 84-*quater* of the CONSOB Regulations for Issuers contained in Resolution 11971 of 14 May 1999, as amended. The Report will be available on the Company's website within the legally required deadline.

## **10. INTERNAL AUDIT COMMITTEE**

The Internal Audit Committee, elected on 9 August 2012, met five times. The meetings were attended by all Committee members, and the average duration of the meetings was 104.0 minutes.

In 2012 members of the Internal Audit Committee were all non-executive Directors, the majority of whom were independent: there were never less than three members.

The Chairman of the Board of Statutory Auditors and the Company's Chief Financial Officer were invited to attend the Committee meetings held in 2012.

The Committee did not exercise the option to involve external consultants paid for by the Company.

In 2013, the Internal Audit Committee has met twice prior to the date of preparation of this Report, in part to carry out the duties assigned to it by the Board of Directors, consisting of assistance to the Board in preparing this Corporate Governance Report.

### **Functions assigned to the Internal Audit Committee**

In the resolution establishing the Committee, the Board assigned the Internal Audit Committee responsibility for assisting it in:

- defining guidelines for the internal control system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified, and adequately measured, managed and monitored, also establishing criteria for assessing the compatibility of these risks with the management of the Company in line with the strategic goals set;
- assessing, at least annually, the adequacy of the internal control and risk management system in respect of the nature of the Company and its risk profile, in addition to its effectiveness;
- approving, at least annually, the work plans prepared by the head of the Internal Audit department, in consultation with the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, preparing its opinion on the adequacy of the system;
- assessing, in consultation with the Board of Statutory Auditors, the outcome of the audit carried out by the independent auditors, as contained in any letter of recommendations and in the report on key issues arising from the audit;

The Board of Directors has also requested the Internal Audit Committee to express its opinion on the proposals submitted by the Director responsible for the internal control and risk management system regarding:

- the appointment and removal of the Head of Internal Audit;
- the adequacy of the resources allocated to the Head of Internal Audit with respect to their responsibilities;
- the consistency of the related remuneration with the Company's policies.

The Internal Audit Committee is also responsible for:

- assessing, together with the manager responsible for financial reporting and in consultation with the independent auditors and the Board of Statutory Auditors, the correct use of accounting standards, including by subsidiaries for the purposes of preparing the consolidated financial statements;
- expressing opinions on specific aspects regarding identification the principal business risks;
- examining the periodic reports on the assessment of the internal control and risk management system and on risk of particular significance prepared by the Internal Audit department;
- monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit department;
- requesting the Internal Audit department to carry out checks on specific areas of operation, at the same time informing the Chairman of the Board of Statutory Auditors;
- reporting to the Board, at least every six months, at the time of approval of the annual and interim financial statements, on the activities carried out and on the adequacy of the internal control and risk management system.

The Chairman or another member of the Board of Statutory Auditors takes part in meetings of the Internal Audit Committee.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

### **INTRODUCTION**

In designing its risk management and internal control system for financial reporting purposes (hereinafter the "System"), the ACOTEL Group has used international best practice with the aim of significantly mitigating risks by ensuring the dependability, reliability, accuracy and timeliness of the Group's financial reporting.

The CoSO Report, to which Borsa Italiana's Corporate Governance Code also refers, represents the framework for the Internal Control System adopted by the ACOTEL Group, and the benchmark applied in establishing, maintaining and monitoring each component of the control system, at the various organisational levels.

The Company has devised and implemented a series of reliable administrative and accounting procedures, so as to guarantee a high standard of internal control system for

financial reporting purposes. These procedures have been communicated to all staff and sent to all the principal overseas subsidiaries for adoption and adaptation to local situations.

The structure of the Internal Control System is as follows:

- a Code of Ethics, adopted by the Company's Board of Directors from 28 March 2008, with the aim of promoting and disseminating the principles of legality, loyalty, fairness and transparency as the basis for the conduct of the Group's business. The Code applies to all the Group's Italian companies;
- implementation of an "Organisational and Management Model pursuant to Legislative Decree 231/01" (the "Model"), adopted from 2008, and the applicable disciplinary system, and establishment of the Supervisory Board with responsibility for overseeing the Model and its revision;
- adoption of Borsa Italiana SpA's Corporate Governance Code for listed companies, which applies national and international best practice in relation to corporate governance for listed issuers;
- definition and communication of the powers of authorisation and signature;
- definition of appropriate administrative and accounting procedures, with suitable control mechanisms (balancing, reporting mechanisms, reconciliations, etc.);
- definition and communication of a financial calendar for interim and annual reporting;
- documentation and traceability of transactions and the controls conducted;
- an information flow requiring the heads of the various businesses and the CFOs of subsidiaries to provide assurance to the manager responsible for financial reporting;
- establishment of an Internal Audit department.

## COMPONENTS OF THE SYSTEM

### Risk identification and assessment

From 2010 the Company has implemented a risk management system using a top-down approach, with the aim of identifying and assessing the risks that have most impact on the Group's ability to achieve its objectives, including in terms of financial reporting, subsequent management of the risks and periodic reporting to governance bodies.

The project is based on self-assessment of the risk profile by management, resulting in a map of risks assessed at "residual" level (the degree of risk after taking account of mitigation measures) in terms of impact and likelihood of occurrence. The identified risks were classified according to the following categories: corporate governance, strategy and planning, operations, compliance and reporting.

Focusing attention on the most significant risks, management proceeds to draw up and implement an action plan designed to mitigate the risk of failing to achieve the Group's objectives (strategic, operating and compliance targets, etc.) as a result of external events (for example, changes in the business environment, regulatory and/or technological developments, etc.) and/or internal events (for example, organisational

changes, etc.), with the goal of improving the Internal Control System and “protecting” the Company’s assets.

With regard to financial reporting, periodic risk assessment has the purpose of identifying, based on quantitative analysis and in accordance with qualitative evaluations and parameters:

- the consolidated Group companies to be included in the analysis;
- key processes, in terms of inherent risk, involved in preparation of the consolidated accounts, for each operating company identified;
- identification, for each key process, of the specific risks for financial reporting.

Identification of risks and the related controls is carried out with respect to the controls relating to both the information in the financial statements (for example, existence and occurrence, full disclosure, rights and obligations, measurement and recognition, presentation and disclosure), and other control objectives (for example, compliance with authorization limits, the separation of operational roles and responsibilities from control functions, physical security and safeguards for the Company’s assets; the documentation and traceability of transactions, etc.).

### **Identification of controls**

The risk maps used by the Company consist of tables (the Risk Control Matrices) that describe, for each process, the identified risks and the associated types of control applied (manual/automatic, preventive/detective, frequency, etc.).

Should, following identification of the scope of action, key processes or activities that are entirely or partly excluded from the existing body of administrative and accounting procedures be identified, the relevant departments must take steps, in coordination with the manager responsible for financial reporting, to add to existing procedures and/or draw up new procedures.

The periodically updated control matrices are used as the basis for periodic testing with the aim of assessing and monitoring both the form and the effectiveness of existing controls.

### **Assessment of controls and the monitoring process**

The process of assessing the System is carried out when preparing the annual and interim financial statements.

Testing takes place continuously throughout the year at the indication of and in coordination with the manager responsible for financial reporting, who is supported by the Internal Audit department and/or appropriate external consultants.

The Internal Audit Committee, Supervisory Board and Board of Statutory Auditors receive periodic reports during the meetings called by these bodies, during which information is provided on the activities carried out, the outcomes of controls, the action plans adopted by management in order to implement any improvements identified during the control process and the results of follow-up checks. The Internal Audit Committee and Supervisory Board report to the Board of Directors every six months.

## ROLES AND FUNCTIONS INVOLVED

The person in charge of the Risk Management and Internal Control System for financial reporting purposes is the manager responsible for financial reporting, who, appointed by the Board of Directors, in consultation with the CEO, is responsible for designing, implementing and approving the Accounting and Administrative Control Model, and assessing its application, issuing attestations on the interim and annual separate and consolidated financial statements.

As the person responsible for putting in place adequate administrative and accounting procedures to be used in preparation of the separate and consolidated financial statements and all other financial announcements, and for providing adequate instructions to subsidiaries, deemed significant within the scope of preparation of the Group's consolidated financial statements, on how to correctly assess their own internal audit systems, the manager responsible for financial reporting has responsibility for the internal controls related to financial reporting. In carrying out this role, the manager is assisted by the Company's other executive Directors and by the Company's and the Group's management.

The manager responsible for financial reporting reports to the Board of Directors, the Internal Audit Committee and – as regards issues falling within its responsibility - the Board of Statutory Auditors.

In carrying out his role, the manager responsible for financial reporting:

- interacts with the Internal Audit department, who conduct independent checks on the functionality of the control system and support the manager responsible for financial reporting in monitoring the System;
- coordinates the activities of the CFOs of the principal subsidiaries, who, together with the appointed bodies, are responsible for implementing appropriate internal control systems within their own companies, in order to monitor their administrative and accounting processes and assess their effectiveness over time, reporting the results to the Parent Company via an internal assurance process;
- exchanges information with the Internal Audit Committee and the Board of Directors, reporting on the activities carried out and the adequacy of the Internal Control System.

The manager responsible for financial reporting reports to the Board of Statutory Auditors and the Supervisory Board on the adequacy and reliability of the administrative and accounting system.

As stated above, in carrying out his duties the manager responsible for financial reporting has access to support from the Internal Audit department and/or appropriate external consultants. In particular, in November 2012 the manager appointed an external firm of consultants to conduct additional checks on the functionality of the internal control and risk management system, to assist in conducting risk assessments and to carry out checks on certain processes within Acotel Group companies and, above all, certain overseas subsidiaries, identified in agreement with the Head of Internal Audit, partly within the scope of the department's audit tasks.

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### **Overall assessment of the adequacy of the Internal Control System**

Based on the information and evidence gathered by the manager responsible for financial reporting, with the support of the Internal Audit department, by the Head of Internal Control and by the Internal Audit Committee, the Board of Directors believes that the existing Internal Control System is, in general, capable of ensuring, with reasonable certainty, achievement of the Company's objectives.

In that it refers to the Internal Control System as a whole, the assessment is subject to the limits inherent in the system itself. Whilst well conceived and functional, the Internal Control System can only guarantee with "reasonable certainty" achievement of the Company's objectives.

### **11.1. DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The role of Director responsible for the internal control and risk management system has been assigned to Prof. Giuseppe Guizzi as Chairman of the Internal Audit Committee, whose is responsible for:

- overseeing identification of the main business risks, taking account of the nature of the activities of the Issuer and its subsidiaries, and report on such risks to the Board of Directors;
- implementing the guidelines drawn up by the Board of Directors, proceeding to design, implementation and management of the internal control and risk management system, verifying its adequacy, effectiveness and efficiency on an ongoing basis, and modifying the system in response to changes in the operating environment and the legislative and regulatory context;
- reporting to the Internal Audit Committee and the Board of Directors on problems and critical issues identified as a result of his activities.

Prof. Guizzi is in continuous contact with the Internal Audit Committee, the Board of Statutory Auditors, the Supervisory Board, to whom he provides assistance in conducting their controls, and the independent auditors

### **11.2. HEAD OF INTERNAL AUDIT**

On 13 November 2012 the independent Director, Prof Giuseppe Guizzi, as Chairman of the Internal Audit Committee, was assigned responsibility for overseeing the internal control and risk management system and appointed Head of Internal Audit.

The Head of Internal Audit is responsible for:

- assuring that the internal control and risk management system is fit for purpose by implementing an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the principal risks;
- preparing periodic reports containing adequate information on his activities, risk management processes, and compliance with the plans drawn up in order to contain risks and on the assessment of the appropriateness of the internal control and risk management system;
- submitting the reports prepared to the chairmen of the Board of Statutory Auditors, the Internal Audit Committee and the Board of Directors.

The Head of Internal Audit reports directly to the Board of Directors.

### **11.3. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001**

On 28 March 2008 the Company's Board of Directors adopted an organisational, management and control model pursuant to Legislative Decree 231/01 (the "Model"). This Model is described in the document called "Organisational, Management and Control Model", which was approved by the Company's Board of Directors together with a series of attachments listed below, which form an integral part of the Model, governing its key components:

- *List of Crimes;*
- *Organisational Chart and Function Chart;*
- *List of Procedures;*
- *Code of Ethics;*
- *Disciplinary System;*
- *Regulations of the Supervisory Board.*

In particular, the List of Crimes identifies the following offences for which the Company may at present be liable:

- crimes committed in the course of transactions with government entities;
- damage to public property;
- electronic crimes and illegal processing of data;
- organised crime;
- crimes against public trust;
- crimes against industry and trade;
- corporate crimes;
- terrorist acts or the subversion of democracy as provided for by the penal code and special laws;
- female genital mutilation;
- crimes against the person;
- market abuse;
- cross-border crimes.

- crimes of manslaughter and actual and grievous bodily harm, committed in violation of accident prevention and health and safety at work legislation;
- the handling, laundering and use of stolen money or goods;
- copyright infringement;
- instigation to not testify or to bear false testimony before the courts;
- environmental crimes.

The organisational chart provides an immediate graphic view of the Company's organisational structure, showing the different organisational structures and the reporting lines.

The list of procedures shows the procedures falling within the scope of the Model and which are, therefore, monitored by the Supervisory Board and subject to application of the Disciplinary System in the event of violation.

The Code of Ethics contains the principles and rules of conduct applicable to the Company's employees and anyone acting on the Company's behalf or who have business dealings with it. Compliance with the Code of Ethics is required by specific contractual conditions included in contracts governing relations between the parties.

The Disciplinary System describes the sanctions, the method for their application and the process for investigating violations of the rules contained in the Model by the various persons acting on behalf of the Company.

The Regulations of the Supervisory Board define the duties and powers of the Supervisory Board, the procedure for appointing its members, the related requirements and the method of revocation, and the procedure for calling meetings and for deliberation.

At its meeting of 20 April 2011, the Board of Directors, in implementation of the provisions of Legislative Decree 231/2001 and the guidelines established by Confindustria (the Confederation of Italian Industry), and in compliance with the requirements of independence, professionalism and continuity of action, elected ACOTEL GROUP SpA's new Supervisory Board. The Board also confirmed that this is a collegiate body with three members, based on the fact that the majority of entities has opted for such a form and in view of the vast number of responsibilities assigned to it.

#### **11.4. INDEPENDENT AUDITORS**

The auditing firm appointed to audit Acotel Group SpA's consolidated and separate financial statements is Reconta Ernst & Young SpA, which was appointed by the General Meeting of 24 April 2012 for the nine financial years from 2012 to 2020.

## **11.5. MANAGER RESPONSIBLE FOR FINANCIAL REPORTING**

At its meeting of 14 May 2012, the Board of Directors confirmed Luca De Rita's appointment as the manager responsible for Acotel Group SpA's financial reporting.

The Articles of Association in force require the manager to have long-term experience in administration, finance and control and to meet the integrity requirements for Directors provided for by law.

As he is also a member of the boards of directors of the Company and its principal subsidiaries, and Acotel Group SpA's CFO, the manager responsible for financial reporting has sufficient powers to carry out his assigned tasks.

## **11.6. COORDINATION OF PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Coordination of the various persons involved in the internal control and risk management system is achieved by joint participation in meetings, where each person reports on their activities and future activities are coordinated. This is done to maximise the efficiency of the internal control and risk management system and reduce any overlaps.

## **12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

In application of the provisions of art. 2391-*bis* of the Italian Civil Code, the recommendations in art. 9.C.1 of the Corporate Governance Code for listed companies, and the CONSOB regulations on related party transactions approved with Resolution 17221 of 12 March 2010 (the "**CONSOB Regulations**"), on 1 December 2010 the Board of Directors of Acotel Group SpA adopted a specific procedure for the approval and execution of transactions entered into by Acotel Group SpA, or its subsidiaries, with related parties.

The Procedure for Related Party Transactions, in effect from 1 January 2011, is available for inspection on the Company's website in the "Investor Relations" section at <http://www.acotel.com/upload/1291644693.pdf>.

The Directors are aware that they are included among the related parties specifically identified by the above procedure and whenever they have, on their own behalf or on behalf of third parties, an interest, even only potential or indirect, in transactions of any type entered into by the Company, or the Group, they must promptly and fully inform the Board of the existence of the interest and the related circumstances.

### **13. ELECTION OF STATUTORY AUDITORS**

The procedure for the election of Statutory Auditors is described in articles 25 and 26 of the Articles of Association. The text of article 26 is reproduced almost in full below, in its amended version after compliance with the provisions of Legislative Decree 27 of 27 January 2010, approved by the General Meeting held on 22 April 2011.

"SECTION V  
Board of Statutory Auditors  
Article 26

...  
*Statutory Auditors shall be elected on the basis of lists submitted by shareholders, on which candidates must be listed in consecutive numerical order. The lists shall consist of two sections: one for candidates for the position of standing Auditor, the other for candidates for the position of alternate Auditor.*

*Only shareholders who hold, either singly or jointly with other shareholders, voting shares representing at least 2.5% (two point five per cent) of the issued share capital carrying the right to vote shall have the right to submit lists, or, in the event of this percentage no longer being allowed by changes in the relevant legislation or regulations, the maximum permitted number shall apply.*

*No shareholder, or group of shareholders, may submit more than one list, including by proxy or trust company, and they cannot vote for more than one list.*

*Each candidate may be included in one list alone on pain of ineligibility.*

*Candidates who already hold positions as Statutory Auditors in a further five listed companies, excluding subsidiaries, or in a number of companies that exceeds the maximum limit established by law or the related regulations, or who do not meet the integrity and professional requirements established by the applicable legislation, cannot be included in the lists.*

*The lists must be deposited at the Company's registered office at least twenty-five days before the date of the General Meeting and published in the forms provided for by the legislation and regulations in force at least twenty-one days before the General Meeting.*

*Each shareholder who singly or jointly submits a list must deposit the certificate issued by an intermediary, providing proof of their right to submit such a list, at the Company's registered office at the same time as submitting the list or within the deadline for publication of the lists by the Company, pursuant to the regulations in force. The shareholder must also include a statement providing a personal warranty that there is no connection with the other lists submitted, as required by the applicable regulations. Proof of deposit must be provided in the form of a receipt issued by the entity appointed by the Company for this purpose.*

*Within the above term, each list must be accompanied by a statement from each candidate declaring that they accept their candidacy and providing a personal warranty that there is no fact or deed that could give rise to their disqualification and that they meet the legal requirements for holding such office.*

*Each candidate's declaration must be accompanied by a curriculum vitae, containing their personal and professional details and a list of directorships and positions as statutory auditor held in other companies.*

*Any list that does not satisfy these requirements shall be deemed invalid.*

*The procedure for electing Statutory Auditors is as follows:*

*- two standing Auditors and one alternate Auditor shall be drawn from the list that obtains the highest number of votes at General Meeting, based on the consecutive numerical order in which they are listed in the two sections of the list;*

*- the remaining standing Auditor and alternate Auditor shall be drawn from the list that obtains the second highest number of votes at General Meeting, based on the consecutive numerical order in which they are listed in the two sections of the list.*

*The Chairman of the Board of Statutory Auditors is drawn from the list candidates that obtains the second highest number of votes.*

*Should only one list be submitted, the standing and alternate Auditors shall be drawn from that list, subject to prior approval of the General Meeting: the Chairman of the Board of Statutory Auditors shall be the first candidate on this sole list.*

*Should a Statutory Auditor no longer meet the requirements of the law and the Articles of Association, the Auditor's appointment shall be terminated.*

*In the event of replacement of a Statutory Auditor, the alternate Auditor from the same list as the Auditor being replaced shall take over.*

*If the Board of Statutory Auditors is not able to replace the Statutory Auditor whose appointment has been terminated as above, or if the appointments of two or more Statutory Auditors are terminated, the entire Board of Statutory Auditors shall be terminated, and the Board of Directors shall call an urgent General Meeting to elect a new Board of Statutory Auditors.*

*The General Meeting called to re-elect the Board of Statutory Auditors pursuant to the law shall proceed in such a way as to respect the above principle of minority representation."*

The lists of candidates for the position of Statutory Auditor, accompanied by the candidates' personal and professional details, are published on the Company's website in the "Investor relations" section in the days preceding the General Meeting called to elect the Board of Statutory Auditors.

#### **14. COMPOSITION AND FUNCTIONS OF THE BOARD OF STATUTORY AUDITORS**

Acotel Group SpA's Board of Statutory Auditors was elected by the Annual General Meeting held at the registered office in Rome on 24 April 2012. It consists of the following members:

Antonio Mastrangelo;  
Umberto Previti Flesca;  
Maurizio Salimei.

During the above General Meeting, Antonio Mastrangelo was elected Chairman of Acotel Group SpA's Board of Statutory Auditors.

All Acotel Group SpA's Statutory Auditors, who will remain in office until the Annual General Meeting called to approve the financial statements for the year ended 31 December 2014, were drawn from the single list submitted by the shareholder, CLAMA Srl, which was voted for by all the shareholders present at the General Meeting, representing 57.384% of the voting shares.

All the Statutory Auditors attended all four of the Board of Directors' meetings held in 2012, whilst 81.82% of the Statutory Auditors took part in the 11 audits carried out by the Board during the period. The average duration of the Board of Statutory Auditors' meetings held during the year was 165 minutes.

In preparation for the General Meeting of 24 April 2012 called to appoint independent auditors for the financial years from 2012 to 2020, the Board of Statutory Auditors assessed the proposals submitted by Reconta Ernst & Young SpA, KPMG SpA and PricewaterhouseCoopers SpA in order to obtain the contract, issuing the opinion required by art. 13 of Legislative Decree 39 of 27 January 2010.

During 2013, prior to the date of preparation of this Report, the Company's Board of Statutory Auditors held one meeting. There have been no changes in its composition.

At its meeting of 14 May 2012, the first following their election, and on 9 January 2013, the Board of Statutory Auditors proceeded to verify that its members satisfy and continue to satisfy the independence requirements provided for in the Corporate Governance Code, verifying the absence of all the instances mentioned in letters a) to h) of application criterion 3.C.1. of the Code, with the exception of, with regard to Antonio

Mastrangelo and Umberto Previti Flesca, the instance mentioned in letter e) regarding positions held for more than nine years out of the last twelve.

In part based on the interpretation applied when assessing the independence of the independent Directors, the above exception was deemed to be irrelevant for, among other things, the following reasons: that compliance with the provisions of the Code is, in accordance with the Code itself, voluntary; that the absence of the instances listed in the application criterion 3.C.1. is not binding for the Board of Statutory Auditors, which has the option of adopting additional or even alternative criteria, giving investors an appropriate and reasoned explanation; that the assessment of independence must be carried out more with regard to substance than to form; that the authority and independence of Antonio Mastrangelo and Umberto Previti Flesca do not appear in any way compromised by the fact that they have been Statutory Auditors at the Company over the last nine years.

Whilst the Company has not organised specific initiatives with the aim of providing the Statutory Auditors with adequate knowledge of the sector in which the Issuer operates, of the Company's operations and their evolution, or on the related regulatory environment, management deems that the members of Acotel Group SpA's Board of Statutory Auditors are sufficiently prepared for their roles, if for no other reason than because of their areas of specific expertise. During Board meetings, and the checks conducted by the Statutory Auditors, the Company's Chairman provides a thoroughgoing explanation of the sector in which the Company operates, the Company's operations and their evolution, and of the regulatory environment.

The Statutory Auditors are aware that they must act independently, including in respect of the shareholder by whom they were elected and that whenever they have, on their own behalf or on behalf of third parties, an interest in a transaction carried out by the Issuer they must promptly and fully inform the other Statutory Auditors and the Chairman of the Board of Directors regarding the nature, terms, origin and scope of their interest.

The Board of Statutory Auditors monitors the independence of the independent auditors, verifying both compliance with the related regulations, and the nature and entity of the services, other than the audit, provided to Group companies by the independent auditors and their associates.

The Statutory Auditors work with the Internal Audit department and the Internal Audit Committee, with whom they engage in prompt exchanges of opinion, in addition to direct meetings whenever the need arises, including during audits carried out by the Board of Statutory Auditors or via the attendance of a Statutory Auditor at meetings of the above Committee.

## **15. INVESTOR RELATIONS**

In order to ensure quick and easy access to key shareholder information, the Company has created an "Investor relations" section on its website, [www.acotel.com](http://www.acotel.com), where all

the information held to be essential in order for shareholders to consciously exercise their rights is promptly made available, and corporate reports are readily available for inspection.

In addition, responsibility for Investor Relations has been assigned to Carlo Ficini, who is responsible for relations with shareholders, institutional investors, the financial press and other stakeholders. The Board of Directors, whilst awaiting the choice of a new Investor Relations manager, has assigned the role ad interim to the Chairman and Chief Executive Officer.

The Company participates in and organises meetings with analysts, investors and members of the press. The meetings are used to present current and future operating strategies and the financial results. All requests for one-to-one meetings from representatives of institutional investors are generally satisfied.

## **16. GENERAL MEETINGS**

The Articles of Association governing the conduct of General Meetings of Acotel Group SpA's shareholders are numbers 9 to 14, which are reproduced below in their amended version after compliance with the provisions of Legislative Decree 27 of 27 January 2010, approved by the General Meeting held on 22 April 2011.

### *"SECTION III General Meetings Article 9*

*General Meetings are called pursuant to the law by the Board of Directors at the registered office or at another location, provided that it is in Italy or another European Union state.*

*Ordinary General Meetings shall be called at least once a year, within 120 days of the end of the financial year, or within 180 days in cases provided for by art. 2364 of the Italian Civil Code.*

*The Directors must, without delay, call a General Meeting when requested to do so by shareholders representing at least a twentieth of the share capital and details of the agenda are included in the request.*

*It is not possible for shareholders to request that a General Meeting be called to discuss matters that are, by law, dealt with at the proposal of the Directors or on the basis of a project or report prepared by them.*

*General Meetings shall be called, in both ordinary and extraordinary session, every time the Board of Directors deems it necessary and when provided for by law.*

*Notices of General Meetings shall be published, in accordance with the procedures and terms established by the legislation in force, on the Company's website and in the forms provided for by CONSOB regulations. The Notice may indicate another date for the Meeting to be held in second call.*

*Without prejudice to the option of holding a General Meeting in single call, if the date for the meeting in second or subsequent call is not indicated in the notice, the General Meeting may be reconvened within 30 (thirty) days. In this case, the term for publication of the notice will be reduced in accordance with the provisions of art. 126, paragraph two of legislative Decree 58/1998.*

*Shareholders have the right to view all the documents deposited at the registered office for General Meetings previously called and to obtain a copy at their own expense.*

### *Article 10*

*Ordinary General Meetings are normally held in single call.*

*When it deems it appropriate, the Board of Directors may organise a General Meeting in second call, when the Meeting held in first call has failed to meet the quorum required by law and these Articles of Association.*

### *Article 11*

*Ordinary General Meetings held in single call are deemed to meet the quorum whatever the proportion of the share capital represented, and resolutions shall be passed by an absolute majority of those present.*

*Extraordinary General Meetings shall, in turn, be deemed to meet the quorum when at least a fifth of the share capital is represented, whilst resolutions shall be passed with the approval of shareholders representing at least two-thirds of the share capital represented at the Meeting.*

*In the event of a General Meeting being held in second call, the rules governing quorums and voting provided by law shall apply in both first and second call.*

*Article 12*

*A General Meeting, validly held under the law, represents all shareholders and the resolutions passed in accordance with the law and these Articles of Association shall be binding for all shareholders whether not in attendance or dissenting.*

*Article 13*

*Proof of the right to speak at General Meetings and of the right to vote shall be provided in the form of notification, within the terms provided for by law, to be issued by the intermediary based on their accounting records on behalf of the holders of voting rights.*

*The holders of voting rights may appoint proxies by completing a proxy form in accordance with the procedures and terms established by law. The proxy may notified by certified electronic mail, or in accordance with the procedure set down in the specific regulations issued by the Ministry of Justice, in accordance with the procedures indicated in the notice of the General Meeting.*

*The Chairman of the General Meeting shall ascertain the validity of each form of proxy and of the right of attendance, in general.*

*The Company has the option of designating, for each General Meeting, an entity that shareholders may appoint, in accordance with the procedures provided for by art.135-undecies of Legislative Decree 58/1998, as their proxy with voting instructions.*

*If the Company should elect to exercise this option, shareholders will be notified in the notice of the General Meeting.*

*Article 14*

*General Meetings shall be presided over by the Chairman of the Board of Directors and, in his absence, by the Deputy Chairman, of elected, or by the CEO or, in his absence, by another person elected by the General Meeting itself.*

*The Chairman of the General Meeting, if necessary assisted by specially appointed persons, shall verify that the General Meeting meets the required quorum, ascertain the identity and right to attend of those present, chair the discussion, establish the order of discussion and the voting procedures, bring the Meeting to order, and check the results of the votes. The outcome of these checks must be recorded in the minutes.*

*The Chairman shall be assisted by a Secretary elected on each occasion by the General Meeting, at the non-binding suggestion of the Chairman.*

*The election of a Secretary is not required when the minutes of the General Meeting are prepared by a Notary”.*

The Board of Directors takes steps to:

- facilitate the participation of shareholders at General Meetings, programming them in locations, on dates and at times that will make it easy to attend;
- reduce the restrictions and requirements that make it difficult for shareholders to speak during a General Meeting and exercise their voting rights;
- be physically present during General Meetings so that shareholders can ask direct questions about their activities, above all Directors with executive or operational roles;
- comply with the Company’s obligation to not disclose price sensitive information to shareholders, without a concomitant market disclosure.

At the Annual General Meeting of 24 April 2002, shareholders approved Acotel Group SpA’s General Meeting Regulations, which are also available on the Company’s website (<http://www.acotel.com/upload/1269277769.pdf>). The Regulations aim to ensure the orderly and efficient conduct of the Company’s Ordinary and Extraordinary General Meetings and guarantee the right of all shareholders to speak on items on the agenda.

The above Regulations, which are not contained in an appendix to the Articles of Association, specify, among other things, the maximum duration of each speech, their order, the method of voting and the Chairman’s powers in bringing the meeting to order.

The Board of Directors reports to the General Meeting on the activities carried out and planned, and publishes documentation relating to each item on the agenda on the Company's website, supplying, if necessary during the General Meeting, information requested by shareholders, so that they can vote on the related resolutions in full possession of the relevant facts.

Mr Galoppi, as a member of the Remuneration Committee, attended the General Meeting of 24 April 2012 in order to report to shareholders on the activities of the Committee.

Despite the fact that ACOTEL's share price rose by approximately 18.5% during 2012, the Board decided not to propose to the General Meeting to make amendments to the Articles of Association regarding the percentages established in respect of the exercise of rights and the prerogatives designed to safeguard minorities, in addition to those described in detail in the report, to which reference should be made, prepared to illustrate the proposed amendment of the Articles of Association rendered necessary, or in any event appropriate, in response to the entry into force of Legislative Decree 27 of 27 January 2010.

## **17. FURTHER ASPECTS OF CORPORATE GOVERNANCE (pursuant to art. 123-bis, paragraph 2, letter a) of the CFA)**

There are not further aspects of corporate governance to describe in this Report.

## **18. SUBSEQUENT EVENTS**

There have been no significant changes to the structure of Acotel Group SpA's corporate governance between 31 December 2012 and the date of preparation of this Report.

## 19. EXTRACT FROM SIGNIFICANT SHAREHOLDER PACTS PURSUANT TO ARTICLE 122 OF THE CFA

### Agreements relevant to Acotel Group SpA

Pursuant to article 122 of legislative Decree 58 of 24 February 1998, as amended (the “CFA”), and articles 129 et seq. of the Regulations for Issuers approved by the CONSOB on 19 May 1999, as amended (the “Regulations”), existing Shareholder Pacts, covering shares issued by Acotel Group SpA (“Acotel”), entered into by Clama Srl, Clama SA and Intesa Sanpaolo SpA (“ISP”) and of relevance to article 122 of the CFA (“Shareholder Pacts”) are summarised below.

#### A. Company whose financial instruments are covered by the Agreement

Acotel Group SpA, a company established under Italian law and listed on the *Mercato Telematico Azionario* (the screen-based stock Exchange managed by Borsa Italiana SpA), with its registered office at Via della Valle dei Fontanili, 29/37 in Rome, and registered with Rome Companies’ Register at no. 06075181005, Tax Code 06075181005.

#### B. Parties to the Shareholder Pacts

The parties to the Shareholder Pacts (the “Parties” and, singly, a “Party”) are:

- **Clama Srl**, a company established under Italian law, with its registered office at Via della Valle dei Fontanili, 29 in Rome, and registered with Rome Companies’ Register at no. 05805951000, whose share capital is held equally by Claudio Carnevale, Margherita Argenziano, Cristian Carnevale and Davide Carnevale;
- **Clama SA**, a company established under Luxembourg law, with its registered office at 8 Boulevard Royal, L-2449 Grand Duchy of Luxembourg, and controlled by Claudio Carnevale;
- **Intesa Sanpaolo SpA**, a company established under Italian law that heads the Intesa Sanpaolo banking group, listed on the *Mercato Telematico Azionario* (the screen-based stock Exchange managed by Borsa Italiana SpA), with its registered office at Piazza San Carlo, 156 in Turin, and registered with Turin Companies’ Register at no. 00799960158.

#### C. Shares covered by the Shareholder Pacts

The following table shows the shares covered by the Shareholder Pacts (the “Shares Covered by the Pacts”) contributed by each party and the related percentage of Acotel’s total shares outstanding and of the total number of Shares Covered by the Pacts.

Shareholder	Number of Shares Covered by the Pacts	% of Acotel’s total shares outstanding	% of total number of Shares Covered by the Pacts
Clama Srl	1,727,915	41.44%	66.69%
Clama SA	664,980	15.95%	25.67%
ISP	198,075	4.75%	7.64%
<b>Total</b>	<b>2,590,970</b>	<b>62.14%</b>	<b>100%</b>

#### D. Bodies with responsibility for oversight of the Pacts

There are no bodies set up to oversee the Shareholder Pacts.

#### E. Content of the Shareholder Pacts

##### 1. Date of execution

The Investment Agreement (“Agreement”), containing the Shareholder Pacts, was executed on 28 December 2007.

##### 2. Effective date of the Shareholder Pacts

The Shareholder Pacts came into effect on 18 April 2008, once all the pre-conditions provided for in the Agreement had been met.

##### 3. Subject of the Shareholder Pacts

Under the Shareholder Pacts:

- i. Clama Srl and Clama SA have undertaken to maintain an overall controlling interest in Acotel;
- ii. the Parties have undertaken, whenever it is necessary, for whatever reason, to replace, re-elect or modify the composition of Acotel's Board of Directors, to **(a)** vote for a Board of 9 members; **(b)** to submit a joint list ("**Joint List**") and vote solely for that list; and **(c)** to designate and identify, from within the joint list, the candidates so that **(x)** the first 7 candidates, with the 1<sup>st</sup> to assume the role of Chairman of Acotel's Board of Directors and the 6<sup>th</sup> and 7<sup>th</sup> to qualify as independent as required by law, represent Clama SA and Clama Srl, **(y)** the 8<sup>th</sup> candidate represents ISP and **(z)** the 9<sup>th</sup> candidate represents Clama SA and Clama Srl. It has been agreed that, should more than one list be submitted or should the Joint List obtain a majority of the votes, the 9<sup>th</sup> (ninth) Director, who, based on the voting mechanisms set out in Acotel's Articles of Association, may not be taken from the Joint List, will be elected according to the procedure set out in the Articles of Association (i.e., from the minority list receiving the most votes).

Should, for whatever reason, it not be possible to elect the Directors by slate vote, the Parties will vote at the General Meeting of Acotel's shareholders so that the composition of the Board of Directors is as follows:

- 8 Directors, with 1 to be the Chairman of Acotel's Board of Directors and 2 to be independent, nominated jointly by Clama SA and Clama Srl;
- 1 Director to be nominated by ISP.

In addition to the above, the Parties will do all in their power to ensure that, should a Director nominated by a Party (or by several Parties acting jointly) be elected and, subsequently, resign, or have his term of office otherwise terminated, the new Director is nominated by the Party (or by the Parties acting jointly) that nominated the outgoing Director. Moreover, each Party has undertaken, to the extent of their responsibility, to ensure that the candidates included in the Joint List meet the requirements of Acotel's Articles of Association and the laws in force at the time of nomination.

Should ISP, for whatever reason, reduce its interest in Acotel to below 2%, the obligations established in points (i) and (ii) above will no longer be effective and, at the express request of Clama Srl and Clama SA, ISP will ensure that the Director nominated by it shall resign his post.

#### 4. Type of pact included in the Shareholder Pacts

The Shareholder Pacts include pacts defined by article 122, paragraphs 1 and 5, letters a) and b), of the CFA.

#### 5. Duration of the Pacts

Under the Agreement, the Shareholder Pacts are tacitly renewable for a further three years, and therefore until 18 April 2014, and, unless their effectiveness ceases earlier, they will be automatically renewed for further periods, each with a duration of 3 years from the previous date of expiry, unless one of the Parties withdraws giving notice of at least 180 (one hundred and eighty) days prior to the expiry of the applicable 3-year period.

#### 6. Arbitration clause

Any dispute arising between the Parties in respect of the Shareholder Pacts shall be resolved by binding arbitration. The Arbitration Court, regardless of the number of parties involved in the dispute, shall consist of a sole arbiter, nominated jointly by the above parties or, absent an agreement, by the President of the Court of Florence.

### **F. Control**

The Shareholder Pacts do not grant control of Acotel Group SpA to any one entity pursuant to article 93 of the CFA. Control in fact continues to be exercised by Clama Srl.

### **G. Companies' register**

A copy of the Shareholder Pacts has been deposited with Rome Companies' Register within the deadline required by article 122 of the CFA.

### **H. Penalty clause**

The Shareholder Pacts do not contain penalty clauses.

### **I. Entity with which the financial instruments are deposited**

The Agreement does not require the Shares Covered by the Pacts to be deposited.

## *TABLES*

**TABLE 1: INFORMATIONI ON THE OWNERSHIP STRUCTURE**

<b>STRUCTURE OF THE SHARE CAPITAL</b>				
	No. of shares	% of share capital	Listed (indicate markets) / Unlisted	Rights and obligations
Ordinary shares	4,170,000	100%	FTSE Italia STAR	-
Shares with limited voting rights	-	-	-	-
Non-voting shares	-	-	-	-
<b>OTHER FINANCIAL INSTRUMENTS</b> <i>(embodying the right to subscribe to new shares)</i>				
	Listed (indicate markets) / Unlisted	No. of instruments in circulation	Category of shares allocated for conversion/exercise	No. of shares allocated for conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-
<b>MAJOR SHAREHOLDINGS</b>				
Reporting entity	Direct shareholder	% interest in ordinary share capital	% of voting shares	
<b>Clama Srl</b>	<b>Clama Srl</b>	<b>41.44%</b>	<b>41.44%</b>	

<b>Clama Srl.</b>	<b>Acotel Group SpA</b>	<b>1.35%</b>	<b>1.35%</b>
<b>Claudio Carnevale</b>	<b>Macla Srl</b>	<b>15.95%</b>	<b>15.95%</b>
<b>SG Services SA</b>	<b>Elle Bonds Ltd</b>	<b>7.51%</b>	<b>7.51%</b>
<b>Intesa SanPaolo SpA</b>	<b>Intesa SanPaolo SpA</b>	<b>4.75%</b>	<b>4.75%</b>
<b>Intesa SanPaolo SpA</b>	<b>Banca dell'Adriatico SpA</b>	<b>0.012%</b>	<b>0.012%</b>
<b>Intesa SanPaolo SpA</b>	<b>Banco di Napoli SpA</b>	<b>0.009%</b>	<b>0.009%</b>
<b>Euromobiliare Fiduciaria SpA</b>	<b>Euromobiliare Fiduciaria SpA</b>	<b>2.06%</b>	<b>2.06%</b>



**Indicate the required quorum for the submission of lists for the latest election: 2.5%**

<b>No. of meetings held during the reporting period:</b>	Board: 4	Audit Com.: 5	Remun. Com.: 3	Nomin. Com.: -	Exec. Com.: -	Other Com.: -
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**NOTES**

\* This column indicates M/m depending on whether the member was elected from the list submitted by the majority (M) or by the minority (m).

\*\* This column shows the percentage of Board of Directors' and Committee meetings attended by each Director (no. of attendances /no. of meetings held during the effective term of office of the interested party).

\*\*\*This column shows the number of positions as director or statutory auditor held in other Italian or overseas companies listed on regulated markets, referring to finance companies, banks, insurance companies or large corporations..

\*\*\*\*This column shows an "X" if the Director is a member of the Committee.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

<b>Board of Statutory Auditors</b>							
<b>Position</b>	<b>Member</b>	<b>In office from</b>	<b>In office until</b>	<b>List (M/m)*</b>	<b>Independence under Code</b>	<b>** (%)</b>	<b>Number of other positions ***</b>
<b>Chairman</b>	Mastrangelo Antonio	24/4/12	30/4/15	M	X	100%	8
<b>Standing Auditor</b>	Previti Flesca Umberto	24/4/12	30/4/15	M	X	72.7%	2
<b>Standing Auditor</b>	Salimei Maurizio	24/4/12	30/4/15	M	X	72.7%	8
<b>Alternate Auditor</b>	Perrotti Gabriele	24/4/12	30/4/15	M	X	-	
<b>Alternate Auditor</b>	Piscopello Paola	24/4/12	30/4/15	M	X	-	
-----STATUTORY AUDITORS TERMINATED DURING THE REPORTING PERIOD -----							
There were no changes in the composition of the Company's Board of Statutory Auditors during 2012.							
Indicate the required quorum for the submission of lists for the latest election : 2.5%							
Number of meetings held during the reporting period: 11							

NOTES

\* This column indicates M/m depending on whether the member was elected from the list submitted by the majority (M) or by the minority (m).

\*\* This column shows the percentage of Board of Statutory Auditors' meetings attended by each member (no. of attendances /no. of meetings held during the effective term of office of the interested party ).

\*\*\* This column shows the number of positions as director or statutory auditor held, as required by art. 148 *bis* of the CFA. The full list of positions is attached, pursuant to art. 144-*quinquiesdecies* of the CONSOB Regulations for Issuers, to the report prepared by the Statutory Auditors pursuant to article 153, paragraph 1 of the CFA.