

# REPORT ON CORPORATE GOVERNANCE AND CORPORATE OWNERSHIP

in accordance with art. 123-*bis* TUF

(Traditional management and control model)



The Report is referred to the Year: 2012  
Date of approval of the Report: 25 March 2013

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## GLOSSARY

**Code / Self-Regulatory Code of Conduct:** the Self-Regulatory Code of Conduct of the listed companies approved in December 2011 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria; available at the [www.borsaitaliana.it](http://www.borsaitaliana.it) website, under the section Borsa Italiana [Italian Stock Exchange] – Regulations – *Corporate Governance*.

**Civ. code / c.c.:** the Italian civil code.

**Board / Board of Directors / Administrative Body:** the Board of Directors of the Issuer.

**Issuer / Company:** the Issuer of listed securities to which the Report refers.

**Year:** the financial year to which the Report refers.

**Consob Regulation on Issuers:** the Regulations issued by Consob with resolution no. 11971 of 1999 (as subsequently modified) on the subject of issuers.

**Consob Markets Regulations:** the Regulations issued by Consob with resolution no. 16191 of 2007 (as subsequently modified) on the subject of markets.

**Consob Related Parties Regulations:** the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently modified) on the subject of transactions with related parties.

**Report:** the report on corporate governance and ownership that companies are bound to issue in accordance with art. 123-*bis* TUF.

**Remuneration Report:** the remuneration report drafted in accordance with art. 123-*ter* TUF and art. 84-*quater* Consob Regulations on Issuers, available pursuant to law at the company office, at the Borsa Italiana [Italian Stock Exchange] and on the Issuer's internet site: [www.immsi.it](http://www.immsi.it)

**Italian Finance Consolidation Act / TUF:** the Ital.Legisl.Decree 58 of 24 February 1998.

## 1. ISSUER'S PROFILE

Immsi is organised following the traditional management and control model established in art.2380-bis and follow. of the Italian civil code, with a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

In particular, the Company's purpose is: (i) investing in the equity of other Italian or foreign companies, that is, the activity of acquiring, holding and managing the rights, whether represented by securities or not, over the share capital of other companies; (ii) the purchase, sale and management of bonds; (iii) the granting of loans, mortgages and guarantees. The above-mentioned activities may not be conducted with the public and will be in any event carried out pursuant to and within the limits of Italian Legislative Decree D.Lgs. 385/1993 and its implementing rules.

Moreover, the Company's purpose includes all activities and transactions in the property sector, both in Italy and abroad, on its own behalf and for third parties, including but not limited to, the purchase, sale, exchange, construction, restructuring, management of corporate assets, leasing (non-finance) and maintenance of buildings and property in general for all types of use, as well as the establishment, purchase, sale and exchange of rights relating to property, excluding the activity of real estate brokerage. The Company may also provide technical, commercial and financial assistance in the preliminary and executive phases of property projects.

The Company may carry out the above activities directly and indirectly on its own behalf and for third parties, including accepting and/or assigning contracts or concessions and development ventures in the property field.

The Issuer may carry out, not directly with the general public, all those acts necessary, in the judgment of the Board of Directors, to implement the corporate purpose.

## 2. INFORMATION on OWNERSHIP (ex art. 123-bis, p. 1, TUF)

at 31/12/2012

### a) Share capital structure (ex art. 123-bis, p. 1, let. a), TUF)

The share capital of the Issuer, fully subscribed and paid up, is equal to 178,464,000.00 euros divided into 343,200,000 dividend-bearing ordinary shares, 0.52 euros nominal value each. The shares - each share gives entitlement to one vote - are indivisible and are issued in the dematerialized form.

Reference is made to Table 1, attached as an appendix.

### b) Restrictions on the transfer of securities (ex art. 123-bis, p. 1, let. b), TUF)

There are no restrictions on the transfer of securities.

### c) Significant equity investments (ex art. 123-bis, p. 1, let. c), TUF)

Regarding the significant direct or indirect shareholdings as per the communications made in accordance with art.120 of TUF, please refer to Table 1, given in the appendix.

### d) Securities that give special rights (ex art. 123-bis, p. 1, let. d), TUF)

No securities have been issued that give special rights of control or special powers.

**e) Employees' equity holdings: mechanism of exercising voting rights (ex art. 123-bis, p. 1, let. e), TUF)**

There is no system for employees' equity holdings.

**f) Restrictions to voting rights (ex art. 123-bis, p. 1, let. f), TUF)**

There are no restrictions on voting rights. For more information, please refer to the information contained in Sec. 16 of this Report.

**g) Agreements relevant pursuant to art. 122 TUF (ex art. 123-bis, p. 1, let. g), TUF)**

No agreement in force exists involving shares of the Issuer relevant in accordance with art. 122 of TUF.

**h) Clauses of change of control (ex art. 123-bis, p. 1, let. h), TUF) and statutory provisions in PTO matters (ex art. 104, p. 1-ter, and 104-bis, p. 1, TUF)**

The Issuer has stipulated some significant agreements that could be or be extinguished in case of change to the control of Immsi S.p.A., such as in particular: Multi Borrower financing contract for a total of 70 million euros (of which 25 million disbursed to Immsi S.p.A., 30 million to ISM Investimenti S.p.A. and 15 million to Intermarine S.p.A.); mortgage loan contract for a residual nominal value of approx. 33.2 million euros nominal value; further financing facilities and credit lines for a maximum usable overall nominal amount of 95 million euros.

The Piaggio group has signed significant agreements that are modified or can be extinguished in the event of changes to the ownership of the contracting company. In particular, a Revolving Credit Facility was subscribed, syndicated for overall 200 million euros; a bonded loan of 150 million euros issued by Piaggio & C. S.p.A.; a bonded loan of 75 million USD issued by Piaggio & C. S.p.A.; a financing contract with Banca Europea per gli Investimenti for 150 million euros; a financing contract with Banca Europea per gli Investimenti for 60 million euros; financing contracts for overall 56.5 million USD (equal to approx. 45 million euros) with International Finance Corporation to support the subsidiaries from India and Vietnam; opening of credit (*Revolving Credit Facility*) for 40 million euros; opening of credit (*Revolving Credit Facility*) for 20 million euros.

With reference to Intermarine S.p.A., we note the following significant agreements that could be modified or be extinguished in the case in which the indirect parent company Immsi S.p.A. loses control over the contracting company: signed line of credit (for a total value of 84.5 million USD and used at 31 December 2012 for 33.3 million USD) valid on the contract with the Sultanate of Oman, guaranteed by a pool of banks; guarantees for an amount of 2.7 million euros; additional lines of credit and financing associated with the company's operations for a total amount used at 31 December 2012 of approximately 90.6 million euros, including the aforesaid share of the Bullet – Multiborrower financing issued to the company for an amount of 15 million euros.

The indirect subsidiary Is Molas S.p.A., in addition, has a mortgage loan contract for an amount of approx. 4.5 million euros that has provision for invalidating the benefit of the term if changes are made to the ownership of the company such as to have a negative effect on the assets and liabilities, corporate, financial and economical situation of the mortgaging party.

Lastly, we note how i) within the framework of investments in other enterprises conducted by the Issuer and ii) as used in order to regulate and discipline the relationships of governance with any minority shareholders in some of the companies directly or indirectly invested in by Immsi S.p.A., there are currently shareholders' agreements stipulated with the aforesaid shareholders in the companies and/or loans allocated by the aforesaid associated companies to the companies invested in that give special rights to the contracting parties (inter alia rights of pre-emption, rights of co-sale, obligations of co-sale) in case of change of direct and/or indirect control of the company invested in.

The provisions of the Issuer's Statute do not infringe on the passivity rule discipline provided for by

art. 104, pars. 1 and 1-*bis*, TUF. In addition it is pointed out that the Issuer's Statute does not provide for application of the neutralisation rules contemplated by art. 104-*bis*, pars. 2 and 3, TUF.

**i) Proxies to increase the share capital and authorizations to purchase treasury stock (ex art. 123-*bis*, p. 1, let. m), TUF)**

As regards the proxy to increase the share capital, the Extraordinary Meeting held on 29 April 2009, decided to grant the following rights to the Board of Directors, in accordance with art. 2443 of the Italian civil code:

- (i) right to increase on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum amount of 500 million euros of nominal value, with or without premium, by issuing new ordinary shares having the same features as those already in circulation, to be offered as an option to those entitled; and alternatively,
- (ii) right to increase on one or more occasions, against payment and also in divisible amounts, within a period of five years from the date of the resolution, the share capital up to a maximum amount of 500 million euros of nominal value: to be assigned to the service, for a maximum amount of 250 million euros, of bonds which may be convertible into ordinary shares and/or with warrants to be issued pursuant to art. 2420-*ter* of the Italian civil code in compliance with the right of option provided to those entitled; and, for a maximum amount of 250 million euros nominal value, as well as for the residual amount, if any, in case the convertible bonds are issued by not using fully the amount of such proxy, with or without premium, by issuing new ordinary shares having the same features as those already in circulation, to be offered as an option to those entitled.

The Board of Directors is therefore given, in accordance with art. 2420-*ter* of the Italian civil code, the right to issue on one or more occasions, in compliance with the right of option, bonds, which may be convertible into ordinary shares having the same features as those already in circulation, and/or with warrant, within a period of five years from the date of the resolution, for a maximum amount of 250 million euros and, in any case, for amounts that, within the aforesaid limit, do not exceed, from one time to the next, the limits set by the law for issuing bonds.

The Board will have the right from time to time, in exercising the aforesaid proxies, observing the right of option for those with the right and the procedures required by the provisions of the law and regulations from time to time applicable, as well as the above-stated limits, to determine the amount of the increase in capital (and/or of the single tranches), the price of issue (including any surcharge) of the new common stock, taking account of the trend of the markets and the customary market procedures for similar operations, the times, methods and conditions of the offer under option; as well as the amount of the bonds that can be converted into common stock and/or with warrants and of the increase in capital to their service, the methods, terms and conditions of the issue of the bonds (among which the exchange rate and the methods of conversion of the bonds; the interest rate, the expiration and the methods of reimbursement, also in advance, the characteristics, the terms and the conditions of issue of the warrants) and of the related regulations and/or of the regulation of the combined warrants, as well as, in general, to define the terms and conditions of the increase in capital and the operation as a whole. The Board of Directors will also have the powers for all the necessary fulfilments and formalities to allow the newly issued financial instruments to be admitted to trading.

During the Year none of the aforesaid proxies has been exercised.

With resolution taken on 11 May 2012, the Ordinary Shareholders' Meeting authorised the purchase and placing of the Company's ordinary shares, pursuant to the combined provisions of arts. 2357 and 2357-*ter* of the Italian civil code, and under art. 132 of the TUF and its implementing provisions. Purchase authorisation was granted for the 18 month period as of the date of the above mentioned resolution, whereas authorisation for placing was granted with no time limits.

The authorisation to purchase and dispose of treasury stock is aimed at providing the Company with a useful strategic investment opportunity for any purpose permitted by the applicable provisions, including the purposes set out in the "market practices" permitted by Consob pursuant to art. 180, paragraph 1, lett. c) of the TUF with resolution no. 16839 of 19 March 2009 and EC Regulation no. 2273/2003 of 22 December 2003, and to proceed with the purchase of treasury stock based on its subsequent cancellation, on the terms and in such manner as may be approved by the competent corporate bodies.

This authorization is requested to purchase, even in more than one tranche, ordinary Immsi shares of the nominal value of 0.52 euros each, up to such a maximum amount which, taking account of the Immsi ordinary shares held in portfolio by the Company and by its subsidiary companies from time to time, is no greater than the maximum limit fixed by the applicable pro tempore provision. Purchases may be carried out in the manner, to be identified case by case in compliance with art. 144-*bis*, paragraph 1, lett. a) and lett. b) of the Consob Regulation on Issuers and of the applicable provisions, so as to permit compliance with the same treatment of the shareholders as provided for by art. 132 of the TUF. As for the amount, the Board of Directors proposed that the purchases of treasury stock be made at a price which does not exceed the higher price between the price of the last independent trade and the highest current independent bid price on the trading venues where the purchase is made, provided that the unit price may not in any event be less than the minimum of 20% and no greater than the maximum of 10% of the arithmetic mean of the official prices recorded by the Immsi share in the ten days of trading prior to each single purchase. In cases where purchases are made through public purchase or exchange offers, the unit price shall not be lower by 10% or higher by 10% compared to the official price recorded by the Immsi stock on the trading day prior to the announcement to the public.

The Shareholders' Meeting has likewise authorized the use, pursuant to art. 2357-*ter* of the Italian civil code, at any time, entirely or partially, in one or more times, of treasury stocks purchased according to the aforesaid resolution or in any case in the Company's portfolio by selling them on the stock exchange or over the counter, possibly by selling any real and/or personal rights, including but not limited to securities lending, at the terms, modes and conditions of the act of disposal of treasury stocks deemed most appropriate to the interest of the Company, subject to the statutory and regulatory provisions *pro tem* in force and for the achievement of the objectives referred to in the aforementioned shareholders' resolution.

During the Year no treasury stocks have been bought, therefore at 31 December 2012 the Issuer holds 2,670,000 shares of treasury stock in portfolio, equivalent to 0.778% of the share capital. At the date of this Report, this number is unchanged.

#### **I) Activity of management and coordination (ex art. 2497 and follow. of the Italian civil code)**

The Issuer is directly and indirectly controlled, in accordance with art. 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary company Omniainvest S.p.A.

In particular, it is specified that, at the situation of control of the Issuer, no tangible activity of management and coordination is carried on in relation to the case in point of art.2497 and follow. of the Italian civil code and that none of said parties has a structure or organization such as to allow it to be carried on. Therefore, the Company and, particularly, its Board of Directors take their respective decisions in full autonomy.

\* \* \*



Please note that:

- the information required by art. 123-b, first paragraph, letter i) ("*the agreements between the company and the directors ... that require indemnity in case of resignation or dismissal without a just cause or if their working relationship ceases following a take-over bid*") is included in the Remuneration Report published pursuant to art. 123-ter TUF and in Sect. 9 of this Report;
- the information required by art. 123-bis, first paragraph, letter l) ("*the norms applicable to the appointment and substitution of the directors... as well as to changes to the statute, if other than the legislative and regulatory ones applicable in a supplementary fashion*") is illustrated in the section of the Report on the Board of Directors (Sect. 4.1).

### **3. COMPLIANCE (ex art. 123-bis, p. 2, let. a), TUF)**

The system of corporate governance adopted by the Issuer complies with the main contents of the Self-Regulatory Code of Conduct prepared by the committee for corporate governance of listed companies, as amended (December 2011) and is available at the web site [www.borsaitaliana.it](http://www.borsaitaliana.it), in the section of Borsa Italiana – Regulations – *Corporate Governance*.

Neither Immsi nor its subsidiaries with strategic importance are subject to provisions of the Law that are not Italian that affect the structure of corporate governance of the Company.

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND SUBSTITUTION (ex art. 123-bis, p. 1, let. I), TUF)**

The Company is managed by a Board of Directors comprising no fewer than five and no more than thirteen members appointed by the Shareholders' Meeting.

The Shareholders' Meeting determines the number of Board members as well as the term of their office which cannot be more than three years, and will expire at the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term in office. Directors may be re-appointed.

According to the Bylaws, the Directors must have the requirements of the current pro tempore legislation; of them a minimum number, corresponding to the minimum required by the legislation, must have the requirements of independence as per art.148, paragraph 3, of TUF.

Whenever the requirements are no longer met, the Director is invalidated. Whenever there is no longer the requirement of independence, prescribed by art.48, paragraph 3, of TUF, of a Director, it does not determine the director's invalidity if the requirements remain valid for the minimum number of Directors that according to current legislation must have such requisites.

The Board of Directors is appointed on the basis of lists presented by the Shareholders with the procedures specified below, in which the candidates must be listed with a progressive number.

The lists presented by the Shareholders, undersigned by those who submit them, must be deposited at the Company's headquarters, at the disposal of whoever applies for them, at least twenty-five days before the date set for the first convocation of the Shareholders Meeting and they are subject to the other forms of publishing required by the current pro tempore regulations.

Each Shareholder, the Shareholders belonging to a significant shareholder agreement in accordance with art.122 of TUF, the controlling party, the subsidiary companies and those subject to a common control in accordance with art.93 of TUF, cannot present or contribute to the presentation, not even by mediation or a trust company, more than only one list neither can they vote different lists and every candidate can present himself/herself in only a single list under penalty of ineligibility. The support and votes expressed in breach of this prohibition are not attributed to any list.

The right to present lists is only for Shareholders that, alone or together with other presenting Shareholders, are altogether owners of shares with voting rights representing at least 2.5% of the share capital with voting rights in the Ordinary Shareholders' Meeting, or representing another percentage that may be established by provisions of the law or regulations. It is specified that, with deliberation no. 18452 of 30 January 2013, Consob has confirmed the required shareholding at 2.5% of the shareholders' equity for presenting the lists of candidates for the election of the Company's Administration, with reference to the period closed at 31 December 2012.

The ownership of the share required, pursuant to the foregoing, for the purposes of the submission of the list may be attested by production of certification to that effect, even subsequently to the submission of the list, but in any case at least 21 days prior to the date set for the Shareholders' Meeting at first call.

Together with each list, within the respective terms stated above, they must deposit (i) the declarations with which the single candidates accept their own candidacy and they certify, under

their own responsibility, the non-existence of causes of ineligibility and incompatibility, as well as the existence of the requisites prescribed for the respective positions; (iii) a curriculum vitae regarding the personal and professional characteristics of each candidate, possibly stating the person's fitness to be qualified as independent.

Lists presented without observing the above provisions are considered as not presented.

To the election of the Board of Directors the proceedings are as specified below:

- a) the list that obtained the highest number of votes is used for drawing all the Directors to be elected except one, in the progressive order in which they are listed in the list itself;
- b) the remaining Director is drawn from the minority list that is not connected in any way, not even indirectly, with those who presented or voted the list of the preceding letter a) and that has obtained the second highest number of votes. If the minority list of point b) has not achieved a percentage of votes equal to at least half that required for the presentation of lists, all the Directors to be elected will be drawn from the list of point a).

If the candidates elected with the above procedures do not assure the appointment of a number of independent Directors ex art.148 of the TUF, equal to the minimum number established by law in relation to the total number of Directors, the non-independent candidate ex art.148 of the TUF, elected last in progressive order in the list that received the highest number of votes, as per the preceding letter a), is replaced by the first independent candidate ex art.148 of the TUF, according to the progressive order not elected in the same list, or, failing this, by the first independent candidate ex art.148 of the TUF, according to the progressive order not elected in the other lists, according to the number of votes obtained by each one. This procedure of substitution is used until the Board of Directors is composed of a number of independent Directors ex art.148 TUF, equal to at least the minimum prescribed by Law. If said procedure does not assure the result last indicated, the substitution is made with a resolution passed by the Meeting with a relative majority, upon presentation of candidacies of subjects with the abovementioned requisites.

In the case in which only one list is presented or in the case in which no list is presented, the Shareholders' Meeting deliberates with the majorities of Law, without observing the above procedure.

If during the year one or more Directors are terminated, provided that the majority is always composed of Directors appointed by the Shareholders' Meeting, steps will be taken in accordance with art. 2386 of the Italian civil code as follows:

- a) the Board of Directors makes the substitution from those belonging to the same list to which the terminated Director belonged and the meeting deliberates, with the majorities of Law, respecting the same criterion;
- b) if in the aforesaid list of candidates not elected previously, in other words candidates with the requisites, or in any case when for any reason it is not possible to respect the provisions of letter a), the Board of Directors makes the substitution, as subsequently done by the Shareholders' Meeting, with the legal majorities with no list vote.

In any case the Board of Directors and the Shareholders' Meeting will make the appointment so as to assure the presence of independent Directors ex art.148 of the TUF, in the total minimum number required by the current pro-tempore regulations.

If because of resignations or other causes there is no longer a majority of Directors, the whole Board is considered resigning and its cessation will take effect from the moment when the Board of Directors will be reconstituted following acceptance by at least half the new Directors appointed by the Shareholders' Meeting, that must be urgently convened.

The changes to the Bylaws are disciplined by the current pro-tempore regulations.

Given the organisational structure of the Issuer, as well as the practice of awarding the position of Executive Director to persons who have gained significant experience within the Company or to persons who have gained experience in the areas in which the Issuer operates, the Board of Directors, during the meeting of 25 March 2013, deemed it unnecessary to adopt a plan for the succession of the Executive Directors.

## 4.2. COMPOSITION (ex art. 123-bis, p. 2, let. d), TUF)

The Issuer's Board of Directors, in office at the date of this Report is composed of 9 members appointed by the Shareholder's General Meeting held on 11 May 2012, on the basis of the single list of candidates presented by the majority Shareholder Omniainvest S.p.A., 94.77%, shall remain in office until the date of the Shareholders' Meeting called to approve the financial statements relating to the year ending at 31 December 2014.

For more information about the list submitted for the appointment of the Administrative Body, please refer to the Issuer's institutional website, in the section *Governance - General Meeting - Archive - 2012*.

The professional curricula of the Directors have been filed at the Company's head office and are available on the Issuer's institutional website, section *Governance – Management*.

The Directors currently in office are in possession of all the requirements envisaged by the Bylaws and the applicable Law and Regulations.

Please refer to Table 2, given in the appendix.

\* \* \*

Pursuant to art. 20 of the Bylaws, the Chairman, or anyone acting on his behalf, shall convene a Board of Directors meeting at the registered office or in another location, whenever the same retains such necessary in the interests of the Company or on the request of three Board members. Board meetings will be convened in writing, which may also be sent by fax, cable or by e-mail to the Board members in office and to the Auditors at least five days before the date fixed for the meeting, or, in the event of an emergency, in the same way, but with a minimum notice of six hours.

The participation and attendance of the meetings of the Board of Directors may also take place by means of teleconference and/or video conference, on condition that all of those entitled may participate or attend, may be identified and that the same are able to follow the meeting and to intervene in real time in discussions of the items on the agenda; once said conditions have been verified, the Board Meeting shall be considered to have taken place in the location where the Chairman and Secretary of the meeting are, in order to enable the minutes to be drawn up and signed by both of the latter.

Pursuant to art. 22 of the Bylaws, in order for the resolutions of the Board of Directors to be valid, the presence of the majority of Board members in office is required. Resolutions will be passed by the absolute majority of those present.

### **Maximum aggregation of offices held in other companies**

Each member of the Board of Directors must deliberate with full awareness and independently, in the pursuit of creating Shareholder value and is committed to dedicate to this corporate office the time necessary to ensure diligent fulfilment of his duties, irrespective of the offices held outside the Immsi Group, being well aware of the responsibilities of the office held.

To this end, each Director must have already evaluated, at the time of accepting office in the Company and independently from the limits established by law and the Regulation Governing the aggregation of offices, his ability to carry out with due diligence and effectiveness the duties attributed to him, with particular attention being paid to overall commitments outside the Immsi Group.

Each member of the Board of Directors must also inform the same Board of any appointment to Director or Auditor in other companies, so as to comply with the disclosure obligations established by applicable Regulations and Law.

The Board has decided not to define general criteria on the maximum number of offices of Administration and Auditing in other companies, that can be considered compatible with an effective performance of the role of Director of the Issuer, saving the duty of each Director to evaluate the compatibility of the positions of Director and Auditor, held in other companies listed on regulated markets (also outside Italy), in holding, banking, insurance or large-sized companies, conscientiously carrying out the duties taken on as Director of the Issuer.

During the session held on 25 March 2013, the Board, with the outcome of the verification of the offices currently held by its Directors in other companies, indeed considered that the number and the quality of the offices held does not and is, therefore, compatible with an effective performance of the office of Director in the Issuer.

In addition, the majority of the members of the Board of Directors of the strategic subsidiary Piaggio & C. S.p.A. do not hold Administrative and/or Directive positions in the Parent Company Immsi S.p.A.

The table below lists the positions of Director and Auditor held as of 31 December 2012 by the members of the Board of Directors holding office, in other companies listed on regulated markets (also outside Italy), finance, banking, insurance companies or companies of significant dimensions.

Full name	Company	Positions held as Directors or Auditors
Roberto Colaninno	- Piaggio & C. S.p.A. S.p.A.* - Omniaholding S.p.A.* - Omniainvest S.p.A.* - Alitalia Compagnia Aerea Italiana S.p.A. - RCN Finanziaria S.p.A.*	Chairman BoD and Managing Director Chairman BoD Chairman BoD Chairman BoD Director
Michele Colaninno	- Omniaholding S.p.A.* - Omniainvest S.p.A.* - ISM Investimenti S.p.A.* - Banca Popolare di Mantova - Piaggio & C. S.p.A.* - Is Molas S.p.A.* - RCN Finanziaria S.p.A.* - Piaggio Vietnam Co. Ltd.* - Piaggio Vehicles PVT Ltd.* - Immsi Audit S.c. a r.l.*	Managing Director Managing Director Chairman BoD Deputy Chairman BoD Director Director Director Director Director Director
Carlo d'Urso	- Gruppo Banca Leonardo S.p.A. - F.C. Internazionale Milano S.p.A. - Stilo Immobiliare Finanziaria S.r.l. - SIA BLU S.p.A. - SNAI S.p.A.	Director Director Director Director Director
Matteo Colaninno	- Omniaholding S.p.A.* - Piaggio & C. S.p.A.* - Omniainvest S.p.A.*	Deputy Chairman and Managing Director Deputy Chairman Director
Rita Ciccone	- Air One S.p.A.	Director
Enrico Maria Fagioli Marzocchi	-	-
Giorgio Ciria	- Astaldi S.p.A.	Director

Giovanni Sala	<ul style="list-style-type: none"> <li>- Gewiss S.p.A.</li> <li>- C.L.N. S.p.A. S.p.A.</li> <li>- Gianni Versace S.p.A.</li> <li>- IGR SGR S.p.A.</li> <li>- Sodexo Italia S.p.A.</li> <li>- Coface Italia S.r.l.</li> <li>- Intermonte SIM S.p.A.</li> </ul>	<ul style="list-style-type: none"> <li>Director</li> <li>Chairman, Board of Statutory Auditor</li> <li>Chairman, Board of Statutory Auditor</li> <li>Chairman, Board of Statutory Auditor</li> <li>Chairman, Board of Statutory Auditor</li> <li>Standing Auditor</li> <li>Standing Auditor</li> </ul>
Ruggero Magnoni	<ul style="list-style-type: none"> <li>- Nomura International PLC</li> <li>- Omniainvest S.p.A. *</li> <li>- Compagnie Financiere Richemont SA</li> <li>- Quattrodedue Holding BV</li> </ul>	<ul style="list-style-type: none"> <li>Chairman IB EMEA</li> <li>Director</li> <li>Director and member of Audit Committee</li> <li>Supervisor Director</li> </ul>

\* company in the Group at the head of or to which the Issuer belongs

The characteristics of the Board Report enable the Directors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and evolution, as well as the relevant regulatory framework.

#### 4.3. DUTY OF THE BOARD OF DIRECTORS (ex art. 123-bis, p. 2, let. d), TUF)

During the Year, the Board of Directors held 8 meetings with an average duration of one hour and thirty minutes, attended by the Board of Statutory Auditors.

The general average of participation of the Directors in the aforesaid meetings was equal to 88.39%, while, with reference to the participation of only the independent Directors, this average was equal to 93,75%.

The Bylaws do not require a minimum number of directors' meetings, nevertheless for the financial year 2013 it is expected that the Board of Directors meets at least 6 times. At the date of this Report, two meetings have been held.

In compliance with the requirements of art.2.6.2, paragraph 1 lett. c) of the Regulation of markets organized and managed by Borsa Italiana S.p.A., on 29 January 2012, Immsi S.p.A. notified the company managing the market of its annual calendar of events for the year 2013. This calendar was moreover published on the Issuer's institutional website, in the Section *Investors – Calendar*.

The Chairman of the Board of Directors, through the Secretary of the Board of Directors, makes sure adequate information regarding the items on the agenda is made available to all the Directors with reasonable promptness. Particularly, the documentation pertaining to the topics being resolved is forwarded by e-mail 48 hours in advance of the convened Board meeting, with the sole exception of the cases of particular and proven urgency or for special needs of confidentiality. In this way, the Chairman of the Board of Directors promotes an informed debate, encouraging the contribution of all participants, ensuring that the topics on the agenda will receive the time necessary for a constructive dialogue.

Participants in the directors' meetings also include Executives of the Issuer and of the Group, to provide the appropriate detailed information on the items on the agenda.

The Board of Directors plays a central role within the corporate organisation and is in charge of strategic and organisational functions and responsibilities, as well as verifying the existence of the necessary controls to monitor the performance of the Issuer and the companies in the Group.

The Board of Directors is granted all powers to manage the Company and to that end may approve or carry out all acts it deems necessary or useful to fulfil the corporate purpose, except those matters reserved for the Shareholders' Meeting by Law and the Bylaws.

In accordance with art.23 of the Bylaws, the Board of Directors is also responsible for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505, 2505-*bis* of the Italian civil code, the latter being referred to by art. 2506-*ter* of the Italian civil code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the Shareholder;
- amending the Bylaws to comply with regulatory provisions;
- transfer of the registered office to another location in Italy;

notwithstanding that such decisions may also be taken by an Extraordinary Shareholders' Meeting.

The Board of Directors, at the meeting on 11 May 2012, decided on the distribution of the management competencies of the Board of Directors (see Sect. 4.4 below for the competencies of the Chairman and of the Managing Director), reserving in all cases for the Board jointly not only the powers granted by Law or by provision of the Bylaws as well as the approval of "related party transactions" as provided for by the procedure adopted by the Company (see the following Sect. 12 of this Report), but all the powers to:

- a) define the strategic, industrial and financial objectives as well as general policy for the Company and Group;
- b) acquire and dispose of controlling equity investments, acquire or dispose of business units for individual amounts greater than 25 million euros, mergers and demergers;
- c) approve multi-year plans;
- d) carry out property dealings for individual amounts greater than 25 million euros.

Within the limits of its capacity, the Board approves the Issuer's Corporate Governance system, defines the structure of the Group headed by the Issuer, examines and approves all strategic, industrial and financial plans of the Issuer and of the Group headed by the Issuer, periodically monitoring its implementation.

In accordance with art. 2381 of the Italian civil code and of the applicative criterion 1.C.1, lett. b) of the Code, in the course of the year the Board has evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and its strategic subsidiaries, with particular reference to the internal control system and the management of risks, according to the procedures implemented by the Issuer for this purpose. In particular, at its meeting on 9 March 2012, the Board took into account - among other things - the functional organisational charts of each of the major strategic companies of the Group, with a particular focus on the functional organisational charts of the respective Directorates of Administration, Finance and Control, taking into account the main organisational changes that occurred during the preceding financial year.

Within the framework of this periodic activity the Board has, depending on the case, used the support of the Audit and Risk Committee, of the Head of Internal Audit, of the subject assigned to auditing of the auditing company Immsi Audit S.c. a r.l. and of the Manager in charge of preparing the company accounts and documents as well as the procedures and checks implemented also in accordance with Italian Law 262/05. In particular, the then Internal Audit Committee of the Issuer, at its meeting held on 11 May 2012 examined the specific documentation aimed at determining the operating and relevant companies to be included in the scope of the audit for the purposes of Italian Law 262/2005, agreeing on the applied methodology and the scope of the companies to be audited.

The relevant subsidiaries were identified using quantitative parameters, determining specific

threshold values, and qualitative parameters, performing assessments on the basis of the knowledge of the Company and the existing specific risk factors.

As a result of this analysis and also taking into account its nature as a diversified industrial group, the main subsidiaries of strategic importance were determined, and subsequently included within the scope of control for the purposes of Italian Law 262/2005.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix.

The Board has, on at least a quarterly basis, evaluated the general trend of management, taking into consideration the information received from the Delegated Bodies, as well as periodically comparing the results achieved with the programmed ones.

In accordance with the statutory provisions, the Bylaws and the Code, the Board pre-emptively reviews and approves the transactions of the Issuer and of its subsidiaries, when such operations have a significant strategic, equity, economic or financial importance for the Issuer, with particular attention to situations in which one or more Directors have an interest on behalf of themselves or third parties.

On 25 March 2013, the Board of Directors of the Issuer made the annual evaluation in accordance with art.1.C.1, lett. g) of the Self-Regulatory Code of Conduct, believing that the size, composition and operation of the Board itself and of its Committees are essentially suited for the administration and organizational requirements of the Company, taking into account the professional, experience, and managerial characteristics, its components, their seniority in office, and the presence, out of a total of nine members, of seven Non-Executive Directors, two of which are independent Non-Executive Directors, which likewise ensured a suitable composition of the Committees formed within the Board.

In this regard, the Board has decided to perform a self-assessment with regard to its ability to adequately perform the functions conferred on the Body by current regulations. This assessment process was carried out in March 2013, regarded the Financial Year and was made on the basis of a questionnaire for the self-assessment of the Administrative Body sent to all Directors. The questionnaire - divided into different areas of investigation (ie, composition, structure, size, operation and dynamics of the Board, interaction with the management team, risk governance, composition and structure of the Committees) and with the possibility to make comments and proposals - was completed by all Directors and shared by the Board. As described above, the outcome of the assessment was one of substantial suitability of the Administrative Body and its Committees to carry out their respective functions. There is always room for improvement in the organisation of Board meetings related to the discussion of the more complex topics, as well as the view of the way in which activities and functions are organised within the Group, including those carried out by the Board meetings with monothematic focuses on various sectors of business and any related critical issues.

Art. 18 of the Bylaws requires that, until a contrary resolution of the meeting, the Directors are not bound by the prohibition of art. 2390 of the Italian civil code.

It is specified that, to date, the aforesaid derogation has found no application in any specific case.

#### **4.4. DELEGATED BODIES**

The Chairman is appointed by the Board of Directors from its members, should the shareholders not have done so.



The Chairman calls the Board of Directors and coordinates its activities, ensuring that adequate information regarding the items on the agenda is made available to all the Directors, taking account of the circumstances. Furthermore, he chairs shareholder meetings, ascertains the identity and entitlement of those attending, ascertains the proper calling of the meeting, the presence of a sufficient number of shareholders for resolutions to be valid, governs the procedures of shareholder meetings, establishes voting methods and monitors the results.

The Board of Directors may also appoint a Deputy Chairman, who substitutes the Chairman in the above functions in his absence or impediment.

The Chairman signs for and represents the Company with third parties and in legal matters. In his absence or impediment, these duties are carried out by the Deputy Chairman.

The Board of Directors may also delegate, within the same limits, its powers to one or more of its members, possibly as Managing Directors, granting them several or joint powers of signature, as it deems appropriate.

In accordance with art.23 of the Bylaws, the Board of Directors may appoint General Managers, Managers and Attorneys-in-fact, with several or joint signature powers, determining their powers and duties, as well as delegate powers for certain acts or categories of acts.

Powers of representation and signature may also be granted by the Board, which determines the limits, to Company's employees or to third parties.

### **Chairman of the Board of Directors and Managing Director**

On 11 May 2012, the Ordinary Shareholders' Meeting appointed Roberto Colaninno Chairman of the Board of Directors and Carlo d'Urso as Deputy Chairman Carlo d'Urso, who will remain in office until approval of the financial statements of the year ended at 31 December 2014.

The Chairman of the Board of Directors is the person mainly responsible for the Issuer's management (Chief Executive Officer); a Board resolution of 11 May 2012 granted Chairman Roberto Colaninno all powers of ordinary and extraordinary management, excluding those powers reserved by Law or the Bylaws to the entire Board of Directors, as well as the powers in all cases reserved to the Board on the basis of said resolution (refer to Sect. 4.3 above for a list). In the event of acts or transactions of extraordinary management, the Chairman must adequately inform the Board at the first possible meeting.

The Board considers that the granting of executive powers to the Chairman responds to the considerable organisational needs of the Issuer that reside in the streamlined functioning of the Board of Directors of the Company. Should this situation be recurring, please note that the Company has appointed Director Giovanni Sala as Lead Independent Director under the Code. For more information about the figure of Lead Independent Director please refer to Sec. 4.7.

It should be noted that the situation of interlocking directorate provided by the application criterion 2.C.5 is not recurring.

The Deputy Chairman, Carlo d'Urso, has substitute functions in relation to those of the Chairman.

Michele Colaninno, former General Manager of the Company, was re-appointed Managing Director on 11 May 2012. In addition to powers to act as the company's legal representative vis-à-vis third parties and before the courts and to sign on behalf of the company, he was granted the power to superintend the ordinary management of the company, being authorised, to that end, to perform all routine acts and operations for sums not exceeding 20,000,000 euros per transaction or series of interconnected transactions, and to implement the resolutions passed by the Shareholders' Meeting and the Board of Directors.

He was also granted the power to appoint, dismiss, direct, supervise and discipline the Company's Manager(s) and their subordinates, with the exception of any such power regarding the General Manager(s), with the approval of the Chairman.

It is to be noted that the powers conferred on the Managing Director exclude those set aside by law or by provision of the Bylaws as prerogatives of the Board of Directors as a whole and the powers in any case set aside as prerogatives of the Board pursuant to said resolution (Section 4.3, paragraphs a), b), c) and d) above should be consulted for a complete list, even those involving sums lower than those stated).

### **Information for the Board**

In accordance with art.21 of the Bylaws, the Delegated Bodies inform the Board of Directors and the Board of Statutory Auditors regarding its activities and the most significant financial and economic transactions carried out by the Company or its subsidiaries, referring in particular to transactions in which the Directors have an interest, on their own behalf or on behalf of third parties, or are influenced by the individual exercising the activity of management and coordination. The information is given timely (at least quarterly) at meetings of the Board or by means of a written memorandum addressed to the Chairman of the Board of Statutory Auditors.

In particular, during the 8 Board meetings held during the year 2012 the Delegated Bodies adequately and promptly reported to the Board of Directors on the activity performed, on the general course of the administration and on its predictable evolution, as well as on the operations that are most significant for their dimensions and characteristics, carried out by the Company and by its subsidiaries, as prescribed in accordance with the law and the Bylaws.

## **4.5. OTHER EXECUTIVE DIRECTORS**

Besides the Chairman and the Managing Director there are no other Executive Directors.

## **4.6. INDEPENDENT DIRECTORS**

The number and stature of the Non-Executive Directors, who are seven out of the nine members of the Board of Directors of the Issuer, of whom two independents, ensure that their judgment may have a significant weight upon the decision-making of the Issuer's directors. The Non-Executive Directors and the Independent Directors bring their specific competencies to Board discussions and contribute to decisions being made in the Company's interest.

The Board of Directors evaluates the independence of its Non-Executive members in accordance with both art.148, paragraph 3, points b) and c) of the TUF, referred to by art.147-ter, paragraph 4 of the TUF, and by applying all criteria in accordance with art. 3 of the Self-Regulatory Code of Conduct at the time of appointment, making known the results of its assessments by means of a press release issued to the market, as well as periodically during the term in office. The result of that evaluation is made public through the annual report on corporate governance. The criteria and the monitoring procedures adopted by the Board of Directors for evaluating the requirements of independence are verified by the Board of Statutory Auditors in accordance with the Self-Regulatory Code of Conduct.

Possession of the requirements for independence as per art.3 of the Self-Regulatory Code of Conduct and art.148, paragraph 3, points b) and c) of the TUF, of the current Independent Directors has been verified by the Board of Directors, besides the first useful occasion after their appointment, during the meeting held on 25 March 2013. On the same date, the Board of Statutory Auditors acknowledged that the criteria and the monitoring procedures adopted by the Board of Directors for evaluating the requirements of independence had been correctly applied.

It is pointed out that, in order to rule out potential risks of limiting the management independence of the strategic subsidiary Piaggio & C. S.p.A., the majority of the members of the Board of Directors of Piaggio & C S.p.A. has no administrative and/or managerial duties in the Parent Company Immsi S.p.A.

The Independent Directors are committed to maintaining independence during the term of office, and in any event to inform the Board of Directors of any situation that might compromise their independence. Moreover, please note that, pursuant to the provisions of art. 17, paragraph 4, of the Bylaws of the Issuer, the loss of the independence requirements prescribed by art. 148, paragraph 3, TUF by a Director does not result in disqualification if the requirements are still held by the legally mandated minimum number of Directors that must meet this requirement.

During the Year, the independent Directors came together in an informal manner in the absence of the other Directors.

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

The Chairman of the Board of Directors is the person mainly responsible for the Issuer's management (Chief Executive Officer). Therefore, on 11 May 2012, the Board of Directors appointed Giovanni Sala, the Independent Non-Executive Director, Lead Independent Director, so that he may be a point of reference and coordination of the decisions of the Non-Executive Directors and, in particular, of the Independent Directors. The Lead Independent Director Giovanni Sala having suitable skills in accounting and finance and/or risk management, is also Chairman of the Audit and Risk Committee as well as Chairman of the Remuneration Committee, of the Issuer itself.

The Lead Independent Director also has the task of working with the Chairman to ensure that the Directors receive thorough and timely information flows, and may call, independently or at the request of other Directors, special meetings of only Independent Directors to discuss issues considered of interest regarding the functions of the Board of Directors and corporate management.

#### **5. TREATMENT OF COMPANY INFORMATION**

Concerning the issues regarding the treatment of price sensitive information and in order to regulate its internal administration and communication to the outside, the Board of Directors of the Issuer, at its meeting on 20 December 2012, updated the "Procedure for the management of the Register of persons with access to Privileged Information" and the "Procedure for communication to the public of Privileged Information". In particular, the above procedures define in detail the modalities for monitoring, access to and circulation of the Privileged Information before its transmission to the public, to assure observance of the obligations of confidentiality and market protection, under the provisions of the Law and Regulations.

The aforesaid procedures are also available on the Issuer's institutional website, in the Section *Governance – Procedures*.

#### **6. COMMITTEES INSIDE THE BOARD (ex art. 123-bis, p. 2, let. d), TUF)**

Within the Board, the Remuneration Committee and the Audit and Risk Committee were established. It is pointed out that the Issuer has formed neither a committee that performs the functions of two or more committees provided for by the Code nor other committees to the ones

provided for by the Code nor the functions of one or more committees were assigned to the entire Board under the coordination of the Chairman.

## **7. NOMINATION COMMITTEE**

Considering the size and organizational structure of the Issuer, the Board has not recognized – at the present time - the necessity to set up a Committee for the appointment of Directors or to assign its functions to another committee or to the entire Board. In particular, the presence of a control Shareholder guarantees the presentation of the candidates to the office of Director. It is customary for the candidates to the office of Executive Director to be subjects who have acquired experience in the sectors in which the Issuer operates that is direct knowledge thereof.

## **8. REMUNERATION COMMITTEE**

The Board of Directors of the Company, in compliance with the provisions of the Self-Regulatory Code of Conduct, has established an internal Remuneration Committee comprising Non-Executive Directors, mostly Independent Directors.

### **Composition and operation of the Remuneration Committee (ex art. 123-bis, paragraph 2, let. d), TUF)**

On 11 May 2012, the Board of Directors appointed as members of the Remuneration Committee the independent Directors Giovanni Sala, as Chairman, and Giorgio Cirila as well as the non-executive Director Carlo d'Urso, for the duration in office of their appointment with the Company. Please note that all members of the aforementioned committee possess adequate knowledge and experience in accounting and finance, and/or remuneration policy, deemed in compliance by the Board at the time of their appointment.

During the Year, the Remuneration Committee held 3 meetings, with an average duration of about 30 minutes, at which all of its members took part and, where nominated, the secretary taking the minutes. It should be noted that the Board of Statutory Auditors, despite not having taken part in these meetings, was involved in sharing all of the decisions made by the Remuneration Committee, before the same proposed them to the Board of Directors of the Issuer.

For the year 2013 there is expected to be at least 2 meetings of the Remuneration Committee, the first of which was held on 25 March 2013.

Please refer to Table 2, given in the appendix.

### **Functions of the Remuneration Committee**

For a description of the Functions of the Remuneration Committee, please refer to the Report on Remuneration available, as required by law, the Issuer's institutional website, in the Section Governance - General Meeting.

## **9. REMUNERATION OF THE DIRECTORS**

On 25 March 2013, at the proposal of the Remuneration Committee, the Board approved the “General policy of remunerations of the Directors and the executives with strategic responsibilities”

(the “**Remuneration Policy**”) pursuant to art. 6 of the Code. This policy defines the basic guidelines on which the remunerations must then be concretely established by the competent company bodies.

For a description of the Remuneration Policy and of the remunerations paid during the Fiscal Year to the Directors, the General Managers and to the executives with strategic responsibilities, please refer to the Remuneration Report available, within the terms of law, on the internet site of the Issuer, in the Section *Governance* - General Meeting.

#### **Mechanisms of incentive of the Head of the Internal Audit Function and of the Manager responsible for preparing the corporate accounting documents.**

Currently there are no mechanisms of incentive of the Head of the Internal Audit Function and of the Manager responsible for preparing the corporate accounting documents.

#### **Directors’ indemnity in case of resignations, dismissal or cessation of the relationship following a public purchase offer (ex art. 123-bis, p. 1, let. i), TUF)**

No agreements have been stipulated between the Issuer and the Directors that require indemnity in case of resignation or dismissal/revocation without a just cause or if the working relationship ceases following a public purchase offer.

## **10. AUDIT AND RISK COMMITTEE**

The Board of Directors of the Company, in compliance with the provisions of the Self-Regulatory Code of Conduct, has established an Internal Audit and Risk Committee, comprising Non-Executive Directors, mainly Independent Directors, whose deliberations are coordinated by a Chairman.

#### **Composition and operation of the Audit and Risk Committee (ex art. 123-bis, p. 2, let. d), TUF)**

On 11 May 2012, the Board of Directors appointed the Directors Giovanni Sala (Independent Director), who has suitable skills in accounting and finance and/or risk management, with the function of Chairman (also appointed Lead Independent Director), along with Giorgio Cirila (Independent Director) and Rita Ciccone (Non-Executive Director) as members of the Audit and Risk Committee, on the basis of the professional characteristics of the candidates put forward.

During the Year, the Audit and Risk Committee held 8 meetings, with an average duration of one hour, attended by all of the members.

The Manager of the Internal Audit function, draws up the minutes of each meeting held by the Committee in order to officially certify the progress, contents and decisions of the session to which it refers.

In addition, at the invitation of the Committee and in relation to the various subjects on the agenda, the meetings were also attended by the Chairman of the Board of Directors, the Managing Director, responsible for implementing the policies of the Board of Directors in matters relating to the internal audit and risk management system, the Board of Statutory Auditors, the Manager in charge of preparing the company accounts and documents, the Supervisory Board and a representative of the Audit Firm.

In particular, the Audit and Risk Committee has operated over the Year in question in liaison with the Board of Statutory Auditors and with a continuous flow of information on the issues that were previously the responsibility of the Internal Audit Committee. In view of the foregoing, and with

particular reference to the duty of monitoring the financial reporting system, the internal audit and risk management system implemented by the Issuer already regulates the handling of privileged information and market abuse in this respect, and the process of drafting and authorising the report on the accounts and its certification for external purposes as well.

For the year 2013 it is expected for the Audit and Risk Committee to meet at least 5 times, the first of which was held on 14 March 2013.

Please refer to Table 2, given in the appendix.

### **Functions ascribed to the Audit and Risk Committee**

The Audit and Risk Committee, assisting the Board of Directors:

- (i) evaluates, together with the Manager in charge of preparing the company accounts and documents and having heard the external auditor and the Board of Statutory Auditors, the correct use of the accounting standards and their consistency for the purpose of preparing the consolidated financial statements;
- (ii) gives opinions on specific aspects relating to the identification of the main business risks;
- (iii) reviews the periodic reports relating to the evaluation of the internal audit and risk management system, and of those of particular significance prepared by the Internal Audit function;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit Function;
- (v) requests that the Internal Audit Function perform any verifications on specific operational areas, giving simultaneous communication to the Chairman of the Board of Statutory Auditors;
- (vi) reports to the Board, at least every six months, at the time of approving the yearly and half-yearly financial report, regarding activities carried out as well as the adequacy of the internal audit and risk management system;
- (vii) provides an opinion to the Board with reference to decisions regarding the appointment, removal, remuneration and allocation of resources of the Head of the Internal Audit Function.

In particular, during the Year, the Audit and Risk Committee:

- review the changes that have occurred in the corporate and organizational structure resulting from the resolutions of the Board of Directors of the Company adopted on matters relating to corporate governance, in particular examining the proposal by the Director Appointed (as defined below) for the appointment of the Head of the Internal Audit Function and expressing on the matter a favourable opinion to the Board of Directors of the Company;
- examined and shared the proposal, drawn up by the Director assigned to drafting the accounting and company documents, in relation to the definition of the scoping of the Group for 2012 and to the criteria of selection of the operational subsidiaries to be subjected to the checks, in compliance with the provisions contained in Italian Law 262/05 (now in TUF);
- check, in accordance with Italian Law 262/05, the results of the test carried out by the Assigned Directors of the Immsi Group and by the Internal Audit, on the subsidiaries, relatively to the periodical accounts situations of the Year;
- examine the report drafted by the Manager in charge of preparing the company accounts and documents in accordance with art. 123-b of the TUF, on the financial statements al 31 December 2012;

- examine the impairment test procedure applied to verify the adequacy and correspondence to the IAS/IFRS, in acknowledgement of the recommendations expressed in the Bank of Italy, CONSOB and ISVAP joint document of 3 March 2010;
- review, with the Manager responsible for preparing the corporate accounting documents, the financial reporting process and, after hearing the External Auditor and the Board of Statutory Auditors, the accounting principles adopted in the preparation of the periodic reports and financial statements as well as the homogeneity of the principles for the purposes of preparing the consolidated financial statements;
- progressively verify the activity performed by the Internal Audit Function in the year 2012, with reference to the activities of risk analysis, financial, operational and compliance auditing, monitoring related to the implementation of the improvement/corrective plans, arranged downstream of the aforesaid activities of internal auditing and the checks carried out, for the purposes of the assurance of regulatory compliance, with special reference to the provisions pursuant to Italian Law No. 262/05 and Legislative Decree D.Lgs. 231/01;
- review, with reference to the provision of criterion 7.C.2 of the Self-Regulatory Code of Conduct, the independence, adequacy, effectiveness and efficiency of the Internal Audit Function, expressing in this regard, on the basis of what is presented by the Head of Internal Audit and of the further information and assessments gathered directly on the work of this function, a finding of suitability of the same;
- analyze and share the document named "Report of the Person in charge of the Internal Audit for the year 2012".

Furthermore, during the Year, the Audit and Risk Committee was informed regarding:

- the proposed Internal Audit Plan presented by the Head of Internal Audit and the Chief Executive Officer of Immsi Audit S.c. a r.l. for the year 2013, as an update of the 2012-2014 three-year Audit Plan, subsequently approved by the Board of Directors on 20 December 2012;
- the external audit activity, by PricewaterhouseCoopers SpA, regarding the guidelines, the audit approach and the work plan to 31 December 2012, as well as the underlying methodology and the main risks specified in it, with reference to Immsi and its main subsidiaries;
- the changes in the processes and business activities, and in particular:
  - on the changes introduced by the Board of Directors on 12 November 2012, regarding the "Procedure for transactions with Related Parties", adopted by the Company with the Board resolution of 30 November 2010, in accordance with art. 4 of the Regulation on transactions with related parties adopted by Consob Resolution no. 17221 of 12 March 2010 (as amended), in order to adapt it to the actual corporate application practice;
  - on the amendments to the "Procedure for the communication to the public of privileged information" to the "Procedure for the management of the Register of persons with access to privileged information" and the "Procedure for the fulfilment of obligations in matters of internal dealing", adopted by the Company with the Board resolution of 20 December 2012, adapting to regulatory changes that occurred;
- evolution of Italian Legislative Decree D.Lgs. 231/2001 and of the specific analysis project, together with other Companies in the Group, for the assessment of specific crime risks under art. 25-undecies ("environmental crimes") and under art. 25-duodecies ("employment of third-country nationals who are residing illegally") Italian Legislative Decree D.Lgs. 231/2001, the

revision, with the support of external consultants in the field and of the Studio of Prof. Mucciarelli, of its Model of Organisation, Management and Control pursuant to Italian Legislative Decree D.Lgs. 231/2001;

- reports of the Supervisory Board pursuant to Italian Legislative Decree D.Lgs. 231/2001 to the Board of Directors.

For the purposes of carrying out its duties, the Committee:

- is permanently supported by the Internal Audit function;
- has the right to access the necessary information and business functions for carrying out its duties;
- can use outside professionals, in the limits of the budget established by the Board of Directors, provided they are adequately bound to the necessary confidentiality.

The Board of Directors, meeting on 11 May 2012, set the annual expense budget for the Audit and Risk Committee at euro 30,000.

## 11. INTERNAL AUDIT SYSTEM E DI GESTIONE DEI RISCHI

The Board of Directors, after consultation with the Audit and Risk Committee:

- a) defines the nature and level of risk compatible with the strategic objectives of the Issuer;
- b) defines the guidelines for the internal audit and risk management system, so that the main risks facing the Issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the degree of compatibility of these risks with the management of the company in line with the identified strategic objectives;
- c) evaluates at least annually, the adequacy of the internal audit and risk management system with respect to the characteristics of the company and the assumed risk profile, as well as its effectiveness;
- d) approves, at least annually, the work plan prepared by the Head of the Internal Audit Function, after hearing the Board of Statutory Auditors and the Director appointed to the internal audit and risk management system;
- e) describes, in the report on corporate governance, the main features of the internal audit and risk management system, expressing its assessment of the adequacy of the same;
- f) evaluates, after hearing the Board of Statutory Auditors, the results presented by the External Auditor in the possible letter of suggestions and in the report on key matters arising from the external audit.

In carrying out such functions, the Board is assisted by the Director appointed to the internal audit and risk management system (“the **Director Appointed**”) and by the Audit and Risk Committee; it also takes account of the organisational and management Models adopted by the Issuer and by the Group headed by the Issuer in accordance with Ital.Legisl.Decree 231/01.

On 11 May 2012, the Board of Directors of the Company, to a proposal by the Director Appointed and having obtained the favourable opinion both of the Audit and Risk Committee and the Board of Statutory Auditors, appointed Maurizio Strozzi, Managing Director of Immsi Audit S.c. a r.l., as Head of the Internal Audit Function of the Issuer. The Board, moreover, has taken care that he was given adequate powers and means to carry out his functions, also under the profile of the operational structure and the internal organizational procedures, for access to the necessary information to the carrying out his appointment.



During the Year, the Audit and Risk Committee has regularly reported to the Board on its work, on the result of the checks made and on the operation of the internal audit and risk management system, highlighting how it has substantially turned out congruous with the dimensions and the organizational and operational structure of the Issuer.

The Board of Directors, during the meeting on 25 March 2013, also taking account of the directions provided by the Audit and Risk Committee, assessed as adequate the effectiveness of the internal audit and risk management system of the Issuer, with respect to the characteristics of the company and the assumed risk profile.

In addition, it is stressed that, on 12 December 2008, a consortium company was established called Immsi Audit Società Consortile di Internal Auditing del Gruppo Immsi a r.l. ("**Immsi Audit**"), in order to start a project for the centralization and transfer of all the activities of internal auditing of the companies in the Immsi Group, under a single company.

Immsi Audit provides its services solely for the pooled companies (Immsi S.p.A., Rodriquez Cantieri Navali S.p.A. – now merged into Intermarine S.p.A., Is Molas S.p.A. and Piaggio & C. S.p.A.) and, in their interest, it performs all the activities connected with and functional for the internal auditing, with the objective of improving the effectiveness and the efficiency of the internal audit and risk management system and appraising its functionality.

This choice allows the Group to acquire the necessary knowledge and skills on the subject of Risk Assessment and Internal Audit, realizing, in the meantime, economies of scale and synergies in the application of uniform audit methods.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix.

#### **11.1. DIRECTOR APPOINTED TO THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

On 11 May 2012, the Board of Directors of the Company, in conformity with the provisions of the Self-Regulatory Code of Conduct, with the assistance of the Audit and Risk Committee, appointed the Managing Director Michele Colaninno, as Director appointed to the internal audit and risk management system.

The Director Appointed, identified as above, is mandated to supervise the functioning of the internal audit and risk management system within the guidelines established by the Board of Directors. In particular, the following functions are assigned to the same:

- a) oversee the identification of the main corporate risks taking into account the characteristics of the activities of the Issuer and its subsidiaries, periodically submitting them for review to the Board of Directors;
- b) implement the guidelines established by the Board of Directors, overseeing the planning, implementation and management of the internal audit and risk management system, and constantly monitoring its adequacy and effectiveness;
- c) adapt said system to changes in operating conditions and in the legislative and regulatory environment;
- d) request, if necessary, that the Internal Audit Function perform verifications on specific areas of operation and on compliance with the internal rules and procedures in the execution of corporate operations, giving concurrent communication to the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors;

- e) promptly report to the Audit and Risk Committee or to the Board of Directors any problems and critical issues that may emerge in the course of its activity or of which it has received news, so that the Committee or the Board may take appropriate action.

In carrying out these duties, the Director Appointed is assisted by the Head of the Internal Audit Function, and reports to the Audit and Risk Committee or to the Board of Directors regarding his activities and the existence of any specific problems.

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

On 11 May 2012, the Board of Directors of the Company, in response to a proposal by the Director Appointed and having obtained the favourable opinion both of the Audit and Risk Committee and the Board of Statutory Auditors, appointed Maurizio Strozzi, Managing Director of Immsi Audit S.c. a r.l., as the Person in charge of internal audit, delegating the Chairman and/or the Managing Director to formalize the terms, methods and conditions, consistent with corporate policies. The Board, moreover, has taken care that this subject outside the Issuer, equipped with suitable requisites of professionalism and independence, was given adequate powers and means to carry out his functions, also under the profile of the operational structure and the internal organizational procedures, for access to the necessary information to the carrying out his appointment. The Head of Internal Audit has not been given any specific financial resources as, in order to carry out its duties, he makes use of facilities and structures of the Issuer and of Immsi Audit consortium which recharges each Company in the consortium the expenses incurred in relation to the activities it has carried out.

The Head of the Internal Audit Function, who is not responsible for any operational area of the Issuer and depends hierarchically (in functional terms) from the Board of Directors, has direct access to all relevant information for the performance of his duties and in particular is invested with the following functions:

- (i) verify, continuously and in relation to specific needs and in compliance with international standards, the functionality and the suitability of the internal audit and risk management system, through a plan of audit, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the key risks;
- (ii) prepare half-yearly reports containing adequate information about their activity, the way in which the risk management is conducted, and the compliance with the plans defined for their reduction. The periodic reports contain an assessment of the suitability of the internal audit and risk management system;
- (iii) provide timely reports on events of particular importance;
- (iv) transmit the reports referred to in paragraphs (ii) and (iii) to the Chairmen of the Board of Statutory Auditors, the Audit and Risk Committee and the Board of Directors, as well as the Director appointed to the internal audit and risk management system;
- (v) verify, as part of the Audit Plan, the reliability of the information systems, including the accounting recording systems.

During the Year, the Head of Internal Audit, with the aid of the Immsi Audit, S.c. a r.l. structure, performed the activities of checking the internal audit and risk management system, in conformity with the Internal Audit Plan for the three-year period 2012-2014, approved by the Board on 19 December 2011, developing the risk analysis activities, the financial, operational and compliance

auditing activities (with special reference to the verifications made to comply with the regulatory requirements set out in Ital. Law 262/05 and Italian Legislative Decree D.Lgs. 231/2001), the verification of the information systems, as well as monitoring of the adoption of the improvement/corrective plans agreed downstream of said internal auditing activities.

The results of the auditing activity, performed in the light of the Audit Plans, have always been analyzed, discussed and shared with the various Managers of the processes/functions and the Management of the Company, in order to arrange and implement the preventive/corrective provisions, whose accomplishment is continually monitored up to their complete execution. The Head of Internal Audit has therefore presented the audit reports to the Chairman, the Director appointed to the internal audit and risk management system, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors, as well as the Supervisory Board and the Executive in Charge with regard to matters under his responsibility.

### **11.3. ORGANISATION MODEL ex Ital.Legisl.Decree D.Lgs. 231/2001**

As of 13 September 2004, the Issuer adopted the Model of organisation, management and control (the "Model") for the prevention of crimes in accordance with Ital.Legisl.Decree 2312001 and further integrations. This procedure was also followed by the subsidiary companies with strategic importance, which in their turn passed a resolution to use the respective Models ex Ital.Legisl.Decree 231/2001.

The model currently in force is divided into a general section, chiefly comprising the Code of Ethics (available for consultation also on the Issuer's institutional website, under the Section *Governance* - Procedures) and the Disciplinary system, and special individual sections covering the various categories of offence envisaged to date in the Decree.

- "Special Section 1" applies to the specific category of crimes against Government Agencies and against Public Property envisaged in ex artt. 24 and 25 of the Decree, to the computer crimes and illicit data processing envisaged in ex art.24-*bis* of the Decree and to the copyright infringement offences envisaged in ex art. 25-*novies* of the Decree;
- "Special Section 2" refers to corporate crime, as envisaged in art.25-*ter* of the Decree;
- "Special Section 3" covers the market abuse-related crimes and offences envisaged in art.25-*sexies* of the decree;
- "Special Section 4" refers to crimes committed in breach of the accident prevention regulations on workplace health and safety, as envisaged in art.25-*septies* of the Decree and to crimes against the environment pursuant to Italian Legislative Decree D.Lgs. 152/2006;
- "Special Section 5" applies to the categories of crimes committed in breach of the regulations against use of the financial system for laundering the proceeds of crime or for funding terrorism as envisaged in art.25-*octies* of the Decree.
- "Special Section 6" applies to the types of crimes committed in violation of environmental standards as per art. 25 - *undecies* of the Decree.

The Italian Legislative Decree D.Lgs. 16 July 2012 no. 109 introduced into the Italian Legislative Decree D.Lgs. 231/2001 article 25-*duodecies*, which adds to the predicate offences the employment of illegal residents, while on 16 August 2011 Italian Legislative Decree D.Lgs. 121/2011 entered in force, modifying Italian Legislative Decree D.Lgs. 231/2001 introducing art.25-*undecies* (Environmental Crimes) extending to companies and authorities the responsibility for a series of crimes against the environment, now entered on the list of the crimes ex Italian Legislative Decree D.Lgs. 231/2001 starting from 2011 (ex Ital. Legisl. Decree D.Lgs. 152/2006,

Ital. Law 150/1992, Ital. Law 549/1993 and Ital. Legisl. Decree D.Lgs. 202/2007).

Therefore, in relation to the aforementioned crimes, only some of them, after careful evaluation by the Management Team and with the aid of technical and legal experts, have been shown to be relevant to the activities typical of Immsi S.p.A.. The Company therefore proceeded, with the support of Immsi Audit and after the favourable opinion of the Supervisory Board, with the update of the Organisation Management and Control Model ex Ital. Legisl. Decree D.Lgs. 231/2001 integrating it with specific audit protocols and will review the procedural framework.

In this regard, on 25 March 2013, the Board of Directors resolved, after validation by the Supervisory Board, the updating of the Model, with the addition of these new crimes relating to the environment and the employment of workers residing illegally.

Italian Law 190 of 06/11/2012 introduced in the list of predicate offences of administrative liability of entities pursuant to Italian Legislative Decree D.Lgs. 231/2001 the crimes of "Unlawful inducement to give or promise benefits" (art. 319-*quater* of the Italian Penal Code) and "Corruption between private individuals" (art. 2635 of the Italian Civil Code). The Company, in collaboration with Immsi Audit S.c.a r.l., is planning the activities of evaluation of the specific risks relating to such crimes for the next update of the Model as per Italian Legislative Decree D.Lgs. no. 231/2001 and its procedural framework.

It is to be noted that the model is being constantly updated to keep it in step with the updating of the corporate procedures, whose correct application is, at the indication and with the coordination of the Supervisory Body, constantly monitored through the planned activity of compliance, performed by Management and the Internal Audit function. This process of monitoring also includes the collaboration of the Process Owners, that is the persons in charge of the company processes considered "sensitive" for committing any malfeasances, which periodically report to the Supervisory Body.

The Board of Directors of 11 May 2012 appointed, as members of the Supervisory Board of the Issuer: Marco Reboa, as Chairman chosen among external professionals with the necessary requirements, Alessandro Lai, chosen in his capacity of Chairman of the Board of Statutory Auditors, and Maurizio Strozzi, chosen as Managing Director of Immsi Audit S.c. a r.l., chosen as Head of the Internal Audit Function of the Issuer.

The duration of the appointment granted to the members of the Supervisory Body, whose members can always be re-elected, coincides with the duration in office of the Board of Directors that appointed them and, therefore, the Organism, as composed above, will remain in office till the date of the Shareholders' Meeting, summoned for the approval of the financial statements related to the year closed on 31 December 2014.

The Supervisory Body operates at the highest corporate level and follows the principles of independence and impartiality, as well as on the basis of a Regulation approved by the Board of Directors to which, along with the Board of Statutory Auditors, it periodically reports regarding its activities, the notifications received and the sanctions handed out. In this connection it should be noted that there is an active e-mail address, which can only be read by the Supervisory Board, that allows each of the Issuer's employees to be able to send any notices to the Organism. The Body is furthermore provided with the financial and logistical means to enable it to carry out its duties.

During the Year, the Supervisory Body of Immsi S.p.A. met 4 times and overall member attendance was 100%.

For the year 2013 it is expected for the Supervisory Body to meet at least 4 times, the first of which was held on 14 March 2013.

#### **11.4. AUDITING FIRM**

The Shareholders' Meeting of Immsi S.p.A. of 11 May 2012, granted the appointment of accounts auditing for the years 2012 – 2020 to the auditing firm PricewaterhouseCoopers S.p.A.

#### **11.5. MANAGER IN CHARGE OF PREPARING THE COMPANY ACCOUNTS AND DOCUMENTS**

On 18 June 2007, the Bylaws of the Issuer was updated to conform to the provisions introduced by Italian Law 262/2005 and by Ital. Legisl. Decree D.Lgs. 303/2006, regarding the appointment of the Manager in charge of preparing the company accounts and documents. In accordance with the Bylaws, the Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, appoints and revokes the Manager in charge of preparing the company accounts and documents, who must have not only the requisites of honour prescribed by the current regulations for those who perform functions of administration and management, but also requisites of professionalism, characterized by specific competence in administration and accountancy. This competence, to be ascertained by the Board of Directors, must be acquired through work experience in positions of suitable responsibility for a congruous time period. The aforesaid Manager is ascribed with the powers and functions established by Law and by the other applicable provisions, as well as the powers and functions established by the Board at the time of appointment or with a subsequent resolution.

On 18 June 2007, the Board of Directors, upon the opinion of the Board of Statutory Auditors, appointed Andrea Paroli, already in charge of the Administration and Financial Statements function of Immsi S.p.A., Manager in charge of preparing the company accounts and documents, giving him all the powers and means necessary for carrying out the duties assigned to him and specifically:

- a) free access to all information considered important for fulfilling his duties, both within Immsi and within the companies in the Group, with the power to inspect all the documentation related to drawing up the accounting documents of Immsi and the Group and with the power to request explanations and elucidations of all the subjects involved in the process of forming the accounting data of Immsi and the Group;
- b) attendance at the meetings of the Board of Directors;
- c) the right to dialogue with every Administrative and Auditing Body;
- d) the right to prepare and put forward for approval the company procedures, when they impact the balance sheet, the consolidated financial statements and the documents submitted for certification;
- e) participation in designing the information systems that impact the economic, asset and financial situation, with the possibility of using them for purposes of auditing;
- f) the right to organize a suitable structure within his own area of activity, internally employing the available resources and, where necessary, outsourcing;
- g) the right to employ the Internal Audit function for mapping the processes of competence and in the phase of execution of specific checks, with the possibility, if this Function is not internally present, of using resources through outsourcing.

Lastly, it is specified that the Manager in charge of preparing the company accounts and documents must report, at least half-yearly, to the Board of Directors, on the activity carried on and the expenses sustained.

For a description of the main characteristics of the system of risk management and auditing in relation to the process of financial information, in accordance with art. 123-b, paragraph 2, letter b), TUF, please refer to Attachment 1 given in the appendix.

## **11.6. COORDINATION BETWEEN THE PERSONS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM**

The Issuer, in order to ensure coordination between said parties involved in the internal audit and risk management system, promotes the organisation and conduct of its periodic meetings on a joint basis. This maximizes the efficiency of the internal audit and risk management system implemented by the Issuer, reducing, at the same time, any duplication of activities.

## **12. AFFAIRS OF THE DIRECTORS AND RELATED PARTY DEALINGS**

The Board, on 12 November 2012, updated the Procedure aimed at regulating the approval and management of Related Party dealings ("**Related Parties Procedure**"), pursuant to art. 4 of Consob Regulation No. 17221 dated 12 March 2010 (as subsequently amended), carried out by Immsi S.p.A., even through its subsidiaries.

The Company applies the Related Parties Procedure taking into account the CONSOB Communication no. DEM/10078683, published on 24 September 2010, containing "Indications and orientations for applying the Regulations on operations with correlated parts adopted with deliberation n. 17221 dated 12 March 2010 as subsequently modified".

The Related Parties Procedure disciplines the identification, approval and management of operations with correlated parts. In particular, the Procedure:

- disciplines the manner of identifying correlated parts, defining means and times for the preparation and updating of the correlated parts list and identifying the company functions competent to it;
- identifies the rules for identifying operations with correlated parts to estimate their conclusion;
- regulates the procedures for the Company to perform operations with correlated parts, even through subsidiaries pursuant to art. 2359 c.c. or in any case subjected to direction and coordination;
- establishes the means and timing for fulfilling information obligations towards the company organs and towards the market.

The Procedure is available on the Issuer's institutional website at the Section *Governance – Procedures*.

Moreover, in accordance with current regulations and the Bylaws, the Board is also responsible for the prior review and approval of the transactions of the Issuer and its subsidiaries in which one or more Directors has an interest on behalf of himself or third parties.

### 13. APPOINTMENT OF AUDITORS

In accordance with art.25 of the Bylaws, the Board of Statutory Auditors comprises three Standing Auditors and two Substitute Auditors, who remain in office for three years, the term expiring at the date of the Shareholder Meeting called to approve the financial statements relating to the last year of office and they may be re-elected.

The Auditors have the attributions and duties of the current provisions of the law and must have the requisites, also concerning the limit to the aggregation of offices, required by the current, also regulatory, legislation.

All the Auditors must be registered auditors and have carried on the activity of legal auditing of accounts for a period of no less than three years.

Auditors cannot be appointed and if elected they lose office when they are in situations of incompatibility as provided for by the Law. The Board of Statutory Auditors is appointed on the basis of lists presented by the Shareholders, in which the candidates are listed with a progressive number.

The list, that contains the names marked by a progressive number, indicates whether the single candidacy is presented for the position of standing Auditor or for the position of Substitute Auditor. Each Shareholder, the Shareholders belonging to a significant shareholder agreement in accordance with art.122 of TUF, the controlling party, the subsidiary companies and those subject to a common control in accordance with art.93 of TUF, cannot present or contribute to the presentation, not even by mediation or a trust company, more than only one list neither can they vote different lists and every candidate can present himself/herself in only a single list under penalty of ineligibility. The support and votes expressed in breach of this prohibition will not be attributed to any list.

The lists presented by the Shareholders must be deposited at the Company's headquarters, at least fifteen days before the date set for the first convocation of the Shareholders Meeting, bar any other forms of publishing and methods of depositing required by the current *pro-tempore* regulations. In the case in which, at the expiration of the term for the presentation of the lists, only one list has been deposited, or only lists presented by Shareholders among whom there are significant relationships in accordance with the Law and current *pro-tempore* Regulations, lists can be presented within the terms in accordance with the Law and current *pro-tempore* Regulations; in this case the minimum threshold for the presentation of the lists is reduced by half.

The right to present lists is for Shareholders that, alone or together with other Shareholders, are altogether owners of shares representing at least 1% of the share capital with voting rights in the Ordinary General Meeting, or representing another percentage that may be established or called upon by provisions of the Law or Regulations. It is specified that, with deliberation no. 18452 of 30 January 2013, Consob has determined the required shareholding at 2.5% of the shareholders' equity for presenting the lists of candidates for the election of the Company's Control Body, with reference to the period closed at 31 December 2011.

Pursuant to art.144-*sexies*, para. 4-*ter*, of the CONSOB Regulation on Issuers, ownership of the overall shareholding is certified by sending a notice to the Issuer, even subsequently to the submission of the list, but in any case at least 21 days prior to the date set for the Shareholders' Meeting.

The lists must be equipped with:

- a) information on the identity of the Shareholders that presented the lists, stating the percentage of shares altogether held;
- b) a declaration of Shareholders other than those that, even jointly, hold a controlling or relative majority shareholding, certifying there are no relationships of liaison, as required also by the current regulations, with the latter;

- c) exhaustive information on the personal characteristics of the candidates, as well as a declaration of the candidates themselves certifying, under their own responsibility, the nonexistence of causes of ineligibility and incompatibility, the possession of the requisites required by the Law and their acceptance of the candidacy, as well as the list of offices of Administration and Auditing held, if any, with other companies.

Any list presented without observing the above prescriptions will be considered as not presented. Each Shareholder can vote only one list.

There will be elected: from the list that obtained the highest number of votes, in the progressive order in which they are listed in the list, two standing members and one substitute; from the list that obtained the second highest number of votes and that, in accordance with the current regulations is not connected, not even indirectly, with those who presented or voted the list that obtained the highest number of votes, in the progressive order in which they are listed in the list, one standing member, who is to be the Chairman of the Board of Statutory Auditors and one substitute.

If lists receive the same number of votes, there will be another ballot by the whole Shareholders' Meeting to elect the candidates of the list that obtains the simple majority of the votes.

If only one or no list is presented, the standing and substitute Auditors elected will be all the candidates for this position indicated in the list or respectively those voted by the Shareholders' Meeting, provided that they achieve the relative majority of the votes cast in the Shareholders' Meeting.

If there are no longer the requisites of the Regulations and Bylaws, the Auditor loses office.

In case of substitution of an Auditor, the substitute belonging to the same list as the one terminated takes over. The Chairman of the Board of Statutory Auditors will still be the minority Auditor.

When the Shareholders' Meeting must appoint the standing and/or substitute Auditors, necessary for supplementing the Board of Statutory Auditors, it proceeds as follows: if it is necessary to substitute Auditors elected in the majority list, the appointment is made with a relative majority vote, without being bound to a list; if, instead, it is necessary to replace Auditors elected in the minority list, the Shareholders' Meeting replaces them with a relative majority vote, choosing them from the candidates indicated in the list to which the Auditor to be substituted belonged.

If the application of these procedures does not, for any reason, allow substitution of the Auditors designated by the minority, the Shareholders' Meeting will vote with a relative majority; however, in ascertaining the results of this last vote, the votes of the Shareholders will not be calculated that, according to the communications made in accordance with the current regulations, they hold, even indirectly or jointly with other Shareholders in a significant shareholder agreement in accordance with art.122 of TUF, the relative majority of the votes that can be cast in a Shareholders' Meeting, as well as of the controlling Shareholders, are controlled or are subject to a common control.

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (ex art. 123-bis, p. 2, let. d), TUF)**

At the time of this Report, the Board of Statutory Auditors of the Issuer, in office at the date of this Report has been appointed by the Shareholder's General Meeting held on 11 May 2012, on the basis of the single list of candidates presented by the majority Shareholder Omniinvest S.p.A., in conformity with the provisions of the Statute. The Supervisory Board formed in this manner, elected with a percentage of votes in relation to the voting capital equal to 99.90%, shall remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2014.



For more information about the list submitted for the appointment of the Auditing Body, please refer to the Issuer's institutional website, in the section *Governance – General Meeting – Archive – 2012*.

As established in the Self-Regulatory Code of Conduct, the professional curricula of the Auditors have been filed at the registered office and are available on the Issuer's institutional website, section *Governance – Management*.

During 2012, the Board of Statutory Auditors held 12 meetings with an average duration of 2 hours, with an average overall attendance of 100%.

For the year 2013 the Board of Statutory Auditors is expected to meet at least 8 times. At the date of this Report, 2 meetings have been held.

Please refer to Table 3, given in the appendix.

The Board of Statutory Auditors checks the independence of its members, also according to the criteria required by the Self-Regulatory Code of Conduct with reference to the Directors, after appointment and subsequently, in the course of the duration of the office, with annual frequency. The outcome of this evaluation is made known to the market through the annual report on corporate governance. In particular, in the meeting of the board of 25 March 2013, without prejudice to the assessment of competence of the Board of Statutory Auditors with regard to its composition, the Board of Directors, focusing on a profile of substance, resolved to: (i) consider appropriate, in the interest of the Company, the non-application of the criterion 3.C.1 point e) of the Self-Regulatory Code of Conduct with regard to the Auditor Alessandro Lai (possessing high professional profiles that over time have proven valuable to the Issuer), (ii) to recognise the fulfilment of the requirements of independence pursuant to Article 148, paragraph 3, of the TUF and Article 3 of the Self-Regulatory Code of Conduct by all the members of the Board of Statutory Auditors.

The characteristics of the Board Report enable the Auditors to gather adequate knowledge of the field of activity in which the Issuer operates, its corporate dynamics and their evolution, as well as the relevant regulatory framework.

As it is considered to be a deontological duty to inform the other Auditors and the Chair of the Board of Directors whenever an Auditor has, on his own account or on that of third parties, an interest in a specific operation of the Issuer, no provision is made for any specific obligations on the matter.

In carrying out its own activity, the Board of Statutory Auditors is coordinated both with the Internal Audit function and with the Audit and Risk Committee. In particular, it is noted that the person in charge of the Internal Audit has participated in some meetings of the Board of Statutory Auditors, while the Board of Statutory Auditors has participated to the majority of the meetings of the Audit and Risk Committee.

## **15. SHAREHOLDER RELATIONS**

The Company believes suitable to its specific interest – besides representing a duty towards the market – establishing a continuous dialogue based on the reciprocal understanding of the functions, with the majority of the Shareholders, as well as the institutional investors; such a relation should be carried on within the observance of the “Procedure for communication to the public of Privileged Information”, available on the Issuer's institutional website, in the section *Governance - Procedures*, and referenced in the above Sect. 5.

In this respect, it is believed that these relations with the Shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.

For this purpose, during the meeting held on 15 October 2003, the Board of Directors of the Company resolved to establish an Investor Relations office, which, assisted by the Legal and Corporate Affairs function, handles the relations with the Shareholders and Institutional Investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with Consob and Borsa Italiana S.p.A.

At the time of this Report, the Manager of the Investor Relations office is Massimiliano Mattietti, appointed by the Board of Directors on 11 November 2011. Contact: [massimiliano.mattietti@immsi.it](mailto:massimiliano.mattietti@immsi.it).

Information for the Investors is also ensured by making available the most significant corporate documents in a timely and continuous manner on the Issuer's institutional website, Section *Investor Relations and Governance*.

In particular, the company website makes available in Italian and in English to Investors, the CVs of Directors and Auditors, all press releases distributed to the market, the periodical accounting documentation of the Company approved by the Company Bodies, as well as the documentation distributed at meetings with professional investors, analysts and the financial community. Furthermore, the Issuer's website contains the documents prepared for Shareholders' Meetings, releases regarding Internal Dealing, the yearly Corporate Governance Report and any other document which needs to be published on the Issuer's website in accordance with applicable regulations.

Again in order to facilitate prompt updating of the market, the Company has prepared an e-mail alert service that allows receiving the material published on the site in real time.

## **16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, p. 2, let. c), TUF)**

Shareholders' Meeting represents all shareholders and their resolutions, passed in compliance with law and the Bylaws, bind all shareholders, even if absent or dissenting.

The Ordinary Shareholders' Meeting must be called at least once a year, within one hundred and twenty days from the end of the year, for the approval of the financial statements, or within one hundred and eighty days, in accordance with the statutory terms and conditions.

Both Ordinary and Extraordinary Shareholders' Meetings are called by the Board of Directors, even outside the registered office, provided it is in Italy, by means of a notice published on the Internet web site of the Company and, if required by the applicable *pro tempore* legislation, in the "Gazzetta Ufficiale della Repubblica" (Italian Official Gazette) or, at the choice of the Board of Directors, in at least on of the following newspapers: (possibly even as excerpt under art. 125-bis TUF) "Il Sole 24 Ore" or "MF" – "Milano Finanza", as laid down by the law and being understood any other prescription foreseen by the current provisions and the Bylaws.

Art. 127 - *ter* TUF provides that those who have the right to vote may ask questions on the items on the agenda even prior to the Shareholders' meeting. Questions received prior to the General Meeting will be answered during the meeting at the latest. The Company reserves the right to give a single answer to all the questions having the same content. The call notice shall specify the deadline within which the questions posed before the General Meeting must be received by the Company. The deadline can not be later than three days prior to the date of the first or only call for the General Meeting, or five days if the call notice provides that the Company give a response to the questions received before the General Meeting. In this case, the answers are given at least two

days before the General Meeting also by means of publication in a special section of the Company's website.

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors or by a person acting on his/her behalf or by another person designated by Board of Directors; failing such, the shareholders' meeting shall appoint its own Chairman. The Chairman of the Shareholders' Meeting shall be assisted by a Secretary, appointed by the same Shareholders' Meeting, and said person does not necessarily have to be a shareholder.

Both Ordinary and Extraordinary Shareholders' Meetings are called and vote in accordance with the law and each share gives entitlement to one vote.

Ordinary Shareholders' Meetings can: (a) approve the financial statements; (b) appoint and remove Directors, Auditors and the Chairman of the Board of Statutory Auditors and the subject to which the auditing of company accounts is assigned; (c) determine the emoluments of the Directors and the Statutory Auditors, if not established in the Bylaws; (d) decide on the responsibilities of the Directors and Statutory Auditors; (e) decide on other matters attributed by law to the shareholders, as well as on any authorisations required by the Bylaws for the carrying out of Director duties, notwithstanding in all cases their being responsible for their actions; (f) approve any rules governing meetings; (g) decide on any other matters within their powers, in accordance with the Law.

Extraordinary Shareholders' Meetings decide on changes to the Bylaws, the appointment, substitution and powers of liquidators and on any other matter expressly attributed to it by Law.

In accordance with art.23 of the Bylaws, the board competence is derogated to the Board of Directors for deciding upon all matters regarding:

- mergers and demergers in accordance with articles 2505 and 2505-*bis* of the Italian civil code, the latter being referred to by art.2506-*ter* of the Italian civil code;
- establishment or closure of secondary offices;
- which Directors represent the Company;
- reductions in share capital in the event of withdrawal of the shareholder;
- amending the Bylaws to comply with regulatory provisions;
- transfer of the registered office to another location in Italy.

Such decisions may also be taken by an Extraordinary Shareholders' Meeting.

As regards the rights of the Shareholders please refer to the applicable pro tempore Regulations and Laws; besides that which has already been stated in the above paragraphs in this Report.

Pursuant to art. 12 of the Bylaws, entitlement to take the floor at the shareholders' meeting and to exercise voting rights is certified by notification made to the Company by the intermediary qualified to keep the accounts as laid down by the law, based on his or her own accounting records as they stand at the close of business on the seventh day on which the market was open prior to the date set for the Shareholders' Meeting at first call, and received by the company as laid down by the law.

The credit and debit entries made in the accounts after said deadline are irrelevant for the purposes of entitlement to exercise voting rights at the Shareholders' Meeting.

Holders of voting rights may have themselves represented by written proxy as laid down by the law. Electronic notification of proxies may be made, in accordance with the procedures stated in the letter of convocation concerned, by e-mail addressed to the certified electronic mail box stated in said letter or using a section of the company's Internet site set aside for the purpose.

The Chairman of the Shareholders' Meeting has the duty to ascertain the regularity of the proxies and the right of those present to attend the Shareholders' Meeting, as well as to establish the rules for its performance including therein the timing of any speakers.

The Issuer takes action to aid and encourage the fullest participation of the Shareholders in the meetings and to use these meetings as a moment of dialogue and liaison between the Company

and the Investors, guaranteeing, to all the participants legitimated to intervene, the right to be able to express their opinion in relation to the topics on the agenda.

The Company does not currently see the need to propose the adoption of a specific regulation governing Shareholders' Meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest participation and expression in shareholder discussions.

The Board, through the Chairman and the Managing Director, reports to the Shareholders' Meeting on the activity it has performed and programmed, taking steps to assure the Shareholders, also on the basis of what is illustrated in the above Sect.15, the necessary information so that they can knowledgeably make their decisions.

It should be noted that the Ordinary General Meeting of the Issuer held on 11 May 2012 was attended by 8 Directors out of 9 members of the Board of Directors, and by the entire Board of Statutory Auditors.

It is also deemed that the Shareholders were adequately informed about the mode of operation of the Remuneration Committee by means of the Remuneration Report, prepared by the Company pursuant to art. 123- *ter* TUF, and published on the Issuer's institutional website, in the Section Governance - General Meeting. The Company also has distributed a copy of the same to all the Shareholders who attended the General Meeting, in order to facilitate the expression of the advisory vote.

The Board, during the meeting on 25 March 2013, has not found it necessary to suggest the Shareholders' Meeting make any changes to the Bylaws in relation to the percentages established for taking the prerogatives set to protect the minorities, since – in application of art. 144-*quater* of the Consob Regulation on Issuers for the presentation of the lists for appointing the members of the Board and of the Board of Statutory Auditors - arts. 17 and 25 of the Issuer's Statute require the percentages thresholds of respectively 2.5% and 1% of the capital with voting rights or any other percentage that may be established or referred to in the provisions of the Law or Regulations. It should be noted that, with resolution no.18542 of 30 January 2013, Consob has determined the required shareholding at 2.5% of the share capital for taking part in the lists of candidates for the election of the Bodies of Administration and Control of the Issuer, with reference to the period closed at 31 December 2012.

## **17. FURTHER PRACTICES OF CORPORATE GOVERNANCE (ex art. 123-*bis*, p. 2, let. a), TUF)**

The Issuer shall implement no further practices of corporate governance other than those required by the legislative norms and/or regulations described in this Report.

## **18. CHANGES SINCE THE CLOSE OF THE YEAR OF REFERENCE**

As of the date of closing the year, no change has occurred to the corporate governance structure, than those notified within the specific Sections.

## **TABLES**

**TABLE 1: INFORMATION ON CORPORATE OWNERSHIP**

SHARE CAPITAL STRUCTURE				
	Number of shares	% compared to the s.c.	Listed (indicate the markets)/ not listed	rights and obligations
Ordinary shares	343,200,000	100%	MTA Standard Segment	Article 2346 and follow. of the Italian civil code
Shares with restricted voting right	-	-	-	-
Shares with no voting right	-	-	-	-

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares)				
	Listed (indicate the markets)/ not listed	Number of instruments in circulation	Class of share to be assigned to conversion / exercise	Number of share to be assigned to conversion / exercise
Convertible bonds	-	-	-	-
Warrant	-	-	-	-

SIGNIFICANT EQUITY INVESTMENTS			
Declarant	Direct shareholder	% portion on ordinary capital	% on voting capital
Omniaholding S.p.A.	Omniaholding S.p.A.	10.032%	10.032%
	Omniainvest S.p.A.	43.797%	43.797%
	Total	53.829%	53.829%

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES**

Board of Directors											Audit and Risk Committee		Remuneration Committee	
Office	Member/Name	In office from	In office up to	List (M/m) *	Exec.	Non exec.	Indep. from Code	Indep from Tuf	% **	Number of other offices ***	****	**	****	**
Chairman	Roberto Colaninno	11/05/12 1st app.t 31/01/2003	31/12/14	M	X				87.5%					
Deputy Chairman	Carlo d'Urso	11/05/12 1st app.t 31/01/2003	31/12/14	M		X			87.5%				X	100%
Managing Director	Michele Colaninno	11/05/2012 1st app.t 13/11/2006	31/12/14	M	X				100%					
Director	Matteo Colaninno	11/05/12 1st app.t 31/01/2003	31/12/14	M		X			100%					
Director	Giorgio Cirila	11/05/2012 1st app.t 11/09/2006	31/12/14	M		X	X	X	100%		X	100%	X	100%
LID	Giovanni Sala	11/05/2012 1st app.t 13/11/2008	31/12/14	M		X	X	X	87.5%		X	100%	X	100%
Director	Enrico Maria Fagioli Marzocchi	11/05/2012 1st app.t 29/04/2009	31/12/14	M		X			50%					
Director	Rita Ciccone	11/05/2012 1st app.t 11/05/2012	31/12/14	M		X			71.43%		X	100%		
Director	Ruggero Magnoni	11/05/12 1st app.t 27/08/2010	31/12/14	M		X			100%					
----- DIRECTORS NO LONGER IN OFFICE DURING THE YEAR OF REFERENCE -----														
LID	Mauro Gambaro	29/04/2009	31/12/2011	M		X	X	X	100%		X	100%	X	100%
Indicate the <i>quorum</i> requested to submit the lists during last appointment: 4.5%														
Number of Meetings held during the year of reference:					BoD: 8			CCI: 8			CR: 3			

**NOTES:**

- \* This column indicates the M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).
- \*\* This column indicates the Directors' attendance, in percentage, to the BoD and Committee meetings respectively (number of attendance/number of meetings during the actual period of holding office of the person concerned).
- \*\*\* This column indicates the number of appointments as Director or Auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies or companies of significant dimensions. Please refer to Sec. 4.2. of the Report, which contains the list of such companies in which each Director holds office and specifies whether the company in which he holds the appointment forms part or not of the Group of which the Issuer is Parent Company or forms a part.
- \*\*\*\* This column indicates ("X") the member's belonging to the BoD.

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

Board of Statutory Auditors							
Office	Member/Name	In office from	In office until	List (M/m)*	Independence from the Code	% **	Number of other offices ***
Chairman	Alessandro Lai	11/05/2012	31/12/14	M		100%	8
Standing Auditor	Leonardo Losi	11/05/2012	31/12/14	M	X	100%	11
Standing Auditor	Daniele Girelli	11/05/2012	31/12/14	M	X	100%	12
----- DIRECTORS NO LONGER IN OFFICE DURING THE YEAR OF REFERENCE -----							
Standing Auditor	Gianmarco Losi	29/04/2009	31/12/11	M	X	100%	
<b>Indicate the <i>quorum</i> requested to submit the lists during last appointment: 2.5%</b>							
<b>Number of Meetings held during the year of reference: 12</b>							

**NOTES:**

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

\*\* This column indicates the Auditors' attendance, in percentage, to the SA meetings (number of attendance/number of meetings during the actual period of holding office of the person concerned).

\*\*\* This column indicates the number of positions as Director or Auditor held by the person in question relevant pursuant to art. 148 *bis* TUF. The complete list of positions is published by Consob on its Internet site pursuant to art. 144-*quinquiesdecies* of the Consob Issuers Regulations.



## **Attachments**

**Attachment 1: For a description of the “Main characteristics of the systems of risk management and auditing in relation to the process of financial disclosure,” in accordance with art. 123-bis, p. 2, let. b), TUF**

## **Introduction**

Immsi S.p.A. defined specific guidelines for aligning its own Internal Audit System on the financial disclosure, requesting the Administration and Executive Officers (where designated)/Managing Directors of the subsidiaries for formal certification for the Managing Director and the Manager in charge of preparing the company accounts and documents, concerning the adequate and effective application of the administrative-accounting standards implemented for drafting the consolidation forms transmitted to the parent company.

## **Finalities and objectives**

The System of risk management and internal audit in relation to the financial disclosure of the Immsi Group has been developed using the “COSO Report”<sup>1</sup> as a model of reference, according to which the Internal Audit System, in its broadest meaning, is defined as “*a process, carried on by the Board of Directors, the Executives and other subjects in the business structure, finalized at providing reasonable certainty on the attainment of the objectives in the following categories:*

- *effectiveness and efficiency of the operational activities;*
- *reliability of the information of the financial statements;*
- *conformity with the Law and Regulations in force”.*

In relation to the process of financial disclosure, such objectives are mainly identified in the reliability, accuracy, dependability and timeliness of the information.

The Group, in defining its internal audit and risk management system in relation to the process of financial information, has kept – among other things – to the existing guidelines to this regard in the regulations and rules of reference, such as:

- Italian Legislative Decree D.Lgs. no. 58 of 24 February 1998 (“Testo Unico della Finanza” – Italian Finance Consolidation Act) as further updated and amended;
- Italian Law no.262 of 28 December 2005 (and subsequent amendments, among which the legislative decree of assimilation of the so-called Transparency directive approved on 30 October 2007) on the subject of drafting the company’s accounts documents;
- Consob Regulation on Issuers issued on 4 May 2007, “Certification of the Manager in charge of preparing the company accounts and documents and of the delegated Administrative Bodies on the consolidated balance sheet and on the half-year report in accordance with art.154-*bis* of TUF-Testo Unico della Finanza (Italian Finance Consolidation Act)”;
- Consob Regulation on Issuers issued on 6 April 2009, “Implementation of the Transparency directive 2004/109/EC on the harmonization of transparency requirements in relation to the information on the issuers whose securities are admitted to trading on a regulated market, amending the directive 2001/34/EC”;

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<sup>1</sup> COSO model, drawn up by the Committee of Sponsoring Organizations of the Treadway Commission - “Internal Control – Integrated Framework” published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Civil code, that extends the liability in company management to the Managers in charge of preparing the company accounts and documents (art. 2434 of the Italian civil code), of the offence of disloyalty after giving or promising benefit (art. 2635 of the Italian civil code) and the offence of obstructing public and supervisory authorities in performing their functions (art. 2638 of the Italian civil code);
- Italian Legislative Decree D.Lgs. 231/2001 that, referring to the above provisions of the Italian civil code and the administrative liability of corporate bodies legal for offences committed by their employees against the Public Administration, considers the Managers in charge of preparing the company accounts and documents among the Chief Subjects.

The implementation of the risk management and internal control system in relation to Group financial disclosure was performed also considering the guidelines supplied by some industry associations concerning the activities of the Manager in charge of preparing the company accounts and documents, such as in particular:

- *Position Paper* Andaf “The Manager in charge of preparing the company accounts and documents”;
- *Position Paper* AIIA “Ital. Law no.262 on the Protection of Savings”;
- Guidelines to perform the activity of the Manager in charge of preparing the company accounts and documents in accordance with art. 154-*bis* TUF), issue by Confindustria (Italian Manufacturers' Association)

in addition to the “Format for the Report on Corporate Governance and Corporate Ownership” issued by Borsa Italiana (Italian Stock Exchange).

## **Main characteristics of the risk management and internal control system in relation to the financial disclosure process**

### ***Methodological approach***

The risk management and internal auditing System in relation to Immsi Group financial disclosure is part of the Group's wider-ranging Internal audit and risk management system, which includes the following:

- Code of Ethics;
- Organisational and management Model pursuant to Ital. Legisl. Decree D.Lgs. 231/2001 and related protocols;
- Procedures for Internal Dealing notices;
- Principles and procedures to carry out significant transactions and transactions with related parties;
- System granting powers and proxies;
- Company Organisation Chart and Job profiles;
- Procedure on reporting information to the Market;
- Risk Analysis process adopted (Risk Assessment);
- Accounting and Management Auditing System.

In its turn, the Accounts and Administrative Auditing System of Immsi S.p.A. comprises a set of procedures and operative documents, including:

- Accounting and Administrative Auditing Model – a document at the disposal of all employees directly involved in the process of training and/or control of the accounting information, which defines the operating procedures of the Accounting Auditing System;
- Group's Accounts manual – a document promoting the development and application of uniform accounts criteria within the Group as regards the identification, classification and measurement of the operating activities;
- Operating instructions for the financial statements and reporting and closing calendars – documents finalized at informing the different company Functions the detailed operating procedures for managing the activities of preparing the financial statements within set, shared deadlines;
- Administrative and accounting procedures – documents defining the responsibilities and the auditing rules to follow with particular reference to the administrative/accounting processes.

The Accounting and Administrative Control Model of Immsi S.p.A. defines a methodological approach to the risk management and internal auditing System comprising the following stages:

- a) Identification and assessment of financial disclosure risk;
- b) Identification of controls for identified risks;
- c) Evaluation of controls for identified risks and management of any problems detected.

### ***Elements of the System***

#### **a) Identification and assessment of financial disclosure risks**

The risk identification and evaluation associated with the preparation of the accounting disclosure is based on a structured process of Risk Assessment. This process identifies the objectives that the internal auditing system on the financial disclosure intends to achieve in order to assure a truthful and correct representation of it. These objectives are based on the financial statements "assertions" (existence and occurrence of events, completeness, rights and obligations, evaluation/detection, presentation and disclosure) and other objectives of control (such as, for instance, compliance with the authorized limits, separating duties and responsibilities, documentation and traceability of the operations, etc.).

The risk assessment is then focused on the areas of the financial statements having a potential impacts on financial disclosure in relation to the non-attainment of such control objectives.

The process to determine the scope of the entities and processes that are "significant" in terms of potential impact on the financial disclosure is to identify, with reference to the consolidated financial statements of the Group, the financial statement accounts, the subsidiaries and the administrative accounting processes considered as significant, on the basis of evaluations made using quantitative and qualitative parameters.

Particularly, such parameters are defined:

- by determining the quantitative threshold values through which to compare both the accounts related to the consolidated financial statements and the relative contribution of the Group subsidiaries;
- making qualitative evaluations based on the knowledge of the business reality and the existing specific risk factors inherent in the administrative-accounting processes.

## **b) Identification of controls for identified risks**

As stated above, the control identification necessary to mitigate the risks identified on the administrative – accounting processes is made considering the control objectives associated with the financial disclosure.

In particular, the accounts of the financial statements classified as significant are connected to the business processes underlying them in order to identify the controls geared to meet the objectives of the internal audit and risk management system for the financial information. The identified controls are subsequently submitted to the evaluation of adequacy and real application; with reference to the automatic controls, the verification of adequacy and real application concerns also the general IT controls concerning the applications that support the processes considered significant.

The Functions involved in the financial disclosure process ensure, for their own areas of competence, that the administrative and accounting procedures and the controls in being are updated.

If, following the phase of identification of the scope of action, sensitive areas are identified that are not governed, entirely or partly, by the body of the administrative and accounting procedures, with the coordination of the assigned Manager in charge of preparing the company accounts and documents, the existing procedures are integrated and new procedures formalized in relation to the areas of managerial competence.

## **c) Evaluation of controls for identified risks and problems detected**

The activity of evaluation of the Accounting Auditing System is performed periodically and at least half-yearly, on the occasion of drawing up, respectively, the separate and consolidated annual financial statements and the abbreviated half-year consolidated financial statements.

The evaluations related to the adequacy and the real application of the administrative and accounting procedures and the controls contained in them are developed through specific activities of monitoring (testing) based on the best practices in this framework.

The testing activity is carried on continuously during the entire financial year on the indication and with the coordination of the assigned Manager in charge of preparing the company accounts and documents that uses his own structure and, where considered necessary, with the support of the Internal Audit or of appropriately identified external advisors.

The tests are split up among the administrative and functional structures coordinated by the Manager in charge of preparing the company accounts and documents or by officers delegated by him, with the involvement of the Internal Audit both to check the actual carrying out of the controls required by the administrative and accounting procedures both to perform specific focused controls on companies, processes and accounts items.

The Delegated Bodies and the administrative persons in charge of the subsidiaries in the sphere of application are called upon to make a supporting declaration to the Manager in charge of preparing the company accounts and documents with reference to the verifications made on the adequacy and real application of the administrative and accounting procedures.

The Manager in charge of preparing the company accounts and documents, with the support of the Internal Audit Supervisor, draws up a report he summarising the results of the evaluations of the controls against the risks previously identified (Executive Summary/Management Summary) based of the results of the monitoring activities carried on and on declarations by the Managing Directors and the administrative managers of the subsidiaries. The evaluation of the controls can involve identifying compensatory controls, corrective actions or plans for improvement in relation to any identified problems.

The Management Summary is drafted and once shared with the Managing Director, is submitted to the Board of Statutory Auditors of the Parent Company, to the Audit and Risk Committee and to the Board of Directors.

### **Roles and functions involved**

The risk management and internal auditing System on financial disclosure is governed by the Manager in charge of preparing the company accounts and documents; the Manager is appointed by the Board of Directors and in agreement with the Managing Director, is responsible for designing, implementing and approving the Accounting and Administrative Auditing Model, as well as assessing its application, issuing a certification related to the half-year and annual financial statements, including consolidated statements.

The Manager in charge of preparing the company accounts and documents is moreover responsible for drawing up suitable administrative and accounting procedures for forming the year's and consolidated balance sheet and, with the support of the Internal Audit, provide the subsidiaries, considered as significant within the framework of drawing up the consolidated Group information, guidelines for carrying out appropriate activities of evaluation of its own Accounts Auditing System.

In carrying out his activities, the Manager in charge of preparing the company accounts and documents:

- interacts with the Head of the Internal Audit Function, that performs independent verifications on the operativeness of the Audit System and supports the Manager in charge of preparing the company accounts and documents in the activities of monitoring the System, and with the Legal and Corporate Affairs function for legislative-regulatory compliance issues related to financial disclosure;
- is supported by the Function Managers involved which, relatively to the area of their own competence, assure the completeness and reliability of the streams of information to the Manager in charge of preparing the company accounts and documents for accounts disclosure purposes;
- coordinates the activities carried on by the administrative managers of the significant subsidiaries, which are assigned to implement, within their own company, together with the delegated organisms, a suitable Accounts Auditing System to control the administrative-accounting processes and they evaluate their effectiveness over time reporting the results to the parent company through a process of internal certification;
- establishes a mutual exchange of information with the Audit and Risk Committee and with the Board of Directors, reporting on the activity performed, on the use of the accounting principles and their uniformity for the purposes of preparing the consolidated financial statements, and on the adequacy of the internal audit and risk management system on the financial disclosure, as part of the wider overall assessment of corporate risks.

Finally, the Board of Statutory Auditors, the Audit and Risk Committee and the Supervisory Board are relatively informed on the adequacy and the reliability of the administrative-accounting system.

