

**REPORT
ON CORPORATE GOVERNANCE AND
OWNERSHIP STRUCTURE**

pursuant to art. 123-*bis* of the TUF (Italian Consolidated Law on Finance)

(traditional administration and control model)

Issuer: **Nice S.p.A.**

Web site: www.niceforyou.com

Year to which the Report relates: 2012

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GLOSSARY

Borsa Italiana: Borsa Italiana S.p.A.

Corporate Governance Code: the Corporate Governance Code for listed companies, approved in December 2011 by the Corporate Governance Committee, and promoted by Borsa Italiana, Abi, Ania, Assogestioni, Assonime and Confindustria.

Civ. code / c.c.: the Italian Civil Code.

Board: the Issuer's Board of Directors.

Issuer or Nice or the Company: Nice S.p.A.

Year: financial year 2012.

Instructions included in the Stock Exchange Regulation: the Instructions included in the Markets Regulations organised and managed by Borsa Italiana.

Stock Exchange Regulation: the Market Regulations organised and managed by Borsa Italiana.

Issuers' Regulation: Consob Regulation no. 11971/99 as subsequently amended and supplemented.

Report: the Corporate Governance report that the companies are obliged to draw up in accordance with art. 123-*bis* of the Italian Consolidated Law on Finance.

By-laws: the current company by-laws of Nice.

TUF or L.D. 58/98: Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented.

1. ISSUER'S PROFILE

The business of Nice S.p.A. ('Nice' or the 'Company' or the 'Issuer') comprises the design, production and marketing of Home Automation systems that can be integrated and controlled by means of a single radio control unit. The systems provide automation of gates, garage doors and road barriers ('Outdoor line'), as well as awnings, rolling shutters, solar screens and alarm systems ('Indoor line') for residential, commercial and industrial buildings. Nice automation systems stand out for their high levels of technological innovation, the smart design and ergonomics. Nice Group is greatly involved in developing new products, with ever more practical solutions, showing technological and aesthetic innovation. Nice is based on a single business model marked, on the one hand, by centralisation of research & development design (carried out in collaboration with an external company), quality control, logistics and distribution activities and, on the other hand, by the full outsourcing of production, which is entrusted to qualified third parties. Thanks to this model, Nice combines production flexibility and cost structure efficiency with high quality levels and a direct control of the most strategic activities, such as design and technological innovation. With an export share of more than 80% of consolidated revenues, Nice sells its products in more than 100 countries in different geographical areas ranging from Italy to Eastern and Western Europe, to non-European markets, such as China, the United States, the Middle East, Africa and Australia.

The administration model adopted by the Company is the traditional one, in which governance is defined by the presence of:

- a Board of Directors in charge of the Company's ordinary and extraordinary management;
- a Board of Statutory Auditors in charge, among the other things: (i) to monitor compliance with the law and By-laws, as well as compliance with the principles of proper management while performing corporate activities; (ii) to check the suitability of the organisational structure, for what it is concerned, of the internal audit system and of the administrative-accounting system of the Company; and (iii) to monitor the implementation methods of corporate governance rules envisaged by codes of conduct;
- the Shareholders' Meeting, in charge to resolve, during ordinary or extra-ordinary meetings, also on the following: (i) the appointment and revocation of members of the Board of Directors and of the Board of Statutory Auditors, the relative compensations and tasks, (ii) approval of the financial statements and profit distribution, (iii) purchase and transfer of treasury shares, (iv) amendments to the By-laws and (v) issue of convertible bonds;
- an Internal Audit and Risk Management Committee;
- a Remuneration Committee.

The audit activity is entrusted to Mazars S.p.A., an audit firm registered in a special registry of audit firms authorised to perform the activities envisaged by arts. 155 and 158 of L.D. no. 58 of 24 February 1998 as subsequently amended and supplemented (the 'TUF' or 'L.D. no. 58/98') available at Consob, specifically appointed by the Shareholders' Meeting following the opinion given by the Board of Statutory Auditors.

2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to art. 123-bis, paragraph 1 of the TUF) AS AT 31/12/2012

This chapter has been prepared in accordance with and pursuant to art. 123-bis, paragraph 1 of the TUF. It should be noted that: (i) the information required by said art. 123-bis, paragraph 1, letter i) is explained in the chapter on directors' remuneration (chapter 9) of the Report; (ii) the information required by art. 123-bis, paragraph 1, letter l) is explained in the chapter on the Board of Directors (chapter 4.1) of the Report; and finally, (iii) the other information required by art. 123-bis, paragraph 1 and not recalled in chapter 2 herein, is intended as not applicable to the Company.

a) Share capital structure (pursuant to art. 123-bis, paragraph 1, letter a) of the TUF)

Nice share capital amounts to Euro 11,600,000 fully subscribed and paid-in, composed of 116,000,000 ordinary shares with a par value of Euro 0.10 each. Shares are traded on the *Mercato Telematico Azionario* organised and managed by Borsa Italiana, in the STAR segment. This information is also shown in Table 1, as an appendix to this Report.

c) Significant equity investments in the share capital (pursuant to art. 123-bis, paragraph 1, letter c) of the TUF)

According to the disclosures received in accordance with art. 120 of L.D. no. 58/98, supplemented with the disclosures made in accordance with art. 152-octies of the Issuers' Regulation ('internal dealing'), the shareholders holding an interest of at least 2% of the share capital as at 31 December 2012 are: (i) Lauro Buoro, through Nice Group S.p.A., with a shareholding equal to 74.3% (4.6% of which with no voting rights since those are Nice S.p.A.'s treasury shares); (ii) Edoardo Marcadante, through Parvus Asset Management UK LLP with a shareholding equal to 13.2 %; (iii) Mediobanca S.p.A. with a shareholding equal to 3.2%. A summary of these significant equity investments is also given in Table 1, as an appendix to this Report.

m) Powers of attorney for share capital increases and authorisations to purchase treasury shares pursuant to art. 123-bis, paragraph 1, letter m) of the TUF

In accordance with the provisions set out in art. 6, paragraph 2 of the By-laws and in accordance with art. 2443 of the Italian Civil Code and the resolution of the extraordinary meeting held on 11 February 2006, the Board of Directors is granted power, to be exercised within five years from said resolution, to increase the share capital on one or more occasions, upon payment and through share splitting, up to a maximum nominal amount of Euro 150,000.00 (one hundred and fifty thousand/00), with exclusion of option rights, pursuant to art. 2441, paragraphs 5 and 8, of the Italian Civil Code, by means of the issue of a maximum of 1,500,000 (one million, five hundred thousand) standard ordinary shares with a par value of Euro 0.10 each, for the purposes of the stock option plan for the years 2006 – 2012 reserved to employees, including managers, partners and executive directors of Nice and of its subsidiaries, who are considered 'key human resources' for the achievement of corporate growth and development objectives of the Company. The execution of the stock option plan and the share capital increase to this purpose, again in accordance with the provisions of art. 6, paragraph 1 of the By-laws, were subject at the start of the Company's negotiations, within 31 December 2006, on the *Mercato Telematico Azionario* organised and managed by Borsa Italiana. Once the power of attorney has been exercised, said share capital increase will envisage that, if it is not subscribed within 31 December 2012, the share capital will be increased by an amount equal to the subscriptions collected up to said date.

The extraordinary Shareholders' Meeting of 30 November 2010 resolved to grant the Board of Directors the right to increase the share capital pursuant to art. 2443 of the Italian Civil Code, upon payment and through share splitting, on one or more occasions, by 31 March 2014, up to a maximum amount of Euro 180,000 (one hundred and eighty thousand), with exclusion of option rights pursuant to art. 2441, paragraph 5 of the Italian Civil Code, by means of the issue of a maximum of 1,800,000 (one million eight hundred thousand) standard ordinary shares, with a par value of Euro 0.10 each, to be reserved for the beneficiaries of the stock option plan for the years 2010 – 2013 approved by the ordinary Shareholders' Meeting of 30 November 2010, at an issue price equal to the highest value between:

- a) Euro 3.00 (Euro three/zero cents); and
- b) the equity per share, which is defined as the ratio between the Company's equity as per the last annual financial statements approved as at the assignment date and the number of ordinary shares constituting the Company's share capital on the assignment date, this being the date of the resolution, or other provision issued, through which the Board of Directors will from time to time identify the beneficiaries of the plan and draft the relevant assignment letter.

The end date for the subscription of the share capital increase has been set for 31 March 2014. Should the increase not be entirely subscribed by that time, the share capital will be increased by an amount equal to the subscriptions collected up to that date.

Furthermore, the shareholders' meeting held on 24 April 2012 revoked the resolution made by the same meeting on 30 April 2011 for what it was not used, authorizing the Board of Directors to purchase Company's treasury shares according to the following conditions, pursuant to art. 2357 of the civil code:

- purchase may take place on one or more occasions, within 18 months from the date of the meeting resolution, and within the limits of available reserves and distributable income as resulting from the last approved financial statements. They will be recognised in accordance with the provisions of law and applicable accounting standards;
- purchase price for each share shall not be lower or higher than 20% of the price per share recorded at the Stock Exchange during the session preceding every single transaction;
- the maximum number of shares purchased, including any shares held by the parent company, may not have a total par value higher than one tenth of the share capital;
- purchase of treasury shares shall take place in compliance with current provisions of law for listed companies, and therefore in accordance with the provisions of arts. 144-*bis* of the Issuers' Regulation, 132 of L.D. 58/98 and in accordance with the methods set out by the Market Regulations and any other applicable laws, including the regulations as per Directive 2003/6/EC of 28 January 2003 and relevant Community and national implementation rules.

For the arrangement of treasury shares, the same meeting resolved that, in accordance with art. 2357-*ter*, paragraph 1, of the Italian Civil Code, the Board of Directors may manage all and/or part of the treasury shares purchased, with no time constraints, even before having completed purchases. The shares may be transferred on one or more occasions, and also by means of public and/or Shareholder offer, in the regulated and/or over the counter markets, or out of the market, even by means of public and/or Shareholder offer, institutional placement, placement of purchase bonuses and/or warrants, or as payment for acquisitions or public exchange offers at a price that shall not be lower or higher than 20% of the price per share recorded at the Stock Exchange during the session preceding every single transaction. This price limit shall not apply if the sale of shares takes place to employees, including managers, executive directors and partners of Nice and of its subsidiaries, within the scope of the stock option plans as incentives specifically targeting them.

n) Management and coordination (pursuant to art. 2497 *et seq.* of the Italian Civil Code)

Nice deems that Nice Group S.p.A. does not perform management and coordination, and operates with corporate and entrepreneurial autonomy in relation to the aforementioned parent company. In particular, by way of example, it is pointed out that Nice independently manages treasury and trade relations with its own customers and suppliers and it independently defines its own business plans and/or budgets.

The information required by art. 132-*bis*, paragraph 1, letter i) of the TUF (indemnity payable to directors in the event of resignation, dismissal or termination of their office following a takeover bid) is provided in the chapter on directors' remuneration of the Report.

The information required by art. 123-*bis*, paragraph 1, letter l) (appointment and replacement of directors and amendments to the by-laws) is provided in the chapter on the Board of Directors of the Report.

3. COMPLIANCE

Nice adheres to the Corporate Governance Code promoted by the Corporate Governance Committee for Listed Companies and published in December 2011 (the '**Corporate Governance Code**'), according to the methods described below.¹

Corporate Governance is an expression used to identify the set of rules and procedures on which the administration and control system of joint-stock companies is based. Within the initiatives aimed at maximising the value for shareholders and guaranteeing transparency on management operations, Nice defined an articulated and homogenous system of conduct rules concerning both its organisational structure and transactions with third parties, especially shareholders, in compliance with the best practices followed by most of listed companies at a national and international level.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, paragraph 1, letter l) of the TUF)

According to art. 15.4 of the By-laws, the appointment of members of the Board of Directors takes place based on lists presented by shareholders who represent at least 2.5% (two point five per cent) of Nice share capital, or a different percentage provided by Consob in compliance with current regulations. The notice of meeting indicates the ownership stake required for presentation of the lists. Each shareholder and members of the same shareholders' agreement in accordance with art. 122 of L.D. 58/98 as subsequently amended and supplemented, subsidiaries and those companies subject to common control according to art. 93 of the aforesaid decree, even if they act through an intermediary or a trust company, can present, or contribute to present, and vote one list only. The adhesions and votes expressed in violation of said prohibition cannot be attributed to any list. Each list may present at least three and no more than eleven candidates, ordered by progressive number, and it must be deposited at the Company's registered offices at least 25 days prior to the date set for the Shareholders' Meeting on first call. The notice of meeting shall indicate at least one remote means of communication for the submission of the lists.

Each candidate can appear in one list only, otherwise it will not be appointed. The candidacy of at least two persons having the independence requirements envisaged for statutory auditors by current regulations must be expressly indicated in each list.

The existence of the minimum ownership stake required for presentation of the list is proven according to the terms and conditions set forth by the law and applicable regulations.

Together with each list, within the term for depositing the same at the Company's registered offices, the following shall be deposited: (i) information on the identity of shareholders who presented the list and the percentage holding they possess; (ii) statements by which each candidate confirms its candidacy and states, under its own liability, that no ineligibility and incompatibility reasons exist, and that the requirements set forth by the law and By-laws have been met, in order to cover the role of Company's director, including any indication of the independence requirements envisaged for statutory auditors by current regulations; and (iii) the *curriculum vitae* regarding the personal and professional characteristics of each candidate, with information on the administrative and auditing roles held in other companies. The lists presented which are not in compliance with the aforesaid provisions are considered void.

The list shall be published by the Company at least 21 days prior to the date set for the Shareholders' Meeting on first call.

¹ The Corporate Governance Code can be directly downloaded from the Borsa Italiana website: www.borsaitaliana.it

After the vote, the following will be appointed: (i) the candidates of the list that obtained the greatest number of votes (**'The Majority List'**), except for the last candidate of said list, and (ii) the first candidate of the list that obtained the second best result and is not related in any way, even indirectly, to the list who resulted first according to the number of votes (**'The Minority List'**).

The candidate of the Majority List appointed at the first place will be the Chairman of the Board of Directors. In case at least two directors having the independence requirements envisaged for statutory auditors by current regulations are not appointed, the non-independent candidates appointed last in progressive order based on the list presented by the majority shareholder will be substituted, according to the progressive presentation order, by the two first independent candidates who have not been appointed, taken from the same list.

In case only one list of candidates is presented, the Board of Directors will be constituted by all candidates of the single list.

Should one or more directors withdraw during the financial year, substitutes shall be appointed according to art. 2386 of the Italian Civil Code, from among other candidates of the same list as the director who has left his office. In case there are no available and eligible candidates for any reason, the Board of Directors shall appoint the substitute or substitutes through co-optation, according to art. 2386 of the Italian Civil Code, with no restrictions on choice.

Should the Shareholders' Meeting have to appoint the directors, according to law, for their integration in the Board of Directors following a withdrawal, the following procedures will be implemented.

In case the director appointed from the Minority List have to be substituted, only candidates (not appointed) in said list are proposed for the appointment and who obtains the greatest number of favourable votes is appointed. In case no available and eligible candidates are present, it will be given the option to present candidacies for the appointment of the substitute of the withdrawn director taken from the Minority List exclusively to shareholders who, alone or together with other shareholders, represent at least 2.5% and are other than (i) the shareholders who had presented or voted the list which resulted first in terms of number of votes, (ii) shareholders that hold, even jointly, a controlling or relative majority interest in the Company's share capital and (iii) shareholders who are related in any way, even indirectly, to one or more shareholders mentioned in points (i) and (ii) above; the substitute may be chosen exclusively from among the candidates presented by minority shareholders according to what stated above and the candidate that obtains the greatest number or favourable votes will be appointed. Should these provisions not be applicable, the Shareholders' Meeting resolves according to the legal majority and with no restrictions in terms of list.

In case the directors appointed from the Majority List or those appointed by the Shareholders' Meeting upon presentation of one single list have to be substituted, the Meeting shall appoint the substitute/s by choosing from among the non-appointed candidates belonging to the same list. If no available and eligible candidates are present, the Meeting resolves according to the legal majority.

The assignment of the new director expires on the same date as that of directors already in charge. The new director shall be subject to the laws and By-laws applicable to other directors.

In any case, the aforesaid provisions aimed at ensuring the presence of independent directors within the Board of Directors in relation to the overall minimum number required by current regulations are still applicable.

Each time the majority of the members of the Board of Directors is lacking for any cause or reason, the entire Board shall resign and the Shareholders' Meeting shall be called with no delay by the directors who remained in charge in order to appoint it again.

It is hereby noted that, given the structure and size of Nice Group, the Board of Directors has not adopted any succession plans for executive directors as it considers that the replacement procedures in place are appropriate for ensuring continuity and stability of the Company's management.

4.2. COMPOSITION (pursuant to art. 123-bis, paragraph 2, letter d), TUF)

Art. 15, paragraph 1, of the By-laws envisages that the Company is managed by a Board made up by 3 to 11 members, even non-shareholders, including the Chairman.

The Nice Board of Directors was appointed by the Shareholders' Meeting of 24 April 2012 and it shall remain in office until approval of the financial statements as at 31 December 2014. The Board consists of nine directors, of which seven are executive directors, and two are non-executive and independent. All members were appointed from a single list presented by the majority shareholder Nice Group S.p.A.

Said list included the following candidates:

- Lauro Buoro, born in Winterthur (Switzerland) on 10 January 1963, Chairman;
- Luigi Paro, born in San Donà di Piave (Province of Venice) on 18 October 1970, Chief Executive Officer;
- Oscar Marchetto, born in Ponte di Piave (Province of Treviso) on 11 June 1964, Director;
- Lorenzo Galberti, born in Ponte di Piave (Province of Treviso) on 25 January 1964, Director;
- Davide Gentilini, born in Castelfranco Veneto (Province of Treviso) on 22 September 1964, Director;
- Giorgio Zanutto, born in Pordenone on 3 October 1961, Director;
- Antonio Bortuzzo, born in Spilimbergo (Province of Pordenone) on 11 January 1960, Independent director;
- Gian Paolo Fedrigo, born in Sacile (Province of Pordenone) on 23 October 1962, Independent director.

The capital present with voting rights amounted to 70.2 % of the entire share capital. All the candidates of the single list presented were appointed by favourable vote of 70.1% of the entire share capital.

For information on the personal and professional characteristics of each director, please refer to the *curricula* reported as an appendix to this Report.

Maximum number of offices held in other companies

With regards to what envisaged by art. 1.C.3 of the Corporate Governance Code on the Board of Directors' policy relative to the maximum number of offices as directors or statutory auditors in listed, financial, banking, insurance companies or companies of considerable size, it is pointed out that the Board did not express itself on this point.

4.3. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is invested with the greatest powers for the ordinary and extraordinary management of the Company; in particular, it has the power to carry out all actions that it deems appropriate or useful to attain corporate purposes, excluding only those actions that the law or the By-laws reserve to the exclusive competence of the Shareholders' Meeting.

In addition to that tasks that cannot be delegated as set forth by law, the Board is in charge of the following competences, based on an explicit provision of the By-laws:

- (a) merger decision in the cases envisaged by arts. 2505 and 2505-bis of the Civ. code;
- (b) establishment and closure of secondary offices;
- (c) share capital decrease in case of withdrawal of shareholders;
- (d) adaptation of the Company's By-laws to regulatory provisions;
- (e) indication of the Directors who are Company's representatives;
- (f) transfer of the Company's registered offices within the national territory.

In addition, the Board of Directors is exclusively in charge of:

- a. appointing and revoking the Financial Reporting Manager;
- b. verifying that the Financial Reporting Manager has suitable powers and means to execute its tasks assigned according to law, and in compliance with administrative and accounting procedures.

In case of urgency, the Board of Directors can approve transactions with related parties that do not fall within the competence of the Shareholders' Meeting or which do not require authorisation from it, including transactions through subsidiaries, in derogation from the usual procedural requirements set forth in the internal procedure for transactions with related parties adopted by the Company, provided the terms and conditions of this procedure are complied with.

The issues indicated in point 1.C.1 of the Corporate Governance Code shall be reserved for the Board of Directors, since they have not been subject to powers of attorney in favour of the Chief Executive Officer. By way of example, the examination and approval of the following shall be reserved for the Board of Directors:

- (a) strategic, business, and financial plans of the Issuer;
- (b) strategic, business, and financial plans of the group which the Issuer heads;
- (c) the governance structure of the Issuer;
- (d) the structure of the group.

On 11 May 2012, the Board of Directors assessed the size, composition and operation of the Board itself, the Internal Audit and Risk Management Committee and the Remuneration Committee. The Board also assessed the appropriateness of the general organisational, administrative and accounting structure of the Issuer with reference to the internal audit system and the management of conflicts of interest.

With regards to the management of conflicts of interest, it is noted that the Chairman and the Chief Executive Officer, at least every three months, refer to the Board the situations in which the directors encounter potential conflict of interests.

The Board is in charge of prior examination and approval of the operations of the Issuer and its subsidiaries in which one or more directors hold an interest on their own behalf or on third parties' behalf.

In order to comply with art. 1 and relative application criteria of the Corporate Governance Code, it is pointed out that the Board of Directors approved the general corporate governance system, consisting in particular of internal procedural rules on transactions with related parties and in which a director holds an interest, in addition to the delegation of powers and functions, including Board committees as referred below.

The Board of Directors assessed the general management trend, especially taking into account the information received by delegated bodies and periodically comparing the results attained with those envisaged.

Given the structure of Nice Group and the active participation of subsidiaries in the decision making processes, the Issuer has not set specific criteria for the identification of subsidiaries having strategic importance and therefore a specific assessment regarding the appropriateness of the general organisational, administrative and accounting structure of those companies is not necessary.

The Board of Directors previously examined and approved the transactions – significant at a strategic, economic and equity level for the Issuer – of the Issuer itself and its subsidiaries.

The directors promptly refer to the Board of Statutory Auditors, and in any case at least every three months, during the meeting of the Board of Directors, or also through written notice, the most significant operations at an economic, financial and equity level carried out by the Company and its subsidiaries, in order to put the Board of Statutory Auditors of Nice in the condition to be able to establish if the operations resolved and carried out comply with the law

and the By-laws and are not manifestly imprudent or in contrast with the Meeting's resolutions or such to compromise the integrity of the Company assets.

In particular, the directors refer the transactions in which they have an interest, on their behalf or on third parties' behalf, or that are influenced by the possible subject that performs the administration and coordination activity, and any atypical, unusual transactions as well as those with related parties.

Despite the Company By-laws does not envisage a minimum frequency of meetings, it is now custom that the Board of Directors meets at least every three months for the approval of the interim accounting reports. The Board's meetings are scheduled based on a calendar approved at the beginning of the year to favour maximum participation at meetings. The Company's calendar can be found on the Company's website in the 'investor relations' section.

In 2012, the Board of Directors held 7 meetings that saw the regular participation of the Directors (the overall percentage participation was indeed 88%). The average duration of the Board's meetings was approximately one hour. The percentage participation of independent Directors was 64%. For the current year, at least 4 meetings are envisaged.

Individuals that are not members of the Board can participate in the Board's meetings if they are invited.

In order to maintain an adequate knowledge of the sector in which the Company operates, the directors receive periodically, and whenever it is necessary, information and updates on the sector in which the Issuer operates and on the applicable laws, including material prepared by the Company.

In addition, Directors and Statutory Auditors receive the necessary documents and information a suitable period of time before the date of the Board's meeting, in order to be able to express themselves with knowledge on the topics subject to their analysis and approval. The organization of the work of the Board of Directors is the responsibility of the Chairman, who ensures that the items on the agenda are allotted sufficient time to allow for constructive discussion.

The directors are subject to the prohibition set forth by art. 2390 of the Italian Civil Code, except in case they are exempted from that prohibition by the Shareholders' Meeting. On the date of this report, the Shareholders' Meeting has not authorised derogations to the non-competition clause.

The Board of Directors assesses the appropriateness of the internal audit and risk management system in relation to the Company's characteristics.

The Board of Directors ensures that its assessments and decisions relative to the internal audit and risk management system, the approval of financial statements and half-year reports and the relations between the Issuer and the external auditor are supported by a suitable inspection activity. To this end, the Board of Directors set up an Internal Audit and Risk Management Committee.

The Board of Directors, with the support of the Internal Audit and Risk Management Committee:

- defines the guidelines of the internal audit system, in order to properly identify, assesses, manage and monitor the main risks concerning the Issuer and its subsidiaries, also determining the compatibility criteria of said risks with proper management of the Company;
- identifies an executive director (in general, one of the Chief Executive Officers) in charge of supervising the functionality of the internal audit and risk management system;
- assesses, at least once a year, the appropriateness, effectiveness and the effective operation of the internal audit and risk management system;
- describes, in the report on corporate governance, the essential elements of the internal audit system, expressing its own assessment on the overall appropriateness of the same.

The Board of Directors also appoints and revokes one or more individuals in charge of internal audit and risk management, based on the opinion of the Internal Audit and Risk Management Committee, and it defines their remuneration in compliance with corporate policies.

The Issuer has not established specific criteria for the identification of the transactions which are significant at a strategic, economic, equity or financial level for the Company itself, as these criteria are defined individually for each of the transactions at the time they are approved.

4.4. DELEGATED BODIES

Chief Executive Officers

The Board assigned powers relative to the Company's ordinary management to the Chief Executive Officer Luigi Paro. Some operating mandates were assigned to the Chief Executive Officer, establishing some value limits with regards to their execution.

Following are the main mandates assigned separately and as a sole signatory by the Board:

- supervise the production, supply chain, logistics, sales, financial, marketing and communication, and technical Company sectors, with full decision-making independence and responsibility, directly and/or through appointed partners, without prejudice to the latter's personal responsibility. Another director is assigned the task of ensuring compliance with all regulations and provisions of law concerning health and safety at work, social security, fire prevention, anti-pollution, environmental protection and suchlike;
- sign and terminate agency, distribution, representation, brokerage and commercial procurement contracts and agreements, even with exclusivity clauses, for the best possible placement of Company's products;
- purchase and sell and in general carry out transactions involving foreign currencies, pursuant to applicable foreign exchange laws;
- file trademarks and patents, grant and use industrial property rights, also issuing powers of attorney for this purpose;
- apply for licenses, permits, authorisations and administrative concessions of all types;
- define, including through settlement, the compensation for damages, including appointment of experts, doctors, loss adjusters, attorneys and arbitrators;
- represent the Company before tax commissions of all levels and before any Tax Jurisdiction, including through the appointment of lawyers, accountants and attorneys qualified in accordance with the law;
- protest bills and apply for injunctions; take preventive measures and enforcements, participate in bankruptcy and insolvency proceedings, lodging claims and declaring the truth; to propose and accept real offers; to bring claims to legal and administrative settings of all levels and types of jurisdiction and, therefore, also at the Court of Cassation and for re-examination; settle and submit to arbitration or agree to an amicable settlement; appoint lawyers, curators *ad lites* and experts, revoke and replace them; respond to questioning, defer, refer and administer oaths; file and sign any claims, briefs or documents; agree, settle, conciliate any legal dispute; waive any right of action and accept the waiver thereof; do anything else that may be necessary – with any power that may be conferred – for the full representation of the Company in legal proceedings;
- hire and dismiss employees, determining their tasks and establishing their salaries in accordance with current provisions; participate in trade union negotiations and sign agreements, including of a business nature; sign coordinated and continued collaboration agreements;
- demand or collect, to any title, including by endorsement, amounts, receivables, payment orders, guarantee deposits whether from the Issuing Banks, the Savings and Loan Association [Cassa Depositi e Prestiti], Treasuries, Railway, Post and Telegraph

Offices or any public or private office and any individual, whether Italian or foreign, issuing receipts and releases;

- endorse, including for the purpose of settling and collecting, demand and collect bills of exchange, cheques and payment orders, including orders concerning State, regional, provincial and municipal Treasuries and any other public entity or Public Treasury; issue cheques drawn on bank current accounts, including cheques payable, of the Company up to the credit lines granted by the bank to the Company itself. The power to sign/endorse promissory notes and bills is not included herein;
- represent the Company before any Public or private Body or before any administrative or financial authority, before the Bank of Italy, Customs, railway, tramway, sailing, delivery and transport companies, post and telegraph offices and in all dealings with said bodies, filing petitions, deeds, declarations and documents, receiving and paying amounts, obtaining and issuing valid receipts and releases;
- carry out any banking operations – excluding the opening of new credit lines and short-term loans, the obtention of current account credits, credit requests in general, including in the form of securities lending, the establishment of deposits of securities for custody or administration – up to an amount of Euro 1,000,000.00 (one million/00) per transaction. All credit lines shall be used within the above limits per transaction and he may also terminate relations;
- purchase, sell, exchange and carry out any other transactions for the purchase of machinery, plants, equipment, vehicles and movable property in general up to an amount of Euro 500,000.00 (five hundred thousand/00) per transaction, including those recorded in public registers, agreeing conditions, prices and terms of payment. The rights to sign sale agreements of moveable property or establishment of rights in rem over the same are not included in the assigned powers;
- sign and terminate service, works and consulting contracts up to an amount of Euro 200,000.00 (two hundred thousand/00) per transactions;
- initiate all factoring transactions, including but not limited to the assignment of receivables, the provision of discounts, the issue of orders for collection and the set up of guarantees, in all cases without limits on the amount of each transaction.

Furthermore, jointly with the Chairman, the Chief Executive Officer is granted the power to hire and dismiss executives, determining their powers and setting their remuneration in compliance with the applicable laws and participate in trade union negotiations and sign agreements, including of a business nature.

At least once every three months, the Chief Executive Officer supplies suitable information to the Board of Directors on the general management trend and on its outlook, and also on the most important transactions, in terms of size and characteristics, carried out by the Company and its subsidiaries.

By virtue of the powers granted by the Board of Directors, the Chief Executive Officer is the main person responsible for the management of the Company. It is furthermore specified that there is no interlocking as far as the Chief Executive Officer is concerned.

Chairman

The Board appointed Lauro Buoro as Chairman. He is also the Company's majority shareholder.

The Chairman directs the Shareholders' Meeting works, checks the regular constitution of the Meeting, ascertains the identity and legitimacy of those, regulates its performance, including regulation of the order and duration of interventions, determination of the voting system and the vote count, and ascertains the voting results.

Following are the main mandates assigned separately and as a sole signatory by the Board to the Chairman:

- purchase, sell, exchange and carry out any other transactions for the purchase of machinery, plants, equipment, vehicles and movable assets in general up to an amount of Euro 1,500,000.00 per transaction, including those recorded in public registries, agreeing conditions, prices and terms of payment. The rights to sign sale agreements of moveable property or establishment of rights in rem over the same are not included in the assigned powers;
- sign lease contracts of less than nine years, including property leases, rental and extended loans for moveable and immovable property, each insured up to an amount of Euro 700,000.00 per year, including the power to sign the contracts themselves under the terms and conditions that will be set, paying and collecting the agreed upon amounts, issuing receipts and carrying out and concluding any other related operation;
- sign and terminate service, work and consulting contracts up to an amount of Euro 2,000,000.00 per transaction;
- carry out any banking transaction, including the opening of new credit lines and short-term loans, the obtention of current account credits, credit requests in general, including in the form of securities lending, the establishment of deposits of securities for custody or administration up to an amount of Euro 10,000,000.00 per transaction. All credit lines shall be used within the above limits per transaction and he may also terminate relations;
- issue of comfort letters for subsidiaries up to an amount of Euro 2,000,000.00 per transaction; pay taxes and remuneration to directors without limits on the amount;
- initiate all factoring transactions, including but not limited to the assignment of receivables, the provision of discounts, the issue of orders for collection and the set up of guarantees, in all cases without limits on the amount of each transaction;

Furthermore, jointly with the Chief Executive Officer, the Chairman is granted the power to hire and dismiss executives, determining their powers and setting their remuneration in compliance with the applicable laws and participate in trade union negotiations and sign agreements, including of a business nature.

Information to the Board of Directors

The directors promptly refer to the Board of Statutory Auditors, and in any case at least every three months, during the meeting of the Board of Directors, or also through written notice, the most significant operations at an economic, financial and equity level carried out by the Company and its subsidiaries, in order to put the Board of Statutory Auditors of Nice in the condition to be able to establish if the operations resolved and carried out comply with the law and the By-laws and are not manifestly imprudent or in contrast with the Meeting's resolutions or such to compromise the integrity of the Company assets.

In particular, the directors refer the transactions in which they have an interest, on their behalf or on third parties' behalf, or that are influenced by the possible subject that performs the administration and coordination activity, and any atypical, unusual transactions as well as those with related parties.

4.5. OTHER EXECUTIVE DIRECTORS

There are 6 executive directors in the Company's Board of Directors, who are Lauro Buoro, Chairman (with powers of attorney), Luigi Paro, Chief Executive Officer, Lorenzo Galberti, research and development manager for the electro-mechanical sector, Davide Gentilini, finance director with power of attorney for the finance, administration and control area, Oscar Marchetto, research and development manager for the electronic sector, Giorgio Zanutto, purchasing manager with power of attorney for the purchase of basic components and logistics.

4.6. INDEPENDENT DIRECTORS

The Corporate Governance Code recommends that a suitable number of independent directors is appointed within the Board of Directors. Based on the indications set forth by the Corporate Governance Code, a member is not considered an independent director if:

- (a) directly or indirectly, including through subsidiaries, trustees or intermediaries, it controls the Issuer or is able to considerably influence it, or participates in a shareholders' agreement through which one or more individuals may control or considerably influence the Issuer;
- (b) it is or has been, during the previous three financial years, an outstanding representative of the Issuer, of one of its subsidiaries having strategic importance or of a company subject to common control with the Issuer, i.e. a company or body that, including with others through a shareholders' agreement, controls the Issuer or is able to considerably influence it;
- (c) directly or indirectly (for example through subsidiaries or companies of which it is an outstanding representative, i.e. it is a partner of a professional or consulting firm) it has or has had, during the previous financial year, a significant business, financial, or professional relation:
 - with the Issuer, one of its subsidiaries, or with any outstanding representatives;
 - with an individual who, including with others through a shareholders' agreement, controls the Issuer or - in case of a company or body – with the relevant outstanding representatives; or
 - it is or has been, during the previous three financial years, an employee of one of the aforesaid entities;
- (d) it receives or has received from the Issuer or subsidiary or parent company, during the previous three financial years, a significant additional remuneration (in addition to the 'fixed' emolument for non-executive directors of the Issuer and the remuneration for membership in the committees recommended in the Corporate Governance Code), including in the form of participation in incentive plans related to corporate performance, including on a share basis;
- (e) it has been director of the Issuer for more than nine years during the last twelve years;
- (f) it covers the role of executive director in another company of which an executive director of the issuer is director;
- (g) it is shareholder or director in a company or body belonging to the network of the company appointed to audit the Issuer's accounts;
- (h) it is a close family member of a person who is in one of the situations mentioned in the previous points.

The current Board of Directors of the Company includes two directors who meet the independence requirements envisaged by the Stock Exchange Regulations and the Corporate Governance Code. These persons are Antonio Bortuzzo and Gian Paolo Fedrigo.

The aforementioned directors also meet the independence requirements envisaged by art. 148, paragraph 3 of L.D. 58/98.

Given the total number of members of the Board of Directors, the number of independent directors is in line with the requirements of art. 148 of L.D. 58/98.

The Board of Directors and the Board of Statutory Auditors assessed the presence of the independence requirements envisaged for the aforesaid directors, based on the declarations released by the same according to art. 148 of L.D. 58/98, and art. 2.2.3, paragraph 3, letter k) of the Stock Exchange Regulations.

More specifically, on 11 May 2012, the Board of Directors carried out all relevant controls on the independence requirements of the two non-executive directors Antonio Bortuzzo and Gian Paolo Fedrigo, also on the basis of the information provided by the parties involved. In this meeting, the Board of Statutory Auditors confirmed that it had performed all the necessary checks on the correct application of the assessment criteria and procedures adopted by the Board to verify the independence of its members. This assessment was disclosed to the market in a press release on 11 May 2012.

The independent directors met during the Year, in the absence of the other directors, at meetings of the Internal Audit and Risk Management Committee and the Remuneration Committee, of which they are members.

The independent directors had indicated their fulfilment of the requirements to be independent directors in the lists for appointment to the Board of Directors and, to the knowledge of the Issuer, engaged to maintain their independence for the duration of their office.

4.7. LEAD INDEPENDENT DIRECTOR

The Board decided to maintain the position of lead independent director following the renewal of the corporate bodies (which, it is specified, took place upon approval of the financial statements for the year ended 31.12.2012), given that the Chairman continues to be the Company's controlling shareholder. Antonio Bortuzzo, independent director, was confirmed as lead independent director in the meeting of 11 May 2012. Non-executive directors, and in particular independent directors, report to the lead independent director so as to better contribute to the Board of Directors' operation and coordination.

During the year, Antonio Bortuzzo coordinated the proposals and contributions of non-executive directors, and in particular of the independent directors, where required or appropriate.

5. PROCESSING OF COMPANY INFORMATION

Procedures for internal management and release of privileged information

The Company has adopted, during 2006, the procedures for internal management and release of privileged information, which follow the provisions set forth by the new market abuse directive, also regulating the establishment of the registry of people having access to privileged information, in force since 1 April 2006.

The procedures envisage, in general, that the Chairman of the Board of Directors, the Chief Executive Officer and the Finance Director separately manage privileged information; they envisage specific sections that define privileged information, the relevant management methods, management methods of the so called market rumours, they regulate cases of delay in disclosure to the market, the approval process of press releases, the establishment of the registry of people having access to privileged information, subjects authorised to have external relations and the subjects who have to comply with non-disclosure requirements.

The procedures are available on the Company's website, in the Investor Relations, Corporate Governance, Codes section.

Internal dealing Code

The Company, in compliance with the provisions of the market abuse directive, adopted the Internal dealing as set forth by art. 152-*sexies et seq.* of the Issuers' Regulation.

According to said document, a series of outstanding subjects, i.e. those who have regular access to privileged information and the power to make managing decisions that could affect the evolution and outlook of the Company itself, and also people strictly in contact with them,

are subject to disclosure to the market requirements with regards to the transactions carried out on listed financial instruments issued by the Company.

The Internal dealing envisages thresholds and terms for disclosure to the market and relevant sanctions, in line with what set forth by Consob's provisions on the subject.

On 26 March 2007, the Company's Board of Directors approved a new Internal Dealing Code which, unlike the previous one, included provisions regarding the so-called black out period. This amendment was required for compliance with one of the new provisions introduced by the Stock Exchange Regulation as from 26 March 2007, which was immediately applicable in order to fulfil one of the new requirements for maintaining the STAR qualification. Moreover, following the entry into force of Consob Resolution no. 18079 on 20 January 2012, on 9 March 2012 the Board of Directors resolved to adapt the procedure to be followed in the event of transactions by "related parties" involving Company shares or financial instruments related to them, pursuant to art. 152-*sexies*.

The procedure is available on the Company's website, in the Investor Relations, Corporate Governance, Codes section.

During 2012, the Company published press releases on internal dealing when needed.

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

The Board has not set up committees other than those envisaged by the Corporate Governance Code. Where these committees are set up, please see the following chapters of this report.

7. APPOINTMENTS COMMITTEE

The Board of Directors resolved to defer the appointment of a specific internal committee for appointment proposals, since no need has arisen so far, particularly given the structure of the Group and the Issuer's shareholding structure.

8. REMUNERATION COMMITTEE

The Board of Directors has appointed an internal Remuneration Committee.

As at 31 December 2012, the Remuneration Committee consists of two members. All members are non-executive and independent.

The Board of Directors appointed Antonio Bortuzzo, and Gian Paolo Fedrigo, both non-executive and independent, as members of the Remuneration Committee.

Upon their appointment on 11 May 2012, the Board assessed and deemed appropriate the accounting and financial skills of the members of the Committee.

The members of the Remuneration Committee do not receive additional gross compensation on an annual basis for the work they carry out.

The Directors did not participate in the meetings of the Committee which formulated the proposals for the Board relating to their remuneration.

During the year ended 31 December 2012, the Remuneration Committee met 2 times. Meetings lasted one hour on average and all members participated. At least one meeting of the Remuneration Committee is envisaged for this year. Minutes were regularly taken during the meetings of the Remuneration Committee.

Given the type of activity carried out by the Remuneration Committee, the Company did not find it necessary to provide this Committee with predetermined expenditure powers, and will eventually consider its expenditure needs on a case-by-case basis.

It is hereby noted that the information in this section relating to the functions of the Remuneration Committee is provided pursuant to Section I, paragraph "Remuneration Committee" of the Report on remuneration published pursuant to art. 123-ter of the TUF.

9. REMUNERATION OF DIRECTORS

It is hereby noted that the information in this section regarding the general remuneration policy, the share-based incentive plans, the remuneration of executive directors, managers with strategic responsibilities and non-executive directors is provided pursuant to Section I of the Report on remuneration published pursuant to art. 123-ter of the TUF.

It should be noted that there shall be no indemnity paid to directors in the event of resignation, dismissal, or termination of their office following a public takeover bid.

10. INTERNAL AUDIT AND RISK MANAGEMENT COMMITTEE

The Board of Directors appointed an Internal Audit and Risk Management Committee, made up by non-executive directors, who are mostly independent. At least a member of the committee has suitable experience on accounting and financial subjects, which is assessed by the Board of Directors upon appointment.

The Board of Directors appointed Antonio Bortuzzo and Gian Paolo Fedrigo, both non-executive and independent directors, as members of the Internal Audit and Risk Management Committee.

Upon their appointment on 11 May 2012, the Board assessed and deemed appropriate the accounting and financial skills of the members of the Committee.

The members of the Internal Audit and Risk Management Committee do not receive additional gross compensation on an annual basis for the work they carry out.

During the year ended 31 December 2012, the Internal Audit and Risk Management Committee met 4 times and examined the activities of the Internal Auditing department, aimed at supporting the supervision and improvement of the internal audit system and the organisational model set out by the Italian Legislative Decree no. 231/2001. The Committee also examined the other actions implemented by the Company to improve the internal audit and risk management system, with specific reference to the monitoring of exchange risks and supplied assistance to the Board of Directors where necessary. The Chairman of the Board of Statutory Auditors or another auditor appointed by him participated, upon invitation, in said meetings.

Meetings lasted approximately one hour on average and 100% of members in charge participated. At least 4 meetings were scheduled for this year, 3 of which have already been held.

Minutes were regularly taken during the meetings of the Internal Audit and Risk Management Committee.

Functions attributed to the Internal Audit and Risk Management Committee

The Internal Audit and Risk Management Committee, in addition to assisting the Board of Directors in carrying out the tasks assigned to it by the Code on internal audit issues:

- (a) assesses, together with the Financial Reporting Manager and upon the favourable opinion of the auditors and the Board of Statutory Auditors, the correct use of accounting

standards and, in case of groups, their homogeneity in order to draw up the consolidated financial statements;

- (b) expresses opinions on specific aspects concerning the identification of the major corporate risks;
- (c) examines the periodic reports on the assessment of the internal audit and risk management system, and the particularly significant reports drafted by the internal audit department;
- (d) monitors the autonomy, appropriateness, effectiveness and efficiency of the internal audit department;
- (e) may request the internal audit department to carry out audits on specific areas of operation and inform the Chairman of the Board of Statutory Auditors thereof;
- (f) reports to the Board, at least once every six months, upon approval of the annual and half-year financial statements, the operations carried out and the appropriateness of the internal audit and risk management system.

In carrying out its functions, the Internal Audit and Risk Management Committee has the right to access all information and company departments necessary to carry out its tasks, and can use any external consultants, under the terms set out by the Board.

Given the type of activity carried out by the Internal Audit and Risk Management Committee, the Company did not find it necessary to provide this Committee with predetermined expenditure powers, and will eventually consider its expenditure needs on a case-by-case basis.

During 2012, the Internal Audit and Risk Management Committee used, for the carrying out of its duties, the support of the Internal Audit Manager and the Internal Audit department.

At least one member of the Board of Statutory Auditors participated in the works of the Internal Audit and Risk Management Committee.

11. INTERNAL AUDIT SYSTEM

The internal audit system is the set of rules, procedures and organisational structures aimed at ensuring proper management of the Company in compliance with set objectives, through a suitable identification, assessment, management and monitoring process of the main risks.

According to the best international reference practices (COSO Report, issued by the Committee of Sponsoring Organizations of the Treadway Commission), the internal audit system is established in order to efficiently meet the following needs:

- effectiveness and efficiency of business operations (operational sphere);
- reliability of accounting information (administrative-accounting sphere);
- compliance with laws and regulations (compliance sphere).

With reference to the administrative-accounting sphere, it is herewith specified that the internal audit system also includes a model supporting the statements of the Financial Reporting Manager pursuant to art. 154-*bis* of L.D. 58/98, the characteristics of which are described in annex 1 to this Report.

This major component of the internal audit system implements a so-called “second level” audit, for which the Financial Reporting Manager is responsible.

During the Year, the Board assessed the appropriateness, efficiency and effective operation of the internal audit system, expressing a favourable opinion on the system. This assessment considered the works carried out by the Internal Audit and Risk Management Committee, the Internal Audit department, the Supervisory Board, the Board of Statutory Auditors and the Independent Auditors.

On 28 December 2012, the Board resolved to outsource the Internal Audit activity to a third party which has suitable professional, independence and organisational skills, with effect from 1 January 2013.

11.1. DIRECTOR IN CHARGE OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

In its meeting of 11 May 2012, the Board of Directors appointed Luigi Paro as the director in charge of supervising the operation of the internal audit system. During the Year, he (i) identified the main corporate risks (strategic, operational, financial and compliance), keeping in consideration the characteristics of the activities performed by the Issuer and its subsidiaries, and periodically subjects them to the Board's review; (ii) executed the guidelines defined by the Board, providing for the planning, deployment and management of the internal audit system, constantly checking the overall appropriateness, effectiveness and efficiency; and (iii) adapted this system to operational conditions, laws and regulations; (iv) requested, where necessary, the internal audit department to carry out audits on specific areas of operation and compliance with the rules and procedures; and (v) immediately referred to the Internal Audit and Risk Management Committee (or the Board of Directors) any problems and critical issues that have arisen during the performance of his tasks or which he became aware of, in order for the Committee (or the Board) to take the appropriate measures.

Since the appointment of other Internal Audit Managers and the revocation of office of the Internal Audit Manager have not been considered necessary, during the Year, the Director in charge of the internal audit and risk management system did not propose to the Board of Directors the appointment, revocation of office or remuneration of the Internal Audit Manager.

11.2. INTERNAL AUDIT MANAGER

On 12 May 2009, upon the proposal of the Executive Director in charge of the internal audit system, the Board of Directors appointed Denise Cimolai as the Person in charge of internal audit, since, given the dimensions of the Company, it was not considered necessary to assign this duty to an external company. The Person in charge of internal audit shall ensure that the internal audit system is always appropriate and fully operational. Although this person reports to the finance director at a hierarchical level, she reported exclusively to the Internal Audit and Risk Management Committee in performing her internal audit duties.

The Person in charge of internal audit had direct access to all the information required to carry out her duties.

During the Year, the Person in charge of internal audit provided support to the activities of the Internal Audit and Risk Management Committee. To this end, she made use of the collaboration of the Internal Audit department, set up by the Company, in compliance with the provisions of the Corporate Governance Code, as well as international standards and best reference practices.

The Internal Audit department is the sole and central provider of assurance and consultancy services on internal risks and audit issues, for the various parties involved (Internal Audit and Risk Management Committee/Board of Directors, Supervisory Board pursuant to L.D. 231/2001, Financial Reporting Manager). The need for coordination, expressly required by the Standard for the Professional Practice of Internal Auditing no. 2050, can be practically met thanks to the integrated and multi-sphere internal audit system.

In order to secure the skills required for this department, the Company made use of the support of an external company specialised in internal audit and risk management services.

On 28 December 2012, upon the proposal of the Director in charge of the internal audit system and following the favourable opinion of the Internal Audit and Risk Management Committee and that of the Board of Statutory Auditors, the Board of Directors appointed Vittorio Gennaro, the chief executive officer of Operari S.r.l., as the person external to the Issuer who has the required professional, independence and organisational requirements to hold the position of Internal Audit Manager of the Company for the 2013-2105 period. The remuneration provided to Operari S.r.l. is in line with market standards.

The resolution to appoint the Internal Audit Manager assigns to the latter the following duties, for the years indicated above:

-
- (a) Planning:
- management of a structured process for analysis and prioritization of the main risks for Nice Group (risk assessment), aimed at the preparation of the audit plan, organised according to auditable units;
 - preparation of the audit plan for approval by the Board of Directors, following the opinions of the Board of Statutory Auditors and the Director in charge of the internal audit and risk management system.
- (b) Execution:
- preparation of a schedule for auditing the various auditable units, to be carried out within the Company or its investee companies;
 - audit, supervision and improvement of the internal audit system, in relation to the efficiency and effectiveness of the corporate processes, the reliability and integrity of the accounting and operating data, the compliance of transactions with the law and the internal policies and procedures;
 - preparation of appropriate recommendations and proposals for improving the audit reports;
 - monitoring of the implementation of said recommendations.
- (c) Reporting:
- preparation of periodic reports containing appropriate information on its activities, the methods used for risk management and compliance with the plans defined for the reduction of risk; the reports shall also contain an assessment of the appropriateness of the internal audit and risk management system and shall be sent to the Chairman of the Board of Statutory Auditors, the Chairman of the for Internal Audit and Risk Management Committee and the Chairman of the Board of Directors, as well as to the Director in charge of the internal audit and risk management system.
- (d) Management of methods and tools:
- adjustment and management of the methods and tools for the performance of the internal audit department's activities;
- (e) Performance of institutional roles
- upon appointment, the performance of the duties of institutional role as Internal Audit Manager of Nice Group.

11.3. ORGANISATIONAL MODEL pursuant to L.D. 231/2001

In the meeting held on 25 March 2008 and with reference to L.D. 231 of 8 June 2001 (as subsequently amended and supplemented) that introduced a specific liability regime pending on companies for some types of crimes and in compliance with what set forth by Borsa Italiana's requirements to remain in the STAR segment, the Company's Board of Directors approved its 'Organisational, management and control model according to L.D. no. 231/2001', meeting the requirements of the stated legislative decree and drawn up in accordance with the guidelines issued by Confindustria.

By adopting and efficiently implementing an Organisational, management and control model suitable to prevent the crimes considered by L.D. 231/2001, the Company can be indeed exempted from the liability relating to the commission of crimes by managers and people subject to their supervision and management.

Specifically, by adopting and efficiently implementing the Model, the Company aims to benefit from the so-called 'justification' also with the purpose to (i) protect its position and as well as the expectations of its shareholders, employees and stakeholders in general; (ii) further improve its Corporate Governance system based on national and international best practices, so as to keep

it in line high ethical standards and ensure, at the same time, an efficient management of operations.

The Organisational, management and control model adopted by the Company is made up by:

- a 'General Part' ⁽²⁾ that explains the scope and principles of the Model and that identifies and regulates its common and essential components. In particular, the 'General Part' describes the characteristics of the Supervisory Board, the regulatory system, staff training, spread of the Model, relations with the Company's internal audit system, and the continuous updating of the Model;
- four 'Special Parts' relating to the types of crime-risk deemed theoretically important for the Company, i.e.:
 - Special Part 'A' on the prevention of crimes committed within the scope of relations with the Public Administration (arts. 24 and 25 of L.D. 231/2001);
 - Special Part 'B' on the prevention of crimes on corporate subjects (art. 25-ter of L.D. 231/2001);
 - Special Part 'C' on market abuse (art. 25-sexies of L.D. 231/2001) and, by virtue of the entity's liability claim as per art. 187-quinquies of L.D. 58/98, on the prevention of regulatory offences as per arts. 187-bis and 187-ter of L.D. 58/98;
 - Special Part 'D' on the offences committed violating laws on accident prevention, hygiene and health protection at work (art. 25-septies of L.D. no. 231/2001).

The Model was drawn up in compliance with the guidelines issued by Confindustria, with the assistance of the various internal managers and of a specialised consulting company, through the following phases:

- in-depth 'Risk Assessment', with identification of the activities at risk for the Company (so called sensitive activities), i.e. those activities performed by organisational units within which it is theoretically possible to commit one or more crimes envisaged by L.D. 231/2001;
- analysis of internal audit already in place, according to an approach integrated to the conformity needs and, in general, to the objectives of the internal audit system: a unique and integrated internal audit system with different objectives;
- assessment and deployment of additional internal audit to improve prevention of risks-crimes;
- spread and involvement of all corporate levels in the knowledge of the Model and, in particular, in the implementation of conduct rules and audit aimed to prevent risks-crime;
- appointment of a new collective body (Supervisory Board) and assignment of specific supervision and audit tasks on the effective and proper implementation of the Model and its constant updating;
- arrangement of a monitoring programme aimed at assessing the compliance with audit over time;
- introduction of a regulatory system which sanctions the non-compliance with the measures indicated in the Model.

The Model adopted is addressed to:

- directors, executives and employees of the Company;
- directors, executives and employees of other companies of Nice Group that continuously offer a service on behalf or in the interest of the Company within the activities subject to crime-risk;

² The "General Part" of the Model is available on the website of the Company (www.niceforyou.com) in the Investor Relations, Corporate Governance, Codes section.

- 'external subjects': agents, assistants, consultants, suppliers, partners and, in general, the subjects who perform independent work provided that they operate within the areas of activities subject to crime-risk on behalf or in the interest of the Company.

Within the programme aimed at improving the internal audit system of the Company and Nice Group, the Model and, in particular, the audit protocols envisaged to prevent crime-risks, are coordinated in a single, integrated and wider internal audit system.

In view of the specific tasks entrusted to the Supervisory Board, it was chosen a collective body chaired by the lead independent director, who is also a member of the Company's Internal Audit and Risk Management Committee, assisted by an external consultant experienced in Organisational, management and control models as set forth by L.D. 231/2001, and a lawyer specialised in company law. The Board of Directors meeting held on 11 May 2012 appointed these members of the Supervisory Board for the three-year period 2012-2014, who are Antonio Bortuzzo, Vittorio Gennaro and Alberta Figari.

The Company has started up a project to update the model in order to take into consideration legislative changes with regards to alleged crimes, introduced in 2009-2012. In particular, the project is in an advanced state of completion, since the Company has already concluded the preliminary and risk assessment activities and begun the development of the special parts. The Model will be completed within the first half of 2013.

Code of Ethics

In adopting the Organisational, management and control model in accordance with L.D. 231/2001, the Company's Board of Directors has adopted a Code of Ethics through which it formally confirms the essential ethical values which Nice has always been pursuing, so as they represent a constant reference for everybody within corporate activities.

The Code of Ethics is addressed to the members of the Company's bodies, to all its employees and to all who interact with the Company on a permanent or temporary basis.

The Supervisory Board (set out in the Organisational, management and control model as per L.D. 231/2001) was assigned the task to ensure the effective spread, understanding and implementation of the Code of Ethics within the Company.

11.4. INDEPENDENT AUDITORS

Pursuant to L. D. 39 of 27 January 2010, the ordinary Shareholders' Meeting which met on 30 November 2010 resolved to assign the audit of the consolidated and statutory financial statements for the 2012-2018 period to Mazars S.p.A., and defined the relevant compensation. Furthermore, in its meeting held on 24 April 2012, the ordinary Shareholders' Meeting resolved to extend the mandate of Mazars S.p.A. for the 2012-2018 period, this being necessary because Elero Group, purchased in September 2011, exceeded one of the "significant" elements pursuant to art. 151 of the Issuers' Regulation.

11.5. FINANCIAL REPORTING MANAGER

On 11 May 2012, the Board of Directors confirmed Davide Gentilini as the Financial Reporting Manager, finance director with power of attorney for the finance, administration and control area, in accordance with and pursuant to art. 154-bis of L.D. 58/98. The Financial Reporting Manager is invested with the widest powers directly and/or indirectly related to the tasks assigned, including but not limited to the power to access any type of information and/or document on the Company and/or companies of Nice Group, deemed important and/or suitable to perform the tasks assigned to him by law; he also has relevant expenditure powers in order to fully carry out said tasks.

In 2012, this manager made use of the Internal Audit department to assess the efficiency and effectiveness of the administrative and accounting procedures set up to support certification of

the half-year financial report, the financial statements and the consolidated financial statements, in accordance with art. 154-*bis* of L.D. 58/98.

11.6 COORDINATION OF THE INDIVIDUALS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

As at the date of this Report, the Issuer had not yet decided whether to adopt a system for coordinating the various individuals involved in the internal audit and risk management system, as it considered that the bodies and different departments were sufficiently integrated.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Regulation adopted by Consob with its resolution no. 17221 of 12 March 2010 (the "**Related Parties Regulations**"), on 30 November 2010 the Board of Directors (i) adopted a new internal procedure containing the rules and standards to follow so as to ensure the essential and procedural transparency and correctness of transactions with related parties carried out by Nice, either directly or through companies it controls whether directly or indirectly and it (ii) furthermore assigned the tasks provided for in the Related Parties Regulations, as well as the procedure for transactions with the Company's related parties, to the Internal control and risk management committee, which is composed of the non-executive directors Antonio Bortuzzo and Gian Paolo Fedrigo, of which two are independent, therefore the Committee is able to carry out the functions provided for in the Related Parties Regulations.

As provided for by the Related Parties Regulations, the new internal procedure was approved by the Board of Directors with the favourable opinion of the Committee for Transactions with Related Parties.

The major elements contained in the procedure are the following:

- a) classification of "Transactions with Related Parties" in Significant transactions (these being transactions for which the value of assets or liabilities exceed the 5% threshold), Non-significant transactions (these being transactions for which the value is so low that they do not carry any appreciable risk for investors and are therefore excluded from the scope of application of the new procedure; the Company has identified these transactions as those the value of which does not exceed Euro 200,000) and Minor transactions (a residual category in which transactions with related parties other than those which are classified as Significant and Non-Significant are placed);
- (b) the transparency and market disclosure rules, that are stricter for Significant transactions, require publication of a special disclosure document;
- (c) the particularly important role assigned to the Committee for Transactions with Related Parties in the assessment and approval of transactions.

This Committee is required to ensure the essential correctness of transactions with related parties by issuing an opinion on the interests of the Company in regard to a specific transaction and on the expediency and correctness of the relevant terms.

It is hereby specified that Nice is classified as a smaller company pursuant to the Related Parties Regulation. Companies of which neither the assets in the statement of financial position nor revenues exceed Euro 500 million, according to the last approved consolidated financial statements are classified as smaller companies. As a result, the Company is allowed to apply a "simplified" procedure for approval of transactions with related parties: the Company can therefore apply the same procedure to Significant as well as Minor transactions.

The Company can therefore carry on with a transaction despite the negative opinion of the Committee for Transactions with Related Parties. In this event, any transactions approved in a quarter despite such a negative opinion shall be disclosed within fifteen days from the end of that quarter, indicating the reasons for which it was decided not to follow the opinion of the Committee for Transactions with Related Parties.

13. APPOINTMENT OF STATUTORY AUDITORS

According to art. 20, paragraph 4, of the By-laws, the appointment of the members of the Board of Statutory Auditors takes place based on lists presented by shareholders who represent at least 2.5% of the share capital constituted by shares having voting rights in the ordinary Shareholders' Meeting, or a different percentage provided by Consob in compliance with current regulations. The notice of meeting indicates the ownership stake required for presentation of the lists. The existence of the minimum ownership stake required for presentation of the list is proven according to the terms and conditions set forth by the law and applicable Each shareholder and members of the same shareholders' agreement in accordance with art. 122 of L.D. 58/98 as subsequently amended and supplemented, subsidiaries and those companies subject to common control according to art. 93 of the aforesaid decree, even if they act through an intermediary or a trust company, can present, or contribute to present, and vote one list only. The adhesions and votes expressed in violation of said prohibition cannot be attributed to any list. The list vote mechanism aims at ensuring the appointment by the minority of a statutory auditor with the role of Chairman and a substitute auditor.

The lists shall be deposited at the Company's registered offices at least 25 days prior to the date of the Shareholders' Meeting on first call. If on the expiry date for the presentation of lists only one list, or lists presented by shareholders that are related pursuant to applicable laws, are presented, lists can be presented up to the third day after that expiry date. In this case, the minimum ownership stake for presentation of the lists is reduced to one half. In addition, lists shall be published by the Company at least 21 days prior to the date set for the Shareholders' Meeting on first call, according to the methods indicated by the current regulations. Together with each list, the following shall be deposited within the aforesaid terms: (i) information on the identity of shareholders who presented the list and the percentage holding they overall possess, (ii) the *curriculum vitae* regarding the personal and professional characteristics of each candidate, with information on the administrative and auditing roles held in other companies; and (iii) statements by which each candidate confirms its candidacy and states, under its own liability, that no ineligibility and incompatibility reasons exist, even with regards to the limit to the number of positions, and also that the requirements set forth by the law and By-laws have been met, in order to cover the role. In addition to what envisaged in previous points, in case a list is presented by shareholders other than those who hold, even jointly, a controlling or relative majority interest in the Company's share capital, said list shall be accompanied by a statement of the shareholders that present it, stating the absence of connections with one or more reference shareholders, as defined by current regulations.

In particular, Statutory Auditors are appointed as follows:

- two Statutory Auditors and a Substitute Auditor are taken from the list that obtained the majority of votes in the Shareholders' Meeting, based on the progressive order with which they are presented in the list's sections;
- the remaining Statutory Auditor, who will be the Chairman of the Board of Statutory Auditors and the other substitute auditor are taken from the second list that obtained the majority of votes in the Shareholders' Meeting and that is not related, even indirectly, according to what set forth by current laws and regulations, to the shareholders who have presented or voted the list resulted first according to the number of votes, based on the progressive order with which they are presented in the list's sections.

In case of parity between the lists, the Shareholders' Meeting will have to vote again, choosing between the first two lists. The same rule applies in case of parity between the lists resulted second according to the number of votes and that are not related, even indirectly, according to what set forth by current laws and regulations, to the shareholders who have presented or concurred to present, or voted the list resulted first. In case of further parity between lists, the one presented by the shareholders possessing the major ownership stake will prevail, or secondly, the one presented by the greatest number of shareholders.

In case the requirements set forth by the law and By-laws are lacking, the Auditor's appointment will be revoked.

In case of substitution of a statutory auditor appointed from the list resulted first according to number of votes, the substitute auditor belonging to the same list of the withdrawn auditor will take its place.

Instead, in case of substitution of a statutory auditor appointed from the list resulted second according to the number of votes and that is not related, even indirectly, according to what set forth by laws and regulations, to the shareholders who have presented, concurred to present or voted the list resulted first according to the number of votes, the substitute auditor indicated in the same list will take its place or, if lacking, the non-appointed candidate from said list, according to the presentation order or, secondly, the candidate of the minority list that obtained the second greatest number of votes, according to the progressive presentation order.

In case statutory and/or substitute auditors have to be appointed for integration of the Board of Statutory Auditors due to the substitution of a statutory and/or substitute auditor in the Majority List, the Shareholders' Meeting resolves with the majorities set forth by law, with no bond in terms of list, if the application of the criteria indicated in the previous paragraph is not suitable to integrate the Board of Statutory Auditors.

In case Statutory Auditors taken from the list resulted second in terms of number of votes and not related, even indirectly, according to what established by current laws and regulations, with shareholders who have presented, concurred to present or voted the list resulted first in terms of number of votes have to be appointed, the Shareholders' Meeting proceeds according to the majorities set forth by law, provided that, during the assessment of results of the last voting, the votes of the shareholders who hold the relative majority of votes exercisable during the Shareholders' Meeting, even indirectly or jointly with other members of a Shareholders' Agreement according to art. 122 of L. D. no. 58/98, will not be calculated, as also the ones of shareholders who control, or are controlled or subject to common control of the same.

In case a single list is presented or in case no list is presented, the Shareholders' Meeting resolves according to the majorities set forth by law.

The Company By-laws envisages that, without prejudice to the incompatibility situations set forth by current regulations, whoever is already a statutory auditor in five companies issuing securities listed on regulated markets cannot be appointed and their office will be terminated if elected.

14. STATUTORY AUDITORS (pursuant to art. 123-bis, paragraph 2, letter d) of the TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 24 April 2012 for the three-year period 2012-2014. It will expire upon approval of the financial statements as at 31 December 2014.

All members were appointed from a single list presented by the majority shareholder Nice Group S.p.A.

Said list included the following candidates:

Giuliano Saccardi, born in Treviso on 29 June 1942 - Chairman

Enzo Dalla Riva, born in Treviso on 20 March 1977 – Statutory Auditor

Monica Berna, born in Padua on 8 November 1972 – Statutory Auditor

David Moro, born in Treviso on 30 May 1972 – Substitute Auditor

Manuela Salvestrin, born in Treviso on 23 September 1975 – Substitute Auditor

For further details on the composition of the Board of Statutory Auditors, please refer to Table 3. Please refer to the *curricula* attached as an appendix to this Report for details of the personal and professional characteristics of the members of the Board of Statutory Auditors.

During 2012, the Board of Statutory Auditors met 10 times. The Chairman of the Board of Statutory Auditors and/or a member of the Board of Statutory Auditors attended all the meetings of the Internal Audit and Risk Management Committee.

Meetings lasted an average of 30 to 60 minutes.

At least 9 meetings are envisaged for this year, 2 of which have already been held as at the date on which this Report was prepared.

During 2012, the Board of Statutory Auditors assessed compliance with independence requirements that its own members must have.

The statutory auditor who, on its own behalf or on third parties', has an interest in a specific transaction of the Issuer, shall promptly inform the other statutory auditors and the Chairman of the Board in an exhaustive way about the nature, terms, origin and entity of its own interest.

The Board of Statutory Auditors supervised the independence of the Independent Auditor, assessing both the compliance with regulations on the subject and the nature and entity of services other than audit rendered to the Issuer and its subsidiaries by the same Independent Auditor and the bodies belonging to its network.

In order to keep an appropriate knowledge of the sector in which the Company operates, the statutory auditors receive periodically, and whenever it is necessary, information and updates on the sector in which the Issuer operates and on the applicable laws, including material prepared by the company.

The Board of Statutory Auditors, when performing its activity, worked together with the Internal Audit and Risk Management Committee and the Internal Audit department.

15. INVESTOR RELATIONS

The Company adopted a communication policy aimed at establishing a constant dialogue with all shareholders and, in particular, with institutional investors, guaranteeing the systematic spared of exhaustive and prompt disclosure on its own operations, in compliance with the regulations on the release of privileged information.

With the resolution of the Company's Board of Directors held on 12 May 2009, the finance director, Davide Gentilini, was confirmed also in his office as Investor Relations Manager. The Investor Relations Manager directly reports to the Chief Executive Officer and the Chairman.

The methods implemented for financial disclosure envisage systematic contacts with financial analysts, institutional investors and specialised press so as to ensure the full and correct view on the evolution of strategic plans and the impact on business results.

In order to favour the dialogue with investors, a website (www.niceforyou.com) has been set up, inside of which information of economic-financial nature can be found - such as financial statements, quarterly and half-year reports – as well as data and updated documents that may be interesting for shareholders such as, for example, press releases, corporate calendar, composition of corporate bodies, By-laws, minutes of the Shareholders' Meeting, code on the management of privileged information within the Company and disclosure, internal dealing.

16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, paragraph 2, letter c) of the TUF)

The Shareholders' Meeting is the body that expresses the shareholders' will through its resolutions. The resolutions taken in compliance with the law and By-laws bind all shareholders, including absent or dissenting ones, provided the right of withdrawal of the latter in the cases allowed.

The Shareholders' Meeting convenes and resolves according to the laws and regulations provided for listed companies, on the subject entrusted to it according to the law.

The Board of Directors may establish, in case it deems it necessary, that both the ordinary and extraordinary Shareholders' Meeting will take place in a single meeting. In this case, the legal majorities will be applicable.

Shareholders who, even jointly, represent at least one fortieth of the Company's share capital may request the integration of issues on the agenda, indicating in their request any additional topics pursuant to the terms and conditions set forth by the law.

The integration request for the list of subjects to be discussed as set forth by this paragraph is not allowed for topics on which the Shareholders' Meeting resolves, according to law, based on the directors' proposals or based on a project or report brought forward by them, different from those provided for by art. 125-ter, paragraph 1 of L. D. no. 58 of 24 February 1998.

Art. 13 of the Company By-laws envisages that: *"those entitled to vote in the Shareholders' Meeting may intervene in the Meeting, provided their legitimation is proven according to the terms and procedures set forth in the legislative and regulatory provisions that are applicable from time to time. Each shareholder who has voting rights can be represented by others during the Shareholders' Meeting through written proxy, in compliance and within the limits of what set forth by the law. Notification of a proxy can be provided electronically by certified Email to the Company's address as indicated in the notice of meeting. The Chairman of the Shareholders' Meeting shall assess the validity of proxies and, in general, the right to attend. The Company does not choose a representative for the appointment of proxies by shareholders. The shareholders and those entitled to vote may ask questions regarding the agenda even before the meeting, provided this is done three business days prior to the date of the Shareholders' Meeting, via certified Email to the Company's address as indicated in the notice of meeting. The Company may provide a response to the questions submitted prior to the meeting even while the meeting is taking place and it may answer all the questions received in a single answer. The Company is not required to provide an answer if the relevant information is available on the Company's website in a 'question and answer' form, as well as whenever it is necessary to protect the privacy and interests of the Company"*.

The Company did not adopt an Assembly regulation since it deems that the powers assigned, according to the By-laws, to the Chairman of the Shareholders' Meeting who is in charge of the management of the Meeting's works, including determining the order and voting system, allow him to maintain an orderly execution of the Shareholders' Meetings, avoiding risks and inconveniences that could arise due to non-compliance, by the Meeting itself, with regulations.

The Board referred to the Shareholders' Meeting the performed and planned activity and provided the shareholders with a proper disclosure about the essential elements in order to resolve, with full knowledge of the facts, on topics within the Shareholders' Meeting competences.

During the year, there were no significant changes to the Issuer's shareholding structure. Therefore, the Board has not deemed it necessary to propose any amendments to the By-laws with regards to the percentages established for the exercise of shares and prerogatives to protect minorities.

17. CHANGES AFTER THE END OF THE REPORTING PERIOD

There have been no changes to the Corporate Governance structure subsequent to the reporting period, worthy of note.

ANNEX 1:

Main characteristics of the risk management and internal audit system in relation to the financial information process pursuant to art. 123-bis, paragraph 2, lett b) of the TUF

Introduction

The Financial Reporting Manager planned and carried out a compliance programme to the requirements set forth by art. 154-bis of the TUF, with the assistance of a work group made up by internal and external resources, in order to comply with the provisions of art. 154-bis of L.D. 58/98 on the assessment of the appropriateness and effective application of administrative and accounting procedures for the editing of the Company's individual and consolidated financial

statements for 2012. The activities relating to this compliance programme for both periods were carried out jointly by the Company's Internal Audit department and by external consultants.

The structure of the compliance programme refers to the COSO³ Report, which is integrated by the guidelines as well as the following best practices:

- Consolidated Law on Finance (TUF) – Italian L.D. 58/98;
- CONSOB regulations;
- ANDAF guidelines;
- International Standards of Auditing;
- International Professional Practices Framework of The Institute of Internal Audit;

The adoption of both national and international standards and regulations has allowed the Company to develop a work programme aimed at guaranteeing the reliability,⁴ accuracy,⁵ soundness⁶ and timeliness⁷ of the financial information.

This approach can be summarised as the following methodological phases:

- definition of the scope of activity in terms of entity and financial statement items that are significant for the purposes of the compliance programme in question (scoping phase);
- analysis and assessment of financial and compliance risks for financial statement items which are considered relevant for the purposes of certification of the 2012 financial statements (risk assessment phase);
- identification and definition of the minimum set of internal audit for the entities included in the compliance programme for 2012, through the integration of the internal audit systems of each entity into a single 'Internal audit system' model that is uniform and applicable to the parent company and all subsidiaries involved in the project. This model shall be marked by control procedures, principles and methodologies for the maintenance and assessment of the internal audit system that are valid for the entire group (mapping phase);
- extension of the model supporting the statements of the Financial Reporting Manager to new entities and to relevant items of the financial statements/supporting processes judged to be significant following the re-implementation of the scoping phase;
- preparation and implementation of compliance test procedures on internal administrative-accounting controls and documentation of results obtained as a basis for providing an opinion on their efficiency and effective application in the reference period by the entities and throughout the processes covered in the project scope (*compliance testing phase*);
- sharing of the results obtained from the test activities with the company management of each entity involved in the scope of the programme, in order to encourage improvement of the internal audit system.

³ *Committee of Sponsoring Organizations of the Treadway Commission, Internal Control - Integrated Framework*, AICPA, New York 1992, translated into Italian as "Il sistema di Controllo interno", Il Sole 24 Ore Pirola, Milan, 2006.

⁴ Reliability (of reporting): disclosed information characterised by correctness and compliance with generally accepted accounting standards and which meets the requirements of applicable laws and regulations.

⁵ Accuracy (of reporting): disclosed information characterised by neutrality precision. The information is considered neutral if it is free of preconceived distortions aimed at influencing the users' decision-making process in order to obtain a pre-established result.

⁶ Soundness (of reporting): disclosed information characterised by clarity and completeness, which allow for conscious investment decisions for investors. The information is considered clear if it facilitates the understanding of complex aspects of corporate operations without becoming excessive and superfluous.

⁷ Timeliness (of reporting): information is disclosed according to the deadlines set for its publication.

Stages of the risk management and internal audit system in relation to the financial information process

The scope of the compliance programme begins with the definition of the range of activities by means of quantitative analytical methods and, therefore, of the involved entities and any relevant financial statement items which are associated with supporting business cycles including, as an active component of the audit system, the process for closing and drafting the financial statements of the year as well as the consolidated financial statements.

By means of risk-based methodological approaches, a process for identifying and assessing the primary risks associated with financial reporting has been implemented for the Parent Company and for the entities involved in the scope of activities.

The administrative-accounting risk assessment activities have led to the identification – for each entity subject to analysis - of the relevant financial statement item that is associated with the relative supporting accounting process/flow. Each financial statement item was submitted to a qualitative assessment of relevant risk by associating and subsequently assessing the financial statements⁸ which refer to the relevant financial statement items.

The audit activities used to monitor the previously identified risks were then identified while evaluating their adequacy and therefore qualitatively defining any residual risk.

The identified risks and audit activities were integrated within a specific framework that includes specific audit objectives classified under the CAVR⁽⁹⁾ standard and which are directly connected to the abovementioned financial statements.

In order to provide a professional assessment on the effective execution and efficiency of internal administrative-accounting controls in 2012, and on the basis of the follow-up results, the compliance test procedures were updated and implemented by documenting the relative results. This documentation was attained by requesting evidence from company representatives in relation to expected internal audit, data, implemented transactions and their general availability to demonstrate that the audit was effectively implemented and/or that no errors were committed in relation to the selected transactions. During the implementation of the compliance tests required by the abovementioned compliance programme, the work group provided updated information on the activity plan as well as on its progress and final outcome to the Financial Reporting Manager, the Internal Audit Manager, the Internal Audit and Risk Management Committee, the Board of Statutory Auditors, and the Independent Auditor; this information is provided through both periodic meetings organised by these corporate bodies and by sharing part of the documents issued in support of the certification of the Financial Reporting Manager.

Based on the results of this compliance programme, the Chief Executive Officer and the Financial Reporting Manager assessed the appropriateness and effectiveness of the internal audit system for 2012, according to the terms and forms envisaged by the CONSOB Issuers' Regulation.

Offices and departments involved

The planning, implementation, monitoring and assessment of the efficiency of the internal audit system of the Company was entrusted to a work group composed of internal and external personnel; the activities relative to the compliance programme for both certification periods, in fact, were jointly implemented by the Internal Audit department of the Company and by external consultants.

⁸ **Existence and occurrence (E/O):** the assets and liabilities of the company exist at a certain date and the recorded transactions represent events which actually occurred during a specific period;

Completeness (C): all transactions, assets and liabilities which must be reported were effectively included within the financial statements;

Rights and obligations (R/O): assets and liabilities of the company respectively represent the rights and obligations of the same on a certain date;

Valuation and accounting (V/A): assets, liabilities, shareholders' equity, revenues and costs are recorded in the financial statements at their correct amount, in accordance with the reference accounting standards;

Presentation and Disclosure (P/D): the financial statement items are correctly named, classified and illustrated.

⁹ Completeness, Accuracy, Validity and restricted Access.

APPENDIX

The following pages include the following tables:

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

TABLE 4: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

At the end, a summary of the *curricula* of the members of the Board of Directors and Board of Auditors is presented.

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	No. shares	% of share capital	Listed (indicate markets) / non listed	Rights and obligations
Ordinary shares	116,000,000	100%	Listed (MTA)	Pursuant to the Italian Civil Code and regulations
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-

SIGNIFICANT INVESTMENTS IN THE SHARE CAPITAL			
Declarer	Direct shareholder	% share of ordinary capital	% share of voting capital
Lauro Buoro	Nice Group S.p.A.	74.3%	69.7%
Edoardo Marcadante	Parvus Asset Management UK LLP	13.2%	13.2%
Mediobanca S.p.A.	Mediobanca S.p.A.	3.2%	3.2%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Internal Audit and Risk Management Committee		Remuneration Committee	
Office	Members	In office from	In office until ⁽¹⁾	List (M/m) ^(*)	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	% ^(**)	No. of other offices ^(***)	****	**	****	**
Chairman	Lauro Buoro	24/04/2012	31/12/2014	M	X				100%	6				
CEO	Luigi Paro	24/04/2012	31/12/2014	M	X				100%	0				
Director	Antonio Bortuzzo ⁽²⁾	24/04/2012	31/12/2014	M		X	X	X	57%	4	X	100%	X	100%
Director	Lorenzo Galberti	24/04/2012	31/12/2014	M	X				100%	0				
Director	Davide Gentilini	24/04/2012	31/12/2014	M	X				100%	1				
Director	Oscar Marchetto	24/04/2012	31/12/2014	M	X				100%	3				
Director	Gian Paolo Fedrigo	24/04/2012	31/12/2014	M		X	X	X	80%	2	X	100%	X	100%
Director	Giorgio Zanutto	24/04/2012	31/12/2014	M	X				100%	2				
QUORUM REQUIRED FOR THE PRESENTATION OF LISTS ON THE OCCASION OF THE LAST APPOINTMENT: 2.5%														
NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR						BoD: 7	ICC: 4				RC: 2			

NOTES

¹ For directors in office until 31 December 2014, the date specified refers to the last financial statements that the directors will approve during their office.

² Antonio Bortuzzo is also Lead Independent Director

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- * This column states M/m depending on whether the member was appointed from the majority list (M) or minority list (m).
- ** This column specifies the directors' percentage holding respectively in the meetings of the Board of Directors and of Committees (no. of attendances/no. of meetings held during the effective period of office for the party concerned).
- *** This column specifies the number of offices as director or auditor held by the party concerned in other companies listed on regulated markets, both in Italy and abroad, in financial, banking, insurance companies or companies of a significant size.
- **** The belonging of a member of the Board of Directors to the Committee is indicated with an 'X' in this column.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Board of Statutory Auditors							
Office	Members	In office from	In office until ⁽¹²⁾	List (M/m) (*)	Indep. as per Code	% (**)	No. of other offices (***)
Chairman	Giuliano Saccardi	24/04/2012	31/12/2014	M	X	100%	10
Statutory Auditor	Enzo Dalla Riva	24/04/2012	31/12/2014	M	X	100%	7
Statutory Auditor	Monica Berna	24/04/2012	31/12/2014	M	X	100%	7
Substitute Auditor	David Moro	24/04/2012	31/12/2014	M	X	----	17
Substitute Auditor	Manuela Salvestrin	24/04/2012	31/12/2014	M	X	----	6
QUORUM REQUIRED FOR THE PRESENTATION OF LISTS ON THE OCCASION OF THE LAST APPOINTMENT: 2,5%							
NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR						10	

NOTES

- * This column states M/m depending on whether the member was appointed from the majority list (M) or minority list (m).
- ** This column specifies the auditors' percentage holding in the meetings of the Board of Auditors (no. of attendances/no. of meetings held during the effective period of office for the party concerned).
- *** This column specifies the number of offices as director or auditor held by the party concerned and considered significant in accordance with art. 148-*bis* of the TUF.
- **** Of which, four companies are listed on the Milan Stock Exchange.

¹² For Auditors in office as at 31 December 2009, the date refers to the last financial statements that the directors will approve during their office.

TABLE 4: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Power of attorney system and transactions with related parties			
Has the BoD assigned powers of attorney defining:			
a) limits	X		
b) execution methods	X		
c) and frequency of informative report?	X		
Has the BoD examined and approved the transactions having a particular economic, equity and financial impact (including transactions with related parties)?	X		
Has the BoD defined the guidelines and criteria to identify 'significant' transactions?	X		
Are the aforesaid guidelines and criteria described in the report?	X		
Has the BoD defined proper procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in the report?	X		
Procedures for the most recent appointment as directors and auditors			
Did the deposit of candidacies for the appointment as director take place at least twenty-five days in advance?	X		
Were candidacies for the appointment as director accompanied by an exhaustive informative report?	X		
Did candidacies for the appointment as director specify the suitability to qualify as independent?	X		

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Did the deposit of candidacies for the appointment of Auditor take place at least twenty-five days in advance?	X		
Were candidacies for the appointment as Auditor accompanied by an exhaustive informative report?	X		
Shareholders' Meetings			
Did the Company approve an Assembly Regulation?		X	The Company did not adopt an Assembly Regulation since it deems that the powers conferred to the Chairman of the Shareholders' Meeting according to By-laws, who is in charge of the administration of the Meeting's works, including determining the order and voting system, allow him to maintain an orderly execution of the Shareholders' Meetings, avoiding risks and inconveniences that could arise due to the non compliance of the Meeting itself with regulations.
Is the Regulation attached to the report (or is it indicated where it can be obtained/downloaded)?	N/A		
Internal Control and Risk Management			
Has the Company appointed the person in charge of internal audit?	X		
Is the person in charge of internal audit hierarchically independent from operational area managers?		X	
Organizational unit in charge of the internal audit department.	Internal Control and Risk Management		

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Investor Relations			
Did the Company appoint an investor relations manager?	X		
Organisational unit and references (address/telephone/fax/e-mail) of the investor relations manager	<p>1. <i>Investor Relations</i></p> <p>2. Davide Gentilini, Investor Relations Manager</p> <p>Investor Relations Office Nice S.p.A. Via Pezza Alta, 13 Z.I. Rustignè 31046 Oderzo</p> <p>Ph: + 39 0422 505481 Fax: + 39 0422 505550 E-mail: ir@niceforyou.com</p>		
NOTES			

SUMMARY OF THE *CURRICULUM VITAE* OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF AUDITORS

A brief *curriculum vitae* of the members of the Board of Directors is reported below:

Lauro Buoro

After a technical education, he starts his professional experience in the electronics sector and, at the age of 21, he establishes a company that operates in the automation sector in quality of outside contractor. In the early 1990s, he establishes Nice and starts to manufacture electronic products with his own trademark: in a few years, in quality of Chairman and Chief Executive Officer, he transformed Nice into a worldwide reference brand in the home automation sector. Lauro Buoro is also the Chairman of all the sales branches controlled by Nice.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Nice Group S.p.A.	Sole Director
Habitat S.r.l.	Director
S.C. Nice Real Estate S.r.l.	Sole Director
Fattoria Camporotondo Società Agricola a r.l.	Director
Nice Immobiliare S.r.l.	Sole Director
Venezia Holding S.p.A.	Chairman

Luigi Paro

He graduated in Electronic Engineering at the University of Padua; from 1995 to 2001, he worked for Sipa (Zoppas Industries Group), holding positions in various different sectors and, specifically, in the last three years, acting as 'Service Director'. From 2001 to 2007, he worked for Iveco (Fiat Group), initially as the responsible for Service Management, and subsequently as the responsible for Sales and Marketing of a business unit. From October 2007 to the start of March 2009, he returned to Zoppas Industries Group, with the role of General Manager of Sipa. Since March 2009, he has been Chief Executive Officer for Nice Group.

Oscar Marchetto

After a technical education, he starts his professional experience in the Research and Development area of a company operating in the same sector of Nice. In the early 1990s, he joined Nice, where he currently holds the role of Research and Development Manager of the electronics department. In 1998 he was appointed member of the Board of Directors of Nice. Since 31 August 2011 he has also been the Chairman of the Board of Directors of Somec Marine & Architectural Envelopes and a member of the Board of Directors of Venezia Holding S.p.A.

The following table specifies the administration and audit offices held in other companies as at 31.12.12.

Company	Office held
Somec Marine & Architectural Envelopes	Chairman
Venezia Holding S.p.A.	Director
Modular Professional S.r.l.	Director

Lorenzo Galberti

After a technical education, he starts his professional experience in a company that produces automation systems for gates. In the early 1990s, he joined Nice, where he currently holds the role of Research and Development Manager of the electro-mechanic department. In 1998 he was appointed member of the Board of Directors of Nice S.p.A.

Davide Gentilini

He received his degree in Business Administration from the Ca' Foscari University of Venice and worked in the administrative/finance departments of companies operating in the consumer electronics sector from 1991 to 1998. He joined Nice in 1998 as its finance director and was appointed member of Nice S.p.A. Board of Directors with powers of attorney for the Administration, Finance and Control areas in the same year.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Venezia Holding S.p.A.	Director

Giorgio Zanutto

After a technical education with specialisation in electronics, he starts his professional experience in the business sector. In 1991, he was the purchasing and production manager in a company operating in the electronics sector. In 1994 he was hired as purchasing manager by Nice. In 1998 he was appointed member of the Board of Directors of Nice with power of attorney for the stocking up of basic components and logistics.

The following table specifies the administration and audit offices held in other companies as at 31.12.12.

Company	Office held
Somec Marine & Architectural Envelopes	Director
Modular Professional S.r.l.	Director

Antonio Bortuzzo

He graduated at the Bocconi University of Milan in Business Administration, with post-graduate studies in Business Management at Long Island University, New York. In the 1980s he was a financial and strategic consultant for Reconta Touche Ross in Milan and New York. In 1989, he had founded Finaudit Consulting S.r.l., a financial and strategic consulting company, which became part of the Ernst & Young group in 1995. From 1995 to 2001 Mr. Bortuzzo worked for Ernst & Young as *Senior Partner* of Ernst & Young Financial & Business Advisors S.p.A.. From 1995 to 2001 he was a senior partner with Ernst & Young Financial & Business Advisors S.p.A. From 2002 to 2007 he held the office of Chief Executive Officer and General Manager of Marcolin S.p.A. and CEO for Marcolin US Inc.. From 2008 to 2011 he was the CEO of the Allison Eyewear group. Since November 2011, he has been the Chairman and CEO of the Alain Mikli International group, a leading French company in the luxury accessories area. He has been member of the Board of Directors of Nice since April 2006.

The following table specifies the administration and audit offices held in other companies as at 31.12.12.

Company	Office held
Alain Mikli International SA France	CEO
Mikli Diffusion France	Chairman and general Manager
Mikli Ltd. Usa	CEO
Studio Professionale Associato S.r.l.	Director

Gian Paolo Fedrigo

He has a degree in business economics from the Ca' Foscari University of Venice. After having worked in Unisys Italia (1988-1993) as Organisational Development Director, he joined Datalogic.

He subsequently became the Human Resources Manager, General Manager of the German subsidiary, Commercial Director, General Director and CEO of the Datalogic Mobile division. He has been CEO of the Industrial Automation Divisions since January 2011.

The following table specifies the administration and audit offices held in other companies as at 31 December 2011.

Company	Office held
Datalogic Automation S.r.l.	CEO
Datalogic Automation Inc.	Chairman of the Board of Directors

A brief curriculum vitae of the members of the Board of Auditors is reported below:**Giuliano Saccardi**

He has been registered in the Register of Chartered Accountants of Treviso since 1972 and in the register of auditors since 1995. He was Chairman of the Order of Accountants of Treviso from 1989 to 1992. He exercises his profession under the scope of the professional association 'Saccardi & Associati' and has performed institutional tasks assigned to him by the Civil and Criminal Court of Treviso, in the role of Trustee in Bankruptcy, Provisional Liquidator for judicial administration and arrangements with creditors and Technical Consultant on civil subjects. He is Chairman of the Board of Auditors and Statutory Auditor in other listed companies and their subsidiaries.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Stefanel S.p.A. (*)	Chairman of the Board of Statutory Auditors
Interfashion S.p.A. (Stefanel Group S.p.A. (*))	Chairman of the Board of Statutory Auditors
De' Longhi S.p.A. (*)	Statutory Auditor

Company	Office held
De' Longhi Appliances S.r.l. (<i>De' Longhi Group S.p.A. (*)</i>)	Statutory Auditor
DeLClima S.p.A. (<i>De' Longhi Group S.p.A. (*)</i>)	Statutory Auditor
Climaveneta S.p.A. (<i>De' Longhi Group S.p.A. (*)</i>)	Chairman of the Board of Statutory Auditors
DL Radiators S.p.A. (<i>De' Longhi Group S.p.A. (*)</i>)	Chairman of the Board of Statutory Auditors
Delta Erre Trust Company	Director
Rete S.p.A.	Statutory Auditor
Arconvert S.p.A.	Member of the Inspection Body

(*) Listed company.

Enzo Dalla Riva

He has a degree in Economics from the Faculty of Economics and Business of the Ca' Foscari University of Venice – on 21 March 2012 he became a member of the Treviso Board of Chartered Accountants. He was registered in the Registry of Certified Auditors by Decree on 23 July 2008, as published in the Official Gazette of the Republic of Italy, 4th special series, no. 64 of 19 August 2008, registration no.151581. He works as a chartered accountant with "Saccardi & Associati", a company which provides consulting services concerning contracts, in the corporate and tax areas, domestically and internationally, in the area of assessment, purchasing and selling for companies and extraordinary operations in general, and also provides strategic corporate consulting for several industrial groups.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Unica S.r.l.	Statutory Auditor
Uniteam S.r.l.	Statutory Auditor
Gamma S.r.l.	Statutory Auditor
Veneto S.p.A.	Statutory Auditor

Nardò Technical Center S.r.l.	Statutory Auditor
Climaveneta S.p.A	Substitute Auditor
DL Radiators S.p.A	Substitute Auditor

Monica Berna

She has been registered in the Register of Chartered Accountants of Treviso since 2001 and in the register of auditors since 2002. She performs her professional activity for the professional association 'Filippi & Moro'. She also holds offices of statutory auditor in other unlisted companies.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Rete S.p.A.	Substitute Auditor
Gamma S.r.l.	Chairman of the Board of Statutory Auditors
Veneto S.p.A.	Chairman of the Board of Statutory Auditors
DeLClima S.p.A.	Substitute Auditor
Servizi Pubblici Locali S.p.A. into liquidation	Statutory Auditor
Magazzini Raccordati S.p.A.	Substitute Auditor
Panto Finestre Srl	Substitute Auditor

David Moro

Registered with the Register of Chartered Accountants of Treviso since 2002 and with the register of auditors since 2002. He works in the professional association 'Filippi & Moro'. She also holds offices of statutory auditor in other unlisted companies.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Doriguzzi Mario S.p.A.	Substitute Auditor
Magazzini Raccordati S.p.A.	Chairman of the Board of Statutory Auditors
Colle Umberto Immobiliare S.p.A.	Statutory Auditor
Nordest Ippodromi S.p.A.	Substitute Auditor
Cielle S.r.l.	Statutory Auditor
Fidia S.p.A.	Chairman of the Board of Statutory Auditors
Idea S.r.l.	Substitute Auditor
Mastella S.r.l.	Substitute Auditor
Bieffe S.r.l.	Substitute Auditor
Comer Engineering S.r.l. into liquidation	Substitute Auditor
Immobiliare Bronzetti S.r.l.	Statutory Auditor
Impresa Verde Treviso-Belluno S.r.l.	Substitute Auditor
Mape S.r.l. into liquidation	Substitute Auditor
Ivone dal Negro Holding S.p.A.	Substitute Auditor
Giorfin S.r.l.	Statutory Auditor
Immobiliare Complessi S.r.l.	Statutory Auditor
Finross S.r.l.	Statutory Auditor

Manuela Salvestrin

She has been registered in the Register of Chartered Accountants of Treviso since 2005 and in the register of auditors since 2006. She performs her professional activity for the professional association 'Saccardi & Associati' and she performed the institutional task assigned to her by the Civil and Criminal Court of Treviso, in the role of Trustee in Bankruptcy. She also holds offices of statutory auditor in other unlisted companies.

The following table specifies the administration and audit offices held in other companies as at 31 December 2012.

Company	Office held
Unica S.r.l.	Substitute Auditor
Log607 S.r.l.	Substitute Auditor
Gamma S.r.l.	Statutory Auditor
Veneto S.p.A.	Statutory Auditor
Climaveneta S.p.A	Substitute Auditor
DL Radiators S.p.A	Substitute Auditor