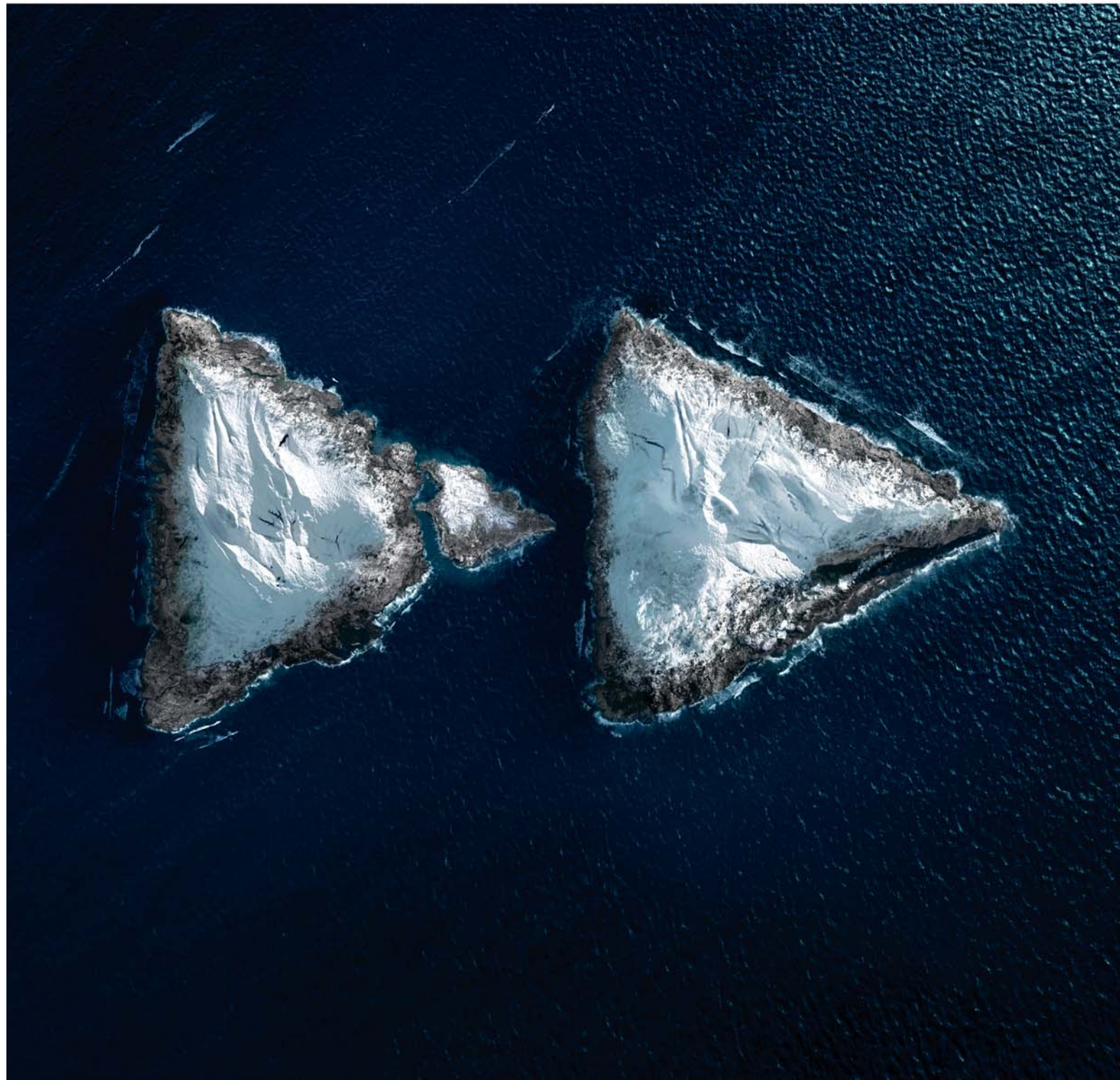




Report on corporate governance and ownership structure 2012



**REPORT
ON CORPORATE GOVERNANCE AND
OWNERSHIP STRUCTURE**

pursuant to Article 123-*bis* Consolidated Law on Finance (T.U.F)

traditional management and control model

Tesmec S.p.A.

www.tesmec.com

Financial Period as at 31.12.2012

Approved by the Board of Directors on 14 March 2013

To be submitted to the Shareholders' Meeting of 30 April 2013

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GLOSSARY

Borsa Italiana (Italian Stock Exchange):	Borsa Italiana S.p.A., with registered office in Milan, piazza degli Affari no. 6.
Code/Self-Regulatory Code of Conduct:	the Self-Regulatory Code of Conduct of listed companies approved in March 2006 (and amended in March 2010 and December 2011) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.
Italian Civil Code:	the Italian Civil Code.
CONSOB:	Commissione Nazionale per le Società e la Borsa (Italian Securities and Exchange Commission), with registered office in Rome, via Martini n. 3.
Board:	The Board of Directors of the Issuer.
Date of the Report:	14 March 2013, the date on which the Report - as defined <i>infra</i> - was approved by the Board of Directors of the Issuer.
Legislative Decree 231:	Italian Legislative Decree no. 231 on 8 June 2001.
Issuer or the Company or Tesmec:	Tesmec S.p.A., with registered office in Milan, Piazza S. Ambrogio 16.
Financial Period:	the financial period ended as at 31 December 2012, to which the Report refers.
Group or Tesmec Group:	jointly, the Issuer and the companies controlled by it on the Date of the Report pursuant to Article 2359 of the Italian Civil Code.
Instructions to the Stock-Exchange Regulations:	the Instructions accompanying the stock-Exchange Regulations - as defined <i>infra</i> .
MTA:	the electronic stock market, organised and managed by Borsa Italiana.
Stock-Exchange Regulations:	the Regulations of the Markets organised and managed by Borsa Italiana in force on the Date of the Report.
Issuer's Regulation:	the Regulation issued by CONSOB with resolution no. 11971 of 1999 (as amended) on issuers, in force on the Date of the Report.
CONSOB Market Regulations:	the Regulation issued by CONSOB with resolution no. 16191 of 2007 (as amended) on markets, in force on the Date of the Report.
Report:	this Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Article 123-bis Consolidated Law on Finance (T.U.F.).

1. Issuer's profile

The Group is mainly active in designing, manufacturing and selling **special products** and **integrated solutions for the construction, maintenance and efficiency of infrastructures** related to the transportation/delivery of energy, data and material.

The Group, established in 1951 and led by Charmain & CEO Ambrogio Caccia Dominioni, relies on more than 400 employees and has five production plants: four in Italy, in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), and one in the USA, in Alvarado (Texas).

From the IPO, July 1, 2010, the Parent Company has pursued a strategy of diversification of Business announced to offer a complete range of integrated solutions that has led it to have six different lines of business.

The Group by six different business lines offers:

- machines and integrated systems for aerial and underground stringing, power lines and fiber optic cables;
- machines and integrated systems for the installation, maintenance and troubleshooting of overhead railroad wiring/catenaries as well as customized machines for special operations on the line;
- integrated solutions for efficiency, management and monitoring of the electricity networks of low, medium and high voltage (solutions for smart grids).
- high powered tracked trenchers for linear excavation of underground networks and pipelines, and delivery of data, raw materials, and liquid and gaseous materials.
- high powered tracked trenchers for mining and leveling works (RockHawg)
- consulting services and specialized excavation at the request of the customer;
- multi-purpose construction equipment (Gallmac).

Both business divisions are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

The Corporate Governance structure adopted by Tesmec is based on the recommendations and regulations contained in the Self-Regulatory Code of Conduct adopted by the Corporate Governance Committee of the listed companies, in the belief that, on the one hand, having a structured system of rules allows the Company to operate according to maximum efficiency criteria, and on the other hand, ensuring greater levels of transparency contributes to increasing the reliability of the Company with investors.

Tesmec adopts a **traditional** management and control system that is characterised by the presence of:

- a Shareholders' Meeting vested with the decisions on prime acts of management of the company, in accordance with the Law and the Articles of Association;
- a Board of Directors in charge of managing the company business, which has granted operational powers to bodies and delegated subjects;
- a Board of Statutory Auditors called upon to supervise compliance with the Law and the Articles of Association and compliance with the principles of correct administration, as well as to control the adequacy of the organisational structure, the internal control system and the company's administrative-accounting system;
- Independent Auditors, in charge of auditing and providing an opinion on the financial statements pursuant to the Law and Articles of Association.

Within the Board of Directors, in compliance with the recommendations and regulations contained in the Self-Regulatory Code of Conduct adopted by the Corporate Governance Committee of the listed companies, an Internal Control Committee and a Remuneration Committee were set up. Moreover, on 30 November 2010, the Board of Directors approved a procedure for related party transactions, effective as from 1 January 2011 (the "**Procedure for Related Party Transactions**"), appointing, among other things, a Committee for Related Party Transactions (see paragraph 10 and 12)

2. Information on the ownership structure (pursuant to Article 123-bis, paragraph 1, Consolidated Law on Finance (T.U.F.))

Information on the ownership structure on the date of approval of this Report, in compliance with the provisions of Article 123 bis, paragraph 1, of the Consolidated Law on Finance (T.U.F.), is indicated below.

(A) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) Consolidated Law on Finance (T.U.F.))

The entire share capital of Tesmec S.p.A. consists of ordinary shares with voting rights, admitted to listing on the Italian Electronic Stock Market, STAR segment, managed by the Italian Stock Exchange.

The fully subscribed and paid-up share capital currently totals Euro 10,708,000 divided into 107,084,000 ordinary shares with a nominal value of Euro 0.1 each. (See table 1)

On the date of approval of this Report, there are no plans based on financial instruments.

(B) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) Consolidated Law on Finance (T.U.F.))

The Articles of Association of Tesmec ("Articles of Association") do not provide restrictions on the transfer of shares, such as limits to the ownership of securities or the need to obtain the approval of the Issuer or of other owners of securities.

(C) Significant equity investments (pursuant to Article 123-bis, paragraph 1, letter c) Consolidated Law on Finance (T.U.F.))

According to the register of shareholders and to the updates available on the date of approval of this Report, including the communications received by the Company pursuant to Article 120 of the Consolidated Law on Finance (T.U.F.), as well as any other information available, the subjects holding directly or indirectly shares more than 2% of the subscribed and paid-up share capital please see table 1 attached.

(D) Owners of securities granting special controlling rights (pursuant to Article 123-bis, paragraph 1, letter d) Consolidated Law on Finance (T.U.F.))

The Company did not issue securities that grant special controlling rights, and the Articles of Association of Tesmec do not provide special powers for some shareholders or holders of specific classes of shares.

(E) Shareholdings of employees: exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e) Consolidated Law on Finance (T.U.F.))

There is no system of employee shareholding at the date of this Report.

(F) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) Consolidated Law on Finance (T.U.F.))

The Articles of Association do not provide for special provisions that cause restrictions or limits on voting rights, and the financial rights related to the securities are not separated from their ownership.

(G) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) Consolidated Law on Finance (T.U.F.))

On the date of approval of this Report, there are no shareholder agreements pursuant to Article 122 of Legislative Decree no. 58/1998 ("Consolidated Law on Finance (T.U.F.)") entered into among shareholders.

(H) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) Consolidated Law on Finance (T.U.F.)) and provisions established by the Articles of Association on public purchase offers (pursuant to Article 104, paragraph 1-ter, and 104-bis, paragraph 1)

On the date of approval of this Report, the Company has several loan contracts with banks that provide for the right of the bank to rescind the contract in the case of change of control of the Issuer; on the date of this Report, the contract entered into with JP Morgan Chase Bank N.A. provides for this clause.

The Articles of Association of the Company do not provide for derogations to the provisions on the passivity rule provided by Article 104, paragraphs 1 and 2, of the Consolidated Law on Finance (T.U.F.), nor do they contemplate the application of the neutralisation rules contemplated by Article 104-bis, paragraphs 2 and 3, of the Consolidated Law on Finance (T.U.F.).

(I) Authorisations to increase the share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) Consolidated Law on Finance (T.U.F.))

The Board was not authorised by the Shareholders' Meeting to increase the share capital pursuant to Article 2443 of the Italian Civil Code.

On 10 January 2012, the ordinary Shareholders' Meeting of Tesmec authorised the Board of Directors to carry out purchase and sale operations of treasury shares for a maximum period of 18 months from today, up to a maximum number of ordinary shares representing as a whole not more than 5% of the currently existing share capital, comprising ordinary shares only, in compliance with law provisions and regulations of Borsa Italiana, Article 144 bis of Issuer's Regulation 11971/99 as well as Community provisions on the matter.

Based on the resolution, purchases must be made on the market at a price that does not exceed the highest value between the price of the last independent transaction and the price of the current higher independent offer in trading venues where the purchase is made, without prejudice to the fact that the purchase transactions must be carried out at a price that does not deviate down and up for more than 10% compared to the reference price recorded by the security at the close of the trading session before each transaction.

The authorisation was requested to pursue, in the interests of the Company, also through subsidiaries, the purposes allowed by the applicable laws and regulations in force such as, (i) offering incentives to and developing loyalty of employees (including any category that, by the same standard as the law, in force each time, is treated as equivalent), collaborators, directors of the Company and/or of companies controlled by it and/or other categories of subjects (such as one-firm agents or otherwise) chosen at the discretion of the Board of Directors, as deemed appropriate each time by the Company, (ii) fulfilling any obligation arising from debt instruments convertible into/or exchangeable with equity instruments, (iii) carrying out sales, exchanging, swapping, transferring transactions or other disposal of treasury shares for acquisitions of shareholdings and/or real estate and/or the conclusion of agreements (trade agreements or otherwise) with strategic partners, and/or for the implementation of industrial projects or Merger & Acquisition operations, which fall within the objectives of expansion of the Company and the Tesmec Group, and (iv) seizing market opportunities also through the purchase and resale of shares whenever appropriate both on the market (as regards conveyance) in the so-called over-the-counter markets or even outside the market provided at market conditions.

At the end of the reporting period, 31 December 2012, the Company held as treasury shares n.1.268.000 the date of approval of the treasury shares held amounted to 1,577,000.

(L) Management and co-ordination activities (pursuant to Article 2497 et sequitur of the Italian Civil Code)

On the Date of the Report, the Issuer is controlled pursuant to Article 93 of the Consolidated Law on Finance (T.U.F.) by TTC S.r.l., holding company.

TTC S.r.l. does not carry out the management and coordination activity on the Issuer pursuant to Article 2497-sexies Italian Civil Code. TTC S.r.l. is a holding that performs the mere management function of the equity investments without carrying out management and co-ordination activities towards the subsidiaries.

Specifically:

(A) The information required by Article 123-bis, paragraph 1, letter i) ("the agreements between the company and the directors that provide for payments in the event of resignation or dismissal without just cause or if the employer-employee relationship is terminated following a public purchase offer") is illustrated in the section of the Report dedicated to the remuneration of directors (paragraph 1.4);

(B) The information required by article 123-bis, paragraph 1, letter l) of the Consolidated Law on Finance (T.U.F.) ("applicable law for the appointment and replacement of directors and for the amendment to the Articles of Association, if different from those laws and regulations additionally applicable") is illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1).

3. Compliance (pursuant to Article 123-bis, paragraph 2, letter a), Consolidated Law on Finance (T.U.F.))

The Company adopted the Self-Regulatory Code of Conduct of Borsa Italiana.

The Company believes that the alignment of its internal structures of Corporate Governance with those suggested by the Self-Regulatory Code of Conduct represents a valid and essential opportunity to increase its reliability in relation to the market.

The Self-Regulatory Code of Conduct is available to the public on the website of Borsa Italiana (www.borsaitaliana.it).

During the meeting on 14 March 2013, the Board of Directors identified only Tesmec USA as “subsidiary company with strategic importance” for the purposes of the requirements of Article 37 of the Market Regulation, taking into account the level of turnover, the level of capitalisation and industrial and commercial peculiarities of the Group structures.

On the date of this report, other “subsidiary companies with strategic importance” were not identified.

The issuer and its subsidiary strategy are not subject to the non Italian law that affect the corporate governance structure of the Issuer.

4. The Board of Directors

4.1 Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter I), Consolidated Law on Finance (T.U.F.))

Pursuant to Article 14 of the Articles of Association, the company is managed by a Board of Directors consisting of not less than 5 and no more than 15 members, elected by the Shareholders’ Meeting.

Those who are ineligible under the regulations in force cannot be appointed as directors, and if elected they fall from office.

The members of the Board of Directors remain in office for a period not exceeding 3 company financial years and their office terminates on the date the Shareholders’ Meeting is convened to approve the financial statements relating to the last financial year of their office; they can be re-elected. The Board of Directors is appointed by the Shareholders’ Meeting based on the lists presented by the Shareholders.

The Shareholders who, upon presentation of the list, own a stake in the share capital at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1, Consolidated Law on Finance (T.U.F.), and in compliance with what is provided by the Issuers’ Regulation approved with resolution no. 11971 of 14 May 1999 with further supplements and amendments (“**Issuers’ Regulation**”) can present a list for the appointment of the Directors.

The Directors, on the basis of a special resolution of the Board of Directors, can present a list as well without the above requirement of stake ownership.

Lists are filed with the registered office at least 25 (twenty-five) days before the date set for the Shareholders’ Meeting convened to decide on the appointment of the Directors. Moreover, lists must be made available to the public by the Company without delay and any way at least 21 (twenty-one) days before the date set for the Shareholders’ Meeting, under the terms prescribed by the laws in force.

The lists include a number of candidates not exceeding fifteen, each coupled with a progressive number. The lists presenting a number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one fifth of the candidates (during the first mandate after 12 August 2012) and then one third of the candidates (rounding up, if necessary, to the higher integer) belongs to the less represented gender. Each list must contain and expressly indicate at least one Independent Director pursuant to Article 147-ter, with a progressive number of no more than seven. If the list consists of more than seven candidates, it must contain and expressly indicate a second Independent Director pursuant to Article 147-ter. If necessary, each list can also indicate explicitly the Directors with independence requirements provided by codes of conduct drafted by regulated market management companies or by trade associations.

The lists also contain, as an enclosure:

(a) the curriculum vitae concerning the personal and professional details of the candidates;

(b) the declarations by which each candidate accepts his/her own candidature and attests, on his/her own responsibility, that there are no reasons to exclude his/her eligibility, that there are no incompatibility issues, and that he/she complies with all the requirements prescribed by the prevailing law to hold the position of director of the Company, including the declaration on the requirements to be qualified as an independent director pursuant to Article 147-ter and, if necessary, on the further requirements provided by codes of conduct drafted by regulated market management companies or by trade associations.

(c) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate communication issued by the intermediary, without prejudice to what is indicated by Article 147-ter, paragraph 1, Consolidated Law on Finance (T.U.F.);

(d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

Each shareholder and the shareholders joining the same shareholders’ agreement pursuant to Article 122 of the Consolidated Law on Finance (T.U.F.) cannot present or vote more than one list, albeit by proxy or through a trust.

At the end of the voting, candidates are elected from two lists that have obtained the most votes, with the following criteria:

(i) a number of directors equal to the total number of members of the Board, minus one, is taken from the List that obtained the majority of votes (hereinafter also "Majority List"), in the sequential order in which they are presented, as previously established by the Shareholders' Meeting; within such number limits, the candidates are elected in the order in which they are listed;

(ii) a Director, in the person of the candidate indicated with the first number in the List itself, is drawn from the second list that obtained the highest number of votes and who is not connected directly or indirectly to the shareholders who presented or voted the Majority List pursuant to the applicable provisions and that is not the list presented by the Board of Directors (hereinafter also "Minority List"); however, if not even one Independent Director under Article 147-ter is elected within the Majority List, in case of a board of not more than seven members, or only one Independent Director under Article 147-ter is elected, in case of a board of more than seven members, the first Independent Director under Article 147-ter indicated in the Minority List will be elected, instead of the first on the Minority List. Moreover, if, with the candidates elected in the manner described above, the compliance of the composition of the Board of Directors with the pro tempore regulations on gender balance in force is not ensured, the candidate of the more represented gender elected last in sequential order in the Majority List will be replaced by the first candidate of the non-elected less represented gender of the same list in sequential order. This replacement procedure will be carried out until the composition of the Board of Directors is in compliance with the pro tempore regulations on gender balance in force. Finally, if the said procedure does not ensure the result indicated above, the replacement will take place with resolution passed by the Shareholders' Meeting by majority vote, subject to the presentation of candidates belonging to the less represented gender.

Lists will not be taken into consideration unless they obtain a percentage of votes equal to at least half of the percentage required for presenting the lists.

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented prevails, or, subordinately, the one presented by the greatest number of shareholders.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, the candidates listed in sequential order will be elected Directors, up to the number established by the Shareholders' Meeting, without prejudice to the fact that, if the Board has more than seven members, the second Independent Director under Article 147-ter is also elected, in addition to the one necessarily placed with the first seven and without prejudice to the compliance with the pro tempore regulations on gender balance in force.

In the absence of lists, or if the number of directors elected on the basis of the presented lists is lower than the one determined by the Shareholders' Meeting, the members of the Board of Directors are appointed by the Shareholders' Meeting itself with the majorities provided by law, without prejudice to the obligation to appoint, by the Shareholders' Meeting, the minimum number of Independent Directors required under Article 147-ter and always in compliance with the pro tempore regulations on gender balance in force.

The Independent Directors under Article 147-ter, indicated as such when appointed, must immediately inform the Board of Directors of any absence of independence requirements; the Director falls from his/her office if the minimum number of directors with the said independence requirements requested by the law provisions in force no longer exist within the Board.

The candidate possibly indicated as Chairman of the Board of Directors in the Majority List or in the only list presented and approved is elected as such. Failing this, the Chairman is appointed by the Shareholders' Meeting with the majorities provided by law, or he/she is appointed by the Administrative Body pursuant to these Articles of Association.

In case of termination of office, for any reason, of one or more Directors, they may be replaced according to the provisions of Article 2386 of the Italian Civil Code, without prejudice to the compliance with the pro tempore regulations on gender balance in force.

The members of the Board of Statutory Auditors are subject to the limits to the plurality of administration and control offices established with Consob regulation.

The Board of Directors considered not to adopt a plan for the succession of executive directors according to the provisions of Principle 5.C.2. of the Self-Regulatory Code of Conduct in the new version approved in December 2011 by the Corporate Governance Committee promoted by Borsa Italiana.

4.2 Composition (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))

On the date of this Report, the Board of Directors of the Company consists of 11 members, including ten appointed by the ordinary Shareholders' meeting on 23 February 2010 and one by the ordinary Shareholders' meeting of 10 January 2012. The current Board of Directors will remain in office until the approval of the financial statements ended 31 December 2012.

Currently, three of the eleven members of the Board of Directors of the Company are executive directors and eight are non-executive directors.

In compliance with what is established by Article 2 of the Self-Regulatory Code of Conduct, the presence of a high number of 8 non-executive directors within the administrative body, as well as the authority and powers that characterise them, guarantee the importance of their opinion when taking the board decisions. The presence of 8 non-executive directors serves to a wider protection of a "good corporate governance" to be implemented through comparison and dialogue between directors.

In accordance with the instructions contained in the Stock-Exchange Regulations, in the relevant instructions and in the Code, with reference to companies listed on the MTA STAR segment, the Shareholders' Meeting of the Company of 23 February 2010, in connection with an overall number of ten directors, appointed three independent directors, in the persons of Gioacchino Attanzio, Sergio Arnoldi and Guido Giuseppe Maria Corbetta (this also in compliance with the provision of Article 147-ter, third paragraph, of the Consolidated Law on Finance (T.U.F.)).

From the date of appointment of the Board of Directors in office on the date of this report the composition of the Board changed in that during the Shareholders' Meeting of 10 January 2012 Giuseppe Leonardo Marseglia was appointed independent director.

The information on the personal and professional characteristics of each member of the Board of Directors is indicated below.

Ambrogio Caccia Dominioni, born in Morbegno (Sondrio) on 27 August 1946, graduated from Università Cattolica del Sacro Cuore of Milan with a degree in Economics and Commerce in 1970. From 1971 to 1979, he worked with Andersen Consulting S.p.A. as manager of Industry Finanza - Leasing, whereas as from 1980 he started its entrepreneurial activity in the family group, which in time went from being a single company called "M.T.S. Officine Meccaniche di Precisione S.p.A." to an international group with diversified activities in various sectors and countries. He is currently Chairman and Chief Executive Officer of TESMEC.

Alfredo Brignoli, born in Ponteranica (Bergamo) on 10 December 1920, he took the land surveyor in 1945. He is an entrepreneur in the mechanical sector since 1960. He is Director of FI. IND. S.p.A. since 2001, of M.T.S. S.p.A. since 2004 and of CBF S.r.l. since 2006. He is currently Chairman of TESMEC.

Gianluca Bolelli, born in Castel Maggiore (Bologna) on 18 September 1959, graduated from Università Commerciale "Luigi Bocconi" of Milan with a degree in Economic and Commerce in 1983. He is enrolled with the Register of Professional Accountants since 1985, of auditors since 1995, and of freelance journalists since 1994. During the 1990 to 1993 academic years, he "worked as a contractor" with the faculty of Economics of Università Cattolica for the course of Business Administration. He is a member of the Scientific Committee of the "Association of Family Enterprises" for what concerns the analysis of tax, corporate and governance matters, member of the Scientific Committee and lecturer of SUPSI "Scuola Universitaria Superiore Svizzera Italiana" (Italian Swiss Advanced University School) of Lugano. He is an external lecturer of the Scuola di Direzione Aziendale (Business Management School) of the Bocconi University, lecturer during conventions and courses on tax, company and governance matters. He is co-author of publications and articles in tax, contractual and company matters. In 1984 and 1985, he worked as an auditor of Deloitte Haskins Sells (then Deloitte & Touche S.p.A.), in 1985 and 1986 he worked as a consultant of Peat Marwick Consultants (then KPMG S.p.A.), whereas from March 1986 he practiced as a professional accountant and in particular in 1989 he was a co-founding member of Studio Bolelli, Sportelli, de Pietri-Tonelli. He is currently Vice Chairman of TESMEC.

Gianluca Vacchi, born in Bologna on 5 August 1967, graduated from the University of Bologna with a degree in Economy and Commerce in 1993. He is entrepreneur and financier and holds different investments in companies, listed or otherwise, as SO.FI.MA. S.p.A., I.M.A. S.p.A. and First Investments S.p.A., a financial company that mainly works in investment activities. He is also member of the Board of Directors of different financial companies such as GV Finanziaria S.r.l., Eleven Finanziaria S.r.l. and 3T Finanziaria S.p.A. He is currently Director of TESMEC.

Luca Poggi, born in Bologna on 14 May 1961, graduated from the University of Bologna with a degree in Economy and Commerce in 1984. In 1986, he enrolled with the Register of Professional Accountants. In 1995, he enrolled with the Register of Professional Accountants. Expert in tax and company matters, he collaborated with different field journals. Since 1991, he has been collaborating with the publishing group "Il Sole 24 Ore" through the publication of articles and participation in meetings on taxation. He is partner of the professional office Poggi & Associati, which advises on business, financial, tax and corporate matters some important industrial groups, taking care, in particular, of the issues relating to the company taxation and acquisition activities and Merger & Acquisition operations. Since 2003, he also provides

consultancy in relation to the structuring of private equity transactions carried out by private operators in conjunction with professional investors. He is currently Director of TESMEC.

Michele Carlo Felice Milani, born in Milan, on 6 June 1968, graduated from Università Commerciale “Luigi Bocconi” of Milan with a degree in Business Administration in 1991. He is enrolled with the Register of Professional Accountants since 1993 and of auditors since 1999. He has gained extensive experience in finance and banking with several high-level work experiences in international companies. He worked for the “Pirola, Pennuto, Zei & Associati” legal and financial consultancy firm in 1991 and 1992; from 1992 to 1994 he worked as financial analysts dealing mainly with Italian companies and institutional customers at KPMG Consulting S.p.A.; from 1994 to 1998 he was Associate Director of the Department of “Investment Banking Italy” of Morgan Grenfell S.p.A. (Deutsche Bank group), from 1998 to January 2001, he was Associate Director and Vice Chairman of JP Morgan Chase – Robert Fleming SIM S.p.A., with responsibilities for the “Investment Banking Italy” sector and the development of leasing customers of equity in Italy; and from January 2001 to February 2010 he was Central Manager with responsibilities for Extraordinary Company Finance and Equity Capital Market di BNP Paribas – Italian Branch. As from March 2010, he has been collaborating with Banknord SIM S.p.A. for the consulting activities concerning Family Office, as well as for the provision of consultancy services for Merger & Acquisition operations to customers of Banknord. He is a member of the Management Committee of Banknord. He is currently Director of TESMEC.

Caterina Caccia Dominioni, born in Morbegno (Sondrio) on 18 August 1979, graduated from the Università Cattolica del Sacro Cuore of Milan with a degree in Law in 2003. She is enrolled with the bar association of Milan since 2007. She practiced her profession from 2004 to 2007 at the law firm Baldoli – Caccia Dominioni, from 2007 to October 2008 at the law firm Frau, Ruffino, Verna and since November 2008 she had been carrying out a legal consulting activity for the Issuer and for the company Reggiani Macchine S.p.A. She is currently Director of TESMEC.

Gioacchino Attanzio, born in Madrid (Spain) on 9 November 1943 with Italian citizenship, graduated from the University of Palermo with a degree in Law in 1968. From 1968 to 1979, he worked for Pirelli S.p.A. as Area Manager. From 1979 to 1983, he worked for Merloni Elettrodomestici S.p.A. (currently Indesit Company) where he held the position of Sales Manager as from 1981. From 1983 to 1985 he worked for Permafex S.p.A. where he held the position of General Manager and later on of Managing Director from 1996 to 1998. From 1985 to 1991, he worked for Candy Hoover Group S.r.l. where he held the position of General Manager. From 1991 to 1996, he worked for Brionvega S.r.l. where he held the position of General Manager. Since 1998, he holds the office of General Manager and Director of Aidaf (Associazione Italiana delle Aziende Familiari, Italian Association of Family Enterprises). He is a member of the Management Committee GEEF – European Group of Owner Managed and Family Enterprises – Madrid, Spain; he is the Italian Chapter Chairman F.B.N. – Family Business Network – Lausanne, Switzerland; he is Chairman of IFON – Italian Family Office Network – Milan; he is Honorary Director of Atema – Associazione Italiana del Temporary Management (Italian Association of Temporary Management) – Milan; he is member of the AIFI Committee – Associazione Italiana del Private Equity e Venture Capital (Italian Association of Private Equity and Venture Capital) – Milan; he is member of the Advisory Board of Borsa Italiana for the alternative market of capitals (EIM-MAC). He is currently Director of TESMEC.

Sergio Arnoldi, born in Bergamo on 6 February 1947, graduated from the University of Padua (branch of Verona) with a degree in Economy and Commerce in 1971. He is enrolled with the Register of Professional Accountants since 1976 and of auditors since 1995. He started his experience in 1971 by collaborating with the office of Enzo Berlanda until 1976, and then opened in the same year his own office in Bergamo. He was Statutory Auditor of TESMEC from 2007 to February 2010. He is currently Director of TESMEC.

Guido Giuseppe Maria Corbetta, born in Milan on 4 May 1959, graduated from Università Commerciale “Luigi Bocconi” of Milan with a degree in Business Administration in 1983. In 1985 he attended the International Teachers Program at “HEC-ISA” of Jouy en Josas (France) and in 1986 he was awarded the “International Rotary Foundation” scholarship for a program of visits to companies and associations in Japan. In 1991, he obtained the qualification as Research worker in Business Administration and in 1999 he spent a period of study at the Loyola University of Chicago (USA). From 1984 to 1998, he was a part-time lecturer at the Università Commerciale “Luigi Bocconi” of Milan engaged in teaching “Strategia e politica aziendale” (Business strategy and policy), “Strategie delle piccole e medie imprese” (Strategies of small and medium-sized enterprises) and “Consulenza aziendale” (Management consultancy); from 1997 to 1999 he was lecturer of business administration at the Faculty of Economic Sciences of the Italian Swiss University of Lugano; from 1998 to 1999 he was lecturer of “Strategia e Politica aziendale” (Business strategy and policy) at the LIUC of Castellanza; from 1998 to date he was initially associate professor and later professor of “Strategia e politica aziendale” (Business strategy and policy) at the Università Commerciale “Luigi Bocconi” of Milan; from 2003 to date he is an AIDAF - Alberto Falck professor of “Strategia delle aziende familiari” (Strategy of Family Enterprises) at the Università Commerciale “Luigi Bocconi” of Milan (first chair having a special arrangement in the history of Università Bocconi). He also held different offices at the Università Commerciale “Luigi Bocconi” and its Scuola di Direzione Aziendale (SDA) (Business Management School): from 1990 to 1995 he was the manager of the business area “Piccole e medie imprese” (Small and medium-sized entities) and member of the Coordinating Committee of Business Division of SDA; from 1996 to 2001 he was Strategy Area Manager and member of the Management Committee of SDA; from 2001 to 2005 he was co-manager of the “International Master in Fashion, Experience and Design Management” of SDA; from 2004 to 2005 he was manager of the specialist degree in “General Management” of the University and from 2004 to 2009 he was manager of the research centre “Imprenditorialità e Imprenditori” (EntER) (Entrepreneurship and Entrepreneurs) of the Bocconi University. From 2006 to date he is Graduate

Area Pro-rector of the Bocconi University and member of the Rectorial Committee, whereas from 2007 to date he is a Founding Manager of the "Bocconi Graduate School". From 1997 to date, he has been carrying out research and teaching in executive courses at the following business schools: IESE of Barcelona (Spain), AESE of Lisbon (Portugal), Loyola University of Chicago (USA). From 1990 to 1992 he was a member of the Executive Committee of the "European Business Ethics Network" of Brussels, since 1992 he is an associate editor of the Business Ethics. A European Review, in 1993 he was in charge of the IV annual conference of Family Business Network held in Milan, since 1994 he is a member of the Editorial Board of the Family Business Review. From 1999 to 2005 he was a member of the Executive Committee of the Economia & Management magazine, in 2000 he was in charge of the XII annual conference of Family Business Network held in Rome, since 2001 he is a fellow of IFERA (International Family Enterprise Research Academy), in 2004 he was a member of the International Organisational Committee of the XV annual conference of Family Business Network held in Copenhagen, from 2004 to 2008 he was a member of the International Committee, Entrepreneurship Division, Academy of Management (and from 2006 Chairman), since 2007 he is a member of the Editorial Review Board of the Entrepreneurship Theory and Practice magazine and since 2007 he is an "ad hoc reviewer" of the Journal of Management Studies. In 1987, he became a consultant for companies of various sizes in terms of economic analysis, strategy and organisation. In 2000, he became a founding partner of the Family Business Consulting Group International with offices based in Chicago, Atlanta, Barcelona, San Paolo, Tel Aviv, Milan. He is the author and editor of books and various publications on Italian and international magazines and of essays in Italian and English, mainly on small and medium-sized enterprises and family businesses. He is currently director of TESMEC.

Giuseppe Leonardo Marseglia, born in 1946 in Ostuni, started his professional career very young in the family business, operating in the oil sector. In 1981, through the Italiana Alimenti S.p.A. company, he purchased a refinery of vegetable oils in Monopoli, thus contributing to the carrying-out of one of the most advanced technology parks of the Apulia region. In 1985, without ever leaving the oil sector, Marseglia started a process of diversification of its economic activities, focusing increasingly on the production of biodiesel and electrical power from biomass, both solid and liquid. Leonardo Marseglia is "Commendatore" of the Italian Republic as well as the reference shareholder of the Italian Oil Industry Association, the Renewable Energy Producers' Association and Assoelettrica.

For further information on the composition of the Board of Directors of the Company, see Table 2 indicated in the annex.

Maximum amount of positions held in other companies

The Board of Directors decided not to define general principles on the maximum number of administration and control offices in other companies that can be considered compatible with an efficient performance of the role of director of the Company, without prejudice to the duty of each director to consider the compatibility of the positions of director and auditor in other companies listed on controlled markets, in holding, banking, insurance or big-sized companies with the diligent performance of the duties as director of Tesmec as indicated in the principle 1.C.3 of the Self-Regulatory Code of Conduct.

In view of the positions held by its members in other companies, the Board of Directors of the Company considered that the number and quality of positions held do not interfere and are therefore compatible with an effective performance of the office of director of the Company.

4.3 Role of the board of directors (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))

During the 2012 financial period, the Board of Directors met 8 times; these meetings had an average duration of 1 hour and 40 minutes. On the occasion of all the board meetings, the members of the Board, in compliance with what is provided by Article 1 of the Code, were provided, in reasonable advance, with the documents and information necessary to enable them to express an informed opinion on matters under their consideration.

For the 2013 financial period, in addition to the meeting of 14 March, the calendar of company events announced pursuant to Article 2.6.2 of the Stock-exchange regulations contemplates no. 3 meetings on the following dates: 10 May, 2 August and 8 November.

The calendar of the meetings of the Board of Directors for the 2012 financial period was made known by the company by posting on its website at the address www.tesmec.com.

Pursuant to Article 19 of the Articles of Association, the Board of Directors is vested with all the powers for the management of the Company and to this end it can decide or carry out all acts held to be necessary or useful in order to implement the business purpose, with the exception of powers that are, by law and by the Articles of Association, reserved to the Shareholders' Meeting.

The Board of Directors may also pass, in compliance with Article 2436 of the Italian Civil code, without prejudice to the limits of the law, the resolutions concerning (a) the merger and split in the cases provided for in Articles 2505, 2505 *bis* and 2506 *ter*, last paragraph, Italian Civil Code, (b) the establishment and cancellation of sub-offices, (c) the relocation of the registered office in the national territory, (d) indication of the directors who have the legal representation of the company (e) reduction of share capital in case of the shareholder's withdrawal, (f) the adjustments of the articles of association to regulatory provisions; without prejudice to the fact that said resolutions may be passed also by the Extraordinary Shareholders' Meeting.

The Board of Directors:

- set up an internal Remuneration Committee (see paragraph 8) and an Internal Control Committee (see paragraph 10) and a Nomination Committee (see paragraph 7). Each Committee operates on the basis of an internal regulation that establishes the operating rules of the committee itself;
- approved a Procedure for Related Party Transactions (see paragraph 12) and submitted to the Audit and Risk Committee duties of related parties;
- established the business functions of Head of Internal Control and investor relations and subsequently appointed the persons in charge of such functions (see paragraphs 11.2 and 15);
- adopted a procedure for the processing of confidential information (see paragraph 5.1);
- approved the internal dealing (see paragraph 5.2);
- established an Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 (see paragraph 11.3);
- set up a Supervisory Body (see paragraph 11.3); and
- approved the Code of Ethics that is part and parcel of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01.

As regards the functions of the Board of Directors, the Company has a Board of Directors that, as provided by Article 19 of the Articles of Association, is vested with the broadest powers for the management of the Company, and every other competence reserved by law or the articles of association to the Board itself. Therefore, it has the power to carry out all acts, of disposal or otherwise, it deems necessary or useful for the achievement of the corporate purpose, excluding only those that the law specifically reserves to the Shareholders' Meeting.

In particular, the Board of Directors, by well-established company practice:

- *examines and approves the strategic, industrial and financial plans of the Company and of the Group, the corporate governance system of the Company and the Group structure;*
- *evaluates the adequacy of the general organisational, administrative and accounting structure of the Company and of its subsidiaries with strategic importance prepared by the Managing Director, with a special reference to the internal control system and to the management of conflicts of interest;*
- *evaluates the overall management performance, taking into account, in particular, the information received by the delegated bodies, as well as comparing the results achieved with the programmed results on a regular basis; and*
- *examines and approves previously the transactions of the Company and of its subsidiaries, when these transactions are significant from a strategic, economic, asset or financial point of view for the Company.*

During the financial period, in addition to the approval of the financial statements as at 31 December 2011, of the quarterly and half-yearly reports and the annual budget, the Board has also decided to:

- *approve the adjustment of corporate governance based on the guidelines of the New Code of Conduct;*
- *approve the use of the derogation provided for in Articles. 70, paragraph 8, and 71, paragraph 1-bis of Consob n.11971/99;*
- *approve the start of the plan to purchase shares of the Company for a period of eighteen months;*
- *approve the changes to the 231 model in the field of environmental crimes;*
- *approve the amendment of the Articles of Association in accordance with the updating of the discipline of gender equality in the administrative and control;*
- *approve the proposed offer of shares to employees in general (closed December 21, 2012).*

On 14 March 2013, the Board of Directors accepted the adequacy of the general organisational, administrative and accounting structure of the Company and of the Group controlled by it, considering the criteria inspiring the structure fully adequate to ensure the efficiency and actual operation of the internal control system.

The Board of Directors – within the limits of the law and of the Articles of Association – delegates part of its powers and duties to a Chief Executive Officer and can also appoint an Executive Committee by delegating its powers and functions. It can also delegate, within the same limits, the aforesaid powers and functions, with reference to certain functions or sectors, to one or more Directors other than the Chief Executive Officer.

Moreover, the Board of Directors can also set up one or more committees with consultancy, proposal and control functions in compliance with the applicable laws and regulatory provisions in force. The Board of Directors has the right to appoint one or more General Managers.

Pursuant to Article 21 of the Articles of Association, the Chairman of the Board of Directors and, in case of his absence or impediment, even if temporary, the Vice Chairman represents the company towards third parties and before the court as well as the company signature; the Chief Executive Officer or the other Directors with proxies are vested as above, within the limits of the delegated powers.

In compliance with the above, on 23 February 2010, the Board decided to appoint Ambrogio Caccia Dominioni Chief Executive Officer of the Company, assigning to the latter the legal representation of the Company, powers with separate signature specifically indicated in paragraph 4.4, by specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, observing and enforcing the regulations in force.

During the same meeting, the Board of Directors appointed Alfredo Brignoli Vice chairman of the Board of Directors by granting him the powers set forth in Article 21 of the Articles of Association and precisely, in case of absence or impediment, even if temporary, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as the company signature pursuant to Article 21 of the Articles of Association.

On 26 April 2010, the Board of Directors granted Gianluca Bolelli in case of absence or impediment of the Chief Executive Officer and of the vice Chairman and only in the cases of emergency, the powers indicated in the following paragraph 4.4.

The Board of Directors also considered that the size, composition and operation of the Board were sufficient pursuant to the 1.C.1 Application Principle of the Self-Regulatory Code of Conduct.

4.4 Delegated bodies

On 23 February 2010, the Board of Directors decided, among other things, to appoint Ambrogio Caccia Dominioni Chairman and Chief Executive Officer, assigning to the latter, for all the period of his office, the legal representation of the Company, the following powers with separate signature, by specifying that the Chief Executive Officer is entrusted with the task of overseeing all business sectors, observing and enforcing the regulations in force:

- 1) purchasing, exchanging and carrying-out each negotiation and transaction, also secured by pledge on goods, equipment and moveable property in general, also entered in public registers of an amount not greater than Euro 2,000,000.
- 2) selling goods, equipment and moveable property in general, also entered in public registers of an amount not greater than Euro 5,000,000.
- 3) drawing up purchase contracts of equipment limited to acts which, individually, imply commitments of amount not greater than Euro 1,500,000.00.

- 4) drawing up, with all the appropriate clauses, including the arbitration clause, amending, rescinding, transferring and purchasing for disposal lease contracts with a period of validity not greater than nine years.
- 5) participating in tenders called by the state administration, by public and private bodies for the supply of goods and services, presenting offers, and, in the case of award, signing the relevant contracts of amount not greater than Euro 1,000,000.00.
- 6) drawing up, with all the appropriate clauses, including the arbitration clause, amending and rescinding rental, transport, procurement, bailment, staff leasing and work contracts and agreements, and contracts covering services rendered in general, insurance, mediation, commission, shipment, agency, deposit with the State administration, with public and private bodies and, in particular, with the Administration of State Railways of an amount not greater than Euro 1,000,000.
- 7) signing and withdrawing import bank clearances, signing and affixing approvals on invoices, on certificates of circulation, on the requests and declarations required for the above transactions.
- 8) carrying out and taking on loans from banks in general in any manner, including the provisions valid for bank current accounts uncovered or otherwise, agreeing and accepting bank credits with each bank, by specifying in this regard that the request for the granting of non self-liquidating credit lines of an amount not greater than Euro 4,000,000.00; requesting bank guarantees and issuing the relevant claimers, requesting for the opening of documentary credits on Italy and Abroad.
- 9) endorsing, collecting and marking as paid bills of exchange; drawing bills on third parties.
- 10) requesting the issue, accepting, endorsing for disposal and as collateral securities representing goods.
- 11) requesting the drawing of bills up to Euro 100,000 for each document.
- 12) purchasing, transferring or providing government bonds or equivalents as collateral.
- 13) carrying out acts and operations with public debt, Deposits and Loans Fund, Treasury, the Issuing Institution, post and telegraphic offices, customs offices, railway, navigation and transportation, insurance companies, and with any other public or private administration or office, tax or otherwise, and including the offices of the State and of the Regions and local authorities, with the right, among other things, to file declarations carrying out, if necessary, the relevant payments, lodging appeals, collecting and assigning credits for any reason of an amount not greater than Euro 2,000,000, collecting goods, securities, parcels, values, bills, registered or insured letters, allowing constraints and releases, collecting amounts, orders, treasury bills, bank drafts, cheques of any kind, caution money of any nature, giving regular receipts and discharges.
- 14) intervening and competing in auctions, also by court order, tendering and bidding for supply contracts, carrying out all the transactions and drawing up all the relevant deeds and contracts towards the persons concerned of an amount not greater than Euro 1,500,000.
- 15) issuing declarations of conformity and suitability, for all purposes, for works carried out by third parties, subject to control and testing, establishing the state of progress of the works for the purposes of settlement of accounts, challenging any default and carrying out transactions.
- 16) serving protests, notifying injunctions, carrying out preventive measures and executions, intervening in bankruptcy and composition proceedings, proving debts declaring the truth.
- 17) drawing up trade-union agreements with trade-union representations and/or workers' associations, settling labour disputes.
- 18) signing the certificates of the withholding agent to be issued to the employees and self-employed workers, pursuant to Article 3, first paragraph of Italian Presidential Decree no. 600 of 29 September 1973.
- 19) hiring, dismissing and promoting employees, workers, executives and managers, both for contractual relationships and self-employed, establishing their functions, remunerations and all forms of incentive.
- 20) issuing general powers of attorney *ad negotia* or specific powers of attorney for deeds or categories of deeds, as well as procedures to each employee of the company within the limits of its powers.
- 21) representing the company with regard to any court, administration, tax office, ordinary and special, in any proceeding, instance and venue, therefore also during the Council of State, Cassation and Constitutional Court, with the powers to sign instances, appeals, minutes or documents, for any object, proposing and supporting administrative and legal actions requiring adjudication of substantive rights, executions and also bankruptcy proceedings, composition with creditors procedure, moratorium, fulfilling the relevant formalities and therefore issuing special powers of attorney to lawyers, general proxies and special warrant of attorneys and all this for all disputes relating to the company business.
- 22) signing the mail of the Company relevant to the granted powers.

The reason for assigning operational proxies to the Chairman of the Board of Directors lies in the consideration of the fact that Ambrogio Caccia Dominioni is one of the key figures who contributed significantly to the development of the Group and, since he has years of experience in the field of operations of the Group, and the fact that Ambrogio Caccia Dominioni is operational and has an important role in the management of the Company and the Group, he represents an important resource for the Group.

Reporting to the Board

Pursuant to Article 19 of the Articles of Association, the delegated bodies must report to the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, during the board meetings, on the activity carried on, on the overall operating performance and outlook, and on transactions of most significance, either due to their size or nature, carried out by the Company and its subsidiaries.

The Directors report to the Board of Auditors on the business carried on and on the major economic and financial operations performed by the company or by the subsidiaries; they report on the transactions in which one or more members are interested, on their own or on behalf of a third party, or those influenced by persons involved in the management and co-ordination activity of the Company in particular. The announcement is carried out during board meetings at least on a quarterly basis: when special circumstances make it appropriate, it may also be made in writing to the Chairman of the Board of Statutory Auditors.

4.5 Other Executive Directors

On 23 April 2010, the Board of Directors granted Alfredo Brignoli, Vice chairman of the Board of Directors, the powers set forth in Article 21 of the Articles of Association and precisely, in case of absence or impediment, even if temporary, of the Chief Executive Officer, the legal representation of the Company towards third parties and before the court as well as the company signature pursuant to Article 21 of the Articles of Association.

On 26 April 2010, the Board of Directors granted Gianluca Bolelli in case of absence or impediment of the Chief Executive Officer and of the vice chairman and only in the cases of emergency with separate signature, the following powers:

- 1) purchasing, exchanging and carrying-out each negotiation and transaction, also secured by pledge on goods, equipment and moveable property in general, also entered in public registers of an amount not greater than Euro 2,000,000;
- 2) selling goods, equipment and moveable property in general, also entered in public registers of an amount not greater than Euro 5,000,000;
- 3) drawing up purchase contracts of equipment limited to acts which, individually, imply commitments of amount not greater than Euro 1,500,000.00;
- 4) drawing up, with all the appropriate clauses, including the arbitration clause, amending, rescinding, transferring and purchasing for disposal lease contracts with a period of validity not greater than nine years;
- 5) participating in tenders called by the state administration, by public and private bodies for the supply of goods and services, presenting offers, and, in the case of award, signing the relevant contracts of amount not greater than Euro 1,000,000.00;
- 6) drawing up, with all the appropriate clauses, including the arbitration clause, amending and rescinding rental, transport, procurement, bailment, staff leasing and work contracts and agreements, and contracts covering services rendered in general, insurance, mediation, commission, shipment, agency, deposit with the State administration, with public and private bodies and, in particular, with the Administration of State Railways of an amount not greater than Euro 1,000,000;
- 7) signing and withdrawing import bank clearances, signing and affixing approvals on invoices, on certificates of circulation, on the requests and declarations required for the above transactions;
- 8) carrying out and taking on loans from banks in general in any manner, including the provisions valid for bank current accounts uncovered or otherwise, agreeing and accepting bank credits with each bank, by specifying in this regard that the request for the granting of non self-liquidating credit lines of an amount not greater than 4,000,000.00; requesting bank guarantees and issuing the relevant claimers, requesting for the opening of documentary credits on Italy and Abroad;
- 9) serving protests, notifying injunctions, carrying out preventive measures and executions, intervening in bankruptcy and composition proceedings, proving debts declaring the truth;
- 10) issuing general powers of attorney ad negotia or specific powers of attorney for deeds or categories of deeds, as well as procedures to each employee of the company within the limits of its powers;
- 11) representing the company with regard to any court, administration, tax office, ordinary and special, in any

proceeding, instance and venue, therefore also during the Council of State, Cassation and Constitutional Court, with the powers to sign instances, appeals, minutes or documents, for any object, proposing and supporting administrative and legal actions requiring adjudication of substantive rights, executions and also bankruptcy proceedings, composition with creditors procedure, moratorium, fulfilling the relevant formalities and therefore issuing special powers of attorney to lawyers, general proxies and special warrant of attorneys and all this for all disputes relating to the company business

12) signing the mail of the Company relevant to the granted powers.

Moreover, on 23 February 2010, the Board of Directors decided to assign Michele Milani, the position of Special Project Manager, as well as Supervisor of the Company's finance area with powers of direction.

4.6 Independent Directors

On 14 March 2012, the Board of Directors verified the independence requirements of the Directors qualified as such, with reference to the principles established by the Self-Regulatory Code of Conduct and by the Consolidated Law on Finance (T.U.F.).

With the approval of the Board of Statutory Auditors, the Board decided to assess positively the presence of the said requirements of the Directors Gioacchino Attanzio, Sergio Arnoldi, Guido Giuseppe Maria Corbetta and Leonardo Giuseppe Marseglia.

On the same date, the Board of Statutory Auditors assessed positively the correct application of the criteria and procedures used to ascertain the independence of its members adopted by the Board.

4.7 Lead Independent Director

On 23 February 2010, should the assumptions provided by the Code occur, i.e. if the Chairman is mainly responsible for the management of the Issuer (Chief Executive Officer), the Board appointed an Independent Director as lead independent director.

Director Gioacchino Attanzio has been called to this task.

5. Processing corporate information

In compliance with the provisions of the Self-Regulatory Code of Conduct, in addition to the provisions set forth in Articles 114 seventh paragraph and 115-bis of the Consolidated Law on Finance (T.U.F.), as well as Article 152-sexies et sequitur of CONSOB Regulation 11971/99, on 23 February 2010, the Board of Directors resolved to establish a special office for managing communications to the Market on Internal Dealing and approving its Code. This Code identifies the so-called "significant persons" and regulates the methods of communication to CONSOB and to the public of the operations carried out by them and concerning shares issued by the listed company or other financial instruments related to them.

Moreover, the Board resolved to adopt the Procedure concerning corporate communications presented during the meeting of 23 February 2010.

Both resolutions were effective as from 1 July 2010, first day of listing.

Therefore, following the listing, in order to raise the awareness of all the Personnel to the related issues, the Chairman and Chief Executive Officer, Mr. Caccia Dominioni, approved on 5 July 2010 the procedure for internal management and external communication of documents and information concerning the Issuer, with a special reference to inside information.

This procedure, called *Corporate Communication Policy*, considering the sensitivity of the subject matter for a newly listed company, was delivered to each employee and made available on the Company's Intranet.

6. Internal board committees (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))

The establishment and operation of the committees within the Board of Directors meet the following criteria, defined by the Self-Regulatory Code of Conduct of Borsa Italiana, which the company decided to adopt:

a) committees consist of not less than three members. However, in the issuers whose board of directors consists of not more than five members, the committees can consist of only two directors, as long as they are independent;

- b) the tasks of the individual committees are established with the resolution with which they are set up and can be supplemented or amended by subsequent resolution of the board of directors;
- c) the functions that the Code assigns to different committees can be distributed in a different way or entrusted to a number of committees lower than the one contemplated, provided that the composition rules indicated each time by the Code are observed and the achievement of the underlying objectives is ensured;
- d) the meetings of each committee are recorded;
- e) in the performance of their functions, the committees have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants, within the terms established by the board of directors. The issuer puts at the disposal of the committees adequate financial resources for the performance of their tasks, within the limits of the budget approved by the board;
- f) subjects who are not members can attend the meetings of each committee at the committee's invitation, with reference to each point of the agenda;
- g) the issuer provides adequate information, within the report on corporate governance, on the establishment and composition of the committees, on the contents of the office entrusted to them and on the activity actually carried out during the financial period, specifying the number of meetings held and the relevant attendance percentage of each member.

On 23 February 2010, the Board of Directors set up 2 committees: the Remuneration Committee and the Internal and Risk Control Committee. Each Committee refers periodically to the Board on the activities carried out.

The Internal Control Committee consists of 3 non-executive members, including two independent members and specifically:

- Sergio Arnoldi (Chairman)
- Gianluca Bolelli (Member)
- Gioacchino Attanzio (Member)

The Remuneration Committee of Tesmec S.p.A. consists of 3 non-executive members, including two independent members and specifically:

- Sergio Arnoldi (Chairman)
- Caterina Caccia Dominioni (Member)
- Gioacchino Attanzio (Member)

The Committee on Nominations Tesmec S.p.A. will be appointed in 2013 after the renewal of the Board of Directors.

It should also be noted that, on 30 November 2010, with the approval of the new Procedure for Related Party Transactions, the Board of Directors resolved to entrust the Internal Control Committee with the tasks of the Committee for Related Party Transactions indicated in the procedure (see paragraphs 10 and 12).

7. Appointment committee

The Board on November 9, 2012 has decided to proceed with the establishment of a committee to propose candidates for appointment to the position of director that allows the Company to adjust the system of corporate governance to all changes made by the Code of Conduct.

The appointment of the members will be made following the renewal of the Board of Directors in office at the date of this Report.

8. Remuneration committee

In order to adapt its corporate governance model to the recommendations contained in Article 7.P.3. of the Self-Regulatory Code of Conduct, the Board of Directors of the Issuer, in the meeting of 23 February 2010, resolved, among other things, to set up a remuneration committee (the "**Remuneration committee**").

During the financial period, the Committee met on 14 March 2012 and 11 May 2012 in order to consider a variable remuneration policy to the employees for 2012.

The Remuneration Committee is an advisory and proactive body with the main task of formulating to the Board of Directors proposals for the remuneration of Chief Executive Officers and of those holding special offices, as well as, on the advice of the Chief Executive Officers, to determine the remuneration criteria for the Company's executives with strategic responsibilities.

The establishment of this committee ensures the widest information and transparency on the remuneration of Chief Executive Officers and its calculation methods. However, it is understood that, in compliance with Article 2389, paragraph 3, of the Italian Civil Code, the Remuneration Committee has only proposing functions whereas the power to determine the remuneration of the directors vested with special tasks pertains in any case to the Board of Directors, after hearing the opinion of the Board of Statutory Auditors.

The Remuneration Committee is in charge of the tasks set forth in Article 7.C.3 of the Self-Regulatory Code of Conduct and, in particular:

- (a) it submits to the Board of Directors proposals for the remuneration of chief executive officers and other directors holding special offices, monitoring the implementation of the decisions adopted by the board itself;
- (b) it periodically evaluates the criteria adopted for the remuneration of executives with strategic responsibilities, ensures that these criteria are applied based on the information supplied by the chief executive officers and makes general recommendations to the Board of Directors in this regard;

The Remuneration Committee, in formulating its proposals and recommendations, requires that a significant portion of the total remuneration of Chief Executive Officers and Executives with strategic responsibilities is linked to the economic results achieved by the Company and/or to the achievement of the specific objectives previously indicated by the Board of Directors or, in the case of the above executives, by the Chief Executive Officers.

With reference mainly to the stock options and to the other share-based incentive plans, the Remuneration Committee submits to the Board of Directors its recommendations with reference to their use and to all the important technical aspects related to their formulation and application. In particular, the Remuneration Committee formulates proposals to the Board of Directors on the incentive plan considered advisable and monitors the trend and implementation of the plans over time.

In the performance of their functions, the members of the Remuneration Committee will have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants.

No director attends the meetings of the Remuneration Committee where proposals are submitted to the Board of Directors regarding his/her remuneration.

9. Remuneration of directors

Information relating to the remuneration of directors is contained in the report on remuneration, drawn up pursuant to Articles 123-ter of the Consolidated Law on Finance (T.U.F.) and 84-quarter of the Issuers' Regulation as well as in compliance with what is recommended by Article 7 of the Code, available to the public on the company's website (www.tesmec.com) and with the other methods provided for by the regulations in force.

Indemnity of directors in case of resignation, dismissal or termination of the relationship as a result of a public purchase offer (pursuant to Article 123-bis, paragraph 1, letter i), Consolidated Law on Finance (T.U.F.)

There are no agreements between the Issuer and the directors that provide for an indemnity in the event of resignation or dismissal/termination without just cause or if the employer-employee relationship is terminated following a public purchase offer.

For further information, reference is made to the report on remuneration, drawn up pursuant to Articles 123-ter of the Consolidated Law on Finance (T.U.F.) and 84-quarter of the Issuers' Regulation as well as in compliance with what is recommended by Article 7 of the Code, available to the public on the company's website (www.tesmec.com) and with the other methods provided for by the regulations in force.

10. Control and Risk Committee

In order to adapt its corporate governance model to the recommendations contained in Article 8.P.4. of the Self-Regulatory Code of Conduct, the Board of Directors of the Issuer, during the meeting of 23 February 2010, resolved to set up an internal control committee (the "**Internal Control Committee**") and at November 9, 2012 the BoD decided to call it Control and Risk Committee.

During 2012, the Control and Risk Committee met six times, on 14 March, 2 April, 11 May, 12 July, 9 November and 19 December.

The Chairman of the Board of Statutory Auditors (or an authorised Statutory Auditor) and the Executive Directors in charge of the operation of the Internal Control System, in addition to any other subject (e.g.: Head of Internal Control,

Manager responsible for preparing the Company's financial statements, Chairman of the Supervisory Body) attend the meetings, in this case at the Committee's invitation and with reference to each point of the agenda.

The Internal Control Committee is in charge of the tasks and functions set forth in Article 8.C.3 of the Self-Regulatory Code of Conduct and, in particular:

- (a) it assists the Board of Directors in the description, within the report on corporate governance, of the main elements of the internal control system, expressing its opinion on its overall adequacy;
- (b) it evaluates, together with the manager responsible for preparing the Company's financial statements and the auditing firm, the proper use of the accounting standards adopted and their homogeneity for the purposes of preparing the consolidated financial statements;
- (c) on request of the executive director, assigned if necessary, it expresses opinions on specific aspects concerning the identification of the main business risks, as well as the planning, implementation and management of the internal control system;
- (d) it considers the work plan prepared by the heads of internal control as well as their regular reports;
- (e) it considers the proposals made by the independent auditors in order to be entrusted with the relevant task, as well as the work plan prepared for the auditing, and the results shown in the report and in the letter of suggestions;
- (f) it supervises the effectiveness of the auditing process;
- (g) it carries out additional tasks entrusted by the Board of Directors;
- (h) it reports to the Board of Directors on the occasion of the approval of the financial statements and of the half-year report, on the business carried on and on the adequacy of the internal control system;
- (i) if requested, it provides a prior opinion to the Board of Directors on the occasion of the approval of significant transactions carried out by the Company with related parties as defined by IAS 24.

The Internal Control Committee carries out its task in a completely autonomous and independent way both with regard to chief executive officers - as regards the issues of safeguarding company integrity - and with regard to the independent auditors - as regards the assessment of the results exposed by them in the report and in the letter of suggestions.

Professional experiences of the current members of the Committee ensure adequate knowledge in accounting and financial matters within the Committee itself.

The meetings of the Internal Control Committee were recorded on a regular basis and special reports produced by the Head of the Internal Audit were brought to the attention of the Internal Control Committee and of the Board of Directors.

In the performance of their functions, the members of the Internal Control Committee have the right to access the information and business functions necessary to carry out their tasks, and to make use of external consultants.

On 30 November 2010, the Board of Directors approved the amendments to the regulation of the Internal Control Committee of 28 January 2009 in order to adapt it to the new tasks indicated in the procedure for related party transactions drawn up in the light of the new Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 (see paragraph 12).

On 26 April 2010, the Board of Directors appointed, pursuant to Article 8.C.6 of the Self-Regulatory Code of Conduct, the Head of Internal Control, identified in the person of Alberto Fasoli, Internal Audit manager of the company.

On 23 February 2010, the Board of Directors resolved to assign to the Internal Control Committee a yearly budget of Euro 15,000.

11. System of internal control and risk management

The internal control system is defined as a set of rules, procedures and organisational structures allowing, through an appropriate identification, measurement, management and monitoring process of the main risks, a safe and fair management of the company consistent with the objectives.

The Board of Directors is responsible for the internal control system. It defines the guidelines for the internal control and business risk management and verifies its operation on a regular basis with the help of the Internal Control Committee and the Head of Internal Control.

An efficient internal control system helps to ensure the protection of company assets, the efficiency and effectiveness of the company operations, the reliability of the financial information, the observance of laws and regulations.

Considering the characteristics of the enterprise, the Board of Directors of the Company considers appropriate the current internal control system.

The Board of Directors defines the guidelines for the internal control system and ensures that its own evaluations and decisions relating to the internal control system, the approval of financial statements and monthly reports and the relations between the issuer and the external auditor are supported by adequate investigation.

Key characteristics of existing risk management and internal control systems in relation to the process of financial reporting pursuant to Article 123-bis, paragraph 2, letter b), Consolidated Law on Finance (T.U.F.)

The need for compliance with the requirements of Italian Law 262/2005 has given rise during the financial period to a project that involved directly the entire company in order to:

- ensure that the internal control system currently in place is adequate to provide a reasonable certainty on the fair and correct representation of the economic and financial information produced;
- prepare adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements and every other financial communication.

In defining the entities and variables to be considered for the analysis and evaluation requirements of the project, in the absence of explicit methodological instructions contained in Italian Law 262/2005, an approach widely shared internationally was used; this approach was used for compliance activities required by Sarbanes Oxley Act of 2002 (Section 404).

This approach, defined by the Public Company Accounting Oversight Board (PCAOB) in the "Auditing Standard no. 2" document, provides directions to carry out an analysis as much as possible complete on the internal control system in order to obtain a comprehensive evidence of its operation.

These directions concern:

- the extent of the area on which to analyse and evaluate the controls, defined on the basis of the relevant weight that the variables to be considered must have on the main items of the financial statements;
- the quantitative dimension that the financial statement items must have in order to be considered relevant;
- the determination of the processes for which it is considered appropriate to assess the controls.

After defining the relevant business processes, they were analysed in detail to define the mapping of activities and associated risks.

On the basis of the identified (related) risks, the existing controls were reported whereas any control still missing or to be optimised was defined.

This project has led to implement an adequate control structure to mitigate the risks that arose during mapping, bringing the company's exposure within limits appropriate to the "Risk Tolerance" considered acceptable by the Board of the company.

11.1 Executive Director in charge of the internal control system

On 23 February 2010, the Board of Directors of the Company resolved to appoint Michele Milani Executive director in charge of supervising the functionality of the internal control system, assigning him, in compliance with Article 8.C.5 of the Self-Regulatory Code of Conduct the task of:

- seeing to the identification of the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them on a regular basis to the Board of Directors;
- implementing the guidelines defined by the Board of Directors, by designing, implementing and managing the internal control system, constantly verifying its overall adequacy, effectiveness and efficiency; seeing also to the adaptation of this system to the trend of operating conditions and of the legislative and regulatory outline;
- proposing to the Board of Directors the appointment, removal and remuneration of the Head of Internal Control.

During the course of the financial period, the Executive Director in charge implemented and transmitted to the Internal Audit function the guidelines defined by the Board on the management of the internal control system, verifying its actual implementation and consideration.

11.2 Head of Internal Control

The Board of Directors of 26 April 2010 appointed Alberto Fasoli - Internal Audit manager of the Company - as Head of Internal Control.

The Head of Internal Control was appointed officially by the Board of Directors, upon proposal by the Executive Director in charge of the internal control system and after hearing the opinion of the Internal Control Committee.

The task of the Head of Internal Control is to:

- verify the adequacy of the internal organisation and the actual operation of the system, ensuring that the main business risks are identified and properly managed;
- carry out his tasks by acting in accordance with the criteria of timeliness, reliability and efficiency and by reporting the results with objectivity and impartiality;
- report to the Board of Directors and Board of Statutory Auditors on a quarterly basis on the control activity carried out and establish the work program and the areas that need to be covered.

The Head of Internal Control of the company is not in charge of any operational area and does not depend hierarchically on any operating area manager, but works directly as staff of the Chairman of the Board of Directors.

During the financial period ended 31 December 2011, the Internal Auditor:

- had direct access to all the information useful for carrying out his task;
- reported on his work to the internal control committee, to the Board of Statutory Auditors and to the Executive Director in charge of supervising the functionality of the internal control system.

The Head of Internal Control is identified with the internal audit function.

11.3 Organisational Model pursuant to Legislative Decree 231/2001

With the resolution of the Board of Directors of 23 February 2010, the Company adopted a new Organisational Model (the "**Model**") aimed at ensuring fair and transparent conditions in running the company business, to protect its own position and image and those of the companies of the Group, the expectations of its own shareholders and the work of its own employees and tailored on the specific needs determined by the coming into force of Legislative Decree no. 231/2001.

The adoption of the Model is a fundamental requirement for the listing at the STAR segment of Borsa Italiana.

The Supervisory Body consists of Antonino Tricomi, Lorenzo G. Pascali, as Chairman of the Body itself and Stefano Chirico, statutory auditor of the Company. The Body will hold office until the Board of Directors that appointed it holds office (therefore until the approval of the Financial Statements as at 31 December 2012) and is eligible for re-election.

The Supervisory Body, during the financial period ended 31 December 2012, met 4 times in order to verify the adequacy of the organisational model in relation to the development of the regulations, jurisprudential interpretations and any different configuration of business risks.

The specific Risk Assessment task carried out during the update of the Model has led to consider sensitive for the company the following offences, thus included in the Organisational, Management and Control Model:

- offences committed in relationships with the public administration;
- corporate crimes;
- offences of market abuse;
- transnational and organised crime offences;
- offences relating to health and safety at work;
- offences of receiving, laundering and using money, goods or benefits of unlawful origin;
- crimes with the purpose of terrorism;
- crimes against individuals;
- computer crimes;
- crimes against industry and trade;
- offences relating to violation of copyright.

The Organisational, Management and Control Model is available on paper at the premises of the Personnel Department for consultation, as well as available on the company's Intranet.

On August 3, 2012, the Board of Directors approved to adopt amendments to the 231 model in the field of environmental offenses provided for by Legislative Decree 121/2011.

11.4 Independent Auditors

The Company appointed Reconta Ernst & Young S.p.A. to carry out the auditing, which refers both to the auditing of the financial statements and to the interim auditing concerning the regular keeping of the accounts.

The office also includes the powers provided by the Italian Civil Code, as amended by Legislative Decree 6/2003 on audit and was entrusted until the approval of the financial statements as at 31 December 2018 with resolution of the Shareholders' Meeting on 26 April 2010, as approved by the Board of Statutory Auditors.

11.5 Manager responsible for preparing the Company's financial statements

Pursuant to Article 19 of the Articles of Association, the Board of Directors, subject to obtaining the mandatory opinion of the Board of Statutory Auditors, appoints the manager responsible for preparing the Company's financial statements pursuant to Article 154-bis Consolidated Law on Finance (T.U.F.), granting him adequate powers and means to perform the duties assigned to him.

The manager responsible for preparing the Company's financial statements must have the requirements of professional standing characterised by a qualified experience in the carrying out of administrative and auditing tasks or carrying out managerial or advisory functions, also in relation to the function of drafting and control of company and accounting documents.

When appointing, the Board ascertains whether the manager responsible for preparing the Company's financial statements satisfies the current legal requirements and the requirements of these Articles of Association.

Moreover, the Board of Directors ensures that the manager responsible for preparing the Company's financial statements has adequate powers and means to perform the duties assigned to him pursuant to the law, as well as compliance with administrative and accounting procedures.

The Company on 23 February 2010 appointed Andrea Bramani as Manager responsible for preparing the Company's financial statements.

12. Directors' interests and transactions with related parties

On 30 November 2010, the Board of Directors, subject to the favourable opinion expressed unanimously by the committee consisting of the members of the Supervisory Body approved a Procedure for Related Party Transactions governing the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of Related Party Transactions carried out by the Company, directly or through companies controlled by it, in accordance with what is provided by the CONSOB Regulation adopted with resolution no. 17221 of 12 March 2010, as amended later with resolution no. 17389 of 23 June 2010 (the "Related Party Regulation").

It should also be noted that the above procedure was applied to the transactions approved as from 1 January 2011 and that, as from the same date, the Code on Related party transactions previously adopted has been cancelled.

The aim of the Procedure for Related Party Transactions, available on the website of the Company, is to define the rules, procedures and principles to ensure transparency and the substantial and procedural correctness of transactions with related parties carried out by the Company, directly or through companies controlled by it.

12.1 Related Party Transactions - investigation and approval

Since the Company is a "small-sized company" pursuant to Article 3, paragraph 1, letter f), Related Party Regulation, it makes use of the right to apply, in compliance with Article 10 of the Related Party Regulation, to the Related Party Transactions of major importance, the procedure established for the Related Party Transactions of Minor Importance illustrated below and contained in Article 5 of the Procedure. The Board of Directors of the Company or the competent delegated body approves the Related Party Transactions, subject to the reasoned and non-binding opinion of the Committee for transactions with related parties, on the interest of the Company to carry out the Transaction as well as on the convenience and substantial correctness of the relevant conditions.

In order to allow the Committee for transactions with related parties to issue a reasoned opinion on this matter:

(i) the Function Manager must provide in reasonable advance to the Company Secretary's Office/Company Business Management complete and adequate information concerning the Transaction with Related Parties. In particular, such information must concern the nature of the relation, the main terms and conditions of the Transaction, the timing, the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Company Secretary's Office/Company Business Management sends this information to the Committee; and

(ii) if the Committee for transactions with related parties deems it necessary or appropriate, it may avail itself of the advice of one or more independent experts of its choice. Experts are selected among professionally recognised persons competent on these subjects of interest, whose independence and absence of conflict of interest is assessed.

The Committee for transactions with related parties must issue in time for the approval of the Transaction with related parties its opinion and must promptly provide the body competent to decide the approval of the Transaction with related parties with adequate information concerning the investigation carried out on the Transaction to be approved. Such information must concern the nature of the relation, the main terms and conditions of the Transaction, the timing, the valuation procedure used and the reasons underlying the Transaction as well as any risk for the Company and its subsidiaries. The Committee must also send to the body competent to decide the approval of the Transaction also the other opinions issued in connection with the Transaction.

12.2 Related Party Transactions carried out by means of subsidiaries

Operations carried out by means of subsidiaries must be subject to the non-binding opinion of the Committee for transactions with related parties, which issues its opinion in time in order to allow the competent body to authorise or examine or evaluate the Transaction.

12.3 Application of the Procedure for Related Party Transactions

The Management Board set up internally a Committee for transactions with related parties consisting of three non-executive board directors and predominantly independent, appointed by the Board of Directors in the persons of Giocchino Attanzio – Chairman – Sergio Arnoldi and Caterina Caccia Dominioni. (see paragraph 10.1).

During 2011, the Company published an informative document relating to a Related Party Transaction of Major Importance, available on the website www.tesmec.com in the "Governance" section.

13. Appointment of statutory auditors

The Shareholders' Meeting is vested with the appointment of the Statutory Auditors and the Chairman of the Board of Statutory Auditors. The procedures for presenting the lists with the proposals for appointment and voting are governed by the Articles of Association.

Pursuant to Article 22 of the current Articles of Association, the Board of Auditors consists of three Statutory Auditors and two Alternate Auditors who remain in office for three financial periods; their office terminates on the date the ordinary Shareholders' Meeting is convened to approve the financial statements relating to the third financial year of their office; they can be re-elected.

The Board of Directors in office was appointed by the Shareholders' Meeting of 23 February 2010 and will remain in office until approval of the financial statements ended 31 December 2012.

The members of the Board of Statutory Auditors are domiciled for this appointment at the premises of the Company.

All the members of the Board of Statutory Auditors have the requirements of professional and honourable standing required by Article 148 of the Consolidated Law on Finance (T.U.F.) and by the Implementation regulation adopted with decree of the Ministry of Justice no. 162/2000.

Pursuant to Article 22 of the Articles of Association, the Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders, in accordance with the procedures set forth in the following paragraph, except for different and further provisions provided by mandatory rules of law or regulations.

The minority shareholders - which are not an associate or a subsidiary, direct or indirect, pursuant to Article 148, paragraph 2, of the Consolidated Law on Finance (T.U.F.) and relevant regulations - are entitled to elect a Statutory Auditor as Chairman of the Board, and an Alternate Auditor. The minority Statutory Auditors are elected at the same time of the other members of the supervisory body (except for cases of replacement), regulated later.

The Shareholders who, when the list is presented, own a stake - on their own or together with other Shareholders presenters - at least equal to the one determined by CONSOB pursuant to Article 147-ter, paragraph 1, of the Consolidated

Law on Finance (T.U.F.) and in compliance with what is provided by the Issuers' Regulation, can present a list for the appointment of the members of the Board of Statutory Auditors.

Lists are filed at the registered office at least 25 (twenty-five) days before the date set for the Shareholders' Meeting convened to deliberate, in first call, on the appointment of the Statutory Auditors. Moreover, lists must be made available to the public by the Company without delay and any way at least 21 (twenty-one) days before the date set for the Shareholders' Meeting, under the terms prescribed by the laws in force.

The lists must contain the names of one or more candidates for the position of Statutory Auditor and of one or more candidates for the position of Alternate Auditor. The name of the candidates are marked in each section (Statutory Auditor section, Alternate Auditor section) by a progressive number and in numbers not exceeding the members to be elected.

The lists also contain, as an enclosure:

(a) indication of the identities of the shareholders who presented the lists and the percentage of the overall shareholding, proved by an appropriate communication, without prejudice to what is indicated by Article 147-ter, paragraph 1-bis, of the Consolidated Law on Finance (T.U.F.);

(b) a declaration of the shareholders other than those holding, jointly or otherwise, a controlling interest or a relative majority interest, certifying the absence of any associate or subsidiary relation contemplated by Article 144-quinquies of the Issuers' Regulation with the latter;

(c) an exhaustive document regarding the personal and professional characteristics of candidates as well as their declaration certifying the possession of the requirements provided by law, and acceptance of candidature, accompanied by the list of management and control positions held by them in other companies;

(d) any additional or different privacy declaration, informative report and/or document provided for by law and by applicable regulations.

The lists presenting a total number of candidates equal to or greater than three must include candidates belonging to both genders, in such a way that at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Statutory Auditor and at least one third (rounding up, if necessary, to the higher integer) of the candidates for the position of Alternate Auditor belongs to the less represented gender.

The lists presented without observing the provisions above will be considered as having not been presented.

In the event in which, on the deadline for the presentation of the lists, only one list has been presented or only lists presented by shareholders related to one another on the basis of the applicable regulations, lists may be presented up until the fifth day following said date. In this case, the thresholds provided above for presenting the lists are reduced by half.

A shareholder cannot present or vote more than one list, albeit by proxy or through a trust. The shareholders belonging to the same group and the shareholders that join a shareholders' agreement that concerned shares of the issuer, cannot present or vote more than one list, albeit by proxy or through a trust. Memberships and votes in violation of this prohibition will not be attributable to any list. Each candidate can come up in one list under penalty of ineligibility.

The Statutory Auditors are elected as follows:

(i) two Statutory auditors and an Alternate auditor are drawn from the list that obtained the highest number of votes ("Majority List"), in the sequential order in which they appear on the list;

(ii) a Statutory Auditor, who must act as Chairman of the Board of Statutory Auditors ("Minority Auditor") and an Alternate Auditor ("Minority Alternate Auditor") are drawn from the second list that obtained the highest number of votes and that is not connected directly or indirectly with the Shareholders who presented or voted the Majority List pursuant to the applicable provisions ("Minority List"), in the sequential order in which they appear on the list".

In the event that the lists obtain the same number of votes, the list presented by shareholders owning the largest stake when the list is presented, or, subordinately, the one presented by the greatest number of shareholders, prevails.

If, with the procedures described above, the compliance of the composition of the Board of Statutory Auditors with the pro tempore regulations on gender balance in force is not ensured, the necessary replacements will be made, within the candidates for the position of Statutory Auditor of the Majority List, in the sequential order in which they appear on the list.

If only one list is presented, the Shareholders' Meeting will vote on it and if it obtains the relative majority of voters, without taking account of abstentions, all the candidates listed for these positions will be elected Statutory and Alternate Auditors. In this case, the Chairman of Board of Statutory Auditors is the first candidate as Statutory Auditor.

In the absence of lists, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with the quorum required by law, in compliance with the pro tempore regulations on gender balance in force.

If, for any reason, the Majority Auditor is no longer available, he/she is replaced by the Alternate Auditor drawn from the Majority List.

If, for any reason, the Minority Auditor is no longer available, he/she is replaced by the Minority Alternate Auditor.

The Shareholders' Meeting, as provided by Article 2401, paragraph 1 of the Italian Civil Code, appoints or replaces in compliance with the principle of necessary representation of minorities and in compliance with the pro tempore regulations on gender balance in force."

14. Statutory auditors (pursuant to Article 123-bis, paragraph 2, letter d), Consolidated Law on Finance (T.U.F.))

The Board of Directors in office was appointed by the Shareholders' Meeting of 23 February 2010 for three financial periods, i.e. until the date of the Shareholders' Meeting convened to approve the financial statements ended 31 December 2012.

The breakdown for this item is as follows:

- Simone Cavalli (Chairman)
- Stefano Chirico (Statutory auditor)
- Claudio Melegoni (Statutory auditor)
- Attilio Marcozzi (Alternate auditor)
- Stefania Rusconi (Alternate auditor)

As from 1 January 2012 until 31 December 2012, date of end of reporting period, the Board of Statutory Auditors in office met 12 times of which 6 in joint session with the Control and Risk Committee.

During the current financial period, 10 meetings are planned including 2 already held (1 in joint meeting with the Control and Risk Committee).

The meetings of the Board of Statutory Auditors had an average duration of 2 hours and recorded a regular attendance of the Statutory Auditors (the overall attendance percentage is 100%, whereas the attendance percentage of each member at the meetings is indicated in the enclosed Table 3).

Information concerning the personal and professional characteristics of each statutory auditor currently in office is provided below:

Simone Cavalli, born in 1965 in Bergamo, graduated in Business and Economics from the University of Bergamo in 1992. He is enrolled with the Register of Auditors since 2003.

Simone Cavalli began his professional career in 1992 at the auditing firm Arthur Andersen S.p.A., and was appointed executive officer and member of the Transaction Advisory Services in 1999.

Since 2004, Cavalli has been a partner of the Firm Studio per il Controllo Contabile - corporate analysis and assessment, where he deals with the auditing of separate and consolidated financial statements, accounting and financial due diligence and consultancy services in the administration, finance and control area.

Stefano Chirico, born in 1967 in Milan, graduated from the Università Cattolica del Sacro Cuore of Milan with a degree in Economics and Banking in 1995. He is enrolled with the Register of Chartered Accountants since 1996 and of Auditors since 1999; he is a partner of the firm with his namesake, Studio Chirico Commercialisti Associati. Chirico is also a member of the board of directors of Milan Polytechnic University (2008-2010) and expert of the Court of Lecco for court-appointed expert opinions and for bankruptcy proceedings, whereas upon authorisation of the Bank of Italy he is a risk manager of a securities fund from 2007 until 2011.

Stefano Chirico is also a member (former Chairman) of the committee for the management consultancy of the Register of Chartered Accountants of Lecco, Chairman of the board of auditors of the Chamber of commerce for industry agriculture and handicraft of Lecco and was an auditor of Unioncamere Lombardia from 2005 to 2008.

Chirico is currently a member of 5 board of directors and 16 boards of statutory auditors of several companies and multinational groups with big dimension.

Claudio Melegoni, born in 1954 in Bergamo, graduated in Business and Economics from the University of Bergamo in 1981. He is enrolled with the Register of Chartered Accountants since 1983, of Court-appointed experts at the Court of Bergamo since 1987 and of Register of Auditors since 1995.

Melegoni is a director of the Association of Certified Public Accountants and Bookkeepers of Bergamo since 1989, delegate of the Board for the International Law and Tax System Committee and he was also member of the Research Committee for Professional Companies at the National Association of Certified Public Accountants and Bookkeepers from 1989 to 1991.

In 1989, after a period of collaboration with a major consulting firm in Bergamo, Claudio Melegoni was among the founders of Studio Fumagalli - Studio Associato di Dottori Commercialisti, based in Milan and Bergamo and in 1996 of Studio Associato Taschini, based in Bergamo.

Pursuant to Article 10 of the Self-Regulatory Code of Conduct, the Auditors operate autonomously and independently and, therefore, they do not "represent" the majority or minority of those who indicated or elected them.

The Auditors must maintain strictly confidential the documents and information acquired when carrying out their tasks, and must observe the procedure adopted for the external communication of documents and information concerning the company.

The Board of Statutory Auditors carries out the tasks and activities required by law. The Board of Statutory Auditors must meet at least every ninety days. The resolutions of the Board of Statutory Auditors are passed with the presence of the majority of the statutory auditors holding office and with the favourable vote of the absolute majority of those present.

Moreover, the Statutory Auditors can collectively and individually ask the Directors for news and clarifications on the information received and more in general on the performance of company operations or certain businesses, as well as carry out at any moment inspections and controls and request information, as provided by the law. Two members of the Board of Auditors are also entitled, jointly, to convene the Shareholders' Meeting.

The Board of Statutory Auditors supervised the independence of the auditing firm, ensuring its compliance with prevailing laws and the nature and type of services other than auditing services provided to the Issuer and its subsidiaries by the Auditing Firm and the entities belonging to its network.

In carrying out its activities, the Board of Statutory Auditors collaborated with the Head of Internal Control - Internal Audit Function Manager - and with the Internal Control Committee.

15. Investor relations

In accordance with what is provided by Article 11 of the Self-Regulatory Code of Conduct, the Board of Directors of the Company promotes works directed towards encouraging the widest possible attendance to the Shareholders' Meeting and facilitating the assertion of the Shareholders' rights.

Moreover, the Board of Directors work actively towards establishing a dialogue with the shareholders based on the understanding of each other's roles.

In compliance with the provisions of Article 2.2.3, third paragraph, letter i) of the Regulation of Borsa Italiana S.p.A., the Company appointed Marco Cabisto as the person in charge of the relations with institutional investors and with other shareholders (Investor Relator) with the task of seeing to the dialogue with the Shareholders and institutional investors

The Investor Relator is entrusted with the task of organising meetings with investors and the financial community to illustrate the strategies and the performance of the Company. In any case, the possibility of giving rise to communications on significant events before they are communicated to the market is excluded.

To encourage the dialogue with investors, the Company created a section called Investor Relations on its website www.tesmec.it, where the information concerning the Company is published.

16. Shareholders' meetings (pursuant to Article 123-bis, paragraph 2, letter c), Consolidated Law on Finance (T.U.F.))

As a rule, all the directors attend the meetings. The directors, in accordance with Article 11 of the Self-Regulatory Code of Conduct, do their best to encourage the attendance of the shareholders.

The Shareholders' Meetings are also an occasion for informing the Shareholders on the issuer, in compliance with the rules on inside information. In particular, the board of directors reports during the Shareholders' Meeting on the activity carried out and planned and does its best to ensure adequate disclosure to Shareholders on the elements required so that they can take, in full cognition of the facts, the decisions pertaining the Shareholders' Meeting.

The Articles of Association of the Company contain provisions in compliance with what is provided by the Italian Civil Code and by the Consolidated Law on Finance (T.U.F.) on the protection of minorities.

Pursuant to Article 7 of the Articles of Association, the ordinary and extraordinary Shareholders' Meeting, is convened in a single call. The notice of call containing the date, time, place of the meeting and the agenda, published in the Official Gazette of the Italian Republic at least fifteen days before the date set for the Shareholders' Meeting.

On 14 March 2012 the Board of Directors of Tesmec SpA voted to amend the first paragraph of Article 7 of the Articles of Association in accordance with the Legislative Decree no. n. 91, 2012, stating that the Company's shareholders - both in ordinary and extraordinary session - takes place in a single call and is held and resolutions with the majorities required by law.

If and until the shares are traded on a regulated market, the Assembly shall be convened within the time and in the manner laid down under the force at the time, as an exception to the provisions in paragraph 1 of Art 7 of the Article of Association.

The shareholders' meeting is convened under the terms and procedures established by the regulations in force each time, also making an exception to what is provided by the previous paragraph.

The agenda of the Shareholders' meeting is established by the person who exercises the power to call meetings pursuant to the law and to the Articles of Association or, should the call be carried out at the request of the shareholders, on the basis of the agenda.

Pursuant to Article 8 of the Articles of Association, those who have the right to vote may attend the Shareholder's Meeting. They are entitled to attend a meeting by sending the notice of the intermediary who keeps the accounts, pursuant to the law.

Those entitled to attend the Shareholders' Meeting may give a written proxy for the attendance and the vote, in accordance with the provisions of the law.

As specified by Article 9 of the Articles of Association, each share has one voting right.

During the financial period, the Shareholders' Meeting was held on 10 January 2012 and 26 April 2012.

The Board of Directors has not provided a meeting regulations and the celebration of the following as specified by law that ensures proper conduct of the meeting and ensure each shareholder the execution of his rights.

17. Other Corporate Governance practices

At the date of this Report have not been adopted additional corporate governance practices than those outlined above.

18. Changes since the end of the financial year

On February 1, 2013 is terminated the employment relationship with Dr. Alberto Fasoli, who held the Internal Audit function, as a result of this, the Company has outsourced the job to the Interim Dr. Maurizio Brigatti. On 14 March 2013 the Board of Directors of Tesmec SpA resolved to amend the Articles of Association in accordance with the Legislative Decree 91 of 2012 in terms of the single call of the Shareholders.

Grassobbio, 14 March 2012

The Chairman of the Board of Directors
Ambrogio Caccia Dominioni

Annexes

Table 1: Information on Ownership Structure

Share capital structure				
	No. of shares	% of share capital	Listed (indicate the markets)/not listed	Rights and Obligations
Ordinary shares	107,084,000	100%	Italian Electronic Stock Market, STAR segment, managed by Borsa Italiana S.p.A.	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-

Significant equity investments			
Declarer	Direct shareholder	% on ordinary capital	% on ordinary capital
Albemarle Asset Management Limited	Albemarle Asset Management Limited	2.101%	2.101%
Marseglia Leonardo Giuseppe	Italiana Alimenti S.P.A	5.336%	5.336%
Gianluca Vacchi	3T Finanziaria SPA	7.446%	7.446%
Lazard Freres Gestions S.A.S.	Lazard Freres Gestions S.A.S.	2.073%	2.073%
TTC Srl	FI.IND S.P.A.	12.544%	12.544%
	TTC S.R.L	30.301%	30.301%

Table 2: Structure of the Board of Directors and of the Committees

BOARD OF DIRECTORS											Internal Control Committee		Remuneration Committee	
Office	Members	In office since	In office until	List (M/m) *	Executive	Non-executive	Indep. based on Code	Indep. based on TUF	(%) **	No. of other offices ***	****	**	****	**
Chairman and CEO	Ambrogio Caccia Dominioni	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M	X				100	8				
Vice Chairman	Alfredo Brignoli	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M	X				100	4				
Vice Chairman	Gianluca Bolelli	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X			100	19	X	83		
Director	Michele Milani	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M	X				100	2				
Director	Caterina Caccia Dominioni	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X			100	0			X	100
Director	Gioacchino Attanzio	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X	X	X	88	4	X	100	X	100
Director	Gianluca Vacchi	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X			38	12				
Director	Sergio Arnoldi	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X	X	X	100	22	X	83	X	100
Director	Guido Giuseppe Maria Corbetta	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X	X	X	38	3				
Director	Luca Poggi	23/02/2010	Approval of the Financial Statements as at 31/12/2012	M		X			25	16				
Director	Leonardo Giuseppe Marseglia	10/01/2012	Approval of the Financial Statements as at 31/12/2012	M		X	X	X	50	3				
<i>Number of meetings held during the Financial year of reference</i>					<i>The Board of Directors: 8</i>			<i>Control and Risk Committee: 6</i>			<i>Remuneration Committee: 2</i>			

NOTES

* In this column, M/m indicates whether the member has been elected from the majority (M) or minority (m) list.

** This column shows the percentage of attendance of the Directors at the Board and Committee meetings, respectively (no. of attendance/no. of meetings held during the actual term of office of the person concerned).

*** This column shows the number of offices as director or auditor held by the interested subject in other companies listed on controlled markets - including foreign - in holding, banking, insurance or big-sized companies. The list of these companies must be enclosed with this Report with reference to each director, by specifying whether the company in which the position is held is part or not of the group that refers to the Issuer or of which the Issuer is part.

**** An "X" in this column indicates that the Board Member belongs to the Committee.

Table 3: Structure of the Board of Statutory Auditors

BOARD OF STATUTORY AUDITORS							
Office	Members	In office since	In office until	List (M/m) *	Indep. based on Code	(%) **	No. of other offices ***
Chairman	Simone Cavalli	23/02/2010	Approval of the Financial Statements as at 31/12/2012	-	X	100	13
Statutory Auditor	Claudio Melegoni	23/02/2010	Approval of the Financial Statements as at 31/12/2012	-	X	100	13
Statutory Auditor	Stefano Chirico	23/02/2010	Approval of the Financial Statements as at 31/12/2012	-	X	100	21
Alternate Auditor	Attilio Marcozzi	23/02/2010	Approval of the Financial Statements as at 31/12/2012	-	X	n.a.	11
Alternate Auditor	Stefania Rusconi	23/02/2010	Approval of the Financial Statements as at 31/12/2012	-	X	n.a.	15

NOTES

* The appointment of the Board of Statutory Auditors currently in office was unanimously approved by the Shareholders' Meeting of Tesmec S.p.A.; it is stated that, at that time, Tesmec S.p.A. was not yet listed on the stock exchange.

** This column shows the percentage of attendance of the auditors at the BoSA (no. of attendance/no. of meetings held during the actual term of office of the person concerned).

*** This column shows the number of offices as director or auditor held by the person concerned relevant pursuant to Article 148 bis of the Consolidated Law on Finance (T.U.F.). The complete and updated list of the corporate offices is published by CONSOB on its website pursuant to Article 144-quinquiesdecies of the "Issuers' Regulation".

ANNEX A - List of existing offices held by the current members of the Board of Directors

The information relating to corporate offices held by the directors, relevant pursuant to Article 8, section 1 (Self-regulatory code of conduct) is reported below.

Name and Surname	Company	Office
Ambrogio Caccia Dominioni	Ambrosio S.r.l.	Director
	Promor Fondazione	Director
	Reggiani Macchine S.p.A.	Director
	TESMEC USA	Chairman of the Board of Directors
	Tesmec Service S.r.l.	Chairman of the Board of Directors
	Tesmec SA (Pty) LTD	Director
	M.T.S. S.p.A.	Director
	C.B.F. S.r.l.	Director
Alfredo Brignoli	Fi.Ind. S.p.A.	Director
	M.T.S. S.p.A.	Chairman of the Board of Directors
	CBF S.r.l.	Chairman of the Board of Directors
	Reggiani Macchine S.p.A.	Vice Chairman of the Board of Directors
Gianluca Bolelli	Bosfin S.p.A.	Statutory Auditor
	Damiani S.p.A.	Chairman of Board of Statutory Auditors
	E. Boselli & C. SpA	Statutory Auditor
	Gabel S.r.l.	Statutory Auditor
	La Provincia S.p.A. Editoriale	Statutory Auditor
	Si Lin Tsi S.r.l.	Statutory Auditor
	Tre Laghi S.p.A.	Statutory Auditor
	Comifin S.p.A.	Director
	Brugola Oeb Industriale S.p.A.	Director
	Oeb S.r.l.	Director
	Rubelli S.p.A.	Chairman of Board of Statutory Auditors
	Cfo Sim S.p.A.	Chairman of the Board of Directors
	Impar S.r.l.	Sole Director

	Mid Industry Capital S.p.A.	Member of the Supervisory Board
	Fedrigoni S.p.A.	Statutory Auditor
	Planetaria Hotels S.p.A.	Statutory Auditor
	Rubelli S.p.A.	Chairman of Statutory Auditor
	Ronchi Mario S.p.A.	Chairman of Statutory Auditor
	Ronchi Holding S.p.A.	Chairman of Statutory Auditor
Gianluca Vacchi	I.M.A. S.p.A.	Director
	SO.FI.M.A. S.p.A.	Director
	Cofiva Holding S.p.A.	Sole Director
	First Investments S.p.A.	Sole Director
	Cofiva S.A.	Director
	GV Finanziaria S.r.l.	Sole Director
	3T Finanziaria S.p.A.	The Chairman of the B.o.D.
	Eleven Finanziaria S.r.l.	Sole Director
	Boato Holding S.p.A.	The Chairman of the B.o.D.
	Boato International S.p.A.	The Chairman of the B.o.D.
	ToyWatch S.p.A.	The Chairman of the B.o.D.
	Lamp S.r.l.	Sole Director
Luca Poggi	IMA Industries S.p.A.	Director
	IMA S.p.A.	Director
	Vetriere Riunite S.p.A.	Director
	Finvetro S.p.A.	Director
	Opera SGR S.p.A.	Director
	Boato International S.p.A. Single-member company	Director
	Boato Holding S.p.A.	Director
	L.E. Partecipazioni S.r.l.	Sole Director
	Fariniundici S.r.l.	Chairman of the Board
	Corazza S.p.A.	Director
	CMH S.r.l.	Director

	CMRE S.r.l.	Director
	Toywatch S.p.A.	Director
	Società produttori sementi S.p.A.	Chairman of Board of Statutory Auditors
	Inver Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Fondazione Cassa Risparmio in Bologna	Member of the Board of Auditors
Michele Carlo Felice Milani	MiCapital S.r.l.	Sole Director
	Bioseutica B.V.	Director
Caterina Caccia Dominioni	-	-
Gioacchino Attanzio	F.Ili Rossetti S.p.A.	Director
	Ibigen Srl	Director
	Aidaf -Associazione Italiana delle Aziende Familiari	Director and General Manager
	C2I S.r.l.	Director
Sergio Arnoldi	Immobiliare Antonio Stoppani S.r.l.	Sole Director
	Anto S.r.l.	Sole Director
	Bombola S.r.l.	Sole Director
	Ambe S.r.l.	Sole Director
	Lemat S.r.l.	Sole Director
	Prefabbricati Lamera S.r.l.	Chairman of Board of Statutory Auditors
	Italcanditi S.p.A.	Chairman of Board of Statutory Auditors
	Minoronzoni S.r.l.	Chairman of Board of Statutory Auditors
	Consorzio Lottizzazione Biasca	Chairman of the Executive Board
	M.C.S. Officina Meccanica S.p.A.	Statutory Auditor
	Termoelettronica S.p.A.	Statutory Auditor
	P.M. S.r.l.	Statutory Auditor
	Ro.s. S.p.A.	Statutory Auditor
	Europea S.p.A. in liquidazione	Statutory Auditor
	I.G.I. S.p.A.	Statutory Auditor
	Soliveri S.r.l.	Statutory Auditor
	Gualini Lamiere International S.p.A.	Statutory Auditor

	Lartigianabottoni S.p.A.	Statutory Auditor
	Gualini Cutting S.p.A. in liquidazione	Statutory Auditor
	Progetto Commerciale S.r.l.	Statutory Auditor
	Nivalex S.p.a.	Statutory Auditor
	Cie S.p.A.	Alternate Auditor
	Metalfas Livraga S.p.a.	Alternate Auditor
Guido Giuseppe Maria Corbetta	Falck S.p.A	Vice Chairman of the Board of Directors
	Falck Renewables S.p.A.	Independent Director
	Fondo Italiano Piccole e Medie Imprese SGR S.p.A.	Independent Director
Leonardo Giuseppe Marseglia	Powerflor S.r.L.	Vice Chairman of the Board of Directors
	Nuova Enerfin S.p.A. in liquidation	Liquidator
	Ital Green Engineering S.r.l.	Director



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