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Report on Corporate Governance and ownership structure

INTRODUCTION

This Report describes the corporate governance system adopted by Italmobiliare S.p.A. (hereinafter also referred to as “Italmobiliare” or the “Company”).

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, (hereinafter the “Code of Conduct”, available on the website www.borsaitaliana.it) (hereinafter the “Code”). This Report also illustrates the reasons underlying the non-implementation of certain recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on 2 March 2017, is published in the section “*Governance/General Meetings*” on the Company’s website (www.italmobiliare.it).

The information contained in this Report refers to 2016 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

The format of this report complies with the “Formats for reports on corporate governance and ownership structures” by Borsa Italiana, VI Edition, January 2017.

1.0 PROFILE OF THE ISSUER - ITALMOBILIARE

Italmobiliare adopts the traditional governance model characterized by the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders’ Meeting, considering it the most suitable governance system to combine “efficient management” with “effective control”, and simultaneously pursue the satisfaction of the shareholders’ interests and enhancement of the management value.

The Company Corporate Governance system has been devised from the following codes and internal regulations, as well as the By-laws:

- 1) Code of Ethics;
- 2) Procedure on the management of confidential and inside information;
- 3) Code of Conduct (internal dealing);
- 4) Procedure for transactions with related parties;
- 5) Procedure to list the names of parties with access to inside information (the insider list);
- 6) Market sounding procedure;
- 7) Regulation by the Manager responsible for preparing the Company’s Financial Reports (*Dirigente Preposto*);
- 8) Organizational, management and control model

As noted above, the Corporate Governance system of the Company also complies with the provisions and standards set out under the Code, as with the exceptions described in more detail in this Report.

More specifically, as a result of the entry into effect of EU Regulation no. 596/2014 ("Market Abuse Regulation") and the relative application provisions, including the ESMA (Euro Securities and Markets Authority) recommendations, and the consultations with CONSOB (National Commission for Companies and the Stock Exchange) for issuers listed in Italy - the Risk Control Committee and the Board of Directors of the Company examined and approved - first on 29 November 2016, and then updated on 2 March 2017 - the new procedures "on confidential information and inside information" and on the "market sounding procedure", and adopted the new texts of the procedure "on listing the names of parties with access to inside information" ("Insider list"), with the previous version already approved by the Board of Directors on 21 March 2006, and the "Code of Conduct" (internal dealing), with the text having already been approved by the Board of Directors in the previous version on 13 November 2002 and subsequently updated on 20 February 2013.

The texts of the above mentioned documents are all available on the Company's website, except for: (i) the Regulation by the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), made available to the Directors, the Statutory Auditors, and the Finance, Administration and Control Directors of the Company and all the Group companies in electronic format; and (ii) only the special Part of the Organizational, Management and Control Model, also made available to all employees in the Company using electronic means.

The Company, as the holding company of the Group, has always been actively committed in modernizing its business culture in order to respond to the challenges arising from developments in corporate governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of corporate governance goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

The corporate governance structure adopted by the Company, as set up in the binding articles of the By-laws and the provisions of the above-mentioned codes and regulations, confirms and bears witness to Italmobiliare's commitment to comply with national and international best practices.

2.0 INFORMATION ON OWNERSHIP STRUCTURE

a) *Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented*

The share capital of Italmobiliare amounts to euro 100,166,937, divided into 23,816,900 ordinary shares with no face value.

The **ordinary shares** carry voting rights at the Company's ordinary and extraordinary shareholders' meetings.

Within the deadlines envisaged by the law in force, shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may send a request to integrate the items on the agenda of the shareholders' meeting proposing further issues for discussion or further resolutions on the items already on the Agenda. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

On 1 September 2016, all 16,343,162 **savings shares** of Italmobiliare, including both bearer shares (ISIN IT0000074614) and registered shares (ISIN IT0000074622) were converted into 1,634,317 ordinary shares (ISIN IT0000074598) with the same characteristics as those outstanding at the date the mandatory conversion took effect, including the economic rights valid for 2016. The last date for trading the savings shares on the stock exchange was 31 August 2016.

The new composition of Italmobiliare's share capital, as described above, was decided by the Extraordinary Shareholders' Meeting and the Special Meeting of the Savings Shareholders which approved the following on 4

August 2016: the proposal for an extraordinary preferred dividend for savings shareholders, the mandatory conversion of the savings shares into ordinary shares and the elimination of the nominal amount of the outstanding ordinary shares and savings shares. The By-laws were also updated on the same date, filed with the Milan Company Registrar and published in the “*Governance/Documentation /By-laws*” section on the website www.italmobiliare.it.

In accordance with the law, ordinary and savings shareholders who did not agree to the above-mentioned decisions were guaranteed the right of withdrawal, pursuant to article 2437, paragraph 1, letter g) of the Italian Civil Code.

In execution of the decisions relating to the conversion of the preference shares into ordinary shares:

- the extraordinary preferred dividend, representing a monetary amount of euro 80.00 and 3 ordinary shares of HeidelbergCement AG, listed on the Frankfurt stock exchange, for each group of 10 savings shares (both bearer and registered), was paid on 5 September 2016;
- in accordance with article 2437-*ter* of the Italian Civil Code, the liquidation value of the shares with the right of withdrawal amounted to: euro 26.64 for each savings share and euro 36.51 for each ordinary share.

At expiry of the term to exercise the above-mentioned right of withdrawal, on the basis of the information available to the Company:

- none of the ordinary shareholders with the right of withdrawal exercised said right;
- one (1) savings shareholder exercised the right of withdrawal for two (2) savings shares, corresponding to a total amount of euro 53.28.

The Company does not have any stock option plans either for directors or for managers. However, based on the right granted in the last few years for the stock option plans in force from time to time, cancelled for the unexecuted portion, as of the date hereof 287,500 options on the stock option plan for directors, and 170,524 options on the stock option plan for managers are exercisable.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above-mentioned options, have been issued by the Company.

b) Restrictions on share transfers

No restrictions exist on share transfers or on acceptance clauses.

c) Significant shareholders as disclosed pursuant to article 120 of TUF (Consolidated Finance Act)

The list of Shareholders who have significant shareholdings in the share capital at 31 December 2016 is shown below, in accordance with Company records pursuant to the communications made in accordance with article 120 of TUF.

Shareholder	No. Shares	% of ordinary share capital
Efiparind B.V. (indirectly and through Compagnia Fiduciaria Nazionale S.p.A.)	10,484,625	44.02
Serfis S.p.A.	2,288,942	9.61
Mediobanca S.p.A.	2,106,888	8.85
First Eagle Investment Management, LLC (as manager, among others, of the «First Eagle GlobalFund» which holds 5.02% of the ordinary share capital)	1,924,082	8.08
Italmobiliare (treasury shares)	874,014	3.67

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

e) Employee shareholdings: mechanism for exercising voting rights

There is no specific shareholdings' system for employees.

f) Restrictions on voting rights

The By-laws do not provide for restrictions on the exercise of voting rights.

g) Shareholders' agreements pursuant to article 122 of TUF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights and the transfer of such shares or any of the situations envisaged by art. 122 of TUF.

h) Change of control agreements and By-laws provisions on takeover bids

According to the policy to support its activity, the Company and some of its subsidiaries entered into loan agreements which, according to standard contractual practice, grant the lending organisation, in the case of a change of control of the Company, the right of withdrawal or the right to terminate the loan agreement early, with the consequent right to demand the remaining principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company's By-laws do not provide for waivers to the provisions of TUF related to the passivity rule nor the application of the breakthrough rule.

With reference to the agreements between the Company and its directors which envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid, please refer to the Remuneration Report published in accordance with article 123-ter of the TUF.

i) Authorizations to increase the share capital and purchase treasury shares

In execution of the extraordinary shareholders' resolutions of 29 May 2012, the Directors are granted with the powers, in once or more times within a period of five years from the resolution:

- under art. 2443 of the Italian Civil Code, to increase share capital once or more times up to a maximum amount of euro 260 million, free-of-charge or against consideration, by issuing ordinary and/or savings shares, also to serve bonds issued by other entities convertible into ordinary and/or savings shares of the company or that are combined with warrants for the subscription of ordinary and/or savings shares of the Company;
- under art. 2420-ter of the Italian Civil Code, to issue once or in various times bonds to be converted into ordinary and/or savings shares or with warrants to acquire ordinary and/or savings shares, up to a maximum overall amount of euro 260 million, in compliance with the terms and conditions established by the laws and regulations in force from time to time, with the consequent share capital increase to serve such conversion or the exercise of the captioned warrant.

All with the widest powers connected thereto, including those of offering the shares and convertible bonds or with a warrant according to the penultimate paragraph of art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last paragraph; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion ratios, terms and modes for the execution of the transactions.

The Company has not issued equity instruments of any kind, nor do the By-laws grant any power for their issue to directors as of the date hereof.

The shareholders' meeting of 21 April 2016 renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

Within the scope of the authorization decided on, the Company purchased 450,437 treasury savings shares during the year, and granted some of the shares held in its portfolio to stock options' beneficiaries, who exercised vested rights.

Therefore, on 31 December 2016, the Company held 874,014 ordinary treasury shares, equal to 3.67% of the share capital to be used to serve the "Stock option plan for directors" and the "Stock option plan for managers";

I) Management and coordination activity

Efiparind B.V. is the relative majority shareholder of Italmobiliare.

According to the last notice received as well as other information held by the Company, Efiparind B.V. indirectly holds, net of the treasury shares held by Italmobiliare itself, 45.7% of Italmobiliare's ordinary shares, representing the share capital with voting rights.

Pursuant to both art. 2497-sexies and art. 2359 of the Italian Civil Code, no company or entity exercises management and coordination activity over Italmobiliare.

3.0 COMPLIANCE

Italmobiliare complies with the Code approved by the Committee for Corporate Governance of Borsa Italiana on July 2015.

The Code can be accessed by the public on the website of the Committee for Corporate Governance of Borsa Italiana at the website: <http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>

However, the Board of Directors decided not to adhere to the recommendations of the Code regarding i) the establishment of the Appointment Committee and ii) the adoption of Shareholders' Meeting Regulations. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

The Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company's corporate governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to further enhance its trustworthiness towards investors.

4.0 BOARD OF DIRECTORS

The Board of Directors is responsible for defining the strategic direction of the Company and its Group and is in charge of its management. To this end, pursuant to the By-laws, it is vested with all the necessary powers for the ordinary and extraordinary management of the Company, since it is competent on everything that is not expressly reserved by law or the By-laws to the Shareholders' Meeting.

In addition to the powers conferred to it by law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, which is competent by law - in compliance with art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or at least 90% owned;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;

- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

The Board of Directors also has the task of passing resolutions regarding:

- transactions with a significant strategic, importance and impact on Italmobiliare financial position and results of operations, put in place by the Company itself and by its subsidiaries;
- transactions with related parties, as governed by specific company procedure and in compliance with the conditions provided therein.

The Board is also entrusted with i) the assessment on the overall operating performance, ii) the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge, under the powers delegated to him by the Board itself, iii) the granting of powers to the executive directors and iv) the determination of the remuneration of directors vested with special powers and key management personnel.

The Directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for Shareholders. They hold their office being aware that they can devote the necessary time for a diligent performance.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors, or exercises a competing business on its own or on behalf of third parties, or is a director or Chief Operating Officer of competitors.

4.1 Appointment and replacement of Board members

The Board decided not to adopt succession plans for Executive Directors.

The Company's By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the non-controlling shareholders obtain the minimum number of directors required by the law and should comply with the regulations in force concerning the gender balance.

Lists must be filed at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights not lower than that determined by Consob pursuant to the regulations in force.

No shareholder may file, or participate in filing, even through a third person or trust company, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

Pursuant to the By-laws, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender may be represented by at least

one third (rounded upwards) of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

- * accept their candidacy;
- * state, under his/her own responsibility:
 - the non-existence of causes of ineligibility;
 - possession of the good reputation requirements established by the law;
 - possession of any independence requirements that may be required by the law and the Code. The latter is a principle already contained in the Code of conduct originally adopted by the Company, now outmoded by the Code which the Company has complied with. The Board of Directors considered it appropriate to keep this principle in line with the best practices governing the matter.

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the Company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The Company By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office. A number of directors that is not less than the minimum amount required by law must possess the independence requirements provided under current legislation.

If the list filed does not comply with the above provisions will be considered as not presented.

At least 21 days before the Shareholders' Meeting date, the Company makes available the lists of candidates which have been filed by shareholders, along with the above-listed supporting documentation, at the Company premises, at the stock exchange and on its website,.

In the event of more than one list is filed:

- all the directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the non-controlling shareholders' list;
- the minimum number of directors reserved by law to non-controlling shareholders are elected from the non-controlling non-controlling shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the non-controlling non-controlling shareholders, the connection is relevant for the purposes of excluding the non-controlling non-controlling shareholders' elected director only if this vote was crucial for the election of said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by law is guaranteed.

If during the year, due to resignation or other reasons, one or more directors cease to serve, the others, provided that the majority is still represented by directors appointed by the shareholders at their meeting, shall arrange to replace them by means of a resolution approved by the Board of Statutory Auditors.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

The term of office of Directors appointed this way will end at the same time as that of the directors serving at the time of their appointment.

No limits to re-eligibility of directors have been envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - as a non-binding rule - no longer to meet the independence requirement pursuant to the Code.

4.2 Composition

The Company By-laws provide that the Company shall be managed by a Board of Directors consisting of 5 up to 15 directors, appointed at the Ordinary Shareholders' Meeting, for the period decided at the time of appointment, but in no event for more than three years and they may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of fourteen members, appointed by the Shareholders in their meeting of last 27 May 2014. Their term of office expires upon approval of the 2016 financial statements.

Twelve out of fourteen members are non-executive and, of these, eight directors are independent in accordance with the TUF; seven of them also have the independence qualification set out by the Code. According to the transitional rules on gender balance, a fifth of the members is reserved for the less represented gender.

Of the fourteen Board members, Mr. Livio Strazzera represents the non-controlling shareholder Serfis S.p.A.

The Board of Directors at 31 December 2016 is shown in table 1 below.

In accordance with regulations, the *curricula* of the Board Members are promptly published on the Company's website at the time of appointment.

Executive Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and determine their powers.

The Board of Directors, in accordance with the legal provisions and the By-laws, can delegate its powers to an Executive Committee, made up of some of its members, and determine their number and powers. The Board of Directors can also delegate its powers to only one of its members, with the title of Chief Executive Officer, and determine the limits of such empowerment. The Board of Directors or the Executive committee, if appointed, can appoint, also from outside the Board of Directors, a Chief Operating Officer, and determine his/her term of office and the relevant attributions, powers and remuneration.

The Board of Directors has appointed, among its members, in addition to the Chairman, a Deputy Chairman and a Chief Executive Officer who also acts as Chief Operating Officer.

The Chairman and the Chief Executive Officer - Chief Operating Officer to whom the Board of Directors granted duties and powers upon appointment setting any quantitative limits, are considered executive directors.

The Board also granted the Executive Committee all its powers except for those that may not be delegated pursuant to the Italian Civil Code and the By-laws. The resolutions of the Executive Committee are reported to the Board of Directors at its following meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chairman, the Chief Executive Officer - Chief Operating Officer and the Deputy Chairman, directors and Company managers on the Boards of Directors of the main subsidiaries.

Maximum number of offices held in other companies

In accordance with the Code, the Board of Directors set at:

- five (in the position of executive director) and
- ten (in the position of non-executive or independent director or statutory auditor)

the maximum number of offices that can be held as director or statutory auditor in other companies listed on regulated markets including abroad, or in financial, banking, insurance or major companies, which may be considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parents and companies subject to joint control.

A list of offices as director or statutory auditor held by each director in other companies listed on regulated markets even abroad, or in financial, banking, insurance or major companies, at the date of this report, is set out below:

Giampiero Pesenti	Compagnie Monegasque de Banque	Director
	Credit Mobilier de Monaco	Director
Italo Lucchini	Almag S.p.A.	Chairman of the Board of Statutory Auditors
Carlo Pesenti	Clessidra SGR S.p.A.	Chairman
Anna Maria Artoni	Artoni Group S.p.A.	Sole Director
	Artoni Trasporti S.p.A.	Deputy Chairwoman - CEO

	Gruppo MutuiOnline S.p.A.	Director
	Prelios S.p.A.	Director
Carolyn Dittmeier	Autogrill S.p.A.	Director
	Assicurazioni Generali S.p.A.	Chairman of the Board of Statutory Auditors
	Alpha Bank A.E.	Director
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Gianemilio Osculati	Ariston Thermo S.p.A.	Director
Clemente Rebecchini	Assicurazioni Generali S.p.A.	Deputy Chairman
Paolo Sfameni	Allianz Bank Financial Advisors S.p.A.	Director
	Investitori SGR S.p.A.	Chairman
	La Fenice S.r.l.	Standing statutory auditor
	Pirelli Tyre S.p.A.	Standing Statutory Auditor
Livio Strazzerà	Serfis S.p.A.	Sole Director
Massimo Tononi	Prysmian S.p.A.	Chairman
	Istituto Atesino di Sviluppo S.p.A.	Chairman
	Sole 24 Ore S.p.A.	Director
Laura Zanetti	In.co.fin S.p.A.	Director
	Prentice S.p.A.	Director
	Coima Res S.p.A.	Director
	Italgas S.p.A.	Standing Statutory Auditor

Induction programme

Two separate induction sessions were held in 2016.

- the first was held on 15 March 2016 by the international consultancy firm, McKinsey & Company, and was entitled "Construct the conditions for the future of Italmobiliare", during which governance, strategies, financial and operational issues were examined and discussed.
- the second was held on 10 November 2016, with input from the Chief Executive Officer and General Counsel of the Company, who illustrated EU and national regulatory developments on market abuse to the Directors.

4.3 Role of the Board of Directors

Assessment of the functioning of the Board of Directors and its Committees

As envisaged by the Code, on 2 March 2017, the Board of Directors assessed the size, composition and functioning of the Board itself and its Committees.

To this extent, the Company circulated among the directors a self-assessment questionnaire made up of statements, for which the respondent had to rate their level of agreement. The questionnaire was returned anonymously by 12 directors out of 14.

4.4 Delegated bodies

The granting of powers is based on the principle of segregation of duties.

The delegation of powers, i.e. the assignment of operating powers to one or more persons and/or the Executive Committee, does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Among the five members of the Executive Committee, two are executive directors; the remaining ones, two of whom are independent, are considered, however, non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director who is a member of the Executive Board, is not given individual executive powers.

Within the Board of Directors, the allocation of powers is as follows:

- the **Executive Committee**, consisting of five members, has been assigned all the powers and the assignments of the Board of Directors, except for those which the law and the By-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the next Board of Directors' meeting;
- the **Chairman**, Mr. Giampiero Pesenti, among others, has been assigned the duties to supervise and ensure the compliance with Corporate Governance principles approved by the Company proposing any amendment to them for approval by the Board of Directors, to supervise the execution of the investment plans as defined by the Board and/or the Executive Committee and to propose resolutions to the Board of Directors and/or the Executive committee. The Chairman is granted, among others, in addition to the representation powers' envisaged by the Bylaws, the powers to undertake any administrative act and measure, among which, to acquire and dispose of equity investments, carry out credit and securities transactions, accept guarantees, grant collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries or associates of Italmobiliare, within a maximum amount of euro 20 million for each transaction; to enter into real estate sale and purchase agreement, trade-in and to settle easements or real estate rights in general, within the maximum amount of euro 20 million for each transaction; appoint every kind of consultant defining their remuneration and any guarantee deposits, suspending, terminating and modifying the relationship with the latter, with the powers of granting special power of attorney to give these powers to other individuals.
- the **Deputy Chairman**, Mr. Italo Lucchini, has been assigned the sole representative powers, in accordance with the By-laws, to be exercised severally by the Chairman and by the Chief Executive Officer;
- the **Chief Executive Officer - Chief Operating Officer**, Mr. Carlo Pesenti has been assigned, among others, the tasks of supervising management policies and business development strategies' of Italmobiliare and the main directly and indirectly controlled companies; supervising and directing the activities of Italmobiliare and its main subsidiaries; establishing guidelines for the management of the main companies in which Italmobiliare holds, directly or indirectly, an interest that allows it to exercise significant influence; taking care of the organization and propose to the Board of Directors the main organizational changes. At the same time, he has been granted,

among others, the powers to perform all administrative and disposal acts concerning the management of the Company, including securities and credit transactions, to undertake on behalf of the Company bonds of any kind, also secured by collateral, accept guarantees, grant collateral and guarantees in favour of third parties as long as these are direct or indirect subsidiaries of Italmobiliare, acquire and dispose of government securities, bonds, land, stocks, company shareholdings, perform swap and forward transactions on securities within a maximum amount of euro 20 million, for each transaction.

Other powers for current management activities were granted to managers of the Company, to the extent of their respective duties.

The Chairman, the Chief Executive Officer - Chief Operating Officer have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and the Company By-laws, about activities undertaken within their assignments and powers. However, the most important transactions undertaken by the Company or by the subsidiaries with an impact on their financial position and financial performance, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been always submitted for examination by Board of Directors, even when within the limits of their powers.

4.5 Other executive directors

Apart from the Executive Director and Chief Operating Officer, Mr Carlo Pesenti, no other Directors are considered to be "executive" within the scope of the definition in Application Criterion 2.C.1 of the Code.

4.6. Independent Directors

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by the law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent directors are adequate in relation to the size of the Board and to the Company's activities and such as to allow the establishment of committees within the Board; also under the Code, the independent directors must be at least two.

In compliance with the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code; the Board of Directors, at its first meeting after the appointment of its members, will, on the basis of information provided by each person or information available to the Company, verify that directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all directors in office to declare whether they meet such requirements. Their responses are submitted to the Board for the consequent assessment of independence on an annual basis.

The results of such assessment are disclosed to the market on occasion of appointment and shown annually in this report on the page regarding corporate bodies, which opens this document, and in the table shown below.

In the case the independence requirements prescribed by law are no longer met, the director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such director, except in cases where such requirements are still met by at least the minimum number of directors required by current legislation.

The current Board of Directors consists of eight directors meeting the requirements of independence provided by law, seven of which are also considered independent on the basis of the criteria set out in the Code.

The Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of directors to assess the independence of its members.

4.7 Lead Independent Director

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint an independent director as “Lead independent director”, to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

On the occasion of the appointment of the Board of Directors for the 2014-2016 mandate, the Board of Directors, at its meeting of 27 May 2014, approved the dissociation of the functions of Chairman and Chief Executive Officer; however, in light of the shareholding structure and in compliance with the best practices, the Board has decided to appoint **Mr Massimo Tononi**, independent director, as “Lead Independent Director”.

4.8 Meetings of the Board of Directors

The Chairman, or if he is absent, the Deputy Chairman, coordinates the activities and conducts the meetings of the Board of Directors in accordance with the By-laws and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors set the prior notice period to be observed in order to submit the afore-mentioned documentation at at least two days. Such prior notice period has always been met during 2016. When the material on certain items on the agenda is particularly complex, specific explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided. Starting from 31 January 2017, the documents and information relating to the Board meetings will be managed electronically, and no longer in hard copy, using the *Infocert MeetingBook* system.

Using this new *Infocert MeetingBook* system, the Directors and the Statutory Auditors can access the documents safely, using a mobile device, and follow the presentations of the speakers in real time, without any need for external screens or projectors. Further characteristics of the system are currently being evaluated, in addition to new electronic instruments so that the governing body can constantly improve efficiency, and strengthen security/confidentiality in the exchange and processing of company information.

Moreover, the Chairman, through the competent company functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company’s operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board meets at least every quarter to approve the financial statements for the period. At those meetings, the delegated bodies report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or upon prior request of any member of the Board of Statutory Auditors to the Chairman of the Company.

During 2016, the Board of Directors held a total of eleven meetings. Nine Directors attended all the meetings; eleven directors attended two meetings; twelve directors attended five meetings, and finally, thirteen directors attended four meetings. Four independent directors were always present; one independent director (Mr Massimo Tononi) attended seven meetings out of eleven. Nine meetings of the Board of Directors were attended by all members of the Board of Statutory Auditors, one Statutory Auditor was absent from the remaining two meetings.

All meetings of the Board of Directors were attended, by invitation, by the Manager responsible for preparing the Company’s Financial Reports (*Dirigente Preposto*). Some meetings were also attended by managers of the Company and of the major subsidiaries to provide additional information on the topics put on the agenda from time to time. The following attended: Mr Enrico Benaglio, Head of the Investment Management department and Investor relations, Ms Delia Strazzarino, Head of Internal Audit, Mr Giuliano Palermo, Manager of the Development and Investment Department, and Mr Mario Fera, CEO of Clessidra SGR, an asset management company in which the Company holds a 99% investment.

The average duration of the meetings of the Board of Directors held during the year was about three hours.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, assesses the overall company performance by comparing the results achieved with those planned in the annual budget.

The Board of Directors has met three times so far in 2017, with the first meeting to appoint the Secretary of the Board of Directors, assess the impairment test methods used for 2016, update the organizational structure and examine the Audit plan; the second to examine the 2017 budget and decide on the activities of the remuneration committee, the third to approve, *inter alia*, the 2016 draft financial statements. To date, at least another three Board meetings are scheduled for the current year for the approval of the interim report and the periodic additional financial information.

The meetings calendar in which the results for the year or period are examined is disclosed to the market on an annual basis, and published on the Company's website in the section Investor / Financial Calendar. The 2017 calendar was published in January, with a first update published on 2 March.

The Executive Committee met once in 2016, with four out of five of its members in attendance. One meeting of the Executive Committee was attended by all the members of the Board of Statutory Auditors.

The Executive Committee has not yet met in 2017.

5.0 PROCESSING CORPORATE INFORMATION

On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of the Market Abuse Regulation and related implementing provisions, approved a new procedure relating to the management of "confidential" information and "inside" information.

The procedure can be accessed at the address www.italmobiliare.it in the section "Governance/Documentation".

The rules of conduct and principles to be observed in the procedure are aimed at:

- ensuring maximum confidentiality of the Inside Information or information that could become inside information (Confidential Information), taking account of the interest in the confidentiality of the information as it is being formed, and the obligation to make non-selective disclosures, also in compliance with inside information regulations;
- protecting the investors and market integrity, preventing any situations of information asymmetry, and preventing any parties from being able to use non-public information to operate on the markets;
- protecting the Company from any liability that may be incurred following any unlawful behaviour involving market abuse carried out by related parties, or more generally, following behaviour that breaches the principles of confidentiality.

This procedure is an essential component of the internal control and risk management system of the company, and the overall system in place to prevent offences pursuant to Legislative decree no. 231 of 8 June 2001, and more specifically, the Organizational model adopted by the Company for that purpose.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by Consob, has established and regularly updated a register of persons who, by virtue of their job or professional duties or by virtue of the functions performed, have access to inside information and has prepared the implementation procedure related thereto.

With the entry into effect of the new “Market Abuse Regulation”, a new procedure was set up to list the parties who have access to inside information (insider list procedure) which is closely connected to internal policies relating to the management and communication to the public of inside information and communication of the transactions carried out by key Company parties relating to shares (or related financial instruments) issued by the Company.

The procedure was adopted in accordance with current legislation to meet the obligations of Italmobiliare to draw up a list (List) of persons who, due to their working or professional activities, or the jobs carried out, have access to inside information pursuant to article 7 of Regulation no. 596 of the European Parliament and of the Council of 16 April 2014 (Regulation no. 596/2014).

The Organizational, Management and Control Model adopted by the Company in accordance with Legislative Decree no. 231/2001 provides, *inter alia*, that it should be established as an instrument to prevent the offences provided for under market abuse regulations.

The Procedure shall apply each time a party manages or has access, even on an occasional basis, to inside information.

In accordance with current legislation, inside information refers to information that:

- is precise;
- has not yet been made public;
- concerns, directly or indirectly, Italmobiliare or its financial instruments;
- could, if made public, have a significant effect on the price of the listed financial instruments issued by Italmobiliare or its related derivative prices.

Information is considered to be valuable if it refers to a series of existing circumstances or which could be reasonably expected to be created, or an event that occurred or that could be reasonably be expected to occur and if that information is sufficiently specific to allow conclusions to be drawn on the possible effect of said set of circumstances or said event on the prices of the financial instruments or the related derivative financial instrument, of the related spot contracts on commodities.

For information that, if communicated to the public, could probably have a significant effect on the prices of the financial instruments or the financial derivatives or the related spot contracts on commodities, we mean information that an investor could reasonably probably use as one of the elements on which to base his/her investment decisions. The information will cease to be considered inside information when it has been disclosed to the public pursuant to current legislation and regulations, in accordance with the principle of equal access to information.

The Company will establish and maintain the List in accordance with management procedures that ensure easy consultation and extraction of the data contained, accuracy and inability to change the data, traceability of the accesses to permit subsequent checks and obtain previous versions, also adopting adequate safety, completeness and confidentiality procedures for the data, and the management of so-called “delays”.

The List will be kept on a computer and can only be accessed by the Party in Charge, or the parties who are expressly authorised by the Party in Charge, who belong to the Legal and Tax Affairs function.

The List will be structured to contain at least the following information:

- a) date and time of creation of the List section, or identification of the inside information;
- b) description of the specific inside information;
- c) date and time of the most recent update;
- d) date sent to the competent Authorities;
- e) identification details of the listed party;

- f) if it is a natural person, name, surname (maiden name if different), tax code (or other national identification number if it is a foreign party), place and date of birth, complete private address (road and number of house, location, area code and country), work telephone numbers (direct land line and mobile phone numbers), private telephone numbers (house and personal mobile phone number), email address;
- g) if it is a company or other legal entity, body or professional association: name, complete address of the registered office, tax code or VAT number, indication of the reference natural person who can identify and inform the persons who have access to the inside information in the legal entity, body, or association (for that reference person, all the data required under “natural person” mentioned above are also required);
- h) position in the company or organizational responsibility of the person listed or office where the person works in the Company;
- i) reason for inclusion in the list;
- j) date and time at which the person on the List had access to the inside information;
- k) date and time at which that person ceased to have access to the inside information.

The List is updated by entering the information and data sent to the Officer in Charge in accordance with this Procedure or known directly by this person.

If the Company has decided to delay communication of the inside information to the public, the Officer in Charge will manage the “delay” in accordance with the procedures.

6.0 INTERNAL BOARD COMMITTEES

In order to ensure the effective performance of its functions, the Company’s Board of Directors has set up an internal Remuneration Committee and a Control and Risk Committee whose resolutions provide advice and make proposals but are not binding for the Board.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board established an internal Committee for Transactions with Related Parties, composed of independent directors only.

Lastly, the Board of Directors has set up, internally, an Investments Committee with the task of supporting and assisting the Chief Executive Officer and the management in the definition of portfolio strategies and in the evaluation of investment opportunities proposed by operating structures, to be approved by the competent administrative body.

In carrying out their functions, the committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

Control and Risk Committee

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those regarding the approval of annual and interim reports.

The Control and Risk Committee comprises three members, all non-executive, two of which are independent, and it is chaired by Ms Carolyn Dittmeier. As required by the Code with reference to at least one component, the requirement to have adequate expertise in accounting and finance has been met.

During 2016, the Control and Risk Committee met nine times, always with the participation of all its members. The average duration of meetings was about two and a half hours. The Board of Statutory Auditors participated in full in

five meetings and two Statutory Auditors attended the remaining ones.

During 2016, the Committee, among other things:

- a) examined and approved the methodology used by the Company for the preparation of impairment tests;
- b) acknowledged the correct implementation of the accounting policies and their consistency for the purposes of preparing the consolidated financial statements;
- c) reviewed and approved the 2016 Audit Plan and checked its results;
- d) examined and proposed some amendments at the Internal Audit Charter for subsequent approval by the Board of Directors;
- e) analysed the setting of the risk management at Group level;
- f) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control System;
- g) met the equivalent committees of the main subsidiaries;
- h) reported to the Board of Directors, when approving the annual and interim reports, on its activities and on the adequacy of the Internal Control and Risk Management System as well as with reference to a specific task assigned by the Board of Directors.

Managers of the Company responsible for the matters on the agenda are regularly invited to the meetings of the Control and Risk Committee to provide the appropriate in-depth information; first and foremost, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the Head of Internal Audit.

During 2017, the Control and Risk Committee has so far met twice to discuss, among other things, the impairment test methods for 2016, the accounting policies adopted for the preparation of the 2016 consolidated financial statements, the updating of the organizational structure, the attribution of powers and the Audit Plan for 2017, the latter in turn submitted to the approval of the Board of Directors at its meeting of 18 January 2017.

On 28 February 2017, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System sharing its content.

More information on the composition, function, and attributions of the Risk Control Committee can be found in paragraph 10 below.

Committee for Transactions with Related Parties

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent and is chaired by Mr. Paolo Sfameni.

The Committee only met once during the year to examine an update note and confirm the fairness opinion relating to the transfer of non-core assets from Italcementi S.p.A to the Company. Those transactions were exempt from the procedural safeguards adopted in accordance with the regulatory provisions in force but were nevertheless submitted to the the Committee for transactions with related parties for scrutiny to ensure the adequacy of the decision-making process.

Investments Committee

The Investments Committee supports and assists the Chief Executive Officer and management in the definition of portfolio strategies and evaluation of investment opportunities, is composed of six members, four of which are independent, and is chaired by the Chief Executive Officer, Mr Carlo Pesenti.

During 2016, the Investments Committee met once, with five of its members attending. The meeting lasted two and a half hours. One member of the Board of Statutory Auditors attended the meeting.

7.0 APPOINTMENT COMMITTEE

Considering the stable presence of a relative majority shareholder which is able to significantly influence the Shareholders' meetings, the Company decided, not to proceed with the establishment of an "Appointment Committee" as it has always taken its decisions in full autonomy proposing people with the appropriate characteristics of competence, prestige, expertise and availability, as provided for by the Code, for the list of candidates to the Board of Directors.

8.0 REMUNERATION COMMITTEE

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of directors and key management personnel, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold particular offices, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to monitor the implementation of the resolutions adopted by the Board, in particular, by verifying the actual achievement of performance targets.

The Remuneration Committee currently in office is made up of three non-executive members, the majority of whom are independent. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them. The Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive directors and/or directors vested with special powers and key management personnel and submitted proposals to the Board of Directors on the remuneration of directors and managers.

During the year the Committee met four times with all its members present; the average duration of its meetings was approximately one and a half hours. All members of the Board of Statutory Auditors attended two meetings, two Statutory Auditors attended one meeting and one Statutory Auditor attended the remaining meeting. The Head of Human Resources is regularly invited to attend the Remuneration Committee meetings.

During 2017, the Remuneration Committee has so far met twice to examine the proposals and give its opinion to the Board of Directors regarding staff bonus policies, to evaluate the achievement of performance targets during 2016 and examine the Remuneration Report.

9.0 REMUNERATION FOR DIRECTORS

General remuneration policies

The Board established a remuneration policy for directors and key management personnel at the Board meeting of 2 March.

Share-based remuneration plans

Please refer to the information in point 2, letter a).

Remuneration for executive and non-executive directors, Directors and Key management personnel

The remuneration for Directors was determined by the Shareholders' Meeting held on 27 May 2014 and, until a new resolution, set such remuneration in the fixed amount of euro 36,000 per year for each director, plus attendance fees for participation at the various board committees, as indicated below:

- euro 6,000 for each attendance at the Executive Committee meetings;
- euro 3,000 for each attendance at meetings of the Remuneration Committee, the Control and Risk Committee and the Committee for Transactions with Related Parties;
- euro 2,500 to pay each member of the Board of Directors appointed as a member of the Supervisory Body for each attendance at meetings of the Supervisory Body.

The General meeting of 27 May 2015 also defined euro 3,000 as the gross compensation to pay each member of the Investments Committee – set up on 24 March 2015 – for the attendance at each of its meetings.

The remuneration of the Chairman, the Chief Executive Officer - Chief Operating Officer, Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and Head of Internal Audit is determined by the Board of Directors, in the absence of the concerned parties, upon proposal of the Remuneration Committee, having heard the opinion, when required, of the Board of Statutory Auditors and the Control and Risk Committee.

A significant part of the remuneration of the Chairman and the Chief Executive Officer - Chief Operating Officer is linked to the financial performance and the achievement of specific targets set beforehand and determined in accordance with the Remuneration Policy adopted by the Company.

For detailed information please see the Remuneration Report draw up pursuant to Art. 123-ter of TUF and approved by the Board of Directors on 2 March 2017.

10.0 RISK CONTROL COMMITTEE

The Board set up a Risk Control Committee. The Committee comprises 3 directors, including 2 independent (Ms Carolyn Dittmeier, acting as Chairwoman, Mr. Paolo Sfameni, independent, and Mr. Giorgio Bonomi, lawyer). The minutes of the meetings are duly recorded and the Chairman reports on them at the next opportune meeting.

Since the Control and Risk Committee is a body that supports and assists the Board of Directors, its functions are to advice and make proposals, and more specifically it:

- a) evaluates together with the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), after hearing the independent auditors and the Board of Statutory Auditors, the correct application of the accounting policies, as well as their consistency for the purpose of preparing the consolidated financial statements;
- b) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks, upon request;
- c) reviews the periodic reports concerning the assessment of the Internal Control and Risk Management System, as well as the other reports of the Internal Audit Function that are particularly significant;
- d) monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;
- e) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;
- f) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and interim reports, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
- g) promptly exchanges relevant information with the Board of Statutory Auditors for the performance of their respective tasks.

A total of 9 meetings were held in 2016, with an average duration of 2.5 hours. The Committee has already met twice in the current year.

Upon invitation by the Committee, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the Head of Internal Audit attended all the meetings.

More information on the activities carried out by the Risk Control Committee during the year can be found in paragraph 6 above.

11.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

1. Introduction

The Internal Control and Risk Management System (*Sistema di Controllo Interno e di Gestione dei Rischi*, "SCIGR") of Italmobiliare is an essential part of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks to which the Company and its subsidiaries are exposed.

The Company defined the «Guidelines» for the Internal Control and Risk Management System upon the favourable opinion of the Control and Risk Committee, in compliance with the recommendations of the Code. The guidelines, taking into account the peculiar structure of the Group, which includes some companies subject to the supervision of national supervisory authorities operating through autonomous control bodies (cd. "Group of groups"), seek to ensure consistency and harmonization between the various control tools in place and establish, therefore, the roles and functions involved in the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries.

The SCIGR Guidelines have been transmitted to the subsidiaries so that they will take them into account in the establishment and maintenance of its internal control system notwithstanding the autonomy and independence of each company.

The SCIGR shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to safeguard the Company's assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

The SCIGR, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- *1st level*: first line controls carried out by the heads of operating units that identify and assess risks, and define specific actions for their management;
- *2nd level*: functions in charge of defining risk management methodologies and tools and monitoring risks;
- *3rd level*: the Internal Audit Function, as well as any other parties that provide objective and independent assurance on the design and operation of the overall System.

The Board of Directors, with the assistance of the Control and Risk Committee, sets the criteria to ensure the compatibility of the Group risks' with correct and proper management of the Company and assesses, at least on a half-yearly basis, the adequacy, effectiveness and functioning of the internal control system with respect to the characteristics of the Company.

With reference to the subsidiaries that have their own and autonomous internal control functions performing tasks similar to the duties assigned to the Control and Risk Committee by the Code, the Control and Risk Committee of Italmobiliare reviews and assesses the reports received from the subsidiaries' relevant functions.

The Board of Directors monitors and examines the risks to which the Company and the Group as a whole are subject, and that, as provided for by the By-laws, are essentially of a financial nature.

A risk model, in compliance with best practices for the identification, evaluation and management of company risks, is being implemented by identifying three main areas: trading portfolio, investments and processes / organizational areas of the holding Company.

This process is operating in the main subsidiaries.

2. Positions and Functions involved

The «Guidelines» for the Internal Control and Risk Management System provide for the involvement of the following corporate bodies and functions:

Board of Directors, with the following tasks:

- examining and approving the Strategic Plan, monitoring periodically the related implementation;
- defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
- evaluating the adequacy of the organizational, administrative and accounting structure of the Company as well as of its strategically significant subsidiaries in particular with regard to the Internal Control and Risk Management System;
- upon opinion of the Control and Risk Committee:
- defining, in line with the Company's risk profile, the guidelines of the Internal Control and Risk Management System, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
- assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
- duties and responsibilities are allocated in a clear and appropriate manner;
- control functions, including the Head of Internal Audit, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the Supervisory Body have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
- approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal Control and Risk Management System and the Board of Statutory Auditors;
- upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;
- examining and approving the financial statements for the period.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (“Director in charge”)

The Board of Directors identified the Director in Charge as the Chief Executive Officer – Chief Operating Officer at its meeting of 27 May 2014. This position is currently held by Mr Carlo Pesenti.

He has the task of:

- a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors;
- b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the Internal Control and Risk Management System, constantly monitoring its adequacy and effectiveness;
- c) proposing to the Board of Directors, after the favourable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating departments, verifying that the same is provided with adequate resources for the fulfilment of the tasks entrusted thereto;
- d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- e) promptly reporting to the Control and Risk Committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

The Director in charge can also ask the Internal Audit Function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risk Committee and the Chairman of the Board of Statutory Auditors.

Under the powers granted to him, the Director in charge promoted the development of a Risks Management Model for the identification, assessment and management of the company risks based on various levels.

Moreover, since the two positions coincide, the Director in charge is responsible for issuing, together with the Manager responsible for preparing the Company’s Financial Reports (*Dirigente Preposto*), statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, the suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and the Group, etc..

11.2 RESPONSIBILITIES OF THE INTERNAL AUDIT FUNCTION

The Head of Internal Audit is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management.

He has direct access to all relevant information for the performance of his duties, is not responsible for any operational area and reports to the Board of Directors.

The Head of Internal Audit reports on the Company’s risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses its assessment to the Board of Directors, Control and Risk Committee, to the Director in charge and to the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System.

The Board of Directors, at its meeting held on 27 May 2014, after hearing the opinion of the Board of Statutory

Auditors, confirmed Ms Delia Strazzarino as Head of Internal Audit.

The Head of Internal Audit annually illustrates to the Control and Risk Committee the Internal Audit structure, which has been considered appropriate, both in terms of headcount and professional skills, to fulfil the tasks entrusted to it.

Within its "Assurance and Quality Improvement Program", the Internal Audit Function is subject, at least every five years, to a Quality Assurance Review by an independent entity. The last review, finalised in 2012, was considered to be generally compliant with relevant international standards. The Company expects to make a new assignment in 2017.

The Board of Directors, subject to the opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors and the Director in charge, approved:

- the Internal Audit Authorisation at the meeting of 14 November 2013. This authorisation, most recently modified by a board resolution dated 13 February 2015, officially defines the mission, objectives, organizational context and responsibilities of the Internal Audit Function, in accordance with the definition of Internal Auditing, with the Code of Ethics and with the International Standards set by the International Professional Practices Framework of the Institute of Internal Auditors;
- the 2017 Audit Plan prepared by the Head of Internal Audit at the meeting of 18 January 2017.

The Internal Audit Function performs its activities directly with reference to Italmobiliare group, except for the subsidiaries that have an independent Internal Audit Function.

At Group level, the Head of Internal Audit coordinates / connects with the homologous functions of the subsidiaries in order to promote uniformity of approach in working tests and adequacy of SCIGR, taking into account the autonomy, independence and responsibility of those subsidiaries and their corporate bodies.

11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE no. 231/01

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an «Organizational, management and control model» (the «Model»). This was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

The General Part of the Model is available on the Company's website www.italmobiliare.it in the Governance/Documentation section.

By adopting the Model, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the Model itself. Even the subsidiaries with key importance adopted an organizational, management and control model pursuant to Legislative Decree no. 231/01.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessments performed by consultants specialized in the matters taken into consideration on each occasion. In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace (section later revised in 2010), on cross-border offenses and offenses for receiving stolen goods and money laundering. In March 2011, several amendments were approved to better design the information flow system among the various supervisory bodies of the Group both in the phase of adoption and amendment of the Models of the subsidiaries and in the phase of communicating any violation of the Model. In October 2012, the

Model was extended to offenses related to organized crime, copyright and computer crime and, finally, during 2014, the Model was updated in order to incorporate the new provisions on the prevention and combating of corruption in public administration, corruption between individuals and the use of third-country nationals.

The task of continuously monitoring the effectiveness and enforcement of the Model, as well as proposing updates, is entrusted to a body, the Supervisory Body, equipped with autonomy, professionalism and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or their legal aspects.

The Supervisory Body is, in compliance with the provisions of the Model, currently made up of an independent director (later appointed Chairman), a third-party advisor and the Company's Head of Internal Audit.

As part of its duties, the Supervisory Body, periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Control and Risk Committee, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and the representatives of the Independent Auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

The Supervisory Body is granted with autonomous initiative and control powers within the Company in order to efficiently exercise its functions.

The Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, for the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*). Such reports may contain proposals for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

- (i) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;
- (ii) the warning reports received from internal and external parties in regard of the Model;
- (iii) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;
- (iv) an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or changes.

Various company Functions, which must, to the extent of their competence, ensure the identification, measurement, management and supervision of the main risks related to group operations. Those shall ensure the proper performance of group transactions and, in particular, the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the Board of Statutory Auditors, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The sharing and integration of information generated in the various areas is ensured by a structured information

flow. In this regard, the quarterly report of the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) is, for example significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their progress. The same officer, together with the Chief Executive Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-bis of TUF.

Description of the main features of the Internal Control and Risk Management System in regard of the financial reporting process.

Stages of the risk management and internal control system

The risk management and internal control system in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italmobiliare has defined its own operating Model to comply with the Law on savings (hereinafter, in short, "**Operational Model**"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document "Internal Control over Financial Reporting - Guidance for Smaller Public Companies", also developed by CoSO.

In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

The Operational Model defined by Italmobiliare is based on the following main elements:

- a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for the actions related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;
- b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;
- c) **Analysis of controls at company level.** The individual companies, within the area of action identified in the preliminary analysis, are responsible for i) assessing the effectiveness of the internal control system in relation to the governance principles used at entity level (Entity Level Controls), as well as for ii) the overall management of the information systems used in the main financial reporting processes and the related IT structure (Information Technology General Controls). This must be carried out in accordance with the deadlines established during operational planning and on the basis of the guidelines, instructions and templates provided by the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*);
- d) **Analysis of controls at process level.** The individual companies, within the area of action identified in the preliminary analysis, are responsible for the related activities: i) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, ii) performing tests to check the effective operation of controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*);
- e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and related controls.** In order to guarantee compliance with the key financial reporting requirements ("financial statement assertions"), the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related

controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- the ongoing development of an integrated Corporate Governance system (Organization notices, corporate processes and procedures);
- a more detailed organization and planning in relation to the provisions of Law No. 262 of 28 December 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Law on Savings"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

Overall Assessment of the Internal Control and Risk Management System

The Board of Directors, based on the evaluations and information collected with the support of the preliminary activity performed by the Control and Risk Committee, with the assistance of the Director in charge, the Head of Internal Audit and the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), , notes that there have not been reported issues which would invalidate the overall adequacy and effectiveness of the Internal Control System and Risk Management with respect to the structure of the Company and the Group and the characteristics of the business. Some improvement projects are being monitored as a consequence of the new Group configuration.

The Internal Control and Risk Management System is, in any case, subject to continuous improvement through monitoring and systematic design of improvement initiatives, consistent with international models of reference.

11.4 INDEPENDENT AUDITORS

The audit of the company's accounts, as required by the current applicable laws, is entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors.

The task of auditing the separate financial statements of Italmobiliare, the consolidated financial statements of Italmobiliare Group and performing a review of the consolidated financial statements of Italmobiliare Group for the years 2010-2018 has been assigned to **KPMG S.p.A.** at the Shareholders' Meeting held on 29 April 2010. This appointment will expire on 31 December 2018.

11.5 THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS (*DIRIGENTE PREPOSTO*) AND OTHER COMPANY ROLES AND DUTIES

Pursuant to the By-laws, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) must:

- 1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;
- 2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) of Italmobiliare acknowledges and evaluates the reports on the activities performed by the internal control and risk management bodies of the main Group companies.

Following the change in the organizational structure of the Company and assignment of Mr Giorgio Moroni to a different position, the Board of Directors meeting held on 13 September 2016, appointed Mr Guido Biancali as the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) pursuant to Art. 154-bis of

TUF and Art. 29 of the By-laws.

The appointment of Mr Biancali will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2016 financial statements.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*).

The Company, in connection with the provisions of the Law on Savings, adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current best practices, among other things:

- defines the responsibilities of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) of Italmobiliare and specifies his/her related powers;
- identifies the responsibilities and method for the appointment, removal and termination of office of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), the length of service and the requirements in terms of professional skills and good reputation;
- reports on the principles of conduct which the Company the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
- indicates the responsibilities, powers, and resources granted to the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
- defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external supervisory Bodies and with subsidiaries, regulating the relevant information flows;
- illustrates the internal and external attestation process in reference to: a) the statements of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the statements of the the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) and of the executives relating to the annual financial statements, the condensed interim financial statements and the consolidated financial statements.

In its meeting of 31 January 2017, following the change in the organizational structure of the Company, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*) updated its Regulations to incorporate the new organisational provisions. The Regulation, approved by the Board of Directors, is intended for all the entities, functions, corporate bodies of Italmobiliare, as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents. At the same time, the relevant Operational Model was updated at the same time as the Regulation in order to ensure its optimization and simplification.

The functions and duties of the "Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*)" provided for in the Regulation include the following:

- a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the condensed interim financial statements and the consolidated financial statements, as well as any other financial reporting, updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;
- b) assessing, together with the Control and Risk Committee and the independent auditors, the correct application of

- accounting policies and their uniformity for the purposes of the consolidated financial statements;
- c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;
 - d) managing the periodic review of the risks' assessment activities and updating the mapping of financial reporting risks;
 - e) taking part in the development of IT systems that have an impact on the Company's financial positions and results of operations.

11.6 COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The various parties involved in the internal control and risk management system (Board of Directors, director in charge of internal control and risk management, risk and control committee, head of internal audit, Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), and the other corporate roles and functions with specific duties in the area of internal control and risk management, Board of Statutory Auditors) coordinate their activities by exchanging information, planning ad hoc meetings and taking part in the meetings of the individual bodies.

12.0 INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On 12 November 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted the Procedure for Transactions with Related Parties envisaged by the Consob Regulation of 12 March 2010. The procedure was slightly amended in 2013 with i) the extension of the scope of correlation to the members of the supervisory body, with the express clarification that, if it is also made up of employees of the Company, these are not to be considered as "Key management personnel" and ii) the introduction of a different small-amount thresholds for transactions with individuals and those with legal entities.

Finally, on 14 November 2014, confirming the commitment of the Company to adhere to best practice and the guidelines of the Supervisory Authority, the Board of Directors, upon proposal of the Committee for transactions with related parties, deemed it appropriate to make further changes to the Procedure in force taking into account the inspiring guidelines of the regulation and underlying interests. The amendments concern, in particular: 1) the clarification of the definition of an ordinary transaction; 2) identification of some correlation indexes that allow a specific monitoring by the Company on transactions carried out with counterparts formally unrelated but that, in substance, could exert influence on the decision-making process; 3) the competence to identify transactions with counterparts having an index of correlation; 4) the provision of a quarterly report to be addressed to the members of the Committee with regard to transactions entered into with counterparts with an index of correlation; 5) the possibility of the Committee to identify - based on indices of significance relating to transactions entered into with counterparts having an index of correlation - the transactions to be submitted in advance to the investigation procedure provided for minor transactions.

Therefore, the Procedure, in compliance with art. 2391-bis of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties and counterparts having an index of correlation, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness.

In particular, with the exception of some situations, the Procedure provides for the authorization process and the disclosure requirements for transactions between i) a party related to Italmobiliare, on the one hand, and ii) Italmobiliare, on the other, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body of Italmobiliare or by an officer of Italmobiliare vested with the relevant powers

is required. The Procedure also applies to transactions undertaken by Italmobiliare with a subsidiary or an associate, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italmobiliare.

The Procedure distinguishes «significant» transactions from «minor» transactions on the basis of specific quantitative criteria set by Consob. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of negotiations or the preliminary investigation;
- the possibility to request the prior examination of the transactions that the Company will enter into with counterparties having an index of correlation, taking into account some indices of significance;
- the right to seek the assistance, at the Company's expense, of independent experts of its choice.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called whitewash); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is competence of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in the Regulations issued by Consob, the Company identified the following main grounds for exclusion:

- transactions of smaller amounts (transactions that do not exceed euro 500,000 if carried out with related legal entities and transactions that do not exceed euro 300,000 if carried out with related private individuals);
- ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general), if they are concluded on terms equivalent to market or standard conditions;
- transactions with or between subsidiaries or with associates, unless there are significant interests of other parties related to the Company in the subsidiaries or associated taking part in the transaction;
- urgent transactions.

The Procedure is available on the Company's website www.italmobiliare.it.

Without prejudice to the provisions contained in the above procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the directors who have an interest, even potential or indirect, in the transaction are required to:

- a) promptly and fully inform the Board about the existence of the interest and the circumstances regarding it;

b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the director concerned to participate in the discussion and/or vote.

13.0 APPOINTMENT OF THE STATUTORY AUDITORS

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Standing Statutory Auditor and one Substitute Auditor for non-controlling shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the procedures and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by Consob pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one list, directly or through a nominee or trust company, or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a nominee or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Standing Statutory Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:

- * accept their candidature;
- * state, under his/her own responsibility:
 - possession of the professional requirements envisaged by the By-laws;
 - the non-existence of causes of ineligibility or incompatibility;
 - possession of the good reputation requirements established by the law;
 - possession of any independence requirements that may be required by the law and the Code;

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered as not filed.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available the lists of candidates which have been submitted by shareholders and the accompanying documentation at its head offices, at the Italian stock exchange and on its website.

In the event of more than one list is filed:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two Standing Statutory Auditors and two Substitute Auditors, in the order in which they are listed in the sections of the list;
- the non-controlling shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Standing Statutory Auditor and the third Substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the non-controlling shareholders, the connection is relevant for the purposes of excluding the non-controlling shareholders' elected statutory auditor only if this vote was crucial for the election of said statutory auditor.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of Standing Statutory Auditor of the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a simple majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured as pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the non-controlling shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italmobiliare, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Statutory Auditors, and if elected cease to serve.

Should an elected Statutory Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an Standing Statutory Auditor, the Substitute Auditor belonging to the same list as the removed Statutory Auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the

outgoing Statutory Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Statutory Auditor of the non-controlling shareholders.

The Statutory Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace a Statutory Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority Shareholders' list;
- to replace a Statutory Auditor elected from the non-controlling shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original non-controlling shareholders' list;
- for the simultaneous replacement of Statutory Auditors elected in the majority and the non-controlling shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Statutory Auditor to be replaced was part of, with a number of Statutory Auditors equal to the number of ceased Statutory Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Standing Statutory Auditor and one Substitute Auditor must be appointed by non-controlling shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the Statutory auditor representing the non-controlling shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

Statutory Auditors accept their appointment when they believe they can devote the appropriate time to the diligent performance of their duties.

According to the Code, the Statutory auditors are chosen among people who may be qualified as independent according to the criteria that the same states with regard to directors.

14.0 COMPOSITION AND FUNCTION OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors will monitor compliance with the law and the By-laws, and has management control functions, more specifically, ensuring: i) compliance with the principles of good administration; ii) adequacy of the Company's organizational structure, the internal control system and the administrative and accounting system; iii) actual implementation of the Code; iv) compliance with the procedure adopted by the Company in respect of transactions with related parties; v) adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of inside information.

It is not entrusted with the legally-required audit of the company's accounts, which, as required by law, is entrusted to an independent auditor chosen among those enrolled in the appropriate register, while it has the task to submit a reasoned proposal to the Shareholders' Meeting regarding the appointment of such independent auditors.

The Board of Statutory Auditors, in its capacity as Control and Risk Committee, as established by Legislative Decree no. 39 of 27 January 2010, is also required to perform additional supervisory tasks, as assigned to it by such legal provisions, on the financial reporting process, on the effectiveness of the internal control, internal audit and risk management systems; on the audit of the separate financial statements and consolidated financial statements and on the independence of the audit firm.

When renewing the Board of Statutory Auditors at the Shareholders' Meeting of 27 May 2014, the relative majority shareholder presented its own list of candidates while three non-controlling shareholders - *RWC Asset management, Amber Global Opportunities Master Fund and Fidelity Funds International* – presented their own list on a joint basis.

Therefore, according to current regulations and Company By-laws, the Chairmanship was granted to Mr Francesco Di Carlo, from the list presented by the above-mentioned non-controlling shareholders while the remaining two Standing Statutory Auditors were elected from the list presented by the relative majority shareholder.

All the members are independent pursuant to the TUF and also meet the independence requirements provided for by the Code for directors. According to the rules on gender balance, a third of the members is reserved for the less represented gender.

The composition of the Board of Statutory Auditors is shown in the table below. The curricula vitae of the Statutory Auditors are published on the Company's website.

The Board of Statutory Auditors, during 2016, held a total of twelve meetings attended by all its members, with the exception of one meeting, attended by two Statutory Auditors.

At meetings of the Board of Statutory Auditors have been invited to participate the independent auditors KPMG, the Manager responsible for preparing the Company's Financial Reports (*Dirigente Preposto*), the Head of Internal Audit and other department managers of the Company to provide the necessary information on issues from time to time on the agenda.

The average duration of the meetings of the Board of Statutory Auditors held during the year was about two hours.

15.0 SHAREHOLDER RELATIONS

The Company endeavours to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of inside information. The Company's behaviour and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The Shareholders' Meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavours to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on single call, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meetings proceedings of the single call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, are considered adequate tools for the orderly conduct of shareholders' meetings .

With regard to market relations, the Chairman and the Chief Executive Officer - Chief Operating Officer, within their respective responsibilities, provide the guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, the Investor Relations function, whose responsibility was entrusted to **Mr Enrico Benaglio**, was established as part of the Investment Management Department.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the shareholders to consciously exercise their rights, a special section of the Company's website was set up, easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of director and statutory auditor with an indication of their personal and professional characteristics.

16.0 SHAREHOLDERS' MEETINGS.

Please refer to section 15.0.

17.0 FURTHER CORPORATE GOVERNANCE PROCEDURES

Further corporate governance procedures adopted by the Company are described below.

17.1 CODE OF ETHICS

The Code, approved for the first time in 1993 and further modified, envisages that all employees and those who deal with the Group or act to achieve its objectives shall base their dealings and conduct on principles of honesty, fairness, integrity, transparency, confidentiality and mutual respect.

To this end, at its meeting of 9 February 2001, Italmobiliare's Board of Directors approved the current version of the Code of Ethics which defines the rules for loyalty and fidelity, impartiality, protection of privacy and confidentiality of information and the protection of people, the environment and company assets. The Code establishes the provisions which are the basis of the control processes and the financial and management reporting information, and introduces rules to govern dealings with customers, suppliers, public institutions, political organizations, trade unions and the media.

Every person registered in the insider list is obliged to maintain confidential all inside information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

17.2 CODE OF CONDUCT

The Company has adopted its own "Code of Conduct", originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called Market abuse directive) introduced by the Law on Savings of 2005. On 29 November 2016, the Board of Directors of the Company, as a result of the entry into effect of EU

Regulation no. 596/2014 (“Market Abuse Regulation”) and related implementing provisions, approved a new procedure relating to the fulfilling of internal dealing obligations.

The Code of Conduct, adopted by the Company in application of the rules in effect, governs the obligations and communication procedures, and behaviour, regarding the Transactions relating to financial instruments issued by the Company, carried out by parties who exercise the administration, control or management functions, or anyone who holds shares equal to or higher than 10% (ten per cent) of the share capital of the Company, represented by shares with voting rights, or any other party who controls the Company (Persons discharging managerial responsibilities “PDMRs”) and Persons Closely Associated.

The aim of the Code of Conduct is to:

- identify the PDMRs of the Company who have to make the communications described under article 19 of (EU) Regulation no. 596 of the European Parliament and of the Council of 16 April 2014;
- define the communication methods - by the PDMRs to the Company - of information relating to transactions on shares, negotiable instruments, derivative instruments, or other related financial instruments, carried out by them or the Persons Closely Associated,
- and define the management procedures, by the Company, for the communications received and fulfilment of their distribution obligations, identifying the party authorised to receive, manage, and distribute these communications to the market.

The provisions of the Code of Conduct form an integral part of the corporate rules, and therefore all the PDMRs must duly comply with them.

The Code of Conduct is also an essential component of the internal control and risk management system of the Company, and the overall system in place to prevent offences pursuant to Legislative Decree no. 231/2001, and more specifically, the Organisational model adopted by the Company for that purpose.

For the purpose of the Code of Conduct, in accordance with article 19, paragraph 1 and article 3, paragraph 1, point 25) of the (EU) Regulation no. 596/2014 relating to market abuse, and article 114, paragraph 7 of Legislative Decree no. 58/1998, the following can be classified as PDMRs:

- a) members of the Board of Directors and the Board of Statutory Auditors of Italmobiliare;
- b) all other managers of the Company who have regular access to inside information relating directly or indirectly to the Company, and have the power to make managerial decisions affecting the future developments and business prospects of the Company;
- c) anyone who holds shares equal to or greater than 10% (ten per cent) of the share capital, represented by shares with voting rights, and any other party who controls the Company.

The Chief Executive Officer - Chief Operating Officer shall identify the other Company managers with “regular” access to the inside information and who have decision-making power.

The identification shall be carried out on the basis of the following criteria:

- a) assessment of the access to inside information by the “manager” in relation to the duties assigned;
- b) organizational structure and authorisation and powers of attorney system adopted by the Company;
- c) powers of the manager to make management decisions that could affect the transactions and/or the development and future prospects of Italmobiliare.

For the purpose of the Code of Conduct, in accordance with article 19, paragraph 1 and article 3, paragraph 1, point 26) of Regulation no. 596/2014, Persons Closely Associated with the PDMRs are:

- I. a spouse (not legally separated) or a partner considered to be equivalent to a spouse in accordance with national law;
- II. a dependent child, in accordance with Italian legislation;
- III. a relative who has shared the same household for at least one year on the date of the transaction concerned; or
- IV. a legal entity, trust or partnership, the managerial responsibilities of which are discharged by a person with administrative, control and management duties or by one of the persons referred to in points (i), (ii), or (iii), or which is directly or indirectly controlled by such entity, is set up for the benefit of such entity, or whose economic interests are substantially equivalent to those of such entity.

The PDMRs will sign a statement showing their awareness and acceptance, with the duty to notify the Persons Closely Associated in writing, that can be traced to them, their communication obligations in accordance with prevailing law and this Procedure, and to keep a copy of the notification, and ensure that said persons do everything necessary to duly comply with said obligations.

This statement, duly filled in, also with the information on the Persons Closely Associated, must be promptly sent to the Company.

The Person in Charge of receiving, managing and distributing the communications to the market will prepare and update the list of names of the PDMRs and the Persons Closely Associated.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the Company's shares of an aggregate amount exceeding the euro 5,000 threshold by the end of the year.

Moreover, the 'Code of Conduct' envisages that the PDMRs must abstain from performing transactions that are subject to communication to the Company:

- on listed financial instruments issued by Italmobiliare:
 - during the 30 calendar days preceding the meeting of the Company's Board of Directors called to approve the separate annual and interim financial statements, including the day on which the meeting is held;

17.3 COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION

By resolution adopted on 14 November 2012, the Company's Board of Directors accepted the opt-out regime provided by the Consob Issuers' Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant mergers, demergers, acquisitions and disposals, and capital increase by contribution in kind.

On the same date, in accordance with the above-mentioned legislation, the Company provided adequate disclosures to the market.

17.4 CONSOB REGULATION ON MARKETS

The Consob Regulation on markets provides for specific rules regarding conditions for the listing of Companies:

- A) that control companies incorporated in, and under the law of, countries not belonging to the European Union («non-EU») (art. 36)
- B) that are managed and coordinated by another company (art. 37).

In particular, the companies as set out in letter A) are required to:

- 1) disclose the accounts of non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, at least including the statement of financial position and the income statement;
- 2) obtain the By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
- 3) check that the non-EU subsidiaries:
 - * provide the parent's independent auditor with the information needed to audit the parent's annual and interim financial statements;* have an administrative/accounting system suitable to provide the parent's management and independent auditor, on a regular basis, with the statement of financial position and income statement figures needed to draft the consolidated financial statements.

The Companies set out in letter B), on the other hand, may be admitted for trading on an Italian regulated market (or maintain their listing) when they:

- a) have fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
- b) are free to negotiate in dealings with customers and suppliers;
- c) do not have a centralized treasury management agreement which is not in their corporate interest with the controlling company that carried out management activities or with any other company of the group to which they belong. The correspondence with the corporate interest is certified by the Board of Directors with a detailed reasoned statement verified by the Board of Statutory Auditors;
- d) have a Board of Directors composed of a majority of independent directors (pursuant to the Code) and a Control and Risk Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes of conduct promoted by regulated market managers or by professional associations, will consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application as of today involves 18 subsidiaries, located in 10 countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guaranteeing:

- * the transmission of the financial statements of the subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such financial statements to be disclosed to the public;
- * the centralized collection and storage of the By-laws and the composition and powers of the corporate bodies of the above-mentioned subsidiaries and any subsequent amendment.

Therefore, all the By-laws of Subsidiaries located in countries that do not belong to the European Union, which are relevant according to the last Audit plan, as well as the composition and powers of the corporate bodies have been acquired and are stored and filed with the Company.

Furthermore, the findings thus obtained have revealed that the subsidiaries based in countries outside the European Union, relevant with respect to the latest Audit plan:

- * provide the company's independent auditor with the information needed to verify the annual and interim separate financial statements of Italmobiliare,
- * have an administrative/accounting system suitable to providing the Company and the independent auditor, on a regular basis, with the statement of financial position and income statement figures needed to draft the consolidated financial statements.

With reference to the provisions of art. 37 mentioned above, however, not being managed and coordinated by any other company or body, Italmobiliare is not subject to the obligations laid down therein.

Although, pursuant to Art. 2359, paragraph 1, no. 2 of the Italian Civil Code, it has a sufficient number of voting rights to exercise a dominant influence in the ordinary Shareholders' Meeting, albeit indirectly, Efiparind B.V. does not set, nor has it ever set, the Company's strategic policies to follow in the management of its business. The Board of Directors of Italmobiliare, therefore, has always taken its decisions in full autonomy without any interference whatsoever from the relative majority shareholder.

18.0 CHANGES AFTER THE REPORTING DATE

No changes have been made to the Corporate governance structure after the 2016 year-end that had a significant effect on anything contained in this Report.

TABLE 1**STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES**

Board of Directors							Executive Committee		Control and Risk Committee		Remuneration Committee		Committee for Transactions with Related Parties		Investments Committee	
Position (in office since)	Member (year of birth)	Executive	Non-executive	Independent	Attendance	No. of other positions	Members	Attendance	Members	Attendance	Members	Attendance	Members	Attendance	Members	Attendance
Chairman (1984)	Giampiero Pesenti (1931)	•			0/11	1	•	0/1								
Deputy Chairman (2005)	Italo Lucchini (1943)		•		11/11	2	•	1/1			•	4/4				
Chief Executive Officer - Chief Operating Officer (2014)	Carlo Pesenti (1963)	•			11/11	3	•	1/1							•	1/1
Director (2014)	Anna Maria Artoni (1967)		•	•	10/11	1							•	1/1		
Director (2002)	Giorgio Bonomi (1955)		•		11/11	1			•	9/9						
Director (2014)	Carolyn Dittmeier (1956)		•	•	11/11	2			•	9/9			•	1/1		
Director (2011)	Sebastiano Mazzoleni (1968)		•		11/11	1									•	1/1
Director (2002)	Luca Minoli (1961)		•		11/11	-										
Director (2011)	Gianemilio Osculati (1947)		•	•	10/11	1									•	1/1
Director (2011)	Clemente Rebecchini (1964)		•		8/11	-										
Director (2011)	Paolo Sfameni (1965)		•	•	11/11	4			•	9/9	•	4/4	•	1/1		
Director (2002)	Livio Strazzera (1961)		•	•	11/11	2	•	1/1							•	0/1
Director (2014)	Massimo Tononi (1964)		•	•	7/11	2									•	1/1
Director (2013)	Laura Zanetti (1970)		•	•	11/11	3	•	1/1			•	4/4			•	1/1

(*) Carlo Pesenti has been a Director since 1999, Chief Operating Officer since 2001 and Chief Executive Officer since 2014

TABLE 2**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Position	Members	Year of birth	Data di prima nomina	In office since	In office until	List	Indep. Code	Attendance	No. of other offices
Chairman	Francesco Di Carlo	1969	25/05/11	27/05/2014	31/12/2016	m	•	13/13	10
Standing Statutory Auditor	Angelo Casò	1940	25/05/11	27/05/2014	31/12/2016	M	•	13/13	15
Standing Statutory Auditor	Luciana Ravicini	1959	27/05/14	27/05/2014	31/12/2016	M	•	12/13	12
No. of meetings held in 2016			13						
Quorum required to submit lists by the non-controlling shareholders for election of one or more members (ref. CONSOB Regulation no. 19856 of 25 January 2017)								1.0%	

Key for the List from which each Statutory Auditor was taken: "M" majority list, "m" minority list.