



Pirelli & C. S.p.A.

General Shareholders' Meeting 15 May 2018

Board of Statutory Auditors

- **appointment of standing and alternate auditors;**
- **appointment of the Chairman;**
- **determination of remuneration of auditors.**

LEGISLATIVE REFERENCE

Shareholders who wish to submit a slate for the appointment of the members of the Board of Statutory Auditors are kindly invited to read carefully the following documents, in addition to the call of the General Meeting and to the report on the item of the agenda issued by the Board of Director.

March 2018

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EXTRACT BY-LAWS - ARTICLE 16

BOARD OF STATUTORY AUDITORS

Article 16

16.1 The Board of Statutory Auditors shall be composed of five effective and three alternate auditors, who must be in possession of the requisites established under applicable laws and regulations; to this end, it shall be borne in mind that the fields and sectors of business closely connected with those of the Company are those stated in the Company's purpose, with particular reference to companies or corporations operating in the financial, industrial, banking, insurance and real estate sectors and in the services field in general.

16.2 The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one effective auditor and one alternate auditor.

16.3 The Board of Statutory Auditors shall be appointed in compliance with applicable laws and regulations and with the exception of the provisions of paragraph 17 of this article 16, on the basis of slates presented by the shareholders in which candidates are listed by consecutive number.

16.4 Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.

16.5 Shareholders who, alone or together with other shareholders, represent at least 1 percent of the shares with voting rights in the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa for the submission of slates for the appointment of the Board of Directors shall be entitled to submit slates.

16.6 Each shareholder may present or take part in the presentation of only one slate.

16.7 The slates of candidates, which must be undersigned by the parties submitting them, shall be filed in the Company's registered office at least twenty five days prior to the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Statutory Auditors, except for those cases in which the law and/or the regulation provide an extension of the deadline. They are made available to the public at the registered office, on the Company website and in the other ways specified by Commissione Nazionale per la Società e la Borsa regulations at least 21 days before the date of the general meeting.

Without limitation to any further documentation required by applicable rules, including any regulatory provisions, a personal and professional curriculum including also the offices held in management and supervisory bodies of other companies, of the individuals standing for election must accompany the slates together with the statements in which the individual candidates agree to:

- their nomination and
- declare, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet the requisites prescribed by law, by these By-laws and by regulation for the position.

Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

16.8 Any slates submitted without complying with the foregoing provisions shall be disregarded.

16.9 Each candidate may appear on only one slate, on penalty of losing the right to be elected.

16.10 The slates shall be divided into two sections: one for candidates for the position of standing Auditor and one for candidates for the position of alternate Auditor. The first candidate listed in each section must be selected from among the persons enrolled in the Register of Auditors who have worked on statutory audits for a period of no less than three years. In compliance with the current provisions relating to gender balance, slates that - taking account of both sections - present a number of candidates equal to or exceeding three, must include candidates of each gender both in the section for standing statutory auditors and in the section for alternates.

16.11 Each person entitled to vote may vote for only one slate.

16.12 The Board of Statutory Auditors shall be elected as specified below:

- a) four effective members and two alternate members shall be chosen from the slate which obtains the highest number of votes (known as the majority slate), in the consecutive order in which they are listed thereon;
- b) the remaining standing member and the other alternate member shall be chosen from the slate which obtains the highest number of votes cast by the shareholders after the first slate (known as the minority slate), in the consecutive order in which they are listed thereon; if several slates obtain the same number of votes, a new vote between said slates will be cast by all those entitled to vote attending the meeting, and the candidates on the slate which obtains the simple majority of the votes will be elected.

16.13 The chair of the Board of Statutory Auditors shall pertain to the standing member listed as the first candidate on the minority slate.

16.14 If, considering the standing statutory auditor and the alternates statutory auditors separately, the application of the slate voting procedure fails to secure the minimum number of statutory auditors of the less represented gender as required by law and/or regulation in force at the time, the appointed candidate of the

more represented gender indicated with the higher progressive number in each section of the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender drawn from the same section of the same slate on the basis of their progressive order of presentation.

16.15 The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the first alternate auditor chosen from the same slate as the former. If filling the position in this way fails produce a composition of the Board of Statutory Auditors that complies with the rules in force even on gender balance, the position will be filled by the second alternate auditor drawn from the same slate. If, subsequently, there is a need to substitute another statutory auditor from the same slate that obtained most votes, the other alternate auditor drawn from the same slate shall fill the position, whatever the outcome. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the statutory auditor of the same slate as the outgoing Chairman, following the order contained in the slate, subject in all cases to observance of the requirements in law and/or in the Company By-laws for holding that office and to compliance with gender balance as provided by law and/or regulation currently in force; if it proves impossible to effect substitutions and replacements under the foregoing procedures, a shareholders' meeting shall be called to complete the Board of Statutory Auditors which shall adopt resolutions by relative majority vote.

16.16 When the shareholders' meeting is required, pursuant to the provisions of the foregoing paragraph or to the law, to appoint the standing and/or alternate members needed to complete the Board of Statutory Auditors, it shall proceed as follows: if auditors elected from the majority slate have to be replaced, the appointment shall be made by relative majority vote without slate constraints, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time; if, however, auditors elected from the minority slate have to be replaced, the shareholders' meeting shall replace them by relative majority vote, selecting them where possible from amongst the candidates listed on the slate on which the auditor to be replaced appeared and in any event in accordance with the principle of necessary representation of minorities to which this By-Laws ensure the right to take part to the appointment of the Board of Statutory Auditors, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

The principle of necessary representation of minorities shall be considered complied with in the event of the appointment of Statutory Auditors nominated before in the minority slate or in slates different other than the one which obtained the highest number of votes in the context of the appointment of the Board of Statutory Auditors.

16.17 In case only one slate has been presented, the shareholders' meeting shall vote on it; if the slate obtains the relative majority of the share capital, the candidates listed in the respective section shall be appointed to the office of standing auditors and alternate auditors; the candidate listed at the first place in the slate shall be appointed as Chairman of the Board of Statutory Auditors.

16.18 When appointing auditors who, for whatsoever reason, were not appointed under the procedures established herein, the shareholders' meeting shall vote on the basis of the majorities required by law, without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.

16.19 Outgoing members of the Board of Statutory Auditors may be re-elected to office.

16.20 Meetings of the Board of Statutory Auditors may, if the Chairman or whoever acts in his/her stead verifies the necessity, be attended by means of telecommunications systems that permit all attendees to participate in the discussion and obtain information on an equal basis.

EXTRACT LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

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Section V Internal control bodies

Article 148 Composition

1. The Articles of Association of a company shall establish, for the board of auditors:

- a) the number, not less than three, of auditors;
- b) the number not less than two, of alternates;
- c) ...omissis...
- d) ...omissis...

1-bis. The Articles of Association of the company state, moreover, that the division of members pursuant to section 1 shall be made in such a way that the less-represented gender shall obtain at least one third of the regular members of the board of auditors. This division criterion applies for three consecutive mandates. If the composition of the board of auditors resulting from the election does not comply with the division criterion provided for in the present section, CONSOB warns the company involved to comply with this criterion within the maximum term of four months from the warning. In the event of non-compliance with the warning, CONSOB applies a fine of from euro 20,000 to euro 200,000 and sets a new term of three months for compliance. In the event of further non-compliance with respect to the new warning, the members elected lose their position. CONSOB lays down regulations on the subject of infringement, application and observance of the rules on gender quotas, also with reference to the preliminary phase and the procedures to be adopted, on the basis of its own regulations to be adopted within six months from the date of entry into force of the rules contained in the present section.

2. CONSOB establishes the rules for the election procedure by list vote of a member of the Board of Auditors by minority shareholders, that are not directly or indirectly associated with the shareholders that submitted or voted the list qualifying as first for the number of votes received. Article 147-ter, paragraph 1-bis shall apply.

2-bis. The chairman of the board of auditors shall be appointed by the shareholders' meeting from among the auditors elected by the minority shareholders.

3. The following persons may not be elected as auditors and, where elected, they shall be disqualified from office:

- a) persons who are in the conditions referred to in Article 2382 of the Civil Code;
- b) spouses, relatives and the like up to the fourth degree of kinship of the directors of the company, spouses, relatives and the like up to the fourth degree of kinship of the directors of the companies it controls, the companies it is controlled by and those subject to common control;
- c) persons who are linked to the company, the companies it controls, the companies it is controlled by and those subject to common control or to directors of the company or persons referred to in paragraph b) by self-employment or employee relationships or by other relationships of an economic or professional nature that might compromise their independence.

4. In a regulation adopted pursuant to Article 17(3) of Law 400/2003, in agreement with the Minister of the Economy and Finance, after consulting CONSOB, the Bank of Italy and Ivass, the Minister of Justice shall lay down the integrity and experience requirements for the members of the board of auditors, the supervisory board or the management control committee. Failure to satisfy the requirements shall result in disqualification from the position.

4-bis. Paragraphs 1-bis, 2 and 3 shall apply to supervisory boards.

4-ter. Paragraphs 2-bis and 3 shall apply to management control committees. The representative of the minority shareholders shall be the director elected pursuant to Article 147-ter(3).

4-quater. In the cases provided for in this article, disqualification shall be declared by the board of directors or, for companies organised according to the two-tier system or the one-tier system, by the shareholders' meeting within thirty days of the appointment or of its learning of subsequent failure. In the event of inaction by the competent body, CONSOB shall declare the disqualification, at the request of any interested party or if it learns of the existence of the grounds for disqualification.

Article 148-bis

Limits on the cumulation of positions

1. CONSOB shall lay down in a regulation the limits to the cumulation of management and control positions that members of the internal control bodies of companies referred to in this chapter and of companies with financial instruments widely distributed among the public in accordance with Article 116 may hold in all the

companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code. CONSOB shall establish such limits taking into account the onerousness and complexity of each type of position, including in relation to the size of the company, the number and size of the firms included in the consolidation, and the extension and articulation of its organisational structure.

2. Without prejudice to Article 2400, fourth paragraph, of the Civil Code, members of the internal control bodies of companies referred to in this chapter and of companies with financial instruments widely distributed among the public in accordance with Article 116 shall inform CONSOB and the public, within the time limits and in the ways prescribed by CONSOB in the regulation referred to in paragraph 1, of all the management and control positions they hold in companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code. CONSOB shall declare the disqualification from positions taken on after the maximum number provided for in the regulation referred to in the first paragraph was reached.^[835]

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Article 154

Provisions not applicable

1. Articles 2397, 2398, 2399, 2403, 2403-bis, 2405, 2426, points 5 and 6, 2429 paragraph 2, and 2441 paragraph 6, of the Civil Code shall not apply to boards of auditors of companies with listed shares.
2. Articles 2409-septies, 2409-duodecies and 2409-terdecies, paragraphs 1c), 1e) and 1f) of the Civil Code shall not apply to supervisory boards of companies with listed shares.
3. Articles 2399, first paragraph, and 2409-septies of the Civil Code shall not apply to the management control committees of companies with listed shares.

EXTRACT CONSOB REGULATION NO. 11971 OF 14 MAY 1999

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TITLE V-BIS MANAGEMENT AND CONTROL BODIES

Chapter I

Appointment of management and control bodies

Section I

General Provisions

Article 144-ter (Definitions)

1. In this Chapter:

- a) "listed shares" shall mean: the shares listed on regulated markets in Italy or other EU countries that give the right to vote in shareholders' meetings involving the appointment of the members of administrative and control bodies;
- b) "share capital" shall mean: the capital made up by the listed shares;
- c) "market capitalisation" shall mean: the average capitalisation of the listed shares during the last quarter of the financial year;
- d) "float" shall mean: the percentage share capital made up of shares with voting rights not represented by significant holdings pursuant to Article 120 of the Consolidated Law and by holdings assigned by shareholders' agreements pursuant to Article 122 of the Consolidated Law;
- e) "reference shareholders" shall mean: the shareholders who have submitted or voted the list that received the highest number of votes;
- f) "group" shall mean: the parent company, its subsidiaries and the companies subject to joint control;
- g) "family relationships" shall mean: the relationship between a shareholder and those family members who are deemed capable of influencing, or being influenced by, said shareholder. These family members may include: the spouse if not legally separated, the spouse's children, the cohabiting partner and the cohabiting partner's children, the dependants of the shareholder, of the spouse if not legally separated and of the cohabiting partner.

2. All references in this Chapter to the board of statutory auditors or the statutory auditors shall also encompass the supervisory board and its members, unless otherwise specified.

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Section III Election of the internal control body

Article 144-quinquies

(Relationships of affiliation between reference shareholders and minority shareholders)

1. The material relationships of affiliation pursuant to Article 148, subsection 2, of the Consolidated Law between one or more reference shareholders and one or more minority shareholders shall be deemed to exist in at least the following cases:

- a) family relationships;
- b) membership of the same group;
- c) control relationships between a company and those who jointly control it;
- d) relationships of affiliation pursuant to Article 2359, subsection 3 of the Italian Civil Code, including with persons belonging to the same group;
- e) the performance, by a shareholder, of management or executive functions, with the assumption of strategic responsibilities, within a group that another shareholder belongs to;
- f) participation in the same shareholders' agreement provided for in Article 122 of the Consolidated Law involving shares of the issuer, of its parent company or one of its subsidiaries.

2. When a person affiliated to the reference shareholder has voted for a minority shareholder list, the existence of such relationship of affiliation shall only be deemed to be material when the vote is decisive for the election of the auditor.

Article 144-sexies

(Election of the minority statutory auditors by list voting)

1. Except for replacements, the election of the statutory auditor representing minority shareholders pursuant to Article 148, subsection 2 of the Consolidated Law shall take place at the same time as the election of the other members of the control body.
2. Each shareholder may submit a list for the appointment of members of the board of statutory auditors. The articles of association may establish that the shareholder or shareholders submitting a list must possess a shareholding at the time of the submission not exceeding the amount established pursuant to Article 147-ter, subsection 1 of the Consolidated Law.
3. The lists shall contain the names:
 - a) of one or more candidates for the office of acting statutory auditor and alternate statutory auditor, for the election of the board of statutory auditors;
 - b) of two or more candidates, for the election of the supervisory board.The names of the candidates shall be accompanied by consecutive numbers and shall not in any case exceed the number of members of the body to be elected.
4. The lists shall be filed at the registered office by the twenty-fifth day before the shareholders' meeting date set for the shareholders' meeting called to approve the appointment of the statutory auditors, together with:
 - a) the details of the identity of the shareholders who have submitted the lists, specifying the overall percentage shareholding held and a certification specifying the ownership of said shareholding;
 - b) a declaration from the shareholders other than those who, jointly or otherwise, possess a controlling or relative majority shareholding, certifying the absence of any relationships of affiliation with the latter pursuant to Article 144-quinquies;
 - c) detailed information on the personal traits and professional qualifications of the candidates, together with a declaration from said candidates certifying their possession of the requirements under the law and their acceptance of the nomination.
- 4-bis. ...omissis...
- 4-ter. Companies will allow shareholders who wish to present lists to file them using at least one long distance means of communication, in accordance with the manner that it has established, and noted in the notice convening the shareholders' meeting, which will allow identification of the parties that will be doing the filing.
- 4-quater. The ownership of all the shareholdings held indicated in paragraph 4, letter a), is also confirmed after the deposit of the lists, provided it is confirmed at least twenty-one days before the date of the shareholders' meeting, by the forwarding of the communications contemplated by article 23 of the Regulation governing the services of centralised management, liquidation, guarantee systems and the relative management companies adopted by the Bank of Italy and by the Consob on 22 February 2008, as successively amended.
5. If, on the final date of the term indicated in paragraph 4, only one list has been deposited, or only lists presented by shareholders who, pursuant to the ruling of paragraph 4, are connected to each other as contemplated by article 144-quinquies, lists can be presented until the third day following that date, without prejudice to the provision of article 147-ter, paragraph 1-bis, last sentence, of the Consolidated Law. In such a case any thresholds contemplated by the articles of association, pursuant to paragraph 2, shall be reduced by half^[631].
6. A shareholder may not submit or vote for more than one list, including through nominees or trust companies. Shareholders belonging to the same group and shareholders participating in a shareholder agreement involving the shares of the issuer may not submit or vote for more than one list, including through nominees or trust companies. A candidate may only be present in one list, under penalty of ineligibility.
7. The candidate at the top of the list that has obtained the highest number of votes from amongst the lists submitted and voted by shareholders who are not affiliated to the reference shareholders pursuant to Article 148, subsection 2 of the Consolidated Law shall be elected as acting statutory auditor. The candidate for alternate statutory auditor at the top of the same list shall be elected to said office.
8. If provided for in the articles of association, additional alternate auditors or members of the supervisory board may also be nominated to replace the minority member, chosen from amongst the other candidates in the list referred to in the subsection above or, subordinately, from the candidates in the minority list that received the second highest number of votes.
9. The articles of association may not provide for a percentage or minimum number of votes that the lists need to obtain. The articles of association shall establish the criteria for establishing which candidate will be elected in the event of parity between the lists.
10. If the articles of association provide for the election of more than one minority statutory auditor the offices shall be allocated proportionately in accordance with the criteria established by the articles of association.
11. Should the minority statutory auditor no longer be available, for whatever reason, the latter shall be replaced by the alternate statutory auditor referred to in subsection 7. In the absence of the latter, the

replacement shall consist of one of the alternate statutory auditors or the members of the supervisory board nominated pursuant to subsection 8.

12. The shareholders' meeting provided for in Article 2401, subsection 1 of the Italian Civil Code and, if the issuer adopts the two tier model, in Article 2409-duodecies, subsection 7 of the Italian Civil Code, shall make the appointment or replacement in compliance with the principle of required minority representation.

Section IV Publication of the lists

Article 144-septies (Publication of the shareholding)

1. Consob shall publish, within thirty days of the financial year end, the shareholding required for the submission of the lists of candidates for the election of the administrative and control bodies, including by electronic means of information dissemination.

2. The notice of the shareholders' meeting called to approve the appointment of the administrative and control bodies shall specify the shareholding required for the submission of the lists.

Article 144-octies (Publication of the proposals for appointments)

1. Italian companies listed on regulated Italian market, at least twenty-one days before that fixed for the shareholders' meeting called to appoint the boards of directors and internal control bodies, shall make available to the public at the company's head office, the market management company and on its Internet site, the lists of the candidates deposited by the shareholders together with:

a) for the candidates to the office of statutory auditor, the information and documentation specified in Article 144-sexies, subsection 4;

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2. Notification shall be provided without delay, in the manner specified in Title II, Chapter I, of the absence of the submission of the minority lists for the appointment of the statutory auditors referred to in subsection 5 of Article 144-sexies, of the additional period for their submission and of the reduction of any thresholds established by the articles of association.

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Section V Final provisions

Article 144-undecies (Provisions concerning privatized companies) ...omissis...

Chapter I-bis[Gender balance in the structure of the administrative and control bodies

Article 144-undecies.1 (Gender balance)

1. Companies with listed shares shall ensure that the appointment of the administrative and control bodies is made according to criteria guaranteeing a balance of genders as established by Articles 147-ter, paragraph 1-ter, paragraph 1-bis of the Consolidated Law and that this criteria is applied for three consecutive terms of office.

2. The articles of association of listed companies shall govern:

a) the methods by which lists are formed and any additional criteria applicable to the identification of the individual members of the boards that enables respect of gender balance upon completion of voting. Articles of association cannot establish compliance with gender division criteria for lists with fewer than three candidates;

b) the methods by which members of the bodies who have left their offices during the course of a term of office are replaced, considering the gender balance;

c) the methods by which appointment rights may be exercised, where applicable, not in contrast with the provisions of Articles 147-ter, paragraph 1-ter and 148, paragraph 1-bis of the Consolidated Law.

3. Where the application of gender division criteria does not result in a whole number of members of the administrative or control body belonging to the least represented gender, this number is rounded up.

4. In the event of failure to comply with the order established by Articles 147-ter, paragraph 1-ter and 148, paragraph 1-bis of the Consolidated Law, Consob will establish new terms of three months within which to comply and apply sanctions, upon bringing the charges in accordance with Article 195 of the Consolidated Law and considering Article 11 of Law no. 689 of 24 November 1981 as subsequently amended.

Chapter II

Limits to the cumulation of offices by the members of the control bodies (*)

Article 144-duodecies (Definitions)

1. In this Chapter:

- a) "member of the control body" shall mean: an acting member of the board of statutory auditors, the supervisory board or the internal control committee;
- b) "statutory auditor responsible for the audit" shall mean: the acting statutory auditor who performs the functions provided for in Article 2409-bis, subsection 3 of the Italian Civil Code;
- c) "director with management mandates" shall mean: the sole director or the managing director pursuant to Article 2381 of the Italian Civil Code;
- d) "issuers" shall mean: Italian companies with shares listed on regulated markets in Italy or in other EU countries and companies issuing financial instruments distributed widely amongst the public pursuant to Article 116 of the Consolidated Law;
- e) "public interest companies" shall mean: banks and financial intermediaries pursuant to Article 107 of the Legislative Decree no. 385 of 1 September 1993, investment firms pursuant to Article 1, subsection 1, paragraph e) of the Consolidated Law, open-end investment companies (SICAVs) pursuant to Article 1, subsection 1, paragraph i) of the Consolidated Law, asset management companies pursuant to Article 1, subsection 1, paragraph o) of the Consolidated Law, and insurance undertakings pursuant to Article 1, subsection 1, paragraphs s), t) and u) of Legislative Decree no. 209 of 7 September 2005, that are established as companies as specified in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code and that are different to the issuers;
- f) "large companies" shall mean: the companies specified in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, other than issuers or public interest companies, that, if they draw up the consolidated financial statements, individually or overall at group level: i) employ on average at least 250 employees during the financial year; or ii) have revenues from sales and services exceeding 50 million euros and balance sheet assets exceeding 43 million euros;
- g) "medium companies" shall mean: the companies specified in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, other than issuers and public interest companies, that are not classifiable as small companies as per the subsequent paragraph h) and that, if they draw up the consolidated financial statements, individually or overall at group level employ on average fewer than 250 employees during the financial year and do not exceed the following limits: i) 50 million euros of revenues from sales and services and ii) 43 million euros of balance sheet assets;
- h) "small companies" shall mean: the companies specified in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, other than issuers and public interest companies, that also alternatively:
 - 1) employ on average during the year less than 250 employees and do not exceed the limits established in Article 2435 bis of the Italian Civil Code,;
 - 2) carry out credit securitisation activities referred to in Italian Law No. 130 of 30 April 1999;
 - 3) is newly constituted and has not yet approved its first separate annual financial statements¹;
 - 4) are subject to the procedure pursuant to Book V, Title V, Chapter VIII of the Italian Civil Code or the procedures envisaged by Article 2409, subsection 4 of the Italian Civil Code or to the procedures envisaged by Italian Royal Decree No. 267 of 16 March 1942 and by special laws.
- i) "subsidiary company" shall mean: a company included within the consolidation area whose administrative or control body has a member that covers the same role in the parent company;
- j) "exempt positions" shall mean: positions of liquidator assumed during the proceeding referred to in Book V, Title V, Chapter VIII of the Italian Civil Code, or positions assumed as a result of an assignment made by the judicial or administrative authorities in the proceedings provided for in Article 2409, subsection 4 of the Italian Civil Code, and the proceedings provided for in Royal Decree no. 267 of 16 March 1942 and the special laws, including those involving public interest companies.
 - 1-bis. Without prejudice to subsection 1, paragraph h), for the purpose of weighting envisaged in Annex 5-bis, Model 1, "small company" shall mean a public interest company which may, alternatively:
 - a) be subject to the procedure pursuant to Book V, Title V, Chapter VIII of the Italian Civil Code or the procedures envisaged in Article 2409, subsection 4 of the Italian Civil Code or to the procedures envisaged in Italian Royal Decree No. 267 of 16 March 1942 and in special laws;
 - b) has not yet commenced its business activities.

2. The quantitative parameters specified in items f), g) and h) of subsection 1 refer to the figures contained in the latest approved financial statements.

Article 144-terdecies
(Limits on the cumulation of offices)

1. The position of member of the control body of an issuer may not be assumed by those who hold the same position in five issuers.
2. A member of the control body of an issuer may assume other administrative or control positions in the companies referred to in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, up to the maximum limit corresponding to six points resulting from the application of the calculation model contained in Annex 5-bis, Model 1, without prejudice to where the office of member of the control body is held in just one issuer.
3. Exempt positions and administrative and control positions in small companies are not material for the purposes of the cumulation of the positions referred to in subsection 2.
4. The articles of association of the issuers may reduce the limits to the cumulation of positions provided for in subsections 1 and 2 or, without prejudice to the provisions of said subsection, may establish further limits.
- 4-bis. Without prejudice to the provisions of subsections 1 and 2, a member of an internal control body who – for reasons not attributable to themselves – exceeds such limits, shall resign from one or more of the offices previously held within ninety days of becoming aware of having exceeded such limits. This provision shall also apply to alternate auditors becoming members of the internal control body with effect from the date of the shareholders' meeting resolution approving the appointment pursuant to Article 2401 of the Italian Civil Code^[648].
- 4-ter. Consob shall inform a member of an internal control body of having exceeded the plurality of office limit in accordance with the methods and deadlines established in the special Technical Manual.

Article 144-quaterdecies
(Disclosure obligations to Consob)

1. Within ten days of acceptance or termination, for any reason, of office as director or member of an internal control body, the director or member shall inform Consob, in accordance with instructions provided in Annex 5-bis, Model 1 or Model 3, of the office(s) accepted and/or terminated.
2. A member of an internal control body shall inform Consob, in accordance with instructions provided in Annex 5-bis, Model 2:
 - a) within ten days of the event, any change in current offices held or changes to their personal details;
 - b) within ten days of adoption of the financial statements concerned, the size of the company in which the office is held;
 - c) within ten days of becoming aware of the event, any change in significant control relations pursuant to Article 144-duodecies, subsection 1, paragraph i).
3. Within ninety days of acceptance, a person accepting office for the first time as member of the internal control body of an issuer time shall inform Consob in accordance with instructions provided in Annex 5-bis, Model 1, with the information relating to the offices referred to in subsection 1.
- 3-bis. This article does not apply to those holding the office of member of the control body of just one issuer.

Article 144-quinquiesdecies
(Public disclosures)

1. On behalf of issuer supervisory bodies, Consob publishes information acquired pursuant to article 144-quaterdecies on its web site in accordance with the methods indicated in the special Technical Manual.

(*) See also: Consob - Annex 5-bis to the Issuers' Regulation implementing Italian Legislative Decree 58 of 24 February 1998
(file:///C:/Users/garibro001/Downloads/annex5bis_reg11971e.pdf)

CONSOB COMMUNICATION DEM / 8067632 DATED 17 JULY, 2008

Subject: **Cases of incompatibility for members of supervisory bodies pursuant to art. 148 paragraph 3, lett. c) of the CFA (Consolidated Finance Act).**

Foreward

Article. 148, paragraph 3, of the CFA, as amended by the Law on Savings (Legge sul Risparmio), sets out at letter c), as a cause for incompatibility for the appointment as member of the supervisory body of an issuer, the existence with various subjects [the company or its subsidiaries or controlling companies or companies subject to joint control or directors of the company and the parties referred to in letter b) of the same law] of self-employment or employment relationships or "other financial or professional relationships which undermine their independence".

The same incompatibility is applicable to the members of the Supervisory Board and of the Management Control Committee as a result of the reference to Paragraph 3 of Art. 148 of the CFA, contained in the subsequent paragraphs 4-bis and 4-ter.

In consideration of the novelty of the law and of the attribution to Consob, pursuant to art. 148, paragraph 4-quarter, of supervisory duties regarding the existence of the above-mentioned incompatibility conditions, it has become necessary to provide, through the present communication, useful information to understand which relationships can be included amongst the "other professional relationships", as well as giving indications on the elements to be considered in order to assess whether these relationships are likely to undermine the independence of the members of the supervisory body.

The existence of other "professional" relationships between the members of the supervisory body and the parties indicated in the law (in particular directors) requires, in order for the existence of incompatibility to be ascertained, a further verification of the infringement of independence, differently from what is required for self-employment relationships that are relevant in themselves.

The notion of "professional relationships"

Reference to "professional relationships" introduced by the Law on Savings in December 2005 presents difficulties of interpretation that are due to the absence, in our system, of a univocal definition for these relationships.

The aforementioned law assigns to "other" professional relationships an independent relevance when compared to those of financial or self-employment nature, already present in the law. Therefore, relationships are taken into consideration which, albeit of a professional nature, are not necessarily financial nor are they necessarily characterized by the existence of a "work" relationship or by the carrying out of work in favour of one of the parties concerned. These characteristics may correspond to those cases in which a relationship between the parties involved does not respond to the simple giver / recipient scheme but rather to a different one, such as, for example, the cooperative one.

Therefore, cooperation, in its different forms, in carrying out a profession, constitutes an "other" relationship of a professional nature which lends itself to be assessed under the current regulation so as to verify whether it may affect the independence of the member of the supervisory body. In other terms, also cooperation-based relationships amongst professionals may be considered of a "professional nature": in this sense, the qualification " professional" refers, rather than to the provision of work in favour of someone else, to the extent to which the relationship is pertinent to the carrying out of the profession.

The most commonly used form of cooperation among professionals is that of the association. However, also other forms of co-operation are possible (for example, a joint, on-going execution of professional assignments by subjects who formally remain owners of independent firms); moreover, a professional association may take different forms, ranging from the simple sharing of equipment to the execution of structured activities in accordance with hierarchical mechanisms and the sharing of work and proceeds.

The law considers all types of cooperation in the exercise of a profession, leaving it to the subsequent assessment on the potential to undermine the independence of the supervisory body member to make distinctions amongst the different forms.

Useful elements for the assessment of infringement of independence

The existence of "other relationships of a professional nature" between a member of the supervisory body of a listed company and another subject, in particular of a director, is, as mentioned, deemed by the legislator to be incompatible for the aforementioned member only if relationships undermine the independence of the subject to whom these functions have been assigned.

With regards to the professional association, as several forms of association exist, it is not the formal data of its existence to be decisive in ascertaining whether the relationship undermines the independence of the

individual member in the exercise of his/her functions; in this respect, a case by case examination, is to be considered indispensable, even there where it is possible to identify objective elements in the presence of which such a threat is considered plausible.

In general, it can be said that there is a "relationship of a professional nature" between the director and a member of the supervisory body that may undermine the independence of the latter pursuant to art. 148, paragraph 3, lett. c) of the CFA in all those cases in which the relationship determines a habitual, joint execution of the profession or, at any rate, a stable influence of one on the other in the carrying out of their professional activities.

In the specific case of belonging to a professional association, what takes on relevance are those structured associations that give rise to a stable and continuous professional relationship. At present, at least four assumptions can be identified in which such a situation may occur and which, taken individually, may give rise to an infringement of independence, without prejudice to the possibility of envisaging other assumptions of threats related to future developments in the operating procedures of the professional activity. The first assumption is that of an association that does not foresee the assignment of professional tasks to individuals but rather to a collective entity, with a subsequent internal division of labour that is in line with pre-established organizational criteria.

This assumption, which generally differs from that of professions for which legal requirements call for the individual nature of the assignment, would make the professional relationship amongst members of the association substantially inextricable, as it is difficult to distinguish whom to refer to.

The second assumption is the one in which there is only the use of a collective name, which usually includes the names of all members, it being understood that the specific tasks are assigned to individual professionals belonging to the association. In such cases, infringement of the independence of the member/ member of the supervisory body of a listed company would still occur if, alongside the use of the collective name, there were also, within the association, a work organization which, aside from the individual nature of the tasks, involved a joint handling of the latter, according to allocations of assignments, for example, "by subject-matter". In this case, despite the formal individual nature of assignments, the situation outlined in the first above-mentioned assumption, would arise again.

The third assumption is that of the existence, within the association, of a hierarchical relationship between a director and a member of the supervisory body, in the sense that the former makes or contributes to make decisions that may affect the career prospects of the latter, or his/her exclusion from the association. This situation determines a "reverential awe" which appears, amongst other things, difficult to overcome even by any limitations that the member / director may impose on himself. On the other hand, limits that could lead to his complete abstention from decisions that may concern the career of the member of the supervisory body could take on relevance if imposed by the same source (for example the association's By-laws) that establishes the hierarchical relationship.

The fourth assumption of stability and continuity of professional collaboration is that of an association- type of relationship with the sharing of profits deriving from the professional activity of each of the members. In this case, even if in the absence of a joint execution or of the assignment of the professional activity to a common organization, there is a division of proceeds, which constitutes, for the professional involved, the main income. Basically, the sum that each of the associates receives for their professional activity also remunerates the other members, with the consequence that all of them have a concrete interest for the enhancement in the ability of attracting customers by the others. Such a relationship could well undermine the independence of judgment of the member of the supervisory body with respect to the supervised director member of the same association.

The aforesaid situations take on relevance, in particular, if the professional associations are characterized by the presence of provisions of substantial exclusivity and, therefore, generally concern the professional activity of the subjects involved as a whole and not marginal aspects of the same. This occurs, for example, in cases where: (i) by-laws rule out the possibility for members to carry out their independent business or activities at other professional offices, or (ii)

compensation received by members for assignments connected to their respective professional activities converges in the global income of the Association.

Moreover, the above-mentioned criteria are taken into consideration as they give rise to relationships that are capable of undermining the independence of the supervisory body regardless of their quantitative relevance.

It must also be added that, with reference to the fourth assumption, amongst the various members of a professional association whose by-laws foresee, inter alia, the division of profits deriving from the professional activity they themselves carry out, a "financial" relationship is also recognizable, simply because the income for each member of the association also derives from the proceeds of activities carried out by each of the others.

In this regard, it should be noted that, having the legislator assigned autonomous relevance to the two categories of financial and professional relationships as distinct causes of incompatibility for the members of the supervisory body, if the relationship between the latter and a director is already included amongst those

of a "professional nature" capable of undermining their independence, a further investigation on the existence of other causes of incompatibility and, consequently, on the possible relevance of the same relationship having, also, a "financial nature" is not formally necessary (even if it can confirm conclusions drawn on the existence of situations of incompatibility for the subjects concerned) .

The Chairman
Lamberto Cardia

CONSOB COMMUNICATION DEM/9017893 DATED 26TH FEBRUARY, 2009

Appointment of the Members of administration and supervisory entities

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2. During the election of the administrative body, it is recommended that shareholders who submit a "minority list" with a declaration to be filed together with the list on the absence of any connection, even indirect, in Art. 147-ter of the CFA and Art. 144-quinquies of the Issuer Regulations, shareholders who hold, even jointly, a controlling interest or relative majority, if identifiable on the basis of notifications of significant shareholdings in Art. 120 of the CFA or the publication of shareholders' agreements pursuant to Art. 122 of said decree.

Such statement must also specify any relations, if significant, with shareholders that hold a relative share of control or majority, even jointly, if identifiable, and the reasons why such relations are not considered to constitute these connections; alternatively, the absence of these relations must be specified.

In particular, it is recommended to indicate the following relationships, if significant, at minimum:

- family relationships;
- participation in the recent past to a shareholders' agreement (also on the part of companies of the respective groups) provided for in Article 122 of the CFA, relating to shares of the issuer or of companies belonging to the group of the issuer;
- participation (also on the part of companies of the respective groups) to the same shareholders' agreement relating to shares of third party companies;
- the existence of shareholdings, whether direct or indirect, and the existence of crossholdings, if any, whether direct or indirect, including those between the companies of the respective groups;
- assuming offices in the governing or supervisory bodies of the companies of the reference or relative majority shareholder's (or shareholders') group or having done that in the recent past, as well as working as an employee for any of these companies, or having done that in the recent past;
- belonging, directly or through representatives, to the list submitted by the shareholders holding, whether individually or together, a controlling or relative majority stake with regard to the previous election of the governing or supervisory bodies;
- participating in the previous election of the governing or supervisory bodies to submitting a list with the shareholders holding, whether individually or together, a controlling or relative majority stake or voting a list submitted by the same;
- having commercial, financial (other than the typical lender's activities) or professional relations, or having had those in the past;
- the presence of candidates, in the so-called minority list, that are executive directors or manager with strategic responsibilities (or have been in the recent past) of the controlling or relative majority shareholder or shareholders or of companies belonging to the respective groups.

3. With regard to the election of the supervisory bodies, without prejudice to the obligation to file the declaration of Art. 144-sexies of the Issuers Regulation to ensure greater transparency on the relationship between those who present the "minority list" and the controlling or majority shareholders, it is recommended that shareholders who submit a "minority list" provide the following information in the aforementioned declaration:

- any relationships that may exist, if significant, with shareholders who hold, even jointly, a controlling interest or relative majority, if identifiable on the basis of notifications of significant shareholdings in Art. 120 of the CFA or the publication of shareholders' agreements pursuant to Art. 122 of said decree. In particular, it is recommended to at least indicate the relationships between those listed in paragraph 2. Alternatively, the lack of significant relationships should be indicated;
- the reasons for which such relationships were not considered relevant for the existence of any relationship of affiliation pursuant to Art. 148 of the CFA and Art. 144-quinquies of the Issuers Regulation

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6. Companies with listed shares are also advised to make available to the public, in due time and in accordance with the procedures set out in art. 144-octies, paragraph 1, of the Issuer Regulations, the documentation and information indicated in paragraphs 2 and 3 of this Communication.

7. Consob, finally, invites members of supervisory bodies, to fulfil their supervisory obligations, with specific reference to what set out in art. 149 of the Consolidated Finance Act, to pay specific attention to compliance with the regulations governing the election of the administrative and supervisory bodies and possibly to take, within the scope of their powers, any initiative necessary to avoid market uncertainties at every stage of the submission of the slates and of the appointment of the members of the administrative and supervisory bodies. With specific reference to the moment of submission of the slates for the election of the supervisory bodies, for example, it should be noted that the presentation of connected lists involves, pursuant to art. 144-sexies, paragraph 5, of the Issuer Regulations, the opening of a new period for submission of slates and the halving of the percentage of attendance required for the submission of the same. It ensues that the company responsible for informing the market, pursuant to art. 144-octies of the Issuers' Regulation, about the existence of the conditions for the reopening of the terms, has to evaluate any undeclared connection, obviously within the limits of what is known or knowable as required by ordinary diligence and taking into account the limited time available. Given that these activities fall within the competence of the administrative body, it ensues that also the verification of the correctness of directors' behaviour in carrying out of their activities is assigned to the board of statutory auditors as part of the supervision of compliance with legal requirements.

The Chairman
Lamberto Cardia

EXTRACT ITALIAN CIVIL CODE

2382. CAUSES OF INELIGIBILITY AND FORFEITURE.

1 - Interdicted and banned persons, disqualified persons, bankrupt persons or those persons who have been sentenced to a penalty entailing a ban, even temporary, from public office or the inability to exercise managerial functions cannot be appointed as directors, and if appointed, forfeit their office.

2399. CAUSES OF INELIGIBILITY AND FORFEITURE.

- 1 - The following cannot be elected to the office of auditor and, if elected, must forfeit the responsibility:
- a) those who are within the conditions outlined in Article 2382;
 - b) the spouse, family and relatives to within the fourth degree of kinship of the company managers, the managers, spouse, family and relatives to within the fourth degree of kinship of the company managers of the subsidiary companies, of the companies of which they themselves are subsidiaries and of those subject to common control;
 - c) those who are linked to the company or to its subsidiaries, or to the companies of which it is a subsidiary or those subject to common control by a work relationship or by a current advisory or remunerated agreements relationship, or by other property-related relationships which compromise their independence.
- 2 - Cancellation or suspension from the register of auditors and the loss of the required elements outlined in the final sub-section of Article 2397 area reason for forfeiture of the office of auditor.
- 3 - The company by laws may provide for other causes of ineligibility or forfeiture, as well as causes of incompatibility and limits and criteria for the accumulation of offices.

ART. 2400 – APPOINTMENT AND TERMINATION OF OFFICE

1 - The original board of statutory auditors is appointed by the articles of association, and subsequently thereafter, the statutory auditors are appointed by the shareholders' meeting, save for the provisions of articles 2351, 2449 and 2450. The statutory auditors serve a three-year term of office; such term expires on the date in which the shareholders' meeting is called to approve the company's financial statements relative to the third financial year of their appointment. The expiration of the term of office shall be effective from the moment in which the board of statutory auditors has been reconstituted.

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- 3 - The appointment and termination of each statutory auditor must be filed with the register of companies by the directors within 30 days. The appointment must indicate the auditor's surname, name, place and date of birth, and domicile.
- 4 - Upon the moment of appointment of the statutory auditors, and before their acceptance of such appointment, the shareholders' meeting shall be informed of the appointments as directors or auditors that they hold in other companies.

LEGISLATIVE DECREE OF THE MINISTER OF JUSTICE 30TH MARCH, 2000 N. 162

Regulations for the setting of the requirements of professionalism and respectability of the members of the Board of Auditors of listed companies to be issued pursuant to Art. 148 of Legislative Decree 24 February 1998, No. 58 ("CFA").

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Art. 1 - Requirements of professionalism

1. Italian companies listed in regulated markets in Italy or other countries in the European Union, choose, out of those people entered in the registry of auditors who have carried out the activity of legal auditing for no less than three years, at least one of the permanent auditors, if there are three of them, at least two of the permanent auditors, if there are more than three of them and at least one of the substitute auditors in both cases.
2. The auditors who do not meet the requirement provided for in Paragraph 1 above are chosen from those who have, as a whole, at least three years' experience in the field of:
 - a) director-level or supervisory activities or non-managing tasks in capital companies having a share capital of no less than two million Euros, or
 - b) professional activities or tenured university teaching positions in legal, economic, financial and technical-scientific course subjects, strictly pertaining to the business of the Company, or
 - c) management functions in public entities or administration bodies in the credit, finance and insurance industries or in any case, in industries strictly connected the Company's business.
3. For the purpose of complying with the provisions of Paragraph 2, letters b) and c) above, the articles of association specify the matters and the industries which are strictly connected to the Company's business. The Articles of Association may include other additional conditions for the fulfilment of the professionalism requirements provided for in the previous paragraphs.
4. Those who have carried out director level, management-level or supervisory functions in the categories of companies indicated below for at least eighteen months out of the two previous financial years preceding the adoption of the relevant orders and the current financial year, may not hold the post of auditor:
 - a) companies that have been subject to proceedings of bankruptcy or compulsory administrative liquidation or equivalent procedures;
 - b) companies operating in the credit, finance, securities-related and insurance markets, that have been subject to extraordinary administration proceedings.
5. Nor can the position of auditor be held by individuals who have been subject to a cancellation order from the consolidated national register of stock brokers as required by Art. 201, Paragraph 15 of Legislative Decree 24 February 1998, No. 58, and the stock brokers who are excluded from negotiations in a regulated market.
6. The prohibition mentioned in Paragraphs 4 and 5 above shall have a duration of three years as of the adoption of the relevant orders. This length of time is reduced to one year in the event the order was adopted on request of the entrepreneur, the administration bodies of the undertaking, or the stock broker at issue.

Art. 2 - Requirements of respectability

1. The position of auditor for the companies indicated in Art. 1, Paragraph 1 above may not be held by individuals who:
 - a) have been subject to preventative measures taken by the judicial authorities pursuant to Law 27 December 1956, No. 1423 or Law 31 May 1965, No. 575 and subsequent amendments and additions, except for the effects of discharge;
 - b) have been sentenced, with a final judgment of conviction, except for the effects of discharge:
 - 1) to imprisonment for one of the crimes provided for in the regulations relating to banking, finance, and insurance fields and the regulations relating to markets, financial instruments, payment instruments and tax issues;
 - 2) to imprisonment for one of the crimes described under Section XI, BookV of the Italian Civil Code and in Royal Decree 16 March 1942, No. 267;
 - 3) to imprisonment for a term of no less than six months for a crime against government, public faith, property, public order and the public economy;
 - 4) to imprisonment for a term of no less than one year for any offence committed with criminal intent.
2. The position of auditor for any of the companies indicated in Art. 1, Paragraph 1 may not be held by individuals who are or have been subject to any of the sentences provided for in Paragraph 1, letter b) above, on request of any of the parties, except in the event of extinction of the related offences.

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EXTRACT CORPORATE GOVERNANCE CODE (JULY 2015)

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Article 8 – Statutory auditors

Principles

8.P.1. The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.

8.P.2. The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the Board of statutory auditors.

Criteria

8.C.1. The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors (*). The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, submitting the result of such verification to the Board of Directors that discloses it, after the appointment, through a press release to the market and, subsequently, in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.

8.C.2. The statutory auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.

8.C.3. The remuneration of statutory auditors shall be proportionate to the commitment required from each of them, to the importance of his/her role as well as to the size and business sector of the company.

8.C.4. A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board about the nature, the terms, origin and extent of his/her interest.

8.C.5. In the framework of their activities, the statutory auditors may demand from the internal audit function to make assessments on specific operating areas or transactions of the company.

8.C.6. The Board of statutory auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.

Comment

The Board of statutory auditors has a central role in the supervisory system of an issuer.

The Committee believes that the supervisory duties of the Board of statutory auditors have to be carried out in a preventive manner and not merely ex post,

(*) Article 3 – Independent directors

Principles

3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.

3.P.2. The directors' independence shall be assessed by the Board of Directors after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.

Criteria

3.C.1. The Board of Directors shall evaluate the independence of its nonexecutive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a

company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;

c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:

- with the issuer, one of its subsidiaries, or any of its significant representatives;

- with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;

d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of nonexecutive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans;

e) if he/she was a director of the issuer for more than nine years in the last twelve years;

f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;

g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer;

h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

3.C.2. For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key management personnel of the relevant company or entity, must be considered as "significant representatives".

3.C.3. The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the Board, according to the indications set out in the Code.

As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.

Anyway, independent directors shall not be less than two.

3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director.

The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, within the Corporate Governance Report.

In the documents mentioned above, the Board of Directors shall:

- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;

- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.

3.C.5. The Board of statutory auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Corporate Governance Report or in the report of the Board of statutory auditors to the shareholders' meeting.

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EXTRACT LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

Implementation of directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts

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Article 17 (Independence)

5. The statutory auditor, the responsible auditor on behalf of an auditing company, and those who have taken part in the management and supervision of the audit of the financial statements of a public interest entity may not hold corporate positions in the direction and supervisory bodies of the entity that appointed the auditor, nor can they take independent or subordinate employment relationships with the entity carrying out important managerial roles until at least two years have elapsed from the conclusion of the appointment, or from the moment they ceased to be members, directors or employees of the auditing company.

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NB: Pirelli & C. Independent Auditors: PricewaterhouseCoopers for the nine-year term 2017-2025 (for the nine-year 2008-2016 E&Y S.p.A.)