

**Amendments to articles 7 (Shareholders' Meetings), 10 (Administration of the Company), and 16 (Board of Statutory Auditors) of the Company Bylaws, and the introduction therein of article 21.**  
**Corresponding and consequent resolutions**

**1) The reasons for the recommended amendments to the Company Bylaws**

Dear Shareholders,

The extraordinary general meeting has been called to submit to you the following proposed resolutions concerning amendments to the Company Bylaws that (i) align it with the law as it relates to gender balance on boards of directors and board of statutory auditors of listed companies, (ii) arise from a number of “new” regulations regarding the shareholdings required for submitting slates for the appointment of boards of directors and board of statutory auditors, and (iii) take into account the amendments to article 126-bis of legislative decree 58/98 (the Consolidated Law on Financial Intermediation) made through legislative decree no. 91 of 18 June 2012, which has introduced the right – for shareholders that represent at least one fortieth of the share capital – to propose resolutions of their own on matters already tabled for inclusion in the business of the meeting.

**a) Gender balance**

Law no. 120 of 12 July 2011 has introduced gender quotas in the make-up of governance bodies in listed companies and lays down that said companies must, for at least three consecutive mandates<sup>1</sup>, guarantee compliance with a criterion that determines gender distribution in the make-up of governance bodies. Under that criterion the less represented gender must “obtain” at least one third of the directors and of the statutory auditors appointed.

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<sup>1</sup> As regards Pirelli, it is noted that the Board of Directors, appointed on 21 April 2011 for three financial years, ends its term of office concurrent with the Meeting of the Shareholders called to approve the financial statements at 31 December 2013; the Board of Statutory Auditors, appointed on 10 May 2012 for three financial years, ends its term of office concurrent with the Meeting of the Shareholders called to approve the financial statements at 31 December 2014.

However, the legislator has ruled that when boards of directors and internal control bodies are renewed for the first time following a one-year period after the law takes effect (as from 12 August 2012, accordingly), the quota of the less represented gender is to be at least one fifth of the directors and the statutory auditors appointed.

In particular, pursuant to the “newly” drafted texts of paragraph 1-*ter*<sup>2</sup>, article 147-*ter* and paragraph 1-*bis*<sup>3</sup>, article 148 of the Consolidated Law on Financial Intermediation, as well as of article 144-*undecies.1* of Consob’s Regulation governing Issuers of Financial Instruments (hereinafter “Regulation for Issuers”), adopted through its resolution no. 11971 of 14 May 1999 (as amended), company bylaws must regulate the way slates are formed for appointing directors and statutory auditors as well as cases where these are replaced during their mandate in order to ensure compliance with gender balance.

Furthermore, Law 120/2011 has defined an extensive and progressive range of penalties to be applied where the make-up of governance bodies following appointment does not comply with the criterion on gender distribution.

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<sup>2</sup> “The bylaws further provide that the split between the directors to be appointed is carried out on the basis of a criterion that ensures gender balance. The less represented gender must obtain at least one third of the appointed directors. This gender split criterion applies for three consecutive mandates. If the make-up of the board of directors resulting from the appointments fails to comply with the gender split criterion as provided in this paragraph, Consob serves a warning notice on the company concerned so that it comes into line with that criterion within a maximum term of four months from the notice. Where there is a failure to abide by the notice, Consob applies an administrative fine of between EUR 100,000 and EUR 1,000,000, following the criteria and manner laid down in its rules and it sets a term of three months for compliance. In the event of a further failure in compliance with regard to the new notice, the appointed members forfeit office. The bylaws regulate the way slates are formed and the cases where there is substitution during the mandate in order to ensure compliance with the gender split criterion in this paragraph. Consob decides with regard to the infringement, to the application, and the compliance with the provisions regarding the gender quota, including with reference to the investigation stage and to the procedures to be adopted, on the basis of its own regulations to be adopted within six months of the date when the provisions in this paragraph come into force. The provisions in this paragraph shall apply even to companies organised in accordance with the unitary board system”;

<sup>3</sup> “The memorandum of association of the company also lays down that the split between the members as in paragraph 1 is undertaken in such a way that the less represented gender obtains at least one third of the standing members of the board of statutory auditors. This gender split criterion shall apply for three consecutive mandates. If the make-up of the board of statutory auditors resulting from the appointments does not conform to the gender split criterion in this paragraph, Consob serves a warning notice on the company concerned so that it comes into line with the criterion within a maximum term of four months from the notice. Where there is a failure to comply with the notice, Consob applies an administrative fine of between EUR 20,000 and EUR 200,000 and it sets a new term of three months for compliance. Where there is further non-compliance in respect of the new notice, the appointed members forfeit office. Consob decides with regard to the infringement, the application, and the compliance with the provisions regarding the gender quota, including with reference to the investigation stage and to the procedures to be adopted, on the basis of its own regulations to be adopted within six months of the date when the provisions in this paragraph come into force”

**b) Quotas for the presentation of slates**

On 9th May 2012, Consob, through its resolution no. 18214, amended article 144-*quater* of the Regulation for Issuers in respect of the shareholdings required for presenting slates for the appointment of boards of directors. It lays down, inter alia, that *“without prejudice to any lesser percentage established in the Bylaws, the shareholding required for the presentation of slates of candidates for the appointment of the board of directors in accordance with Article 147-ter of the Consolidated Law:*

*a) is 0.5% of the share capital for companies with a market capitalization in excess of fifteen billion euros;*

*b) is 1% of the share capital for companies with a market capitalization in excess of one billion euros and less than or equal to fifteen billion euros;*

*c) is 2.5% of the share capital for companies with a market capitalization is less than or equal to one billion euros”.*

In accordance with the combined effect of paragraph 1, article 147-*ter* of the Consolidated Law on Financial Intermediation and paragraph 2 of article 144-*sexies* of the Regulation for Issuers, article 144-*quater* as above applies also to the presentation of slates for appointing statutory auditors.

Having regard for the current capitalization of Pirelli, the provision that would apply when its governance bodies are renewed is that slates may be presented for the appointment of directors and statutory auditors by those members of the company that, either alone or with others, hold a proportion of the share capital that is at least 1% (point b, paragraph 1, article 144-*quater* of the Regulation for Issuers, as further confirmed by Consob Resolution no. 18452 of 30 January 2013). It follows that the current provisions in the bylaws – as in paragraph 5 article 10 and paragraph 5 article 16, under which the presentation of a slate for the appointment of the Board of Directors and the Board of Statutory Auditors necessitates ownership of shares representing, respectively, at least 2% and at least 1.5% of the share capital carrying a right to vote in the ordinary meeting of the shareholders (barring the application of a lesser proportion as stipulated in Consob’s regulations) – would no longer apply.

The above thresholds of 2% and 1.5% had been introduced by Pirelli in order to facilitate the presentation of slates by so-called minority shareholders. The fact is, at that time the minimum thresholds set by the regulations governing the presentation of slates for the appointment of directors and statutory auditors were higher.

The proposal is to reduce the threshold of ordinary share capital required for presenting slates to 1% – subject to any lower threshold decided by Consob – so bringing the threshold as provided in the bylaws into line with what is currently provided in the regulations.

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**c) Additional proposed amendments to the Bylaws of the Company**

In line with the provisions of article 126-bis of the Consolidated Law on Financial Intermediation (as amended by legislative decree no. 91 of 18 June 2012), paragraph 7 of article 7 includes a provision according to which members – either alone or with others – that represent one fortieth of the share capital are entitled (over and above their right in that article to seek, in the cases and in the manner legally prescribed, the inclusion of additional items in the business of the meeting) to propose the adoption of further resolutions regarding the business already tabled for discussion. Accordingly, paragraphs 8 and 9 of article 7 are modified to reflect the above amendment.

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Taking account of the above it is recommended that articles 7, 10, and 16 of the Bylaws of Pirelli & C. be amended as illustrated below and that a “new” article 21 be included in them.

On the basis of the above, the recommended amendments relate to:

**ARTICLE 7 (THE SHAREHOLDERS ‘ MEETING)**

In accordance with the provisions of article 126-bis of the Consolidated Law on Financial Intermediation, paragraph 7 of article 7 includes a provision according to which members – either alone or with others – that represent one fortieth of the

ordinary share capital are entitled (over and above the content of that article, namely to seek, in the cases and the manner legally prescribed, to include additional items in the business of the meeting) to also propose further resolutions regarding the business already tabled for discussion. Accordingly, paragraphs 8 and 9 of article 7 are modified to reflect the above amendment.

#### **ARTICLE 10 (MANAGEMENT OF THE COMPANY)**

In paragraph 5, article 10, the minimum percentage of the ordinary share capital required to present a slate for the appointment of directors is reduced to 1%, this without prejudice to the adoption of any lower percentage threshold stipulated by Consob.

To ensure that there is gender balance, paragraph 6, article 10 includes a provision whereby slates for the appointment of the Board of Directors with a number of candidates equal to or more than three must contain a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions in force at the time, in accordance with what will be stated in the notice of the shareholder meeting.

Arguably, the advantage of making reference to the notice of the meeting is that it avoids burdening the bylaws with clauses that are excessively complex for ensuring compliance with the criterion on gender distribution (one fifth for the first mandate and one third for the next two renewals) as in Law 120/2011. It also avoids subsequent amendments to the bylaws in the event that the regulations change.

Likewise, a “new” paragraph 10 has been added (entailing the re-numbering of the paragraphs that follow) in order to provide additional criteria for guaranteeing compliance with gender balance within the Board of Directors. In effect, should the slate voting mechanism fail to secure the required minimum number of directors of the less represented gender there is, in place, a progressive mechanism for automatic substitution. In particular, it is provided that *“the appointed candidate of the more represented gender indicated with the higher progressive number on the slate that attracts most votes shall be substituted by the non-appointed candidate of the less*

*represented gender, drawn from the same slate on the basis of their progressive order of presentation, and so on, slate by slate (solely with regard to slates with a number of candidates equal to or more than three), until the minimum number of directors of the less represented gender is reached. If at the end, said procedure does not secure the result just indicated, the substitution will be made through a resolution of the Shareholders' Meeting voted by a relative majority, subject to the nomination of persons of the less represented gender".*

Finally, there is an addition to the re-numbered paragraphs 11, 12, and 13 which provides that where the Shareholders' Meeting or the Board of Directors (where co-option is used) need to appoint directors without following the slate voting procedure, gender balance must in any case be observed within the Board of Directors. In such cases, the directors (or director) appointed are such as ensure compliance with the gender quotas laid down in the law or regulations in force at the time.

#### **ARTICLE 16 (BOARD OF STATUTORY AUDITORS)**

To facilitate compliance with the current rules on gender balance not merely when appointing the statutory auditors but also when they are substituted during their term of office, an amendment is proposed to paragraph 1, article 16 whereby the number of alternate statutory auditors, as provided therein, is increased from two to three, so that substitution mechanisms can be arranged that ensure compliance with gender balance.

For the purposes, again, of the above rule, it is recommended that the following new provision be included in paragraph 10: *"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".*

Following on from the above recommendation to increase the number of alternates from two to three, a provision that two alternates are drawn from the slate attracting the most votes is recommended for inclusion in paragraph 12.

A “new” paragraph 14 has been added (entailing the re-numbering of the paragraphs that follow) to include supplementary criteria for ensuring compliance with gender balance by the Board of Statutory Auditors. In effect, should the slate voting mechanism fail to secure the required minimum number of standing statutory auditors or alternates of the less represented gender there is, in place, a progressive mechanism for automatic substitution. In particular, it is provided that *“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”*.

Paragraph 15 (as re-numbered) – which governs the arrangements whereby the alternate fills in a vacated position (in the event of death, a waiver, or forfeiture of office) – includes an additional provision under which the alternate fills in the position in accordance with the progressive order of presentation in such a way that ensures, whatever the circumstances, compliance with gender balance. In particular, if it is necessary to substitute one of the standing statutory auditors drawn from the slate that attracted most votes, it is recommended that provision is made for the first of the alternates drawn from the same slate to fill in the position. However, if the Board of Statutory Auditors, as made up in this manner, fails to comply with the rules in force at the time on gender balance, it is provided that the second of the alternates from the same slate fill in the position. If, subsequently, the other standing statutory auditor drawn from the slate that attracted most votes has to be substituted, it is provided that the other alternate drawn from the same slate fill in the position, whatever the outcome.

With regard to the substitution of the chairman of the Board of Statutory Auditors, said paragraph 15 specifies that the chairmanship goes to the statutory auditor associated with the same slate as the outgoing chairman in accordance with the progressive order on the slate, subject in all cases to observance of the requirements in law and/or the company bylaws for holding that office and to compliance with gender balance as provided in the applicable rules.

Paragraphs 16 and 18 (as re-numbered), which respectively govern the restoration to full strength of the Board of Statutory Auditors by the Shareholders' Meeting and the other circumstances in which statutory auditors may be appointed by it, include an additional provision whereby the Board of Statutory Auditors must, in any case, be formed having regard for gender balance.

Finally, given the above, in paragraph 5 the minimum required holding in the ordinary share capital for presenting slates for the appointment of statutory auditors is reduced to 1%, subject to the adoption of any lower threshold set in this connection by Consob.

#### **ARTICLE 21 (TRANSITIONAL CLAUSE)**

A new article 21 is included for the purpose of regulating the application of the new bylaw provisions regarding the make-up of the Board of Statutory Auditors. It provides that *"The composition of the Board of Statutory Auditors as indicated in article 16.1 which foreseen the appointment of three standing statutory auditors and three alternate statutory auditors, shall be applied as from the first renewal of the control body after one year from the date Law no. 120 of 12 July 2011 takes effect. Up to that time the Board of Statutory Auditors shall be made up of three standing statutory auditors and by two alternate statutory auditors"*.

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#### **2) Amendment of the Bylaw articles for which approval is require: parallel presentation**

A parallel presentation showing the existing text of the Bylaw articles, the amendment of which is recommended, alongside the text that we submit for your approval is contained in the resolution we recommend below.

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#### **3) Appraisal of the Board of Directors regarding any right of withdrawal**

In the view of the Board of Directors the amendments to the Bylaws described above do not entitle the members of the company to the right of withdrawal as in article 2437 of the Italian Civil Code.

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**4) Proposal of resolutions**

On the basis of what has been stated above the Board of Directors submits the following resolutions for your approval:

“the extraordinary general meeting of the shareholders of Pirelli & C. S.p.A.,

- having examined the Report of the Board of Directors on the recommended amendments to articles 7 (Shareholders’ Meetings), 10 (Management of the Company), and 16 (Board of Statutory Auditors) of the Bylaws and to include in the Bylaws a “new” article 21

hereby

**RESOLVES**

- 1) to amend articles 7 (Shareholders’ Meetings), 10 (Management of the Company), and 16 (Board of Statutory Auditors) of the Bylaws of Pirelli & C. S.p.A. and to include in the Bylaws a “new” article 21, as below:

<b>ASSEMBLEA</b>	<b>SHAREHOLDERS’ MEETINGS</b>
<p><b>Article 7</b>  <b>7.1</b> The calling of shareholders’ meetings, which may be held anywhere in Italy, including in a place other than the Company’s registered office, the right to attend meetings and representation at same are all regulated by law and by these By-laws.  <b>7.2</b> Ordinary and extraordinary meetings are held on single call. The corresponding resolutions are adopted by the majorities required by law.  <b>7.3</b> Persons with voting rights may appoint a representative by proxy issued as provided by the current law and regulations.  The proxy may be notified to the Company by electronic means, making alternative use of one of the following methods:  a) use of the dedicated section of the Company website, indicated by the Company in the notice of call;</p>	<p><b>Article 7</b>  <b>7.1</b> The calling of shareholders’ meetings, which may be held anywhere in Italy, including in a place other than the Company’s registered office, the right to attend meetings and representation at same are all regulated by law and by these By-laws.  <b>7.2</b> Ordinary and extraordinary meetings are held on single call. The corresponding resolutions are adopted by the majorities required by law.  <b>7.3</b> Persons with voting rights may appoint a representative by proxy issued as provided by the current law and regulations.  The proxy may be notified to the Company by electronic means, making alternative use of one of the following methods:  a) use of the dedicated section of the Company website, indicated by the Company in the notice of call;</p>

b) dispatch of a message to the certified electronic mail address at the address indicated by the Company in the notice of call.

The notice of call may also circumscribe the method to be used for the specific shareholders' meeting to which the notice refers to one of the aforementioned methods.

The Company designates, for each general meeting, one or more persons who may be appointed as a proxy holder by those entitled to vote at the meeting, with voting instructions for all or some of the items on the agenda. The proxy has no effect with respect to the items for which no voting instructions have been given. The designated proxy holders, the method and time limits for the issue of proxies are set in the notice of call.

**7.4** The ordinary shareholders' meeting must be called in accordance with the law within a maximum of 180 days after the end of the Company's financial year.

**7.5** The directors, in the cases and manners provided by law, must forthwith call the general meeting when this is required by members representing at least a twentieth of the share capital.

**7.6** The members who require the meeting to be called prepare a report on the proposed items to be discussed. The Board of Directors, together with the publication of the notice of call and in the manner prescribed by law, makes available to the public the report prepared by the members, along with its potential assessment thereof.

**7.7** The members who, even together, represent at least one fortieth of the share capital may ask, in the cases and in the manner prescribed by law, to add items to the agenda, specifying in their request the new items proposed thereby.

b) dispatch of a message to the certified electronic mail address at the address indicated by the Company in the notice of call.

The notice of call may also circumscribe the method to be used for the specific shareholders' meeting to which the notice refers to one of the aforementioned methods.

The Company designates, for each general meeting, one or more persons who may be appointed as a proxy holder by those entitled to vote at the meeting, with voting instructions for all or some of the items on the agenda. The proxy has no effect with respect to the items for which no voting instructions have been given. The designated proxy holders, the method and time limits for the issue of proxies are set in the notice of call.

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**7.6** The members who require the meeting to be called prepare a report on the proposed items to be discussed. The Board of Directors, together with the publication of the notice of call and in the manner prescribed by law, makes available to the public the report prepared by the members, along with its potential assessment thereof.

**7.7** The members who, even together, represent at least one fortieth of the share capital may ask, in the cases and in the manner **and with procedure** prescribed by law, to add items to the agenda, specifying in their request the new items proposed thereby **or propose resolutions on items already included in the agenda for the meeting.**

<p>7.8 The new items submitted under paragraph 7 of Article 7 of these By-Laws, are published, according to the provisions of law, in the same manner prescribed for the publication of the notice of call.</p> <p>7.9 The members who ask to put new items on the agenda prepare a report on the items which they propose to discuss, and deliver it to the Board of Directors by filing it at the Company's offices before the last date indicated for submission of the request for additions to be made to the agenda. The Board of Directors, simultaneously to the publication of the notice of additions to the agenda and in the manner prescribed by law, makes available to the public the report prepared by the members, along with its potential assessment thereof.</p> <p>7.10 Special meetings of savings shareholders shall be convened by the common representative of savings shareholders or by the Board of Directors of the Company whenever they deem necessary or in accordance with the law.</p>	<p><b>7.8</b> The new items <b>or the proposed additional resolutions on items already included in the agenda</b>, submitted under paragraph 7 of Article 7 of the By-Laws, are published, according to the provisions of law, in the same manner prescribed for the publication of the notice of call.</p> <p><b>7.9</b> The members who ask to put new items on the agenda prepare a report on the items which they propose to discuss, <b>illustrating the reason for the proposed resolutions</b>, and deliver it to the Board of Directors by filing it at the Company's offices before the last date indicated for submission of the request for additions to be made to the agenda <b>or the reason for the proposed additional resolutions submitted on items already included in the agenda</b>. The Board of Directors, simultaneously to the publication of the notice of additions to the agenda and in the manner prescribed by law, makes available to the public the report prepared by the members, along with its potential assessment thereof.</p> <p>7.10 Special meetings of savings shareholders shall be convened by the common representative of savings shareholders or by the Board of Directors of the Company whenever they deem necessary or in accordance with the law.</p>
<p><b>MANAGEMENT OF THE COMPANY</b></p>	<p><b>MANAGEMENT OF THE COMPANY</b></p>
<p><b>Article 10</b>  <b>10.1</b> The Company shall be managed by a Board of Directors composed of no less than seven and no more than twenty three members who shall remain in office for three financial years (unless the shareholders' meeting establishes a shorter term at the time of their appointment) and may be re-elected. The shareholders' meeting establishes the number of members of the Board of Directors, which remains unchanged until said meeting resolves otherwise.</p>	<p><b>Article 10</b>  <b>10.1</b> The Company shall be managed by a Board of Directors composed of no less than seven and no more than twenty three members who shall remain in office for three financial years (unless the shareholders' meeting establishes a shorter term at the time of their appointment) and may be re-elected. The shareholders' meeting establishes the number of members of the Board of Directors, which remains unchanged until said meeting resolves otherwise.</p>

**10.2** The Board of Directors is appointed on the basis of slates presented by the shareholders pursuant to the following paragraphs hereof, in which the candidates are listed by consecutive number.

**10.3** The slates presented by the shareholders, which must be undersigned by the parties submitting them, must be filed at the Company's registered office, and be available at least twenty five days before the date set for the shareholders' meeting that is required to decide upon the appointment of the members of the Board of Directors. They are made available to the public at the registered office, on the Company website and in the other ways specified by Consob regulations at least 21 days before the date of the general meeting.

**10.4** Each shareholder may present or take part in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility.

**10.5** Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least 2 percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term specified for their publication by the Company.

**10.6** Together with each slate, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions. Together with such statements, a curriculum vitae must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the

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**10.4** Each shareholder may present or take part in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility.

**10.5** Only shareholders who, alone or together with other shareholders, hold a total number of shares representing at least **2 1** percent of the share capital entitled to vote at the ordinary shareholders' meeting or the minor percentage, according to the regulations issued by Commissione Nazionale per le Società e la Borsa, are entitled to submit slates, subject to their proving ownership of the number of shares needed for the presentation of slates within the term specified for their publication by the Company.

**10.6** Together with each slate, statements must be filed in which the individual candidates agree to their nomination and attest, under their own liability, that there are no grounds for their ineligibility or incompatibility, and that they meet any requisites prescribed for the positions. Together with such statements, a curriculum vitae must be filed for each candidate, including their relevant personal and professional data and mentioning the offices held in management and supervisory bodies of other companies and their satisfaction of the

requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed by the Company. Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

**10.8** Each person entitled to vote may vote for only one slate.

**10.9** The Board of Directors is elected as specified below:

a) four-fifths of the directors to be elected are chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it is rounded-down to the nearest whole number;

b) the remaining directors are chosen from the other slates; to this end, the votes obtained by the various slates are divided by whole progressive numbers from one up to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected.

requisites of independence prescribed for directors of listed companies by the law or by the governance code endorsed by the Company. **In order to ensure gender balance, slates that contain a number of candidates equal to or more than three must contain a number of candidates of the less represented gender at least matching the minimum laid down in statutory and/or regulatory provisions as in force at the time, in accordance with what will be stated in the notice of the Shareholders' Meeting.** Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.

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

**10.8** Each person entitled to vote may vote for only one slate.

**10.9** The Board of Directors is elected as specified below:

a) four-fifths of the directors to be elected are chosen from the slate which obtains the highest number of votes cast by the shareholders, in the order in which they are listed on the slate; in the event of a fractional number, it is rounded-down to the nearest whole number;

b) the remaining directors are chosen from the other slates; to this end, the votes obtained by the various slates are divided by whole progressive numbers from one up to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each slate in the order they are respectively listed thereon. On the basis of the quotients assigned, the candidates on the various slates are ranked in a single list in decreasing order. Those who have obtained the highest quotient are elected.

If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a director or that has elected the lowest number of directors is elected.

If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes is elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote is held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes is elected.

**10.10** If the application of the slate voting system shall not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive number in the slate which has obtained the higher number of votes is replaced by the non-appointed

If none of such slates has as yet elected a director or they have all elected the same number of directors, the candidate from the slate which obtained the highest number of votes is elected. If the different slates obtain the same number of votes and their candidates are assigned the same quotients, a new vote is held by the entire shareholders' meeting and the candidate who obtains the simple majority of the votes is elected.

**10.10** The appointment of the Board of Directors must take place in compliance with the rules on gender balance in force at the time. If applying the slate voting procedure fails to secure the minimum number of directors of the less represented gender that is required by the statutory and/or regulatory rules in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number on the slate that attracts most votes shall be substituted by the non-appointed candidate of the less represented gender, drawn from the same slate on the basis of their progressive order of presentation, and so on, slate by slate (solely with regard to slates with a number of candidates equal to or more than three), until the minimum number of directors of the less represented gender is reached. If at the end, said procedure does not secure the result just indicated, the substitution will be made through a resolution of the Shareholders' Meeting voted by a relative majority, subject to the nomination of persons of the less represented gender.

**10.1011** If the application of the slate voting system shall not ensure the appointment of the minimum number of independent Directors required by the law and/or regulation, the appointed non-independent candidate indicated with the higher progressive number in the slate which has obtained the higher number of votes is replaced by the non-appointed

independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed.

**10.11** When appointing directors who, for whatsoever reason were not appointed under the procedure established herein, the shareholders' meeting shall vote on the basis of the majorities required by law.

**10.12** If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed.

**10.13** In the event a Director cease to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

**10.14** The Board of Directors shall elect its own Chairman, if the shareholders' meeting has not already done so, and may also appoint one or more Deputy Chairmen.

**10.15** In the absence of the Chairman, a Deputy Chairman or a Managing Director, in that order, shall act in his/her stead; should there be two or more Deputy Chairmen or Managing Directors, the Board shall be presided over by the elder of same respectively.

**10.16** The Board of Directors shall appoint a Secretary, who need not be a director.

independent candidate included in the same slate on the basis of the progressive order of the presentation and so on, slate by slate, until the minimum number of independent Directors shall be appointed, **without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.**

~~10.1112~~ When appointing directors who, for whatsoever reason were not appointed under the procedure 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.**

~~10.1213~~ If one or more vacancies occur on the Board during the course of the financial year, the procedure established in article 2386 of the Italian Civil Code shall be followed, **without prejudice, whatever the circumstances, to compliance with the gender balance as provided by law and/or regulation in force at the time.**

~~10.1314~~ In the event a Director cease to comply with the independence requirements, this does not cause his/her ceasing to be a Director provided that the Directors in office complying with legal independence requirements are a number at least equal to the minimum number requested by laws and/or regulations.

~~10.1415~~ The Board of Directors shall elect its own Chairman, if the shareholders' meeting has not already done so, and may also appoint one or more Deputy Chairmen.

~~10.1516~~ In the absence of the Chairman, a Deputy Chairman or a Managing Director, in that order, shall act in his/her stead; should there be two or more Deputy Chairmen or Managing Directors, the Board shall be presided over by the elder of same respectively.

~~10.1617~~ The Board of Directors shall appoint a Secretary, who need not be a director.

<p><b>10.17</b> Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.</p>	<p><b>10.—1718</b> Until the shareholders' meeting resolves otherwise, the directors shall not be subject to the prohibition contemplated in article 2390 of the Italian Civil Code.</p>
<p><b>BOARD OF STATUTORY AUDITORS</b></p>	<p><b>BOARD OF STATUTORY AUDITORS</b></p>
<p><b>Article 16</b></p> <p><b>16.1</b> The Board of Statutory Auditors shall be composed of three standing and two 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.</p> <p><b>16.2</b> The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one standing auditor and one alternate auditor.</p> <p><b>16.3</b> 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.</p> <p><b>16.4</b> Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.</p> <p><b>16.5</b> Shareholders who, alone or together with other shareholders, represent at least 1,5 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</p>	<p><b>Article 16</b></p> <p><b>16.1</b> The Board of Statutory Auditors shall be composed of three standing and <del>two</del> <b>three</b> 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.</p> <p><b>16.2</b> The ordinary shareholders' meeting shall elect the Board of Statutory Auditors and determine its remuneration. The minority shareholders shall be entitled to appoint one standing auditor and one alternate auditor.</p> <p><b>16.3</b> 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.</p> <p><b>16.4</b> Each slate shall contain a number of candidates which does not exceed the number of members to be appointed.</p> <p><b>16.5</b> Shareholders who, alone or together with other shareholders, represent at least <del>1,5</del> <b>1,5</b> 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</p>

<p>entitled to submit slates.</p> <p><b>16.6</b> Each shareholder may present or take part in the presentation of only one slate.</p> <p><b>16.7</b> 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:</p> <ul style="list-style-type: none"> <li>- their nomination</li> <li>- 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.</li> </ul> <p>Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.</p> <p><b>16.8</b> Any slates submitted without complying with the foregoing provisions shall be disregarded.</p> <p><b>16.9</b> Each candidate may appear on only one slate, on pain of ineligibility.</p> <p><b>16.10</b> 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</p>	<p>entitled to submit slates.</p> <p><b>16.6</b> Each shareholder may present or take part in the presentation of only one slate.</p> <p><b>16.7</b> 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:</p> <ul style="list-style-type: none"> <li>- their nomination</li> <li>- 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.</li> </ul> <p>Any changes that occur up to the date of the Shareholders' meeting must be promptly notified to the Company.</p> <p><b>16.8</b> Any slates submitted without complying with the foregoing provisions shall be disregarded.</p> <p><b>16.9</b> Each candidate may appear on only one slate, on pain of ineligibility.</p> <p><b>16.10</b> 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</p>
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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.

**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) two standing members and one alternate member 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.

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) two standing members and **one** ~~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**

**16.14** The position of a standing auditor which falls vacant due to his/her death, forfeiture or resignation shall be filled by the alternate auditor chosen from the same slate as the former. In the event of the replacement of the Chairman of the Board of Statutory Auditors, the chair shall pertain to the candidate listed in the same slate of the former Chairman, following the order contained in the list; 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.

16.15 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; if, however,

**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.**

**16.145** 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 list, **subject in all cases to observance of the requirements in law and/or in the company bylaws 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.

**16.156** 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

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. 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.

**16.16** 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.

**16.17** 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.

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

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 appointed 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.

**16.167** 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.

**16.178** 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**.

**16.189** Outgoing members of the Board of

<p><b>16.19</b> 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.</p>	<p>Statutory Auditors may be re-appointed to office.</p> <p><b>16.920</b> 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.</p>
	<p><b>TRANSITIONAL CLAUSE</b></p>
	<p><b>Article 21</b></p> <p><b>21.1</b> The composition of the Board of Statutory Auditors as indicated in article 16.1 which foreseen the appointment of three standing statutory auditors and three alternate statutory auditors, shall be applied as from the first renewal of the control body after one year from the date Law no. 120 of 12 July 2011 takes effect. Up to that time the Board of Statutory Auditors shall be made up of three standing statutory auditors and by two alternate statutory auditors.</p>

- 2) to grant to on the Board of Directors – and for it to the Chairman of the Board of Directors in office – the fullest powers and all discretion needed so that effect is given to the resolutions above, there is compliance with any legal act and/or formality necessary, and the resolutions are entered in the Company Register, with the acceptance and introduction thereby of the amendments, additions, or cancellations – formal and not substantive – as may be requested by the competent authorities”.

The Board of Directors

Milan, 11th March 2013